

Fellow Shareholders:

Your Bank's fourth full year of operations was distinctly positive. In 2011, the Bank finished the year just short of the \$300 million mark in total assets, up 25% over the year previous. We passed the \$240 million mark in total deposits and the \$200 million mark in total loans. This growth drove major improvements to net interest income, which was up in 2011 by 20%, to just over \$9 million. Significantly lower 2011 provisions to the Loan Reserve were made possible by improving economic conditions and borrower financial statements. These factors, together with careful control of overhead, made for impressive progress in pre-tax earnings, which in 2011 experienced an almost five-fold increase over the prior year, to just under \$1.5 million. Important details are to be found in the exhibits that follow.

As impressive as our financial achievements were in 2011, the Bank's progress in building and extending our reputation in the market was even more impressive. During the year, we added numerous new relationships through our existing product lines and we broadened the Bank's commercial lending capabilities, with the addition of an asset-based lending group, headquartered in San Jose, and with the addition of a team that provides term financing for the acquisition of dental and medical practices.

During the course of the year, we repaid our TARP-CPP preferred stock obligation and added non-dilutive new capital by issuing 1% preferred stock under the U.S. Treasury's Small Business Loan Fund.

We enter 2012 with strong momentum and a reputation for sound performance and good service. We continue to rely on three unique strengths:

- ◆ Our Bank is focused on a market niche that is rare among smaller banks and is often poorly served by larger banks: Closely-held businesses with \$5-50 million in sales and credit needs of \$1-5 million.
- ◆ Our Bay Area business focus sets us apart from community banks, enabling us to serve successful companies that have a broad geographic reach.
- ◆ Our operating strategy is unique because it is efficient from a cost perspective and effective with our clients: we are "branchless;" we have an upstairs location, we gather deposits electronically; and we invest our money in the best people. We are selective in our choice of clients so we can devote attention to each.

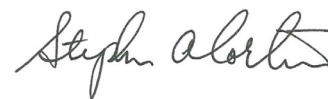
Our board and management believe the prospects for our Bank are bright. We occupy a growing position in the closely held business community that is the backbone of the Bay Area economy. We are truly defined by the company we keep – our friends in the referral community, our clients, and our bankers are all exceptional.

We thank you, our shareholders for the interest you take in our enterprise and for recognizing the potential this Bank has for creating significant shareholder value.

Sincerely,



John Rossell
President and Chief Executive Officer



Stephen A. Cortese
Chairman of the Board

