

## MESSAGE FROM MICHAEL E. PERRY, CHAIRMAN, PRESIDENT AND CEO



Dear Friend,

This past year will certainly be remembered as one of the most successful years ever for San Diego Trust Bank. The Bank finished 2011 with a record \$213 million in total assets, posted its 29th consecutive quarter of profitability, did not have a single past-due loan on its books, and reported record earnings that were 68% greater than the previous year! More importantly, we achieved such results without jeopardizing our depositor's funds, incurring undue risk, or impairing our shareholders' capital. These extraordinary results did not "just happen", they reflect the drive and determination of a talented team of bankers who understand the value of traditional banking and truly care about their clients.

I'm often asked by shareholders, clients, the media and many of our colleagues "how" have we been able to consistently produce such strong results over the years given all the macro-economic challenges we've been faced with since our founding in 2003. The answer is quite simple: "we focus on the needs of our clients, stay true to the fundamentals of banking, and execute in a manner that exceeds expectations."

Our model is not complex, nor is it difficult to understand. We safeguard our client's deposits, extend credit to them when needed in a prudent fashion, and invest the balance in low-risk government and corporate bonds. We do not reach, make risky bets on credit, or speculate on the direction of interest rates. While such may be considered a simple or "vanilla" approach, it has produced results that are unmatched in the San Diego community banking arena, and one that has allowed us to significantly enhance the value of our stakeholder's investment over the years.

The strength and stability of our institution, combined with the personal attention provided by our experienced team continues to attract those individuals and businesses seeking an alternative to the large, impersonal, Wall-Street banks. As one of the top performing community banks in San Diego, we are uniquely positioned to capitalize on the continued consolidation in our local market and are excited about prospects for future growth in assets, earnings, and the ability to further enhance the value of your investment in the Bank.

We are encouraged by the modest improvement in recent economic data, but move forward mindful of the fragility of the recovery and the many challenges that continue to confront our local and state economy. We enter 2012 with a fortress-like balance sheet, strong core earnings, significant capital, and most importantly, an exceptionally dynamic team of individuals committed to improving upon the success we've enjoyed to date.

Finally, I would like to extend my sincere appreciation to each and every one of you for your continued support, loyalty and confidence over the past eight years. You have my promise that every member of our team will continue to put forth their very best, and approach each day with passion, conviction, and an unrelenting quest to "continue" to deliver "*Performance You Can Trust*".

Very truly yours,

A handwritten signature in black ink, appearing to read "Michael E. Perry". The signature is stylized and fluid.

**MICHAEL E. PERRY**