

PREMIER VALLEY BANK

To Our Shareholders:


As predicted, 2011 was indeed a year full of challenges for the banking industry. At the national level, the low interest rate environment continues, our elected officials are still grid locked and economic conditions remain unsettled; however, many economists are now predicting gradual improvement. Locally, business conditions remain sluggish but more and more signs of stability and improvement are appearing every day. Doing our part to expedite the economic recovery, Premier Valley Bank is reporting the most profitable year in the history of the Bank. We may not quite be back to the "Glory Days", as Bruce Springsteen sings, but your Bank is progressing very well.

Earnings for the fourth quarter of 2011 were a record \$2.06 million, or \$.16 per share, up 75% from \$1.18 million, or \$.09 per share, for the third quarter of 2011, and up 100% from \$1.03 million, or \$.07 per share, for the fourth quarter of 2010. For all of 2011, net income was \$5.91 million, or \$.46 per share, up 74% from \$3.40 million, or \$.27 per share, reported for 2010. At December 31, 2011, total assets stood at \$522 million, compared to \$472 million at the end of 2010. As of year end 2011, loans outstanding were \$348 million, compared to \$357 million at December 31, 2010, and deposits totaled \$446 million, compared to \$400 million at the end of 2010. Shareholders equity at December 31, 2011 was over \$65 million, representing a very strong capital ratio of approximately 12.5% of total assets.

Premier Valley Bank had another very good year in 2011. Specifically, the Bank's \$.04 per share cash dividend in the first quarter was increased to \$.05 per share (25% increase) for each of the last three quarters. In the third quarter, the Bank completed a Stock Repurchase Plan under which approximately 632,000 shares of PVLY common stock were repurchased for a total of approximately \$3,200,000 and, in the fourth quarter, PVB announced another Share Repurchase Plan under which approximately 250,000 shares may be acquired for a maximum amount of \$1,500,000 on the open market or through privately negotiated transactions through December 2012. Ending with a fourth quarter during which the Bank earned in excess of \$2 million for the first time in its history, 2011 earnings improved by 74% over 2010, and PVLY common shares increased by 21% over the year.

Premier Valley Bank remains committed to promoting the financial health of our communities and serving the needs of our local businesses and individuals. With your continued support, along with our continued focus on the fundamentals of our business plan, 2012 promises to be another solid year for your Bank. Please review our website at www.premiervalleybank.com, visit any of our convenient locations or call anytime to discuss your banking needs.

Thank you for your support.



J. Mike McGowan

President & Chief Executive Officer