

PCBB 2Q 2014 Shareholder Report

PACIFIC COAST BANKERS' BANCSHARES REPORTS FINANCIAL RESULTS (UNAUDITED)

What's Inside

- Highlights
- Financial Summary
- Company Update

Pacific Coast Bankers' Bancshares ("Company", "PCBB"), parent company of Pacific Coast Bankers' Bank ("Bank") and PCBB Capital Markets, LLC ("Capital Markets") reported net income for the six months ended June 30, 2014 of \$1.8 mm or \$1.68 per share.

The results for the first half of 2014 were characterized by growth in net-interest income and a reduction in both non-interest income and non-interest expense. Asset quality improved to the best level since prior to the financial crisis with a Texas Ratio of 8.01%.

Steve Brown, President and Chief Executive Officer said, "PCBB had a solid start in the first half of 2014, showing the strength in our core business lines. We continue to serve the needs of community banks across the country and this has driven Company performance. In addition, our commitment to returning value to our shareholders was reflected with a dividend payment of \$1.35 which was paid in June."

Brown continued: "Our results this quarter showed PCBB's disciplined risk management approach to our business as we continue to deliver strong return to our shareholders. For the period, tangible return on equity was 8.75% and return on assets was 0.62%. Meanwhile, book value per common share increased by \$1.85 over the same period in the prior year, even after paying dividends of \$2.67 per share in the last 12 months."

In reviewing the Bank subsidiary, Brown commented: "The Bank's focus remains on maintaining a strong and liquid balance sheet. Total assets at the end of the quarter were \$622 million, about a 2% increase over Q2 2013, primarily due to growth in loans. Loans increased 18% over the same period to \$223 million and deposits decreased 2%. Capital also remained very strong, as the regulatory Leverage ratio was 12.9%, Tier 1 Risk-based was 25.6% and Total Risk-based was 26.9%."

Brown concluded: "The economy is slowly recovering and our community bank customers report seeing a slow but steady upturn as well. Despite heavy competition for loans from large banks, our community bank clients are holding their own and we expect that to translate to additional usage of our products and services through year-end. As for PCBB, we are positioned for a good second half, with continued improvement in net interest income and the lowest NPA levels in 7 years. The Company has also recorded strong growth and added new customers in international services, as well as new transactions in hedging and C&I loan sales services."

2Q 2014 HIGHLIGHTS

FINANCIAL HIGHLIGHTS

As of June 30, 2014 (Unaudited)

BANK BALANCE SHEET (thousands)

ASSETS

Cash and Due from bank	\$ 10,257
Interest Bearing Cash	237,074
Investment Securities	92,312
Loans Outstanding	222,948
Loan Loss Reserve	(3,656)
Other Assets	63,491
Total Assets	\$ 622,426

LIABILITIES AND CAPITAL

Deposits	\$ 491,208
Federal Funds Purchased	-
Borrowings from FHLB	30,000
Other Liabilities	29,462
Equity Capital	71,756
Total Liabilities and Capital	\$ 622,426

BANCSHARES FINANCIALS (YTD)

CONSOLIDATED INCOME STATEMENT (thousands)

Interest Income	\$ 5,939
Interest Expense	636
Net Interest Income	5,303
Other Income	9,566
Operating Expenses	12,005
Tax	1,074
Net Income	\$ 1,789

OTHER

Fed EBA Balances Managed:	\$ 2.1 Billion
Book Value per share	\$38.23
Consolidated ROA	0.62%
Consolidated ROE (Tangible)	8.75%

Strong Financial Results (Company):

- Net income of \$1.8 million
- Return on shareholder equity of 8.8% for the first half of 2014
- Increase in the dividend from \$1.32 to \$1.35 per common share

High Levels of Capital and Liquidity (Bank):

- Total Risk-based capital ratio was 26.9%
- Tier 1 Risk-based was 25.6%
- Leverage capital was 12.9%
- Very high liquidity was maintained, with 55% of total assets held in cash, short term investments and securities

Asset Quality (Bank):

- Texas Ratio declined to a low 8.0%
- Nonaccrual loans totaled only \$5.9 million, 97% of which are secured by real estate
- Loan loss reserves remained a strong 1.64% of loans

Other Key Ratios:

- **Company:** During the quarter, net interest income improved due to growth in the loan portfolio and a reduction in NPAs, and non interest income was bolstered by a 10% increase in international services revenue. Meanwhile, on the expense side, ongoing improvement in credit quality further reduced legal costs.
- **Bank:** At the end of the quarter, the loan portfolio mix was about 66% commercial real estate, 15% multifamily, 13% commercial and industrial, 5% single family residential and <1% other.

COMPANY UPDATE

PCBB held its annual shareholder meeting in May and announced a dividend to common shareholders of \$1.35 per common share. PCBB is proud of its ability to deliver a 6.91% dividend return to shareholders with the two recent dividends (\$1.32 in December 2013 and \$1.35 in June 2014) based on June 30 book value.

As the economy continues to gradually improve, the focus of bankers and regulators alike has moved to the timing of higher short-term interest rates. For those keeping track, it has now been 11 years since the last Federal Reserve tightening and it remains to be seen how an increasing interest rate cycle will affect bank customer behavior.

In preparing for the future, bankers should note our discussions with regulators and those of other community banks throughout the country show a focus on cyber risk, interest rate risk, BSA/AML internal controls, model risk management and reaching for yield, among others. Bank management teams should ensure a deep understanding of the levels of interest rate risk on the balance sheet and overlay stress testing analysis to prepare for a variety of outcomes.

We are pleased to see improvement across the industry and remain dedicated to assisting community bankers. We sincerely thank you for your business and if you have any questions, please do not hesitate to call (888) 399-1930.

Regards,



Steve Brown
President & CEO
Pacific Coast Bankers' Bancshares and subsidiaries



Hedging with BLP

BLP gives your bank the ability to provide customers long-term, fixed-rate loans without the derivative accounting or ISDA documents, while at the same time reducing your interest rate risk.

Your customer gets the fixed-rate payment structure they want.

Your bank gets the floating rate loan on your books that you want.

Contact us today to learn more:

blp@pcbb.com

SAVE THE DATE

April 26-29, 2015

The Palace Hotel

San Francisco, CA

2015 EMC

The EMC is dedicated to providing educational and networking opportunities for bankers to remain successful in their communities and while we are currently hard at work making another all-star agenda for 2015, below is some information about the last EMC.

2014 EMC highlights included:

- Successful tactics community bankers around the country are using to capture new loan customers and opportunities for CRE loan growth
- Ways to make your bank stand out in a sea of competitors—from the man who made Harley-Davidson the brand it is today
- Specific techniques for the c-suite to engage customers, boost sales and deepen relationships
- Out-of-the-box areas that could be impacted by rising rates and what you can do now to protect your franchise over the longer term
- Concrete ways to use social media to boost business and performance as you capture more customers—from one of the Top 20 ICBA Community Banking Influencers in Social Media

Save the date and stay tuned—more details to follow!

PCBB

www.pccb.com | (888) 399-1930