

Highlights through September 30th 2010

- Continuing to far exceed the regulatory requirement for a “Well Capitalized” institution of 10% with a Tier 1 Capital Ratio of 17.6%
- Net Operating Income before taxes and provision for loan losses reached \$2.1 million
- 17% Decrease in Classified Loans
- 14.7% Decrease in Delinquent Loans



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Financial Report

Period Ended September 30, 2010



Statement of Condition

In Thousands – Unaudited

To our Shareholders, Customers & Friends,

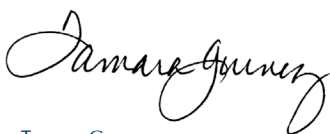
During the 3rd quarter of 2010 a number of positive things occurred at Mission Valley. The Company had a strong 3rd Quarter, achieving net income after taxes of \$325,000 even after placing an additional \$194,000 in the reserve for potential loan losses. These earnings represent a quarter to quarter improvement of more than 288% over the same period last year and indicate our Company's return to profitability. Additionally, in August we received approval to exchange our existing TARP funding for the much more favorably structured Community Development Capital Initiative (CDCI) funds, and in September received more than \$4.8 million in new capital via the (CDCI) program. This is a 'vote of confidence' from both the U.S. Treasury and Federal Reserve in our Company's long term viability and ability to appropriately deploy these funds through loans to local businesses in our marketplace. Also, in late September we were notified that Mission Valley was once again recognized with a Bank Enterprise Award (BEA) of \$600,000 for our lending efforts as a Community Development Financial Institution during the previous year.

Throughout this difficult economy, we have continued to lend and to attract new clients which has enabled us to reach a Net Operating Income (before taxes and provision for potential loan losses) of more than \$2.1 million (through September 30, 2010). Our 3rd Quarter earnings of \$325,000 brought us a long way toward offsetting the \$329,000 loss reported for the 2nd Quarter of 2010, enabling us to close the 3rd Quarter with a reported year-to-date small loss of \$4,000. While our philosophy of continuing to work side by side with our clients through these difficult times has presented challenges for our Company through increased loan loss provision expense, it is beginning to pay dividends as we continue to experience steady decreases in both classified and delinquent loan ratios, with classified loans down by 14.7% and delinquencies reduced by 17%. The majority of our loan portfolio is 'paying as agreed'.

Mission Valley remains Well Capitalized, with Tier 1 Capital to Assets after the recent new capital infusion climbing to 17.6% and continuing to far exceed the regulatory guidelines of 10% to qualify as a Well Capitalized institution. With our healthy capital position and strong reserves the bank is well positioned to weather this ongoing economic downturn. As we begin to see signs of stabilization in the economy, our solid core earnings generation, bolstered by capital and reserves, will allow us to take advantage of opportunities as they arise and allow for a return to consistent growth and profitability.

As we enter into the 4th Quarter, with the Holiday Season fast approaching, what better time to remember how grateful we are to our clients, shareholders, friends and community for your continued confidence and support in Mission Valley Bancorp.

Sincerely,



Tamara Gurney
President & CEO

September 30,	2010	2009
ASSETS		
Cash and Due From Banks	\$ 12,471	\$ 16,389
Federal Funds Sold	15,879	14,325
Securities	27,446	24,975
Net Loans	189,518	200,563
Bank Premises and Equipment	1,376	1,941
Other Assets	10,281	7,173
	<u>\$ 256,971</u>	<u>\$ 265,366</u>
LIABILITIES		
Deposits		
Interest Bearing	136,011	145,867
Non Interest Bearing	59,078	65,064
Total Deposits	<u>\$ 195,089</u>	<u>\$ 210,931</u>
Other Liabilities	<u>\$ 33,688</u>	<u>\$ 35,460</u>
	<u>\$ 228,777</u>	<u>\$ 246,391</u>
CAPITAL		
Common Stock	9,717	9,572
Preferred Stock	14,916	5,500
Retained Earnings	3,183	4,211
Additional Paid in Capital	-	-
Current Earnings	(4)	(564)
Net Unrealized Gain (loss)		
On Securities for Sale	382	256
	<u>\$ 28,194</u>	<u>\$ 18,975</u>
Total Capital	<u>\$ 28,194</u>	<u>\$ 18,975</u>
TOTAL LIABILITIES AND CAPITAL	<u>\$ 256,971</u>	<u>\$ 265,366</u>

Statement of Condition

In Thousands – Unaudited

September 30,	2010	2009
INTEREST INCOME		
Interest and Fees on Loans	\$ 9,713	\$ 10,302
Income on Federal Funds Sold	23	15
Interest on Securities	601	702
Other Interest Income	74	230
Total Interest Income	<u>\$ 10,411</u>	<u>\$ 11,249</u>
INTEREST EXPENSE		
Time and Savings Deposits	1,547	2,131
Other Interest Expense	596	834
Total Interest Expense	<u>\$ 2,143</u>	<u>\$ 2,965</u>
Net Interest Income	8,268	8,284
Provision for Loan Losses	2,316	3,658
Net Interest Income After Provision	<u>\$ 5,953</u>	<u>\$ 4,626</u>
Service Charges on Deposits	1,840	1,746
Other Operating Income	261	396
Total Other Income	<u>\$ 2,100</u>	<u>\$ 2,142</u>
OPERATING EXPENSE		
Personnel Expense	4,323	4,195
Occupancy and Equipment	1,361	1,347
Data Processing	639	587
Other Operating Expenses	1,943	2,001
Total Operating Expense	<u>\$ 8,266</u>	<u>\$ 8,130</u>
Income Before Provision For Income Taxes	<u>\$ (213)</u>	<u>\$ (662)</u>
Provision For Taxes	<u>\$ (208)</u>	<u>\$ (98)</u>
NET INCOME	<u>\$ -4</u>	<u>\$ -564</u>