



Tamalpais Bancorp

Tamalpais Bancorp Reports Fourth Quarter and Full Year Results

Full Year Net Income up 14.7%, EPS up 17.8%

Annual Asset Growth of 26.4%

San Rafael, CA, January 23, 2009 — Tamalpais Bancorp (the “Company”) (NASDAQ:TAMB), the parent company for Tamalpais Bank and Tamalpais Wealth Advisors, today reported net income for the fourth quarter of 2008 of \$850,000 and quarterly diluted earnings per share (EPS) of \$0.22. In the prior year’s fourth quarter the Company reported net income of \$1,139,000 and EPS of \$0.30. On a sequential quarter basis, net income for the fourth quarter of 2008 compares to net income of \$1,486,000 and EPS of \$0.39 for the third quarter of 2008.

The fourth quarter 2008 results were impacted by a larger loan loss provision than the same period last year, partially offset by a continued increase in net interest income. The allowance for loan losses as a percent of total assets was increased to 1.37% as of December 31, 2008 from 1.05% as of December 31, 2007.

Net income for the full year of 2008 was \$4,829,000 and EPS was \$1.26, compared to net income of \$4,209,000 and EPS of \$1.07 in the prior year, resulting in a 14.7% increase in net income and a 17.8% increase in EPS. Results per share have been restated for the 7% stock dividend paid February 14, 2007 and reflects the repurchase of 4.9% of the outstanding shares in the third and fourth quarter of 2007.

The return on average shareholders’ equity was 9.18% in the fourth quarter and 13.74% for the full year of 2008, compared to 13.89% in the fourth quarter of 2007 and 12.89% for the full year of 2007. Book value per share increased by 14.2% in 2008 to \$9.84.

The Company continued to increase its allowance for loan losses and maintained ample liquidity while still growing its loan portfolio. During the fourth quarter the Company increased its allowance for loan losses as a percent of total loans from 1.13% to 1.37% and its cash, equivalents, and investments as a percent of total assets from 11.4% to 11.9%. Tamalpais Bank increased its Total Risk Based Capital Ratio from 10.45% to 10.46%.

"We are continuing to grow our core business in an increasingly difficult economic environment," said Mark Garwood, President/CEO. "Loans and deposits both grew at annualized rates of over 10% in the quarter. We were particularly successful in growing noninterest deposits, which increased 10.4% in the fourth quarter and 43.0% for the full year."

"In response to the deterioration of economic conditions over the past several months we have increased our allowance for loan losses. Although our increased provision for loan losses reduced earnings, our increasing revenue allowed us to take a large provision while still remaining profitable. We produced a return on average shareholders' equity of 9.18% in the fourth quarter despite recording a larger loan loss provision, and our full year return on average shareholder's equity was 13.74%."

The total assets of the Company increased to \$703.7 million as of December 31, 2008, up \$24.0 million (3.5%) from \$679.7 million as of September 30, 2008 and up \$146.8 million (26.4%) from \$556.8 million as of December 31, 2007. For the three and twelve months ended December 31, 2008:

- net loans increased by \$15.8 million (2.8%) and \$119.8 million (25.8%), respectively, to \$584.4 million;
- deposits increased by \$17.9 million (4.0%) and \$99.1 million (27.4%), respectively, to \$460.3 million;
- noninterest checking accounts increased by \$3.1 million (10.4%) and \$10.0 million (43.0%), respectively, to \$33.3 million;
- investments increased by \$9.3 million (16.0%) and \$12.0 million (21.8%), respectively, to \$67.2 million;
- FHLB Borrowings increased by \$5.0 million (2.8%) and \$36.6 million (25.0%), respectively, to \$183.1 million; and,

- stockholders' equity increased by \$1.1 million (3.1%) and \$4.7 million (14.3%), respectively, to \$37.6 million.

For the quarter ended December 31, 2008, net interest income before provision for loan losses increased by \$1,657,000 (36.5%) over the same period last year. The net interest margin widened to 3.71%, up from 3.47% in the fourth quarter of 2007. Net interest income increased as the Company lowered its cost of funds in response to ongoing cuts in the Federal Funds rates. This increase was partially offset by reductions in net interest income from nonaccrual loans and from the Federal Home Loan Bank of San Francisco's announcement that it would not be paying a stock dividend in the fourth quarter.

For the full year of 2008, net interest income before provision for loan losses increased by \$5,749,000 (32.7%) over last year. The full year of 2008 net interest margin widened to 3.79%, up from 3.50% last year. The Company's margin benefited from increased noninterest checking accounts generated through its Marin County based business banking team and from the pricing structure of loans with floors, initial fixed rates, and prepayment penalties.

Non-performing assets as a percentage of total assets were 2.44%, 0.63%, and 0.08% at December 31, 2008, September 30, 2008, and December 31, 2007, respectively. Net loan losses were a recovery of \$23,000 in the fourth quarter and a net loss of \$13,000 for the full year of 2008. For the quarter, the provision for loan losses was \$1,594,000, up \$1,390,000 (682.6%) from \$204,000 in the same period last year. For the full year the provision for loan losses was \$3.19 million up \$2,947,000 (1208.0%) from \$244,000 in the prior year.

The Company had 18 nonperforming loans at December 31, 2008 totaling \$16.8 million and one foreclosed property owned with a balance of \$417,000. Included in the nonperforming loans are a \$3.3 million commercial term loan secured by real estate, a \$5.4 commercial term loan secured by real estate, and a \$2.1 million land/construction loan.

“Although we have seen an increase in nonperforming loans in the quarter, the three largest loans represent 63% of total nonperforming assets. The increase in the loss provision takes into consideration the deterioration in credit quality of these assets, although we have not yet recorded a specific loss on any loan on nonaccrual status,” said Garwood. “We are working diligently with borrowers to proactively identify and address difficulties as they arise.”

Noninterest income decreased \$170,000 (24.5%) from the fourth quarter of 2007 to \$523,000. The Company did not sell any loans in the fourth quarter of 2008 and recognized a gain on sale of loans of \$16,000 for sales in prior quarters, compared to a gain on sale of \$99,000 in the fourth quarter of 2007. For the year-to-date noninterest income decreased \$359,000 (14.1%) to \$2,187,000, as the gain on sale of loans in 2008 of \$166,000 was \$418,000 (71.6%) lower than 2007.

Total noninterest expense in the fourth quarter of 2008 was \$3,905,000, a \$638,000 (19.5%) increase compared to \$3,267,000 for the same period in 2007. Salaries and benefits increased \$309,000 (17.5%) due primarily to planned increases in staff earlier in 2008. The Company continued to expand its staff and management in the fourth quarter to strengthen its commercial and small business banking operations. Noninterest expense for the year-to-date was \$15,090,000, a \$1,725,000 (12.9%) increase compared to \$13,365,000 for the same period in 2007.

Income tax provision for the fourth quarter of 2008 amounted to \$372,000, a decrease of \$251,000 (40.3%) over the same period in 2007. The effective tax rate in the fourth quarter of 2008 was 30.4% compared to 35.3% in the fourth quarter of 2007. The accrual rate in the fourth quarter was reduced to reflect tax credits associated with affordable housing investments. Income tax provision for the full year was \$2,386,000, an increase of \$99,000 (4.3%) over the same period in 2007.

About Tamalpais Bancorp

Tamalpais Bancorp, through its wholly owned subsidiaries Tamalpais Bank and Tamalpais Wealth Advisors, offers business and consumer banking through its seven Marin County full service branches, and wealth advisory services to high net worth families and institutional clients. The Company had \$704 million in assets and \$282 million in assets under management as of December 31, 2008. Shares of the Company's common stock are traded on the NASDAQ Capital Market System under the symbol TAMB.

This news release contains forward-looking statements with respect to the financial condition, results of operation and business of Tamalpais Bancorp and its subsidiaries. These include, but are not limited to, statements that relate to or are dependent on estimates or assumptions relating to the prospects of loan growth, credit quality, changes in securities or financial markets, and certain operating efficiencies resulting from the operations of Tamalpais Bank and Tamalpais Wealth Advisors. These forward-looking statements involve certain risks and uncertainties. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following possibilities: (1) competitive pressure among financial services companies increases significantly; (2) changes in the interest rate environment reduce interest margins; (3) general economic conditions, internationally, nationally or in the State of California are less favorable than expected; (4) legislation or regulatory requirements or changes adversely affect the businesses in which the consolidated organization is or will be engaged; (5) the ability to satisfy the requirements of the Sarbanes-Oxley Act and other regulations governing internal controls; (6) volatility or significant changes in the equity and bond markets which can affect overall growth and profitability of our wealth management business, and (7) other risks detailed in the Tamalpais Bancorp filings with the Securities and Exchange Commission. When relying on forward-looking statements to make decisions with respect to Tamalpais Bancorp, investors and others are cautioned to consider these and other risks and uncertainties. Tamalpais Bancorp disclaims any obligation to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.