



bancorp

## **2014 RAYMOND JAMES BANK CONFERENCE**

Chicago, Illinois

Wednesday, September 3, 2014



# Forward-Looking Statement Disclosure

*This presentation contains forward-looking statements relating to present or future trends or factors affecting the banking industry, and specifically the financial condition and results of operations, including with out limitation, statements relating to the earnings outlook of the Corporation, as well as its operations, markets and products. Actual results could differ materially from those indicated.*

*Among the important factors that could cause results to differ materially are interest rate changes, continued softening in the economy, which could materially impact credit quality trends and the ability to generate loans, changes in the mix of the Corporation's business, competitive pressures, changes in accounting, tax or regulatory practices or requirements and those risk factors detailed in the Corporation's periodic reports and registration statements filed with the Securities and Exchange Commission. The Corporation undertakes no obligation to release revisions to these forward-looking statements or reflect events or circumstances after the date of this release.*



- 12 full service branch locations
- Strong balance sheet
- Solid capital position
- Single bank holding company
- Strong presence in San Mateo and San Francisco counties



## **FNB Bancorp Overview**

- Headquarters: South San Francisco, California
- Employees (FTE): 188
- Founded: 1963
- Assets: \$905 Million\*
- Market Capitalization: \$116 Million\*\*
- Ticker: FNBG (Bulletin Board)

*\* total assets as of 06/30/2014*

*\*\* Market Capitalization as of 06/30/2014*



## **2Q 2014 Highlights**

- Net Income of \$1.6 Million/\$0.39 per diluted share
  - Annualized Return on Average Assets of 0.72%
  - Annualized Return on Average Equity of 7.32%
  
- Quarterly dividend of \$0.11 per share
  
- Non-accrual loans totaled \$5,463,000 or 1.0% of total loans
  
- Solid Leverage Ratio of 10.06% at 6/30/2014 for bank subsidiary



# San Francisco, San Mateo, and Santa Clara Market Opportunities





## **Growth Projections**

- Grow organically by 3% - 5% annually; and
- Grow by strategic acquisitions that will expand our footprint geographically
- Signed definitive agreement to purchase Valley Community Bank – headquartered in Pleasanton, California, during Q2 2014



## **Existing Branch Office Opportunities**

- Sale of the South Airport Boulevard, South San Francisco office building is scheduled to close during 4Q 2014





# Financial Performance



## Q2 2014 Financial Indicators

<b>Selected Ratios</b>	<b>FNB Bancorp</b>
Net Interest Margin	4.11%
Nonperforming Assets/Total Assets	0.69%
Nonaccrual Loans/Total Loans	0.96%
Loans/Deposits	72%
Allowance/Total Loans	1.90%



## **Commitment to Credit Quality**

### Credit Quality Expertise:

- Conservative underwriting standards
- Expertise in residential and commercial real estate construction lending
- Significant commercial real estate lending experience

## Historical Margin Performance

Period	Net Interest Margin	Average Loan Yield
Q2 2014	4.11%	5.35%
Q1 2014	4.24%	5.49%
Q4 2013	4.24%	5.55%
Q3 2013	4.23%	5.70%
Q2 2013	4.41%	5.88%



## Deposit Portfolio

Date	Deposit Totals
June 30, 2014	\$790 Million
March 31, 2014	\$774 Million
December 31, 2013	\$773 Million
September 30, 2013	\$781 Million
June 30, 2013	\$803 Million
March 31, 2013	\$790 Million

## Investment Portfolio Summary

Date	Amount	Tax Equivalent Yield
Q2 2014	\$262 Million	2.30%
Q1 2014	\$261 Million	2.29%
Q4 2013	\$275 Million	2.25%
Q3 2013	\$285 Million	2.21%
Q2 2013	\$260 Million	2.28%
Q1 2013	\$240 Million	2.26%

## Loan Portfolio Summary

Date	Amount	Yield
Q2 2014	\$568 Million	5.35 %
Q1 2014	\$563 Million	5.49 %
Q4 2013	\$568 Million	5.55 %
Q3 2013	\$544 Million	5.70 %
Q2 2013	\$541 Million	5.88 %
Q1 2013	\$555 Million	5.99 %



## Business Opportunities





## **FNB Bancorp Value Proposition**

- ❑ Local delivery of relationship banking
  - Local ownership, live where we work
  - Centralization of key relationships with executive management
  
- ❑ Local decision making
  - Access to decision makers/senior management
  - Credit authority with quick turnaround times
  - Significant understanding of local real estate markets
  
- ❑ Consultative approach to banking
  - Significant ongoing customer touch emphasis
  
- ❑ Deep community involvement
  - Significant local community support and service entity involvement



## Strong Capital Position

<u>First National Bank of Northern California</u>		
	<b>Tier 1 Capital</b>	<b>Leverage Capital Ratio</b>
Q2 2014	\$89.7 Million	10.06%
Q1 2014	\$88.0 Million	9.96%
Q4 2013	\$87.7 Million	9.67%
Q3 2013	\$84.7 Million	9.44%
Q2 2013	\$83.1 Million	9.33%
Q1 2013	\$87.3 Million	9.89%



## **The FNB Bancorp Opportunity**

### **Strong Operation:**

- Credit discipline
- Growing presence in San Francisco & Santa Clara Counties
- Strong capital position

## **Efficiency Initiatives Ideas**

### **❑ Community Bank Challenges**

- Current/future regulatory environment
- Low rate environment
- Economic environment

### **❑ Operational Cost Improvements/Opportunities**

- Reduced problem assets should lead to reduced legal and professional expenses
- Review of all operational segments with an overall objective to improve efficiencies



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