



PRESIDIO BANK

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PRESS RELEASE

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FOR IMMEDIATE RELEASE:

PRESIDIO BANK REPORTS RESULTS FOR THE SECOND QUARTER 2014

Net Income up 56% over Second Quarter 2013
Total Loans exceed \$400 million for the first time

San Francisco, CA, July 16, 2014: Presidio Bank (OTCBB: PDOB), a Bay Area business bank, today reported unaudited results for the second quarter ended June 30, 2014 with net income for the quarter of \$830 thousand, a 56% increase over the \$531 thousand achieved in the second quarter of 2013. Loans and total assets also grew to record levels during the quarter.

“The second quarter was another strong quarter for the Bank,” said Presidio Bank President and CEO Steve Heitel. “It is particularly pleasing for me to see the level of income growth despite concurrently investing in our future with expenses related to opening our new San Mateo Office.”

Financial Highlights

- Total Loans outstanding grew by \$19 million or 5% over the quarter ended March 31, 2014 and by \$75 million or 23% over the quarter ended June 30, 2013.
- Total Deposits decreased by \$15 million or 4% from the quarter ended March 31, 2014 but increased by \$25 million or 7% from the quarter ended June 30, 2013. As reported earlier, a number of depositors were holding higher than usual balances at end of the first quarter which normalized during the second quarter.
- Net interest income of \$4.6 million in the second quarter was up 4% over the first quarter of 2014 despite taking loan loss provision expense of \$81 thousand during the second quarter (primarily related to the growth in the loan portfolio). Net interest income was up 16% over the same quarter last year.
- Operating Expenses decreased 1% from the first quarter as a decline in seasonal employer payroll taxes and employee benefit expenses more than offset increased expenses related to the Bank’s San Mateo expansion. Operating Expenses increased 5% from the second quarter 2013.
- Net Income applicable to common shareholders was \$741 thousand for the quarter, an increase of 91% over the second quarter of 2013. Net Income applicable to common was up 23% over the first quarter of 2014.
- Credit quality remains strong. The Bank has just two borrowers classified as non-performing totaling \$1.6 million. This represents just 0.37% of total loans outstanding. Loan loss reserves of \$4.9 million cover non-performing loans 3.3 times. At June 30, 2014, the Bank had no past due loans, including those classified as non-performing.
- Diluted earnings per common share were \$0.17 for the quarter compared to \$0.14 in the first quarter of 2014 and \$0.09 in the second quarter of 2013.
- Book value per share increased to \$9.31 per share as of June 30, 2014 from \$9.15 per share at March 31, 2014 and \$8.54 per share at June 30, 2013.

“While I am proud of our financial results,” said Presidio Bank Chairman and Founder, Jim Woolwine. “It is equally pleasing to me that the Bank has once again been honored as one of the top corporate philanthropists by the San Francisco Business Times, indicating the Bank is not only serving its clients well but also serving its community.”

2nd Quarter 2014 Financial Results

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

Condensed Balance Sheet

	6/30/2014	3/31/2014	Change	6/30/2013	Change	12/31/2013	Change
Cash and due from banks	2,517	5,103	-50.7%	4,091	-38.5%	5,694	-55.8%
Interest bearing due from banks	56,366	66,188	-14.8%	79,991	-29.5%	49,545	13.8%
Total cash and equivalents	58,883	71,291	-17.4%	84,082	-30.0%	55,239	6.6%
Investment securities	14,492	14,124	2.6%	14,144	2.5%	14,230	1.8%
Loans, net of fees	408,752	389,749	4.9%	333,724	22.5%	373,421	9.5%
Allowance for loan losses	(4,952)	(4,871)	1.7%	(4,865)	1.8%	(4,867)	1.7%
Net loans	403,800	384,878	4.9%	328,859	22.8%	368,554	9.6%
Premises and equipment, net	1,032	1,033	-0.1%	984	4.9%	932	10.7%
Other assets and interest receivable	5,386	5,086	5.9%	5,117	5.3%	4,863	10.8%
Total assets	483,593	476,412	1.5%	433,186	11.6%	443,818	9.0%
Non-interest-bearing demand	132,538	143,202	-7.4%	146,309	-9.4%	132,546	0.0%
Interest bearing transaction	61,222	62,994	-2.8%	51,874	18.0%	71,760	-14.7%
Money market and savings accounts	169,909	178,869	-5.0%	144,514	17.6%	153,180	10.9%
Time deposits	45,736	39,038	17.2%	41,745	9.6%	39,672	15.3%
Total deposits	409,405	424,103	-3.5%	384,442	6.5%	397,158	3.1%
Borrowings	26,147	5,219	401.0%	-	NM	-	NM
Other liabilities	2,095	2,063	1.6%	2,105	-0.5%	2,376	-11.8%
Total liabilities	437,647	431,385	1.5%	386,547	13.2%	399,534	9.5%
Preferred stock	6,844	6,827	0.2%	11,035	-38.0%	6,811	0.5%
Common stock	43,798	43,667	0.3%	43,125	1.6%	43,540	0.6%
Retained earnings	(4,588)	(5,311)	13.6%	(7,252)	36.7%	(5,898)	22.2%
Other comprehensive income	(108)	(156)	30.8%	(269)		(169)	36.1%
Total shareholder's equity	45,946	45,027	2.0%	46,639	-1.5%	44,284	3.8%
Total liabilities and equity	483,593	476,412	1.5%	433,186	11.6%	443,818	9.0%
Book value per share							
Book value per share	\$ 9.31	\$ 9.15		\$ 8.54		\$ 8.99	
Total shares outstanding EOP	4,199	4,174		4,170		4,170	
Capital Ratios							
Tier 1 leverage ratio	9.6%	10.0%		11.1%		10.0%	
Tier 1 risk-based capital ratio	10.0%	10.3%		12.0%		10.5%	
Total risk-based capital ratio	11.2%	11.6%		13.3%		11.7%	
Tangible common risk-based ratio	8.5%	8.7%		9.3%		8.8%	

Condensed Statement of Income

	For the three months ended					For the six months ended		
	6/30/2014	3/31/2014	Change Fav./ (Unfav.)	6/30/2013	Change Fav./ (Unfav.)	6/30/2014	6/30/2013	Change Fav./ (Unfav.)
Interest income	4,841	4,572	5.9%	4,151	16.6%	9,414	8,049	17.0%
Interest expense	195	193	(1.0%)	206	5.3%	389	398	2.3%
Net interest income	4,646	4,379	6.1%	3,945	17.8%	9,025	7,651	18.0%
Provision for loan loss	81	-	NM	-	NM	81	-	NM
Net interest income after provision	4,565	4,379	4.2%	3,945	15.7%	8,944	7,651	16.9%
Other income	182	170	7.1%	145	25.5%	352	274	28.5%
Compensation and benefit expenses	2,064	2,186	5.6%	1,796	(14.9%)	4,251	3,669	(15.9%)
Occupancy and equipment expenses	373	373	0.0%	385	3.1%	746	770	3.1%
Data processing	261	256	(2.0%)	256	(2.0%)	517	499	(3.6%)
Professional and legal	118	95	(24.2%)	212	44.3%	213	344	38.1%
Other operating expenses	525	465	(12.9%)	541	3.0%	989	999	1.0%
Total operating expenses	3,341	3,375	1.0%	3,190	(4.7%)	6,716	6,281	(6.9%)
Net income before taxes	1,406	1,174	19.8%	900	56.2%	2,580	1,644	56.9%
Income taxes	576	481	(19.8%)	369	(56.1%)	1,058	674	(57.0%)
Net income	830	693	19.8%	531	56.3%	1,522	970	56.9%
Preferred dividends	89	89	0.0%	142	37.5%	178	285	37.5%
Net income to common	741	604	22.7%	389	90.6%	1,344	685	96.2%
Earnings Per Share								
Basic earnings per share	\$ 0.17	\$ 0.14		\$ 0.09		\$ 0.31	\$ 0.16	
Diluted earnings per share	\$ 0.17	\$ 0.14		\$ 0.09		\$ 0.30	\$ 0.16	
Performance Ratios								
Return on average assets	0.69%	0.62%		0.52%		0.66%	0.48%	
Return on average common equity	7.64%	6.42%		4.36%		7.03%	3.88%	
Net interest margin	3.95%	4.00%		3.90%		3.97%	3.89%	
Cost of funds	0.18%	0.19%		0.23%		0.19%	0.23%	
Efficiency ratio	69.2%	74.2%		78.0%		71.6%	79.3%	
Average Balances								
Total assets	479,221	451,259		412,909		465,317	403,423	
Earning assets	471,872	444,436		406,168		458,230	396,743	
Total loans	399,895	382,154		329,961		391,074	321,151	
Total deposits	419,923	395,956		364,278		408,006	354,948	
Common equity	38,925	38,134		35,758		38,530	35,571	
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 operates four banking offices in San Francisco, Walnut Creek, San Rafael and Palo Alto. A new San Mateo office is scheduled to open in late 2014. 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.