

# FINANCIAL REPORT

Dear Shareholders, Clients and Friends:

Presidio Bank reported a pre-tax profit of \$1,986,084 for the year ended December 31, 2011 — more than double the pre-tax profit earned in 2010. In addition, the Bank ended the year with record levels of totals assets, total loans, and total deposits.

## KEY FINANCIAL HIGHLIGHTS FOR THE QUARTER INCLUDED:

- The Bank enjoyed another strong quarter in deposit growth with total deposits increasing to \$311 million, up \$31 million (11%) from September 30, 2011 and up \$63 Million (26%) from December 31, 2010.
- Non-interest bearing demand deposits were up another \$3 million in the quarter ended December 31, 2011 and were up \$31 million (52%) for the year. Non-interest bearing demand deposits represent a healthy 29% of total deposits.
- After being flat for the first three quarters of the year, the Bank experienced loan growth of \$13 million (5%) in the fourth quarter. Loan demand from our clients continues to be soft and utilization rates on existing lines of credit still hovers at historical lows. We anticipate growing the loan portfolio moderately going forward, primarily through increasing market share.
- As with the third quarter, the Bank continued to maintain a high level of liquid assets which earn a very nominal return. Because of this, Net Interest Margin (NIM) declined from 4.46% to 3.99% during the quarter. Yield on loans was flat for the quarter while the cost of deposits declined slightly, indicating that the spread on our lending activity continues to increase. NIM for the full year was a healthy 4.37%.
- Credit quality remained stable and strong during the quarter with a 0.48% non-performing assets ratio and zero delinquencies. Our loan loss reserve remains sizeable at 1.83% of total loans.
- Operating Expenses declined slightly during the quarter primarily due to decreased advertising costs. For the year, operating expenses increased by 12%. This is somewhat higher than the expense growth rate the past two years and was due to a conscious decision to invest in our new brand identity and to continued investments in technology. This expense growth was more than offset by a 19% growth in revenue which resulted in a 120% increase in pre-tax profits over 2010.

Overall we are pleased with the Bank's results in 2011. The Bank achieved significant improvement in its operating results while maintaining credit quality and investing in the future. We remain committed to our service driven, relationship model while continuing to grow the Bank.



Sincerely,



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

[www.PresidioBank.com](http://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.

## Fourth Quarter Report - December 31, 2011

### Condensed Balance Sheet

(Unaudited)	December 31, 2011	September 30, 2011	June 30, 2011	March 30, 2011	December 31, 2010
<b>Assets</b>					
Cash and due from banks	\$ 71,432,528	\$ 45,987,874	\$ 24,405,139	\$ 25,984,001	\$ 23,979,393
Other overnight investments	10,005,000	19,155,000	10,810,000	10,600,000	7,420,000
Cash and cash equivalents	<u>81,437,528</u>	<u>65,142,874</u>	<u>35,215,139</u>	<u>36,584,001</u>	<u>31,399,393</u>
Investment Securities	3,129,063	2,997,499	2,998,426	2,828,743	2,870,151
Total loans	270,397,610	257,527,740	261,303,884	256,392,350	258,612,292
Less: allowance for loan losses	(4,944,316)	(4,918,218)	(4,975,033)	(4,649,298)	(4,911,720)
Net loans	<u>265,453,294</u>	<u>252,609,522</u>	<u>256,328,851</u>	<u>251,743,052</u>	<u>253,700,572</u>
Premises and equipment, net	1,314,172	1,375,125	1,423,156	1,467,234	1,505,879
Other assets and interest receivable	6,015,864	6,266,723	6,668,026	1,954,931	2,048,561
<b>Total assets</b>	<b><u>\$ 357,349,921</u></b>	<b><u>\$ 328,391,743</u></b>	<b><u>\$ 302,633,598</u></b>	<b><u>\$ 294,577,961</u></b>	<b><u>\$ 291,524,556</u></b>
<b>Liabilities and Shareholders' Equity</b>					
Demand deposits	\$ 89,208,889	\$ 86,354,282	\$ 71,727,538	\$ 61,891,219	\$ 58,699,178
Money market	122,787,227	102,367,129	93,806,757	100,283,833	105,258,562
Interest checking	55,328,427	48,420,171	41,608,928	43,032,351	42,816,884
Savings	1,384,781	590,476	550,099	1,391,011	1,347,852
Time deposits	<u>42,050,913</u>	<u>41,762,932</u>	<u>43,650,561</u>	<u>43,820,918</u>	<u>39,244,642</u>
Total deposits	310,760,237	279,494,990	251,343,883	250,419,332	247,367,118
Other liabilities and interest payable	1,898,732	4,636,467	7,484,991	4,364,953	4,769,060
<b>Total liabilities</b>	<b>312,658,969</b>	<b>284,131,457</b>	<b>258,828,874</b>	<b>254,784,285</b>	<b>252,136,178</b>
Preferred Stock	10,937,222	10,920,972	10,904,772	10,888,472	10,872,222
Common stock	33,753,730	33,339,314	32,899,952	28,905,204	28,516,156
Total shareholder's equity	44,690,952	44,260,286	43,804,724	39,793,676	39,388,378
<b>Total liabilities and equity</b>	<b><u>\$ 357,349,921</u></b>	<b><u>\$ 328,391,743</u></b>	<b><u>\$ 302,633,598</u></b>	<b><u>\$ 294,577,961</u></b>	<b><u>\$ 291,524,556</u></b>
Book value per common share	\$ 8.25	\$ 8.15	\$ 8.04	\$ 7.06	\$ 7.07
Equity to assets	12.51%	13.48%	14.47%	13.51%	13.51%
Nonperforming assets to assets	0.48%	0.53%	0.60%	0.72%	0.82%
Loan loss reserves to loans	1.83%	1.91%	1.90%	1.81%	1.90%

### Condensed Statement of Operations

(Unaudited)	Quarter Ended December 31, 2011	Quarter Ended September 30, 2011	Quarter Ended December 31, 2010	Year Ended December 31, 2011	Year Ended December 31, 2010
Interest and fees on loans	\$ 3,644,146	\$ 3,732,707	\$ 3,401,068	\$ 14,465,823	\$ 12,697,683
Interest on investments	77,200	53,905	52,377	221,571	205,742
Total interest income	<u>3,721,346</u>	<u>3,786,612</u>	<u>3,453,445</u>	<u>14,687,394</u>	<u>12,903,425</u>
Deposit interest expense	267,791	290,668	320,577	1,160,028	1,516,515
<b>Net interest income</b>	<b>3,453,555</b>	<b>3,495,944</b>	<b>3,132,868</b>	<b>13,527,366</b>	<b>11,386,910</b>
Provision for loan losses	21,598	0	295,500	841,381	893,555
Net interest income after provision	3,431,957	3,495,944	2,837,368	12,685,985	10,493,355
<b>Other operating income</b>	<b>103,710</b>	<b>119,176</b>	<b>87,387</b>	<b>416,032</b>	<b>297,026</b>
Salaries and benefits	1,663,382	1,654,453	1,526,688	6,613,007	6,016,795
FF&E and occupancy expense	363,546	365,513	370,200	1,467,172	1,436,086
Other	713,858	757,963	647,001	3,035,754	2,436,477
<b>Total operating expenses</b>	<b>2,740,786</b>	<b>2,777,929</b>	<b>2,543,889</b>	<b>11,115,933</b>	<b>9,889,358</b>
Income before income taxes	794,881	837,191	380,866	1,986,084	901,023
Provision for income taxes	314,831	343,246	0	(4,059,537)	0
<b>Net income</b>	<b><u>\$ 480,050</u></b>	<b><u>\$ 493,945</u></b>	<b><u>\$ 380,866</u></b>	<b><u>\$ 6,045,621</u></b>	<b><u>\$ 901,023</u></b>
Preferred dividends declared and paid	\$ 142,313	\$ 142,313	\$-	\$ 1,130,594	\$-
<b>Net income to common shareholders</b>	<b><u>\$ 337,737</u></b>	<b><u>\$ 351,632</u></b>	<b><u>\$ 380,866</u></b>	<b><u>\$ 4,915,027</u></b>	<b><u>\$ 901,023</u></b>
Earnings per common share	\$ 0.08	\$ 0.09	\$ 0.09	\$ 1.22	\$ 0.22
Average Shares Outstanding	4,038,165	4,038,165	4,028,269	4,028,269	4,006,959
Net interest margin	3.99%	4.46%	4.51%	4.37%	4.25%
Efficiency ratio	77.05%	76.84%	79.00%	79.72%	84.64%
Return on average assets	0.60%	0.61%	0.18%	1.97%	0.33%
Return on average common equity	4.02%	4.18%	1.78%	15.74%	3.20%

### 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

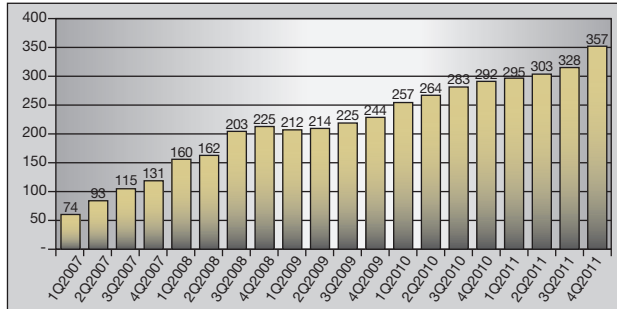
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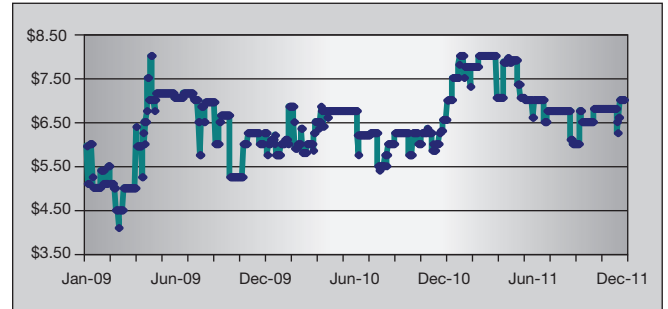
Ticker Symbol: PDOB

## Continuing Growth

Total Assets (\$ Millions)

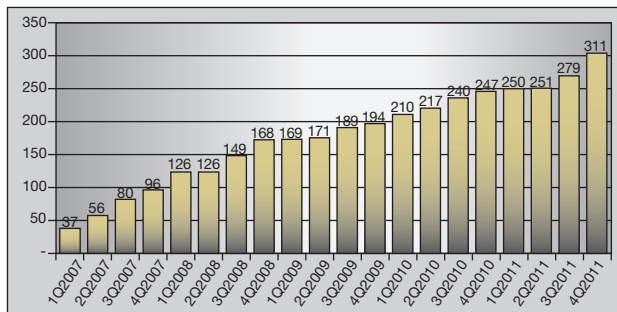


## Stock Price



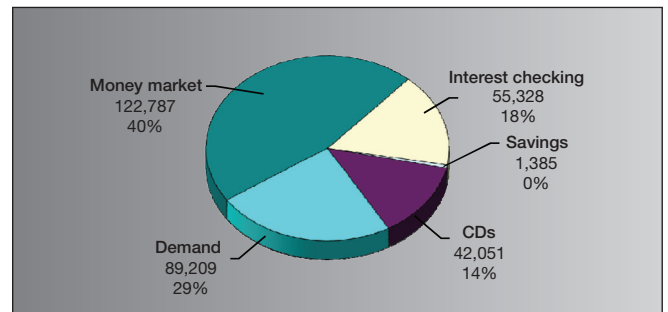
## Building Deposit Base

Total Deposits (\$ Millions)



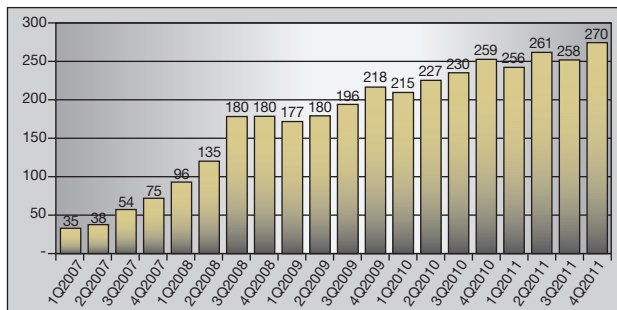
## Deposit Mix Drives Margins

Deposits Composition (\$000)



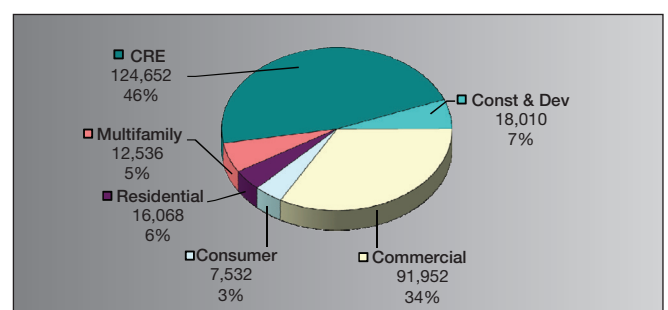
## Loan Growth

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 \$357 million in assets at the end of the 2011.

### Liquidity

Liquid assets have increased \$50 million since a year ago. As of December 31, 2011, the Bank has 23% of its assets in cash and cash equivalents. The Bank also maintains secured secondary funding sources with availability in excess of \$50 million to handle unexpected liquidity outflows.

### Loans

Loans are \$270 million at year end, increasing 5% for the quarter. Presidio Bank is the fastest growing loan bank from those started in 2006. Credit quality remains solid with no delinquent loans.

### Deposits

Deposits are up 11.2% from the previous quarter and 25.6% from a year ago. Presidio Bank is the 2nd fastest growing deposit bank from those started in 2006. There continues to be favorable shift toward more non-interest bearing demand deposits, making up 30% of total deposits at December 31, 2011.

### Capital

The Bank's capital is well above current regulatory requirements. The Bank's Tier I Risk Based Ratio was 15% at the end of 2011 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

The Bank continues to build momentum with a record net income to common shareholders of \$4.9 million or \$1.22 per share year-to-date. This profitability was positively impacted by the a \$4.7 non-recurring recognition of accumulated tax benefits offset by \$988,000 in dividend payments to the U.S. Treasury on preferred stock. The Bank, through its core operations, recorded \$2.0 million of pre-tax income in 2011.

### Margin Improvements

Net Interest Margin improved to 4.37% for 2011 compared to 4.25% for 2010. Yield on loans was flat for the quarter while the cost of deposits declined slightly, indicating that the spread on our lending activity continues to increase.

### Provision For Loan Losses

The 2011 loan loss provision expense was \$841,381 as compared to \$893,555 in 2010. The Bank's loan loss reserve of \$4.9 million remains sizeable at 1.83% of the loan portfolio. There were no delinquent loans at year end.

### Expense Control

Operating expenses increased by 12% for the year due to the one-time expenses associated with the launch of our new brand identity and continued investments in technology. This expense growth was offset by a 19% growth in revenue.