

FINANCIAL REPORT

Dear Shareholders, Clients and Friends:

Presidio Bank finished 2013 with strong income, asset and loan growth. For the year, net income increased by 89% to \$2.4 million. This year-over-year earnings growth is primarily a result of growth in the loan portfolio and a focus on expense control. Total revenue grew 14% for the year while expenses increased only 1.5%. Loans increased 19% and deposits increased 11% resulting in total assets growing to \$444 million, an increase of \$38 million or 9.5%. Credit quality also improved during the year.

KEY FINANCIAL HIGHLIGHTS FOR THE 4TH QUARTER 2013:

- The loan portfolio increased \$22 million or 6% (24% annualized) during the quarter. Our loan pipeline continues to be strong and we anticipate continued loan growth in the 1st quarter of 2014.
- Deposit balances increased \$23 million in the 4th quarter. The mix remains favorable with 33% of total deposits in non-interest bearing demand accounts.
- Due primarily to the growing loan portfolio, net interest income totaled a record \$4.2 million in the 4th quarter, up 2% from the 3rd quarter and up 21% from the 4th quarter of 2012. Net interest margin for the quarter dropped 8 basis points to 3.80% as average liquid assets increased as a percentage of average total assets.
- Credit quality remains strong with zero loan loss provision expense taken in the quarter. Non-accrual loans total just 0.5% of total loans. Loan loss reserves cover non-performing loans by 2.5 times. The Bank had no delinquent loans at quarter end. Classified commitments were down 23% to \$5.4 million during 2013
- The Bank continues to absorb higher volumes of deposit account and lending activity without commensurate increases in expenses. Operating expenses for the quarter increased by 2% from the 3rd quarter. For the full year, operating expenses were up just \$180,000 compared to 2012.
- The Bank's book value per share increased \$8.99 per share from \$8.74 in the 3rd quarter and \$8.46 last year.
- The partial repurchase of Series A Preferred of \$4.3 million in November will reduce 2014 dividends by \$230,000 and positively impacted return to common shareholders in the 4th quarter of 2013. Return on Average Common Equity (ROACE) was 6.63% for the 4th quarter compared to 6.40% for the 3rd quarter, despite a 2 basis point drop in Presidio's Return on Average Assets (ROAA). For the full year of 2013, Presidio recorded a 0.58% ROAA and a 5.22% ROACE compared to 0.33% and 2.09% respectively in 2012.

As the 4th quarter and 2013 profit increases indicate, the Bank has reached a point now where we can continue to leverage efficiencies while simultaneously investing in future growth with another strategic branch opening in 2014. We are pleased with overall performance trends within the business and the industry despite the challenges presented by the low interest rate environment.

www.PresidioBank.com



Sincerely,



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President & CEO
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PRESIDIO BANK

Fourth Quarter Report - December 31, 2013

(Dollars in thousands, except per share amounts, unaudited)

Condensed Balance Sheet

	12/31/13	9/30/13	Change	12/31/12	Change
Cash and due from banks	5,694	5,557	2.5%	5,105	11.5%
Interest bearing due from banks	49,545	51,284	-3.4%	71,489	-30.7%
Total cash and equivalents	55,239	56,841	-2.8%	76,594	-27.9%
Investment Securities	14,230	14,218	0.1%	13,445	5.8%
Loans, net of fees	373,421	351,470	6.2%	313,992	18.9%
Allowance for loan losses	(4,867)	(4,865)	0.0%	(4,945)	-1.6%
Net loans	368,554	346,605	6.3%	309,047	19.3%
Premises and equipment, net	932	909	2.6%	1,221	-23.6%
Other assets and interest receivable	4,863	4,628	5.1%	5,164	-5.8%
Total Assets	443,818	423,202	4.9%	405,471	9.5%
Non-interest-bearing demand	132,546	125,452	5.7%	131,438	0.8%
Interest bearing transaction	71,760	65,749	9.1%	53,780	33.4%
Money market and savings accounts	153,180	141,198	8.5%	129,238	18.5%
Time deposits	39,672	41,108	-3.5%	42,918	-7.6%
Total Deposits	397,158	373,507	6.3%	357,374	11.1%
Other liabilities	2,376	2,202	7.9%	2,209	7.5%
Total Liabilities	399,534	375,709	6.3%	359,583	11.1%
Preferred Stock	6,811	11,051	-38.4%	11,002	-38.1%
Common Stock	43,540	43,333	0.5%	42,809	1.7%
Retained earnings	(5,898)	(6,683)	11.7%	(7,905)	25.4%
Other comprehensive income	(169)	(208)	18.8%	(18)	
Total Shareholder's Equity	44,284	47,493	-6.8%	45,889	-3.5%
Total Liabilities and Equity	443,818	423,202	4.9%	405,471	9.5%

Book value per share

Book value per share	\$ 8.99	\$ 8.74		\$ 8.46	
Total Shares outstanding EOP	4,170	4,170		4,123	

Capital Ratios

Tier 1 leverage ratio	9.9%	11.1%		10.8%	
Tier 1 risk-based capital ratio	10.3%	11.9%		13.7%	
Total risk-based capital ratio	11.6%	13.2%		15.0%	
Tangible common risk-based ratio	8.8%	9.1%		9.8%	

Condensed Statement of Income	For the three months ended				For the twelve months ended			
	12/31/13	9/30/13	Change Fav./(Unfav.)	12/31/12	Change Fav./(Unfav.)	12/31/13	12/31/12	Change Fav./(Unfav.)
Interest Income	4,388	4,317	1.6%	3,683	19.1%	16,753	14,834	12.9%
Interest Expense	200	209	4.3%	210	4.8%	807	880	8.3%
Net Interest Income	4,188	4,108	1.9%	3,473	20.6%	15,946	13,954	14.3%
Provision for Loan Loss	-	-	NM	-	NM	-	-	NM
Net Interest Income After Provision	4,188	4,108	1.9%	3,473	20.6%	15,946	13,954	14.3%
Other income	151	146	3.7%	161	(6.2%)	571	527	8.3%
Compensation and benefit expenses	1,887	1,794	(5.2%)	2,186	13.7%	7,349	7,516	2.2%
Occupancy and equipment expenses	382	383	0.2%	457	16.4%	1,535	1,662	7.6%
Data processing	258	249	(3.7%)	216	(19.4%)	1,006	860	(17.0%)
Professional and legal	107	105	(2.3%)	118	9.3%	556	381	(45.9%)
Other operating expenses	452	491	7.9%	576	21.5%	1,941	1,788	(8.6%)
Total Operating Expenses	3,086	3,021	(2.2%)	3,553	13.1%	12,387	12,207	(1.5%)
Net Income Before Taxes	1,253	1,233	1.6%	81	1446.9%	4,130	2,274	81.6%
Income taxes	514	506	(1.7%)	77	(567.5%)	1,693	981	(72.6%)
Net Income	739	728	1.6%	4	NM	2,437	1,293	88.5%
Preferred Dividends	177	142	17.8%	142	17.8%	547	569	3.9%
Net Income to Common	622	585	6.3%	(138)	(549.7%)	1,890	724	161.0%

Earnings Per Share

Basic earnings per share	\$ 0.15	\$ 0.14		\$ (0.03)		\$ 0.49	\$ 0.16	
Diluted earnings per share	\$ 0.15	\$ 0.14		\$ (0.03)		\$ 0.48	\$ 0.16	
Average shares outstanding	4,137	4,133		4,124		4,119	4,118	
Average diluted shares	4,182	4,157		4,128		4,156	4,120	

Performance Ratios

Return on average assets	0.66%	0.68%		0.00%		0.58%	0.33%	
Return on average common equity	6.63%	6.40%		-1.56%		5.22%	2.09%	
Net interest margin	3.80%	3.88%		3.70%		3.86%	3.62%	
Cost of Funds	0.20%	0.22%		0.24%		0.22%	0.26%	
Efficiency ratio	71.1%	71.0%		97.8%		75.0%	84.3%	

Average Balances

Total Assets	444,672	427,409		413,648		419,865	391,344	
Earning Assets	437,002	420,255		406,666		412,817	384,464	
Total Loans	356,992	342,378		285,432		335,535	263,347	
Total Deposits	395,489	377,918		365,550		370,914	344,101	
Common Equity	37,239	36,291		35,200		36,174	34,694	

NM = Not Meaningful

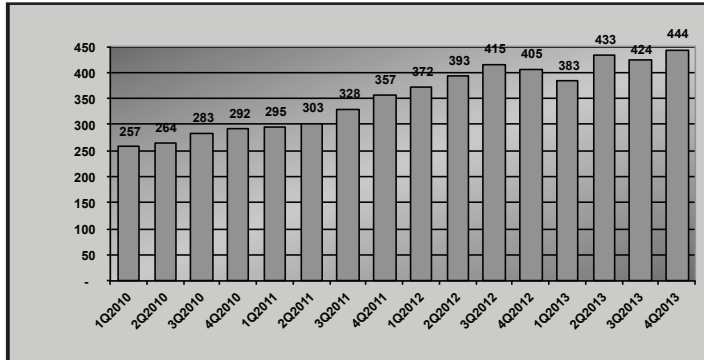
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FINANCIAL REPORT DECEMBER 2013

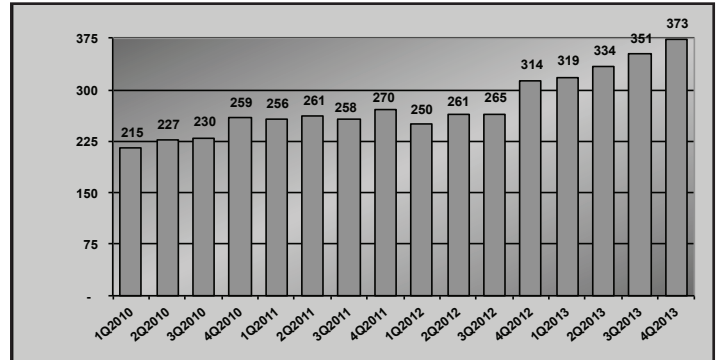
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Ticker Symbol: PDOB

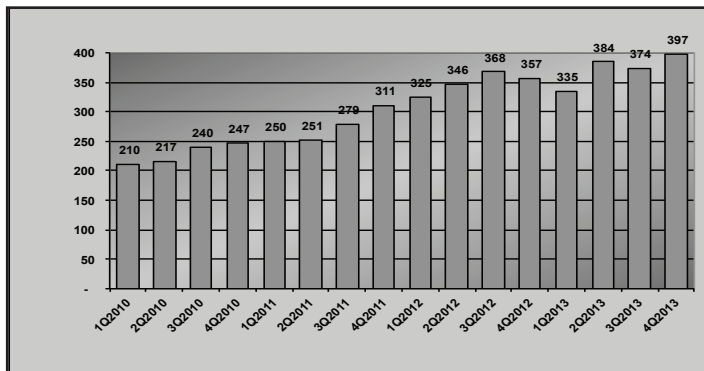
Total Assets (\$ Millions)



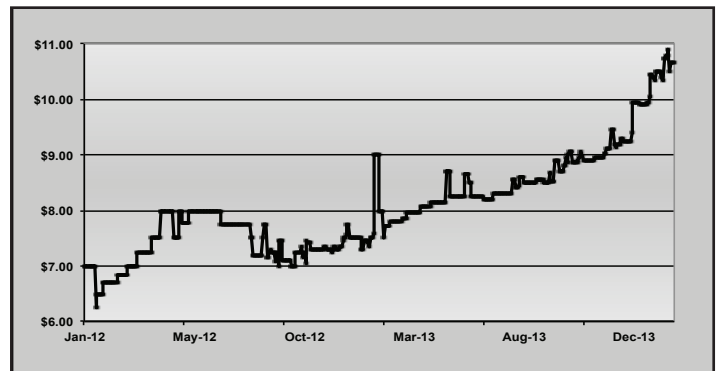
Total Loans (\$ Millions)



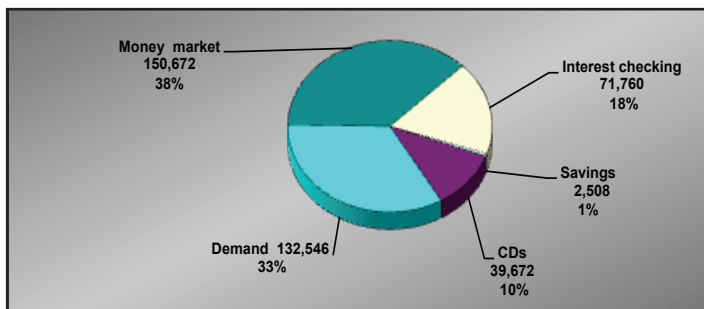
Total Deposits (\$ Millions)



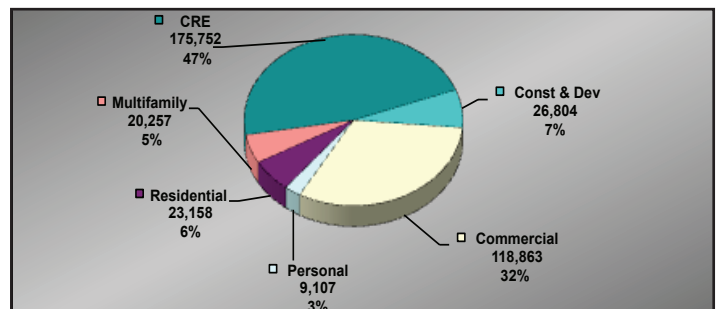
Stock Price



Deposit Composition (\$000)



Loan Composition (\$000)



Board of Directors:

Bruce H. Cabral
 Paula R. Collins
 Stephen G. Heitel
 Robert B. Leet
 Stephen D. Mayer

Gregory J. Moss
 Steven H. Oliver
 Marina H. Park
 Robert T. Perry-Smith
 James R. Woolwine

Management Team:

James R. Woolwine, Chairman
 Stephen G. Heitel, President & CEO
 Todd Allen, EVP/President, North Bay
 Bryan Bredel, EVP/President, East Bay
 Fred Bailard, EVP/Mgr, Cash Mgmt Solutions

Clay Jones, EVP/President, Mid-Peninsula
 Mary Leonard-Wilson, EVP/CCO
 Edward J. Murphy, EVP/CFO
 Sherry A. Price, EVP/COO

FINANCIAL FUNDAMENTALS

Presidio Bank reported strong results for the fourth quarter and progressed toward the goal of above-peer safety and profitability metrics through balance sheet management, cost containment and risk mitigation. The Bank's strength and stability was enhanced through a community-based approach to banking, one which relies on long-term customer relationships and lending within local communities.

Liquidity

As of December 31, 2013, the Bank had 15% of its assets in cash and liquid securities. Presidio Bank maintained secured funding sources of approximately of \$80 million at quarter-end to address unexpected liquidity needs. The Bank currently has no dependency on non-core funding sources with liquid assets exceeding non-core liabilities at quarter-end.

Capital

The Bank's capital levels are above current regulatory requirements. The Bank's Tier I Risk Based Capital Ratio was 10.3% at the end of the fourth quarter 2013 versus a regulatory minimum of 6% for well-capitalized institutions. A repurchase of \$4 million in preferred stock combined with increased lending during the year have helped further leverage the Bank which should result in enhanced return on equity for shareholders. The Bank's present capital base should be further enhanced with projected profitability. Presidio Bank is positioned to pursue an array of opportunities that may present themselves in the marketplace, including M&A, favorable capital alternatives or added lines of business.

Credit Underwriting

The Bank continues to effectively underwrite loans with above-peer credit metrics and strong reserves. A favorable mix of Commercial and Industrial with Commercial Real Estate lending helps to further stabilize the Bank and mitigate sector-specific impacts. With less than 0.5% of its loans in the non-performing category, the Bank maintains reserves at 1.3% of gross loans.

Presidio Bank did not record a loan loss provision for the quarter or for the year.

Asset Yield

Earning assets yields remained fairly stable in the fourth quarter despite continued pressure on loan yields in the marketplace. Loan yields were lower for the quarter but not far below year-to-date averages. Also, average liquid assets increased a bit during the quarter resulting in a slightly less favorable asset mix. These developments combined to pressure yields, but the Bank maintained an earning asset yield near 4.0% for the quarter compared to 4.1% year-to-date, as securities yields increases offset some of the negative impacts.

Funding Cost

Presidio Bank continues to maintain a favorable deposit mix with non-interest bearing demand deposits making up 33% of total deposits at December 31, 2013. The overall cost of deposits dropped slightly to 0.22% in the fourth quarter. Management does not expect to benefit from further declines in its deposit costs, nor does it expect a rapid rise in deposit rates in the near-term. The Bank's balance sheet remains asset-sensitive and is therefore positioned for increased profitability should interest rates rise.

Profitability

Generally stable asset yields and liability costs resulted in a Net Interest Margin of 3.80% compared to 3.88% in the third quarter while average volumes increased. Average loan balances were up \$22 million, presenting opportunity for higher profitability through expense control and leverage. Operating leverage increased as the Bank grew its asset base against limited incremental cost increases. Financial leverage has also increased during the year due to asset growth, although the Bank has generated significant equity through profitable operations. Presidio Bank continues to provide the superior service that enables the asset growth by leveraging new technologies to keep costs down. Presidio Bank's return on assets and return on common equity were 0.66% and 6.63%, respectively for the quarter, the best core results in company history.