

PREMIER VALLEY BANK

Dear Fellow Shareholders:

Although true, it almost sounds like a broken record to report that the low interest rate environment is extended and economic conditions remain unsettled. Equally true, the rising costs of recent legislative and regulatory burdens are astounding. However, it would be incorrect to assume that the community banking industry is somehow becoming moribund. Rather, it is important to remember that, while the landscape and livelihood of our business continues to change, our mission of serving our customers, shareholders and communities has not. Read on to see how well your Bank is doing during these challenging times—with your best interests in mind. As Darius Rucker reminds us, it's "Alright".

Earnings for the third quarter of 2011 were \$1.18 million, or \$.09 per share, compared to \$1.53 million, or \$.12 per share, for the second quarter of 2011, and up 37% from \$859 thousand, or \$.07 per share, for the third quarter of 2010. For the first nine months of 2011, net income was \$3.86 million, or \$0.30 per share, up 63% from \$2.37 million, or \$0.19 per share, for the first nine months of 2010. As of September 30, 2011, total assets stood at \$511 million, compared to \$472 million at December 31, 2010 and \$480 million at September 30, 2010. At the end of the third quarter of 2011, loans outstanding were \$353 million, compared to \$363 million at the end of the third quarter of 2010, and deposits totaled \$436 million, compared to \$408 million at September 30, 2010. Shareholders' equity at September 30, 2011 was over \$64 million, representing a very strong capital ratio of approximately 13% of total assets.

During the third quarter, PVB paid a cash dividend of \$.05 per share on July 15, 2011 and, on September 22, 2011, the Board of Directors declared another dividend of \$.05 per share, which was distributed October 14, 2011. In addition, our 2010 Stock Repurchase Plan was completed on September 21, 2011, with the Bank having repurchased 632,000 of its shares for a total of \$3,200,000. Reflective of continuing weak local real estate markets, the Bank recorded a third quarter valuation adjustment of \$1,072,000 based upon a recent appraisal on one of its OREO properties. Importantly, total OREO is now down to approximately \$5,300,000 related primarily to two properties. Finally, highlighting our commitment to our local area businesses, Premier Valley Bank was again recognized as the #1 lender by the Small Business Administration in the Central Valley for the year ended September 30, 2011.

We greatly appreciate your support as a shareholder. If you are not already a customer, we would welcome the opportunity to meet your banking needs. Visit any of our convenient locations, review our website at www.premiervalleybank.com or call anytime.



J. Mike McGowan

President & Chief Executive Officer