



May 5, 2010

Re: Financial Results – 1<sup>st</sup> Quarter 2010

Dear Shareholder,

I am pleased to announce that Presidio Bank achieved two significant milestones in the first quarter of 2010. These milestones, along with our strong credit culture, continue to drive us to our original plan of becoming the premier business bank in the Bay Area.

For the quarter ending March 31, 2010 we achieved our first quarterly net profit. While we are pleased with this accomplishment, particularly given the challenges that many in our industry face today, we recognize that this is just one milestone along the way—not the destination of our journey.

In March the Bank achieved another original objective with the opening of the Mid-Peninsula Office in Palo Alto. This much anticipated expansion represents a key growth initiative for the bank in a highly coveted market. The Bank hosted a grand opening reception in April that was attended by over 160 clients, prospects and community leaders from the Mid-Peninsula area.

Key Financial Highlights for the Quarter included:

- Core deposits grew by more than 8% during the quarter reflective of a 32% annualized rate. Within that category, non-interest bearing demand deposits increased 10% reflective of a 40% annualized rate. A key element of our relationship strategy is the continued growth in core deposits to fund our loan growth.
- Despite booking over \$ 25 million in new loan commitments during the quarter, outstanding loan balances declined 1% during this period, as loan payoffs and low credit line utilization rates more than offset this growth. While the credit markets remain challenging, we still feel we can achieve moderate loan growth in 2010.
- Continuing a year long trend, yield on loans increased from 5.45% to 5.51% during the quarter as new loans are being booked at higher rates than the average rate of the existing portfolio. Deposit costs decreased by another 4 basis points to .69% as the

bank continued its disciplined deposit pricing strategy. Our Net Interest Margin (NIM) percentage was essentially flat for the quarter as the Bank carried higher liquidity levels, which yielded lower returns that offset the improvement in loan and deposit pricing.

- Credit quality remained stable as reflected by no loan losses during the quarter and non-performing loans of only 0.2% of total loans. These key benchmarks continue to represent best-in-class credit metrics for our Bank.
- Despite increased expenses related to the opening of our Mid-Peninsula Office, the Bank was able to achieve a profit for the quarter of \$181 thousand. Expenses grew 3% from the prior quarter due to the lease expense of the Mid-Peninsula Office, one-time expenses associated with opening the office, and the addition of a marketing officer and senior credit administrator to our team. To put this in proper perspective however, expenses have only grown 3% over the first quarter, a period in which revenue has grown 39%. With the opening of our Mid-Peninsula office, we believe our infrastructure build is essentially complete for the next few years. We anticipate continued client growth going forward with only modest increases in our expense structure which should lead to improvement in our profitability.

As we have always provided, detailed financial information for the quarter ending March 31, 2010 and prior periods are available for your review on our website under the Investor Section at [www.presidiobank.com](http://www.presidiobank.com).

I invite you to contact me directly if you have any questions. I look forward to seeing you at our annual meeting on May 13<sup>th</sup> at the City Club in San Francisco.

On behalf of the Board of Directors, Management and the Staff of the Bank, your continued support is greatly appreciated.

Sincerely,



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