

In late March 2011 the Bank determined that an additional adjustment to the provision for loans losses was warranted for the period of December 2010 due to late first quarter 2011 receipt of previously ordered valuations of collateral. The result of this loan loss adjustment reduced net income for the year from \$527,000 to \$204,000. As such, annual net earnings available to common shareholders were also reduced from the previously stated amount of \$172,000 net income to \$151,000 net loss.

Valley Community Bank Stock Symbol is VCBC

**VALLEY COMMUNITY BANK**  
**BALANCE SHEETS**

Dollar amounts in thousands, except per share data	Audited 12/31/2010	Audited 12/31/2009
<b>ASSETS</b>		
Cash & due from banks	15,344	22,735
Fed funds sold	<u>0</u>	<u>0</u>
Total Cash and Cash equivalents	15,344	22,735
Time deposits with other financial institutions	581	0
Securities available-for-sale	16,496	11,394
Securities held-to-maturity	209	877
Federal Home Loan Bank stock	934	966
Loans	167,007	179,926
Less allowance for loan losses	<u>(3,416)</u>	<u>(4,141)</u>
Net Loans	163,591	175,785
Bank premises and equipment, net	558	393
Cash surrender value of life insurance policies	2,739	2,638
Accrued interest receivable and other assets	<u>6,450</u>	<u>6,312</u>
<b>TOTAL ASSETS</b>	<u><u>206,902</u></u>	<u><u>221,100</u></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits		
Non-interest bearing	36,383	36,539
Interest bearing	<u>139,232</u>	<u>151,856</u>
Total Deposits	175,615	188,395
Short Term Borrowings	4,000	7,000
Accrued interest payable and other liabilities	<u>3,184</u>	<u>1,487</u>
<b>TOTAL LIABILITIES</b>	<u><u>182,799</u></u>	<u><u>196,882</u></u>
Shareholders' equity		
Preferred Stock	5,610	5,555
Common Stock	16,602	16,602
Additional paid in Capital	450	450
Accumulated other comprehensive loss, net of tax	7	26
Retained Earnings	<u>1,434</u>	<u>1,586</u>
Total shareholders' equity	<u>24,103</u>	<u>24,219</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>206,902</u></u>	<u><u>221,101</u></u>
Common Shares outstanding for each period:	1,878,886	1,878,886
Book value per Common share	\$9.84	\$9.93

**VALLEY COMMUNITY BANK**  
**INCOME STATEMENTS**

Dollar amounts in thousands, except per share data	Unaudited 3 Mos. Ending 12/31/2010	Unaudited 3 Mos. Ending 12/31/2009	%	Audited 12 mos Ending 12/31/2010	Audited 12 mos Ending 12/31/2009	%
			change			change
<b>Interest Income:</b>						
Interest and fees on loans	2,429	2,896	-16%	10,803	11,660	-7%
Interest on federal funds sold	0	14	-100%	-	26	-100%
Interest on investment securities	53	58	-9%	286	234	22%
Interest on deposit in banks	6	0	n/a	55	42	31%
Total Interest Income	<u>2,488</u>	<u>2,968</u>	-16%	<u>11,144</u>	<u>11,962</u>	-7%
<b>Interest Expense:</b>						
Interest on deposits	404	507	-20%	1,821	2,288	-20%
Interest on short-term borrowings	18	43	-58%	83	382	-78%
Total Interest Expense	<u>422</u>	<u>550</u>	-23%	<u>1,904</u>	<u>2,670</u>	-29%
Net Interest Income Before Provision for Loan Loss	2,066	2,418	-15%	9,240	9,292	-1%
Provision for Loan Loss	<u>1,925</u>	<u>2,700</u>	-29%	<u>3,550</u>	<u>3,700</u>	-4%
Net Interest Income After Provision for Loan Losses	141	(282)	-150%	5,690	5,592	2%
<b>Non-interest income:</b>						
Service charges	64	81	-21%	312	328	-5%
Gain on sale of government guaranteed loans	0	725	-100%	596	1,583	-62%
Loan servicing income	149	114	31%	576	366	57%
Other income	282	281	0%	473	463	2%
Total non-interest income	<u>495</u>	<u>1,201</u>	-59%	<u>1,957</u>	<u>2,740</u>	-29%
<b>Other expenses</b>						
Salaries and employee benefits	1,034	1,014	2%	4,263	4,402	-3%
Occupancy and equipment	233	230	1%	941	907	4%
Other	486	540	-10%	2,145	1,994	8%
Total other expenses	<u>1,753</u>	<u>1,784</u>	-2%	<u>7,349</u>	<u>7,303</u>	1%
Income before provision for income taxes	(1,117)	(865)	29%	298	1,029	-71%
Provision for income taxes	<u>(473)</u>	<u>(329)</u>	44%	<u>94</u>	<u>503</u>	-81%
Net income	(644)	(536)	20%	204	526	-61%
Dividends and discount accretion on preferred stock	(88)	(95)	-7%	(355)	(353)	1%
Net Income available to Common shareholders	<u>(732)</u>	<u>(631)</u>	16%	<u>(151)</u>	<u>173</u>	-187%
Earnings Per Basic Share	\$ (0.39)	\$ (0.38)		\$ (0.08)	\$ 0.09	
Earnings Per Diluted Share	\$ (0.39)	\$ (0.38)		\$ (0.08)	\$ 0.09	

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