



The Private
BANK of the PENINSULA

March 4, 2009

Mr. Neil M. Barofsky
Special Inspector General
Office of the Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Ave., N.W., Suite 1064
Washington, D.C. 20220

Dear Mr. Barofsky:

Enclosed is our response to your request for information on our participation in the TARP Program. Just prior to our receipt of \$6 million in TARP funds on January 30, 2009 our total risk based capital ratio was 11.4%. The TARP funds raised that ratio to 14.1%. We are a five year old bank in Palo Alto, California. Demand for loans remains strong to date and we are continuing to actively lend. The TARP Program allows us to do that and continue to remain well capitalized. However, we are not immune to weaknesses on the part of some of our borrowers as our classified loans have increased. The TARP funds provide us a cushion against unanticipated loan losses in these uncertain economic times. The following are our specific responses to your questions. We have also attached supporting documentation.

Your Request:

(1) A narrative response specifically outlining (a) your anticipated use of TARP funds; (b) whether the TARP funds were segregated from other institutional funds; (c) your actual use of TARP funds to date; and (d) your expected use of unspent TARP funds. In your response, please take into consideration your anticipated use of TARP funds at the time that you applied for such funds, or any actions that have taken that you would not have been able to take absent the infusion of TARP funds.

Our Response:

We applied for TARP funds to insure we remain adequately capitalized in spite of a severely weakened economy. By maintaining a well-capitalized position we are able to continue lending to our creditworthy borrowers. For example, our loans grew by \$11.8MM net of payoffs since receiving our TARP funds. Approximately \$7.1MM of the growth was for new loans, nearly \$4.7MM was expanding our business with existing clients through loan repurchases. Without the TARP funds, our loan growth for 2009 would be constrained. We did not segregate the TARP funds.

Your Request:

(2) Your specific plans, and the status of implementation of those plans, for addressing executive compensation requirements associated with the funding. Information provided regarding executive compensation should also include any assessments made of loan risks and their relationship to executive compensation; how limitations on executive compensation will be implemented in line with Department of Treasury guidelines; and whether any such limitations may be offset by other changes to other, longer-term or deferred forms of executive compensation.

Our Response:

All executives signed waivers giving up rights in their employment agreements that were not in line with TARP requirements. However, no compensation elements in those agreements were out of compliance with the TARP at the time the waivers were signed. (b) (4)

(b) (4)

(b) (4) We understand there have been recent changes made to the executive compensation requirements as part of the stimulus package that was just passed by Congress. These changes are subject to interpretation and implementation by the Treasury Department. We intend to comply with these changes once the specific requirements relating to them are implemented.

I certify the accuracy of all statements, representations and supporting information provided, subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001.

Sincerely,



Kenneth D. Brenner
President and Chief Executive Officer
The Private Bank of the Peninsula

(b) (6)

The Private Bank of the Peninsula, Palo Alto, CA
 NEW NOTES - FEBRUARY 2009

DATE	LOAN #	BORROWER*	COMMITMENT	INITIAL ADVANCE	CURRENT BALANCE AS OF 02/28/09
1/30/2009	(b) (4)	A	\$ 10,991.70	\$ 10,143.36	\$ 10,144.63
2/2/2009		B	\$ 3,000,000.00	\$ 1,022,675.00	\$ 950,000.00
2/4/2009		C	\$ 25,000.00	\$ 25,000.00	\$ 24,565.18
2/4/2009		D	\$ 114,899.43	\$ 114,899.43	\$ 111,687.91
2/7/2009		E	\$ 2,000,000.00	\$ 1,630,384.07	\$ 1,681,368.35
2/7/2009		F	\$ 500,000.00	\$ 500,000.00	\$ 500,000.00
2/9/2009		G	\$ 3,000,000.00	\$ -	\$ 2,000,000.00
2/11/2009		H	\$ 300,000.00	\$ 251,069.00	\$ 251,069.00
2/13/2009		I	\$ 1,925,000.00	\$ 41,907.22	\$ 186,808.45
2/18/2009		J	\$ 2,175,000.00	\$ 2,131,062.42	\$ 2,131,062.42
2/18/2009		K	\$ 400,000.00	\$ 332,549.00	
2/18/2009		L	\$ 1,810,000.00	\$ 215,551.89	\$ 240,551.89
2/27/2009		M	\$ 50,000.00	\$ 250.00	\$ 250.00
					\$ 8,087,507.83
2/25/09		Construction Loan			\$ (1,000,000.00)
		Total			\$ 7,087,507.83

* Names withheld for privacy purposes

The Private Bank of the Peninsula, Palo Alto, CA

LOANS REPURCHASED IN 2009						
DATE	LOAN #	BORROWER*	COMMITMENT	INITIAL ADVANCE	REPURCHASED BALANCE	BANK
2/4/2009	(b) (4)	Borrower # 1	\$ 500,000.00	\$ 326,706.33	\$ 402,309.54	(b) (4)
2/11/2009	(b) (4)	Borrower # 2	\$ 1,500,000.00	\$ 1,500,000.00	\$ 1,249,999.98	(b) (4)
2/19/2009	(b) (4)	Borrower # 3	\$ 800,000.00	\$ 330,000.00	\$ 362,000.00	(b) (4)
2/20/2009	(b) (4)	Borrower # 4	\$ 1,900,000.00	\$ 1,900,000.00	\$ 1,900,000.00	(b) (4)
2/25/2009	(b) (4)	Borrower # 5	\$ 3,120,000.00	\$ 468,822.99	\$ 1,811,127.19	(b) (4)
2/27/2009	(b) (4)	Borrower # 6	\$ 1,250,000.00	\$ 1,250,000.00	\$ 1,017,787.84	(b) (4)
		* Names withheld for privacy purposes			\$ 6,743,224.55	
		Loans sold back to participant banks.				
1/29/09		Borrower # 7			\$ (726,000.00)	
2/25/09		Borrower # 8			\$ (1,351,000.00)	
		Total			\$ 4,666,224.55	



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(b) (8)



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Contact: Steve Leen, Chief Financial Officer
(650) 843-2204

FOR IMMEDIATE RELEASE

PRESS RELEASE

The Private Bank of the Peninsula Announces Participation in the U.S. Treasury Capital Purchase Program

Palo Alto, CA – February 2, 2009 – The Private Bank of the Peninsula, a subsidiary of Peninsula Bank Holding Company (OTCBB:PBKH), today announced that the Bank has completed the sale of \$6.0 million of preferred stock and common stock warrants to the U.S. Treasury Department under the TARP Capital Purchase Program.

“We are pleased that The Private Bank of the Peninsula qualified to participate in the TARP Capital Purchase Program,” stated Mark D. Mordell, Chairman of the Board of Directors of Peninsula Bank Holding Co. “This capital infusion will further strengthen our balance sheet, and is in the best long-term interests of our shareholders and clients.”

“This additional capital will enable us to continue meeting the needs of our clients and ensure that the Bank prospers during these challenging times,” said Kenneth D. Brenner, the Bank’s Chief Executive Officer.

The U.S. Treasury Capital Purchase Program is a voluntary program designed to assist healthy financial institutions in building their capital positions to support the U.S. economy by increasing the flow of financing to U.S. businesses and consumers.

The Private Bank of the Peninsula is headquartered in Palo Alto, California. The Private Bank focuses on the banking needs of small and medium sized businesses, entrepreneurs and business leaders, not-for-profit organizations and individuals within the communities it serves.

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February 11, 2009

Dear Clients and Shareholders,

As you are aware, on February 2, 2009 The Private Bank of the Peninsula issued a press release announcing its participation in the U.S. Treasury Department's TARP (Troubled Assets Relief Program) Capital Purchase Program (CPP) in the amount of \$6,000,000.

We have received a variety of questions concerning this program and there seems to be some misconceptions about our qualifications and motives for accepting these funds. To address these questions and to clarify our position, I will explain the reasons we decided to participate in the TARP CPP. Most importantly, please note that the Capital Purchase Program is a sub-program of the TARP, designed to encourage healthy banks to continue lending.

The secondary stock offering we completed last year, along with our significant growth in deposits, loans and assets in 2008, have provided us with a very strong capital position. This is the major reason we qualified for the TARP CPP. By federal regulatory agency standards, a well-capitalized bank must have a Total Risk Based Capital Ratio of 10% or greater. Our Total Risk Based Capital Ratio before the TARP Capital was 11.5% and was increased to 14.1% after the TARP infusion. It is imperative that we continue to be well capitalized to grow and prosper in this ever-changing market.

The Private Bank of the Peninsula has been in business for 5 years and is considered a young bank. Although we have been increasing our presence in the community, and our market share for loans and deposits has grown, we are not immune to the world-wide financial crisis. The current economic situation has affected nearly everyone, including some of the Bank's clients. Our focus has been, and continues to be, building the best bank in the San Francisco Bay Area. While other banks have been pulling away from the market and their clients, we plan to continue serving our quality clients in this market while gaining additional market share. Solid liquidity and a strong balance sheet will enable us to accomplish these goals. The TARP CPP funding is a tool, as well as a form of insurance to ensure we prosper during these unprecedented times.

The TARP funds our Bank received are a nonvoting preferred stock investment on the part of the U.S. Treasury, and carry a 5% dividend for 5 years and a 9% dividend thereafter. At a minimum, we anticipate repaying the funds prior to the dividend increasing to 9%. Acceptance of the TARP funds entitled the Treasury to receive common stock warrants equivalent to 15% of the preferred stock investment (\$900,000). The number of warrant shares received was 81,670 and was based on an exercise price of \$11.02 per share. The exercise price was calculated from the closing stock price on the 20 business days prior to the date of preliminary approval (1/7/09) and the warrants have a ten year life.

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The value of our Bank lies in the ongoing ability to increase assets with quality loans, deposits and services while we continue to build market share. Our Bank has a strong balance sheet, a proven team of professionals, a committed Board of Directors, and very supportive shareholders and clients. These outstanding assets will give us the tools to achieve our goal of persevering through these times to be the best bank in the San Francisco Bay Area.

On behalf of the Board of Directors and everyone at the Bank, we do appreciate your business and your support. If you have any questions, please do not hesitate to contact me or our CEO, Ken Brenner.

Very truly yours,

Mark D. Mordell
Chairman of the Board



The Private
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February 26, 2009

Dear Shareholders and Clients,

On February 26, 2009, The Peninsula Bank Holding Co. and The Private Bank of the Peninsula released its 2008 earnings. I would like to take this opportunity to discuss the results and events of 2008 in greater detail.

The year 2008 marked the fifth full year of operations for our Bank, one of many accomplishments as well as obvious challenges. During the year, the Bank increased its loan portfolio by 38% while deposits and total assets both grew by 35%. Equally important, we implemented several initiatives to help solidify the Bank's infrastructure so that it will persevere and prosper in the years to come. The major initiatives included:

- The formation of the Peninsula Bank Holding Co., giving us more flexibility and opportunities for diversification than allowed by our original state bank charter
- Strengthening the depth and experience of our credit department by hiring three key executives
- Successfully completing an over-subscribed secondary offering which raised over \$8.6 million of new capital
- Adding a very experienced, proven and well known business development executive
- Diversifying our loan portfolio by adding our asset based lending group, which is doing business as Peninsula Bank Business Funding
- Consolidating our operations in a more prominent downtown Palo Alto location, giving us excellent market presence

These initiatives were a significant part of the Bank's core business growing so successfully in 2008. We continue to develop our staff and our infrastructure while increasing our presence and market share.

Although we did grow substantially in 2008, the Bank reported a net loss of \$1,802,000 for the year. There are two major components that contributed to this loss. First, as outlined previously, we chose to make investments in our Bank to improve our infrastructure and diversification. These investments came in the form of four new executives to strengthen our credit and business development departments, the investment in our asset based lending group, Peninsula Bank Business Funding and paying rent for both the old and the new facilities during our transition period in the second half of the year.

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The second component surrounds our loan portfolio. As previously reported, we took a significant charge due to a fraudulent loan in the second quarter. Additionally, we substantially increased our loan loss reserves in response to the overall economic environment. While we are confident in our overall loan portfolio, we cannot and do not expect to be insulated from the financial crisis the entire world is experiencing. Because our delinquent and classified loans have increased as a percentage of our overall portfolio, we have increased our reserves to allow for any potential losses. We will continue to monitor and manage our existing portfolio while prudently underwriting new loans to standards that reflect the current market conditions.

As reported in January of 2009, our Bank qualified for and received \$6 million of capital from the TARP Capital Purchase Program. This additional capital, coupled with our secondary offering in 2008, allows the Bank to increase its lending limits for clients, grow our loan portfolio and client base, and provide the extra capital necessary to ensure we remain a well-capitalized bank by federal regulatory standards during these challenging times. These actions allow the Bank to prudently plan for the future.

We are confident that we have implemented the appropriate platform and assembled the management team necessary for the Bank to remain competitive and prosperous during these difficult times in order to achieve long-term profitability.

We very much appreciate the effort and commitment of our employees and Board of Directors, and the continued support from our client base and shareholders. Please feel free to contact me with any questions or comments.

Very truly yours,

Mark D. Mordell
Chairman of the Board