

Puget Sound Bank Reports Strong Third Quarter Results

Written by Australian Business

BELLEVUE, Wash., Oct. 23, 2013 /PRNewswire/ -- Puget Sound Bank (OTCQB: PUGB) today reported net income of \$601,533 or \$.20 per share for the third quarter ending September 30, 2013 as compared to \$529,649 or \$.21 per share in the third quarter of 2012. Net income for the current quarter would have been approximately \$733,000 or \$0.24 per share before one-time costs resulting from Puget Sound Bank's acquisition of Core Business Bank, completed June 14, 2013

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Net income for the first nine months of 2013 increased to \$1.611 million from \$1.573 million in the year-earlier period. Without one-time acquisition costs net income for the current nine-months would have been \$2.0 million

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"This quarter – the first full quarter with Core Business Bank contributing to our operations – has been particularly strong for the Bank, said Jim Mitchell, Puget Sound Bank chief executive officer and president. "Our credit quality and performance ratios have exceeded our

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expectations to support our long-term strategy."

Total loans, including loans acquired from Core Business Bank and new organic loan growth, increased to \$255.2 million, a 27% increase from the year-earlier period. Commercial and industrial loans (including loans acquired from Core Business Bank and owner-occupied real estate) account for approximately 66% of Puget Sound Bank's portfolio as compared to approximately 65% in the year-earlier quarter.

"We anticipate double-digit organic loan growth to continue in 2014," said Mr. Mitchell, "especially given our new legal lending limit of \$9 million and new products and services such as mobile banking that we anticipate launching this quarter. However," he added, "we won't sacrifice our loan quality or stray from our C&I focus in the name of growth."

Third Quarter 2013 Highlights:

- Total assets grew 23% to \$324.8 million as compared to \$264.7 million a year ago.
- Noninterest demand deposits increased 53% from a year ago to \$118.2 million, or 42% of total deposits compared to 34% a year ago.
- Total loans grew 27% and total deposits grew 23% from a year ago.
- Net interest margin increased to 4.31% for the quarter, up from 3.91% one year ago.
- Tangible book value per share increased to \$10.96 from \$10.87 a year earlier.
- Return on equity decreased to 7.23% from 8.04% a year ago due to expenses related to the acquisition. Return on equity would have been 8.87% without acquisition costs.
- Return on assets decreased to 0.74% from 0.82% a year ago due to expenses related to the acquisition. Return on assets would have been 0.90% without acquisition costs.
- Nonperforming assets to total assets decreased to 0.35%, down from 0.91% in the year-earlier period.
- Allowance for loan losses and the fair value discount on the acquired loan portfolio, together were 1.43% of loans.
- Capital ratios continue to substantially exceed regulatory requirements for a well-capitalized financial institution, with total risk-based capital at 16.03%, well above the 10% well-capitalized regulatory requirement.
- The efficiency ratio decreased to 69.5% compared to 73.5% last quarter and 64.9% in the year-earlier quarter. The efficiency ratio would have been 63.7% without acquisition costs.
- For the 12th consecutive quarter, Puget Sound Bank was awarded a 5-star rating, the highest available from independent banking rating agency BauerFinancial.

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Integration of Core Business Bank Customer data integration of Core Business Bank was successfully completed the weekend of October 11-14, 2013. All customers are now on one unified service platform.

"We are pleased that all of the planning the last six months has paid off, resulting in a smooth integration for former Core Business Bank customers, said Mr. Mitchell. "Based on how well systems performed we anticipate upcoming transactions, statements and reporting to provide our new customers an experience that mirrors the high-level of service Puget Sound Bank customers have enjoyed since our inception."

"Acquisition costs have been below preliminary forecasts," said Mr. Mitchell, "and beginning in 2014 we expect the efficiency ratio (noninterest expense to revenue) to continue to improve and decrease more into our typical 65% range."

About Puget Sound Bank Puget Sound Bank (OTCQB: PUGB) proudly serves the greater Puget Sound region of Washington state. Based in Bellevue, Washington, the bank was founded to meet the specialized needs of small- and medium-sized businesses, select commercial real estate projects, professional service providers and high net worth individuals. Staffed by the most experienced, customer-oriented banking professionals in the region, Puget Sound Bank offers a full range of competitive financial products including an advanced suite of cash management services. Customers can access their accounts in-branch, online or through Puget Sound Bank's banking relationships offering branch and ATM deposit access throughout the continental United States. For more information visit us online at www.PugetSoundBank.com or call us at (425) 455-2400.

Forward-Looking Statement Safe Harbor: This news release contains comments or information that constitutes forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations that involve a number of risks and uncertainties. Forward-looking statements describe Puget Sound Bank's projections, estimates, plans and expectations of future results and can be identified by words such as "believe," "intend," "estimate," "likely," "anticipate," "expect," and other similar expressions. They are not guarantees of future performance. Actual results may differ materially from the results expressed in these forward-looking statements, which because of their

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forward-looking nature, are difficult to predict. Investors should not place undue reliance on any forward-looking statement, and should consider factors that might cause differences including but not limited to the degree of competition by traditional and nontraditional competitors, declines in real estate markets, an increase in unemployment or sustained high levels of unemployment; changes in interest rates; greater than expected costs to integrate acquisitions, adverse changes in local, national and international economies; changes in the Federal Reserve's actions that affect monetary and fiscal policies; changes in legislative or regulatory actions or reform, including without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act; demand for products and services; changes to the quality of the loan portfolio and our ability to succeed in our problem-asset resolution efforts; the impact of technological advances; changes in tax laws; and other risk factors. Puget Sound Bank undertakes no obligation to publicly update or clarify any forward-looking statement to reflect the impact of events or circumstances that may arise after the date of this release.

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Third Quarter 2013

CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited)

Quarterly

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2013

2013

2012

2013

2012

(\$ in thousands except per share data)

3rd Qtr

2nd Qtr

3rd Qtr

YTD

YTD

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EARNINGS

Net interest income

\$

3,322

2,793

2,460

8,744

7,509

Provision for loan losses

\$

63

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68

110

177

443

Net interest income after provision for loan losses

3,259

2,725

2,350

8,567

7,066

NonInterest income

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\$

211

138

109

487

322

NonInterest expense

\$

2,456

2,153

1,666

6,537

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5,033

Pre-tax Net income

\$

1,014

710

793

2,517

2,355

Provision for income taxes (benefit)

\$

412

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233

263

906

782

Net income

\$

602

476

530

1,611

1,573

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Preferred dividends

\$

25

25

25

74

74

Net income available to common shareholders

\$

577

451

505

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1,537

1,499

1

Earnings per share

\$

0.20

0.18

0.21

0.59

0.64

Average shares outstanding

2,920

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2,477

2,349

2,591

2,347

Total revenue

\$

3,533

2,930

2,569

9,231

7,831

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PERFORMANCE RATIOS

Return on average assets

0.74%

0.69%

0.82%

0.74%

0.85%

1

Return on average tangible common equity

7.23%

6.55%

8.04%

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7.17%

8.12%

Net interest margin

4.31%

4.26%

3.91%

4.24%

4.20%

Efficiency ratio

69.5%

73.5%

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64.9%

70.8%

64.3%

CAPITAL

Tier 1 leverage ratio

12.98%

15.04%

13.54%

Tier 1 risk-based capital ratio

14.83%

15.32%

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15.01%

Total risked based capital ratio

16.03%

16.52%

16.26%

Tangible Common Equity Ratio

9.92%

9.90%

9.65%

ASSET QUALITY

Net loan charge-offs (recoveries)

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\$

0

78

0

Allowance for loan losses

\$

3,148

3,085

3,021

Allowance for losses to total loans

1.24%

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1.24%

1.50%

Nonperforming loans

\$

1,180

1,722

2,415

Other real estate owned

\$

0

0

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0

Nonperforming assets to total assets

0.35%

0.54%

0.91%

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Third Quarter 2013

CONSOLIDATED FINANCIAL HIGHLIGHTS

(Unaudited)

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Quarterly

2013

2013

2012

(\$ in thousands except per share data)

3rd Qtr

2nd Qtr

3rd Qtr

BALANCE SHEET

Cash and Due From Banks

\$

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15,430

12,731

8,940

Investments

\$

49,258

51,517

52,484

Commercial and Industrial Loans

\$

123,389

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127,340

88,621

Owner-Occupied Commercial Real Estate

\$

45,100

38,931

41,275

Other Commercial Real Estate

\$

66,571

61,667

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54,361

Personal Loans

\$

19,440

19,912

14,921

Non-accrual Loans

\$

1,145

1,722

2,415

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Deferred Loan Fees

\$

(486)

(335)

(324)

Total Loans

\$

255,159

249,238

201,269

Allowance for Loan Losses

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\$

(3,148)

(3,085)

(3,021)

Acquired Loan Fair Value Adjustment

(482)

(650)

-

Net Loans

\$

251,529

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245,503

198,247

Goodwill/Core Deposit Intangible

2,206

2,218

-

Other Assets

\$

6,388

6,555

4,994

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Total Assets

\$

324,811

318,524

264,665

Non-interest bearing Demand

\$

118,196

117,462

77,038

Interest Bearing Demand

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\$

23,990

23,306

20,314

Money Market and Savings

\$

103,561

94,464

76,978

Certificates of Deposit

\$

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33,211

38,393

52,460

Total Deposits

\$

278,958

273,625

226,791

Borrowings

-

-

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-

Other Liabilities

\$

2,042

1,701

2,450

Total Equity

\$

43,811

43,199

35,425

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Total Liabilities and Equity

\$

324,811

318,524

264,665

Tangible Shareholders' equity

\$

32,007

31,301

25,207

Tangible book value per share

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10.96

10.74

10.87

¹ Includes preferred stock dividends not included in net income.

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