

PREMIER VALLEY BANK

Dear Fellow Shareholders:

National economic pundits, mostly academicians, have recently declared that the Great Recession ended in June 2009 (interesting that it takes these folks 15 months to make this proclamation). Unfortunately, their conclusions have very little relevance to Central California where unemployment rates remain elevated, real estate values remain depressed and economic activity is just plain sluggish. Still faced with wide-sweeping regulatory overhaul of the financial services industry, an uncertain political environment, increasing costs of doing business, including healthcare costs and taxes, and extremely challenged municipal budgets at all levels, we continue to believe that Premier Valley Bank has charted the right course for success. As Tim McGraw sings, "We Carry On".

Earnings for the third quarter of 2010 were \$859 thousand, or \$.07 per share, up 11% from \$775 thousand, or \$.06 per share, for the second quarter of 2010, and up 159% from \$332 thousand, or \$.03 per share, for the quarter ended September 30, 2009. For the first nine months of 2010, net income was \$2.4 million, or \$.19 per share, up 71% from \$1.4 million, or \$.12 per share, reported for the first nine months of 2009. At September 30, 2010, total assets stood at \$481 million, compared to \$487 million at September 30, 2009. As of September 30, 2010, loans outstanding were \$363 million, compared to \$371 million at September 30, 2009, and deposits totaled \$408 million, compared to \$420 million at September 30, 2009. Shareholders equity at September 30, 2010 was more than \$63 million, representing a very strong capital ratio of over 13% of total assets.

With the current low interest rate environment expected to continue for "some time", the Federal Reserve's "quantitative easing" maneuvers uncertain and the stalled economic conditions remaining, it is imperative that we continue to focus on the fundamentals of our business. For Premier Valley Bank, these are exemplified by solid pre-tax, pre-provisions (core) earnings, stable net interest margins and favorable efficiency ratios. Our strong balance sheet, healthy capital position and sustainable core earnings will carry us through.

The third quarter of 2010 was a good quarter for PVLY shareholders. On September 21, 2010, the Board of Directors announced a cash dividend of \$.04 per share payable on October 15th to shareholders of record on October 4th. On September 30, 2010, we announced the adoption of another stock repurchase plan under which management is authorized to repurchase up to 800,000 shares of PVLY common stock for a maximum amount of \$3,500,000 through September 2011. And, shareholders enjoyed a 78% appreciation in the closing price of Premier Valley Bank common stock during the quarter. These are all clear indicators that we believe the future is bright for your Bank.

There are many reasons to do business with a community bank like Premier Valley Bank, especially at times like these. Supporting an institution that focuses on the needs of local businesses and individuals, creates local jobs, and turns local deposits into local loans, clearly promotes the financial health of our community. At Premier Valley Bank, you are assured of an excellent customer experience delivered by banking professionals that you know and trust. Visit any of our convenient locations, review our website at www.premiervalleybank.com or call any time to discuss your banking needs. We greatly appreciate your support.



J. Mike McGowan
President & Chief Executive Officer