

FINANCIAL REPORT

Dear Shareholders, Clients and Friends:

We are pleased to report another solid quarter with growth in loans, deposits, and profitability. Presidio Bank reported a pre-tax profit of \$788,978 for the quarter ended June 30, 2012, an increase of 26% over the first quarter and an increase of \$755,086 over the same period in 2011. In addition, the Bank ended the quarter with record levels of total assets and total deposits.

KEY FINANCIAL HIGHLIGHTS FOR THE QUARTER INCLUDED:

- Deposit growth continues to be strong with total deposits increasing another \$21 million in the quarter and totaling \$346 million. This represents growth of \$95 million or 37.8% from a year ago. Non-interest bearing demand deposits were up another \$7 million in the quarter and now total \$104 million or 30% of total deposits. This represents a 45% increase over June 30, 2011.
- The loan portfolio grew to \$264 million as total loans increased \$14 million or 5.5% from the first quarter. Our loan pipeline is solid and we anticipate loan growth through year end despite underutilized lines of credit. Most loan growth will come from increasing market share.
- Although deposit growth is positive, the liquid assets generated earn a nominal return thereby negatively impacting Net Interest Margin (NIM). NIM declined from 4.0% in the first quarter to 3.7% in the second quarter. Yield on loans was down nine basis points for the quarter as competitive pressures continue to drive down loan rates, while the cost of deposits declined by seven basis points.
- Credit quality remained strong during the quarter with a 0.41% Non-Performing Assets Ratio and zero delinquencies. Our loan loss reserve remains sizeable at 1.87% of total loans.
- Operating expenses for the quarter decreased 4.7% from the previous quarter as expected since the first quarter tends to have seasonally high employer payroll taxes. Operating expenses were flat compared to the same quarter a year ago.
- While the pre-tax income increase year-over-year was significantly impacted by loan loss provisions taken during 2011, declines in the after-tax results year-over-year are primarily attributable to the one-time recapture of \$4.7 million of tax benefits taken during the second quarter of 2011.

Overall, our business model is serving us well. We are located in key growth markets around the Bay Area; we continue investing in technology to both safeguard client transactions and increase service flexibility; and we have a talented staff dedicated to serving the needs of our attractive client base. This blueprint allows the Bank to continue to win new relationships despite an increasingly competitive environment. We believe that these building blocks combined with our strong credit culture will position us for long-term financial strength and success.



Sincerely,



Steve Heitel, President & CEO
415.229.8428 sheitel@presidiobank.com

www.PresidioBank.com

This document contains 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 problems assets, loan and deposit growth, capital and liquidity levels and related targets, housing markets, levels of foreclosures 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'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.

Second Quarter Report - June 30, 2012

Condensed Balance Sheet

(Unaudited)	June 30, 2012	March 31, 2012	December 31, 2011	June 30, 2011
Assets				
Cash and due from banks	\$ 114,387,479	\$ 103,059,324	\$ 71,432,528	\$ 24,405,139
Other overnight investments	10,195,000	13,200,000	10,005,000	10,810,000
Cash and cash equivalents	<u>124,582,479</u>	<u>116,259,324</u>	<u>81,437,528</u>	<u>35,215,139</u>
Investment Securities	3,195,064	3,128,118	3,129,063	2,998,426
Total loans	264,060,484	250,255,282	270,397,610	261,303,884
Less: allowance for loan losses	<u>(4,945,316)</u>	<u>(4,945,316)</u>	<u>(4,944,316)</u>	<u>(4,975,033)</u>
Net loans	259,115,168	245,309,966	265,453,294	256,328,851
Premises and equipment, net	1,186,799	1,274,316	1,314,172	1,423,156
Other assets and interest receivable	5,357,783	5,700,008	6,015,864	6,668,026
Total assets	<u>\$ 393,437,293</u>	<u>\$ 371,671,732</u>	<u>\$ 357,349,921</u>	<u>\$ 302,633,598</u>
Liabilities and Shareholders' Equity				
Demand deposits	\$ 103,937,567	\$ 97,006,274	\$ 89,208,889	\$ 71,727,538
Money market	148,806,724	132,856,942	122,787,227	93,806,757
Interest checking	46,117,654	50,923,433	55,328,427	41,608,928
Savings	1,274,297	1,664,747	1,384,781	550,099
Time deposits	<u>46,322,492</u>	<u>42,650,403</u>	<u>42,050,913</u>	<u>43,650,561</u>
Total deposits	346,458,734	325,101,799	310,760,237	251,343,883
Other liabilities and interest payable	<u>1,504,704</u>	<u>1,546,021</u>	<u>1,898,732</u>	<u>7,484,991</u>
Total liabilities	347,963,438	326,647,820	312,658,969	258,828,874
Preferred Stock	10,969,722	10,953,472	10,937,222	10,904,772
Common stock	34,504,133	34,070,440	33,753,730	32,899,952
Total shareholder's equity	45,473,855	45,023,912	44,690,952	43,804,724
Total liabilities and equity	<u>\$ 393,437,293</u>	<u>\$ 371,671,732</u>	<u>\$ 357,349,921</u>	<u>\$ 302,633,598</u>
Book value per common share	\$8.37	\$8.29	\$8.25	\$ 8.04
Equity to assets	11.56%	12.11%	12.51%	14.47%
Nonperforming assets to assets	0.41%	0.45%	0.48%	0.60%
Loan loss reserves to loans	1.87%	1.98%	1.83%	1.90%

Condensed Statement of Operations

(Unaudited)	Quarter Ended June 30, 2012	Quarter Ended March 31, 2012	Year to Date June 30, 2012	Year to Date June 30, 2011
Interest and fees on loans	\$ 3,611,764	\$ 3,651,255	\$ 7,263,019	\$ 7,078,952
Interest on investments	101,617	85,861	187,478	90,466
Total interest income	<u>3,713,381</u>	<u>3,737,116</u>	<u>7,450,497</u>	<u>7,169,418</u>
Deposit interest expense	217,367	240,300	457,667	601,569
Net interest income	3,496,014	3,496,816	6,992,830	6,567,849
Provision for loan losses	<u>0</u>	<u>0</u>	<u>0</u>	<u>819,783</u>
Net interest income after provision	3,496,014	3,496,816	6,992,830	5,748,066
Other operating income	137,436	110,827	248,263	203,164
Salaries and benefits	1,696,170	1,934,263	3,630,433	3,295,172
FF&E and occupancy expense	404,446	377,482	781,928	738,113
Other	743,856	671,656	1,415,512	1,563,933
Total operating expenses	<u>2,844,472</u>	<u>2,983,401</u>	<u>5,827,873</u>	<u>5,597,218</u>
Income before income taxes	788,978	624,242	1,413,220	354,012
Provision for income taxes	323,481	255,939	579,420	(4,717,614)
Net income	<u>\$ 465,497</u>	<u>\$ 368,303</u>	<u>\$833,800</u>	<u>\$ 5,071,626</u>
Preferred dividends declared and paid	<u>\$ 142,313</u>	<u>\$ 142,313</u>	<u>\$ 284,626</u>	<u>\$ 845,969</u>
Net income to common shareholders	<u>\$ 323,184</u>	<u>\$ 225,990</u>	<u>\$ 549,174</u>	<u>\$ 4,225,657</u>
Earnings per common share	\$0.08	\$ 0.06	\$ 0.14	\$ 1.04
Average Shares Outstanding	4,071,000	4,057,931	4,065,000	4,052,000
Net interest margin	3.69%	3.95%	3.82%	4.54%
Efficiency ratio	78.29%	82.70%	80.48%	82.66%
Return on average assets	0.48%	0.41%	0.45%	3.47%
Return on average common equity	3.77%	2.66%	3.22%	35.21%

Presidio Bank Locations:

San Francisco

One Montgomery St. Suite 2300
San Francisco, CA 94104
415.229.8400

Mid-Peninsula

325 Lytton Ave. Suite 100
Palo Alto, CA 94301
650.321.0500

North Bay

999 5th Ave. Suite 300
San Rafael, CA 94901
415.456.6000

East Bay

1850 Mt. Diablo Blvd. Suite 640
Walnut Creek, CA 94596
925.287.7880

QUARTERLY

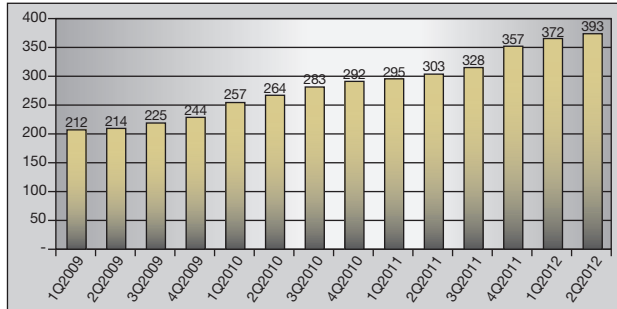
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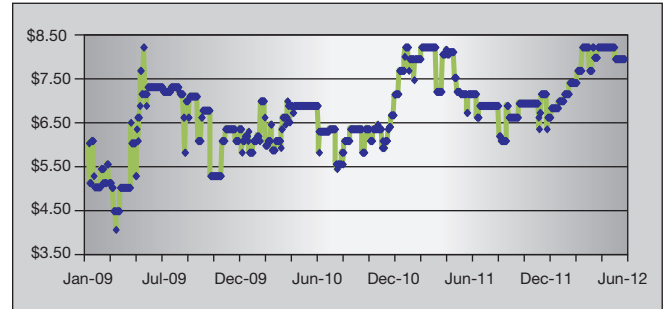
Ticker Symbol: PDOB

Continuing Growth

Total Assets (\$ Millions)

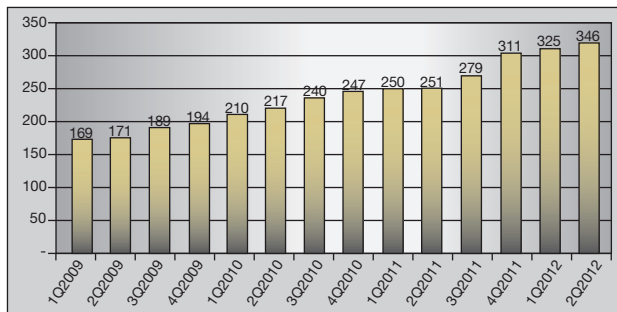


Stock Price



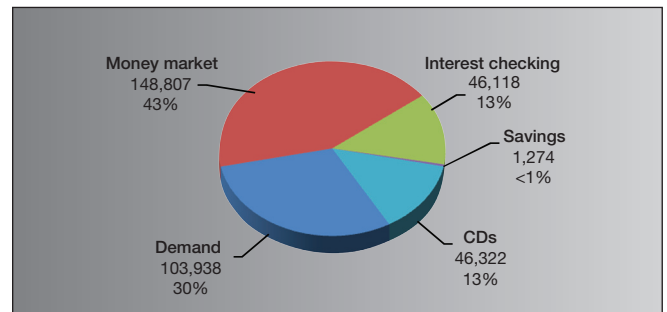
Building Deposit Base

Total Deposits (\$ Millions)



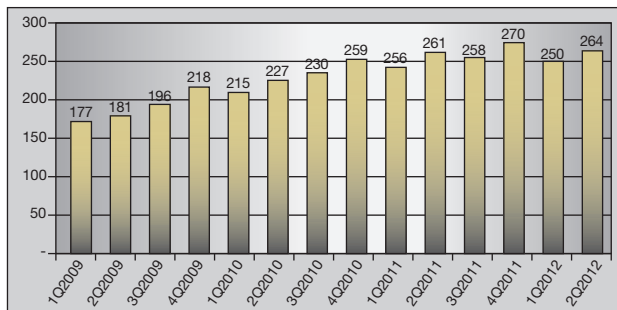
Deposit Mix Drives Margins

Deposits Composition (\$000)



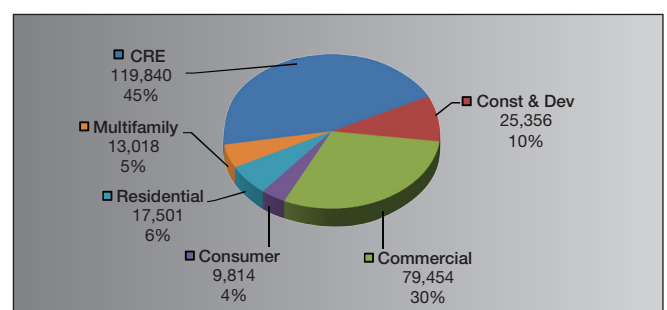
Loan Growth

Total Loans (\$ Millions)



Business Banking Loan Profile

Loan Composition (\$000)



Board of Directors:

Craig F. Andersen
 Bruce H. Cabral
 Paula R. Collins
 Michael A. Covarrubias
 Stephen G. Heitel
 Robert B. Leet
 Stephen D. Mayer
 Gregory J. Moss
 Steven H. Oliver
 Marina H. Park
 James R. Woolwine

Management Team:

James R. Woolwine, Chairman
 Stephen G. Heitel, President & CEO
 Todd Allen, EVP/President, North Bay
 Fred Bailard, EVP/Mgr, Cash Mgmt Solutions
 Clay Jones, EVP/President, Mid-Peninsula
 Mary Leonard-Wilson, EVP/COO
 Edward J. Murphy, EVP/CFO
 Vern Padgett, EVP/President, East Bay
 Sherry A. Price, EVP/COO

FINANCIAL FUNDAMENTALS

Presidio Bank (the "Bank") continues to report a strong balance sheet and a healthy loan portfolio despite the disarray in the financial markets. Its strength and stability is enhanced through a community-based approach to banking, one which relies on long-term customer relationships and lending within local communities.

Balance Sheet

The Bank has a record \$393 million in assets at the end of the second quarter 2012 increasing 30% year-over-year. Presidio Bank is now double the size of every other bank that started in California during 2006, with the exception of one.

Liquidity

Liquid assets have increased nearly \$89 million since a year ago. As of June 30, 2012, the Bank has 31.7% of its assets in cash and cash equivalents. The Bank also maintains secured secondary funding sources with availability in excess of \$60 million to handle unexpected liquidity outflows.

Loans

Loans are \$264 million at quarter end, increasing \$14 million or 5.5% from the first quarter. Credit quality remains solid with no delinquent loans.

Deposits

Deposits are up \$21 million or 6.6% from the previous quarter and \$95 million or 37.8% from a year ago. Presidio continues to maintain a favorable deposit mix with non-interest bearing demand deposits making up 30% of total deposits at June 30, 2012.

Capital

The Bank's capital is well above current regulatory requirements. The Bank's Tier I Risk Based Ratio was 14.6% at the end second quarter 2012 versus a regulatory minimum of 6% for well-capitalized institutions. The Bank's present capital base will support growth through 2013 and should be further enhanced with projected profitability.

Profitability

Net revenues were essentially flat (0.7% increase) from last quarter but increased 5.4% over the year-ago quarter. Net income to common shareholders was \$323,184 year-to-date increasing 43% or \$97,193 over the previous quarter. This increase in profitability quarter over quarter was primarily due to the normalization in operating expenses contrasted by first quarter's seasonal increase.

Net Interest Margin

Net Interest Margin decreased to 3.7% for second quarter compared to 4.0 % for the first quarter of 2012, primarily due to the impact of higher average low-yielding liquid asset balances.

Provision For Loan Losses

There was no loan loss provision expense in the second quarter of 2012 as credit quality remained stable and strong. The Bank's loan loss reserve of \$4.9 million remains sizeable at 1.9% of the loan portfolio.

Expense Control

Operating expenses of \$2.8 million decreased 4.7% from the previous quarter and were essentially flat from the quarter ended June 30, 2011.