



July 30, 2010

Dear Shareholder,

Building upon the momentum established in the first quarter of 2010, I am pleased to report that Presidio Bank achieved solid financial results in the second quarter ended June 30, 2010. This was achieved through increased profitability, growth in both loans and deposits, and continued good credit quality.

Key Financial Highlights:

- Core deposits grew by more than 3% during the quarter bringing year-to-date core deposit growth to more than 11%. Within that category, non-interest bearing demand deposits increased another 21% during the quarter resulting in year-to-date growth of 33%. Realistically, due to recent regulatory changes and the eventual rise in interest rates, we believe some of this demand deposit growth will migrate to interest bearing accounts over time.
- Outstanding loan balances grew 5% during the 2nd quarter bringing total loans to almost \$227 million. Despite the challenging credit market, the Bank added \$35 million in new loan commitments during the quarter bringing loan originations to more than \$60 million year-to-date. As discussed in prior quarters, line of credit utilization remains at historic lows resulting in the modest growth in loan balances year-to-date.
- Net Interest Margin improved to 4.33% for the quarter, up from 4.15% in the first quarter. This gain was driven by an increase in loan yields (which improved from 5.49% to 5.69%) and a drop in the cost of deposits (which declined from .70% to .66%).
- Credit quality improved during the quarter as our one non-performing loan returned to performing status. Despite our clean loss history and lack of non-performing loans, we remain cautious about the impact of continued sluggish economic conditions on our clients and continue to maintain loan loss reserves in excess of 2% of loans. We believe this level of reserves, which is above our peer group, is appropriate given the uncertainty surrounding the economy.

- For the first six months of 2010, total revenue increased 43% while expenses increased by only 2% when compared to the same period in 2009. When this comparison is adjusted to exclude the decrease in loan loss provision expense in 2010, revenues have still increased by 43% over 2009. This favorable shift resulted in net income of \$525,054 for the first half of 2010 compared to a net loss of \$1,333,769 for the first half of 2009.

As always, detailed financial information for the current quarter and prior periods is available for your review on our website within the Investor Section at www.presidiobank.com. I invite you to contact me directly if you have any questions.

On July 21, 2010, President Barack Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act. In addition to permanently raising the maximum deposit insurance amount to \$250,000, it includes many other financial reforms and consumer protection provisions. The full impact is unclear at this time, partly due to the 30 new regulations contained in the bill yet to be written by Regulatory Agencies. As our Bank's focus is within the business market sector, we believe its impact on our Bank will be less than banks serving the retail market. We will keep you apprised as this law moves through what appears will be a multi-year implementation process.

Our shareholders continue to provide Presidio Bank with high quality business referrals and unique market insight. Thank you for your support.

Sincerely,



Steve Heitel
President & CEO
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The above letter contains certain forward-looking statements and information relating to the Company that is based on the beliefs of management as well as assumptions made by and information currently available to management. These forward-looking statements include but are not limited to statements regarding general economic conditions, economic cycles, market stability, reduction of problem assets, loan and deposit growth, capital and liquidity levels and related targets, housing markets, levels of foreclosure and types of foreclosures, unemployment levels, levels of securities and duration of the securities portfolio, target dates for bank office openings and banking activities. In addition, the words "anticipates," "believes," "estimates," "expects," "indicates," "intends," "should," and similar expressions, or the negative thereof, as they relate to the Company or the Company's management, are intended to identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. One or more of these risks may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The Company does not intend to update these forward-looking statements.