



Presidential Life Corporation

Letter to Shareholders



BUILDING FOR THE FUTURE

2010

Dear Fellow Shareholders:

Mission Statement

To provide safe, simple financial solutions that secure and protect our client's family and future.

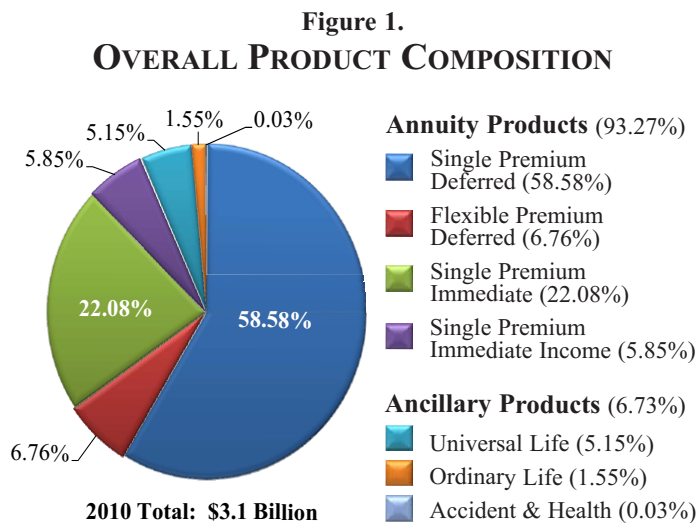
As I begin my third year as Vice Chairman of the Board, CEO and President of Presidential Life Corporation, I've never been more optimistic about the future direction of our Company. A.M. Best Company recently substantiated this perspective in upgrading the Financial Strength Rating of our wholly owned subsidiary, Presidential Life Insurance Company, to a "B++". This upgrade acknowledged the Company's strong capital profile and positive operating results, giving recognition to our strategic growth initiatives currently underway. Presidential Life has a proud and distinguished history of providing superior life insurance and annuity solutions to clients for almost 50 years. Our core business strategy is to expand our individual annuity business and to increase our risk-adjusted returns on invested capital by prudently managing investment spreads and investment risk.

As we build on this legacy, the life insurance industry continues to face challenges from the prolonged low interest rate environment and its effect on annuity sales. In light of this, our executive management team, in conjunction with valued input from the Board of Directors (the "Board"), has proactively assessed the steps we should take to deliver consistent profitable earnings growth over time and unlock the underlying value potential of Presidential Life Corporation, while continuing to provide the best possible service to our clients and agents.

To more attractively position Presidential Life among the independent sales distribution channel, we identified a need to expand our regional presence into a national platform and offer a more diversified annuity product portfolio. As a result, we have refined our strategic plan to capitalize on more immediate growth opportunities, while positioning our organization to enhance its competitive position in the coming years.

Presidential Life Today

Historically, Presidential Life has operated essentially as an investment management company, relying on a proportionately larger portfolio of higher risk investments such as limited partnerships (relative to the life insurance industry). This investment strategy, and the above market returns it provided,



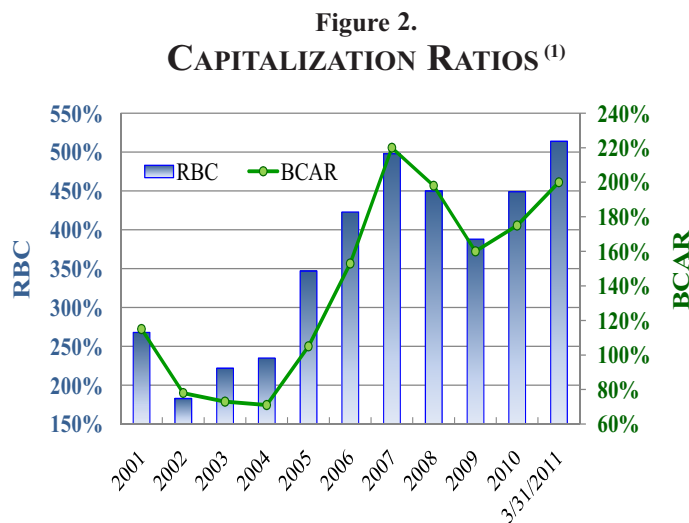
were a key differentiator in the Company's success in accumulating annuity contract assets, which represented 93.3% of our overall product composition based on GAAP reserves of \$3.1 billion at year-end 2010 (Figure 1). However, we recognize that our historical investment management company approach is no longer compatible with the realities of today's competitive landscape in the life insurance industry.

At this time in our Company's history, your Board and executive management team strongly believe that given the strength of our financial position, prudent repositioning of the investment portfolio and enhanced management team, we are well positioned to develop a truly national operating platform designed explicitly to accelerate revenue growth and to consistently deliver profitable earnings growth.

Financial and Managerial Highlights

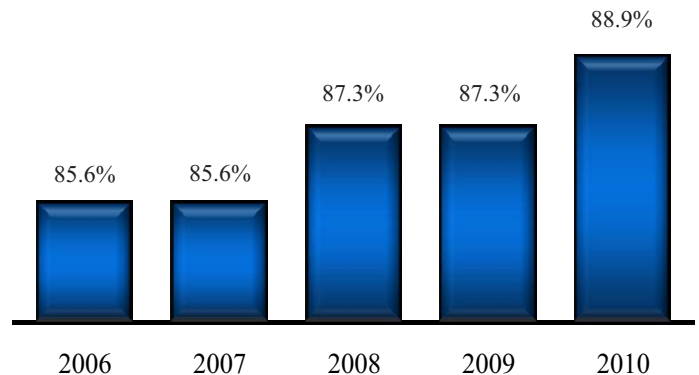
Capital Strength: Over the course of the last decade we have seen a robust improvement in the financial strength of the Company. As the 10-year historical presentation illustrates (Figure 2), our NAIC Risk Based Capital ratio (RBC) and A.M. Best's Capital Adequacy Ratio (BCAR) reached 449% and 175%, respectively, as of year-end 2010.

Notably, these ratios continued to improve through the first quarter of 2011 with our estimated RBC



⁽¹⁾ Capitalization ratios compares an insurer's adjusted surplus relative to the required capital necessary to support its operating and investment risks.

Figure 3.
INVESTMENT GRADE SECURITIES TO TOTAL CASH & INVESTMENTS



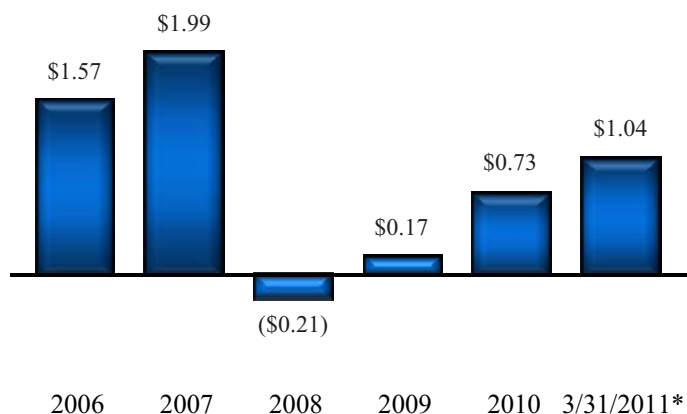
ratio achieving a ten-year high of 514%, while our BCAR metric advanced to an estimated 200%, its second highest level in ten years.

Investment Portfolio: We continued to focus on the repositioning of our investment portfolio in 2010, which included significant investments in the Build America Bond (BAB) program. The BAB program is highly diversified geographically and by revenue source, offering strong credits of AA or better. Overall cash & investment grade securities represented 88.9% of Presidential Life's total cash & investments of \$3.7 billion at year-end 2010, compared to 87.3% at year-end 2009 (Figure 3).

Although the Company ceased new commitments to limited partnerships in April of 2008, as of year-end 2010 this asset class had a reported value of \$195.5 million, or 5.2% of total cash and investments. In addition, we remain contractually committed to make additional capital contributions of up to \$58.3 million through 2013, if called upon.

While these investments have historically contributed substantially to the Company's net income and growth in retained earnings, their perceived risk, proportional size to statutory policyholder surplus and higher reserve requirements render this asset class incongruent with the Company's new core business strategy. The Company believes our gradual disposition of the limited partnership portfolio will ultimately increase available capital, enhance liquidity, increase portfolio transparency and further strengthen our extremely strong capitalization position.

Figure 4.
NET INCOME/(LOSS) PER SHARE



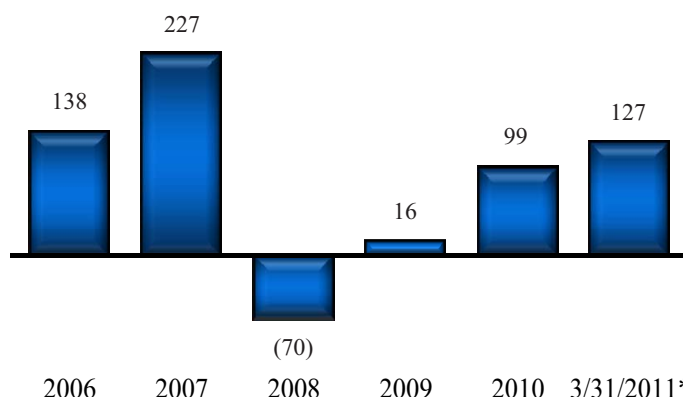
* Trailing four quarters ended 3/31/2011.

Financial Performance: Our reported net income per share for the year-ended 2010 was \$0.73 compared to net income per share of \$0.17 for the same period a year ago, continuing an upward trend over the last three consecutive years. This trend continued through the trailing four quarters ended 3/31/2011 with a net income per share of \$1.04 (Figure 4).

Investment Spread Income: Our basis point spread (spread income) improved to 99 basis points in 2010 compared to 16 basis points registered in 2009. This improvement is a direct result of increasing investment returns generated by our investment portfolio, particularly from limited partnership investments. This spread income continued to improve to 127 basis points through the first quarter of 2011 (Figure 5).

Management Team: We realigned and strengthened the Presidential Life executive management team beginning in early 2010. Our process included the appointments of Duncan H. Szeto as Chief Actuary and Tara A. Munderville-O'Dom as Operations and Chief Risk Officer. In addition, we hired Paul A. Marsico as Director of Human Resources and P.B. (Pete) Pheffer as our new Chief Financial Officer and Treasurer. These executives join Mark A. Abrams, our Chief Investment Officer and Mitchell R. Anderson, our Chief Marketing Officer establishing a well-rounded and experienced team positioned to successfully execute our 2011 Strategic Plan.

Figure 5.
BASIS POINT SPREAD⁽¹⁾



⁽¹⁾ Yield on invested assets over the cost of money on annuity liabilities.[^] ; * Quarter ended 3/31/2011.

Looking Ahead

We have identified the following goals to drive our business forward:

Add a broadly licensed, non-New York based operating company, which will allow us to offer more innovative individual annuity products, bring those products to market faster, increase distribution and improve our overall competitive position in the marketplace. While our goal is to maintain our operational roots in the State of New York, our strategy to diversify geographically is an integral component to solidify our prospects for future growth.

Broaden annuity product offerings to include indexed and market value adjusted annuities, which will expand the annuity market the Company is targeting by eight-fold. The potential for these new products is greater as they have a wider appeal, providing equity and bond market participation. Index annuities will also foster diversification with less reliance on interest rate sensitive products.

Build our network of independent producers and ultimately expand into alternative distribution channels beyond our existing independent network that currently represent the preponderance of our Company's annuity product sales. To build upon these distribution channels, our Company's strategy

[^] Yield is inclusive of realized capital gains/(losses), other-than-temporary-impairment losses and equity in earnings/(losses) on limited partnerships.

calls for a transition from our historical regional presence toward that of a truly national platform whose success will be bolstered by the broadened annuity products previously discussed.

We are also extremely focused on accessing distribution channels with whom we currently do not conduct business as their minimum “A-” Financial Strength Rating (FSR) threshold is one notch above our current FSR. Although our Company’s FSR was recently upgraded to that of a “B++”, our core strategic plan explicitly articulates our objective of securing an FSR of an “A-” as expeditiously as possible.

Enhance investment spread

capabilities by applying our experience and expertise in managing the investment spread over different interest rate environments to achieve our targeted spreads and increase our risk-adjusted returns on capital.

Continue to focus on high-quality service to agents, annuity contract clientele and life and health insurance policyholders, which will be supported by extensive upgrades to our internal infrastructure. These upgrades will help us continually improve the timeliness and accuracy of our service and reaffirm our strong commitment to our agents and policyholders.

Speaking on behalf of the Board and the executive management team, we want to extend our special thanks to Board member W. Thomas Knight, who has chosen not to stand for reelection to the Board in 2011. Tom has served as a director of the Company since May of 2008, and served as General Counsel of the Company from 1993 to 2003. We wish him all the best in his future endeavors.

In addition, the Company’s Board recently voted to shift certain members’ responsibilities, most notably in appointing John D. McMahon (formerly the Chairman of the Compensation Committee) as the new Independent Chairman of the Board, replacing

William M. Trust, Jr., who will remain as a valued Board member serving as the new Chairman of the Compensation Committee and continuing his role as a member of the Finance and Investment Committee as well as the Nominating and Governance Committee. John became a member of the Board in October of 2008. It is with the utmost enthusiasm that I, along with my fellow Board members congratulate him in his new leadership position.

“Our core business strategy is to expand our individual annuity business and to increase our risk-adjusted returns on invested capital by prudently managing investment spreads and investment risk.”

I would like to thank everyone who has supported our Company’s mission over the past year, including our network of more than 9,000 independent agents and our home office employees, along with our executive management team and our Board. I

would also like to thank our valued clients, who are the reason we do what we do. I look forward to where the future will take all of us as part of the Presidential Life family.

In conclusion, while our industry continues to face challenges driven by the overall economic environment, we have worked hard over the past several years to strengthen our capital position and increase the quality of our investment portfolio, among other actions, which have prepared us well to move ahead. By expanding our operating footprint nationally and further diversifying our annuity product portfolio, we can unlock more value for you while providing even better service to our customers and agents.

Sincerely,



Donald L. Barnes
Vice Chairman of the Board, CEO and President

Presidential Life Corporation

Executive Officers



Donald L. Barnes *
Vice Chairman of the Board
CEO and President



Mark A. Abrams
Executive Vice President
Chief Investment Officer



P.B. (Pete) Pheffer
Senior Vice President
Chief Financial Officer and Treasurer



Mitchell R. Anderson
Senior Vice President
Chief Marketing Officer



Paul A. Marsico
Vice President
Director of Human Resources



Tara A. Munderville-O'Dom
Vice President
Operations and Chief Risk Officer



Duncan H. Szeto
Vice President
Chief Actuary

Independent Board of Directors



John D. McMahon * • - +
Independent Chairman
of the Board



William A. DeMilt * • -
Finance and Investment
Committee Chairman



W. Thomas Knight, ESQ. * +



Lawrence Read • -
Audit Committee Chairman



Lawrence Rivkin, ESQ. • +



Stanley Rubin • -
Nominating & Governance
Committee Chairman



William M. Trust, Jr. * - +
Compensation Committee Chairman

Board Committees: * Finance & Investment / • Audit / - Nominating & Governance / + Compensation

Director Nominees



Dominic F. D'Adamo



Ross B. Levin



Frank A. Shepard

Presidential Life Insurance Company⁽¹⁾

Board of Directors

Donald L. Barnes
*Vice Chairman of the Board,
CEO and President*

Mark A. Abrams
*Executive Vice President,
Chief Investment Officer*

P.B. (Pete) Pheffer
*Senior Vice President,
Chief Financial Officer
and Treasurer*

Mitchell R. Anderson
*Senior Vice President,
Chief Marketing Officer*

Kathleen A. Dash
*Vice President,
Corporate Secretary,
Client Services and Claims*

Ronald P. Delgrosso
*Vice President,
Director of Information
Technology*

Donna M. Jones
*Vice President,
New Business & Life Services*

Paul A. Marsico
*Vice President,
Director of Human Resources*

Tara A. Munderville-O'Dom
*Vice President,
Operations and
Chief Risk Officer*

Duncan H. Szeto
*Vice President,
Chief Actuary*

Independent Directors

John D. McMahon
*Independent Chairman
of the Board*

Dominic F. D'Adamo

William A. DeMilt

W. Thomas Knight, ESQ.

Lawrence Read

Lawrence Rivkin, ESQ.

Stanley Rubin

William M. Trust, Jr.

Non-Director Vice Presidents

Vice Presidents

John F. Herlihy, Jr.
Gary S. Mettler

Joseph F. Monacelli
David A. Wiener

Regional Vice Presidents

Marikay P. Flemming
Donald C. Fleming
David J. Klein

Dominic J. Minieri
Donald C. Rogers

(1) Wholly owned subsidiary of Presidential Life Corporation

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