

**PREMIER VALLEY BANK
AUDIT AND FINANCE COMMITTEE CHARTER**

PURPOSE

The Board of Directors has the prime responsibility for the adequacy and effectiveness of the Bank's internal control and quality of the performance in compliance with prescribed safety and soundness guidelines of the banking industry. To fulfill this responsibility, the Board of Directors will appoint an Audit Committee to assist the Board of Directors and Senior Management in fulfilling their responsibilities for accounting policies, financial reporting, and systems of internal control of the Bank and its affiliates.

SCOPE

The Committee has full, free, and unrestricted authority to access any and all of the Bank's records, documents, and facilities. The Committee may interview any of the Bank officers, employees, attorneys, independent accountants, or any other persons deemed necessary to perform its responsibilities, and may retain the Committee's own counsel and experts as deemed necessary and appropriate by the Committee.

AUDIT & FINANCE COMMITTEE MEMBERSHIP AND QUALIFICATIONS

The Audit & Finance Committee ("the Committee") must have at least three directors, all of whom are to be independent of the Bank and its management. According to NASDAQ Rule 4200, an "independent director" means a person other than an officer or employee of the Bank or its subsidiaries or any other individual having a relationship which, in the opinion of the Bank's Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The following persons shall not be considered independent:

1. A director who is employed by the Bank or any of its affiliates for the current year or any of the past three years;
2. A director who accepts any compensation from the Bank or any of its affiliates in excess of \$60,000 during the previous fiscal year, other than compensation for board service, benefits under a tax-qualified retirement plan, or non-discretionary compensation;
3. A director who is a member of the immediate family of an individual who is, or has been in any of the past three years, employed by the Bank or any of its affiliates as an executive officer. Immediate family includes a person's spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, and anyone who resides in such person's home;
4. A director who is a partner in, or a controlling shareholder or an executive officer of, any for-profit business organization to which the Bank made, or from which the Bank received, payments (other than those arising solely from investments in the Bank's securities) that exceed 5% of the Bank's or business organization's consolidated gross revenues for that year, or \$200,000, whichever is more, in any of the past three years;
5. A director who is employed as an executive of another entity where any of the Bank's

executives serve on that entity's compensation committee.

Each director must be able to read and understand fundamental financial statements including the Bank's balance sheet, income statement, and cash flow statement, or must become so within a reasonable time.

The Committee is required to have at least one member who possesses "financial sophistication". NASDAQ defines "financial sophistication" as past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background that results in the individual's financial sophistication, including being or having been a CEO, CFO or other senior officer with financial oversight responsibilities.

The Board of Directors reserves all authority permitted under the rules of the SEC and Nasdaq in connection with any matter referred to in this Policy, including but not limited to the determination of independence of Audit Committee members.

MEETINGS

In general, the Committee shall meet as often as necessary to fulfill its functions as determined by the Committee, but no less than four times annually.

RESPONSIBILITIES

Although the Committee may wish to consider other duties from time to time, the general recurring activities of the Committee in carrying out its oversight role are described below. The Committee shall be responsible for:

1. Recommending to the Board the independent auditors to be retained (or nominated for shareholder approval) to audit the financial statements of the Bank. Such auditors are ultimately accountable to the Board and the Committee, as representatives of the shareholders.
2. Evaluating, together with the Board and Management, the performance of the independent auditors and, where appropriate, replacing such auditors.
3. Obtaining annually from the independent auditors a formal written statement describing all relationships between the auditors and the Bank, consistent with Independence Standards Board Standard Number 1. The Committee shall actively engage in a dialogue with the independent auditors with respect to any relationships that may impact the objectivity and independence of the auditors and shall take, or recommend that the Board take, appropriate actions to oversee and satisfy itself as to the auditors' independence.
4. Reviewing the audited financial statements and discussing them with Management and the independent auditors. These discussions shall include the matters required to be discussed under Statement of Auditing Standards No. 61 and consideration of the quality of the Bank's accounting principles as applied in its financial reporting, including a review of particularly sensitive accounting estimates, reserves and accruals, judgmental areas, audit adjustments (whether or not recorded), and other such inquiries as the Committee or the independent auditors shall deem appropriate. Based on such review, the Committee shall make its

recommendations to the Board as to the inclusion of the Bank's audited financial statements in the Bank's Annual Report.

5. Issuing annually a report to be included in the Bank's proxy statement if required by the rules of the Securities and Exchange Commission.
6. Overseeing the relationship with the independent auditors, including discussing with the auditors the nature and rigor of the audit process, receiving and reviewing audit reports, and providing the auditors full access to the Committee (and the Board) to report on any and all appropriate matters.
7. Discussing with a representative of management and the independent auditors: (1) the interim financial information contained in the Bank's quarterly reports, (2) earnings announcements prior to release (if practicable), and (3) the results of the review of such information by independent auditors (these discussions may be held with the Committee as a whole or with the Committee chair in person or telephone).
8. Overseeing internal audit activities, including discussing with management and the internal auditors the internal audit function's organization, objectivity, responsibilities, plans, results, budget, and staffing.
9. Discussing with Management, the internal auditors, and the independent auditors the quality and adequacy of and compliance with the Bank's internal controls.
10. Discussing with Management and/or the Bank's general counsel any legal matters (including the status of pending litigation) and any material reports or inquiries from regulatory or governmental agencies that may have a material impact on the Bank's financial statements.
11. Annually require the auditors to confirm in writing their understanding of the fact that they are ultimately accountable to the Board of Directors of the Bank and its Audit Committee.
12. Obtain from management, review and approve a description of issues and responses whenever a second opinion is proposed by management to be sought from another outside accountant.
13. Conduct a post-audit, pre-issuance review of the Bank's annual financial statements; the auditor's opinion thereon, and any significant difficulties or disagreements with management encountered during the course of the audit.
14. Review the Bank's major financial risk exposures and the steps management has taken and proposes to take to monitor and control such exposures.

The Committee may cause an investigation to be made into any matter within the scope of its responsibilities under this Policy as the Committee deems necessary, or as otherwise requested by the Board of Directors. The Committee may require Bank personnel to assist in any such investigation, and may engage independent resources to assist in such investigations as it deems necessary.

The Committee's job is one of oversight. Management is responsible for the preparation of the Bank's financial statements and the independent auditors are responsible for auditing those financial statements. The Committee and the Board recognize that Management (including the internal audit staff) and the independent auditors have more resources and time and more detailed knowledge and information regarding the Bank's accounting, auditing, internal control, and financial reporting practices than the Committee does; accordingly, the Committee's oversight role does not provide any expert or special assurance as to the financial statements and other financial information provided by the Bank to its shareholders and others or as to its compliance with laws, rules or regulations.

RELATIONS WITH CHIEF EXECUTIVE OFFICER AND CHIEF OPERATING AND FINANCIAL OFFICER

The Chief Executive Officer and Chief Operating and Financial Officer are not designated members of the Audit Committee; however, their attendance at the Committee's meetings will be customary. They shall report on financial results, accounting problems, staffing of accounting functions, and other elements of financial controls, as well as the coordination of external and internal audit resources and the Bank's independent public accountants in relation to their periodic and/or annual visitations. This approach should help assure good communications among and between the Chief Executive Officer, Chief Operating and Financial Officer, the internal auditors, and the independent public accountants, without impairing the independence of the Audit Committee.

GENERAL

The Committee shall annually review this Audit Policy and any provisions of the Bank's bylaws which refer to the Audit Committee, and propose to the Board of Directors necessary or appropriate revisions.

Prior to the beginning of each fiscal year, the Chair shall draft a proposed schedule of the Committee's activities for the coming year, and the times at which such activities shall occur, including preliminary agendas for each proposed meeting of the Committee, which shall be submitted to the Committee for its review and approval, with such changes as the Committee shall determine to be appropriate.

The Committee shall periodically report its activities, concerns, conclusions and recommendations to the Board of Directors.