

## PREMIER VALLEY BANK

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Dear Fellow Shareholders:

Ben Bernanke, Chairman of the Federal Reserve, was recently quoted as saying, “the recession is very likely over”. However, even if the history books some day record that this recession is **technically** over, Bernanke has also been quoted as calling this, “one of the most challenging economic environments in memory”, and the recovery is likely to be a protracted one. For the balance of 2009 and into 2010, unemployment rates are projected to rise, municipal budgets will continue to be challenged, and local market conditions, although showing early signs of improvement, will remain under pressure, while short-term interest rate forecasts remain at “exceptionally low levels” for some time. Yet through these times, as we cope with a newly-found willingness to suspend disbelief, we are keenly aware that many of today’s great companies became great while experiencing similar circumstances. As Billy Joel sings, we’re “Keeping The Faith”.

Net income for the third quarter of 2009 totaled \$332 thousand (\$.03 per share), compared to \$866 thousand (\$.08 per share) for the quarter ended September 30, 2008. For the first nine months of 2009, net income was \$1.44 million (\$.12 per share), compared to \$2.76 million (\$.24 per share) reported for the first nine months of 2008. At September 30, 2009, total assets stood at \$487 million, compared to \$488 million at December 31, 2008 and \$487 million at September 30, 2008. As of September 30, 2009, deposits totaled \$420 million, compared to \$396 million at December 31, 2008 and \$410 million at September 30, 2008, while loans outstanding were \$371 million, compared to \$375 million at December 31, 2008 and \$368 million at September 30, 2008. Shareholders’ equity at September 30, 2009 was more than \$59 million, reflecting a very strong capital ratio of over 12% of total assets.

The financial results for the third quarter of 2009 reflect a very challenging operating environment, directly affected by unprecedented low short-term interest rates and continuing softness in local economic conditions, including real estate markets. However, PVB continues to fortify its balance sheet, building capital and reserves, while following a controlled growth philosophy and focusing on the best interests of our shareholders (1% stock dividend to shareholders of record September 30, 2009). By executing these fundamentals, we will be well prepared to participate in the “new normal” when this economic downturn ends.

Shareholders are always encouraged to direct THEIR banking business to THEIR Bank. Visit any of our convenient locations, review our website at [www.premiervalleybank.com](http://www.premiervalleybank.com) or call anytime to discuss your banking needs. We greatly appreciate your support.



J. Mike McGowan  
President & Chief Executive Officer