

FINANCIAL REPORT

Dear Shareholders, Clients and Friends:

Presidio Bank reported a pre-tax profit of \$624,242 for the quarter ended March 31, 2012, an increase of 95% over the same period in 2011. In addition, the Bank ended the quarter with record levels of totals assets and total deposits.

KEY FINANCIAL HIGHLIGHTS FOR THE QUARTER INCLUDED:

- Following a strong year in deposit growth in 2011, deposits continued to increase another \$14 million in the quarter and now total \$325 million. This represents growth of \$75 million (30%) over March 31, 2011.
- Non-interest bearing demand deposits were up another \$7 million in the quarter and now total \$97 million or 30% of total deposits. This represents a 57% increase over March 31, 2011.
- After strong growth in the fourth quarter of 2011, the Bank experienced run-off in the loan portfolio as total loans decreased \$20 million for the quarter. This resulted from early payoff of several construction loans and seasonal pay downs on lines of credit, which more than offset the modest new loan originations in the quarter. Underutilized lines of credit totaled a record \$119 million at March 31, 2012. Our loan pipeline is solid and we anticipate loan growth in the second quarter. Overall loan demand in the market remains soft and we don't anticipate a significant increase in line utilization rates in the short-term, therefore, most loan growth will come from increasing market share.
- The downside of our successful deposit generation is that the Bank continues to maintain a high level of liquid assets which earn a very nominal return. Because of this, Net Interest Margin (NIM) declined from 3.99% in the fourth quarter of 2011 to 3.95% in the first quarter of 2012. Yield on loans was flat for the quarter while the cost of deposits declined slightly.
- Credit quality remained stable and strong during the quarter with a 0.46% Non-Performing Assets Ratio and zero delinquencies. Our loan loss reserve remains sizeable at 1.98% of total loans.
- Operating Expenses for the quarter ending March 31, 2012 were up almost 8% over the quarter ending December 31, 2011. This is typical for the first quarter as employer payroll taxes and benefits expenses are higher. This was due to a combination of fewer employees having met FICA maximums and higher employer 401k matching contributions related to 2011 incentive compensation paid in the first quarter. These expenses will normalize over the course of the year and are within our expectations.

While our overall economic outlook remains mixed and our clients continue to be cautious about growth related expenditures, we are pleased that the bank continues to grow quality relationships while maintaining strong credit discipline. We believe we are both structured to be successful in the current environment as well as significantly benefit when sustained economic improvement returns.



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.



PRESIDIO BANK

First Quarter Report - March 31, 2012

Condensed Balance Sheet

(Unaudited)	March 31, 2012	December 31, 2011	March 31, 2011
Assets			
Cash and due from banks	\$ 103,059,324	\$ 71,432,528	\$ 25,984,001
Other overnight investments	13,200,000	10,005,000	10,600,000
Cash and cash equivalents	<u>116,259,324</u>	<u>81,437,528</u>	<u>36,584,001</u>
Investment Securities	3,128,118	3,129,063	2,828,743
Total loans	250,255,282	270,397,610	256,392,350
Less: allowance for loan losses	<u>(4,945,316)</u>	<u>(4,944,316)</u>	<u>(4,649,298)</u>
Net loans	245,309,966	265,453,294	251,743,052
Premises and equipment, net	1,274,316	1,314,172	1,467,234
Other assets and interest receivable	5,700,008	6,015,864	1,954,931
Total assets	<u>\$ 371,671,732</u>	<u>\$ 357,349,921</u>	<u>\$ 294,577,961</u>
Liabilities and Shareholders' Equity			
Demand deposits	\$ 97,006,274	\$ 89,208,889	\$ 61,891,219
Money market	132,856,942	122,787,227	100,283,833
Interest checking	50,923,433	55,328,427	43,032,351
Savings	1,664,747	1,384,781	1,391,011
Time deposits	<u>42,650,403</u>	<u>42,050,913</u>	<u>43,820,918</u>
Total deposits	325,101,799	310,760,237	250,419,332
Other liabilities and interest payable	1,546,021	1,898,732	4,364,953
Total liabilities	<u>326,647,820</u>	<u>312,658,969</u>	<u>254,784,285</u>
Preferred Stock	10,953,472	10,937,222	10,888,472
Common stock	34,070,440	33,753,730	28,905,204
Total shareholder's equity	45,023,912	44,690,952	39,793,676
Total liabilities and equity	<u>\$ 371,671,732</u>	<u>\$ 357,349,921</u>	<u>\$ 294,577,961</u>
Book value per common share	\$8.29	\$8.25	\$7.06
Equity to assets	12.11%	12.51%	13.51%
Nonperforming assets to assets	0.46%	0.48%	0.72%
Loan loss reserves to loans	1.98%	1.83%	1.81%

Condensed Statement of Operations

(Unaudited)	Quarter Ended March 31, 2012	Quarter Ended December 31, 2011	Quarter Ended March 31, 2011
Interest and fees on loans	\$ 3,651,255	\$ 3,644,146	\$ 3,483,384
Interest on investments	85,861	77,200	46,306
Total interest income	<u>3,737,116</u>	<u>3,721,346</u>	<u>3,529,690</u>
Deposit interest expense	240,300	267,791	305,242
Net interest income	<u>3,496,816</u>	<u>3,453,555</u>	<u>3,224,448</u>
Provision for loan losses	0	21,598	228,316
Net interest income after provision	3,496,816	3,431,957	2,996,132
Other operating income	110,827	103,710	98,764
Salaries and benefits	1,934,263	1,663,382	1,675,012
FF&E and occupancy expense	377,482	363,546	366,269
Other	671,656	740,858	733,494
Total operating expenses	<u>2,983,401</u>	<u>2,767,786</u>	<u>2,774,775</u>
Income before income taxes	624,242	767,881	320,121
Provision for income taxes	255,939	287,831	0
Net income	<u>\$ 368,303</u>	<u>\$ 480,050</u>	<u>\$ 320,121</u>
Preferred dividends declared and paid	\$ 142,313	\$ 142,313	\$ -
Net income to common shareholders	<u>\$ 225,990</u>	<u>\$ 337,737</u>	<u>\$ 320,121</u>
Earnings per common share	\$ 0.06	\$ 0.08	\$ 0.08
Average Shares Outstanding	4,057,931	4,048,070	4,018,161
Net interest margin	3.95%	3.99%	4.37%
Efficiency ratio	82.70%	77.81%	83.50%
Return on average assets	0.41%	0.60%	0.44%
Return on average common equity	2.66%	4.02%	4.49%

Presidio Bank Locations:

San Francisco

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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

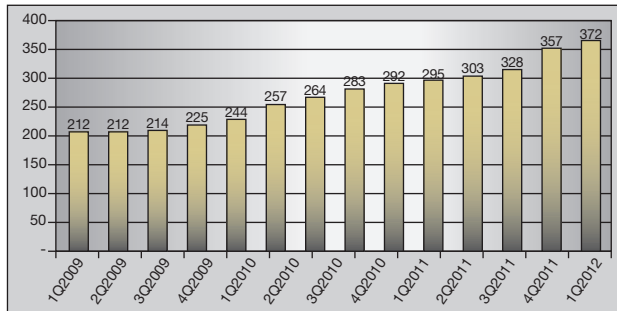
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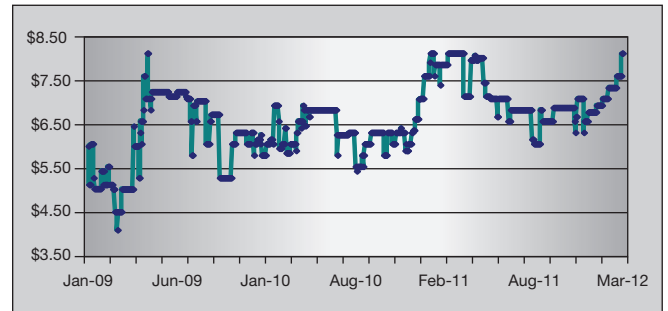
Ticker Symbol: PDOB

Continuing Growth

Total Assets (\$ Millions)

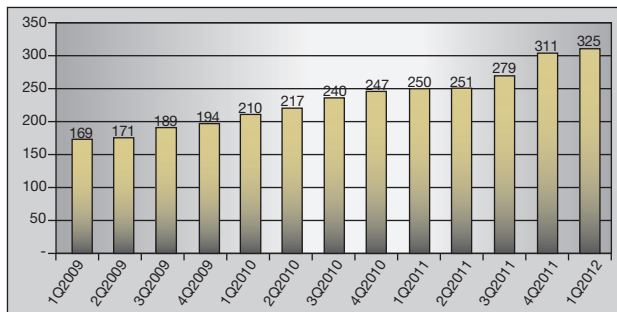


Stock Price



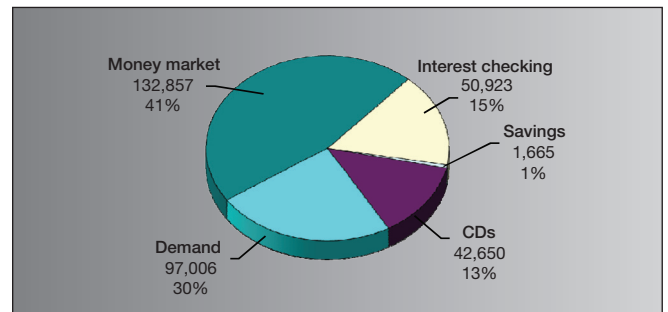
Building Deposit Base

Total Deposits (\$ Millions)



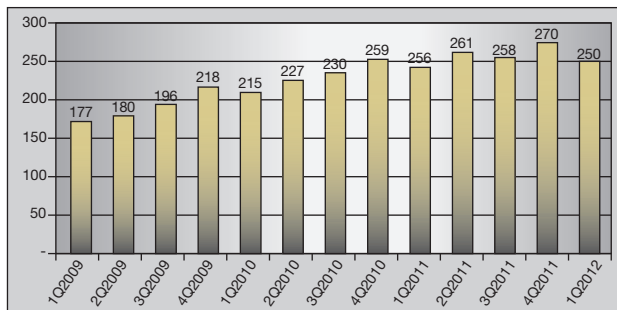
Deposit Mix Drives Margins

Deposits Composition (\$000)



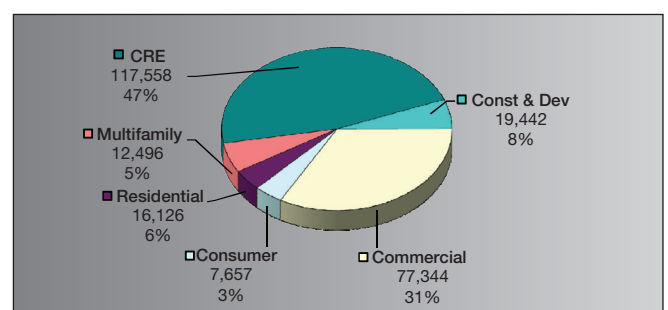
Loan Growth

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 \$372 million in assets at the end of the first quarter 2012 increasing 26% year-over-year.

Liquidity

Liquid assets have increased nearly \$80 million since a year ago. As of March 31, 2012, the Bank has 31% 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 \$250 million at quarter end, decreasing \$6.1 million or 2.4% from a year ago. This was due to anticipated loan payoffs during the first quarter of 2012. Despite the decrease, Presidio Bank is the 2nd fastest growing loan bank of those started in California during 2006. Credit quality remains solid with no delinquent loans.

Deposits

Deposits are up \$15 million from the previous quarter and \$75 million or 30% from a year ago. Presidio Bank is the 2nd fastest growing deposit bank of those started in California during 2006. There continues to be favorable shift toward more non-interest bearing demand deposits, making up 30% of total deposits at March 31, 2012.

Capital

The Bank's capital is well above current regulatory requirements. The Bank's Tier I Risk Based Ratio was 15% at the end first 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 increased 1.4% sequentially despite lower average loan balances and significant balance sheet liquidity. Net revenues increased 8.6% over the year-ago quarter. Net income to common shareholders was \$225,990 year-to-date compared to \$337,737 for the previous quarter. This decrease in profitability quarter over quarter was primarily due to a seasonal increase in operating expenses.

Net Interest Margin

Net Interest Margin decreased slightly to 3.95% for first quarter compared to 3.99% for the fourth quarter of 2011.

Provision For Loan Losses

There was no loan loss provision expense in the first quarter of 2012 as compared to \$21,598 in fourth quarter of 2011. The Bank's loan loss reserve of \$4.9 million remains sizeable at 2.0% of the loan portfolio. There were no delinquent loans at quarter end.

Expense Control

Operating expenses of \$2,983,401 increased 7.8% from the previous quarter primarily due to seasonal factors, including increased payroll taxes.