

## PREMIER VALLEY BANK

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To Our Shareholders:

Quarter by quarter, you have received reports from Premier Valley Bank describing unstable, turbulent world-wide financial markets and negatively-trending economic indicators, as well as the resulting effects on the financial services industry. Confirmed, in spades. Now day by day, we are receiving reports regarding continued deterioration and massive intervention by central banks around the world. Indeed, it appears that the house of cards built upon exotic financial instruments, aggressive risk-taking practices and highly-leveraged companies, including government sponsored enterprises, is coming down. It is important to remind you that PVB's house is built on a solid foundation of a very healthy balance sheet, a conservative level of risk evaluation, a record of sustainable earnings generation and a steadfast commitment to our shareholders, customers, employees and the communities we serve. As Brooks & Dunn sing, we are "Proud of the House We Built".

Net income for the third quarter of 2008 totaled \$.87 million (\$.08 per share), basically flat compared to \$.88 million (\$.07 per share) for the second quarter of 2008 and a 37% decrease when compared to the \$1.39 million (\$.11 per share) for the quarter ended September 30, 2007. For the first nine months of 2008, net income was \$2.76 million (\$.24 per share) compared to \$4.14 million (\$.34 per share) reported for the first nine months of 2007. At September 30, 2008, total assets stood at \$487 million, up from \$469 million at December 31, 2007 and from \$468 million at September 30, 2007. As of September 30, 2008, deposits totaled \$410 million, a 2% increase during the last twelve months, while loans outstanding were \$368 million, a 19% improvement over September 30, 2007. Shareholders' equity at September 30, 2008 was approximately \$58 million, reflecting a very strong capital ratio of approximately 12% of total assets.

We recognize that, during these trying times, it is even more critical to focus on the fundamentals of our proven business plan. For example, PVB recently:

- Declared a regular \$.05 per share cash dividend, payable October 15, 2008 to shareholders of record on September 30, 2008.
- Initiated its third stock repurchase program under which management is authorized to repurchase up to \$3 million of the Bank's common stock (approximately 5% of outstanding shares) for a period of approximately 12 months.
- Announced the pending formation of a bank holding company structure, expected to take place later this year.
- Amended its Dividend Reinvestment and Stock Purchase Plan to allow shareholders the opportunity to acquire additional PVLY shares at a 5% discount to market.

Although the challenges persist, we continue to manage our affairs in a prudent, cautious and careful manner. No institution is totally immune from the disruptions currently taking place in our industry. However, as evidenced by our 5 Star Rating (the highest possible) by Bauer Financial, our excellent capital position and our continued growth pattern, Premier Valley Bank remains in a much better position than many others not only to weather the storm but also to take advantage of opportunities as they arise.

Again, we would like to encourage you to direct your business to Premier Valley Bank thereby taking advantage of our high-touch, personal service and promoting your Bank. Visit any of our convenient locations, review our website at [www.premiervalleybank.com](http://www.premiervalleybank.com) or call anytime to discuss your banking needs. We greatly appreciate your support.



J. Mike McGowan  
President & Chief Executive Officer