

PREMIER VALLEY BANK

To Our Shareholders:

Throughout 2008, the financial services industry continually reported signs of extreme distress. Indeed, many of the world's most highly regarded financial service providers are now out of business, reorganized under a different corporate structure or the recipients of some form of government assistance (in some cases certain elements of each of these was present). The fact is, no one under the age of 120 (that's all of us) has experienced times like these. Leading economic indicators continue to trend negatively, deficits at the national, state and local levels continue to grow to record levels, and federal assistance funds are being requested by a wide variety of businesses and municipalities. At this point, the ability to suspend disbelief has spread far and wide. Perhaps this is what Paul McCartney had in mind when he recorded, "The Long and Winding Road".

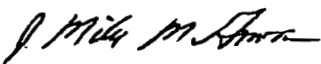
Net income for 2008 totaled \$3.3 million (\$.28 per share), down 28% compared to \$4.6 million (\$.38 per share) for 2007 and 37% compared to \$5.2 million (\$.43 per share) for 2006. At December 31, 2008, total assets stood at \$490 million, up from \$469 million at the end of 2007 and \$446 million at the end of 2006. As of year end 2008, loans outstanding were \$379 million, compared to \$336 million for 2007 and \$309 million for 2006, and deposits totaled \$396 million, compared to \$403 million in 2007 and \$381 million in 2006. Shareholders equity at December 31, 2008 was more than \$58 million, representing a very strong capital ratio of approximately 12% of total assets.

Maintaining financial discipline in 2008, your Bank:

- Declared four cash dividends, each of \$.05 per share, totaling \$2.4 million. Based upon the recent trading range of PVLY common stock, cash dividends indicate an annualized yield of approximately 5%.
- Initiated its third Stock Repurchase Program under which management is authorized to repurchase up to \$3 million of the Bank's common stock through September 30, 2009.
- Amended its Dividend Reinvestment and Stock Purchase Plan to allow shareholders the opportunity to acquire additional PVLY shares at a 5% discount to market.
- Received shareholder approval to form a bank holding company; however, with no immediate purpose, implementation of this strategy has been delayed pending improved economic conditions.

The unprecedented low short-term interest rate environment, coupled with the continuing challenges facing our local economy - specifically the real estate markets, has had a negative impact on Premier Valley Bank's margins and financial results for 2008. The good news is that we have now arrived at a point at which interest rates cannot go much lower, meaning there is a lot more room for upside potential than downside risk on this front. Additionally, during these times we are prudently managing what we can manage - "building the franchise" by attracting and retaining high quality loan and deposit customers; "maintaining the balance sheet" with strong capital levels and asset quality; and "focusing on shareholder value" through shareholder friendly initiatives. You will be glad to know that the initiatives undertaken in the latter part of 2008 and continuing into 2009 will position Premier Valley Bank well when the economic recovery begins.

As always, you are encouraged to direct YOUR banking business to YOUR Bank. Visit any of our convenient locations, review our website at www.premiervalleybank.com or call anytime to discuss your banking needs. Thank you for your support.



J. Mike McGowan
President & Chief Executive Officer