

PREMIER VALLEY BANK

To Our Shareholders:

Common sentiments heard recently include: stabilization; finding the bottom; no further deterioration; improving trends; economic recovery is underway; signs of progress. Could we have reached the low point of this recession? Quite possibly according to many national economic indicators and pundits. Even though local conditions remain sluggish and businesses and consumers are sure to be faced with additional burdensome regulations, higher costs, including healthcare and taxes, and out-of-balance municipal budgets, these conditions now seem somehow more manageable, and the uncertain political environment appears a little more certain. Remember Stevie Wonder singing "A Place In The Sun", "There's a place in the sun, where there's hope for ev'ryone. Movin' on".

Earnings for the fourth quarter of 2010 were \$1.03 million, or \$.08 per share, up 20% from \$859 thousand, or \$.07 per share, for the third quarter of 2010, and up 185% from \$362 thousand, or \$.03 per share, for the fourth quarter of 2009. For all of 2010, net income was \$3.40 million, or \$.27 per share, up 89% from \$1.80 million, or \$.14 per share, reported for 2009. At December 31, 2010, total assets stood at \$472 million, compared to \$474 million at the end of 2009. As of year end 2010, loans outstanding were \$357 million, compared to \$373 million at December 31, 2009, and deposits totaled \$400 million, compared to \$403 million at the end of 2009. Shareholders equity at December 31, 2010 was approximately \$63 million, representing a very strong capital ratio of over 13% of total assets.

2010 was a very good year for Premier Valley Bank and its customers, employees and shareholders. During the year, 1% stock dividends were announced in March and June. Cash dividends of \$.04 per share were announced in September and December and, on September 30, 2010, PVB announced 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 \$3.5 million through September 2011. Not only did the Bank's reported earnings improve by 89% during 2010, but PVLY common shares increased 81% over the year.

Thanks to your continued support 2011 looks even better for your Bank. By focusing on the needs of local businesses and individuals, turning local deposits into local loans and promoting the financial health of our community, we remain committed to the fundamentals of our business plan that has served us so well. Here at PVB, you can count on an excellent service experience delivered with a high level of expertise by responsive professionals that you know and trust. Visit any of our convenient locations, review our website at www.premiervalleybank.com or call anytime to discuss your banking needs.



J. Mike McGowan
President & Chief Executive Officer