



PRESIDIO BANK

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PRESS RELEASE

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FOR IMMEDIATE RELEASE:

PRESIDIO BANK REPORTS NET INCOME GROWTH OF 29% FOR 2014

Loans, Deposits and Total Assets end year at record levels

San Francisco, CA, February 4, 2015: Presidio Bank (OTCBB: PDOB), a Bay Area business bank, today reported unaudited results for the fourth quarter and full year ended December 31, 2014 with net income for the year of \$3.1 million, up 29% from 2013. The fourth quarter was highlighted by \$31 million in core deposit growth and \$14 million in loan growth resulting in record levels in both categories. Total assets increased \$32 million for the quarter and just under \$100 million for the year.

“2014 was another solid year for the Bank.” said Presidio Bank President and CEO Steve Heitel. “The Bank continued to grow loans, deposits, net income and new relationships while successfully executing a shareholder-friendly capital raise and launching our fifth office.”

Financial Highlights

- Total Loans outstanding increased by \$14 million or 3.6% over the quarter ended September 30, 2014 and increased \$42 million or 11.3% for the full year.
- Total Deposits increased by \$31 million or 6.9% from the quarter ended September 30, 2014 and increased by \$85 million or 21% for 2014. A number of Bank depositors are holding balances that are temporarily inflated. We had anticipated that some of these balances would run-off in the fourth quarter of 2014. Instead these temporary balances increased during the quarter. We now expect these balances to decline to more normal levels in the first quarter of 2015.
- Net interest income of \$4.9 million in the fourth quarter was up 3% over the third quarter of 2014. This increase resulted from loan growth and the recognition of interest income on a classified loan which paid off during the quarter which more than offset \$210 thousand in interest expense incurred during the quarter on the Bank’s newly issued subordinated notes. Net Interest Income was up 17% for the year.
- Operating Expenses increased 6% from the third quarter primarily due to a full quarter’s lease expense on our new San Mateo Office, and higher professional fees due to recruitment expense for our new East Bay Market President. Operating Expenses were up 11% for the year.
- Net Income was \$3.1 million, up 29% in 2014. Net income applicable to common shareholders was \$2.8 million for the year, an increase of 47.6% over 2013 as dividends on preferred stock declined; a result of the partial repurchase of preferred shares executed in 2013.
- Credit quality remains strong with a classified loan to capital ratio of less than 5%. The Bank added \$220 thousand to the Allowance For Loan Losses during the fourth quarter due to growth in the loan portfolio. No loan loss provision was recorded in 2013 or the third quarter of 2014. The Bank’s largest classified loan paid off in full

during the quarter. Non-performing loans totaled \$1.3 million at December 31, 2014 or 0.3% of total loans. The Allowance for Loan Losses of \$5.2 million covers non-performing loans by almost four times.

- Diluted earnings per common share were \$0.14 for the quarter compared to \$0.18 in the third quarter of 2014 and \$0.19 in the fourth quarter of 2013. EPS for the fourth quarter of 2013 included a \$152,000 gain on the retirement of preferred stock.
- Book value per share increased to \$9.74 per share as of December 31, 2014 from \$9.53 per share at September 30, 2014 and \$8.99 per share at December 31, 2013.

“The Bank continued to successfully execute its organic growth strategy in 2014.” said Presidio Bank Chairman and Founder, Jim Woolwine. “The addition of new capital, improvement in our already strong credit quality and successful opening of our San Mateo Office positions the Bank well for continued growth in 2015.”

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4th Quarter 2014 Financial Results

(Dollars in thousands, except per share amounts, unaudited)

Condensed Balance Sheet

	<u>For the period ended</u>				
	12/31/2014	9/30/2014	Change	12/31/2013	Change
Cash and due from banks	5,621	7,972	-29.5%	5,694	-1.3%
Interest bearing due from banks	104,642	84,612	23.7%	49,545	111.2%
Total cash and equivalents	110,263	92,584	19.1%	55,239	99.6%
Investment securities	14,392	14,419	-0.2%	14,230	1.1%
Loans, net of fees	415,741	401,421	3.6%	373,421	11.3%
Allowance for loan losses	(5,172)	(4,952)	4.4%	(4,867)	6.3%
Net loans	410,569	396,469	3.6%	368,554	11.4%
Premises and equipment, net	1,477	1,090	35.5%	932	58.5%
Other assets and interest receivable	6,052	5,773	4.8%	4,863	24.4%
Total assets	542,753	510,335	6.4%	443,818	22.3%
Non-interest-bearing demand	164,353	167,411	-1.8%	132,546	24.0%
Interest bearing transaction	69,646	63,260	10.1%	71,760	-2.9%
Money market and savings accounts	196,050	166,866	17.5%	153,180	28.0%
Time deposits	51,643	52,967	-2.5%	39,672	30.2%
Total deposits	481,692	450,504	6.9%	397,158	21.3%
Borrowings	10,360	10,048	3.1%	-	
Other liabilities	2,884	2,913	-1.0%	2,376	21.4%
Total liabilities	494,936	463,465	6.8%	399,534	23.9%
Preferred stock	6,869	6,860	0.1%	6,811	0.9%
Common stock	44,207	43,949	0.6%	43,540	1.5%
Retained earnings	(3,167)	(3,797)	16.6%	(5,898)	46.3%
Other comprehensive income	(92)	(142)	35.2%	(169)	
Total shareholder's equity	47,817	46,870	2.0%	44,284	8.0%
Total liabilities and equity	542,753	510,335	6.4%	443,818	22.3%
Book value per share					
Book value per share	\$ 9.74	\$ 9.53		\$ 8.99	
Total shares outstanding EOP	4,203	4,199		4,170	
Capital Ratios					
Tier 1 leverage ratio	8.8%	9.7%		9.9%	
Tier 1 risk-based capital ratio	10.0%	10.1%		10.3%	
Total risk-based capital ratio	13.3%	13.5%		11.6%	
Tangible common risk-based ratio	8.5%	8.6%		8.8%	

Condensed Statement of Income

	For the three months ended					For the twelve months ended		
	12/31/2014	9/30/2014	Change Fav./ (Unfav.)	12/31/2013	Change Fav./ (Unfav.)	12/31/2014	12/31/2013	Change Fav./ (Unfav.)
Interest income	5,342	4,963	7.6%	4,388	21.7%	19,719	16,753	17.7%
Interest expense	424	197	(115.2%)	200	(112.0%)	1,010	807	(25.2%)
Net interest income	4,918	4,766	3.2%	4,188	17.4%	18,709	15,946	17.3%
Provision for loan loss	220	-	NM	-	NM	301	-	NM
Net interest income after provision	4,698	4,766	(1.4%)	4,188	12.2%	18,408	15,946	15.4%
Other income	167	182	(8.2%)	151	10.6%	701	571	22.8%
Compensation and benefit expenses	2,134	2,165	1.4%	1,887	(13.1%)	8,550	7,349	(16.3%)
Occupancy and equipment expenses	447	393	(13.7%)	382	(17.0%)	1,586	1,535	(3.3%)
Data processing	286	261	(9.6%)	258	(10.9%)	1,064	1,006	(5.8%)
Professional and legal	123	88	(39.8%)	107	(15.0%)	429	556	22.8%
Other operating expenses	618	498	(24.1%)	452	(36.7%)	2,100	1,941	(8.2%)
Total operating expenses	3,608	3,405	(6.0%)	3,086	(16.9%)	13,729	12,387	(10.8%)
Net income before taxes	1,257	1,543	(18.5%)	1,253	0.3%	5,380	4,130	30.3%
Income taxes	528	648	18.5%	514	(2.7%)	2,234	1,693	(32.0%)
Net income	729	895	(18.5%)	739	1.4%	3,146	2,437	29.1%
Preferred dividends	89	89	0.0%	117	23.9%	356	547	34.9%
Net income to common	640	806	(20.6%)	622	2.9%	2,790	1,890	47.6%
Basic earnings per share	\$ 0.15	\$ 0.19		\$ 0.19		\$ 0.65	\$ 0.49	
Diluted earnings per share	\$ 0.14	\$ 0.18		\$ 0.19		\$ 0.62	\$ 0.48	
Average shares outstanding	4,194	4,187		4,137		4,178	4,119	
Average diluted shares	4,412	4,390		4,208		4,365	4,156	
Performance Ratios								
Return on average assets	0.53%	0.73%		0.66%		0.64%	0.58%	
Return on average common equity	6.20%	8.02%		6.63%		7.07%	5.22%	
Net interest margin	3.67%	3.96%		3.80%		3.88%	3.86%	
Cost of funds	0.33%	0.18%		0.20%		0.23%	0.22%	
Efficiency ratio	71.0%	68.8%		71.1%		70.7%	75.0%	
Average Balances								
Total assets	543,885	484,699		444,672		490,032	419,865	
Earning assets	535,387	476,849		437,002		482,371	412,817	
Total loans	403,479	403,372		356,992		397,300	335,535	
Total deposits	482,904	426,552		395,489		431,559	370,914	
Common equity	40,943	39,892		37,239		39,482	36,174	

NM = Not Meaningful



About Presidio Bank

Presidio Bank provides business banking services to small and mid-size businesses, including professional service firms, real estate developers and investors, and not-for-profit organizations, and to their owners who desire personalized, responsive service with access to local decision makers. Presidio Bank offers clients the resources of a large bank combined with the personalized services of a neighborhood bank. Presidio Bank is headquartered in San Francisco, California and currently operates five banking offices in San Francisco, Walnut Creek, San Rafael, San Mateo and Palo Alto. More information is available at www.presidiobank.com. Presidio Bank is a member of FDIC and an Equal Housing Lender.

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This press release contains certain forward-looking statements that involve risk and uncertainties. These statements are identifiable by use of the words "believe," "expect," "intend," "anticipate," "plan," "estimate," "project," or similar expressions. The risks and uncertainties that may affect the operations, performance, development, growth projections and results of Presidio Bank's business include, but are not limited to, the growth of the economy, interest rate movements, timely development by Presidio Bank of technology enhancements for its products and operating systems, the impact of competitive products, services and pricing, client-based requirements, Congressional legislation, changes in regulatory or generally accepted accounting principles and similar matters. Readers are cautioned not to place undue reliance on forward-looking statements which are subject to influence by the named risk factors and unanticipated future events. Actual results, accordingly, may differ materially from management expectations.