

Highlights through June 30th 2010

- Tier 1 Capital Ratio of 13.2% continuing to far exceed the regulatory requirement for a “Well Capitalized” institution of 10%.
- Net Operating Income before taxes and provision for loan losses reached \$1.4 million
- 13% Decrease in Classified Loans
- 28% Decrease in Delinquent Loans



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Financial Report

Period Ended June 30, 2010



To our Shareholders, Customers & Friends,

In today's difficult economy, there is a need to look deeper than Net Income to truly evaluate the health and performance of any financial institution. As a community business bank, Mission Valley is a direct reflection of the communities we serve. All around us, businesses continue to struggle with tight cash flows, severely impacting their ability to meet their obligations. Sadly, a number of these businesses are our long-term clients. Mission Valley has chosen to work with these borrowers whenever possible – doing all we can to assist them through these difficult days. While we are committed to this path of standing by our clients, doing so has had a significant – though we believe relatively short term – impact on our bottom line earnings.

During the first 6 months of the year MVB's Net Operating Income *before taxes and provision for loan losses*, reached \$1.4 million. This respectable production, coupled with careful oversight of internal expenses, enabled us to place an additional \$2.1 million toward Loan Loss Reserves – bringing our current Loan Loss Reserves to more than \$5.8 million. While prudent in this economy, this addition to our reserves unfortunately resulted in a year to date loss of \$329,000.

Despite reporting a loss for the Quarter, Mission Valley remains Well Capitalized, with Tier 1 Capital to Assets at 13.20% far exceeding the regulatory guidelines of 10% to qualify as a Well Capitalized institution. With our strong reserves and healthy capital position, the bank has a solid cushion to weather these turbulent times.

In short, while disappointed to report a loss for this period – we are not disheartened. We remain as confident in our commitment to stand by our clients as we are in the Bank's ability to weather the storm and maintain our path of steady and controlled growth and we remain grateful for your ongoing confidence in Mission Valley Bancorp.

Sincerely,



Tamara Gurney
President & CEO

Statement of Condition

In Thousands – Unaudited

June 30,	2010	2009
ASSETS		
Cash and Due From Banks	\$ 13,583	\$ 15,803
Federal Funds Sold	13,670	10,940
Securities	26,547	29,484
Net Loans	190,223	196,057
Bank Premises and Equipment	1,518	2,113
Other Assets	10,262	7,104
	<u>\$ 255,803</u>	<u>\$ 261,501</u>
LIABILITIES		
Deposits		
Interest Bearing	136,651	146,530
Non Interest Bearing	59,753	59,666
Total Deposits	<u>\$ 196,404</u>	<u>\$ 206,196</u>
Other Liabilities		
	<u>\$ 36,341</u>	<u>\$ 35,778</u>
	<u>\$ 232,745</u>	<u>\$ 241,974</u>
CAPITAL		
Common Stock	9,717	9,542
Preferred Stock	10,080	5,500
Retained Earnings	3,256	4,280
Additional Paid in Capital	-	-
Current Earnings	(329)	45
Net Unrealized Gain (loss)		
On Securities for Sale	334	160
	<u>\$ 23,058</u>	<u>\$ 19,527</u>
Total Capital	<u>\$ 23,058</u>	<u>\$ 19,527</u>
TOTAL LIABILITIES AND CAPITAL	<u>\$ 255,803</u>	<u>\$ 261,501</u>

Statement of Condition

In Thousands – Unaudited

June 30,	2010	2009
INTEREST INCOME		
Interest and Fees on Loans	\$ 6,455	\$ 6,744
Income on Federal Funds Sold	16	8
Interest on Securities	387	482
Other Interest Income	75	130
Total Interest Income	<u>\$ 6,933</u>	<u>\$ 7,364</u>
INTEREST EXPENSE		
Time and Savings Deposits	1,067	1,424
Other Interest Expense	423	568
Total Interest Expense	<u>\$ 1,490</u>	<u>\$ 1,992</u>
Net Interest Income	5,443	5,372
Provision for Loan Losses	2,122	1,241
Net Interest Income After Provision	<u>\$ 3,321</u>	<u>\$ 4,131</u>
Service Charges on Deposits		
	1,273	1,128
Other Operating Income		
	178	233
Total Other Income	<u>\$ 1,451</u>	<u>\$ 1,361</u>
OPERATING EXPENSE		
Personnel Expense	2,886	2,694
Occupancy and Equipment	916	891
Data Processing	425	366
Other Operating Expenses	1,242	1,331
Total Operating Expense	<u>\$ 5,469</u>	<u>\$ 5,282</u>
Income Before Provision For Income Taxes		
	<u>\$ (697)</u>	<u>\$ 210</u>
Provision For Taxes	<u>\$ (368)</u>	<u>\$ 165</u>
NET INCOME	<u>\$ -329</u>	<u>\$ 45</u>