UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 000-31977

CENTRAL VALLEY COMMUNITY BANCORP
(Exact name of registrant as specified in its charter)

CALIFORNIA	**77-0539125**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7100 N. Financial Dr., Suite 101, Fresno, CA	**93720**
(Address of principal executive offices)	(Zip Code)

559-298-1775
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on which Registered
Common Stock, no par value	CVCY	NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulations S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit). Yes ☐ No ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☐	Accelerated filer ☐	Emerging growth company ☐
Non-accelerated filer ☒	Smaller reporting company ☒	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of **June 30, 2023**, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $152,738,000 based on the price at which the stock was last sold on June 30, 2023.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, No Par Value	Outstanding at March 15, 2024
	11,831,694 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant’s definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the 2024 Annual Meeting of Shareholders to be held on May 30, 2024 are incorporated by reference into Part III of this Report. The proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the Registrant’s fiscal year ended December 31, 2023.

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Cautionary Note Regarding Forward-Looking Statements

Certain matters set forth herein (including any exhibits hereto) constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including forward-looking statements relating to the Company’s current business plans and expectations regarding future operating results. Forward-looking statements may include, but are not limited to, the use of forward-looking language, such as “likely result in,” “expects,” “anticipates,” “estimates,” “forecasts,” “projects,” “intends to,” or may include other similar words or phrases, such as “believes,” “plans,” “trend,” “objective,” “continues,” “remains,” or similar expressions, or future or conditional verbs, such as “will,” “would,” “should,” “could,” “may,” “might,” “can,” or similar verbs. These forward-looking statements are subject to risks and uncertainties that could cause actual results, performance or achievements to differ materially from those projected. These risks and uncertainties, some of which are beyond our control, include, but are not limited to:

- current and future business, economic and market conditions in the United States generally or in the communities we serve, including the effects of declines in property values and overall slowdowns in economic growth should these events occur;
- inflationary pressures and changes in the interest rate environment that reduce our margins and yields, the fair value of financial instruments or our level of loan originations, or increase the level of defaults, losses and prepayments on loans we have made and make, whether held in the portfolio or in the secondary market;
- effects of and changes in trade, monetary and fiscal policies and laws, including the interest rate policies of the Federal Open Market Committee of the Federal Reserve Board;
- geopolitical and domestic political developments that can increase levels of political and economic unpredictability, contribute to rising energy and commodity prices, and increase the volatility of financial markets;
- changes in the level of nonperforming assets and charge offs and other credit quality measures, and their impact on the adequacy of our allowance for credit losses and our provision for credit losses;
- factors that can impact the performance of our loan portfolio, including real estate values and liquidity in our primary market areas, the financial health of our commercial borrowers, and the success of construction projects that we finance;
- our ability to achieve loan growth and attract deposits in our market area, the impact of the cost of deposits and our ability to retain deposits;
- liquidity issues, including fluctuations in the fair value and liquidity of the securities we hold for sale and our ability to raise additional capital, if necessary;
- continued or increasing competition from other financial institutions, credit unions, and non-bank financial services companies, many of which are subject to different regulations than we are;
- challenges arising from unsuccessful attempts to expand into new geographic markets, products, or services;
- restraints on the ability of Central Valley Community Bank to pay dividends to us, which could limit our liquidity;
- increased capital requirements imposed by banking regulators, which may require us to raise capital at a time when capital is not available on favorable terms or at all;
- inaccuracies in our assumptions about future events, which could result in material differences between our financial projections and actual financial performance;
- changes in our management personnel or our inability to retain, motivate and hire qualified management personnel;
- disruptions, security breaches, or other adverse events, failures or interruptions in, or attacks on, our information technology systems;
- disruptions, security breaches, or other adverse events affecting the third-party vendors who perform several of our critical processing functions;
- an inability to keep pace with the rate of technological advances due to a lack of resources to invest in new technologies;
- risks related to the proposed merger with Community West Bancshares, including, among others, conditions to the closing of the merger may not be satisfied; the expected business expansion may be less successful as projected; the integration of each party’s management, personnel and operations may not be successfully achieved or may be materially delayed or may be more costly or difficult than expected, deposit attrition, customer or employee loss and/or revenue loss as a result of the announcement of the proposed merger, and expenses related to the proposed merger may be greater than expected;
- natural disasters, such as earthquakes, drought, pandemic diseases (such as the coronavirus) or extreme weather events, any of which may affect services we use or affect our customers, employees or third parties with which we conduct business;
- compliance with governmental and regulatory requirements, relating to banking, consumer protection, securities and tax matters; and
- our ability to the manage the foregoing.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this report. Because of these risks and other uncertainties, our actual future results, performance or achievement, or industry results, may be materially different from the results indicated by the forward looking statements in this report. In addition, our past results of operations are not necessarily indicative of our future results. You should not rely on any forward

looking statements, which represent our beliefs, assumptions and estimates only as of the dates on which they were made, as predictions of future events. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. Further information on other factors that could affect the financial results of the Company are included in Item 1A of this Annual Report on Form 10-K and in the Company's other filings with the Securities and Exchange Commission ("SEC"). These documents are available free of charge at the SEC website at *http://www.sec.gov*.

PART I

ITEM 1 - DESCRIPTION OF BUSINESS

General

Central Valley Community Bancorp is a bank holding company registered under the Bank Holding Company Act of 1956, as amended (the "Company"). The Company was incorporated on February 7, 2000 as a California corporation, for the purpose of becoming the holding company for Central Valley Community Bank (the "Bank"), formerly known as Clovis Community Bank, a California state chartered bank, through a corporate reorganization. In the reorganization, the Bank became the wholly-owned subsidiary of the Company, and the shareholders of the Bank became the shareholders of the Company. The Company made a decision in the first half of 2002 to change the name of its one subsidiary, Clovis Community Bank, to Central Valley Community Bank.

At December 31, 2023, the Bank was the only banking subsidiary of the Company. The Bank is a multi-community bank that offers a full range of commercial banking services to small and medium size businesses, and their owners, managers and employees in the central valley area of California. Nine contiguous counties are served in California's central valley including Fresno County, El Dorado County, Madera County, Merced County, Placer County, Sacramento County, San Joaquin County, Stanislaus County, and Tulare County, and their surrounding areas. The Company does not currently conduct any operations other than through the Bank. Unless the context otherwise requires, references to "us," "we," or "our" refer to the Company and the Bank on a consolidated basis. At December 31, 2023, we had consolidated total assets of approximately $2,433,426,000. See Items 7 and 8, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Financial Statements.

The Company is regulated by the Board of Governors of the Federal Reserve ("Federal Reserve"). The Bank is regulated by the California Department of Financial Protection and Innovation ("DFPI") and its primary Federal regulator is the Federal Deposit Insurance Corporation ("FDIC").

As of March 1, 2024, we had a total of 259 employees and 245 full time equivalent employees, including the employees of the Bank.

Pending Merger with Community West Bancshares

On October 10, 2023, the Company, entered into an Agreement and Plan of Reorganization and Merger (the "Merger Agreement") with Community West Bancshares, a California corporation ("Community West"), pursuant to which Community West will merge with and into the Company in an all stock merger (the "Merger"), with the Company as the surviving corporation. Promptly following the completion of the Merger, Community West Bank, N.A. a national banking association chartered by the Office of the Comptroller of the Currency and a wholly owned subsidiary of Community West ("CWB") will merge with and into the Bank, with the Bank as the surviving entity (the "bank merger") and will continue the commercial banking operations of the combined bank following the bank merger. Effective with the Merger and the bank merger the Company and the Bank will be rebranded and change their names to "Community West Bancshares" and "Community West Bank", respectively.

Upon consummation of the Merger, each share of Community West common stock, no par value per share, outstanding immediately prior to the effective time of the Merger will be canceled and converted into the right to receive 0.79 of a share of the Company's common stock, no par value. Any fractional shares will be paid in cash equal to the product of (i) such fraction, multiplied by the closing price of the Company's common stock reported on NASDAQ on the last trading day preceding the closing date.

Based on the closing price of the Company's common stock on December 31, 2023, the aggregate merger consideration would be approximately $161.2 million, or $17.66 per share of Community West common stock, assuming 8,875,012 shares of Community West common stock and 530,850 Community West stock options outstanding.

All regulatory approvals have been obtained and the shareholders of the Company and Community West have approved the Merger Agreement and the merger. Subject to completion of customary closing conditions, the Merger is expected to close on April 1, 2024.

The Bank

The Bank was organized in 1979 and commenced business as a California state chartered bank in 1980. The deposits of the Bank are insured by the FDIC up to applicable limits. The Bank is not a member of the Federal Reserve System.

The Bank operates 19 full-service banking offices in Clovis, Exeter, Folsom, Fresno, Gold River, Kerman, Lodi, Madera, Merced, Modesto, Oakhurst, Prather, Roseville, Sacramento, Stockton, and Visalia. The Bank conducts a commercial banking business, which includes accepting demand, savings and time deposits and making commercial, real estate and consumer loans. It also provides domestic and international wire transfer services and other customary banking services. The Bank also offers Internet Banking that consists of inquiry, account status, bill paying, account transfers, and cash management. The Bank does not offer trust services or international banking services and does not currently plan to do so in the near future. The Bank has a Real Estate Division, an Agribusiness Center, and an SBA Lending Division. The Real Estate Division processes or assists in processing the majority of the Bank's real estate related transactions, including interim construction loans for single family residences and commercial buildings. We offer permanent single family residential loans through our mortgage broker services. Our total market share of deposits in Fresno, Madera, San Joaquin, and Tulare counties was 4.15% in 2023 compared to 3.66% in 2022 based on FDIC deposit market share information published as of June 30, 2023. Our total market share in the other counties we operate in (Merced, Placer, Sacramento, and Stanislaus), was less than 1.00% as of June 30, 2023 and 2022.

We have a diversified loan portfolio. At December 31, 2023, we had total loans of $1,290,797,000. Total commercial and industrial loans outstanding were $105,466,000, total agricultural land and production loans outstanding were $33,556,000, total real estate loans outstanding were $1,094,327,000, and total consumer loans outstanding were $55,606,000. Our loans are collateralized by real estate, listed securities, savings and time deposits, automobiles, inventory, accounts receivable, machinery and equipment.

In addition to acquisitions, we have experienced organic growth by expanding our branch network. Management of the Bank analyzes its branch network on an ongoing basis to determine whether to open new branches, consolidate, or potential eliminate existing branches in the future.

No individual or single group of related accounts is considered material in relation to the Bank's assets or deposits, or in relation to our overall business. We attract deposits from individual and commercial customers. No single customer or group of related customers' accounts for a material portion of our deposits such that the loss of any one or more would have a material adverse effect on our business. At December 31, 2023 approximately 84.8% of our loan portfolio held for investment consisted of loans secured by real estate, including construction loans, equity loans and lines of credit, and commercial loans secured by real estate, additionally 10.7% consisted of commercial loans. See Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations. Currently, our business activities are primarily concentrated in Fresno, Madera, Merced, Placer, Sacramento, San Joaquin, Stanislaus, and Tulare Counties in California. Consequently, our results of operations and financial condition are dependent upon the general economic trends in our market area and, in particular, the residential and commercial real estate markets. Further, our concentration of operations in this area of California exposes us to greater risk than other banking companies with a wider geographic base.

Competition

The banking business in California generally, and our primary service area specifically, is highly competitive with respect to both loans and deposits, and is dominated by a relatively small number of major banks with many offices operating over a wide geographic area. Among the advantages such major banks have over us is their ability to finance wide-ranging advertising campaigns and to allocate their investment assets, including loans, to regions of higher yield and demand. Major banks offer certain services such as international banking and trust services which we do not offer directly but which we usually can offer indirectly through correspondent institutions. To compete effectively, we rely substantially on local promotional activity, personal contacts by our officers, directors and employees, referrals by our shareholders, personalized service and our reputation in the communities we serve.

Our total market share of deposits in Fresno, Madera, San Joaquin, and Tulare counties was 4.15% in 2023 compared to 3.66% in 2022 based on FDIC deposit market share information published each year as of June. In Fresno and Madera Counties, in addition to our ten full-service branch locations serving the Bank's primary service areas, as of June 30, 2023 there were 130

operating banking offices in our primary service area, which consists of the cities of Clovis, Fresno, Kerman, Oakhurst, Madera, and Prather, California. Prather does not contain any banking offices other than our branch location. In San Joaquin County, in addition to our two full service branch locations, as of June 30, 2023 there were 90 operating banking offices. In Tulare County, in addition to our three branches there were 48 operating banking in our primary service area. Our combined total market share in the other counties we operate in (Merced, Placer, Sacramento, and Stanislaus), was less than 1.00% as of 2023 and 2022. In Merced County, in addition to our one branch, as of June 30, 2023 there were 25 operating banking offices in our primary service area. In Sacramento County, in addition to our two branches, as of June 30, 2023 there were 179 operating banking offices in our primary service area. In Stanislaus County, in addition to our one branch, there were 76 operating banking offices in our primary service area. In Placer County, in addition to our one branch, there were 71 operating banking offices in our primary service area. Business activity in our primary service area is oriented toward light industry, small business and agriculture.

By virtue of their greater total capitalization, larger banks have substantially higher lending limits than we do. Legal lending limits to an individual customer are limited to a percentage of our total capital. As of December 31, 2023, the Bank's legal lending limits to individual customers were $43,560,000 for unsecured loans and $72,433,000 for unsecured and secured loans combined.

For borrowers desiring loans in excess of the Bank's lending limits, the Bank seeks to make such loans on a participation basis with other financial institutions. Banks also compete with money market funds and other money market instruments, which are not subject to interest rate ceilings. In recent years, increased competition has also developed from specialized finance and non-finance companies that offer wholesale finance, credit card, and other consumer finance services, including online banking services and personal finance software. Competition for deposit and loan products remains strong, from both banking and non-banking firms, and affects the rates of those products as well as the terms on which they are offered to customers.

Technological innovation continues to contribute to greater competition in domestic and international financial services markets. Technological innovation has, for example, made it possible for non-depository institutions to offer customers automated transfer payment services that previously have been traditional banking products. In addition, customers now expect a choice of several delivery systems and channels, including telephone, mail, home computer, ATMs, remote deposit, mobile banking applications, self-service branches, and in-store branches.

In addition, competition has intensified due to federal and state interstate banking laws, which permit banking organizations to expand geographically with fewer restrictions than in the past. Such laws allow banks to merge with other banks across state lines, thereby enabling banks to establish or expand banking operations in our market. The competitive environment also is significantly impacted by federal and state legislation, which may make it easier for non-bank financial institutions to compete with us.

Human Capital Resources

Our success as a financial institution in our market areas is dependent on a workforce that embrace and are dedicated to our mission and culture. Our culture is grounded in a set of core values - teamwork, respect, accountability, integrity and leadership. In order to continue to deliver on our mission and maintain our culture, it is crucial that we attract and retain talent who desire and have the experience to provide creative and innovative financial solutions and options for the diverse communities we serve. Through our hiring and retention programs we aim to create an inclusive workforce with diversified backgrounds and experiences. We strive to maintain an inclusive, safe and healthy workplace, with opportunities for our employees to grow and develop in their careers, supported by advantageous compensation, medical, dental, and vision benefits, health and welfare programs, pre-tax savings programs, 401k and 401k matching, and profit-sharing.

As of December 31, 2023, we had approximately 267 total employees, which included 251 full-time employees and 8 part-time employees. As a financial institution, approximately 58% of our employees are employed at our banking center and loan production offices, and another 42% are employed at our Headquarters. We believe our relationship with our employees to be generally good. None of these employees are represented by a collective bargaining agreement.

As of December 31, 2023, approximately 72% of our current workforce is female, 28% male, and our average tenure is 5.97 years, as compared to 6.37 years as of December 31, 2022.

As part of our compensation philosophy, we offer market competitive total rewards programs for our employees in order to attract and retain superior talent. These programs, include annual bonus opportunities, an Employee Stock Ownership Plan, a matched 401(k) Plan, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, family leave, family care resources, flexible work schedules, adoption assistance, education reimbursement program, and employee assistance programs.

We encourage and support the growth and development of our associates through training and education and, wherever possible, seek to fill positions by promotion and transfer from within the organization. Additionally, all our employees are expected to display and encourage honest, ethical, and respectful conduct in the workplace. Our employees must adhere to our Code of Business Conduct and Ethics that sets standards for appropriate behavior and includes periodic training on preventing, identifying, reporting, and stopping discrimination of any kind. The success of our business is fundamentally connected to the well-being of our people. Accordingly, we are committed to the health, safety and wellness of our employees and encourage our employees with regular wellness challenges.

Supervision and Regulation

GENERAL

Banking is a complex, highly regulated industry. Regulation and supervision by federal and state banking agencies are intended to maintain a safe and sound banking system, protect depositors and the FDIC's insurance fund, and facilitate the conduct of sound monetary policy. In furtherance of these goals, Congress and the states have created several largely autonomous regulatory agencies and enacted numerous laws that govern banks, bank holding companies and the financial services industry. Consequently, the growth and earnings performance of the Company can be affected not only by management decisions and general economic conditions, but also by the requirements of applicable state and federal statutes, regulations and the policies of various governmental regulatory authorities, including the Federal Reserve, the FDIC, the DFPI and the Consumer Financial Protection Bureau ("CFPB"). Furthermore, tax laws administered by the Internal Revenue Service and state taxing authorities, accounting rules developed by the FASB, securities laws administered by the SEC and state securities authorities, anti-money laundering laws enforced by the U.S. Department of the Treasury, or Treasury, and mortgage related rules, including with respect to loan securitization and servicing by the U.S. Department of Housing and Urban Development and agencies such as Fannie Mae and Freddie Mac, also impact our business. The statutes, regulations, regulatory policies and rules significantly impact our financial condition and results of operations. Further, the nature and extent of future legislative, regulatory or other changes affecting financial institutions are impossible to predict with any certainty.

Federal and state banking laws impose a comprehensive system of supervision, regulation and enforcement on the operations of banks, their holding companies and their affiliates. These laws are intended primarily for the protection of the FDIC's Deposit Insurance Fund and bank customers rather than shareholders. Federal and state laws, and the related regulations of the bank regulatory agencies, affect, among other things, the scope of business, the kinds and amounts of investments banks may make, reserve requirements, capital levels relative to operations, the nature and amount of collateral for loans, the establishment of branches, the ability to merge, consolidate and acquire other financial institutions, dealings with insiders and affiliates, and the payment of dividends.

This supervisory and regulatory framework subjects banks and bank holding companies to regular examination by their respective regulatory agencies, which results in examination reports and ratings that, while not publicly available, can affect the conduct and growth of their businesses. These examinations consider not only compliance with applicable laws and regulations, but also capital levels, asset quality and risk, management ability and performance, earnings, liquidity, and various other factors. The regulatory agencies have broad discretion to impose restrictions and limitations on the operations of a regulated entity where the agencies determine, among other things, that such operations are unsafe or unsound, fail to comply with applicable law or are otherwise inconsistent with laws and regulations or with the supervisory policies of these agencies.

The following is a summary of the material elements of the supervisory and regulatory framework applicable to the Company and its bank subsidiary. It does not describe all of the statutes, regulations and regulatory policies that apply, nor does it restate all of the requirements of those that are described. The descriptions are qualified in their entirety by reference to the particular statutory or regulatory provision.

BANK HOLDING COMPANY REGULATION

The Company, as a bank holding company, is subject to regulation under the Bank Holding Company Act of 1956, as amended ("BHC Act"), and the supervision and examination by the Federal Reserve. Pursuant to the BHC Act, we are required to obtain the prior approval of the Federal Reserve before we may acquire all or substantially all of the assets of any bank, or ownership or control of voting shares of any bank if, after giving effect to such acquisition, we would own or control, directly or indirectly, 5% or more of the voting shares of such bank.

Under the BHC Act, we may not engage in any business other than managing or controlling banks or furnishing services to our subsidiaries that the Federal Reserve deems to be so closely related to banking as to be a proper incident to banking. Bank

holding companies that qualify and elect to be treated as "financial holding companies" may engage in a broad range of additional activities that are (i) financial in nature or incidental to such financial activities or (ii) complementary to a financial activity and do not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally. These activities include securities underwriting and dealing, insurance underwriting and making merchant banking investments. We have not elected to be treated as a financial holding company and currently have no plans to make a financial holding company election.

We are also prohibited, with certain exceptions, from acquiring direct or indirect ownership or control of 5% or more of the voting shares of any company unless the company is engaged in banking activities or the Federal Reserve determines that the activity is so closely related to banking to be a proper incident to banking. The Federal Reserve's approval must be obtained before the shares of any such company can be acquired and, in certain cases, before any approved company can open new offices.

The BHC Act, the Federal Reserve regulations, and general corporate law also impose certain constraints on the payment of dividends and the redemption or purchase by a bank holding company of its own shares of stock.

Pursuant to Dodd-Frank, bank holding companies are required to act as a source of financial and managerial strength to their subsidiary banks. As such, the Company is expected to commit resources to support the Bank, including at times when the Company may not be in a financial position to do so. The Company must stand ready to use its available resources to provide adequate capital to the subsidiary bank during periods of financial stress or adversity. The Company must also maintain the financial flexibility and capital raising capacity to obtain additional resources to assist the Bank. The Company's failure to meet its source of strength obligations may constitute an unsafe and unsound practice, a violation of the applicable regulations, or both. The source of strength doctrine most directly affects bank holding companies where a bank holding company's subsidiary bank fails to maintain adequate capital levels. In such a situation, the subsidiary bank will be required by its federal regulator to take "prompt corrective action." Any capital loans by a bank holding company to a subsidiary bank are subordinate in right of payment to deposits and certain other indebtedness of such bank.

In addition, banks are subject to certain restrictions imposed by the Federal Reserve Act (the "FRA") on extensions of credit to their affiliates, including executive officers, directors, and principal shareholders. Subject to certain exceptions, a bank subsidiary can make loans and other extensions of credit, investments and asset purchases, as well as certain other transactions involving the transfer of value to or for the benefit of an affiliate if such transactions with one affiliate do not exceed 10% of such bank subsidiary's capital and surplus, or 20% of such bank subsidiary's capital and surplus for all transactions with affiliates in the aggregate. Such transactions must be on terms and conditions that are consistent with safe and sound banking practices and on terms that are not more favorable than those provided to a non-affiliate. A bank and its subsidiaries generally may not purchase a "low-quality asset," as defined in the FRA, from an affiliate. Certain transactions between the Bank and its affiliates, including the Company, must be on terms substantially the same, or at least as favorable to the Bank, as those prevailing at the time for comparable transactions with non-affiliates.

A bank holding company and its banking subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit, sale or lease of property or provision of services. For example, with certain exceptions, a bank may not condition an extension of credit on a customer obtaining other services provided by it, its holding company or any of its other bank affiliates, or on a promise by the customer not to obtain other services from a competitor.

The Federal Reserve has cease and desist powers over parent bank holding companies and non-banking subsidiaries where their actions represent an unsafe or unsound practice or violation of law.
The Federal Reserve has the authority to regulate debt obligations (other than commercial paper) issued by bank holding companies by imposing interest ceilings and reserve requirements on such debt obligations. Further, we are required by the Federal Reserve to maintain certain capital levels. See "Capital Standards."

We are also a bank holding company within the meaning of Section 1280 of the California Financial Code. As such, we and our subsidiaries are subject to examination by, and may be required to file reports with, the DFPI.

REGULATION OF THE BANK

Banks are extensively regulated under both federal and state law. The Bank, as a California state-chartered bank, is subject to supervision, regulation and periodic examination by the DFPI. The Bank is not a member of the Federal Reserve System, but it is nevertheless subject to certain Federal Reserve regulations.

The Bank's primary federal regulator is the FDIC. The FDIC currently insures the deposits of insured depository institutions, including all non-interest bearing transaction accounts, up to the standard maximum deposit insurance amount of $250,000 for each deposit insurance ownership category. For this protection, the Bank is required to pay a semi-annual statutory assessment.

Various remedies are available to the FDIC if it determines during an examination that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of the Bank's operations are unsatisfactory or that the Bank or its management is violating or has violated any law or regulation. Such remedies include the power to enjoin "unsafe or unsound" practices, to require affirmative action to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in capital, to restrict the growth of the Bank, to assess civil monetary penalties, to remove officers and directors, and ultimately to terminate the Bank's deposit insurance, which for a California state-chartered bank would result in a revocation of the Bank's charter. The DFPI has many of the same remedial powers.

Various requirements and restrictions under the laws of the State of California and the United States affect the operations of the Bank. State and federal statutes and regulations relate to many aspects of the Bank's operations, including standards for safety and soundness, reserves against deposits, interest rates payable on deposits, loans, investments, mergers and acquisitions, borrowings, dividends, locations of branch offices, fair lending requirements, Community Reinvestment Act activities, and loans to affiliates.

Depositor Preference. In the event of the "liquidation or other resolution" of an insured depository institution, the claims of depositors of the institution, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors, including the parent bank holding company, with respect to any extensions of credit they have made to such insured depository institution.

Brokered Deposit Restrictions. Well-capitalized institutions are not subject to limitations on brokered deposits, while an adequately capitalized institution is able to accept, renew or roll over brokered deposits only with a waiver from the FDIC and subject to certain restrictions on the yield paid on such deposits. Undercapitalized institutions are generally not permitted to accept, renew, or roll over brokered deposits. The Bank is eligible to accept brokered deposits without limitations.

Loans to Directors, Executive Officers and Principal Shareholders. The authority of the Bank to extend credit to its directors, executive officers and principal shareholders, including their immediate family members and entities that they control, is subject to substantial restrictions and requirements under Sections 22(g) and 22(h) of the FRA and Regulation O promulgated thereunder, as well as the Sarbanes-Oxley Act of 2002. These statutes and regulations impose specific limits on the amount of loans the Bank may make to directors and other insiders, and specified approval procedures must be followed in making loans that exceed certain amounts. In addition, all loans the Bank makes to directors and other insiders must satisfy the following requirements; (i) the loans must be made on substantially the same terms, including interest rates and collateral, as prevailing at the time for comparable transactions with persons not affiliated with the Bank; (ii) the Bank must follow credit underwriting procedures at least as stringent as those applicable to comparable transactions with persons who are not affiliated with the Bank; and (iii) the loans must not involve a greater than normal risk of non-payment or include other features not favorable to the Bank.

Furthermore, the Bank must periodically report all loans made to directors and other insiders to the bank regulators, and these loans are closely scrutinized by the regulators for compliance with Sections 22(g) and 22(h) of the FRA and Regulation O. Each loan to directors or other insiders must be pre-approved by the Bank's Board of Directors with the interested director abstaining from voting.

PAYMENT OF DIVIDENDS AND STOCK REPURCHASES

The Company's shareholders are entitled to receive dividends when and as declared by our Board of Directors, out of funds legally available, subject to the dividends preference, if any, on preferred shares that may be outstanding. The principal source of cash revenue to the Company is dividends received from the Bank. The Bank's ability to make dividend payments to the Company is subject to state and federal regulatory restrictions.

The Company's ability to pay dividends to its shareholders is affected by both general corporate law considerations and the policies of the Federal Reserve applicable to bank holding companies. As a general matter, the Federal Reserve has indicated that the board of directors of a bank holding company should eliminate, defer or significantly reduce dividends to shareholders if: (i) the bank holding company's net income available to shareholders for the past four quarters, net of dividends previously

paid during that period, is not sufficient to fully fund the dividends or (ii) the prospective rate of earnings retention is inconsistent with the bank holding company's capital needs and overall current and prospective financial condition. If the Company fails to adhere to these policies, the Federal Reserve could find that the Company is operating in an unsafe and unsound manner. See "Supervision and Regulation-Regulatory Capital Requirements" below.

Subject to exceptions for well-capitalized and well-managed holding companies, Federal Reserve regulations also require approval of holding company purchases and redemptions of its securities if the gross consideration paid exceeds 10% of consolidated net worth for any 12-month period. In addition, Federal Reserve policy requires that bank holding companies consult with and inform the Federal Reserve in advance of (i) redeeming or repurchasing capital instruments when experiencing financial weakness and (ii) redeeming or repurchasing common stock and perpetual preferred stock if the result will be a net reduction in the amount of such capital instruments outstanding for the quarter in which the reduction occurs.

As a California corporation, the Company is subject to the limitations of California law, which allows a corporation to distribute cash or property to shareholders, including a dividend or repurchase or redemption of shares, if the corporation meets either a "retained earnings" test or a "balance sheet" test. Under the "retained earnings" test, the Company may make a distribution from retained earnings to the extent that its retained earnings exceed the sum of (i) the amount of the distribution plus (ii) the amount, if any, of dividends in arrears on shares with preferential dividend rights. The Company may also make a distribution under the "balance sheet" test if, immediately after the distribution, the value of its assets equals or exceeds the sum of (i) its total liabilities plus (ii) the liquidation preference of any shares which have a preference upon dissolution over the rights of shareholders receiving the distribution. Indebtedness is not considered a liability if the terms of such indebtedness provide that payment of principal and interest thereon are to be made only if, and to the extent that, a distribution to shareholders could be made under the balance sheet test. In addition, the Company may not make distributions if it is, or as a result of the distribution would be, likely to be unable to meet its liabilities (except those whose payment is otherwise adequately provided for) as they mature.

Dividends payable by the Bank to the Company are restricted under California law to the lesser of the Bank's retained earnings, or the Bank's net income for the latest three (3) fiscal years, less dividends paid during that period, or, with the approval of the DFPI, to the greater of the retained earnings of the Bank, the net income of the Bank for its last fiscal year or the net income of the Bank for its current fiscal year.

In addition to the regulations concerning minimum uniform capital adequacy requirements described below, the FDIC has established guidelines regarding the maintenance of an adequate allowance for credit losses. Therefore, the future payment of cash dividends by the Bank will generally depend, in addition to regulatory constraints, upon the Bank's earnings during any fiscal period, the assessment by the Board of Directors of the capital requirements of the Bank and other factors, including the maintenance of an adequate allowance for credit losses.

REGULATORY CAPITAL REQUIREMENTS

The Company and the Bank are subject to various regulatory capital requirements administered by federal banking agencies, which are required to take prompt corrective action with respect to any depository institution that does not meet minimum capital requirements. Our capital ratios exceed the required minimums for capital adequacy, and the Bank meets the definition for a "well capitalized" institution.

Capital rules (the "Rules") adopted by Federal banking regulators (including the Federal Reserve and the FDIC) generally recognize three components, or tiers, of capital: common equity Tier 1 capital, additional Tier 1 capital and Tier 2 capital. Common equity Tier 1 capital generally consists of retained earnings and common stock instruments (subject to certain adjustments), as well as accumulated other comprehensive income ("AOCI") except to the extent that the Company and the Bank exercise a one-time irrevocable option to exclude certain components of AOCI. Both the Company and the Bank made this election in 2015. Additional Tier 1 capital generally includes non-cumulative preferred stock and related surplus subject to certain adjustments and limitations. Tier 2 capital generally includes certain capital instruments (such as subordinated debt) and portions of the amounts of the allowance for credit losses, subject to certain requirements and deductions. The term "Tier 1 capital" means common equity Tier 1 capital plus additional Tier 1 capital, and the term "total capital" means Tier 1 capital plus Tier 2 capital.

The Rules generally measure an institution's capital using four capital measures or ratios. The common equity Tier 1 capital ratio is the ratio of the institution's common equity Tier 1 capital to its total risk-weighted assets. The Tier 1 risk-based capital ratio is the ratio of the institution's Tier 1 capital to its total risk-weighted assets. The total risk-based capital ratio is the ratio of the institution's total capital to its total risk-weighted assets. The Tier 1 leverage ratio is the ratio of the institution's Tier 1 capital to its average total consolidated assets. To determine risk-weighted assets, assets of an institution are generally placed

into a risk category as prescribed by the regulations and given a percentage weight based on the relative risk of that category. An asset's risk-weighted value will generally be its percentage weight multiplied by the asset's value as determined under generally accepted accounting principles. In addition, certain off-balance-sheet items are converted to balance-sheet credit equivalent amounts, and each amount is then assigned to one of the risk categories. An institution's federal regulator may require the institution to hold more capital than would otherwise be required under the Rules if the regulator determines that the institution's capital requirements under the Rules are not commensurate with the institution's credit, market, operational or other risks.

To be adequately capitalized, both the Company and the Bank are required to have a common equity Tier 1 capital ratio of at least 4.5% or more, a Tier 1 leverage ratio of 4.0% or more, a Tier 1 risk-based ratio of 6.0% or more and a total risk-based ratio of 8.0% or more. In addition to the preceding requirements, both the Company and the Bank are required to maintain a "conservation buffer," consisting of common equity Tier 1 capital, which is at least 2.5% above each of the required minimum levels. An institution that does not meet the conservation buffer will be subject to restrictions on certain activities including payment of dividends, stock repurchases and discretionary bonuses to executive officers.

The Rules set forth the manner in which certain capital elements are determined, including but not limited to, requiring certain deductions related to mortgage servicing rights and deferred tax assets. The Rules permit holding companies with less than $15 billion in total assets as of December 31, 2009 (which includes the Company) to continue to include trust preferred securities issued prior to May 19, 2010 in Tier 1 capital, generally up to 25% of other Tier 1 capital.

The Rules also prescribe the methods for calculating certain risk-based assets and risk-based ratios. Higher or more sensitive risk weights are assigned to various categories of assets, among which are credit facilities that finance the acquisition, development or construction of real property, certain exposures or credits that are 90 days past due or are nonaccrual, foreign exposures, certain corporate exposures, securitization exposures, equity exposures and in certain cases mortgage servicing rights and deferred tax assets.

BANK SECRECY ACT / ANTI-MONEY LAUNDERING REGULATIONS

We are subject to federal laws aiming to counter money laundering and terrorist financing, as well as transactions with persons, companies and foreign governments sanctioned by the United States. These laws include, among others, the USA PATRIOT Act, the Bank Secrecy Act ("BSA"), and the Anti-Money Laundering Act ("AMLA"). Financial institutions are subject to prohibitions against specified financial transactions and account relationships as well as enhanced due diligence and identifying customers when establishing new relationships and standards in their dealings with high risk customers, foreign financial institutions, and foreign individuals and entities. The BSA requires financial institutions to develop policies, procedures and practices to prevent and deter money laundering, and mandates that every bank have a written program approved by its board of directors that is designed to assure and monitor compliance. As part of the BSA compliance program, banks are required to adopt a customer identification program. The Bank has extensive controls in place to comply with these requirements.

In 2021, U.S. bank secrecy and anti-money laundering laws underwent a comprehensive reform and modernization, part of which was the adoption of AMLA. Among other things, it codified a risk-based approach to anti-money laundering compliance for financial institutions. AMLA requires financial institutions to develop standards for evaluating technology and internal processes for BSA compliance, expands enforcement-related and investigation-related authority, institutes BSA whistleblower initiatives and protections, and increases sanctions for certain BSA violations. AMLA expanded duties of the Financial Crimes Enforcement Network ("FinCEN"), which issued final regulations implementing the amendments with respect to beneficial ownership requirements effective January 1, 2024. The Bank has established policies and procedures that it believes comply with these requirements.

The Office of Foreign Assets Control ("OFAC") is a financial intelligence and enforcement agency of the U.S. Treasury Department, which administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign countries and regimes. The OFAC regulations require financial institutions to block or reject payments, transfers, withdrawals or other dealings with respect to accounts and assets of designated targets and countries that are identified as being a threat to national security. This may also include dealings with accounts and assets of nationals of a sanctioned country and with other specially designated individuals (such as designated narcotics traffickers). Financial institutions are also required to report all blocked transactions to OFAC within 10 business days of the occurrence. The Bank has extensive controls in place to comply with these requirements.

PRIVACY AND DATA SECURITY

We are subject to several federal, state, and local laws and regulations relating to consumer privacy and data protection. The Gramm-Leach Bliley Act of 1999 ("GLBA") imposes requirements on financial institutions with respect to consumer privacy and disclosure of non-public personal information. The GLBA generally prohibits disclosure of consumer information to most nonaffiliated third parties unless the consumer has been given the opportunity to object and has not objected to such disclosure. In addition, the California Financial Information Privacy Act ("CFIPA") also requires a financial institution to provide specific information to a consumer related to the sharing of that consumer's nonpublic personal information. The CFIPA allows a consumer to direct the financial institution not to share his or her nonpublic personal information with affiliated or nonaffiliated companies with which a financial institution has contracted to provide financial products and services, and requires that permission from each such consumer be acquired by a financial institution prior to sharing such information. Financial institutions are required to implement policies and procedures regarding the disclosure of nonpublic personal information about consumers to non-affiliated third parties. In general, financial institutions must provide explanations to consumers on policies and procedures regarding the disclosure of such nonpublic personal information and, except as otherwise required by law, prohibit disclosing such information. In addition, the California Consumer Privacy Act ("CCPA"), which became effective in 2020, gives consumers more control over the personal information that businesses collect about them. The CCPA includes new privacy rights including the right to know about the personal information a business collects about them and how it is used and shared; the right to delete personal information collected from them (with some exceptions); the right to opt-out of the sale of their personal information; and the right to non-discrimination for exercising their CCPA rights. The CCPA was further expanded by the California Privacy Rights Act of 2020, which became effective on January 1, 2023, and provided additional privacy rights to California residents and created a new agency tasked with implementing and enforcement of privacy laws in California. Businesses (including financial institutions) are required to give consumers certain notices explaining their privacy rights. The Bank has implemented privacy policies addressing these restrictions which are distributed regularly to all existing and new customers of the Bank.

CYBERSECURITY

The federal bank regulatory agencies adopted guidelines regarding cybersecurity intended to enhance cyber risk management among financial institutions. Financial institutions are expected to comply with such guidance and standards and develop appropriate security controls and risk management processes. If we fail to observe such regulatory guidance or standards, we could be subject to various regulatory sanctions, including financial penalties.

The federal banking agencies recently established new notification requirements for banking organizations. They are required to notify their primary banking regulator within 36 hours of determining that a "computer-security incident" rising to the level of a "notification incident," has occurred. Among other types of computer-security incidents, a "notification incident" includes one that has materially disrupted or degraded the banking organization's ability to carry out banking operations to a material portion of its customer base in the ordinary course of business. The Bank has adopted a customer information security program to comply with such requirements.

In addition to guidance and standards implemented by banking regulators, in July 2023, the SEC adopted final rules requiring disclosure of material cybersecurity incidents, as well as cybersecurity risk management, strategy and governance. Under this rule, banking organizations that are SEC registrants must generally disclose information about a material cybersecurity incident, including the nature, scope, timing, and impact, within four business days of the incident. The disclosure requirements went into effect in December of 2023.

State regulators have also been increasingly active in implementing privacy and cybersecurity standards and regulations. Recently, several states, including California where we conduct substantially all our banking business, have adopted laws and/ or regulations requiring certain financial institutions to implement cybersecurity programs and providing detailed requirements with respect to these programs, including data encryption requirements. Many such states (including California) have also recently implemented or modified their data breach notification and data privacy requirements. We continue to monitor relevant legislative and regulatory developments in California where nearly all our customers are located and evaluate their impact on the Bank.

In the ordinary course of business, we rely on electronic communications and information systems to conduct our operations and to store sensitive data. We employ a variety of preventative and detective tools to monitor, block, and provide alerts regarding suspicious activity, as well as to report on any suspected advanced persistent threats. Risks and exposures related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of Internet banking, mobile banking and other technology based products and services by us and our customers.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE DEVELOPMENTS

Bank regulatory agencies and the SEC have shown increased interest in environmental, social and governance matters ("ESG") and expressed an intent to increase related regulatory oversight of companies' efforts to address how ESG issues may affect their businesses. In 2022, multiple federal regulatory agencies formalized their intent by issuing proposed policy statements and rules, and by establishing a pilot climate scenario analysis exercise for large banks. We believe that continued focus on environmental and social issues is consistent with our community banking model. We are continually seeking ways to improve our stewardship of the environment through recycling programs, resource conservation, empowered employees, construction evaluation, and more.

COMMUNITY REINVESTMENT ACT

The Community Reinvestment Act ("CRA") is intended to encourage insured depository institutions, while operating safely and soundly, to help meet the credit needs of their communities. The CRA specifically directs the federal bank regulatory agencies, in examining insured depository institutions, to assess their record of helping to meet the credit needs of their entire community, including low- and moderate-income neighborhoods, consistent with safe and sound banking practices. The CRA further requires the agencies to take a financial institution's record of meeting its community credit needs into account when evaluating applications for, among other things, domestic branches, consummating mergers or acquisitions or holding company formations. The federal banking agencies have adopted regulations which measure a bank's compliance with its CRA obligations on a performance based evaluation system. This system bases CRA ratings on an institution's actual lending service and investment performance rather than the extent to which the institution conducts needs assessments, documents community outreach or complies with other procedural requirements. The ratings range from "outstanding" to a low of "substantial noncompliance." In its most recent CRA performance examination, the Bank has received an "Outstanding" rating from the FDIC.

In October 2023, the federal banking agencies have issued a final rule to modernize the CRA regulatory framework. The final rule will take effect on April 1, 2024. It adapts the CRA framework to changes in the banking industry, including expanded role of mobile and online banking, tailors performance standards, data collection and reporting requirements, and provides greater clarity and consistency in the application of CRA regulations.

CONSUMER PROTECTION LAWS AND REGULATIONS

The bank regulatory agencies are focusing greater attention on compliance with consumer protection laws and their implementing regulations. Examination and enforcement have become more intense in nature, and insured institutions have been advised to monitor carefully compliance with such laws and regulations. The Bank is subject to many federal consumer protection statutes and regulations, some of which are discussed below.

The Equal Credit Opportunity Act (ECOA) generally prohibits discrimination in any credit transaction, whether for consumer or business purposes, on the basis of race, color, religion, national origin, sex, marital status, age, receipt of income from public assistance programs, or good faith exercise of any rights under the Consumer Credit Protection Act.

The Truth in Lending Act (TILA) is designed to ensure that credit terms are disclosed in a meaningful way so that consumers may compare credit terms more readily and knowledgeably. As a result of TILA, all creditors must use the same credit terminology to express rates and payments, including the annual percentage rate, the finance charge, the amount financed, the total of payments and the payment schedule, among other things.

The Fair Housing Act (FHA) regulates many practices, including making it unlawful for any lender to discriminate in its housing-related lending activities against any person because of race, color, religion, national origin, sex, handicap or familial status. A number of lending practices have been found by the courts to be, or may be considered, illegal under the FHA, including some that are not specifically mentioned in the FHA itself.

The Home Mortgage Disclosure Act (HMDA) grew out of public concern over credit shortages in certain urban neighborhoods. It seeks to provide public information showing whether financial institutions are serving the housing credit needs of the neighborhoods and communities in which they are located. HMDA also includes a "fair lending" aspect that requires the collection and disclosure of data about applicant and borrower characteristics as a way of identifying possible discriminatory lending patterns and enforcing anti-discrimination statutes.

Finally, the Real Estate Settlement Procedures Act (RESPA) requires lenders to provide borrowers with disclosures regarding the nature and cost of real estate settlements. RESPA also prohibits certain abusive practices, such as kickbacks, and places

limitations on the amount of escrow accounts. Penalties under the above laws may include fines, reimbursements and other civil money penalties.

Due to heightened regulatory concern related to compliance with the consumer protection laws, the Bank may incur additional compliance costs or be required to expend additional funds for investments in its local community.

CONSUMER FINANCIAL PROTECTION BUREAU

The CFPB is an independent federal agency with broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws. The CFPB is authorized to engage in consumer financial education, track consumer complaints, request data and promote the availability of financial services to underserved consumers and communities. The CFPB has primary examination and enforcement authority over financial institutions with total consolidated assets of $10 billion or more. Nonetheless, the CFPB regulations and guidance apply to all financial institutions, including the Bank. The FDIC has primary responsibility for examination of the Bank and enforcement with respect to federal consumer protection laws so long as the Bank has total consolidated assets of less than $10 billion, and state authorities are responsible for monitoring our compliance with all state consumer laws. The CFPB also has the authority to require reports from financial institutions with less than $10 billion in assets, such as the Bank, to support the CFPB in implementing federal consumer protection laws, supporting examination activities, and assessing and detecting risks to consumers and financial markets.

The consumer protection provisions of Dodd-Frank and the examination, supervision and enforcement of those laws and implementing regulations by the CFPB have created a more intense and complex environment for consumer finance regulation. The CFPB has significant authority to implement and enforce federal consumer finance laws, as well as the authority to identify and prohibit unfair, deceptive or abusive acts and practices (UDAAP). Prevention of such acts and practices is a continuing focus of the CFPB, and of banking regulators more broadly. The ultimate impact of this heightened scrutiny is uncertain but could result in changes to pricing, practices, products and procedures. It could also result in increased costs related to regulatory oversight, supervision and examination, additional remediation efforts and possible penalties. In addition, Dodd-Frank provides the CFPB with broad supervisory, examination and enforcement authority over various consumer financial products and services, including the ability to require reimbursements and other payments to customers for alleged legal violations and to impose significant penalties, as well as injunctive relief that prohibits lenders from engaging in allegedly unlawful practices. The CFPB also has the authority to obtain cease and desist orders providing for affirmative relief or monetary penalties.

We are also subject to certain state consumer protection laws, such as, for example, debt collection practices, and the prohibition of unfair, deceptive, or abusive acts or practices. State regulation of financial products and potential enforcement actions could also impact us. In California, the DFPI was given broad jurisdiction and sweeping new authorities that closely resemble those of the CFPB. The DFPI stated that it intends to exercise its powers to protect consumers from unlawful, unfair, deceptive, and abusive practices in connection with consumer financial products or services. The DFPI also as a matter of state law can now enforce the Dodd-Frank Act's UDAAP provisions against anyone offering or providing consumer financial products in the state of California. Going forward, financial institutions in California are likely to be faced with a powerful state financial services regulatory regime with expansive enforcement authority, and it is unclear how the DFPI and its enforcement activities will affect the Bank in the future.

DEPOSIT INSURANCE

The FDIC insures the Bank's customer deposits through the Deposit Insurance Fund (the "DIF") up to prescribed limits for each depositor. The maximum deposit insurance amount generally is $250,000 for each account ownership category at each depository institution. The amount of FDIC assessments paid by each DIF member institution is based on its relative risk of default as measured by regulatory capital ratios and other supervisory factors.

The Bank is subject to deposit insurance assessments to maintain the DIF. Dodd-Frank increased the minimum designated reserve ratio of the DIF to 1.35% of the estimated amount of total insured deposits as of September 30, 2020, and eliminated the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds. At least semi-annually, the FDIC updates its loss and income projections for the DIF and, if needed, may increase or decrease the assessment rates, following notice and comment on proposed rulemaking. In October 2022, the FDIC increased initial base deposit assessment rate schedules uniformly by 2 basis points, beginning in the first quarterly assessment period of 2023.

We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. If there are additional bank or financial institution failures or if the FDIC otherwise determines, we may be required to pay even higher FDIC premiums than the recently increased levels. These announced increases and any future increases in FDIC insurance

premiums may have a material and adverse effect on our earnings and could have a material adverse effect on the value of or market for our common stock.

The FDIC may terminate a depository institution's deposit insurance upon a finding that the institution's financial condition is unsafe or unsound or that the institution has engaged in unsafe or unsound practices that pose a risk to the DIF or that may prejudice the interest of the bank's depositors. The termination of deposit insurance for a bank would also result in the revocation of the bank's charter by the DFPI.

INCENTIVE COMPENSATION

Dodd-Frank requires the federal banking agencies and the SEC to establish joint regulations or guidelines prohibiting incentive-based payment arrangements at regulated entities with at least $1 billion in total consolidated assets that encourage inappropriate risks by providing an executive officer, employee, director, or principal shareholder with excessive compensation, fees, or benefits that could lead to material financial loss to the entity. In August 2022, the SEC finalized the pay versus performance regulations, which require disclosure of information that shows the relationship between executive compensation actually paid and the company's financial performance in annual proxy statements. The pay versus performance regulations are effective for fiscal years ending on or after December 16, 2022. Smaller reporting companies are subject to scaled reporting mechanism, and certain companies are exempt from the regulations. In October 2022, the SEC adopted final rules on "clawback" of executive compensation, which direct the stock exchanges to establish listing standards requiring listed companies to develop and implement a policy providing for the recovery of erroneously awarded incentive-based compensation received by current or former executive officers. Under the new rules, companies will have to recover compensation in excess of what the executive officer should have received in the event the companies' financials are restated due to material noncompliance with securities laws. The rules apply to compensation paid in the three years leading up to restatement.

The banking regulations on executive compensation may continue to evolve in the near future. We continue to assess the impact of the incentive compensation regulations on the Company, but do not anticipate any material impact to its operations at this time.

OTHER PENDING AND PROPOSED LEGISLATION

Other legislative and regulatory initiatives which could affect the Company and the Bank and the banking industry in general may be proposed or introduced before the United States Congress, the California legislature and other governmental bodies in the future. Such proposals, if enacted, may further alter the structure, regulation and competitive relationship among financial institutions, and may subject the Company or the Bank to increased regulation, disclosure and reporting requirements. In addition, the various banking regulatory agencies often adopt new rules and regulations to implement and enforce existing legislation. It cannot be predicted whether, or in what form, any such legislation or regulations may be enacted or the extent to which the business of the Company or the Bank would be affected thereby.

Specifically, although the Dodd-Frank reforms primarily targeted systemically important financial service providers, its influence has and is expected to continue to filter down in varying degrees to smaller institutions over time. In addition, some of the recent financial laws and regulations aiming to ease regulatory and compliance burden on financial institutions that were adopted during the last presidential administration could be rolled back in the near future. We will continue to evaluate the effect of other pending and proposed legislation. The impact of any future legislative or regulatory changes cannot be predicted, but they could affect the Company and the Bank, and no current assurance may be given that they will not have a negative impact on the results of operations and financial condition of the Company and the Bank.

ADDITIONAL INFORMATION

Copies of the annual report on Form 10-K for the year ended December 31, 2023 may be obtained without charge upon written request to Shannon Livingston, Chief Financial Officer, at the Company's administrative offices, 7100 N. Financial Dr., Suite 101, Fresno, CA 93720. The Form 10-K is available on our website: www.cvcb.com.

Inquiries regarding Central Valley Community Bancorp's accounting, internal controls or auditing concerns should be directed to Steven D. McDonald, chairman of the Board of Directors' Audit Committee, at steve.mcdonald@cvcb.com or anonymously at www.hotline-services.com or Compliance Hotline at 1-855-252-7606.

General inquiries about Central Valley Community Bancorp or Central Valley Community Bank should be directed to LeAnn Ruiz, Assistant Corporate Secretary at 1-800-298-1775.

ITEM 1A - RISK FACTORS

An investment in our common stock is subject to risks inherent to our business. The material risks and uncertainties that management believes may affect our business are described below. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included or incorporated by reference in this Annual Report. The risks and uncertainties described below are not the only ones facing our business. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair our business operations. This Annual Report is qualified in its entirety by these risk factors.

General Economic, Market, Investment Risks

General economic conditions could adversely affect our business, financial condition and results of operations.

Our financial performance is highly dependent upon the business environment in the markets in which we operate and in the United States as a whole. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity or investor or business confidence; limitations on the availability or increases in the cost of credit and capital; increases in inflation or interest rates; high unemployment; natural disasters; terrorist attacks; disruptions in global or national supply chains; or a combination of these or other factors.

The Bank conducts banking operation principally in California’s Central Valley. The Central Valley is largely dependent on agriculture. The agricultural economy in the Central Valley is therefore important to our financial performance, results of operations and cash flows. We are also dependent in a large part upon the business activity, population growth, income levels and real estate activity in this market area. A downturn in agriculture and the agricultural related businesses could have a material adverse effect on our business, results of operations and financial condition. The agricultural industry has been affected by declines in prices and changes in yields of various crops and other agricultural commodities. Weaker prices could reduce the cash flows generated by farms and the value of agricultural land in our local markets and thereby increase the risk of default by our borrowers or reduce the foreclosure value of agricultural land and equipment that serve as collateral of our loans. Moreover, weaker prices might threaten farming operations in the Central Valley, reducing market demand for agricultural lending. In particular, farm income has seen recent declines, and in line with the downturn in farm income, farmland prices are coming under pressure.

An economic recession or a downturn in various markets could have one or more of the following adverse effects on our business:

- a decrease in the demand for our loans and other products we offer;
- a decrease in our deposit balances due to overall reductions in the number or value of client accounts;
- a decrease in the value of collateral securing our loans;
- an increase in the level of nonperforming and classified loans;
- an increase in provisions for loan losses and loan charge-offs;
- a decrease in net interest income derived from our lending and deposit gathering activities;
- a decrease in our ability to access the capital markets; and
- an increase in our operating expenses associated with attending to the effects of certain circumstances listed above.

Inflationary pressures and rising prices may affect our results of operations and financial condition.

Inflation began to rise sharply at the end of 2021 and has remained at an elevated level through 2023. Small to medium-sized businesses may be impacted more during periods of high inflation as they are not able to leverage economics of scale to mitigate cost pressures compared to larger businesses. Consequently, the ability of our business customers to repay their loans may deteriorate, and in some cases this deterioration may occur quickly, which would adversely impact our results of operations and financial condition. Furthermore, a prolonged period of inflation could cause wages and other costs to the Company to increase, which could adversely affect our results of operations and financial condition.

Monetary policies and regulations of the Federal Reserve could adversely affect our business, financial condition and results of operations.

In addition to being affected by general economic conditions, our earnings and growth are affected by the policies of the Federal Reserve. An important function of the Federal Reserve is to regulate the money supply and credit conditions. Among the instruments used by the Federal Reserve to implement these objectives are open market operations in U.S. government securities, adjustments of the discount rate and changes in reserve requirements against bank deposits. These instruments are

used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits. The monetary policies and regulations of the Federal Reserve have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. The effects of such policies upon our business, financial condition and results of operations cannot be predicted.

Our stock price may be negatively impacted by unrelated bank failures and negative depositor confidence in depository institutions. Further, if we were unable to adequately manage our liquidity, deposits, capital levels and interest rate risk, which have come under greater scrutiny in light of recent bank failures, we may experience a material adverse effect on our financial condition and results of operations.

On March 9, 2023, Silvergate Bank, La Jolla, California, announced its decision to voluntarily liquidate its assets and wind down operations. On March 10, 2023, Silicon Valley Bank, Santa Clara, California, was closed by the DFPI on March 12, 2023, Signature Bank, New York, New York, was closed by the New York State Department of Financial Services and on May 1, 2023, First Republic Bank, San Francisco, California, was closed by the DFPI, and in each case the FDIC was appointed receiver for the failed institution. These banks had elevated levels of uninsured deposits, which may be less likely to remain at the bank over time and less stable as a source of funding than insured deposits. These failures led to volatility and declines in the market for bank stocks and questions about depositor confidence in depository institutions.

These events have led to a greater focus by institutions, investors and regulators on the on-balance sheet liquidity of and funding sources for financial institutions, the composition of their deposits, including the amount of uninsured deposits, the amount of accumulated other comprehensive loss, capital levels and interest rate risk management.

If we are unable to adequately manage our liquidity, deposits, capital levels and interest rate risk, we may experience a material adverse effect on our financial condition and results of operations. We must maintain sufficient funds to respond to the needs of depositors and borrowers. Deposits have traditionally been our primary source of funds for use in lending and investment activities. We also receive funds from loan repayments, investment maturities and income on other interest-earning assets. While we emphasize the generation of low-cost core deposits as a source of funding, there is strong competition for such deposits in our market area. Additionally, deposit balances can decrease if customers perceive alternative investments as providing a better risk/return tradeoff. Accordingly, as a part of our liquidity management, we must use a number of funding sources in addition to deposits and repayments and maturities of loans and investments. We also rely on alternative funding sources including unsecured borrowing lines with correspondent banks, secured borrowing lines with the Federal Home Loan Bank of San Francisco and the Federal Reserve Bank of San Francisco, and public time certificates of deposits. Our ability to access these sources could be impaired by deterioration in our financial condition as well as factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations for the financial services industry or serious dislocation in the general credit markets. Adverse operating results or changes in industry conditions could lead to difficulty or an inability to access these additional funding sources.

Any decline in available funding could adversely impact our ability to originate loans, invest in securities, pay our expenses, or fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could have a material adverse impact on our liquidity, business, financial condition and results of operations.

A lack of liquidity could also attract increased regulatory scrutiny and potential restraints imposed on us by regulators. Depending on the capitalization status and regulatory treatment of depository institutions, including whether an institution is subject to a supervisory prompt corrective action directive, certain additional regulatory restrictions and prohibitions may apply, including restrictions on growth, restrictions on interest rates paid on deposits, restrictions or prohibitions on payment of dividends and restrictions on the acceptance of brokered deposits.

Our financial flexibility would be severely constrained if we were unable to maintain our access to funding or if adequate financing were not available at acceptable interest rates. Further, if we were required to rely more heavily on more expensive funding sources to support liquidity, our revenues may not increase proportionately to cover our increased costs. In this case, our operating margins and profitability would be adversely affected. If alternative funding sources were no longer available to us, we may need to sell a portion of our investment and/or loan portfolio to raise funds, which, depending upon market conditions, could result in us realizing a loss on the sale of such assets. As of December 31, 2023, we had a net unrealized loss of $72,450,000 on our available for-sale investment securities portfolio as a result of the rising interest rate environment. Our investment securities totaled $906,287,000, or 37.2% of total assets, at December 31, 2023. The details of this portfolio are included in Note 2 to the consolidated financial statements.

Interest rate shifts may reduce net interest income and otherwise negatively impact our financial condition and results of operations.

The majority of our banking assets are monetary in nature and subject to risk from changes in interest rates. Like most banks, our earnings and cash flows depend to a great extent upon the level of our net interest income, or the difference between the interest income we earn on loans, investments and other interest-earning assets, and the interest we pay on interest-bearing liabilities, such as deposits and borrowings. Changes in interest rates can increase or decrease our net interest income, because different types of assets and liabilities may react differently, and at different times, to market interest rate changes.

When interest-bearing liabilities mature or reprice more quickly, or to a greater degree than interest-earning assets in a period, an increase in interest rates could reduce net interest income. Similarly, when interest-earning assets mature or reprice more quickly, or to a greater degree than interest-bearing liabilities, falling interest rates could reduce net interest income. An increase in interest rates may, among other things, reduce the demand for loans and our ability to originate loans and decrease loan repayment rates. Conversely, a decrease in the general level of interest rates may affect us through, among other things, increased prepayments on our loan portfolio and increased competition for deposits. Accordingly, changes in the level of market interest rates affect our net yield on interest-earning assets, loan origination volume and our overall results of operations. Although our asset-liability management strategy is designed to control and mitigate exposure to the risks related to changes in market interest rates, those rates are affected by many factors outside of our control, including governmental monetary policies, inflation, deflation, recession, changes in unemployment, the money supply, international disorder and instability in domestic and foreign financial markets.

We may be impacted by the retirement of London Interbank Offered Rate ("LIBOR") as a reference rate.

In July 2017, the United Kingdom Financial Conduct Authority announced that LIBOR may no longer be published after 2021. LIBOR is used extensively in the U.S and globally as a "benchmark" or "reference rate" for various commercial and financial contracts. In March 2022, the Adjustable Interest Rate (LIBOR) Act (the "LIBOR Act") was enacted providing that LIBOR-based contracts that lack fallback language specifying practicable replacement "benchmarks" will automatically transition to the applicable reference rates recommended by the Federal Reserve. Subsequently in December 2022, the Federal Reserve issued a Final Rule establishing "benchmark" replacements based on the Secured Overnight Financing Rate ("SOFR"). The ICE Benchmark Administration ("IBA"), the authorized and regulated administrator of LIBOR, is being compelled by the Financial Conduct Authority (the "FCA") to continue publishing some LIBOR tenors under a synthetic methodology. The FCA intends to no longer require the publication of these synthetic tenors by September 2024, but may extend the timeline if needed.

Despite the progress made through the LIBOR Act and the Federal Reserve's Final Rule, it is impossible to predict the effect of any alternatives rates on the value of LIBOR-based securities and variable rate loans, subordinated debentures or other securities or financial arrangements. The replacement of LIBOR with one or more alternative rates may impact the availability and cost of hedging instruments and borrowings, including the rates we pay on our subordinated debentures and derivative financial instruments. When LIBOR rates are no longer available, and we are required to implement substitute indices for the calculation of interest rates under contracts or financial instruments to which we are a party, we may incur significant expenses in effecting the transition. The transition to a new reference rate requires changes to contracts, risk and pricing models, valuation tools, systems, product design and hedging strategies.

Risks Relating to our Pending Merger with Community West Bancshares

Failure to complete the proposed merger with Community West could negatively impact the Company.

If the merger is not completed for any reason, there may be various adverse consequences and the Company may experience negative reactions from the financial markets and from its customers and employees. For example, the Company's business may have been impacted adversely by the failure to pursue other beneficial opportunities due to the focus of management on the merger, without realizing any of the anticipated benefits of completing the merger. Additionally, if the merger agreement is terminated, the market price of the Company's common stock could decline to the extent that current market prices reflect a market assumption that the merger will be beneficial and will be completed. The Company also could be subject to litigation related to any failure to complete the merger or to proceedings commenced against the Company to perform its obligations under the merger agreement if the merger agreement is terminated under certain circumstances.

Combining the Company and Community West may be more difficult, costly or time-consuming than expected, and the Company may fail to realize the anticipated benefits of the merger.

The success of the merger will depend, in part, on the ability to realize the anticipated cost savings from combining the businesses of the Company and Community West. To realize the anticipated benefits and cost savings from the merger, the Company and Community West must successfully integrate and combine their businesses in a manner that permits those cost savings to be realized without adversely affecting current revenues and future growth. If the Company and Community West are not able to successfully achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected. In addition, the actual cost savings of the merger could be less than anticipated, and integration may result in additional and unforeseen expenses.

An inability to realize the full extent of the anticipated benefits of the merger and the other transactions contemplated by the merger agreement, as well as any delays encountered in the integration process, could have an adverse effect upon the revenues, levels of expenses and operating results of the combined company following the completion of the merger, which may adversely affect the value of the common stock of the combined company following the completion of the merger.

The Company and Community West have operated and, until the completion of the merger, must continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the companies' ability to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits and cost savings of the merger. Integration efforts between the companies may also divert management attention and resources. These integration matters could have an adverse effect on the Company during this transition period and for an undetermined period after completion of the merger on the combined company.

Furthermore, the board of directors and executive leadership of the combined company will consist of former directors and executive officers from each of the Company and Community West. Combining the boards of directors and management teams of each company into a single board and a single management team could require the reconciliation of differing priorities and philosophies.

The future results of the combined company following the completion of the merger may suffer if the combined company does not effectively manage its expanded operations.

Following the merger, the size of the business of the combined company will increase beyond the current size of businesses of either the Company or Community West. The combined company's future success will depend, in part, upon its ability to manage this expanded business, which may pose challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. The combined company may also face increased scrutiny from governmental entities as a result of the increased size of its business. There can be no assurances that the combined company will be successful or that it will realize the expected operating efficiencies, revenue enhancement or other benefits currently anticipated from the merger.

The combined company may be unable to retain the Company and/or Community West personnel successfully after the merger is completed.

The success of the merger will depend in part on the combined company's ability to retain the talent and dedication of key employees currently employed by the Company and Community West. It is possible that these employees may decide not to remain with the Company and Community West, as applicable, while the merger is pending or with the combined company after the merger is consummated. If the Company and Community West are unable to retain key employees, including management, who are critical to the successful integration and future operations of the companies, the Company and Community West could face disruptions in their operations, loss of existing customers, loss of key information, expertise or know-how and unanticipated additional recruitment costs. In addition, following the merger, if key employees terminate their employment, the combined company's business activities may be adversely affected, and management's attention may be diverted from successfully hiring suitable replacements, all of which may cause the combined company's business to suffer. The Company and Community West also may not be able to locate or retain suitable replacements for any key employees who leave either company.

The Company has incurred and is expected to incur substantial costs related to the merger and integration, and these costs may be greater than anticipated due to unexpected events.

The Company has incurred and expect to incur a number of significant non-recurring costs associated with the merger. These costs include legal, financial advisory, accounting, consulting and other advisory fees, severance/employee benefit-related costs, public company filing fees and other regulatory fees, financial printing and other printing costs, and other related costs.

Some of these costs are payable by either the Company or Community West regardless of whether or not the merger is completed.

In addition, the combined company will incur integration costs following the completion of the merger as the Company and Community West integrate their businesses, including facilities and systems consolidation costs and employment-related costs. the Company may also incur additional costs to maintain employee morale and to retain key employees. There is a large number of processes, policies, procedures, operations, technologies and systems that may need to be integrated, including purchasing, accounting and finance, payroll, compliance, treasury management, branch operations, vendor management, risk management, lines of business, pricing and benefits. While the Company has assumed that a certain level of costs will be incurred, there are many factors beyond its control that could affect the total amount or the timing of the integration costs. Moreover, many of the costs that will be incurred are, by their nature, difficult to estimate accurately. These integration costs may result in the combined company taking charges against earnings following the completion of the merger, and the amount and timing of such charges are uncertain at present. There can be no assurances that the expected benefits and efficiencies related to the integration of the businesses will be realized to offset these transaction and integration costs over time.

Our assumptions regarding the fair value of assets acquired could be inaccurate, which could materially and adversely affect our business, financial condition, results of operations, and future prospects.

Management makes various assumptions and judgments about the collectability of acquired loans, including the creditworthiness of borrowers and the value of the real estate and other assets serving as collateral for the repayment of secured loans. If our assumptions are incorrect, significant earnings volatility can occur and credit loss provisions may be needed to respond to different economic conditions or adverse developments in the acquired loan portfolio. Any increase in future loan losses could have a material adverse impact on our business, financial condition, results of operations and prospects.

The merger agreement may be terminated in accordance with its terms and the merger may not be completed.

The merger agreement is subject to a number of conditions which must be fulfilled in order to close. These conditions include the continued accuracy of representations and warranties by both parties and the performance by both parties of covenants and agreements, and the absence of a material adverse effect on the Company or Community West since the date of the merger agreement. There can be no assurance that the conditions to closing the merger will be fulfilled or that the merger will be completed.

Impairment of goodwill resulting from the merger may adversely affect our results of operations.

Goodwill and other intangible assets are expected to increase as a result of the merger. Based on the Company's preliminary purchase price allocation as of December 31, 2023, goodwill of approximately $64.7 million and core deposits intangibles of $12.7 million are currently expected to be recorded by the Company as a result of the merger. The actual amount of goodwill and core deposits intangibles recorded may be materially different and will depend on a number of factors, including changes in the net assets acquired and changes in the fair values of the net assets acquired. Potential impairment of goodwill and amortization of other intangible assets could adversely affect our financial condition and results of operations. The Company assesses its goodwill, other intangible assets and long-lived assets for impairment annually and more frequently when required by generally accepted accounting principles. The Company is required to record an impairment charge if circumstances indicate that the asset carrying values exceed their fair values. The Company's assessment of goodwill, other intangible assets, or long-lived assets could indicate that an impairment of the carrying value of such assets may have occurred or may occur in a future accounting period that could result in a material, non-cash write-down of such assets, which could have a material adverse effect on our results of operations and future earnings.

Risks Related to our Lending Activities

Agribusiness lending presents unique credit risks.

As of December 31, 2023, approximately $33.6 million, or 2.6% of our total gross loan portfolio was comprised of agribusiness loans. Repayment of agribusiness loans depends primarily on the successful planting and harvest of crops and marketing the harvested commodity or raising and feeding of livestock (including milk production). Collateral securing these loans may be illiquid. In addition, the limited purpose of some agricultural-related collateral affects credit risk because such collateral may have limited or no other uses to support values when loan repayment problems emerge. Many external factors can impact our agricultural borrowers' ability to repay their loans, including adverse weather conditions, water issues, commodity price volatility, diseases, land values, production costs, changing government regulations and subsidy programs, changing tax treatment, technological changes, labor market shortages/increased wages, and changes in consumers' preferences, over which

our borrowers may have no control. These factors, as well as recent volatility in certain commodity prices, could adversely impact the ability of those to whom we have made agribusiness loans to perform under the terms of their borrowing arrangements with us, which in turn could result in credit losses and materially and adversely affect our business, financial condition and results of operations.

Because a significant portion of our loan portfolio is comprised of real estate loans, negative changes in the economy affecting real estate values and liquidity could impair the value of collateral securing our real estate loans and result in loan and other losses.

At December 31, 2023, $1.09 billion, or 84.8% of our total loan and lease portfolio, consisted of real estate related loans. The real estate securing our loan portfolio is concentrated in California. The market value of real estate can fluctuate significantly in a short period of time as a result of market conditions in the geographic area in which the real estate is located. Real estate values and real estate markets are generally affected by changes in national, regional or local economic conditions, the rate of unemployment, fluctuations in interest rates and the availability of loans to potential purchasers, changes in tax laws and other governmental statutes, regulations and policies and acts of nature, such as earthquakes and natural disasters. Adverse changes affecting real estate values and the liquidity of real estate in one or more of our markets could increase the credit risk associated with our loan portfolio, significantly impair the value of property pledged as collateral on loans and affect our ability to sell the collateral upon foreclosure without a loss or additional losses. Such declines and losses would have a material adverse impact on our business, financial condition and results of operations.

Increased scrutiny by regulators of commercial real estate concentrations could restrict our activities and impose financial requirements or limits on the conduct of our business.

Banking regulators are giving commercial real estate lending greater scrutiny, and may require banks with higher levels of commercial real estate loans to implement improved underwriting, internal controls, risk management policies and portfolio stress testing, as well as possibly higher levels of allowances for losses and capital levels as a result of commercial real estate lending growth and exposures. Therefore, we could be required to raise additional capital or restrict our future growth as a result of our higher level of commercial real estate loans.

Many of our loans are to commercial borrowers, which may have a higher degree of risk than other types of borrowers.

At December 31, 2023, commercial loans totaled $105.5 million or 8.2% of our loan portfolio (including SBA loans, PPP loans, asset-based lending, and factored receivables). Commercial loans are often larger and involve greater risks than other types of lending. Because payments on such loans are often dependent on the successful operation or development of the property or business involved, repayment of such loans is often more sensitive than other types of loans to adverse conditions in the real estate market or the general business climate and economy. Accordingly, a downturn in the real estate market and a challenging business and economic environment may increase our risk related to commercial loans, particularly commercial real estate loans. Unlike home mortgage loans, which generally are made on the basis of the borrowers' ability to make repayment from their employment and other income and which are secured by real property whose value tends to be more easily ascertainable, commercial loans typically are made on the basis of the borrowers' ability to make repayment from the cash flow of the commercial venture. Our commercial and industrial loans are primarily made based on the identified cash flow of the borrower and secondarily on the collateral underlying the loans. Most often, collateral consists of accounts receivable, inventory and equipment. Inventory and equipment may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business. Accounts receivable may be uncollectable. If the cash flow from business operations is reduced, the borrower's ability to repay the loan may be impaired. Vacancy rates can also negatively impact cash flows from business operations. Due to the larger average size of each commercial loan as compared with other loans such as residential loans, as well as collateral that is generally less readily-marketable, losses incurred on a small number of commercial loans could have a material adverse effect on our business, financial condition and results of operations.

Small Business Administration lending is an important part of our business. Our SBA lending program is dependent upon the U.S. federal government, and we face specific risks associated with originating SBA loans.

Our SBA lending program is dependent upon the U.S. federal government. As an approved participant in the SBA Preferred Lender's Program (an "SBA Preferred Lender"), we enable our clients to obtain SBA loans without being subject to the potentially lengthy SBA approval process necessary for lenders that are not SBA Preferred Lenders. The SBA periodically reviews the lending operations of participating lenders to assess, among other things, whether the lender exhibits prudent risk management. When weaknesses are identified, the SBA may request corrective actions or impose enforcement actions, including revocation of the lender's SBA Preferred Lender status. If we lose our status as an SBA Preferred Lender, we may lose some or all of our customers to lenders who are SBA Preferred Lenders, and as a result we could experience a material

adverse effect to our financial results. Any changes to the SBA program, including but not limited to changes to the level of guarantee provided by the federal government on SBA loans, changes to program specific rules impacting volume eligibility under the guaranty program, as well as changes to the program amounts authorized by Congress may also have a material adverse effect on our business. In addition, any default by the U.S. government on its obligations or any prolonged government shutdown could, among other things, impede our ability to originate SBA loans or sell such loans in the secondary market, which could adversely affect our business, results of operations and financial condition.

Because government regulation greatly affects the business and financial results of all commercial banks and bank holding companies and especially our organization, changes in the laws, regulations and procedures applicable to SBA loans could adversely affect our business, financial condition and results of operation.

Credit Risks

We may not be able to measure and limit our credit risk adequately, which could lead to unexpected losses.

The primary component of our business involves making loans to our clients. The business of lending is inherently risky, including risks that the principal or interest on any loan will not be repaid in a timely manner or at all or that the value of any collateral supporting the loan will be insufficient to cover losses in the event of a default. These risks may be affected by the strength of the borrower's business and industry, and local, regional and national market and economic conditions. Many of our loans are made to small- to medium-sized businesses that may be less able to withstand competitive, economic and financial pressures than larger borrowers. Our risk management practices, such as managing the concentration of our loans within specific industries, loan types and geographic areas, and our credit approval practices may not adequately reduce credit risk. Further, our credit administration personnel, policies and procedures may not adequately adapt to changes in economic or any other conditions affecting clients and the quality of the loan portfolio. A failure to effectively measure and manage the credit risk associated with our loan portfolio could lead to unexpected losses and have an adverse effect on our business, financial condition and results of operations.

Our allowance for credit losses on loans may prove to be insufficient to absorb potential losses in our loan portfolio.

We maintain an allowance for credit losses on loans to provide for loan defaults and non-performance. This allowance, expressed as a percentage of loans, was 1.14%, at December 31, 2023. Allowance for credit losses on loans is funded from a provision for credit losses on loans, which is a charge to our income statement. The Company had a credit for credit losses on loans of $85,000 for the year ended December 31, 2023. The allowance for credit losses on loans reflects our estimate of the current expected credit losses in our loan portfolio at the relevant balance sheet date. Our allowance for credit losses on loans is based on our prior experience, as well as an evaluation of the known risks in the current portfolio, composition and growth of the loan portfolio and economic forecasts for correlated economic factors. The determination of an appropriate level of allowance for credit losses on loans is an inherently difficult and subjective process, requiring complex judgments, and is based on numerous analytical assumptions. The amount of future losses is susceptible to changes in economic and other conditions, including changes in interest rates, changes in economic forecasts, changes in the financial condition of borrowers, and deteriorating values of collateral that may be beyond our control, and these losses may exceed current estimates. The allowance is only an estimate of the probable incurred losses in the loan portfolio and may not represent actual over time, either of losses in excess of the allowance or of losses less than the allowance.

In addition, we evaluate all loans identified as impaired loans and allocate an allowance based upon our estimation of the potential loss associated with those problem loans. While we strive to carefully manage and monitor credit quality and to identify loans that may be deteriorating, at any time there are loans included in the portfolio that may result in losses, but that have not yet been identified as nonperforming or potential problem loans. Through established credit practices, we attempt to identify deteriorating loans and adjust the allowance for credit losses on loans accordingly. However, because future events are uncertain and because we may not successfully identify all deteriorating loans in a timely manner, there may be loans that deteriorate in an accelerated time frame. We cannot be sure that we will be able to identify deteriorating loans before they become nonperforming assets, or that we will be able to limit losses on those loans that have been so identified.

Although management believes that the allowance for credit losses on loans is adequate to absorb losses on any existing loans that may become uncollectible, we may be required to take additional provisions for credit losses on loans in the future to further supplement the allowance for credit losses on loans, either due to management's decision to do so or because our banking regulators require us to do so. Our bank regulatory agencies will periodically review our allowance for credit losses on loans and the value attributed to nonaccrual loans or to real estate acquired through foreclosure and may require us to adjust our determination of the value for these items. If our allowance for credit losses on loans is inaccurate, for any of the reasons

discussed above (or other reasons), and is inadequate to cover the loan losses that we actually experience, the resulting losses could have a material adverse effect on our business, financial condition and results of operations.

Non-performing assets adversely affect our results of operations and financial condition and take significant management time to resolve.

At December 31, 2023, our non-performing loans and leases were 0.00% of total loans and leases compared to 0.00% at December 31, 2022, and 0.09% at December 31, 2021, and our non-performing assets (which include foreclosed real estate) were 0.00% of total assets compared to 0.00% at December 31, 2022. The allowance for credit losses as a percentage of non-performing loans and leases was 15,534.00% as of December 31, 2023 compared to 10,848.00% at December 31, 2022. Non-performing assets adversely affect our net income in various ways. We generally do not record interest income on non-performing loans or other real estate owned, thereby adversely affecting our income and increasing our loan administration costs. When we take collateral in foreclosures and similar proceedings, we are required to mark the related asset to the then fair value of the collateral, which may ultimately result in a loss. An increase in the level of non-performing assets increases our risk profile and may impact the capital levels our regulators believe are appropriate in light of the ensuing risk profile, which could result in a request to reduce our level of non-performing assets. When we reduce problem assets through loan sales, workouts, restructurings and otherwise, decreases in the value of the underlying collateral, or in these borrowers' performance or financial condition, whether or not due to economic and market conditions beyond our control, could adversely affect our business, results of operations and financial condition. In addition, the resolution of non-performing assets requires significant commitments of time from management, which can be detrimental to the performance of their other responsibilities. There can be no assurance that we will not experience future increases in non-performing assets or that the disposition of such non-performing assets will not have a material adverse effect on our business, financial condition and results of operations.

Our focus on lending to small to mid-sized community-based businesses may increase our credit risk.

Commercial real estate and commercial business loans generally are considered riskier than single-family residential loans because they have larger balances to a single borrower or group of related borrowers. Commercial real estate and commercial business loans involve risks because the borrowers' ability to repay the loans typically depends primarily on the successful operation of the businesses or the properties securing the loans. Most of the Bank's commercial real estate and commercial business loans are made to small and medium sized businesses who may have a heightened vulnerability to economic conditions. The deterioration of our borrowers' businesses may hinder their ability to repay their loans with us, which could have a material adverse effect on our business, financial condition and results of operations.

Securities Portfolio Risks

We could recognize losses on securities held in our securities portfolio, particularly if interest rates increase or economic and market conditions deteriorate.

As of December 31, 2023, the carrying value of our securities portfolio was approximately $906,287,000. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. For example, fixed-rate securities acquired by us are generally subject to decreases in market value when interest rates rise. Additional factors include, but are not limited to, rating agency downgrades of the securities or our own analysis of the value of the security, defaults by the issuer or individual mortgagors with respect to the underlying securities, and continued instability in the credit markets. Any of the foregoing factors could cause credit-related impairment in future periods and result in realized losses. The process for determining whether impairment is credit related usually requires difficult, subjective judgments about the future financial performance of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions affecting interest rates, we may recognize realized and/or unrealized losses in future periods, which could have a material adverse effect on our business, financial condition and results of operations.

Key Personnel Risks

We are highly dependent on our management team, and the loss of our senior executive officers or other key employees could harm our ability to implement our strategic plan, impair our relationships with customers and adversely affect our business, financial condition and results of operations.

Our success depends, in large degree, on the skills of our management team and our ability to retain, recruit and motivate key officers and employees. Our senior management team has significant industry experience, and their knowledge and relationships would be difficult to replace. Leadership changes will occur from time to time, and we cannot predict whether

significant resignations will occur or whether we will be able to recruit additional qualified personnel. Competition for senior executives and skilled personnel in the financial services and banking industry is intense, which means the cost of hiring, paying incentives and retaining skilled personnel may continue to increase. We need to continue to attract and retain key personnel and to recruit qualified individuals to succeed existing key personnel to ensure the continued growth and successful operation of our business. In addition, as a provider of relationship-based commercial banking services, we must attract and retain qualified banking personnel to continue to grow our business, and competition for such personnel can be intense. In addition, to attract and retain personnel with appropriate skills and knowledge to support our business, we may offer a variety of benefits, which could reduce our earnings or have a material adverse effect on our business, financial condition and results of operations. The loss of the services of any senior executive or other key personnel, the inability to recruit and retain qualified personnel in the future, or an increase in compensation benefits could have a material adverse effect on our business, financial condition and results of operations.

Capital Risks

We may be subject to more stringent capital requirements in the future.

We are subject to current and changing regulatory requirements specifying minimum amounts and types of capital that we must maintain. Our failure to comply with capital requirements may restrict the types of activities we or our subsidiaries may conduct, and we may be prohibited from taking certain capital actions, such as paying dividends and repurchasing or redeeming capital securities. While we expect to meet the requirements of the Capital Rules, we may fail to do so. Failure to meet minimum capital requirements could result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have an adverse material effect on our financial condition and results of operations. In addition, these requirements could have a negative impact on our ability to lend, grow deposit balances, make acquisitions or make capital distributions in the form of dividends or share repurchases. Higher capital levels could also lower our return on equity.

We may not be successful in raising additional capital needed in the future.

We may need to raise additional capital in the future to provide us with sufficient capital resources and liquidity to meet our commitments and business strategies. Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time which are outside of our control, and our financial performance. We cannot be assured that such capital will be available to us on acceptable terms or at all. Any occurrence that may limit our access to the capital markets may adversely affect our capital costs and our ability to raise capital. Moreover, if we need to raise capital in the future, we may have to do so when many other financial institutions are also seeking to raise capital and would have to compete with those institutions for investors. An inability to raise additional capital on acceptable terms when needed could have a material adverse effect on our business, financial condition and results of operations.

Strategic Risks

We may not be able to maintain our historical growth rate which may adversely impact our business, financial condition and results of operations and financial condition.

We have initiated internal asset growth programs, completed various acquisitions and opened additional offices in prior years. We may not be able to sustain our historical rate of asset growth or may not even be able to grow at all. We may not be able to obtain the financing necessary to fund additional asset growth and may not be able to find suitable candidates for acquisition. Various factors, such as economic conditions and competition, may impede or prohibit the opening of new branch offices. Further, our inability to attract and retain experienced bankers may adversely affect our internal asset growth. A significant decrease in our historical rate of asset growth could have a material adverse impact on our business, financial condition and results of operations.

There are risks related to acquisitions.

We plan to continue to grow our business organically. However, from time to time, we may consider opportunistic strategic acquisitions that we believe support our long-term business strategy. We face significant competition from numerous other financial services institutions, many of which will have greater financial resources than we do, when considering acquisition opportunities. Accordingly, attractive acquisition opportunities may not be available to us. We may not be successful in identifying or completing any future acquisitions. Acquisitions of financial institutions involve operational risks and uncertainties and acquired companies may have unforeseen liabilities, exposure to asset quality problems, key employee and customer retention problems and other problems that could negatively affect our organization.

If we complete any future acquisitions, we may not be able to successfully integrate the operations, management, products and services of the entities that we acquire and eliminate redundancies. The integration process could result in the loss of key employees or disruption of the combined entity's ongoing business or inconsistencies in standards, controls, procedures, and policies that adversely affect our ability to maintain relationships with customers and employees or achieve the anticipated benefits of the transaction. The integration process may also require significant time and attention from our management that they would otherwise direct at servicing existing business and developing new business. We may not be able to realize any projected cost savings, synergies or other benefits associated with any such acquisition we complete. We cannot determine all potential events, facts and circumstances that could result in loss and our investigation or mitigation efforts may be insufficient to protect against any such loss.

Issuing additional shares of our common stock to acquire other banks and bank holding companies may result in dilution for existing shareholders and may adversely affect the market price of our stock.

In connection with our growth strategy, we have issued, and may issue in the future, shares of our common stock to acquire additional banks or bank holding companies that may complement our organizational structure. Resales of substantial amounts of common stock in the public market and the potential of such sales could adversely affect the prevailing market price of our common stock and impair our ability to raise additional capital through the sale of equity securities. We sometimes must pay an acquisition premium above the fair market value of acquired assets for the acquisition of banks or bank holding companies. Paying this acquisition premium, in addition to the dilutive effect of issuing additional shares, may also adversely affect the prevailing market price of our common stock.

If the goodwill that we recorded in connection with a business acquisition becomes impaired, it could require charges to earnings, which would have a negative impact on our financial condition and results of operations.

Goodwill represents the amount by which the cost of an acquisition exceeded the fair value of net assets we acquired in connection with the purchase. We review goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate that the carrying value of the asset might be impaired. We determine impairment by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. Estimates of fair value are determined based on a complex model using cash flows, the fair value of our Company as determined by our stock price, and company comparisons. If management's estimates of future cash flows are inaccurate, fair value determined could be inaccurate and impairment may not be recognized in a timely manner. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. Any such adjustments are reflected in our results of operations in the periods in which they become known. There can be no assurance that our future evaluations of goodwill will not result in findings of impairment and related write-downs, which may have a material adverse effect on our financial condition and results of operations.

Our decisions regarding the fair value of assets acquired could be different than initially estimated, which could materially and adversely affect our business, financial condition and results of operations.

In business combinations, we acquire significant portfolios of loans that are marked to their estimated fair value. There is no assurance that the acquired loans will not suffer deterioration in value. The fluctuations in national, regional and local economic conditions, including those related to local residential, commercial real estate and construction markets, may increase the level of charge offs in the loan portfolio that we acquire and correspondingly reduce our net income. These fluctuations are not predictable, cannot be controlled and may have a material adverse effect on our business, financial condition, and results of operations.

We must effectively manage our branch growth strategy.

We seek to expand our franchise safely and consistently. A successful growth strategy requires us to manage multiple aspects of our business simultaneously, such as following adequate loan underwriting standards, balancing loan and deposit growth without increasing interest rate risk or compressing our net interest margin, maintaining sufficient capital, maintaining proper system and controls, and recruiting, training and retaining qualified professionals. We also may experience a lag in profitability associated with new branch openings. As part of our general growth strategy we may expand into additional communities or attempt to strengthen our position in our current markets by opening new offices, subject to any regulatory constraints on our ability to open new offices. To the extent that we are able to open additional offices, we are likely to experience the effects of higher operating expenses relative to operating income from the new operations for a period of time which could have a material adverse effect on our business, financial condition and results of operations.

New lines of business or new products and services may subject us to additional risks.

From time to time, we may implement or may acquire new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and new products and services we may invest significant time and resources. We may not achieve target timetables for the introduction and development of new lines of business and new products or services and price and profitability targets may not prove feasible. External factors, such as regulatory compliance obligations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business and/or new product or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our business, financial condition and results of operations.

Competition Risks

Competition in originating loans and attracting deposits may adversely affect our profitability.

We operate in a highly competitive banking market and face substantial competition in originating loans. This competition currently comes principally from other banks, savings institutions, mortgage banking companies, credit unions and other lenders. Many of our competitors enjoy advantages, including greater financial resources and higher lending limits, a wider geographic presence, more accessible branch office locations, the ability to offer a wider array of services or more favorable pricing alternatives, as well as lower origination and operating costs. This competition could reduce our net income by decreasing the number and size of loans that we originate and the interest rates we may charge on these loans.

In attracting deposits, we face substantial competition from other insured depository institutions such as banks, savings institutions and credit unions, as well as institutions offering uninsured investment alternatives, including money market funds. Many of our competitors enjoy advantages, including greater financial resources, more aggressive marketing campaigns, better brand recognition and more branch locations. These competitors may offer higher interest rates than we do, which could decrease the deposits that we attract or require us to increase our rates to retain existing deposits or attract new deposits. Increased deposit competition could adversely affect our ability to generate the funds necessary for lending operations, which may increase our cost of funds or negatively impact our liquidity.

We also compete with non-bank providers of financial services, such as brokerage firms, consumer finance companies, insurance companies and governmental organizations, which may offer more favorable terms. Some of our non-bank competitors are not subject to the same extensive regulations that govern our operations. As a result, such non-bank competitors may have advantages over us in providing certain products and services. This competition may reduce or limit our margins on banking services, reduce our market share and adversely affect our earnings and financial condition.

The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Our inability to compete successfully in the markets in which we operate could have an adverse effect on our business, financial condition or results of operations.

We have a continuing need for technological change, and we may not have the resources to implement new technology effectively, or we may experience operational challenges when implementing new technology or technology needed to compete effectively with larger institutions may not be available to us on a cost-effective basis.

The financial services industry undergoes rapid technological changes with frequent introductions of new technology-driven products and services, including developments in telecommunications, data processing, automation, internet-based banking, debit cards and so-called “smart cards” and remote deposit capture. In addition to serving clients better, the effective use of technology increases efficiency and enables financial institutions to reduce costs. Our future success will depend, at least in part, upon our ability to address the needs of our clients by using technology to provide products and services that will satisfy client demands for convenience, as well as to create additional efficiencies in our operations as we continue to grow and expand our products and service offerings. We offer electronic banking services for consumer and business customers via our website, www.hanoverbank.com, including Internet banking and electronic bill payment, as well as mobile banking. We also offer debit cards, ATM cards, and automatic and ACH transfers. We may experience operational challenges as we implement these new technology enhancements or products, which could impair our ability to realize the anticipated benefits from such new technology or require us to incur significant costs to remedy any such challenges in a timely manner.

Many of our larger competitors have substantially greater resources to invest in technological improvements. Third parties upon which we rely for our technology needs may not be able to develop on a cost-effective basis the systems that will enable us to

keep pace with such developments. As a result, competitors may be able to offer additional or superior products compared to those that we will be able to provide, which would put us at a competitive disadvantage. We may lose clients seeking new technology-driven products and services to the extent we are unable to provide such products and services. Accordingly, the ability to keep pace with technological change is important and the failure to do so could adversely affect our business, financial condition and results of operations.

Technology Risks

A failure in or breach of the Bank's operational or security systems, or those of the Bank's third-party service providers, including as a result of cyber attacks, could disrupt business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase costs and cause losses.

In the normal course of its business, the Bank collects, processes and retains sensitive and confidential customer and consumer information. Despite the security measures we have in place, our facilities may be vulnerable to cyber-attacks, security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors, and other similar events.

Information security risks for financial institutions such as the Bank have increased recently in part because of new technologies, the use of the Internet and telecommunications technologies (including mobile devices) to conduct financial and other business transactions and the increased sophistication and activities of organized crime, perpetrators of fraud, hackers, terrorists and others. In addition to cyber attacks or other security breaches involving the theft of sensitive and confidential information, hackers have engaged in attacks against financial institutions designed to disrupt key business services such as customer-facing web sites. National and international economic and geopolitical conditions may also have a negative impact in the number of cyber security threats the Bank may face. We are not able to anticipate or implement effective preventative measures against all security breaches of these types. Although the Bank employs detection and response mechanisms designed to contain and mitigate security incidents, early detection may be thwarted by sophisticated attacks and malware designed to avoid detection, which continue to evolve.

Additionally, the Bank faces the risk of operational disruption, failure, termination or capacity constraints of any of the third parties that facilitate its business activities, including third-party service providers, exchanges, clearing agents, clearing houses or other financial intermediaries. Such parties could also be the source of an attack on, or breach of, the Bank's operational systems.

Any failures, interruptions or security breaches in our information systems could damage our reputation, result in a loss of customer business, result in a violation of privacy or other laws, or expose us to civil litigation, regulatory fines or losses not covered by insurance.

See Item 1C - Cybersecurity for additional information regarding our efforts to detect, identify, assess, manage, and respond to material risks from cybersecurity threats.

Reputation and Operations Risks

Our ability to maintain our reputation is critical to the success of our business, and the failure to do so may materially and adversely affect our business and the value of our common stock.

We are a community bank, and our reputation is one of the most valuable components of our business. Threats to our reputation can come from many sources, including: adverse sentiment about financial institutions generally; unethical practices, failures of technological systems or breaches of security measures, including, but not limited to, those resulting from computer viruses or cyber-attacks; theft, fraud or misappropriation of assets, whether arising from the intentional actions of internal personnel or external third parties; failure to deliver minimum standards of service or quality; compliance deficiencies; and questionable or fraudulent activities of our customers. Negative publicity regarding our industry, the Bank, employees, or customers, with or without merit, may result in the loss of customers, investors and employees, costly litigation, a decline in revenues and increased governmental regulation and have a material adverse effect on our business, financial condition and results of operation.

Our risk management framework may not be effective in mitigating risks and/or losses to us.

Our risk management framework is comprised of various processes, systems and strategies, and is designed to manage the types of risk to which we are subject, including, among others, credit, market, liquidity, interest rate and compliance. Our framework also includes financial or other modeling methodologies that involve management assumptions and judgment. Our risk management framework may not be effective under all circumstances and may not adequately mitigate any risk or loss to us. If

our risk management framework is not effective, we could suffer unexpected losses and our business, financial condition and results of operations could be materially and adversely affected. We may also be subject to potentially adverse regulatory consequences.

Pandemics, natural disasters, global climate change, acts of terrorism and global conflicts may have a negative impact on our business and operations.

Pandemics, natural disasters, global climate change, acts of terrorism, global conflicts or other similar events have in the past, and may in the future have, a negative impact on our business and operations. These events impact us negatively to the extent that they result in reduced capital markets activity, lower asset price levels, or disruptions in general economic activity in the United States or abroad, or in financial market settlement functions. In addition, these or similar events may impact economic growth negatively, which could have an adverse effect on our business and operations and may have other adverse effects on us in ways that we are unable to predict.

Our business operations could be disrupted if significant portions of our workforce were unable to work effectively, including because of illness, quarantines, government actions, or other restrictions in connection with the pandemic. Further, work-from-home and other modified business practices may introduce additional operational risks, including cybersecurity and execution risks, which may result in inefficiencies or delays, and may affect our ability to, or the manner in which we, conduct our business activities. Disruptions to our clients could result in increased risk of delinquencies, defaults, foreclosures and losses on our loans.

Climate change could have a material negative impact on the Company and our customers.

The Company’s business, as well as the operations and activities of our clients, could be negatively impacted by climate change. Climate change presents both immediate and long-term risks to the Company and its clients, and these risks are expected to increase over time. Climate change presents multi-faceted risks, including: operational risk from the physical effects of climate events on the Company and its clients’ facilities and other assets; credit risk from borrowers with significant exposure to climate risk; transition risks associated with the transition to a less carbon-dependent economy; and reputational risk from stakeholder concerns about our practices related to climate change, the Company’s carbon footprint, and the Company’s business relationships with clients who operate in carbon-intensive industries.

Federal and state banking regulators and supervisory authorities, investors, and other stakeholders have increasingly viewed financial institutions as important in helping to address the risks related to climate change both directly and with respect to their clients. This may result in financial institutions coming under increased pressure regarding the disclosure and management of their climate risks and related lending and investment activities. Given that climate change could impose systemic risks upon the financial sector, either via disruptions in economic activity resulting from the physical impacts of climate change or changes in policies as the economy transitions to a less carbon-intensive environment, the Company may face regulatory risk of increasing focus on the Company’s resilience to climate-related risks, including in the context of stress testing for various climate stress scenarios. Ongoing legislative or regulatory uncertainties and changes regarding climate risk management and practices may result in higher regulatory, compliance, credit, and reputational risks and costs.

Increasing scrutiny and evolving expectations from customers, regulators, investors, and other stakeholders with respect to our environmental, social and governance practices may impose additional costs on us or expose us to new or additional risks.

Companies are facing increasing scrutiny from customers, regulators, investors, and other stakeholders related to their environmental, social and governance (“ESG”) practices and disclosure. Investor advocacy groups, investment funds and influential investors are also increasingly focused on these practices, especially as they relate to the environment, health and safety, diversity, labor conditions and human rights. Increased ESG-related compliance costs for us as well as among our suppliers, vendors and various other parties within our supply chain could result in increases to our overall operational costs. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards could negatively impact our reputation, ability to do business with certain partners, access to capital, and our stock price. New government regulations could also result in new or more stringent forms of ESG oversight and expanding mandatory and voluntary reporting, diligence, and disclosure.

Finance and Accounting Risks

Accounting estimates and risk management processes rely on analytical models that may prove inaccurate resulting in a material adverse effect on our business, financial condition and results of operations.

The processes we use to estimate probable incurred loan losses and to measure the fair value of financial instruments, as well as the processes used to estimate the effects of changing interest rates and other market measures on our financial condition and results of operations, depends upon the use of analytical models. These models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are adequate, the models using those assumptions may prove to be inadequate or inaccurate because of other flaws in their design or their implementation. If the models we use for interest rate risk and asset-liability management are inadequate, we may incur increased or unexpected losses upon changes in market interest rates or other market measures. If the models we use for determining our probable loan losses are inadequate, the allowance for credit losses on loans may not be sufficient to support future charge-offs. If the models we use to measure the fair value of financial instruments are inadequate, the fair value of such financial instruments may fluctuate unexpectedly or may not accurately reflect what we could realize upon sale or settlement of such financial instruments. Any such failure in our analytical models could result in losses that could have a material adverse effect on our business, financial condition and results of operations.

Changes in accounting standards could materially impact our financial statements.

From time to time, the FASB or the SEC, may change the financial accounting and reporting standards that govern the preparation of our financial statements. Such changes may result in us being subject to new or changing accounting and reporting standards. In addition, the bodies that interpret the accounting standards (such as banking regulators or outside auditors) may change their interpretations or positions on how these standards should be applied. These changes may be beyond our control, can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retrospectively, or apply an existing standard differently, also retrospectively, in each case resulting in our needing to revise or restate prior period financial statements. Restating or revising our financial statements may result in reputational harm or may have other adverse effects on us.

Failure to maintain effective internal controls over financial reporting could have a material adverse effect on our business and stock price.

We are required to comply with the SEC's rules implementing Section 302, Section 404, and Section 906 of the Sarbanes-Oxley Act, which will require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of controls over financial reporting. In particular, we are required to certify our compliance with Section 404 of the Sarbanes-Oxley Act, which requires us to furnish annually a report by management on the effectiveness of our internal control over financial reporting and our independent registered public accounting firm is required to report on the effectiveness of our internal control over financial reporting.

If we identify any material weaknesses in our internal control over financial reporting or are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors, counterparties and customers may lose confidence in the accuracy and completeness of our financial statements and reports; our liquidity, access to capital markets and perceptions of our creditworthiness could be adversely affected; and the market price of our common stock could decline. In addition, we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, the Federal Reserve, the FDIC, the DFPI or other regulatory authorities, which could require additional financial and management resources. These events could have a material adverse effect on our business and stock price.

We have significant deferred tax assets and cannot assure that it will be fully realized.

Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between the carrying amounts and tax basis of assets and liabilities computed using enacted tax rates. We regularly assess available positive and negative evidence to determine whether it is more likely than not that our net deferred tax assets will be realized. Realization of a deferred tax asset requires us to apply significant judgment and is inherently speculative because it requires estimates that cannot be made with certainty. At December 31, 2023, we had a net deferred tax asset of $38.5 million. If we were to determine at some point in the future that we will not achieve sufficient future taxable income to realize our net deferred tax asset, we would be required, under generally accepted accounting principles, to establish a full or partial valuation allowance which would require us to incur a charge to income for the period in which the determination was made.

Legislative and Regulatory Risks

We are subject to extensive government regulation that could limit or restrict our activities, which, in turn, may hamper our ability to increase our assets and earnings.

Our business is highly regulated, and our operations are subject to extensive supervision and regulation by federal and state governmental regulatory authorities. We are subject to various laws, regulations, and judicial and administrative decisions imposing requirements and restrictions on our operations. Similarly, the lending, credit and deposit products we offer are subject to broad oversight and regulation. The laws, rules, regulations and supervisory guidance and policies applicable to us are subject to regular modification and change. Perennially, various laws, rules and regulations are proposed at the federal, state and local levels of government, which, if adopted, could impact our operations by making compliance much more difficult or expensive, restricting our ability to originate or sell loans or further restricting the amount of interest or other charges or fees earned on loans or other products. Current and future legal and regulatory requirements, restrictions and regulations, including those imposed under Dodd-Frank, may adversely impact our profitability and may have a material and adverse effect on our business, financial condition, and results of operations. While the banking regulators continue to refine existing regulations implemented after the 2007-2008 financial crisis, currently they are also focusing their attention on certain policy areas, such as climate risk, digital currencies, and technological innovation. This new focus may require us to invest significant management attention and resources to evaluate and make any changes required by the legislation and accompanying rules, and may make it more difficult for us to attract and retain qualified executive officers and employees.

Regulations relating to privacy, information security and data protection could increase our costs, affect or limit how we collect and use personal information.

We are subject to an increasing number of federal and state privacy, information security and data protection laws, and we could be negatively impacted by these laws. Various state and federal banking regulators and states have also enacted data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification. Moreover, other state and federal legislators and regulators are increasingly adopting or revising privacy, information security and data protection laws that potentially could have a significant impact on our current and planned privacy, data protection and information security-related practices, as well as on our collection, use, sharing, retention and safeguarding of consumer or employee information.

The effects of these privacy and data protection laws, including the cost of compliance and required changes in the manner in which we conduct our business, are not fully known and are potentially significant, and the failure to comply could adversely affect the Company. Compliance with current or future privacy, data protection and information security laws (including those regarding security breach notification) affecting customer or employee data to which we are subject could result in higher compliance and technology costs and could restrict our ability to provide certain products and services. Our failure to comply with privacy, data protection and information security laws could result in potentially significant regulatory or governmental investigations or actions, litigation, fines, sanctions and damage to our reputation, which could have a material adverse effect on our business, financial condition and results of operations.

We face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations.

The Bank Secrecy Act, the USA PATRIOT Act of 2001, and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports as appropriate. The federal Financial Crimes Enforcement Network is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration, and Internal Revenue Service. We are also subject to scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control and compliance with the Foreign Corrupt Practices Act. If our policies, procedures, and systems are deemed deficient, we would be subject to liability, including fines and regulatory actions, which may include restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us. Any of these results could materially and adversely affect our business, financial condition and results of operations.

Risks Related to Our Common Stock

We may raise additional capital, which could have a dilutive effect on the existing holders of our common stock and adversely affect the market price of our common stock.

We are not restricted from issuing additional shares of common stock or securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. We frequently evaluate opportunities to access the capital markets taking into account our regulatory capital ratios, financial condition and other relevant considerations, and subject to market conditions, we may take further capital actions. Such actions could include, among other things, the issuance of additional shares of common stock in public or private transactions in order to further increase our capital levels above the requirements for a well-capitalized institution established by the federal bank regulatory agencies as well as other regulatory targets.

The issuance of any additional shares of common stock or securities convertible into or exchangeable for common stock or that represent the right to receive common stock, or the exercise of such securities including, without limitation, securities issued upon exercise of outstanding stock options under our stock option plans, could be substantially dilutive to shareholders of our common stock. Holders of our shares of common stock have no preemptive rights that entitle holders to purchase their pro rata share of any offering of shares of any class or series and, therefore, such sales or offerings could result in increased dilution to our shareholders. The market price of our common stock could decline as a result of sales of shares of our common stock or the perception that such sales could occur.

The price of our common stock may fluctuate significantly, and this may make it difficult for you to resell shares of common stock owned by you at times or at prices you find attractive.

At times, the stock market and, in particular, the market for financial institution stocks, has experienced significant volatility, which has reached unprecedented levels. In some cases, the markets have produced downward pressure on stock prices for certain issuers without regard to those issuers' underlying financial strength. As a result, the trading volume in our common stock may fluctuate more than usual and cause significant price variations to occur. This may make it difficult for shareholders to resell shares of common stock at times or at prices they find attractive. The low trading volume in our common shares on the NASDAQ Capital Market means that our shares may have less liquidity than other publicly traded companies. We cannot ensure that the volume of trading in our common shares will be maintained or will increase in the future.

The trading price of the shares of our common stock will depend on many factors, which may change from time to time and which may be beyond our control. Broad market fluctuations have adversely affected and may continue to adversely affect the market price of our common stock. Among the factors that could affect our stock price are:

- actual or anticipated quarterly fluctuations in our operating results and financial condition;
- changes in financial estimates or publication of research reports and recommendations by financial analysts or actions taken by rating agencies with respect to our common stock or those of other financial institutions;
- failure to meet analysts' revenue or earnings estimates;
- speculation in the press or investment community generally or relating to our reputation, our market area, our competitors or the financial services industry in general;
- strategic actions by us or our competitors, such as acquisitions;
- actions by our institutional shareholders;
- fluctuations in the stock price and operating results of our competitors;
- future sales of our equity, equity-related or debt securities;
- changes in the frequency or amount of dividends or share repurchases;
- trading activities in our common stock, including short-selling;
- domestic and international economic factors unrelated to our performance; and
- general market conditions and, in particular, developments related to market conditions for the financial services industry.

Our dividend policy may change without notice, and our future ability to pay dividends or repurchase or redeem shares is subject to restrictions.

Since 2000, our board of directors have declared quarterly cash dividends on our common stock. However, we have no obligation to continue doing so and may change our dividend policy at any time without notice to holders of our common stock. Holders of our common stock are only entitled to receive such cash dividends, as our board of directors, in its discretion, may declare out of funds legally available for such payments. Furthermore, consistent with our strategic plans, growth initiatives, capital availability, projected liquidity needs, and other factors, we have made, and will continue to make, capital management decisions and policies that could adversely affect the amount of dividends paid to holders of our common stock and the maintenance of share repurchase program. For more information on the statutory and regulatory limitations relating to dividends and stock repurchases see "Description of Business-Supervision and Regulation-Payment of Dividends and Stock Repurchases."

The holders of our debt obligations will have priority over our common stock with respect to payment in the event of liquidation, dissolution or winding up and with respect to the payment of interest and dividends.

The holders of our debt obligations if any, will have priority over our common stock with respect to payment in the event of liquidation, dissolution or winding up and with respect to the payment of interest and dividends. In any liquidation, dissolution or winding up of the Company, our common stock would rank below all claims of the holders of outstanding debt issued by the Company. As of December 31, 2023, we had $65.0 million principal amount of senior debt and subordinated notes outstanding through 2032. In addition, as of December 31, 2023, we had $5.15 million of trust preferred securities outstanding due 2036. In such event, holders of our common stock would not be entitled to receive any payment or other distribution of assets upon the liquidation, dissolution or winding up of the Company until after all of the Company's obligations to the debt holders were satisfied and holders of the subordinated debt and trust preferred securities subordinate debentures had received any payment or distribution due to them. In addition, we are required to pay interest on the senior debt, subordinated notes, and trust preferred securities and if we are in default in the payment of interest we would not be able to pay any dividends on our common stock.

Provisions in our charter documents and California law may have an anti-takeover effect, and there are substantial regulatory limitations on changes of control of bank holding companies.

Provisions of our charter documents and the California General Corporation Law, or the CGCL, could make it more difficult for a third party to acquire us, even if doing so would be perceived to be beneficial by our shareholders. Furthermore, with certain limited exceptions, federal regulations prohibit a person or company or a group of persons deemed to be "acting in concert" from, directly or indirectly, acquiring more than 10% (5% if the acquirer is a bank holding company) of any class of our voting stock or obtaining the ability to control in any manner the election of a majority of our directors or otherwise direct the management or policies of our company without prior notice or application to and the approval of the Federal Reserve. Under the California Financial Code, no person may, directly or indirectly, acquire control of a California state bank or its holding company unless the DFPI has approved such acquisition of control. A person would be deemed to have acquired control of if such person, directly or indirectly, has the power (i) to vote 25% or more of the voting power of the Bank or (ii) to direct or cause the direction of the management and policies of the Bank. For purposes of this law, a person who directly or indirectly owns or controls 10% or more of our outstanding common stock would be presumed to control the Bank. Accordingly, prospective investors need to be aware of and comply with these requirements, if applicable, in connection with any purchase of shares of our common stock. Moreover, the combination of these provisions effectively inhibits certain mergers or other business combinations, which, in turn, could adversely affect the market price of our common stock.

ITEM 1B - UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 1C - CYBERSECURITY

We recognize the crucial importance of identifying, assessing, and managing material risks from cybersecurity threats. We are committed to implementing and maintaining a comprehensive information security program to manage such risks and safeguard our systems and data, including the data of our customers.

Information Security Risk Management and Strategy

We manage our cybersecurity risk in accordance with our Information Security Program, which is applicable to all users of our information technology assets, information assets, and facilities, including our directors, officers, employees, temporary workers, business partners, contractors, vendors, service providers, and individuals affiliated with third parties. The Information Security Program includes a dedicated Cybersecurity Incident Response Plan (the "CIRP"), which sets forth the rules and requirements for detecting, investigating, containing, eradicating, and resolving information security incidents, and addresses the response portion of security monitoring. The Information Security Program also includes: (i) a collection of Security Incident Forms, which delineate the processes for reporting, classifying, investigating, documenting, and communicating information security incidents and (ii) Security Guidelines and Baseline Protections, that establish the rules and requirements for enabling, logging, alerting, and monitoring real time security alerts and security logs (automated or manual) in connection with security incidents.

Potential information security incidents are identified in a number of ways, including, but not limited to: users reporting security violations, system weaknesses, violations of our Acceptable Use Policy which addresses the boundaries of acceptable use of our information technology assets, automated system alerts, and monitoring of both system generated and manually generated logs. Our Information Security Program mandates that any potential information security incident be reported to a member's direct supervisor, IT Management, and / or the Information Security Officer, to initiate the internal communication and investigation stage, during which such events undergo initial investigation for validation, including related to the scope and

depth of such incident and to ensure that it has not resulted from a false positive. Internal communications regarding the potential incident are led by the Information Security Officer and the Incident Response Team (“IRT”) in accordance with the CIRP.

Following this initial stage, we gather and update impact information and related documentation for such incidents. We use an incident classification matrix to determine the initial classification of a potential information security incident, which considers users, customers, and systems affected, the sensitivity of data at risk, and the potential business impacts to the Company including financial, legal, regulatory, operational, and reputation. The resulting classification of severity level “One,” “Two,” or “Three” identifies next steps for escalation and communication following the initial investigation of the potential incident. Upon escalation of an incident, per our Information Security Program, the IRT and ISO review and validate the initial determination of the priority of the incident prior to entering into subsequent investigative and response stages. Upon validation, the IRT and ISO will engage the Company’s technology service provider to respond to the incident and notifications or communications are made to either additional personnel or any external entities. Depending on the specific details of any such incident, we may notify additional members of our management team, our board of directors, the Audit Committee, state and federal regulators, technology service providers, and/or the SEC. The timing of such communications varies based on the details of a particular incident and applicable regulations governing such disclosure. Following this classification and communication stage, we enter the recovery stage to determine containment and a response to the incident, the Company’s technology service provider assigns technical staff to address such incident, implement containment, eradicate the incident source, and recover from such incident. Following any such incident and as determined by the Security Incident Forms, we engage in predefined follow-up activities to communicate with law enforcement and notify impacted third parties and customers, as appropriate, in addition to further investigating the cause of the incident, documenting takeaways, and engaging in remediation.

Our Information Security Officer (“ISO”) coordinates with other members of our Incident Response Team identified in our Information Security Program to document, validate, respond, and manage actual or potential security incidents according to their threat classifications as described above, and report to our board of directors and/or the Audit Committee on an ad hoc basis. The ISO also provides annual reports on the status of our Information Security Program and its compliance with regulatory requirements to our board of directors in connection with our board's general risk management oversight role, as described in further detail below. The ISO is responsible for overseeing day-to-day operations of the Information Security Program, coordinating or contributing to reviews, audits, risk assessments, and other risk management material, development of departmental policies and procedures for board approval, and periodic updates to our Information Technology Steering Committee and/or the Board of Directors Technology Committee. The ISO reports to the Senior Risk Officer.

The ISO has over 15 years of industry experience including management of cybersecurity, enterprise telecommunications infrastructure, and vendor relationships as well as possessing both undergraduate and graduate level degrees, including a Bachelor of Science Information Security and Assurance and Master of Science Information Security and Assurance. Additionally, the ISO was previously certified in 18 industry niches to foster in-depth understanding of technology and its associated risks, including certification as a Certified Ethical Hacker, Certified Computer Hacking Forensics Investigator, Database Design, Web Design, CCNA Routing, Switching, and Security, and is currently enrolled in the International Information System Security Certification Consortium’s official Certified Information Systems Security Professional curriculum. Furthermore, the ISO must effectively collaborate with business leaders, executives, and stakeholders. To bolster the collaboration, communication, and business skills necessary to effectively analyze risk holistically, the ISO has undertaken additional graduate level curriculum, including a Master of Business Administration degree program, while maintaining active membership in the National Society of Leadership and Success Honors Society.

With the approval of Audit Committee, we also engage third party assessors, consultants, and auditors in connection with the Company’s Information Security Program and in accordance with our Audit Program, including to conduct external and internal penetration testing, independent audits, and risk assessments. The ISO performs information security assessments for third party service providers that store or process our confidential data. These information security assessments, include a review of any service organization controls (“SOC”) reports, and proof of the vendor’s independent testing of their data protection controls, as well as a review of any exceptions noted and assessment of management responses, results of vulnerability and penetration testing, incident response processes, and third party data protection controls (which can include, but are not limited to: access reviews and controls, backups, monitoring, encryption standards, and disaster recovery). The review of these areas is taken into account in order to provide an overall information security conclusion and risk rating for the vendor. In addition, we use a combination of technology, policies, procedures, training, and monitoring to promote security awareness and prevent security incidents.

Cybersecurity Risk Oversight

Our executive management team is responsible for the development of our policies and procedures and for managing any exception to the same. In particular, our ISO, nonmember of the executive management team, oversees information security compliance, as described above. The board of directors of the Company has ultimate oversight of cybersecurity-related risk and activities, including the review and approval of our policies and procedures related to cybersecurity. The Information Security Program is approved on an annual basis. Cybersecurity risk management is also incorporated into our overall enterprise risk management model, which is updated on a annual basis and subject to oversight by our board of directors.

In the ordinary course of business, our board of directors receives annual updates from the ISO regarding the Information Security Program and compliance with relevant regulations, as described above. Our Information Technology Steering Committee consists of members of the Executive Management Team and department heads with relevant technology experience, and meets on a bimonthly cadence with minutes, reports, and presentations flowing up to the Board of Directors Technology Committee which also meets on a bimonthly cadence. If an incident occurs, depending on its priority as identified through the procedures described above, management may inform our board of directors via the Directors Technology subcommittee and/or Audit Committee sooner than its next bimonthly update.

Relevant Regulations

As a regulated financial institution, the Bank is also subject to financial privacy laws, and our cybersecurity practices are subject to oversight by the federal banking agencies. In addition, the SEC recently enacted rules, effective as of December 18, 2023, requiring public companies to disclose material cybersecurity incidents that they experience on Form 8-K within four business days of determining that a material cybersecurity incident has occurred and to disclose on an annual basis material information regarding their cybersecurity risk management, strategy, and governance.

ITEM 2 - DESCRIPTION OF PROPERTY

The Company owns the property on which full-service branch offices are situated at the following California locations: the Clovis Office, the Prather Office, the Kerman office, and the Exeter office.

All other property is leased by the Company, including the principal executive offices in Fresno, which houses the Company's corporate offices, comprised of various departments, including accounting and finance, business lending for real estate, SBA, and agribusiness, information services, human resources, loan operations, credit review administration, banking services administration, risk management, and compliance.

The Company continually evaluates the suitability and adequacy of the Company's offices and has a program of relocating or remodeling them as necessary to be efficient and attractive facilities. Management believes that its existing facilities are adequate for its present purposes.

Properties owned by the Bank are held without loans or encumbrances. All of the property leased is leased directly from independent parties. Management considers the terms and conditions of each of the existing leases to be in the aggregate favorable to the Company**.** See Note 8 of the Company's audited Consolidated Financial Statements in Item 8 of this Annual Report.

ITEM 3 - LEGAL PROCEEDINGS

The Company is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to such actions will not materially affect the consolidated financial position or consolidated results of operations of the Company.

ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5 - MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed for trading on the Nasdaq Capital Market under the ticker symbol CVCY. As of February 29, 2024, we had approximately 891 shareholders of record.

We paid common share cash dividends of $0.48 and $0.48 per share in 2023 and 2022, respectively. The Company's primary source of income with which to pay cash dividends is dividends from the Bank. See Note 12 in the audited Consolidated Financial Statements in Item 8 of this Annual Report.

The amount of future dividends will depend upon our earnings, financial condition, capital requirements and other factors, and will be determined by our board of directors on a quarterly basis. It is Federal Reserve policy that bank holding companies

generally pay dividends on common stock only out of income available over the past year, and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition. It is also Federal Reserve policy that bank holding companies not maintain dividend levels that undermine the holding company's ability to be a source of strength to its banking subsidiaries. Additionally, the Federal Reserve has indicated that bank holding companies should carefully review their dividend policy and has discouraged payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong. Under the federal Prompt Corrective Action regulations, the Federal Reserve or the FDIC may prohibit a bank holding company from paying any dividends if the holding company's bank subsidiary is classified as undercapitalized.

As a holding company, our ability to pay cash dividends is affected by the ability of our bank subsidiary, to pay cash dividends. The ability of the Bank (and our ability) to pay cash dividends in the future and the amount of any such cash dividends is and could be in the future further influenced by bank regulatory requirements and approvals and capital guidelines.

The decision whether to pay dividends will be made by our board of directors in light of conditions then existing, including factors such as our results of operations, financial condition, business conditions, regulatory capital requirements and covenants under any applicable contractual arrangements, including agreements with regulatory authorities.

As of December 31, 2023, we had $65.0 million principal amount of senior debt and subordinated notes outstanding through 2032. If we fail to make interest payments required by the terms of the subordinated debt, we would be prohibited from paying dividends on any shares of common stock. In addition, as of December 31, 2023, we had $5.15 million of trust preferred securities outstanding due 2036. Under the terms of the trust preferred securities, we may defer interest payments for up to five years. But, if the Company should ever defer such interest payments, we would be prohibited from declaring or paying any cash dividends on any shares of our common stock.

For information on the statutory and regulatory limitations on the ability of the Company to pay dividends and on the Bank to pay dividends to Company see "Item 1 - Business - Supervision and Regulation - Dividends."

ISSUER PURCHASES OF EQUITY SECURITIES

A summary of the repurchase activity of the Company's common stock for the year ended December 31, 2023 follows.

Period	Total number of shares purchased (1)	Average price paid per share	Total number of shares purchased as part of publicly announced plans	Maximum Number of Remaining Shares that May be Purchased at Period End under the Board Authorization
01/1/2023 - 05/31/2023	—	$ —	—	—
06/01/2023 - 06/30/2023	39	16.17	—	—
07/01/2023 - 12/31/2023	—	—	—	—
Total	39	$ 16.17	—	

(1) All shares reported in this column were surrendered by employees to satisfy tax withholding obligations upon the vesting of restricted stock grants in the second quarter of 2023, and were not repurchased as part of any publicly announced stock repurchase plan or program.

ITEM 6 - [Reserved]

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Management's discussion and analysis should be read in conjunction with the Company's audited Consolidated Financial Statements, including the Notes thereto, in Item 8 of this Annual Report.

INTRODUCTION

Central Valley Community Bancorp (NASDAQ: CVCY) (the Company) was incorporated on February 7, 2000. The formation of the holding company offered the Company more flexibility in meeting the long-term needs of customers, shareholders, and the communities it serves. The Company currently has one bank subsidiary, Central Valley Community Bank (the Bank) and one business trust subsidiary, Service 1st Capital Trust 1. The Company's market area includes the Central Valley area from Sacramento, California to Bakersfield, California.

During 2023, we focused on asset quality, liquidity, and capital adequacy. We also focused on assuring that competitive products and services were made available to our clients while adjusting to the many new laws and regulations that affect the banking industry.

As of December 31, 2023, the Bank operated 19 full-service offices. Additionally, the Bank maintains a Commercial Real Estate Division, an Agribusiness Center, and a SBA Lending Division. The Real Estate Division processes or assists in processing the majority of the Bank's real estate related transactions, including interim construction loans for single family residences and commercial buildings. We offer permanent single family residential loans through our mortgage broker services.

OVERVIEW

Financial Highlights

The significant highlights for the Company as of or for the period ended December 31, 2023 included the following:

- Net income for 2023 was $25,536,000 compared to $26,645,000 and $28,401,000 for the years ended December 31, 2022 and 2021, respectively.
- Diluted earnings per share (EPS) for the year ended December 31, 2023 was $2.17, compared to $2.27 and $2.31 for the years ended December 31, 2022 and 2021, respectively.
- Total assets at December 31, 2023 were $2,433,426,000 compared to $2,422,519,000 at December 31, 2022.
- Net loans increased $30.7 million or 2.46%, and total assets increased $10.9 million or 0.45% at December 31, 2023 compared to December 31, 2022. During the fourth quarter, net loans increased $16.3 million or 1.29%.
- Total deposits decreased 2.76% to $2.04 billion at December 31, 2023 compared to December 31, 2022.
- Total equity was $207,064,000 at December 31, 2023 compared to $174,660,000 at December 31, 2022.
- Total cost of deposits increased to 0.72% for the year ended December 31, 2023 compared to 0.06% for the year ended December 31, 2022.
- Average non-interest bearing demand deposit accounts as a percentage of total average deposits was 46.61% and 50.42% for the quarters ended December 31, 2023 and December 31, 2022, respectively.
- Net interest margin increased to 3.58% for the year ended December 31, 2023, from 3.52% for the year ended December 31, 2022.
- Return on average equity ("ROE") for 2023 was 13.81% compared to 14.25% and 11.5% for 2022 and 2021, respectively.
- Return on average assets ("ROA") for 2023 was 1.04% compared to 1.09% and 1.25% for 2022 and 2021, respectively.
- There were no non-performing assets for the year ended December 31, 2023. Additionally, net loan charge-offs were $20,000 and loans delinquent more than 30 days were $769,000, compared to net loan recoveries of $248,000 and loans delinquent more than 30 days of $5,895,000 for the year ended December 31, 2022.
- Capital positions remain strong at December 31, 2023 with a 9.18% Tier 1 Leverage Ratio; a 12.78% Common Equity Tier 1 Ratio; a 13.07% Tier 1 Risk-Based Capital Ratio; and a 16.08% Total Risk-Based Capital Ratio.

Dividend Declared

The Company declared a $0.12 per common share cash dividend, payable on February 19, 2024 to shareholders of record on February 2, 2024.

Key Factors in Evaluating Financial Condition and Operating Performance

In evaluating our financial condition and operating performance, we focus on several key factors including:

- Return to our shareholders;
- Return on average assets;
- Development of revenue streams, including net interest income and non-interest income;
- Asset quality;
- Asset growth;
- Capital adequacy;
- Operating efficiency; and
- Liquidity.

Return to Our Shareholders

One measure of our return to our shareholders is the return on average equity (ROE), which is a ratio that measures net income divided by average shareholders' equity. Our ROE was 13.81% for the year ended 2023 compared to 14.25% and 11.5% for the years ended 2022 and 2021, respectively.

Our net income for the year ended December 31, 2023 decreased $1,109,000 compared to 2022 and decreased $1,756,000 in 2022 compared to 2021. Contributing to the decrease during 2023, compared to 2022, was an increase in salary and employee benefits and non-interest expenses primarily attributed to increases in professional services. During 2022, net income compared to 2021 was primarily impacted by a provision for credit losses of $995,000 in 2022, compared to a credit to credit losses of $4,435,000 in 2021.

Net interest income increased primarily due to loan and fee income and increases in interest income on investments, partially offset by an increase in interest expense. For 2023, our net interest margin (NIM) increased 6 basis points to 3.58% compared to 2022 as a result of yield and asset mix changes. Net interest income was positively impacted by the accretion of the loan marks on acquired loans in the amount of $325,000 and $521,000 for the year ended December 31, 2023 and 2022, respectively. In addition, net interest income before the provision for credit losses for the year ended December 31, 2023 benefited by approximately $165,000 in nonrecurring income from prepayment penalties and payoff of loans, as compared to $649,000 for the year ended December 31, 2022. Excluding these reversals and benefits, net interest income for the year ended December 31, 2023 increased by $3,543,000 compared to the year ended December 31, 2022.

Non-interest income increased 38.90% in 2023 compared to 2022 primarily due to a $823,000 decrease in net realized losses on sales and calls of investment securities and an increase of $1,468,000 in other income, offset by a decrease in loan placement fees of $315,000 and a decrease in service charge income of $511,000. The increase in other income is primarily attributed to changes in fair value of other equity investments and increase in certain merchant fee activity.

Non-interest expenses increased $6,816,000 or 14.06% to $55,300,000 in 2023 compared to $48,484,000 in 2022. The net increase year over year resulted from increased salaries and employee benefits of $2,450,000 and $1,906,000 in professional services. The increase in salaries and benefits, including director expenses, was primarily due to credits of $550,000 in post-retirement costs recorded in the prior year, a result of changes in the discount rate, compared to expense of $910,000 recorded in the current year. Additionally, increases in salaries and benefits were a reflection of salary adjustments due to market conditions. The increase in professional services was due to non-recurring legal and professional fees, including $1,191,000 related to the announced merger.

The Company recorded an income tax provision of $8,304,000 for the year ended December 31, 2023, compared to $8,496,000 for the year ended December 31, 2022, and $9,616,000 for the year ended December 31, 2021. Basic EPS was $2.17 for 2023 compared to $2.27 and $2.32 for 2022 and 2021, respectively. Diluted EPS was $2.17 for 2023 compared to $2.27 and $2.31 for 2022 and 2021, respectively.

Return on Average Assets and Net Interest Margin

Our ROA is a ratio that measures our performance as a comparable figure with other banks and bank holding companies. Our ROA for the year ended 2023 was 1.04% compared to 1.09% and 1.25% for the years ended December 31, 2022 and 2021, respectively. The 2023 decrease in ROA is primarily due to the decrease in net income coupled with the increase in average assets. Annualized ROA for our peer group was 1.04% at December 31, 2023. Peer group information from S&P Global Market Intelligence data includes bank holding companies in central California with assets from $1 billion to $3.5 billion.

Our net interest margin (fully tax equivalent basis) was 3.58% for the year ended December 31, 2023, compared to 3.52% and 3.54% for the years ended December 31, 2022 and 2021, respectively. The increase in 2023 net interest margin compared to 2022, resulted from the increase in the yield on the Company's loan portfolio, and an increase in the balance of average interest earning assets. The effective tax equivalent yield on total earning assets increased 77 basis points. This increase was impacted however as the cost of total interest-bearing liabilities increased 131 basis points to 1.59% for the year ended December 31, 2023. Our cost of total deposits in 2023 and 2022 was 0.72% and 0.06%, respectively, compared to 0.05% for the same period in 2021. Our net interest income before provision for credit losses increased $2,863,000 or 3.60% to $82,429,000 for the year ended 2023 compared to $79,566,000 and $72,554,000 for the years ended 2022 and 2021, respectively.

Asset Quality

For all banks and bank holding companies, asset quality has a significant impact on the overall financial condition and results of operations. Asset quality is measured in terms of classified and nonperforming loans, and is a key element in estimating the future earnings of a company. There were no nonperforming assets or nonperforming loans at December 31, 2023 or December 31, 2022.

The Company had no other real estate owned at December 31, 2023, or December 31, 2022. No foreclosed assets were recorded at December 31, 2023 or December 31, 2022. Management maintains certain loans that have been brought current by the borrower (less than 30 days delinquent) on nonaccrual status until such time as management has determined that the loans are likely to remain current in future periods.

The allowance for credit losses as a percentage of outstanding loan balance was 1.14% as of December 31, 2023 and 0.86% as of December 31, 2022. The ratio of net charge-offs/(recoveries) to average loans was 0.002% as of December 31, 2023 and (0.02)% as of December 31, 2022.

Asset Growth

As revenues from both net interest income and non-interest income are a function of asset size, the continued growth in assets has a direct impact in increasing net income and therefore ROE and ROA. The majority of our assets are loans and investment securities, and the majority of our liabilities are deposits, and therefore the ability to generate deposits as a funding source for loans and investments is fundamental to our asset growth. Total assets increased 0.45% during 2023 to $2,433,426,000 as of December 31, 2023 from $2,422,519,000 as of December 31, 2022. Total gross loans increased 2.75% to $1,290,797,000 as of December 31, 2023, compared to $1,256,304,000 at December 31, 2022. Total investment securities decreased 5.64% to $906,287,000 as of December 31, 2023 compared to $960,490,000 as of December 31, 2022. Total deposits decreased 2.76% to $2,041,612,000 as of December 31, 2023 compared to $2,099,649,000 as of December 31, 2022.

Our loan to deposit ratio at December 31, 2023 was 63.22% compared to 59.83% at December 31, 2022. The loan to deposit ratio of our peers was 78.00% at December 31, 2023. Peer group information from S&P Global Market Intelligence data includes bank holding companies in central California with assets from $1 billion to $3.5 billion.

Capital Adequacy

At December 31, 2023, we had a total capital to risk-weighted assets ratio of 16.08%, a Tier 1 risk-based capital ratio of 13.07%, common equity Tier 1 ratio of 12.78%, and a leverage ratio of 9.18%. At December 31, 2022, we had a total capital to risk-weighted assets ratio of 14.92%, a Tier 1 risk-based capital ratio of 12.22%, common equity Tier 1 ratio of 11.92%, and a leverage ratio of 8.37%. At December 31, 2023, on a stand-alone basis, the Bank had a total risk-based capital ratio of 17.74%, a Tier 1 risk based capital ratio of 16.76%, common equity Tier 1 ratio of 16.76%, and a leverage ratio of 11.75%. At December 31, 2022, the Bank had a total risk-based capital ratio of 16.53%, Tier 1 risk-based capital of 15.87% and a leverage ratio of 10.86%. Note 12 of the audited Consolidated Financial Statements provides more detailed information concerning the Company's capital amounts and ratios.

As of December 31, 2023, the Bank met or exceeded all of their capital requirements inclusive of the capital buffer. The Bank's capital ratios exceeded the regulatory guidelines for a well-capitalized financial institution under the Basel III regulatory requirements at December 31, 2023.

Operating Efficiency

Operating efficiency is the measure of how efficiently earnings before taxes are generated as a percentage of revenue. A lower ratio represents greater efficiency. The Company's efficiency ratio (operating expenses, excluding amortization of intangibles and foreclosed property expense, divided by net interest income plus non-interest income, excluding net gains and losses from sale of securities) was 60.49% for 2023 compared to 54.51% for 2022 and 57.16% for 2021. The decline in the efficiency ratio in 2023 was due to the growth in non-interest expense outpacing the increase in non-interest income. The combination of the Company's net interest income before provision for credit losses, plus non-interest income, increased 5.71% to $89,449,000 in 2023 compared to $84,620,000 in 2022 and $81,559,000 in 2021, while operating expenses increased 14.06% in 2023, 1.06% in 2022, and 0.33% in 2021.

Liquidity

Liquidity management involves our ability to meet cash flow requirements arising from fluctuations in deposit levels and demands of daily operations, which include providing for customers' credit needs, funding of securities purchases, and ongoing repayment of borrowings. Our liquidity is actively managed on a daily basis and reviewed periodically by our management and Directors' Asset/Liability Committee. This process is intended to ensure the maintenance of sufficient funds to meet our needs, including adequate cash flows for off-balance sheet commitments. Our primary sources of liquidity are derived from financing activities which include the acceptance of customer and, to a lesser extent, broker deposits, Federal funds facilities and advances from the Federal Home Loan Bank of San Francisco, the Federal Reserve, or the Federal Reserve's Bank Term Funding Program. We have available unsecured lines of credit with correspondent banks totaling approximately $110,000,000 and secured borrowing lines of approximately $342,483,000 with the Federal Home Loan Bank. These funding sources are augmented by collection of principal and interest on loans, the routine maturities and pay downs of securities from our investment securities portfolio, the stability of our core deposits, and the ability to sell investment securities. Primary uses of funds include origination and purchases of loans, withdrawals of and interest payments on deposits, purchases of investment securities, and payment of operating expenses.

We had liquid assets (cash and due from banks, interest-earning deposits in other banks, Federal funds sold, equity securities, and available-for-sale securities) totaling $657,573,000 or 27.02% of total assets at December 31, 2023 and $686,553,000 or 28.34% of total assets as of December 31, 2022.

RESULTS OF OPERATIONS

		For the Year Ended	
(In thousands, except share and per-share amounts)	**December 31, 2023**	**December 31, 2022**	**December 31, 2021**
Net interest income before provision (credit) for credit losses	$ 82,429	$ 79,566	$ 72,554
Provision (credit) for credit losses	309	995	(4,435)
Net interest income after provision (credit) for credit losses	82,120	78,571	76,989
Total non-interest income	7,020	5,054	9,005
Total non-interest expenses	55,300	48,484	47,977
Income before provision for income taxes	33,840	35,141	38,017
Provision for income taxes	8,304	8,496	9,616
Net income	$ 25,536	$ 26,645	$ 28,401

Net income was $25,536,000 in 2023 compared to $26,645,000 and $28,401,000 in 2022 and 2021, respectively. Basic earnings per share was $2.17, $2.27, and $2.32 for 2023, 2022, and 2021, respectively. Diluted earnings per share was $2.17, $2.27, and $2.31 for 2023, 2022, and 2021, respectively. ROE was 13.81% for 2023 compared to 14.25% for 2022 and 11.50% for 2021. ROA for 2023 was 1.04% compared to 1.09% for 2022 and 1.25% for 2021.

Net income for the year ended December 31, 2023 decreased $1,109,000 compared to 2022 and decreased $1,756,000 in 2022 compared to 2021. Contributing to the decrease during 2023, compared to 2022, was an increase in salary and employee benefits and non-interest expenses primarily attributed to increases in professional services. During 2022, net income compared to 2021 was primarily impacted by a provision for credit losses of $995,000 in 2022, compared to a credit to credit losses of $4,435,000 in 2021.

Interest Income and Expense

The level of net interest income depends on several factors in combination, including yields on earning assets, the cost of interest-bearing liabilities, the relative volumes of earning assets and interest-bearing liabilities, and the mix of products which comprise the Company's earning assets, deposits, and other interest-bearing liabilities. To maintain its net interest margin, the Company must manage the relationship between interest earned and paid.

The following Distribution, Rate and Yield table presents the average amounts outstanding for the major categories of the Company's balance sheet, the average interest rates earned or paid thereon, and the resulting net interest margin on average interest earning assets for the periods indicated. Average balances are based on daily averages.

SCHEDULE OF AVERAGE BALANCES, AVERAGE YIELDS AND RATES

	Year Ended December 31, 2023			Year Ended December 31, 2022			Year Ended December 31, 2021		
(Dollars in thousands)	Average Balance	Interest Income/ Expense	Average Interest Rate	Average Balance	Interest Income/ Expense	Average Interest Rate	Average Balance	Interest Income/ Expense	Average Interest Rate
ASSETS									
Interest-earning deposits in other banks	$ 67,749	$ 3,576	5.28 %	$ 48,032	$ 391	0.81 %	$ 104,710	$ 129	0.12 %
Securities									
Taxable securities	760,140	23,437	3.08 %	862,079	20,011	2.32 %	678,093	14,044	2.07 %
Non-taxable securities (1)	256,196	7,091	2.77 %	270,014	8,454	3.13 %	238,870	7,096	2.97 %
Total investment securities	1,016,336	30,528	3.00 %	1,132,093	28,465	2.51 %	916,963	21,140	2.31 %
Total securities and interest-earning deposits	1,084,085	34,104	3.15 %	1,180,125	28,856	2.45 %	1,021,673	21,269	2.08 %
Loans (2) (3)	1,263,226	69,803	5.53 %	1,133,641	55,907	4.93 %	1,067,316	54,077	5.07 %
Total interest-earning assets	2,347,311	$ 103,907	4.43 %	2,313,766	$ 84,763	3.66 %	2,088,989	$ 75,346	3.61 %
Allowance for credit losses	(14,312)			(10,005)			(11,482)		
Nonaccrual loans	—			278			2,337		
Cash and due from banks	27,671			36,491			38,202		
Bank premises and equipment	10,465			8,092			8,436		
Other assets	89,223			90,772			141,133		
Total average assets	$ 2,460,358			$ 2,439,394			$ 2,267,615		
LIABILITIES AND SHAREHOLDERS' EQUITY									
Interest-bearing liabilities:									
Savings and NOW accounts	$ 473,102	$ 611	0.13 %	$ 581,285	$ 232	0.04 %	$ 529,043	$ 182	0.03 %
Money market accounts	531,013	8,910	1.68 %	486,823	848	0.17 %	455,575	661	0.15 %
Time certificates of deposit	163,220	6,006	3.68 %	81,473	117	0.14 %	89,875	193	0.21 %
Total interest-bearing deposits	1,167,335	15,527	1.33 %	1,149,581	1,197	0.10 %	1,074,493	1,036	0.10 %
Other borrowed funds	86,250	4,462	5.17 %	63,752	2,225	3.49 %	9,864	266	2.70 %
Total interest-bearing liabilities	1,253,585	$ 19,989	1.59 %	1,213,333	$ 3,422	0.28 %	1,084,357	$ 1,302	0.12 %
Non-interest bearing demand deposits	987,906			1,006,511			900,083		
Other liabilities	33,989			32,532			36,311		
Shareholders' equity	184,878			187,018			246,864		
Total average liabilities and shareholders' equity	$ 2,460,358			$ 2,439,394			$ 2,267,615		
Interest income and rate earned on average earning assets		$ 103,907	4.43 %		$ 84,763	3.66 %		$ 75,346	3.61 %
Interest expense and interest cost related to average interest-bearing liabilities		19,989	1.59 %		3,422	0.28 %		1,302	0.12 %
Net interest income and net interest margin (4)		$ 83,918	3.58 %		$ 81,341	3.52 %		$ 74,044	3.54 %

(1) Interest income is calculated on a fully tax equivalent basis, which includes Federal tax benefits relating to income earned on municipal bonds totaling $1,489, $1,775, and $1,490 in 2023, 2022, and 2021, respectively.

(2) Loan interest income includes loan (costs)fees of $(11) in 2023, $274 in 2022, and $6,474 in 2021.

(3) Average loans do not include nonaccrual loans.

(4) Net interest margin is computed by dividing net interest income by total average interest-earning assets.

The following table sets forth a summary of the changes in interest income and interest expense due to changes in average asset and liability balances (volume) and changes in average interest rates for the periods indicated. The change in interest due to both rate and volume has been allocated to the change in rate.

Changes in Volume/Rate (In thousands)	For the Years Ended December 31, 2023 Compared to 2022			For the Years Ended December 31, 2022 Compared to 2021		
	Volume	Rate	Net	Volume	Rate	Net
Increase (decrease) due to changes in:						
Interest income:						
Interest-earning deposits in other banks	$ 160	$ 3,025	$ 3,185	$ (69)	$ 331	$ 262
Investment securities:						
Taxable	(2,366)	5,792	3,426	3,811	2,154	5,965
Non-taxable (1)	(432)	(931)	(1,363)	925	433	1,358
Total investment securities	(2,798)	4,861	2,063	4,736	2,587	7,323
Loans	6,390	7,506	13,896	3,360	(1,530)	1,830
Total earning assets (1)	3,752	15,392	19,144	8,027	1,388	9,415
Interest expense:						
Deposits:						
Savings, NOW and MMA	33	8,408	8,441	62	174	236
Time certificate of deposits	117	5,772	5,889	(18)	(58)	(76)
Total interest-bearing deposits	150	14,180	14,330	44	116	160
Other borrowed funds	785	1,452	2,237	1,453	506	1,959
Total interest bearing liabilities	935	15,632	16,567	1,497	622	2,119
Net interest income (1)	$ 2,817	$ (240)	$ 2,577	$ 6,530	$ 766	$ 7,296

(1) Computed on a tax equivalent basis for securities exempt from federal income taxes.

Interest and fee income from loans increased $13,896,000 or 24.86% in 2023 compared to 2022. Interest and fee income from loans increased $1,830,000 or 3.38% in 2022 compared to 2021. The increase in 2023 is attributable to rate increases and an increase in average total loans outstanding.

Average total loans, including nonaccrual loans, for 2023 increased $129,307,000 to $1,263,226,000 compared to $1,133,919,000 for 2022 and $1,069,653,000 for 2021. The yield on loans for 2023 was 5.53% compared to 4.93% and 5.07% for 2022 and 2021, respectively. The impact to interest income from the accretion of the loan marks on acquired loans was a decrease to $325,000 from $521,000 for the years ended December 31, 2023 and 2022, respectively.

Interest income from total investment securities increased $2,063,000 in the year ended December 31, 2023 to $30,528,000 compared to $28,465,000 for 2022 and $21,140,000 for 2021. The yield on average total investment securities increased 49 basis points to 3.00% for the year ended December 31, 2023 compared to 2.51% for 2022 and 2.31% for 2021. Average total book value of investment securities for the year ended December 31, 2023 decreased $115,757,000 or 10.23% to $1,016,336,000 compared to $1,132,093,000 for 2022 and $916,963,000 for 2021.

Our investment portfolio primarily consists of securities issued by U.S. Government sponsored entities and agencies collateralized by mortgage backed obligations and obligations of states and political subdivision securities. However, a significant portion of the investment portfolio is mortgage-backed securities (MBS) and collateralized mortgage obligations (CMOs). At December 31, 2023, we held $407,925,000 or 45.34% of the total market value of the investment portfolio in MBS and CMOs with an average yield of 3.14%. We invested in CMOs and MBS as part of our overall strategy to increase our net interest margin. CMOs and MBS by their nature are affected by prepayments which are impacted by changes in interest rates. In a normal declining rate environment, prepayments from MBS and CMOs would be expected to increase and the expected life of the investment would be expected to shorten. However, as interest rates have increased, prepayments have declined and the average life of the MBS and CMOs have extended. Premium amortization and discount accretion of these investments affects our net interest income. Management monitors the prepayment trends of these investments and adjusts premium amortization and discount accretion based on several factors. These factors include the type of investment, the investment structure, interest rates, interest rates on new mortgage loans, expectation of interest rate changes, current economic conditions, the level of principal remaining on the bond, the bond coupon rate, the bond origination date, and volume of

available bonds in market. The calculation of premium amortization and discount accretion is by its nature inexact, and represents management's best estimate of principal pay downs inherent in the total investment portfolio.

The cumulative net-of-tax effect of the change in market value of the available-for-sale investment portfolio as of December 31, 2023 was an unrealized loss of $66,034,000 and is reflected in the Company's equity. At December 31, 2023, the effective duration of the available-for-sale investment portfolio was 4.56 years and the market value reflected a pre-tax unrealized loss of $72,450,000. Management reviews market value declines on individual investment securities to determine whether there is a need to record impairment. For the years ended December 31, 2023, 2022, and 2021, no impaired was recorded. Future deterioration in the market values of our investment securities may require the Company to recognize unrealized losses.

Management's review of all investments before purchase includes an analysis of how the security will perform under several interest rate scenarios to monitor whether investments are consistent with our investment policy. The policy addresses issues of average life, duration, and concentration guidelines, prohibited investments, impairment, and prohibited practices.

Total interest income in 2023 increased $19,430,000 to $102,418,000 compared to $82,988,000 in 2022 and $73,856,000 in 2021, respectively. The increase in 2023 was the result of yield changes and asset mix changes. The tax-equivalent yield on interest earning assets increased to 4.43% for the year ended December 31, 2023 from 3.66% for the year ended December 31, 2022. Average interest earning assets increased to $2,347,311,000 for the year ended December 31, 2023 compared to $2,313,766,000 for the year ended December 31, 2022. Average interest-earning deposits in other banks increased $19,717,000 in 2023 compared to 2022. Average yield on these deposits was 5.28% compared to 0.81% on December 31, 2023 and December 31, 2022 respectively. Average investments and interest-earning deposits decreased $96,040,000 and the tax equivalent yield on those assets increased 70 basis points. Average total loans increased $129,307,000 while the yield on average loans increased 60 basis points.

Interest expense on deposits in 2023 increased $14,330,000 or 1,197.16% to $15,527,000 compared to $1,197,000 in 2022 and increased $14,491,000 as compared to 2021. The yield on interest-bearing deposits increased to 1.33% for the year ended December 31, 2023, compared to 0.10% for the year ended December 31, 2022. The yield on interest-bearing deposits was unchanged at 0.10% when comparing 2022 to 2021. Average interest-bearing deposits were $1,167,335,000 for 2023 compared to $1,149,581,000 and $1,074,493,000 for 2022 and 2021, respectively.

Average other borrowings were $86,250,000 with an effective rate of 5.17% for 2023 compared to $63,752,000 with an effective rate of 3.49% for 2022. Included in other borrowings are the junior subordinated debentures acquired from Service 1st, subordinated debt, senior debt, advances on lines of credit, advances from the Federal Reserve's Bank Term Funding Program (BTFP), advances from the Federal Home Loan Bank (FHLB), and overnight borrowings. The junior subordinated debentures carry a floating rate based on the three month SOFR plus a margin of 1.60%. The rate was 7.26% for 2023 and 5.68% for 2022. The subordinated debt, issued in 2021, bears a fixed interest rate of 3.125% per year. The senior debt has an interest rate cap of 6.75% which was reached in 2022. At December 31, 2023 the interest rate on the BTFP advance was 4.81%. The interest rate on FHLB advances outstanding as of December 31, 2023 was 5.70%.

The cost of all interest-bearing liabilities was 1.59% for 2023, compared to 0.28% and 0.12% for 2022 and 2021, respectively. The cost of total deposits was 0.72% for the year ended December 31, 2023, compared to 0.06% and 0.05% for the years ended December 31, 2022 and 2021, respectively. Average demand deposits decreased 1.85% to $987,906,000 in 2023 compared to $1,006,511,000 for 2022 and $900,083,000 for 2021. The ratio of average non-interest demand deposits to average total deposits decreased to 45.84% for 2023 compared to 46.68% and 45.58% for 2022 and 2021, respectively.

Net Interest Income before Provision for Credit Losses

Net interest income before provision for credit losses for 2023 increased $2,863,000 or 3.60% to $82,429,000 compared to $79,566,000 for 2022. The increase in 2023 was a result of yield changes, asset mix changes, and an increase in average earning assets, offset by an increase in average interest bearing liabilities. The net interest margin (NIM) increased six basis points. Yield on interest earning assets increased 77 basis points. The increase in net interest margin in the period-to-period comparison resulted primarily from the increase in yields.

Net interest income before provision for credit losses increased $7,012,000 in 2022 compared to 2021, primarily due yield changes and asset mix changes. Average interest-earning assets were $2,347,311,000 for the year ended December 31, 2023 with a NIM of 3.58% compared to $2,313,766,000 with a NIM of 3.52% in 2022, and $2,088,989,000 with a NIM of 3.54% in 2021. For a discussion of the repricing of our assets and liabilities, refer to Quantitative and Qualitative Disclosure about Market Risk.

Non-Interest Income

Non-interest income is comprised of customer service charges, gains (losses) on sales and calls of investment securities, income from appreciation in cash surrender value of bank owned life insurance, loan placement fees, Federal Home Loan Bank dividends, and other income. Non-interest income was $7,020,000 in 2023 compared to $5,054,000 and $9,005,000 in 2022 and 2021, respectively. The $1,966,000 or 38.90% increase in non-interest income in 2023 was driven by a decrease in net realized losses on sales and calls of investment securities, an increase in other income, partially offset by a decrease in loan placement fees and a decrease in service charge income. The $3,951,000 or 43.88% decrease in non-interest income in 2022 was driven by an increase in net realized losses on sales and calls of investment securities, a decrease in other income, and a decrease in loan placement fees, partially offset by an increase in service charge income, an increase in interchange fees and an increase in appreciation in cash surrender value of bank-owned life insurance.

Customer service charges decreased $511,000 to $1,503,000 in 2023 compared to $2,014,000 in 2022. Service charges were $1,901,000 in 2021. The decrease in our fees is the result of lower NSF and analysis service charges.

During the year ended December 31, 2023, we realized net losses on sales and calls of investment securities of $907,000, compared to net losses of $1,730,000 in 2022, and net gains of $501,000 in 2021. The net gains in 2021 were the results of partial restructuring of the investment portfolio designed to improve the future performance of the portfolio. Realized losses recorded in 2023 and 2022 were the result of strategic decisions to reduce the overall impact of the Company's investment portfolio. See Note 2 to the audited Consolidated Financial Statements for more detail.

Income from the appreciation in cash surrender value of bank owned life insurance (BOLI) totaled $1,035,000 in 2023 compared to $985,000 and $840,000 in 2022 and 2021, respectively. The Bank's salary continuation and deferred compensation plans and the related BOLI are used as retention tools for directors and key executives of the Bank.

Interchange fees totaled $1,780,000 in 2023 compared to $1,847,000 and $1,784,000 in 2022 and 2021, respectively.

The Company earns loan placement fees from the brokerage of single-family residential mortgage loans provided for the convenience of our customers. Loan placement fees decreased $315,000 in 2023 to $584,000 compared to $899,000 in 2022 and $1,974,000 in 2021.

The Bank holds stock from the Federal Home Loan Bank in relationship with its borrowing capacity and generally receives quarterly dividends. As of December 31, 2023 and 2022, we held FHLB stock totaling $7,136,000 and $6,169,000, respectively. Dividends in 2023 increased to $498,000 compared to $367,000 in 2022 and $321,000 in 2021.

Other income increased to $2,125,000 in 2023 compared to $657,000 and $1,676,000 in 2022 and 2021, respectively. The increase in other income is primarily attributed to changes in fair value of other equity investments and increase in certain merchant fee activity.

Non-Interest Expenses

Salaries and employee benefits, occupancy and equipment, regulatory assessments, acquisition and integration-related expenses, data processing expenses, ATM/Debit card expenses, license and maintenance contract expenses, information technology, and professional services (consisting of audit, accounting, consulting and legal fees) are the major categories of non-interest expenses. Non-interest expenses increased $6,816,000 or 14.06% to $55,300,000 in 2023 compared to $48,484,000 in 2022, and $47,977,000 in 2021.

Our efficiency ratio, measured as the percentage of non-interest expenses (exclusive of amortization of core deposit intangibles, other real estate owned, and repossessed asset expenses) to net interest income before provision for credit losses plus non-interest income (exclusive of realized gains or losses on sale and calls of investments) was 60.49% for 2023 compared to 54.51% for 2022 and 57.16% for 2021. The increase in the efficiency ratio in 2023 compared to 2022 was due to the the increase in non-interest expense.

Salaries and employee benefits increased $2,450,000 or 8.47% to $31,367,000 in 2023 compared to $28,917,000 in 2022 and $28,720,000 in 2021. Full time equivalents were 246 for the year ended December 31, 2023 compared to 248 for the year ended December 31, 2022. The increase in salaries and employee benefits in 2023 compared to 2022 was from increases in salary to reflect current market conditions.

For the years ended December 31, 2023, 2022, and 2021, the compensation cost recognized for equity-based compensation was $858,000, $776,000 and $562,000, respectively. As of December 31, 2023, there was $763,000 of total unrecognized compensation cost related to non-vested equity-based compensation arrangements granted under all plans. The cost is expected to be recognized over a weighted average period of 2.16 years. See Notes 1 and 13 to the audited Consolidated Financial Statements for more detail. No options to purchase shares of the Company's common stock were issued during the years ending December 31, 2023, 2022, or 2021. Restricted common stock awards of 69,692, 56,089, and 31,496 shares were awarded in 2023, 2022, and 2021, respectively.

Occupancy and equipment expense increased $595,000 or 11.60% to $5,726,000 in 2023 compared to $5,131,000 in 2022 and $4,882,000 in 2021. The Company made no changes in its depreciation expense methodology. The Company operated 19 full-service offices at December 31, 2023 and December 31, 2022. During 2023, the Company opened one new banking center, a consolidation of two banking centers into a new location, and one banking center relocation.

Regulatory assessments were $1,312,000 in 2023 compared to $851,000 and $831,000 in 2022 and 2021, respectively. The assessment base for calculating the amount owed is based on the formula of average assets minus average tangible equity.

Information technology expense increased $272,000 to $3,616,000 for the year ended December 31, 2023 compared to $3,344,000 and $2,868,000 in 2022 and 2021, respectively. Data processing expenses were $2,621,000 in 2023 compared to $2,245,000 in 2022 and $2,394,000 in 2021. Professional services increased $1,906,000 in 2023 compared to 2022 due to higher legal expenses and consulting fees related to the upcoming merger.

The following table shows significant components of other non-interest expense for the periods indicated:

	For the Year Ended December 31,		
(Dollars in thousands)	**2023**	**2022**	**2021**
Telephone expenses	$ 439	$ 376	$ 224
Armored car and courier service	266	257	255
General insurance	255	211	182
Education and training	220	191	198
Operating losses	214	253	80
Business development and entertainment	210	122	87
Donations	188	129	91
Meetings and meals	184	144	82
Remote deposit capture	163	123	62
Travel expense	162	114	51
Internet banking expense	158	134	320
Stationery and supplies	153	155	150
Alarm and security service expense	146	121	131
Risk management expense	142	99	94
Community Reinvestment Act (CRA) donations	138	96	106
Association expense	121	133	121
Service charge fee expense	101	99	77
Other	1,110	816	988
Total other non-interest expense	$ 4,370	$ 3,573	$ 3,299

Provision for Income Taxes

Our effective income tax rate was 24.5% for 2023 compared to 24.2% for 2022 and 25.3% for 2021. The Company reported an income tax provision of $8,304,000, $8,496,000, and $9,616,000 for the years ended December 31, 2023, 2022, and 2021, respectively.

Some items of income and expense are recognized in different years for tax purposes than when applying generally accepted accounting principles leading to timing differences between the Company's actual tax liability, and the amount accrued for this

liability based on book income. These temporary differences comprise the "deferred" portion of the Company's tax expense or benefit, which is accumulated on the Company's books as a deferred tax asset or deferred tax liability until such time as they reverse.

Realization of the Company's deferred tax assets is primarily dependent upon the Company generating sufficient future taxable income to obtain benefit from the reversal of net deductible temporary differences and the utilization of tax credit carryforwards and the net operating loss carryforwards for Federal and California state income tax purposes. The amount of deferred tax assets considered realizable is subject to adjustment in future periods based on estimates of future taxable income. Under generally accepted accounting principles, a valuation allowance is required to be recognized if it is "more likely than not" that the deferred tax assets will not be realized. The determination of the realization of the deferred tax assets is highly subjective and dependent upon judgment concerning management's evaluation of both positive and negative evidence, including forecasts of future income, cumulative losses, applicable tax-planning strategies, and assessments of current and future economic and business conditions.

The Company had the net deferred tax assets of $38,456,000 and $43,377,000 at December 31, 2023 and 2022, respectively. After consideration of the matters in the preceding paragraph, the Company determined that it is more likely than not that the net deferred tax assets at December 31, 2023 and 2022 will be fully realized in future years.

FINANCIAL CONDITION

Summary of Changes in Consolidated Balance Sheets

Total assets were $2,433,426,000 as of December 31, 2023, compared to $2,422,519,000 as of December 31, 2022, an increase of 0.45% or $10,907,000. Total gross loans were $1,290,797,000 as of December 31, 2023, compared to $1,256,304,000 as of December 31, 2022, an increase of $34,493,000 or 2.75%. The total investment portfolio decreased 5.64% or $54,203,000 to $906,287,000. Total deposits decreased 2.76% or $58,037,000 to $2,041,612,000 as of December 31, 2023, compared to $2,099,649,000 as of December 31, 2022. Shareholders' equity increased $32,404,000 or 18.55% to $207,064,000 as of December 31, 2023, compared to $174,660,000 as of December 31, 2022. The increase in shareholders' equity was driven by the decrease in net unrealized losses on the investment portfolio, net of estimated taxes, in accumulated other comprehensive income (AOCI), supported by the retention of earnings, net of dividends paid. Accrued interest payable and other liabilities were $35,006,000 as of December 31, 2023, compared to $32,611,000 as of December 31, 2022, an increase of $2,395,000.

Fair Value

The Company measures the fair value of its financial instruments utilizing a hierarchical framework associated with the level of observable pricing scenarios utilized in measuring financial instruments at fair value. The degree of judgment utilized in measuring the fair value of financial instruments generally correlates to the level of the observable pricing scenario. Financial instruments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of observable pricing and a lesser degree of judgment utilized in measuring fair value. Conversely, financial instruments rarely traded or not quoted will generally have little or no observable pricing and a higher degree of judgment utilized in measuring fair value. Observable pricing scenarios are impacted by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established and the characteristics specific to the transaction.

See Note 16 of the Notes to Consolidated Financial Statements for additional information about the level of pricing transparency associated with financial instruments carried at fair value.

Investments

The following table reflects the balances for each category of securities at year end (in thousands):

Available-for-Sale Securities	Amortized Cost at December 31, 2023	2022	2021
U.S. Treasury securities	$ 9,990	$ 9,990	$ 9,988
U.S. Government agencies	102	107	373
Obligations of states and political subdivisions	198,070	201,638	512,952
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	88,874	117,292	213,471
Private label mortgage and asset backed securities	372,610	411,441	317,089
Corporate debt securities	—	—	44,500
Total Available-for-Sale Securities	$ 669,646	$ 740,468	$ 1,098,373

Held-to-Maturity Securities	Amortized Cost at December 31, 2023	2022	2021
Obligations of states and political subdivisions	$ 192,070	$ 192,004	$ —
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	10,758	10,430	—
Private label mortgage and asset backed securities	54,579	56,691	—
Corporate debt securities	46,086	45,982	—
Total Held-to-Maturity Securities	$ 303,493	$ 305,107	$ —

Our investment portfolio consists of U.S. Government sponsored entities and agencies collateralized by mortgage backed obligations and obligations of states and political subdivision securities and are classified at the date of acquisition as available-for-sale or held-to-maturity. As of December 31, 2023, investment securities with a fair value of $326,054,000, or 36.24% of our investment securities portfolio, were held as collateral for public funds, short and long-term borrowings, treasury, tax, and for other purposes. Our investment policies are established by the Board of Directors and implemented by our Investment/Asset Liability Committee. They are designed primarily to provide and maintain liquidity, to enable us to meet our pledging requirements for public money and borrowing arrangements, to generate a favorable return on investments without incurring undue interest rate and credit risk, and to complement our lending activities.

Our investment portfolio as a percentage of total assets is generally higher than our peers due primarily to our comparatively low loan-to-deposit ratio. Our loan-to-deposit ratio at December 31, 2023 was 63.22% compared to 59.83% at December 31, 2022. The loan to deposit ratio of our peers was 78.00% at December 31, 2023. Peer group information from S&P Global Market Intelligence data includes bank holding companies in central California with assets from $1 billion to $3.5 billion.

The total investment portfolio decreased 5.64% or $54,203,000 to $906,287,000 at December 31, 2023, from $960,490,000 at December 31, 2022. The market value of the portfolio reflected an unrealized loss of $72,450,000 at December 31, 2023, compared to an unrealized loss of $91,643,000 at December 31, 2022.

Losses recognized in 2023, 2022, and 2021 were incurred in order to reposition the investment securities portfolio based on the current rate environment. As market interest rates or risks associated with a security's issuer continue to change and impact the actual or perceived values of investment securities, the Company may determine that selling these securities and using proceeds to purchase securities that fit with the Company's current risk profile is appropriate and beneficial to the Company.

The Board and management have had periodic discussions about our strategy for risk management in dealing with potential losses as interest rates rise. We have been managing the portfolio with an objective of optimizing risk and return in various interest rate scenarios. We do not attempt to predict future interest rates, but we analyze the cash flows of our investment portfolio in different interest rate scenarios in connection with the rest of our balance sheet to design an investment portfolio that optimizes performance.

The Company periodically evaluates each investment security for other-than-temporary impairment, relying primarily on industry analyst reports, observation of market conditions and interest rate fluctuations. The portion of the impairment that is attributable to a shortage in the present value of expected future cash flows relative to the amortized cost should be recorded as a current period charge to earnings. The discount rate in this analysis is the original yield expected at time of purchase.

For those bonds that met the evaluation criteria, management obtained and reviewed the most recently published national credit ratings for those bonds. For those bonds that were obligations of states and political subdivisions with an investment grade rating by the rating agencies, management also evaluated the financial condition of the municipality and any applicable municipal bond insurance provider and concluded that no credit related impairment existed. There were no impairment losses recorded during the years ended December 31, 2023, 2022, or 2021.

The amortized cost, maturities and weighted average yield of investment securities at December 31, 2023 are summarized in the following table.

(Dollars in thousands)	In one year or less		After one through five years		After five through ten years		After ten years		Total	
Available-for-Sale Securities	Amount	Yield(1)	Amount	Yield(1)	Amount	Yield(1)	Amount	Yield(1)	Amount	Yield(1)
Debt securities(1)										
U.S. Treasury securities	$ —	— %	$ 9,990	— %	$ —	— %	$ —	— %	$ 9,990	1.25 %
U.S. Government agencies	—	—	—	—	—	—	102	4.25 %	102	4.25 %
Obligations of states and political subdivisions (2)	—	—	—	—	40,264	3.39 %	157,806	4.21 %	198,070	4.04 %
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	1	6.07 %	17	1.26 %	3,627	6.60 %	85,229	5.53 %	88,874	5.14 %
Private label residential mortgage and asset backed securities	32,800	8.26 %	19,941	5.99 %	10,259	2.53 %	309,610	2.91 %	372,610	3.54 %
	$ 32,801	8.26 %	$ 29,948	4.41 %	$ 54,150	3.45 %	$ 552,747	3.69 %	$ 669,646	3.92 %

(Dollars in thousands)	In one year or less		After one through five years		After five through ten years		After ten years		Total	
Held-to-Maturity Securities	Amount	Yield(1)	Amount	Yield(1)	Amount	Yield(1)	Amount	Yield(1)	Amount	Yield(1)
Debt securities(1)										
Obligations of states and political subdivisions (2)	$ —	— %	$ 8,463	2.14 %	$ 74,746	2.69 %	$ 108,861	3.80 %	$ 192,070	3.29 %
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	—	—	—	—	—	—	10,758	3.00 %	10,758	3.00 %
Private label residential mortgage and asset backed securities	—	—	—	—	—	—	54,579	2.93 %	54,579	2.93 %
Corporate debt securities	—	—	—	—	46,086	4.40 %	—	—	46,086	4.40 %
	$ —	— %	$ 8,463	2.14 %	$ 120,832	3.34 %	$ 174,198	3.48 %	$ 303,493	3.39 %

(1) Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties. Expected maturities will also differ from contractual maturities due to unscheduled principal pay downs.

(2) Not computed on a tax equivalent basis.

Loans

Total gross loans increased $34,493,000 or 2.75% to $1,290,797,000 as of December 31, 2023, compared to $1,256,304,000 as of December 31, 2022.

The following table sets forth information concerning the composition of our loan portfolio as of December 31, 2023, 2022, 2021, 2020, and 2019.

	2023		2022		2021		2020		2019	
Loan Type (Dollars in thousands)	**Amount**	**% of Gross Loans**	**Amount**	**% of Total Loans**	**Amount**	**% of Total Loans**	**Amount**	**% of Total Loans**	**Amount**	**% of Total Loans**
Commercial:										
Commercial and industrial	$ 105,466	8.2 %	$ 141,197	11.3 %	$ 136,600	13.2 %	$ 273,431	24.7 %	$ 101,648	10.8 %
Agricultural production	33,556	2.6 %	37,007	2.9 %	40,860	3.9 %	21,971	2.0 %	23,159	2.5 %
Total commercial	139,022	10.8 %	178,204	14.2 %	177,460	17.1 %	295,402	26.7 %	124,807	13.3 %
Real estate:										
Construction & other land loans	33,472	2.6 %	109,175	8.7 %	61,586	5.9 %	55,419	5.0 %	73,718	7.8 %
Commercial real estate - owner occupied	215,146	16.7 %	194,663	15.5 %	212,234	20.4 %	208,843	18.9 %	197,946	21.0 %
Commercial real estate - non-owner occupied	539,522	41.9 %	464,809	37.0 %	369,529	35.6 %	338,888	30.7 %	329,335	35.0 %
Farmland	120,674	9.4 %	119,648	9.5 %	98,481	9.5 %	84,258	7.6 %	76,304	8.1 %
Multi-family residential	61,307	4.8 %	24,586	2.0 %	26,084	2.5 %	28,718	2.6 %	31,240	3.3 %
1-4 family - close-ended	96,558	7.5 %	93,510	7.5 %	33,377	3.2 %	34,245	3.1 %	38,456	4.1 %
1-4 family - revolving	27,648	2.1 %	30,071	2.4 %	22,246	2.1 %	21,393	1.9 %	26,390	2.8 %
Total real estate	1,094,327	84.9 %	1,036,462	82.6 %	823,537	79.3 %	771,764	69.8 %	773,389	82.1 %
Consumer	55,606	4.3 %	40,252	3.2 %	37,243	3.6 %	37,793	3.4 %	43,669	4.6 %
Total gross loans	1,288,955	100.0 %	1,254,918	100.0 %	1,038,240	100.0 %	1,104,959	100.0 %	941,865	100.0 %
Net deferred origination fees	1,842		1,386		871		(2,612)		1,515	
Loans, net of deferred origination fees	1,290,797		1,256,304		1,039,111		1,102,347		943,380	
Allowance for credit losses	(14,653)		(10,848)		(9,600)		(12,915)		(9,130)	
Total loans, net (1)	$ 1,276,144		$ 1,245,456		$ 1,029,511		$ 1,089,432		$ 934,250	
(1) Includes nonaccrual loans of:	$ —		$ —		$ 946		$ 3,278		$ 1,693	

At December 31, 2023, loans acquired in the FLB, SVB and VCB acquisitions had a balance of $58,983,000, of which $1,633,000 were commercial loans, $53,591,000 were real estate loans, and $3,759,000 were consumer loans. At December 31, 2022, the acquired loans had a balance of $73,456,000, of which $2,049,000 were commercial loans, $66,583,000 were real estate loans, and $4,824,000 were consumer loans.

At December 31, 2023, in management's judgment, a concentration of loans existed in commercial loans and real-estate-related loans, representing approximately 95.5% of total loans of which 10.7% were commercial and 84.8% were real-estate-related. This level of concentration is consistent with a concentration of 96.8% at December 31, 2022. Although we believe the loans within this concentration have no more than the normal risk of collectability, a substantial decline in the performance of the economy in general or a decline in real estate values in our primary market areas, in particular, could have an adverse impact on collectability, increase the level of real estate-related nonperforming loans, or have other adverse effects which alone or in the aggregate could have a material adverse effect on our business, financial condition, results of operations and cash flows. The Company did not engage in any sub-prime mortgage lending activities during the years ended December 31, 2023 and 2022.

We believe that our commercial real estate loan underwriting policies and practices result in prudent extensions of credit, but recognize that our lending activities result in relatively high reported commercial real estate lending levels. Commercial real estate loans include certain loans which represent low to moderate risk and certain loans with higher risks.

The Board of Directors review and approve concentration limits and exceptions to limitations of concentration are reported to the Board of Directors at least quarterly.

Loan Maturities

The following table presents information concerning loan maturities and sensitivity to changes in interest rates of the indicated categories of our loan portfolio, as well as loans in those categories maturing after one year that have fixed or floating interest rates at December 31, 2023.

(In thousands)	One Year or Less	After One Through Five Years	After Five Through Fifteen Years	After Fifteen Years	Total
Loan Maturities:					
Commercial and agricultural	$ 63,194	$ 55,857	$ 17,929	$ 1,931	$ 138,911
Real estate construction and other land loans	26,750	3,267	2,620	836	33,473
Other real estate	37,331	238,937	512,894	148,272	937,434
Consumer and installment	3,323	16,404	69,770	89,640	179,137
Total gross loans	$ 130,598	$ 314,465	$ 603,213	$ 240,679	$ 1,288,955
Sensitivity to Changes in Interest Rates:					
Loans with fixed interest rates	$ 47,813	$ 204,104	$ 238,091	$ 69,687	$ 559,695
Loans with floating interest rates (1)	82,785	110,361	365,122	170,992	729,260
Total gross loans	$ 130,598	$ 314,465	$ 603,213	$ 240,679	$ 1,288,955
(1) Includes floating rate loans which are currently at their floor rate in accordance with their respective loan agreement	$ 51	$ 24,307	$ 258,657	$ 109,966	$ 392,981

Nonperforming Assets

Nonperforming assets consist of nonperforming loans, other real estate owned (OREO), and repossessed assets. Nonperforming loans are those loans which have (i) been placed on nonaccrual status; (ii) been classified as doubtful under our asset classification system; or (iii) become contractually past due 90 days or more with respect to principal or interest and have not been restructured or otherwise placed on nonaccrual status. A loan is classified as nonaccrual when 1) it is maintained on a cost recovery method because of deterioration in the financial condition of the borrower; 2) payment in full of principal or interest under the original contractual terms is not expected; or 3) principal or interest has been in default for a period of 90 days or more unless the loan is both well secured and in the process of collection. We measure all loans placed on nonaccrual status for impairment based on the fair value of the underlying collateral or the net present value of the expected cash flows.

Our consolidated financial statements are prepared on the accrual basis of accounting, including the recognition of interest income on loans. Interest income from nonaccrual loans is recorded only if collection of principal in full is not in doubt and when cash payments, if any, are received.

Loans are placed on nonaccrual status and any accrued but unpaid interest income is reversed and charged against income when the payment of interest or principal is 90 days or more past due. Loans in the nonaccrual category are treated as nonaccrual loans even though we may ultimately recover all or a portion of the interest due. These loans return to accrual status when the loan becomes contractually current, future collectability of amounts due is reasonably assured, and a minimum of six months of satisfactory principal repayment performance has occurred. See Note 3 of the Company's audited Consolidated Financial Statements in Item 8 of this Annual Report.

At December 31, 2023 and December 31, 2022, there were no nonperforming assets. Total nonperforming assets at December 31, 2023 and December 31, 2022, included no nonaccrual loans, no OREO, and no repossessed assets. See Note 3 of the Company's audited Consolidated Financial Statements in Item 8 of this Annual Report concerning our recorded investment in loans for which impairment has been recognized.

A summary of nonaccrual, restructured, and past due loans at December 31, 2023, 2022, 2021, 2020, and 2019 is set forth below. The Company had no loans past due more than 90 days and still accruing interest at December 31, 2023 and 2022. Management is not aware of any potential problem loans, which were current and accruing at December 31, 2023, where serious doubt existed as to the ability of the borrower to comply with the present repayment terms. Management can give no assurance that nonaccrual and other nonperforming loans will not increase in the future.

Composition of Nonaccrual, Past Due and Restructured Loans

(As of December 31, Dollars in thousands)	2023	2022	2021	2020	2019
Nonaccrual Loans:					
Commercial and industrial	$ —	$ —	$ 312	$ 752	$ 187
Agricultural production	—	—	634 —	—	—
Owner occupied real estate	—	—	—	370	416
Real estate construction and other land loans	—	—	—	1,556	—
Agricultural real estate	—	—	—	—	321
Commercial real estate	—	—	—	512	381
Equity loans and line of credit	—	—	—	—	66
Consumer and installment	—	—	—	88	—
Restructured loans (non-accruing):					
Equity loans and line of credit	—	—	—	—	322
Total nonaccrual	—	—	946	3,278	1,693
Accruing loans past due 90 days or more	—	—	—	—	—
Total nonperforming loans	$ —	$ —	$ 946	$ 3,278	$ 1,693
Interest foregone	$ —	$ 132	$ 99	$ 177	$ 85
Nonperforming loans to total loans	— %	— %	0.09 %	0.30 %	0.18 %

OREO represents real property taken either through foreclosure or through a deed in lieu thereof from the borrower. OREO is carried at the lesser of cost or fair market value less selling costs. As of December 31, 2023 and 2022, the Bank had no OREO properties. The Company held no repossessed assets at December 31, 2023 and 2022, which would be included in other assets on the consolidated balance sheets.

Allowance for Credit Losses

We have established a methodology for determining the adequacy of the allowance for credit losses made up of collective and individually evaluated loans. The methodology is set forth in a formal policy and takes into consideration the need for an overall allowance for credit losses as well as specific allowances for individually evaluated loans. The allowance for credit losses is an estimate of expected credit losses in the Company's loan portfolio.

The measurement of the allowance for credit losses on collectively evaluated loans is based on modeled expectations of lifetime expected credit losses utilizing national and local peer group historical losses, weighting of economic scenarios, and other relevant factors. The Company incorporates forward-looking information using macroeconomic scenarios, which include variables that are considered key drivers of credit losses within the portfolio. The Company uses a probability-weighted, multiple scenario forecast approach. These scenarios may consist of a base forecast representing the most likely scenario, or baseline, combined with downside and upside scenarios reflecting possibly worsening or improving economic conditions.

In originating loans, we recognize that losses will be experienced and that the risk of loss will vary with, among other things, the type of loan being made, the creditworthiness of the borrower over the term of the loan, general economic conditions and, in the case of a secured loan, the quality of the collateral securing the loan. The allowance is increased by provisions charged against earnings and recoveries, and reduced by net loan charge-offs. Loans are charged off when they are deemed to be uncollectible, or partially charged off when portions of a loan are deemed to be uncollectible. Recoveries are generally recorded only when cash payments are received.

The allowance for credit losses is maintained to cover lifetime expected credit losses in the loan portfolio. The responsibility for the review of our assets and the determination of the adequacy lies with management and our Audit/Compliance Committee. They delegate the authority to the Chief Credit Officer (CCO) to determine the loss reserve ratio for each type of asset and to review, at least quarterly, the adequacy of the allowance based on an evaluation of the portfolio, past experience, prevailing market conditions, economic scenarios, amount of government guarantees, concentration in loan types and other relevant factors.

Management adheres to an internal asset review system designed to provide for timely recognition of problem assets and adequate valuation allowances of collateral dependent loans. The Company's asset monitoring process includes the use of asset classifications to segregate the assets, largely loans and real estate, into various risk categories. The Company uses the various asset classifications as a means of measuring risk and determining the adequacy of valuation allowances by using a nine-grade system to classify assets. In general, all credit facilities exceeding 90 days of delinquency require classification and are placed on nonaccrual.

The following table summarizes the Company's loan loss experience, as well as provisions and recoveries (charge-offs) to the allowance and certain pertinent ratios for the periods indicated:

(Dollars in thousands)	2023	2022	2021	2020	2019
Loans outstanding at December 31,	$ 1,288,955	$ 1,254,918	$ 1,038,240	$ 1,104,959	$ 941,865
Average loans outstanding during the year	$ 1,263,226	$ 1,133,919	$ 1,069,653	$ 1,055,712	$ 930,883
Allowance for credit losses:					
Balance at beginning of year	$ 10,848	$ 9,600	$ 12,915	$ 9,130	$ 9,104
Impact of adoption of ASU 2016-13	3,910	—	—	—	—
Deduct loans charged off:					
Commercial	(636)	(27)	(46)	(121)	(1,032)
Consumer	(53)	(151)	(221)	(108)	(164)
Total loans charged off	(689)	(178)	(267)	(229)	(1,196)
Add recoveries of loans previously charged off:					
Commercial	609	367	701	612	134
Commercial real estate	—	—	319	—	—
1-4 family real estate	15	—	—	—	—
Consumer	45	59	232	127	63
Total recoveries	669	426	1,252	739	197
Net (charge-offs) recoveries	(20)	248	985	510	(999)
(Credit) provision for credit losses	(85)	1,000	(4,300)	3,275	1,025
Balance at end of year	$ 14,653	$ 10,848	$ 9,600	$ 12,915	$ 9,130
Allowance for credit losses as a percentage of outstanding loan balance	1.14 %	0.86 %	0.92 %	1.17 %	0.97 %
Net (charge-offs) recoveries to average loans outstanding	— %	0.02 %	0.09 %	0.05 %	(0.11)%

Managing credits identified through the risk evaluation methodology includes developing a business strategy with the customer to mitigate our losses. Management continues to monitor these credits with a view to identifying as early as possible when, and to what extent, additional provisions may be necessary.

The allowance for credit losses is reviewed at least quarterly by the Company's Board of Directors' Audit/Compliance Committee. Reserves are allocated to loan portfolio segments using percentages which are based on both historical risk elements such as delinquencies and losses and predictive risk elements such as economic, competitive and environmental factors. We have adopted the specific reserve approach to allocate reserves to each individually analyzed asset for the purpose of estimating potential loss exposure. Although the allowance for credit losses is allocated to various portfolio categories, it is general in nature and available for the loan portfolio in its entirety. Additions may be required based on the results of independent loan portfolio examinations, regulatory agency examinations, or our own internal review process. Additions are also required when, in management's judgment, the reserve does not properly reflect the potential loss exposure.

The allocation of the allowance for credit losses is set forth below:

Loan Type (Dollars in thousands)	2023 Amount	2023 Percent of Loans in Each Category to Total Loans	2022 Amount	2022 Percent of Loans in Each Category to Total Loans	2021 Amount	2021 Percent of Loans in Each Category to Total Loans	2020 Amount	2020 Percent of Loans in Each Category to Total Loans	2019 Amount	2019 Percent of Loans in Each Category to Total Loans
Commercial:										
Commercial and industrial	$ 948	8.2 %	$ 1,585	11.3 %	$ 1,689	13.2 %	$ 1,757	24.7 %	$ 1,106	10.8 %
Agricultural production	527	2.6 %	229	2.9 %	320	3.9 %	255	2.0 %	313	2.5 %
Real estate:										
Construction & other land loans	848	2.6 %	1,678	8.7 %	812	5.9 %	1,204	5.0 %	932	7.8 %
Commercial real estate - owner occupied	1,945	16.7 %	814	15.5 %	1,355	20.4 %	2,128	18.9 %	1,319	21.0 %
Commercial real estate - non-owner occupied	5,574	41.9 %	4,388	37.0 %	3,805	35.6 %	4,781	30.7 %	3,453	35.0 %
Farmland	1,254	9.4 %	863	9.5 %	697	9.5 %	838	7.6 %	925	8.1 %
Multi-family residential	642	4.8 %	60	2.0 %	72	2.5 %	223	2.6 %	140	3.3 %
1-4 family - close-ended	1,444	7.5 %	465	7.5 %	138	3.2 %	248	3.1 %	264	4.1 %
1-4 family - revolving	520	2.1 %	142	2.4 %	118	2.1 %	209	1.9 %	161	2.8 %
Consumer	951	4.3 %	284	3.2 %	314	3.6 %	641	3.4 %	481	4.6 %
Unallocated reserves	—	—	340	—	280	—	631	—	36	—
Total allowance for credit losses	$ 14,653	100.0 %	$ 10,848	100.0 %	$ 9,600	100.0 %	$ 12,915	100.0 %	$ 9,130	100.0 %

Loans are charged to the allowance for credit losses when the loans are deemed uncollectible. It is the policy of management to make additions to the allowance so that it remains adequate to cover all expected lifetime loan losses that exist in the portfolio at that time.

As of December 31, 2023, the allowance for credit losses (ACL) was $14,653,000, compared to $10,848,000 at December 31, 2022, a net increase of $3,805,000. The net increase in the ACL was primarily attributed to adoption of ASU 2016-13 (CECL). This adoption resulted in an increase to the ACL effective January 1, 2023 of $3,910,000. Net charge-offs totaled $20,000 and there was a credit for credit losses was $85,000 for the year ended December 31, 2023.

The balance of classified loans and loans graded special mention totaled $20,301,000 and $9,000,000 at December 31, 2023 and $27,785,000 and $31,023,000 at December 31, 2022, respectively. The balance of undisbursed commitments to extend credit on construction and other loans and letters of credit was $276,270,000 as of December 31, 2023, compared to $288,141,000 as of December 31, 2022. At December 31, 2023 and 2022, the balance of a contingent allocation for probable loan loss experience on unfunded obligations was $839,000 and $110,000, respectively. The contingent allocation for probable loan loss experience on unfunded obligations is calculated by management using appropriate, systematic, and consistently applied processes. While related to credit losses, this allocation is not a part of ACL and is considered separately as a liability for accounting and regulatory reporting purposes. Risks and uncertainties exist in all lending transactions and our management and Directors' Loan Committee have established reserve levels based on economic uncertainties and other risks that exist as of each reporting period.

The ACL as a percentage of total loans was 1.14% at December 31, 2023, and 0.86% at December 31, 2022. Total loans include FLB, SVB and VCB loans that were recorded at fair value in connection with the acquisitions of $58,983,000 at December 31, 2023 and $73,456,000 at December 31, 2022. Excluding these acquired loans from the calculation, the ACL to total gross loans was 1.19% and 0.92% as of December 31, 2023 and 2022, respectively. The loan portfolio acquired in the mergers was booked at fair value with no associated allocation in the ACL. Under current CECL methodology these loans now have an associated ACL.

Assumptions regarding the collateral value of various under-performing loans may affect the level and allocation of the allowance for credit losses in future periods. The allowance may also be affected by trends in the amount of charge-offs experienced or expected trends within different loan portfolios. However, the total reserve rates on collectively evaluated loan pools include quantitative factors which are systematically derived and consistently applied to reflect conservatively estimated losses at the date of the financial statements. Based on the above considerations and given recent changes in historical charge-off rates included in the ACL modeling and the changes in other factors, management determined that the ACL was appropriate as of December 31, 2023.

There were no non-performing loans as of December 31, 2023 or December 31, 2022. The Company had no other real estate owned at December 31, 2023 or December 31, 2022. No foreclosed assets were recorded at December 31, 2023 or December 31, 2022. Management believes the ACL at December 31, 2023 is adequate based upon its ongoing analysis of the loan portfolio, historical loss trends and other factors. However, no assurance can be given that the Company may not sustain charge-offs which are in excess of the allowance in any given period.

Goodwill and Intangible Assets

Business combinations involving the Bank's acquisition of the equity interests or net assets of another enterprise give rise to goodwill. Total goodwill at December 31, 2023 was $53,777,000 consisting of $13,466,000, $10,394,000, $6,340,000, $14,643,000 and $8,934,000 representing the excess of the cost of FLB, SVB, VCB, Service 1st Bancorp, and Bank of Madera County, respectively, over the net amounts assigned to assets acquired and liabilities assumed in the transactions accounted for under the purchase method of accounting. The value of goodwill is ultimately derived from the Company's ability to generate net earnings after the acquisitions and is not deductible for tax purposes. The fair values of assets acquired and liabilities assumed are subject to adjustment during the first twelve months after the acquisition date if additional information becomes available to indicate a more accurate or appropriate value for an asset or liability. A significant decline in net earnings, among other factors, could be indicative of a decline in the fair value of goodwill and result in impairment. For that reason, goodwill is assessed at least annually for impairment.

Management performed an annual impairment test in the third quarter of 2023 utilizing various qualitative factors. Management believes these factors are sufficient and comprehensive and as such, no further factors need to be assessed at this time. Based on management's analysis performed, no impairment was required.

Goodwill is also assessed for impairment between annual tests if a triggering event occurs or circumstances change that may cause the fair value of a reporting unit to decline below its carrying amount. Management considers the entire Company to be one reporting unit. No such events or circumstances arose during for the year ended December 31, 2023. Changes in the economic environment, operations of the reporting unit or other adverse events could result in future impairment charges which could have a material adverse impact on the Company's operating results.

Intangible assets were represented by the estimated fair value of the core deposit relationships acquired in the 2013 acquisition of VCB of $1,365,000. Core deposit intangibles were being amortized using the straight-line method over an estimated life of five to ten years from the date of acquisition. The carrying value of intangible assets at December 31, 2023 was $0, net of $1,365,000 in accumulated amortization expense. The carrying value at December 31, 2022 was $68,000, net of $1,297,000 in accumulated amortization expense. Management would evaluate the remaining useful life quarterly to determine whether events or circumstances warrant a revision to the remaining periods of amortization. Based on prior evaluations, no changes to the remaining useful life was required. Amortization expense recognized was $68,000 for 2023, $454,000 for 2022 and $661,000 for 2021.

Deposits and Borrowings

The Bank's deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable legal limits. All of a depositor's accounts at an insured depository institution, including all non-interest bearing transactions accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of $250,000 for each deposit insurance ownership category.

Total deposits decreased $58,037,000 or 2.76% to $2,041,612,000 as of December 31, 2023, compared to $2,099,649,000 as of December 31, 2022. Interest-bearing deposits increased $46,989,000 or 4.50% to $1,090,071,000 as of December 31, 2023, compared to $1,043,082,000 as of December 31, 2022. Non-interest bearing deposits decreased $105,026,000 or 9.94% to $951,541,000 as of December 31, 2023, compared to $1,056,567,000 as of December 31, 2022. The Company's deposit balances for the year ended December 31, 2023 decreased through normal customer deposit related activity. Average non-interest bearing deposits to average total deposits was 45.84% for the year ended December 31, 2023 compared to 46.68% for the same period in 2022. Based on FDIC deposit market share information published as of June 2023, our total market share of deposits in Fresno, Madera, San Joaquin, and Tulare counties was 4.15% in 2023 compared to 3.66% in 2022. Our total market share in the other counties as of June 2023 and 2022 we operate in (Merced, Placer, Sacramento, and Stanislaus), was less than 1.00%.

The composition of the deposits and average interest rates paid at December 31, 2023 and December 31, 2022 is summarized in the table below.

(Dollars in thousands)	December 31, 2023	% of Total Deposits	Effective Rate	December 31, 2022	% of Total Deposits	Effective Rate
NOW accounts	$ 251,334	12.3 %	0.13 %	$ 324,089	15.4 %	0.06 %
MMA accounts	497,043	24.4 %	1.68 %	435,783	20.8 %	0.17 %
Time deposits	162,085	7.9 %	3.68 %	67,923	3.2 %	0.14 %
Savings deposits	179,609	8.8 %	0.12 %	215,287	10.3 %	0.01 %
Total interest-bearing	1,090,071	53.4 %	1.33 %	1,043,082	49.7 %	0.10 %
Non-interest bearing	951,541	46.6 %		1,056,567	50.3 %	
Total deposits	$ 2,041,612	100.0 %		$ 2,099,649	100.0 %	

We have no known foreign deposits. The following table sets forth the average amount of and the average rate paid on certain deposit categories which were in excess of 10% of average total deposits for the years ended December 31, 2023, 2022, and 2021.

	2023		2022		2021	
(Dollars in thousands)	Balance	Rate	Balance	Rate	Balance	Rate
Savings and NOW accounts	$ 473,102	0.26 %	$ 581,285	0.04 %	$ 529,043	0.03 %
Money market accounts	$ 531,013	1.68 %	$ 486,823	0.17 %	$ 455,575	0.15 %
Non-interest bearing demand	$ 987,906	—	$ 1,006,511	—	$ 900,083	—
Total deposits	$ 2,155,241	0.72 %	$ 2,156,092	0.06 %	$ 1,974,576	0.05 %

The following table sets forth the maturity of time certificates of deposit and other time deposits of $250,000 or more at December 31, 2023.

(In thousands)	
Three months or less	$ 19,124
Over 3 through 6 months	1,642
Over 6 through 12 months	2,198
Over 12 months	1,293
	$ 24,257

As of December 31, 2023, the Company had $93,134,000 in Brokered CD deposits. The Company had no Brokered CD deposits as of December 31, 2022.

As of December 31, 2023, the Company had $35,000,000 in short-term Federal Home Loan Bank (FHLB) of San Francisco advances and $45,000,000 in short-term advances from the Federal Reserve's Bank Term Funding Program (BTFP). There was $46,000,000 in short-term FHLB advances as of December 31, 2022. We maintain a line of credit with the FHLB collateralized by government securities and loans. Refer to Liquidity section below for further discussion of FHLB and BTFP advances. The Bank had unsecured lines of credit with its correspondent banks which, in the aggregate, amounted to $110,000,000 at December 31, 2023 and 2022, at interest rates which vary with market conditions. As of December 31, 2023 and 2022, the Company had no overnight borrowings outstanding under these credit facilities.

The Company's uninsured balances with correspondent banks totaled $3,813,000 and $1,696,000 at December 31, 2023 and 2022, respectively.

Capital Resources

Capital serves as a source of funds and helps protect depositors and shareholders against potential losses. Historically, the primary sources of capital for the Company have been internally generated capital through retained earnings and the issuance of common and preferred stock.

The Company has historically maintained substantial levels of capital. The assessment of capital adequacy is dependent on several factors including asset quality, earnings trends, liquidity and economic conditions. Maintenance of adequate capital levels is integral to providing stability to the Company. The Company needs to maintain substantial levels of regulatory capital to give it maximum flexibility in the changing regulatory environment and to respond to changes in the market and economic conditions.

Our shareholders' equity was $207,064,000 as of December 31, 2023, compared to $174,660,000 as of December 31, 2022. The increase in shareholders' equity is the result of increase in accumulated other comprehensive income (AOCI) of $15,193,000, from primarily a decrease in the unrealized loss recorded on the Company's investment portfolio, the increase in retained earnings from our net income of $25,536,000, the effect of share-based compensation expense of $858,000, and stock issued under our employee stock purchase plan of $206,000. These increases were partially offset by the payment of common stock cash dividends of $5,657,000.

During 2023, the Bank declared and paid cash dividends to the Company in the amount of $6,963,000 in connection with the cash dividends to the Company's shareholders, and expenditures paid by the Company, approved by the Company's Board of Directors. The Company declared and paid a total of $5,657,000 or $0.48 per common share cash dividend to shareholders of record during the year ended December 31, 2023.

During 2022, the Company made a capital contribution to the Bank in the amount of $38,000,000 in connection with the senior and subordinated debt proceeds approved by the Company's Board of Directors. The Company declared and paid a total of $5,638,000 or $0.48 per common share cash dividend to shareholders of record during the year ended December 31, 2022. During the year ended December 31, 2022, the Company repurchased and retired common stock in the amount of $6,814,000.

During 2021 the Bank declared and paid cash dividends to the Company in the amount of $7,679,000 in connection with cash dividends to the Company's shareholders, and expenditures paid by the Company, approved by the Company's Board of Directors. The Company declared and paid a total of $5,757,000 or $0.47 per common share cash dividend to shareholders of record during the year ended December 31, 2021. During the year ended December 31, 2021, the Company repurchased and retired common stock in the amount of $13,619,000.

The following table sets forth certain financial ratios for the years ended December 31, 2023, 2022, and 2021.

	2023	2022	2021
Net income:			
To average assets	1.04 %	1.09 %	1.25 %
To average shareholders' equity	13.81 %	14.25 %	11.50 %
Dividends declared per share to net income per share	22.21 %	21.14 %	19.75 %
Average shareholders' equity to average assets	7.51 %	7.67 %	10.89 %

Management considers capital requirements as part of its strategic planning process. The strategic plan calls for continuing increases in assets and liabilities, and the capital required may therefore be in excess of retained earnings. The ability to obtain capital is dependent upon the capital markets as well as our performance. Management regularly evaluates sources of capital and the timing required to meet its strategic objectives.

The Board of Governors, the FDIC and other federal banking agencies have issued risk-based capital adequacy guidelines intended to provide a measure of capital adequacy that reflects the degree of risk associated with a banking organization's operations for both transactions reported on the balance sheet as assets, and transactions, such as letters of credit and recourse arrangements, which are reported as off-balance-sheet items.

The following table presents the Company's regulatory capital ratios as of December 31, 2023 and December 31, 2022:

(Dollars in thousands)	Actual Ratio		
December 31, 2023		Amount	Ratio
Tier 1 Leverage Ratio	$	222,567	9.18 %
Common Equity Tier 1 Ratio (CET 1)	$	217,567	12.78 %
Tier 1 Risk-Based Capital Ratio	$	222,567	13.07 %
Total Risk-Based Capital Ratio	$	273,699	16.08 %
December 31, 2022			
Tier 1 Leverage Ratio	$	205,154	8.37 %
Common Equity Tier 1 Ratio (CET 1)	$	200,154	11.92 %
Tier 1 Risk-Based Capital Ratio	$	205,154	12.22 %
Total Risk-Based Capital Ratio	$	250,556	14.92 %

The following table presents the Bank's regulatory capital ratios as of December 31, 2023 and December 31, 2022:

(Dollars in thousands)	Actual Ratio			Minimum regulatory requirement (1)			Minimum requirement for "Well-Capitalized" Institution		
December 31, 2023		Amount	Ratio		Amount	Ratio		Amount	Ratio
Tier 1 Leverage Ratio	$	285,099	11.75 %	$	97,016	4.00 %	$	121,271	5.00 %
Common Equity Tier 1 Ratio (CET 1)	$	285,099	16.76 %	$	76,526	7.00 %	$	110,538	6.50 %
Tier 1 Risk-Based Capital Ratio	$	285,099	16.76 %	$	102,035	8.50 %	$	136,047	8.00 %
Total Risk-Based Capital Ratio	$	301,642	17.74 %	$	136,047	10.50 %	$	170,058	10.00 %
December 31, 2022									
Tier 1 Leverage Ratio	$	266,373	10.86 %	$	98,075	4.00 %	$	122,594	5.00 %
Common Equity Tier 1 Ratio (CET 1)	$	266,373	15.87 %	$	75,516	7.00 %	$	109,079	6.50 %
Tier 1 Risk-Based Capital Ratio	$	266,373	15.87 %	$	100,688	8.50 %	$	134,251	8.00 %
Total Risk-Based Capital Ratio	$	277,331	16.53 %	$	134,251	10.50 %	$	167,814	10.00 %

(1) The minimum regulatory requirement threshold includes the capital conservation buffer of 2.50%.

The Company succeeded to all of the rights and obligations of the Service 1st Capital Trust I, a Delaware business trust, in connection with the acquisition of Service 1st as of November 12, 2008. The Trust was formed on August 17, 2006 for the sole purpose of issuing trust preferred securities fully and unconditionally guaranteed by Service 1st. Under applicable regulatory guidance, the amount of trust preferred securities that is eligible as Tier 1 capital is limited to 25% of the Company's Tier 1 capital on a pro forma basis. At December 31, 2023, all of the trust preferred securities that have been issued qualify as Tier 1 capital. The trust preferred securities mature on October 7, 2036, are redeemable at the Company's option beginning five years after issuance, and require quarterly distributions by the Trust to the holder of the trust preferred securities at a variable interest rate which will adjust quarterly to equal the three-month SOFR plus 1.60%.

The Trust used the proceeds from the sale of the trust preferred securities to purchase approximately $5,155,000 in aggregate principal amount of Service 1st's junior subordinated notes (the Notes). The Notes bear interest at the same variable interest rate during the same quarterly periods as the trust preferred securities. The Notes are redeemable by the Company on any January 7, April 7, July 7, or October 7 on or after October 7, 2012 or at any time within 90 days following the occurrence of certain events, such as: (i) a change in the regulatory capital treatment of the Notes (ii) in the event the Trust is deemed an investment company or (iii) upon the occurrence of certain adverse tax events. In each such case, the Company may redeem the Notes for their aggregate principal amount, plus any accrued but unpaid interest.

The Notes may be declared immediately due and payable at the election of the trustee or holders of 25% of the aggregate principal amount of outstanding Notes in the event that the Company defaults in the payment of any interest following the nonpayment of any such interest for 20 or more consecutive quarterly periods. Holders of the trust preferred securities are entitled to a cumulative cash distribution on the liquidation amount of $1,000 per security. For each January 7, April 7, July 7 or October 7 of each year, the rate will be adjusted to equal the three month SOFR plus 1.60%. As of December 31, 2023, the

rate was 7.26%. Interest expense recognized by the Company for the years ended December 31, 2023, 2022, and 2021 was $360,000, $188,000 and $93,000, respectively.

On November 12, 2021, the Company completed a private placement of $35.0 million aggregate principal amount of its fixed-to-floating rate subordinated notes ("Subordinated Debt") due December 1, 2031. The Subordinated Debt initially bears a fixed interest rate of 3.125% per year. Commencing on December 1, 2026, the interest rate on the Subordinated Debt will reset each quarter at a floating interest rate equal to the then-current three month term SOFR plus 210 basis points. The Company may at its option redeem in whole or in part the Subordinated Debt on or after November 12, 2026 without a premium. The Subordinated Debt is treated as Tier 2 Capital for regulatory purposes.

On September 15, 2022, the Company entered into a $30 million loan agreement with Bell Bank. Initially, payments of interest only are payable in 12 quarterly payments commencing December 31, 2022. As of December 31, 2023 the rate had reached its interest rate cap of 6.75%. Commencing December 31, 2025, 27 equal quarterly principal and interest payments are payable based on the outstanding balance of the loan on August 30, 2025 and an amortization of 48 quarters. A final payment of outstanding principal and accrued interest is due at maturity on September 30, 2032. Variable interest is payable at the Prime Rate (published by the Wall Street Journal) less 50 basis points. The loan is secured by the assets of the Company and a pledge of the outstanding common stock of Central Valley Community Bank, the Company's banking subsidiary. The Company may prepay the loan without penalty with one exception. If the loan is prepaid prior to August 30, 2025 with funds received from a financing source other than Bell Bank, the Company will incur a 2% prepayment penalty. The loan contains customary representations, covenants, and events of default.

LIQUIDITY

Liquidity management involves our ability to meet cash flow requirements arising from fluctuations in deposit levels and demands of daily operations, which include funding of securities purchases, providing for customers' credit needs and ongoing repayment of borrowings. Our liquidity is actively managed on a daily basis and reviewed periodically by our management and Directors' Asset/Liability Committees. This process is intended to ensure the maintenance of sufficient funds to meet our needs, including adequate cash flows for off-balance sheet commitments.

Our primary sources of liquidity are derived from financing activities which include the acceptance of customer and, to a lesser extent, broker deposits, Federal funds facilities and advances from the Federal Home Loan Bank of San Francisco (FHLB). These funding sources are augmented by payments of principal and interest on loans, the routine maturities and pay downs of securities from the securities portfolio, the stability of our core deposits and the ability to sell investment securities. As of December 31, 2023, the Company had unpledged securities totaling $580,233,000 available as a secondary source of liquidity and total cash and cash equivalents of $53,728,000. Cash and cash equivalents at December 31, 2023 increased 72.37% compared to December 31, 2022. Primary uses of funds include withdrawal of and interest payments on deposits, origination and purchases of loans, purchases of investment securities, and payment of operating expenses.

To augment our liquidity, we have established Federal funds lines with various correspondent banks. At December 31, 2023, our available borrowing capacity includes approximately $110,000,000 in Federal funds lines with our correspondent banks and $307,483,000 in unused FHLB advances. At December 31, 2023, we were not aware of any information that was reasonably likely to have a material effect on our liquidity position.

The following table reflects the Company's credit lines, balances outstanding, and pledged collateral at December 31, 2023 and 2022:

Credit Lines (In thousands)	December 31, 2023	December 31, 2022
Unsecured Credit Lines		
Credit limit	$ 110,000	$ 110,000
Balance outstanding	$ —	$ —
Federal Home Loan Bank		
Credit limit	$ 342,483	$ 365,309
Balance outstanding	$ 35,000	$ 46,000
Collateral pledged	$ 612,702	$ 687,357
Fair value of collateral	$ 500,972	$ 565,869
Federal Reserve Bank Term Loan Funding Program		
Credit limit	$ 46,174	$ —
Balance outstanding	$ 45,000	$ —
Collateral pledged	$ 53,650	$ —
Fair value of collateral	$ 47,603	$ —
Federal Reserve Bank		
Credit limit	$ 4,448	$ 4,702
Balance outstanding	$ —	$ —
Collateral pledged	$ 4,894	$ 5,508
Fair value of collateral	$ 4,374	$ 4,893

The liquidity of our parent company, Central Valley Community Bancorp, is primarily dependent on the payment of cash dividends by its subsidiary, Central Valley Community Bank, subject to limitations imposed by state and federal regulations.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with the accounting principles generally accepted in the United States ("U.S. GAAP") requires management to make a number of judgments, estimates and assumptions that affect the reported amount of assets, liabilities, income and expense in the financial statements. Various elements of our accounting policies, by their nature, involve the application of highly sensitive and judgmental estimates and assumptions. Some of these policies and estimates relate to matters that are highly complex and contain inherent uncertainties. It is possible that, in some instances, different estimates and assumptions could reasonably have been made and used by management, instead of those we applied, which might have produced different results that could have had a material effect on the financial statements.

We have identified the following accounting policies and estimates that, due to the inherent judgments and assumptions and the potential sensitivity of the financial statements to those judgments and assumptions, are critical to an understanding of our financial statements. We believe that the judgments, estimates and assumptions used in the preparation of the Company's financial statements are appropriate. For a further description of our accounting policies, see Note 1 - *Summary of Significant Accounting Policies* in the financial statements included in this Form 10-K.

In determining the ACL, accruing loans with similar risk characteristics are generally evaluated collectively. To estimate expected losses the Company generally utilizes historical loss trends and the remaining contractual lives of the loan portfolios to determine estimated credit losses through a reasonable and supportable forecast period. The Company utilized a reasonable and supportable forecast period obtained the forecast data from Moody's Analytics. Individual loan credit quality indicators, including historical credit losses, have been statistically correlated with various econometrics. Model forecasts may be adjusted for inherent limitations or biases that have been identified through independent validation and back-testing of model performance to actual realized results. The Company also considered the impact of portfolio concentrations, changes in underwriting practices, imprecision in its economic forecasts, and other risk factors that might influence its loss estimation process. Increases in external risk factors due to more pessimistic business and economic conditions could potentially increase estimated losses on existing loan balances within the ACL. While management utilizes its best judgment and information available, the ultimate adequacy of our allowance accounts is dependent upon a variety of factors beyond our control, including the performance of our portfolios, the economy and changes in interest rates.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for Credit Losses

The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments). In addition, credit losses recognized on available-for-sale debt securities will be presented as an allowance as opposed to a write-down, based on management's intent to sell the security or the likelihood the Company will be required to sell the security before recovery of the amortized cost basis. Our accounting for estimated loan losses is discussed and disclosed primarily in Note 1 and 3 to the consolidated financial statements under the heading "*Allowance for Credit Losses*".

INFLATION

The impact of inflation on a financial institution differs significantly from that exerted on other industries primarily because the assets and liabilities of financial institutions consist largely of monetary items. However, financial institutions are affected by inflation in part through non-interest expenses, such as salaries and occupancy expenses, and to some extent by changes in interest rates.

At December 31, 2023, we are aware that inflation may have an adverse impact on our consolidated financial position or results of operations. However, in the short term increased rates may continue to be a benefit by repricing a portion of our loan portfolio. Higher long term inflation rates may drive increases in operating expenses or have other adverse effects on our borrowers, making collection on extensions of credit more difficult for us. Refer to Quantitative and Qualitative Disclosures About Market Risk for further discussion.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk (IRR) and credit risk constitute the two greatest sources of financial exposure for insured financial institutions that operate like we do. IRR represents the impact that changes in absolute and relative levels of market interest rates may have upon our net interest income (NII). Changes in the NII are the result of changes in the net interest spread between interest-earning assets and interest-bearing liabilities (timing risk), the relationship between various rates (basis risk), and changes in the shape of the yield curve.

We realize income principally from the differential or spread between the interest earned on loans, investments, other interest-earning assets and the interest incurred on deposits and borrowings. The volumes and yields on loans, deposits and borrowings are affected by market interest rates. As of December 31, 2023, 56.58% of our loan portfolio was tied to adjustable-rate indices. The majority of our adjustable rate loans are tied to prime and reprice within 90 days. Several of our loans, tied to prime, are at their floors and will not reprice until prime plus the factor is greater than the floor. The majority of our time deposits have a fixed rate of interest. As of December 31, 2023, 78.99% of our time deposits mature within one year or less.

Changes in the market level of interest rates directly and immediately affect our interest spread, and therefore profitability. Sharp and significant changes to market rates can cause the interest spread to shrink or expand significantly in the near term, principally because of the timing differences between the adjustable rate loans and the maturities (and therefore repricing) of the deposits and borrowings.

Our management and Board of Directors' Asset/Liability Committee (ALCO) are responsible for managing our assets and liabilities in a manner that balances profitability, IRR and various other risks including liquidity. The ALCO operates under policies and within risk limits prescribed, reviewed, and approved by the Board of Directors.

The ALCO seeks to stabilize our NII by matching rate-sensitive assets and liabilities through maintaining the maturity and repricing of these assets and liabilities at appropriate levels given the interest rate environment. When the amount of rate-sensitive liabilities exceeds rate-sensitive assets within specified time periods, NII generally will be negatively impacted by an increasing interest rate environment and positively impacted by a decreasing interest rate environment. Conversely, when the amount of rate-sensitive assets exceeds the amount of rate-sensitive liabilities within specified time periods, net interest income will generally be positively impacted by an increasing interest rate environment and negatively impacted by a decreasing interest rate environment. Our mix of assets consists primarily of loans and securities, none of which are held for trading

purposes. The value of these securities is subject to interest rate risk, which we must monitor and manage successfully in order to prevent declines in value of these assets if interest rates rise in the future. The speed and velocity of the repricing of assets and liabilities will also contribute to the effects on our NII, as will the presence or absence of periodic and lifetime interest rate caps and floors.

Simulation of earnings is the primary tool used to measure the sensitivity of earnings to interest rate changes. Earnings simulations are produced using a software model that is based on actual cash flows and repricing characteristics for all of our financial instruments and incorporates market-based assumptions regarding the impact of changing interest rates on current volumes of applicable financial instruments.

Interest rate simulations provide us with an estimate of both the dollar amount and percentage change in NII under various rate scenarios. All assets and liabilities are normally subjected to up to 400 basis point increases and decreases in interest rates in 100 basis point increments. Under each interest rate scenario, we project our net interest income. From these results, we can then develop alternatives in dealing with the tolerance thresholds.

The assets and liabilities of a financial institution are primarily monetary in nature. As such they represent obligations to pay or receive fixed and determinable amounts of money that are not affected by future changes in prices. Generally, the impact of inflation on a financial institution is reflected by fluctuations in interest rates, the ability of customers to repay their obligations and upward pressure on operating expenses. Although inflationary pressures are not considered to be of any particular hindrance in the current economic environment, they may have an impact on the company's future earnings in the event those pressures become more prevalent.

As a financial institution, the Company's primary component of market risk is interest rate volatility. Fluctuations in interest rates will ultimately impact both the level of interest income and interest expense recorded on a large portion of the Company's assets and liabilities, and the market value of all interest earning assets and interest bearing liabilities, other than those which possess a short term to maturity. Virtually all of the Company's interest earning assets and interest bearing liabilities are located at the Bank level. Thus, virtually all of the Company's interest rate risk exposure lies at the Bank level other than $69.7 million in senior debt and subordinated notes issued by the Company. As a result, all significant interest rate risk procedures are performed at the Bank level.

The fundamental objective of the Company's management of its assets and liabilities is to maximize the Company's economic value while maintaining adequate liquidity and an exposure to interest rate risk deemed by management to be acceptable. Management believes an acceptable degree of exposure to interest rate risk results from the management of assets and liabilities through maturities, pricing and mix to attempt to neutralize the potential impact of changes in market interest rates. The Company's profitability is dependent to a large extent upon its net interest income, which is the difference between its interest income on interest earning assets, such as loans and investments, and its interest expense on interest bearing liabilities, such as deposits and borrowings. The Company is subject to interest rate risk to the degree that its interest earning assets re-price differently than its interest bearing liabilities. The Company manages its mix of assets and liabilities with the goals of limiting its exposure to interest rate risk, ensuring adequate liquidity, and coordinating its sources and uses of funds.

The Company seeks to control interest rate risk exposure in a manner that will allow for adequate levels of earnings and capital over a range of possible interest rate environments. The Company has adopted formal policies and practices to monitor and manage interest rate risk exposure. Management believes historically it has effectively managed the effect of changes in interest rates on its operating results and believes that it can continue to manage the short-term effects of interest rate changes under various interest rate scenarios.

Management employs asset and liability management software and engages consultants to measure the Company's exposure to future changes in interest rates. The software measures the expected cash flows and re-pricing of each financial asset/liability separately in measuring the Company's interest rate sensitivity. Based on the results of the software's output, management believes the Company's balance sheet is evenly matched over the short term and slightly asset sensitive over the longer term as of December 31, 2023. This means that the Company would expect (all other things being equal) to experience a limited change in its net interest income if rates rise or fall. The level of potential or expected change indicated by the tables below is considered acceptable by management and is compliant with the Company's ALCO policies. Management will continue to perform this analysis each quarter.

The hypothetical impacts of sudden interest rate movements applied to the Company's asset and liability balances are modeled quarterly. The results of these models indicate how much of the Company's net interest income is "at risk" from various rate changes over a one year horizon. This exercise is valuable in identifying risk exposures. Management believes the results for the Company's December 31, 2023 balances indicate that the net interest income at risk over a one year time horizon for a 100

basis points ("bps"), 200 bps, and 300 bps rate increase and a 100 bps, 200 bps, and 300 bps rate decrease is acceptable to management and within policy guidelines at this time.

The results in the table below indicate the change in net interest income the Company would expect to see as of December 31, 2023, if interest rates were to instantaneously change in the amounts set forth:

Sensitivity Analysis of Impact of Rate Changes on Interest Income

Hypothetical Change in Rates (Dollars in thousands)	Projected Net Interest Income	$ Change from Rates at December 31, 2023	% Change from Rates at December 31, 2023
Up 300 bps (shock)	$ 81,537	$ (6,347)	(7.22)%
Up 200 bps (shock)	83,513	(4,371)	(4.97)%
Up 100 bps (shock)	85,812	(2,072)	(2.36)%
Unchanged	87,884	—	—
Down 100 bps (shock)	87,625	(259)	(0.29)%
Down 200 bps (shock)	87,727	(157)	(0.18)%
Down 300 bps (shock)	87,632	(252)	(0.29)%

It is important to note that the above table is a summary of several forecasts and actual results may vary from any of the forecasted amounts and such difference may be material and adverse. The forecasts are based on estimates and assumptions made by management, and that may turn out to be different, and may change over time. Factors affecting these estimates and assumptions include, but are not limited to: 1) competitor behavior, 2) economic conditions both locally and nationally, 3) actions taken by the Federal Reserve Board, 4) customer behavior and 5) management's responses to each of the foregoing. Factors that vary significantly from the assumptions and estimates may have material and adverse effects on the Company's net interest income; therefore, the results of this analysis should not be relied upon as indicative of actual future results.

The following table shows management's estimates of how the loan portfolio is segregated between variable-daily, variable other than daily, and fixed rate loans, and estimates of re-pricing opportunities for the entire loan portfolio at December 31, 2023 and 2022:

	December 31, 2023		December 31, 2022	
Rate Type (Dollars in thousands)	Balance	Percent of Total	Balance	Percent of Total
Variable rate	$ 729,260	56.58 %	$ 770,260	61.38 %
Fixed rate	559,695	43.42 %	484,658	38.62 %
Total gross loans	$ 1,288,955	100.00 %	$ 1,254,918	100.00 %

Approximately 56.58% of our loan portfolio is tied to adjustable rate indices and 50.77% of our loan portfolio reprices within 90 days. As of December 31, 2023, we had 748 commercial and real estate loans totaling $610,198,000 with floors ranging from 0.75% to 10.75% and ceilings ranging from 4.50% to 25.00%.

The following table shows the repricing categories of the Company's loan portfolio at December 31, 2023 and 2022:

	December 31, 2023		December 31, 2022	
Repricing (Dollars in thousands)	Balance	Percent of Total	Balance	Percent of Total
< 1 Year	$ 661,552	51.32 %	$ 868,001	69.17 %
1-3 Years	45,254	3.51 %	11,560	0.92 %
3-5 Years	458,312	35.56 %	271,741	21.65 %
> 5 Years	123,837	9.61 %	103,616	8.26 %
Total gross loans	$ 1,288,955	100.00 %	$ 1,254,918	100.00 %

Assumptions are inherently uncertain, and, consequently, the model cannot precisely measure net interest income or precisely predict the impact of changes in interest rates on net interest income. Actual results will differ from simulated results due to

timing, magnitude and frequency of interest rate changes, as well as changes in market conditions and management strategies which might moderate the negative consequences of interest rate deviations.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of
Central Valley Community Bancorp

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Central Valley Community Bancorp and subsidiary (the "Company") as of December 31, 2023, the related consolidated statements of income, comprehensive income (loss), changes in shareholders' equity, and cash flows for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Notes 1, 2, and 3 to the consolidated financial statements, the Company changed its method of accounting for allowance for credit losses as of January 1, 2023, due to the adoption of Accounting Standards Updated No. 2016-13, which established Accounting Standards Codification Topic 326, *Financial Instruments – Credit Losses*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting in accordance with the standards of the PCAOB. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting in accordance with the standards of the PCAOB. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses for Loans

As described in Notes 1 and 3 to the consolidated financial statements, the Company adopted ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments, as of January 1, 2023, using

the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Upon adoption, the Company recorded a decrease to retained earnings of $3.7 million, net of taxes, for the cumulative effect. As further discussed in Note 3 to the consolidated financial statements, the Company's allowance for credit losses for loans was $14.7 million as of December 31, 2023. The allowance for credit losses is maintained to cover lifetime expected credit losses in the loan portfolio. The Company estimates its allowance for credit losses based on modeled expectations of lifetime expected credit losses utilizing national and local peer group historical losses and weighting of economic scenarios. The Company incorporates forward-looking information using macroeconomic scenarios, which include variables that are considered key drivers of credit losses within the portfolio. These scenarios consist of a base forecast representing the most likely outcome, combined with downside or upside scenarios reflecting possible worsening or improving economic conditions.

We identified the elections and key assumptions involved in the adoption of Topic 326, and the selection and weighting of economic scenarios used by the Company's management in the estimate of the allowance for credit losses for loans as a critical audit matter. The principal consideration for our determination of the allowance for credit losses for loans as a critical audit matter is the subjectivity required by management in the elections of national or local peer group historical losses and selection and weighting of the forecasted economic scenarios. Auditing management's judgments regarding modeled expectations applied to the allowance for credit losses for loans involved significant audit effort, as well as especially challenging and subjective auditor judgment when performing audit procedures and evaluating the results of those procedures.

The primary procedures we performed to address this critical audit matter included:

- Testing the process used by management and evaluating the appropriateness of the methodology used to estimate the allowance for credit losses.
- Evaluating the appropriateness of the Company's elections and key assumptions involved in the adoption of Topic 326.
- Evaluating the reasonableness of significant assumptions used by management, including the modeled economic scenarios selected and weighting applied.
- Evaluating the relevance and reliability of the data used by management in the economic scenarios, such as the use of national or local peer group historical losses by loan portfolio segment.
- Testing the completeness and accuracy of key model inputs including loan data.

/s/ Moss Adams LLP

We have served as the Company's auditor since 2023.

Sacramento, California
March 15, 2024

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and the Board of Directors of
Central Valley Community Bancorp and Subsidiary
Fresno, California

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Central Valley Community Bancorp and Subsidiary (the "Company") as of December 31, 2022, the related consolidated statements of income, comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Crowe LLP

We served as the Company's auditor from 2011 to 2023.

Sacramento, California
March 15, 2024

CENTRAL VALLEY COMMUNITY BANCORP AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

December 31, 2023 and 2022

(In thousands, except share amounts)	2023	2022
ASSETS		
Cash and due from banks	$ 30,017	$ 25,485
Interest-earning deposits in other banks	23,711	5,685
Total cash and cash equivalents	53,728	31,170
Available-for-sale debt securities, at fair value, net of allowance for credit losses of $0, with an amortized cost of $669,646 at December 31, 2023 and $740,468 at December 31, 2022	597,196	648,825
Held-to-maturity debt securities, at amortized cost less allowance for credit losses of $1,051 at December 31, 2023 and $0 at December 31, 2022	302,442	305,107
Equity securities, at fair value	6,649	6,558
Loans, less allowance for credit losses of $14,653 at December 31, 2023 and $10,848 at December 31, 2022	1,276,144	1,245,456
Bank premises and equipment, net	14,042	7,987
Bank owned life insurance	41,572	40,537
Federal Home Loan Bank stock	7,136	6,169
Goodwill	53,777	53,777
Accrued interest receivable and other assets	80,740	76,933
Total assets	$ 2,433,426	$ 2,422,519
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 951,541	$ 1,056,567
Interest bearing	1,090,071	1,043,082
Total deposits	2,041,612	2,099,649
Short-term borrowings	80,000	46,000
Senior debt and subordinated debentures, net	69,744	69,599
Accrued interest payable and other liabilities	35,006	32,611
Total liabilities	2,226,362	2,247,859
Commitments and contingencies (Note 11)		
Shareholders' equity**:**		
Preferred stock, no par value; 10,000,000 shares authorized, none issued and outstanding	—	—
Common stock, no par value; 80,000,000 shares authorized; issued and outstanding: 11,818,039 at December 31, 2023 and 11,735,291 at December 31, 2022	62,550	61,487
Retained earnings	210,548	194,400
Accumulated other comprehensive loss, net of tax	(66,034)	(81,227)
Total shareholders' equity	207,064	174,660
Total liabilities and shareholders' equity	$ 2,433,426	$ 2,422,519

The accompanying notes are an integral part of these consolidated financial statements.

CENTRAL VALLEY COMMUNITY BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2023, 2022, and 2021

(In thousands, except per share amounts)	2023	2022	2021
Interest income:			
Interest and fees on loans	$ 69,803	$ 55,907	$ 54,077
Interest on deposits in other banks	3,576	391	129
Interest and dividends on investment securities:			
Taxable	23,437	20,011	14,044
Exempt from Federal income taxes	5,602	6,679	5,606
Total interest income	102,418	82,988	73,856
Interest expense:			
Interest on deposits	15,527	1,197	1,036
Interest on short-term borrowings	810	254	—
Interest on senior debt and subordinated debentures	3,652	1,971	266
Total interest expense	19,989	3,422	1,302
Net interest income before provision (credit) for credit losses	82,429	79,566	72,554
Provision (credit) for credit losses	309	995	(4,435)
Net interest income after provision (credit) for credit losses	82,120	78,571	76,989
Non-interest income:			
Interchange fees	1,780	1,847	1,784
Service charges	1,503	2,014	1,901
Appreciation in cash surrender value of bank owned life insurance	1,035	985	840
Loan placement fees	584	899	1,974
Federal Home Loan Bank dividends	498	367	321
Net realized gain on sale of assets	402	15	8
Net realized (losses) gains on sales and calls of investment securities	(907)	(1,730)	501
Other income	2,125	657	1,676
Total non-interest income	7,020	5,054	9,005
Non-interest expenses:			
Salaries and employee benefits	31,367	28,917	28,720
Occupancy and equipment	5,726	5,131	4,882
Information technology	3,616	3,344	2,868
Professional services	3,425	1,519	1,665
Data processing expense	2,621	2,245	2,394
Regulatory assessments	1,312	851	831
ATM/Debit card expenses	757	809	818
Directors' expenses	614	282	422
Advertising	542	557	527
Loan related expenses	478	479	516
Personnel other	404	323	374
Amortization of core deposit intangibles	68	454	661
Other expense	4,370	3,573	3,299
Total non-interest expenses	55,300	48,484	47,977
Income before provision for income taxes	33,840	35,141	38,017
Provision for income taxes	8,304	8,496	9,616
Net income	$ 25,536	$ 26,645	$ 28,401
Basic earnings per common share	$ 2.17	$ 2.27	$ 2.32
Diluted earnings per common share	$ 2.17	$ 2.27	$ 2.31
Cash dividends per common share	$ 0.48	$ 0.48	$ 0.47

The accompanying notes are an integral part of these consolidated financial statements.

CENTRAL VALLEY COMMUNITY BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the Years Ended December 31, 2023, 2022, and 2021

(In thousands)	2023	2022	2021
Net income	$ 25,536	$ 26,645	$ 28,401
Other Comprehensive Income (Loss):			
Unrealized gains (losses) on securities:			
Unrealized holdings gains (losses) arising during the period	18,286	(129,527)	(9,755)
Less: reclassification for net losses (gains) included in net income	907	1,730	(501)
Amortization of net unrealized losses transferred	2,376	1,651	—
Other comprehensive income (loss), before tax	21,569	(126,146)	(10,256)
Tax (expense) benefit related to items of other comprehensive income (loss)	(6,376)	37,287	3,032
Total other comprehensive income (loss)	15,193	(88,859)	(7,224)
Comprehensive income (loss)	$ 40,729	$ (62,214)	$ 21,177

The accompanying notes are an integral part of these consolidated financial statements.

CENTRAL VALLEY COMMUNITY BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2023, 2022, and 2021

(In thousands, except share amounts)	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss) (Net of Taxes)	Total Shareholders' Equity
Balance, January 1, 2021	12,509,848	$ 79,416	$ 150,749	$ 14,856	$ 245,021
Net income	—	—	28,401	—	28,401
Other comprehensive loss, net of tax	—	—	—	(7,224)	(7,224)
Restricted stock granted, net of forfeitures	20,720	—	—	—	—
Stock issued under employee stock purchase plan	12,521	204	—	—	204
Stock awarded to employees	10,529	—	—	—	—
Stock-based compensation expense	—	562	—	—	562
Cash dividend ($0.47 per common share)	—	—	(5,757)	—	(5,757)
Stock options exercised	24,265	257	—	—	257
Repurchase and retirement of common stock	(661,232)	(13,619)	—	—	(13,619)
Balance, December 31, 2021	11,916,651	66,820	173,393	7,632	247,845
Net income	—	—	26,645	—	26,645
Other comprehensive loss, net of tax	—	—	—	(88,859)	(88,859)
Restricted stock granted, net of forfeitures	42,399	—	—	—	—
Stock issued under employee stock purchase plan	13,351	216	—	—	216
Stock awarded to employees	13,446	—	—	—	—
Stock-based compensation expense	—	776	—	—	776
Cash dividend ($0.48 per common share)	—	—	(5,638)	—	(5,638)
Stock options exercised	50,205	489	—	—	489
Repurchase and retirement of common stock	(300,761)	(6,814)	—	—	(6,814)
Balance, December 31, 2022	11,735,291	61,487	194,400	(81,227)	174,660
Implementation of ASU 2016-13, Current Expected Credit Loss (CECL) Day 1 Adjustment	—	—	(3,731)	—	(3,731)
Adjusted Balance, January 1, 2023	11,735,291	61,487	190,669	(81,227)	170,929
Net income	—	—	25,536	—	25,536
Other comprehensive income, net of tax	—	—	—	15,193	15,193
Restricted stock granted, net of forfeitures	58,467	—	—	—	—
Stock issued under employee stock purchase plan	13,973	206	—	—	206
Stock awarded to employees	10,347	—	—	—	—
Stock-based compensation expense	—	858	—	—	858
Cash dividend ($0.48 per common share)	—	—	(5,657)	—	(5,657)
Repurchase and retirement of common stock	(39)	(1)	—	—	(1)
Balance, December 31, 2023	11,818,039	$ 62,550	$ 210,548	$ (66,034)	$ 207,064

The accompanying notes are an integral part of these consolidated financial statements.

CENTRAL VALLEY COMMUNITY BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023, 2022, and 2021

(In thousands)	2023	2022	2021
Cash flows from operating activities:			
Net income	$ 25,536	$ 26,645	$ 28,401
Adjustments to reconcile net income to net cash provided by operating activities:			
Net decrease (increase) in deferred loan costs	786	(422)	3,483
Depreciation	891	755	897
Accretion	(1,890)	(1,520)	(1,404)
Amortization	9,005	9,662	8,102
Stock-based compensation	858	776	562
Provision (reversal) for credit losses	309	995	(4,435)
Net realized losses (gains) on sales and calls of available-for-sale investment securities	907	1,730	(501)
Net gain on sale and disposal of equipment	(402)	(15)	(8)
Net change in equity investments	(91)	858	218
Appreciation in cash surrender value of bank owned life insurance	(1,035)	(985)	(840)
Net increase in accrued interest receivable and other assets	(8,798)	(7,361)	(2,209)
Net increase (decrease) in accrued interest payable and other liabilities	1,666	(7,148)	9,124
(Benefit) provision for deferred income taxes	110	224	1,465
Net cash provided by operating activities	27,852	24,194	42,855
Cash Flows From Investing Activities:			
Purchases of available-for-sale investment securities	—	(301,699)	(495,879)
Proceeds from sales or calls of available-for-sale investment securities	26,361	252,331	26,222
Proceeds from sales or calls of held-to-maturity investment securities	35	—	—
Proceeds from maturity and principal repayment of available-for-sale investment securities	38,229	67,795	54,822
Proceeds from principal repayments of held-to-maturity investment securities	2,377	1,421	—
Net (increase) decrease in loans	(35,297)	(216,523)	60,738
Purchases of premises and equipment	(9,806)	(362)	(1,049)
Purchases of bank owned life insurance	—	—	(10,000)
FHLB stock purchased	(967)	(574)	—
Proceeds from sale of premises and equipment	3,262	15	9
Net cash provided by (used in) investing activities	24,194	(197,596)	(365,137)
Cash Flows From Financing Activities:			
Net (decrease) increase in demand, interest-bearing and savings deposits	(152,178)	(1,041)	399,903
Net increase (decrease) in time deposits	94,142	(22,107)	184
Proceeds from issuance of subordinated debt	—	—	34,299
Proceeds from short-term borrowings from Federal Home Loan Bank	3,411,500	2,452,826	—
Repayments of short-term borrowings to Federal Home Loan Bank	(3,422,500)	(2,406,826)	—
Proceeds of issuance of senior debt	—	30,000	—
Proceeds of borrowings from other financial institutions	116,500	—	—
Repayments of borrowings from other financial institutions	(71,500)	—	—
Purchase and retirement of common stock	(1)	(6,814)	(13,619)
Proceeds from stock issued under employee stock purchase plan	206	216	204
Proceeds from exercise of stock options	—	489	257
Cash dividend payments on common stock	(5,657)	(5,638)	(5,757)
Net cash (used in) provided by financing activities	(29,488)	41,105	415,471
Increase (decrease) in cash and cash equivalents	22,558	(132,297)	93,189
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	31,170	163,467	70,278
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 53,728	$ 31,170	$ 163,467

CENTRAL VALLEY COMMUNITY BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023, 2022, and 2021

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:						
Cash paid during the year for:						
Interest	$	20,005	$	2,831	$	1,166
Income taxes	$	7,700	$	8,314	$	8,155
Operating cash flows from operating leases	$	2,484	$	2,221	$	2,259
Non-cash investing and financing activities:						
Unrealized gain (loss) on securities available for sale	$	19,193	$	(127,797)	$	(10,256)
Transfer of securities from available-for-sale to held-to-maturity	$	—	$	332,007	$	—
Transfer of unrealized losses on securities from available-for-sale to held-to-maturity	$	—	$	(25,328)	$	—

The accompanying notes are an integral part of these consolidated financial statements.

Central Valley Community Bancorp and Subsidiary
Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General - Central Valley Community Bancorp (the "Company") was incorporated on February 7, 2000 and subsequently obtained approval from the Board of Governors of the Federal Reserve System to be a bank holding company in connection with its acquisition of Central Valley Community Bank (the "Bank"). The Company became the sole shareholder of the Bank on November 15, 2000 in a statutory merger, pursuant to which each outstanding share of the Bank's common stock was exchanged for one share of common stock of the Company.

Service 1st Capital Trust I (the Trust) is a business trust formed by Service 1st for the sole purpose of issuing trust preferred securities. The Company succeeded to all the rights and obligations of Service 1st in connection with the acquisition of Service 1st. The Trust is a wholly-owned subsidiary of the Company.

The Bank operates 19 full service offices throughout California's San Joaquin Valley and Greater Sacramento Region. The Bank's primary source of revenue is providing loans to customers who are predominately small and middle-market businesses and individuals.

The deposits of the Bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable legal limits. Depositors' accounts at an insured depository institution, including all non-interest bearing transactions accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of $250,000 for each deposit insurance ownership category.

The accounting and reporting policies of the Company and the Bank conform with accounting principles generally accepted in the United States of America and prevailing practices within the banking industry.

Management has determined that because all of the banking products and services offered by the Company are available in each branch of the Bank, all branches are located within the same economic environment and management does not allocate resources based on the performance of different lending or transaction activities, it is appropriate to aggregate the Bank branches and report them as a single operating segment. No customer accounts for more than 10 percent of revenues for the Company or the Bank.

Principles of Consolidation - The consolidated financial statements include the accounts of the Company and the consolidated accounts of its wholly-owned subsidiary, the Bank. Intercompany transactions and balances are eliminated in consolidation.

For financial reporting purposes, Service 1st Capital Trust I, is a wholly-owned subsidiary acquired in the merger of Service 1st Bancorp and formed for the exclusive purpose of issuing trust preferred securities. The Company is not considered the primary beneficiary of this trust (variable interest entity), therefore the trust is not consolidated in the Company's financial statements, but rather the subordinated debentures are shown as a liability on the Company's consolidated financial statements. The Company's investment in the common stock of the Trust is included in accrued interest receivable and other assets on the consolidated balance sheet.

Use of Estimates - The preparation of these financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses. On an ongoing basis, management evaluates the estimates used. Estimates are based upon historical experience, current economic conditions and other factors that management considers reasonable under the circumstances.

These estimates result in judgments regarding the carrying values of assets and liabilities when these values are not readily available from other sources, as well as assessing and identifying the accounting treatments of contingencies and commitments. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates under different assumptions.

Cash and Cash Equivalents - For the purpose of the statement of cash flows, cash, due from banks with original maturities less than 90 days, interest-earning deposits in other banks, and Federal funds sold are considered to be cash equivalents. Generally, Federal funds are sold and purchased for one-day periods. Net cash flows are reported for customer loan and deposit transactions, interest-bearing deposits in other banks, and Federal funds purchased.

Investment Securities - Investments are classified into the following categories:

- Available-for-sale securities, reported at fair value, with unrealized gains and losses excluded from earnings and reported, net of taxes, as accumulated other comprehensive income (loss) within shareholders' equity.

- Held-to-maturity securities, which management has the positive intent and ability to hold to maturity, reported at amortized cost, adjusted for the accretion of discounts and amortization of premiums.

Management determines the appropriate classification of its investments at the time of purchase and may only change the classification in certain limited circumstances. All transfers between categories are accounted for at fair value in the period which the transfer occurs.

Gains or losses on the sale of investment securities are computed on the specific identification method. Interest earned on investment securities is reported in interest income, net of applicable adjustments for accretion of discounts and amortization of premiums. Premiums and discounts on securities are amortized or accreted on the level yield method without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated.

Allowance for Credit Losses on Available-for-Sale Debt Securities - For available-for-sale ("AFS") debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more than likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For AFS debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of the cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as credit loss provision (or credit). Losses are charged against the allowance when management believes that the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Allowance for Credit Losses on Held-to-Maturity Debt Securities - Management measures expected credit losses on held-to-maturity ("HTM") debt securities on a collective basis by major security type. The estimate of expected credit losses considers historical credit loss information based on industry data that is adjusted for current conditions and reasonable and supportable forecasts. Management classifies the held-to-maturity portfolio into the following major security types: Obligations of States and Political Subdivisions, U.S. Government sponsored Entities and Agencies collateralized by Residential Mortgage Obligations, Private Label Mortgage and Asset Backed Securities, and Corporate Debt Securities.

The Company elected the practical expedient under ASC 326-20-30-5A to exclude accrued interest from the amortized cost basis when measuring potential impairment. Additionally, management notes that due to this election, accrued interest is separately reported from the securities' amortized cost basis.

Loans - All loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at principal balances outstanding net of deferred loan fees and costs, and the allowance for credit losses. Interest is accrued daily based upon outstanding loan principal balances. However, when a loan becomes impaired and the future collectability of interest and principal is in serious doubt, the loan is placed on nonaccrual status and the accrual of interest income is suspended. Any loan delinquent 90 days or more is automatically placed on nonaccrual status. Any interest accrued but unpaid is charged against income. Subsequent payments on these loans, or payments received on nonaccrual loans for which the ultimate collectability of principal is not in doubt, are applied first to principal until fully collected and then to interest.

Interest income on loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Consumer and credit card loans are typically charged off no later than 90 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. A loan placed on non-accrual status may be restored to accrual status when principal

and interest are no longer past due and unpaid, or the loan otherwise becomes both well secured and in the process of collection. When a loan is brought current, the Company must also have reasonable assurance that the obligor has the ability to meet all contractual obligations in the future, that the loan will be repaid within a reasonable period of time, and that a minimum of six months of satisfactory repayment performance has occurred.

Substantially all loan origination fees, commitment fees, direct loan origination costs and purchase premiums and discounts on loans are deferred and recognized as an adjustment of yield, and amortized to interest income over the contractual term of the loan. The unamortized balance of deferred fees and costs is reported as a component of net loans.

Acquired Loans and Leases - Loans and leases acquired through purchase or through a business combination are recorded at their fair value at the acquisition date. At the time of an acquisition, we evaluate loans to determine if they are purchase credit deteriorated ("PCD") loans. PCD loans are those acquired loans with evidence of more than insignificant credit deterioration since loan origination. This determination is made by considering past due and/or nonaccrual status, prior designation of a troubled debt restructuring, or other factors that may suggest we will not be able to collect all contractual payments. PCD loans are initially recorded at fair value with a gross up for the allowance for credit losses, which becomes the initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit premium or discount which is amortized or accreted over the life of the loan. Subsequent changes to the allowance for credit losses are recorded through provision or credit to the allowance for credit losses.

While credit discounts are included in the determination of fair value for non-credit deteriorated loans, an allowance for loan loss is established at acquisition using the same methodology as originated loans since these discounts are accreted or amortized over the life of the loan. Subsequent deterioration or improvements in expected credit losses are recorded through a provision or credit to the allowance for credit losses on loans.

Allowance for Credit Losses on Loans - The allowance for credit losses ("ACL") on loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. The allowance is established through a provision for credit losses which is charged to expense. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Cash received on previously charged off amounts is recorded as a recovery to the allowance.

The Company elected the practical expedient under ASC 326-20-30-5A to exclude accrued interest from the amortized cost basis when measuring potential impairment. Additionally, management notes that due to this election, accrued interest is separately reported from the loans' amortized cost basis.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Historical credit loss experience from national and local peer data provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for the differences in the current loan-specific risk characteristics, such as differences in loan-to-values, portfolio mix, or term as well as for changes in environmental conditions, such as changes in unemployment rates, market interest rates, property values, or other relevant factors. Management may assign qualitative factors to each loan segment if there are material risks or improvements present but not yet captured in the model environment.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company segregates the allowance by portfolio segment. These portfolio segments include commercial, commercial real estate, 1-4 family real estate and consumer loans. The relative significance of risk considerations vary by portfolio segment. Real estate construction loans, as summarized by class within the loan footnote, are disaggregated into either the commercial real estate or 1-4 family real estate allowance segments based on the type of construction loan due to the varying risks between commercial and consumer construction.

Commercial:

Commercial and industrial - Commercial and industrial loans are generally underwritten to existing cash flows of operating businesses. Additionally, economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Past due payments may indicate the borrower's capacity to repay their obligations may be deteriorating.

Agricultural production - Loans secured by crop production and livestock are especially vulnerable to two risk factors that are largely outside the control of Company and borrowers: commodity prices and weather conditions.

Commercial Real Estate:

Commercial real estate construction and other land loans - Commercial land and construction loans generally possess a higher inherent risk of loss than other real estate portfolio segments. A major risk arises from the necessity to complete projects within specified costs and time lines. Trends in the construction industry significantly impact the credit quality of these loans, as demand drives construction activity. In addition, trends in real estate values significantly impact the credit quality of these loans, as property values determine the economic viability of construction projects.

Commercial real estate - owner-occupied - Real estate collateral secured by commercial or professional properties with repayment arising from the owner's business cash flows. To meet this classification, the owner's operation must occupy no less than 50% of the real estate held. Financial profitability and capacity to meet the cyclical nature of the industry and related real estate market over a significant timeframe is essential.

Commercial real estate - non-owner occupied - Investor commercial real estate loans generally possess a higher inherent risk of loss than other real estate portfolio segments, except land and construction loans. Adverse economic developments or an overbuilt market impact commercial real estate projects and may result in troubled loans. Trends in vacancy rates of commercial properties impact the credit quality of these loans. High vacancy rates reduce operating revenues and the ability for properties to produce sufficient cash flows to service debt obligations.

Farmland - Agricultural loans secured by real estate generally possess a higher inherent risk of loss caused by changes in concentration of permanent plantings, government subsidies, and the value of the U.S. dollar affecting the export of commodities.

Multi-family - These properties are generally comprised of more than four rentable units, such as apartment buildings, with each unit intended to be occupied as the primary residence for one or more persons. Multi-family properties are also subject to changes in general or regional economic conditions, such as unemployment, ultimately resulting in increased vacancy rates or reduced rents or both. In addition, new construction can create an oversupply condition and market competition resulting in increased vacancy, reduced market rents, or both. Due to the nature of their use and the greater likelihood of tenant turnover, the management of these properties is more intensive and therefore is more critical to the preclusion of loss.

1-4 Family Real Estate: Including 1-4 family close-ended, revolving real estate loans, and residential construction loans, the degree of risk in residential real estate lending depends primarily on the loan amount in relation to collateral value, the interest rate and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than other real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends may indicate that the borrowers' capacity to repay their obligations may be deteriorating

Consumer: A consumer installment loan portfolio is usually comprised of a large number of small loans scheduled to be amortized over a specific period. Most installment loans are made directly for consumer purchases. Other consumer loans include other open ended unsecured consumer loans. Open ended unsecured loans generally have a higher rate of default than all other portfolio segments and are also impacted by weak economic conditions and trends.

When loans do not share similar risk characteristics, the Company evaluates the loan for expected credit losses on an individual basis. Loans evaluated individually are not included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Allowance for Credit Losses on Unfunded Commitments - The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on unfunded commitments is adjusted through provision for credit losses. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Bank Premises and Equipment - Land is carried at cost. Bank premises and equipment are carried at cost less accumulated depreciation. Depreciation is determined using the straight-line method over the estimated useful lives of the related assets. The useful lives of Bank premises are estimated to be between 20 and 40 years. The useful lives of improvements to Bank premises, furniture, fixtures and equipment are estimated to be three to ten years. Leasehold improvements are amortized over the life of the asset or the term of the related lease, whichever is shorter. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred.

The Bank evaluates premises and equipment for financial impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable.

Federal Home Loan Bank (FHLB) Stock - The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Investments in Low Income Housing Tax Credit Funds - The Bank has invested in limited partnerships that were formed to develop and operate affordable housing projects for low or moderate income tenants throughout California. In accordance with ASU No. 2014-01, *Investments - Equity Method and Joint Ventures* (Topic 323), we elected to account for the investments in qualified affordable housing tax credit funds using the proportional amortization method. Under the proportional amortization method, the initial cost of the investment is amortized in proportion to the tax credits and other tax benefits received and the net investment performance is recognized as part of income tax expense (benefit). Each of the partnerships must meet the regulatory minimum requirements for affordable housing for a minimum 15-year compliance period to fully utilize the tax credits. If the partnerships cease to qualify during the compliance period, the credit may be denied for any period in which the project is not in compliance and a portion of the credit previously taken is subject to recapture with interest. The Company's investment in Low Income Housing Tax Credit ("LIHTC") partnerships is reported in other assets on the consolidated balance sheet.

Other Real Estate Owned - Other real estate owned (OREO) is comprised of property acquired through foreclosure proceedings or acceptance of deeds-in-lieu of foreclosure. Losses recognized at the time of acquiring property in full or partial satisfaction of debt are charged against the allowance for credit losses. OREO, when acquired, is initially recorded at fair value less estimated disposition costs, establishing a new cost basis. Fair value of OREO is generally based on an independent appraisal of the property. Subsequent to initial measurement, OREO is carried at the lower of the recorded investment or fair value less disposition costs. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through noninterest expense. Revenues and expenses associated with OREO are reported as a component of noninterest expense when incurred. There was no for other real estate owned at December 31, 2023 and at December 31, 2022.

Foreclosed Assets - Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through operations. Operating costs after acquisition are expensed. Gains and losses on disposition are included in noninterest expense. There was no for foreclosed assets at December 31, 2023 and at December 31, 2022.

Bank Owned Life Insurance - The Company has purchased life insurance policies on certain key executives. Company owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Business Combinations - The Company accounts for acquisitions of businesses using the acquisition method of accounting. Under the acquisition method, assets and liabilities assumed are recorded at their estimated fair values at the date of acquisition. Management utilizes various valuation techniques included discounted cash flow analyses to determine these fair values. Any excess of the purchase price over amounts allocated to the acquired assets, including identifiable intangible assets, and liabilities assumed is recorded as goodwill.

Goodwill - Business combinations involving the Bank's acquisition of the equity interests or net assets of another enterprise give rise to goodwill. Goodwill represents the excess of the purchase price of acquired businesses over the net fair value of assets, including identified intangible assets, acquired and liabilities assumed in the transactions accounted for under the acquisition method of accounting. The value of goodwill is ultimately derived from the Bank's ability to generate net earnings after the acquisitions. A decline in net earnings could be indicative of a decline in the fair value of goodwill and result in impairment. For that reason, goodwill is assessed at least annually for impairment.

The Company has selected September 30 as the date to perform the annual impairment test. Management assessed qualitative factors including performance trends and noted no factors indicating goodwill impairment. Goodwill is also tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the Company below its carrying amount. No such events or circumstances arose during the fourth quarter of 2023, so goodwill was not required to be retested. Goodwill is the only intangible asset with an indefinite life on the balance sheet.

Intangible Assets - The intangible assets at December 31, 2023 represent the estimated fair value of the core deposit relationships acquired in business combinations. Core deposit intangibles are being amortized using the straight-line method

over an estimated life of five to ten years from the date of acquisition. Management evaluates the remaining useful lives quarterly to determine whether events or circumstances warrant a revision to the remaining periods of amortization. Based on the evaluation, no changes to the remaining useful lives was required. During 2023 the amortization of the core deposit intangible, from previously completed acquisitions, was completed. Therefore, Management did not need to perform an annual impairment test on core deposit intangibles as of September 30, 2023, as no impairment was possible. Core deposit intangibles could also be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount.

Loan Commitments and Related Financial Instruments - Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount of these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Income Taxes - The Company files its income taxes on a consolidated basis with the Bank. The allocation of income tax expense represents each entity's proportionate share of the consolidated provision for income taxes.

Income tax expense represents the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are recognized for the tax consequences of temporary differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. On the balance sheet, net deferred tax assets are included in accrued interest receivable and other assets.

The realization of deferred income tax assets is assessed and a valuation allowance is recorded if it is "more likely than not" that all or a portion of the deferred tax assets will not be realized. "More likely than not" is defined as greater than a 50% chance. All available evidence, both positive and negative is considered to determine whether, based on the weight of that evidence, a valuation allowance is needed.

Accounting for Uncertainty in Income Taxes - The Company uses a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. A tax position is recognized as a benefit only if it is more likely than not that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax benefit is recorded.

Interest expense and penalties associated with unrecognized tax benefits, if any, are classified as income tax expense in the consolidated statement of income.

Retirement Plans - Employee 401(k) plan expense is the amount of employer matching contributions. Profit sharing plan expense is the amount of employer contributions. Contributions to the profit sharing plan are determined at the discretion of the Board of Directors. Deferred compensation and supplemental retirement plan expense is allocated over years of service.

Earnings Per Common Share - Basic earnings per common share (EPS), which excludes dilution, is computed by dividing income available to common shareholders (net income after deducting dividends, if any, on preferred stock and accretion of discount) by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as stock options or warrants, result in the issuance of common stock which shares in the earnings of the Company. All data with respect to computing earnings per share is retroactively adjusted to reflect stock dividends and splits and the treasury stock method is applied to determine the dilutive effect of stock options in computing diluted EPS.

The shares awarded to employees and directors under the restricted stock agreements vest on applicable vesting dates only to the extent the recipient of the shares is then an employee or a director of the Company or one of its subsidiaries, and each recipient will forfeit all of the shares that have not vested on the date his or her employment or service is terminated. Common stock awards for performance vest immediately. Holders of restricted stock awards receive non-forfeitable dividends at the same rate as common stockholders and they both share equally in undistributed earnings. Therefore, under the two-class method the difference in EPS is not significant for these participating securities.

Comprehensive Income - Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale which are also recognized as separate components of equity.

Loss Contingencies - Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are such matters that will have a material effect on the financial statements.

Restrictions on Cash - Cash on hand or on deposit with the Federal Reserve Bank was required to meet regulatory reserve and clearing requirements.

Share-Based Compensation - Compensation cost is recognized for stock options and restricted stock awards issued to employees, based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Company's common stock at the date of grant is used for restricted stock awards. Additionally, the compensation expense for the Company's employee stock ownership plan is based on the market price of the shares as they are committed to be released to participant accounts. Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

Dividend Restriction - Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the Company or by the Company to shareholders.

Fair Value of Financial Instruments - Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 16. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Reclassifications - Certain reclassifications have been made to prior year financial statements to conform to the classifications used in 2023. None of the reclassifications had an impact on equity or net income.

Impact of New Financial Accounting Standards Adopted in 2023

On January 1, 2023, the Company adopted ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments). In addition, credit losses recognized on available-for-sale debt securities will be presented as an allowance as opposed to a write-down, based on management's intent to sell the security or the likelihood the Company will be required to sell the security before recovery of the amortized cost basis.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for the reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recognized an increase in the allowance for credit losses on loans totaling $3,910,000, a reserve for credit losses for held-to-maturity securities of $776,000, and an increase to the reserve for unfunded commitments of $612,000 with a corresponding decrease, net of taxes, in retained earnings, of $3,731,000 as of January 1, 2023 for the cumulative effect of adopting ASC 326.

The Company also adopted ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures* upon the adoption of ASU 2016-13 as of January 1, 2023 on a prospective basis. The amendments in this update eliminated the accounting guidance for troubled debt restructurings ("TDRs") by creditors in Subtopic 310-40, *Receivables-Troubled Debt Restructurings by Creditors*, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity must apply the loan refinancing and restructuring guidance in paragraphs 310-20-35-9 through 35-11 to determine whether a modification results in a new loan or a continuation of an existing loan. Additionally, for public business entities, the amendments in this Update require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, *Financial Instruments-Credit Losses-Measured at Amortized Cost* in the vintage disclosures required by paragraph 326-20-50-6. The adoption modified the Company's disclosures but did not have a material impact on its financial position or results of operations.

In March 2020, the FASB issued Accounting Standards Update (ASU) 2020-04, *Reference Rate Reform (Subtopic 848)*: *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides optional expedients and exceptions for contracts, hedging relationships, and other transactions that reference LIBOR or other reference rates expected to be discontinued because of reference rate reform. As the Company has an insignificant number of instruments that are applicable to this ASU, management has determined that no impact to the valuations of these instruments are applicable for financial reporting purposes.

2. INVESTMENT SECURITIES

The following tables summarize the amortized cost and fair value of securities available-for-sale and securities held-for-maturity at December 31, 2023 and 2022 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive (loss) income and gross unrecognized gains and losses:

	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Estimated Fair Value
Available-for-Sale Securities					
Debt Securities:					
U.S. Treasury securities	$ 9,990	$ —	$ (1,036)	$ —	$ 8,954
U.S. Government agencies	102	—	(7)	—	95
Obligations of states and political subdivisions	198,070	—	(17,848)	—	180,222
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	88,874	3	(5,525)	—	83,352
Private label mortgage and asset backed securities	372,610	10	(48,047)	—	324,573
	$ 669,646	$ 13	$ (72,463)	$ —	$ 597,196

	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Allowance for Credit Losses
Held to Maturity					
Debt Securities:					
Obligations of states and political subdivisions	$ 192,070	$ 70	$ (14,188)	$ 177,952	$ 20
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	10,758	—	(1,692)	9,066	—
Private label mortgage and asset backed securities	54,579	—	(5,944)	48,635	11
Corporate debt securities	46,086	—	(4,736)	41,350	1,020
	$ 303,493	$ 70	$ (26,560)	$ 277,003	$ 1,051

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-Sale Securities				
Debt Securities:				
U.S. Treasury securities	$ 9,990	$ —	$ (1,283)	$ 8,707
U.S. Government agencies	107	—	(9)	98
Obligations of states and political subdivisions	201,638	—	(26,653)	174,985
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	117,292	4	(7,803)	109,493
Private label mortgage and asset backed securities	411,441	14	(55,913)	355,542
Corporate debt securities	—	—	—	—
	$ 740,468	$ 18	$ (91,661)	$ 648,825

	December 31, 2022			
Held-to-Maturity Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt securities:				
Obligations of states and political subdivisions	192,004	67	(23,166)	$ 168,905
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	10,430	—	(1,762)	8,668
Private label mortgage and asset backed securities	56,691	—	(5,931)	50,760
Corporate debt securities	45,982	—	(3,066)	42,916
Total held-to-maturity	$ 305,107	$ 67	$ (33,925)	$ 271,249

Proceeds and gross realized (losses)/gains on investment securities for the years ended December 31, 2023, 2022, and 2021 are shown below (in thousands):

	Years Ended December 31,		
	2023	2022	2021
Available-for-Sale Securities			
Proceeds from sales or calls	$ 26,361	$ 252,331	$ 26,222
Gross realized gains from sales or calls	$ —	$ 5,235	$ 580
Gross realized losses from sales or calls	$ (907)	$ (6,965)	$ (79)

During the second quarter of 2022, the Company re-designated certain securities previously classified as available-for-sale to the held-to-maturity classification. The securities re-designated consisted of obligations of states and political subdivision securities, U.S. Government sponsored entity and agency securities collateralized by residential mortgage obligations, private label mortgage and asset backed securities, and corporate debt securities with a total carrying value of $306.7 million at April 1, 2022. At the time of re-designation, the securities included $25.3 million of pretax unrealized losses in other comprehensive income; which is being amortized over the remaining life of the securities in a manner consistent with the amortization of a premium or discount.

As market interest rates or risks associated with an available-for-sale security's issuer continue to change and impact the actual or perceived values of investment securities, the Company may determine that selling these securities and using proceeds to purchase securities that fit with the Company's current risk profile is appropriate and beneficial to the Company.

Losses recognized in 2023, 2022, and 2021 were incurred in order to reposition the investment securities portfolio based on the current rate environment. The securities sold at a loss were acquired when the rate environment was not as volatile. The securities sold were primarily purchased to serve a purpose in the rate environment in which the securities were purchased. The Company addressed risks in the security portfolio by selling these securities and using the proceeds to fund loan growth.

The provision for income taxes includes $(268,000), $(511,000), and $148,000 income (benefit)/tax impact from the reclassification of unrealized net (losses)/gains on available-for-sale securities to realized net (losses)/gains on available-for-sale securities for the years ended December 31, 2023, 2022, and 2021, respectively.

The amortized cost and estimated fair value of available-for-sale and held-to-maturity investment securities at December 31, 2023 and 2022 by contractual maturity are shown in the two tables below (in thousands). Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

	December 31, 2023		December 31, 2022	
Available-for-Sale Securities	**Amortized Cost**	**Estimated Fair Value**	**Amortized Cost**	**Estimated Fair Value**
Within one year	$ —	$ —	$ —	$ —
After one year through five years	9,992	8,954	—	—
After five years through ten years	40,264	35,379	45,918	38,383
After ten years	157,804	144,843	165,710	145,309
	208,060	189,176	211,628	183,692
Investment securities not due at a single maturity date:				
U.S. Government agencies	102	95	107	98
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	88,874	83,352	117,292	109,493
Private label mortgage and asset backed securities	372,610	324,573	411,441	355,542
	$ 669,646	$ 597,196	$ 740,468	$ 648,825

	December 31, 2023		December 31, 2022	
Held-to-Maturity Securities	**Amortized Cost**	**Estimated Fair Value**	**Amortized Cost**	**Estimated Fair Value**
Within one year	$ —	$ —	$ —	$ —
After one year through five years	8,463	8,136	132	129
After five years through ten years	74,746	68,552	51,424	46,143
After ten years	108,861	101,264	140,448	122,633
	192,070	177,952	192,004	168,905
Investment securities not due at a single maturity date:				
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	10,758	9,066	10,430	8,668
Private label mortgage and asset backed securities	54,579	48,635	56,691	50,760
Corporate debt securities	46,086	41,350	45,982	42,916
	$ 303,493	$ 277,003	$ 305,107	$ 271,249

At December 31, 2023 there were five issuers of private label mortgage securities in which the Company had holdings of securities in amounts greater than 10% of shareholders' equity. Investments with these issuers were in senior tranches and/or were rated "AAA" or higher and there were no credit issues identified.

The following table summarizes the Company's debt securities in an unrealized loss position for which an allowance for credit losses has not been recorded, aggregated by major security type and length of time in a continuous unrealized loss position (in thousands):

	December 31, 2023					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-Sale Securities						
Debt Securities:						
U.S. Treasury securities	$ —	$ —	$ 8,954	$ (1,036)	$ 8,954	$ (1,036)
U.S. Government agencies	—	—	95	(7)	95	(7)
Obligations of states and political subdivisions	—	—	180,222	(17,848)	180,222	(17,848)
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	392	(3)	82,760	(5,522)	83,152	(5,525)
Private label residential mortgage and asset backed securities	—	—	323,655	(48,047)	323,655	(48,047)
	$ 392	$ (3)	$ 595,686	$ (72,460)	$ 596,078	$ (72,463)

	December 31, 2023					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Held-to-Maturity Securities						
Debt Securities:						
Obligations of states and political subdivisions	$ 108	$ (1)	$ 175,309	$ (14,187)	$ 175,417	$ (14,188)
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	—	—	9,066	(1,692)	9,066	(1,692)
Private label residential mortgage and asset backed securities	—	—	48,635	(5,944)	48,635	(5,944)
Corporate debt securities	—	—	41,350	(4,736)	41,350	(4,736)
	$ 108	$ (1)	$ 274,360	$ (26,559)	$ 274,468	$ (26,560)

	December 31, 2022					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-Sale Securities						
Debt Securities:						
U.S. Treasury securities	$ —	$ —	$ 8,707	$ (1,283)	$ 8,707	$ (1,283)
U.S. Government agencies	$ —	$ —	$ 98	$ (9)	$ 98	$ (9)
Obligations of states and political subdivisions	90,808	(12,208)	84,177	(14,445)	174,985	(26,653)
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	20,825	(1,058)	88,520	(6,745)	109,345	(7,803)
Private label residential mortgage backed securities	126,284	(14,529)	229,152	(41,384)	355,436	(55,913)
	$ 237,917	$ (27,795)	$ 410,654	$ (63,866)	$ 648,571	$ (91,661)

	December 31, 2022					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Held-to-Maturity Securities						
Debt Securities:						
Obligations of states and political subdivisions	$ 48,311	$ (5,505)	$ 118,026	$ (17,661)	$ 166,337	$ (23,166)
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	—	—	8,668	(1,762)	8,668	(1,762)
Private label residential mortgage and asset backed securities	19,393	(1,916)	31,367	(4,015)	50,760	(5,931)
Corporate debt securities	23,997	(1,561)	18,919	(1,505)	42,916	(3,066)
	$ 91,701	$ (8,982)	$ 176,980	$ (24,943)	$ 268,681	$ (33,925)

As of December 31, 2023, the Company had a total of 178 AFS debt securities in a gross unrealized loss position with no credit impairment, consisting of 6 U.S. Treasury securities and U.S. Government agencies, 43 obligations of states and political subdivisions, 52 U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations, and 77 private label mortgage and asset backed securities.

Allowance for Credit Losses on Available-for-Sale Debt Securities

Each reporting period, the Company assesses each AFS debt security that is in an unrealized loss position to determine whether the decline in fair value below the amortized cost basis results from a credit loss or other factors. The Company did not record an ACL on any available for sale securities at December 31, 2023 or upon adoption of ASU 2016-13 on January 1, 2023. As of both dates, the Company considers the unrealized losses across the classes of major security-type to be related to fluctuations in market conditions, primarily interest rates, and not reflective of a deterioration in credit value. As of December 31, 2023, the Company determined that it is not more likely than not that the Company would be required to sell securities.

The gross unrealized losses presented in the preceding tables were primarily attributable to interest rate increases and liquidity and were mainly comprised of the following:

- Obligations of States and Political Subdivisions: The unrealized losses on investments in obligations of states and political subdivisions are caused by increases in required yields by investors in these types of securities. It is expected that the securities would not be settled at a price less than the amortized cost of the investment.
- U.S. Treasury and Government Sponsored Entities and Agencies Collateralized by Residential Mortgage Obligations: The unrealized losses on the Company's investments in U.S. treasuries and government sponsored entities and agencies collateralized by residential mortgage obligations were caused by interest rate changes. The contractual cash flows of those investments are guaranteed or supported by an agency or sponsored entity of the U.S. Government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the Company's investment.
- Private Label Mortgage and Asset Backed Securities: The Company has invested exclusively in AA and AAA tranches of various private label mortgage and asset backed securities. Each purchase is subject to a credit and structure review prior to their purchase. Ratings are reviewed on a quarterly basis in addition to other metrics provided through third-party services. Following review of the financial metrics and ratings, management concluded that the unrealized loss position of the private label mortgage and asset backed securities related exclusively to the fluctuation in market conditions and were not reflective of any credit concerns with the tranches comprising the Company's investments.

No allowance for credit losses have been recognized on AFS debt securities in an unrealized loss position, as management does not believe that any of the securities are impaired due to credit risk factors as of December 31, 2023 and December 31, 2022.

Allowance for Credit Losses on Held-to-Maturity Debt Securities

The Company separately evaluates its HTM debt securities for any credit losses based on probability of default and loss given default utilizing historical industry data based on investment category, while also considering reasonable and supportable forecasts. The probability of default and loss given default are incorporated into the present value of expected cash flows and

compared against amortized cost. The Company recorded an ACL on January 1, 2023 for held-to-maturity debt securities within the corporate bond and private label mortgage securities of $545,000 and $231,000, respectively.

The allowance for credit losses on HTM securities was $1,051,000 at December 31, 2023.

The Company monitors credit quality of debt securities held-to-maturity through the use of credit ratings. The Company monitors the credit ratings on a quarterly basis. For non-rated investment securities, management receives quarterly performance updates to monitor for any credit concerns. There were no HTM securities on nonaccrual or past due over 89 days and still on accrual. The following table summarizes the amortized cost of debt securities held-to-maturity at the dates indicated, aggregated by credit quality indicator. U.S. Government sponsored agencies are not included in the below tables as credit ratings are not applicable.

	December 31, 2023		
Debt Securities Held-to-Maturity	**AAA/AA/A**	**BBB**	**Unrated**
Obligations of states and political subdivisions	$ 192,070	$ —	$ —
Private label mortgage and asset backed securities	46,334	—	8,245
Corporate debt securities	—	30,173	15,913
Total debt securities held-to-maturity	$ 238,404	$ 30,173	$ 24,158

Investment securities with amortized costs totaling $343,629,000 and $214,579,000 and fair values totaling $315,069,000 and $190,814,000 were pledged as collateral for borrowing arrangements, public funds and for other purposes at December 31, 2023 and 2022, respectively.

3. LOANS AND ALLOWANCE FOR CREDIT LOSSES

The majority of the disclosures in this footnote are prepared at the class level, which is equivalent to the call report or call code classification. The roll forward of the allowance for credit losses is presented at the portfolio segment level. Accrued interest receivable on loans of $4,752,000 and $4,512,000 at December 31, 2023 and December 31, 2022 respectively is not included in the loan tables below and is included in other assets on the Company's balance sheets. Outstanding loans are summarized by class as follows:

Loan Type (Dollars in thousands)	December 31, 2023	December 31, 2022
Commercial:		
Commercial and industrial	$ 105,466	$ 141,197
Agricultural production	33,556	37,007
Total commercial	139,022	178,204
Real estate:		
Construction & other land loans	33,472	109,175
Commercial real estate - owner occupied	215,146	194,663
Commercial real estate - non-owner occupied	539,522	464,809
Farmland	120,674	119,648
Multi-family residential	61,307	24,586
1-4 family - close-ended	96,558	93,510
1-4 family - revolving	27,648	30,071
Total real estate	1,094,327	1,036,462
Consumer	55,606	40,252
Total gross loans	1,288,955	1,254,918
Net deferred origination fees	1,842	1,386
Loans, net of deferred origination fees	1,290,797	1,256,304
Allowance for credit losses	(14,653)	(10,848)
Total loans, net	$ 1,276,144	$ 1,245,456

At December 31, 2023 and December 31, 2022, loans originated under Small Business Administration (SBA) programs totaling $18,246,000 and $19,947,000, respectively, were included in the real estate and commercial categories, of which, $13,955,000 or 76% and $15,333,000 or 77%, respectively, are secured by government guarantees.

Allowance for Credit Losses on Loans

The measurement of the allowance for credit losses on collectively evaluated loans is based on modeled expectations of lifetime expected credit losses utilizing national and local peer group historical losses, weighting of economic scenarios, and other relevant factors. The Company incorporates forward-looking information using macroeconomic scenarios, which include variables that are considered key drivers of credit losses within the portfolio. The Company uses a probability-weighted, multiple scenario forecast approach. These scenarios may consist of a base forecast representing the most likely outcome, combined with downside or upside scenarios reflecting possible worsening or improving economic conditions.

When a loan no longer shares similar risk characteristics with other loans, such as in the case of certain nonaccrual loans, the Company estimates the allowance for credit losses on an individual loan basis. There were no loans on nonaccrual or individually evaluated as of December 31, 2023 or December 31, 2022.

The following table shows the summary of activities for the allowance for credit losses as of and for the year ended December 31, 2023, 2022, and 2021 by portfolio segment (in thousands):

	Commercial	Commercial Real Estate	1-4 Family Real Estate	Consumer	Unallocated	Total
Allowance for credit losses:						
Beginning balance, January 1, 2023 prior to adoption of ASU 2016-13 (CECL)	$ 1,814	$ 7,803	$ 607	$ 284	$ 340	$ 10,848
Impact of adoption of ASU 2016-13	454	1,693	1,614	489	(340)	3,910
(Credit) provision for credit losses (1)	(766)	296	199	186	—	(85)
Charge-offs	(636)	—	—	(53)	—	(689)
Recoveries	609	—	15	45	—	669
Ending balance, December 31, 2023	$ 1,475	$ 9,792	$ 2,435	$ 951	$ —	$ 14,653

(1) Represents credit losses for loans only. The provision for credit losses on the Consolidated Statements of Income of $309 includes a $276 provision for held-to-maturity securities and a $118 provision for unfunded loan commitments.

	Commercial	Real Estate	Consumer	Unallocated	Total
Allowance for credit losses:					
Beginning balance, January 1, 2022	$ 2,011	$ 6,741	$ 568	$ 280	$ 9,600
(Credit) provision for credit losses (1)	(531)	1,062	409	60	1,000
Charge-offs	(27)	—	(151)	—	(178)
Recoveries	367	—	59	—	426
Ending balance, December 31, 2022	$ 1,820	$ 7,803	$ 885	$ 340	$ 10,848

(1) Represents credit losses for loans only. The provision for credit losses on the Consolidated Statements of Income of $995 includes a $(5) credit for unfunded loan commitments.

	Commercial	Real Estate	Consumer	Unallocated	Total
Allowance for credit losses:					
Beginning balance, January 1, 2021	$ 2,019	$ 9,174	$ 1,091	$ 631	$ 12,915
Credit for credit losses (1)	(663)	(2,752)	(534)	(351)	(4,300)
Charge-offs	(46)	—	(221)	—	(267)
Recoveries	701	319	232	—	1,252
Ending balance, December 31, 2021	$ 2,011	$ 6,741	$ 568	$ 280	$ 9,600

(1) Represents credit losses for loans only. The credit for credit losses on the Consolidated Statements of Income of $(4,435) includes a $(135) credit for unfunded loan commitments.

During the year ended December 31, 2023, the credit to credit losses was primarily driven by stable economic scenario forecasts in commercial real estates, partially offset by loan balances changes. Management believes that the allowance for credit losses at December 31, 2023 appropriately reflected expected credit losses in the loan portfolio at that date.

The following table shows the loan portfolio by class, net of deferred fees, allocated by management's internal risk ratings for the period indicated (in thousands):

	Term Loans Amortized Cost Basis by Origination Year As of December 31, 2023								
	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Converted to Term	Total
Commercial and industrial									
Pass/Watch	$ 19,886	$ 17,129	$ 21,050	$ 4,643	$ 1,561	$ 6,980	$ 29,391	$ 215	$ 100,855
Special mention	—	277	139	183	107	272	3,750	—	4,728
Substandard	—	—	—	156	—	66	—	—	222
Total	$ 19,886	$ 17,406	$ 21,189	$ 4,982	$ 1,668	$ 7,318	$ 33,141	$ 215	$ 105,805
Current period gross write-offs	$ 241	$ —	$ 323	$ —	$ —	$ —	$ —	$ —	$ 564
Agricultural production									
Pass/Watch	$ 153	$ 830	$ 14	$ —	$ 251	$ 112	$ 30,241	$ 999	$ 32,600
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	676	—	—	—	—	300	—	976
Total	$ 153	$ 1,506	$ 14	$ —	$ 251	$ 112	$ 30,541	$ 999	$ 33,576
Current period gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Construction & other land loans									
Pass/Watch	$ 6,953	$ 15,593	$ 1,305	$ 701	$ 1,538	$ 3,039	$ 4,167	$ —	$ 33,296
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total	$ 6,953	$ 15,593	$ 1,305	$ 701	$ 1,538	$ 3,039	$ 4,167	$ —	$ 33,296
Current period gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial real estate - owner occupied									
Pass/Watch	$ 20,648	$ 25,132	$ 20,783	$ 39,356	$ 21,831	$ 80,384	$ 3,207	$ —	$ 211,341
Special mention	—	—	—	—	—	3,026	272	—	3,298
Substandard	—	—	—	—	—	497	—	—	497
Total	$ 20,648	$ 25,132	$ 20,783	$ 39,356	$ 21,831	$ 83,907	$ 3,479	$ —	$ 215,136

Current period gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial real estate - non-owner occupied									
Pass/Watch	$ 81,153	$ 115,031	$ 77,375	$ 38,307	$ 12,181	$ 175,419	$ 19,218	$ 3,216	$ 521,900
Special mention	—	600	—	—	—	374	—	—	974
Substandard	—	—	—	—	13,625	2,344	—	—	15,969
Total	$ 81,153	$ 115,631	$ 77,375	$ 38,307	$ 25,806	$ 178,137	$ 19,218	$ 3,216	$ 538,843
Current period gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Farmland									
Pass/Watch	$ 8,382	$ 24,063	$ 10,873	$ 29,770	$ 11,155	$ 23,324	$ 8,695	$ 1,955	$ 118,217
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	2,213	—	200	—	—	2,413
Total	$ 8,382	$ 24,063	$ 10,873	$ 31,983	$ 11,155	$ 23,524	$ 8,695	$ 1,955	$ 120,630
Current period gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Multi-family residential									
Pass/Watch	$ 2,988	$ 1,847	$ 38,644	$ 2,364	$ 4,538	$ 10,417	$ 532	$ —	$ 61,330
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total	$ 2,988	$ 1,847	$ 38,644	$ 2,364	$ 4,538	$ 10,417	$ 532	$ —	$ 61,330
Current period gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
1-4 family - close-ended									
Pass/Watch	$ 1,689	$ 64,056	$ 7,898	$ 2,259	$ 1,703	$ 18,237	$ —	$ 809	$ 96,651
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total	$ 1,689	$ 64,056	$ 7,898	$ 2,259	$ 1,703	$ 18,237	$ —	$ 809	$ 96,651
Current period gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
1-4 family - revolving									
Pass/Watch	$ —	$ —	$ —	$ —	$ —	$ —	$ 21,662	$ 6,213	$ 27,875
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Total	$ —	$ —	$ —	$ —	$ —	$ —	$ 21,662	$ 6,213	$ 27,875
Current period gross write-offs	$ 75	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 75
Consumer									
Pass/Watch	$ 34,866	$ 8,745	$ 6,503	$ 2,265	$ 2,007	$ 2,398	$ 643	$ 4	$ 57,431
Special mention	—	—	—	—	—	—	—	—	—
Substandard	182	—	42	—	—	—	—	—	224
Total	$ 35,048	$ 8,745	$ 6,545	$ 2,265	$ 2,007	$ 2,398	$ 643	$ 4	$ 57,655
Current period gross write-offs	$ 23	$ —	$ —	$ —	$ 27	$ —	$ —	$ —	$ 50

Total loans outstanding (risk rating):									
Pass/Watch	$ 176,718	$ 272,426	$ 184,445	$ 119,665	$ 56,765	$ 320,310	$ 117,756	$ 13,411	$ 1,261,496
Special mention	—	877	139	183	107	3,672	4,022	—	9,000
Substandard	182	676	42	2,369	13,625	3,107	300	—	20,301
Grand Total	**$ 176,900**	**$ 273,979**	**$ 184,626**	**$ 122,217**	**$ 70,497**	**$ 327,089**	**$ 122,078**	**$ 13,411**	**$ 1,290,797**
Current period total gross write-offs	$ 339	$ —	$ 323	$ —	$ 27	$ —	$ —	$ —	$ 689

The following table shows the loan portfolio by class, net of deferred fees, allocated by management's internal risk ratings at December 31, 2022 (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
Commercial:					
Commercial and industrial	$ 131,300	$ 8,707	$ 1,655	$ —	$ 141,662
Agricultural production	24,926	6,713	5,399	—	37,038
Real Estate:					
Construction & other land loans	93,817	—	15,024	—	108,841
Commercial real estate - owner occupied	189,344	3,283	2,169	—	194,796
Commercial real estate - non-owner occupied	458,746	3,440	2,412	—	464,598
Farmland	109,898	8,879	824	—	119,601
Multi-family residential	24,636	—	—	—	24,636
1-4 family - close-ended	93,644	—	—	—	93,644
1-4 family - revolving	30,031	—	266	—	30,297
Consumer:	41,155	2	34	—	41,191
Total	$ 1,197,497	$ 31,024	$ 27,783	$ —	$ 1,256,304

The following table shows an aging analysis of the loan portfolio by class at December 31, 2023 (in thousands):

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Current	Total Loans	Loans Past Due > 89 Days, Still Accruing	Non-accrual
Commercial:								
Commercial and industrial	$ 25	$ —	$ —	$ 25	$ 105,441	$ 105,466	$ —	$ —
Agricultural production	507	—	—	507	33,049	33,556	—	—
Real estate:								
Construction & other land loans	—	—	—	—	33,472	33,472	—	—
Commercial real estate - owner occupied	—	—	—	—	215,146	215,146	—	—
Commercial real estate - non-owner occupied	—	—	—	—	539,522	539,522	—	—
Farmland	—	—	—	—	120,674	120,674	—	—
Multi-family residential	—	—	—	—	61,307	61,307	—	—
1-4 family - close-ended	2,973	—	—	—	96,558	96,558	—	—
1-4 family - revolving	—	—	—	—	27,648	27,648	—	—
Consumer	169	68	—	237	55,369	55,606	—	—
Deferred fees	—	—	—	—	$ 1,842	1,842	—	—
Total	$ 3,674	$ 68	$ —	$ 769	$ 1,290,028	$ 1,290,797	$ —	$ —

The following table shows an aging analysis of the loan portfolio by class at December 31, 2022 (in thousands):

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Current	Total Loans	Loans Past Due > 89 Days, Still Accruing	Non-accrual
Commercial:								
Commercial and industrial	$ 440	$ —	$ —	$ 440	$ 140,757	$ 141,197	$ —	$ —
Agricultural production	—	—	—	—	37,007	37,007	—	—
Real estate:								
Construction & other land loans	—	—	—	—	109,175	109,175	—	—
Commercial real estate - owner occupied	250	—	—	250	194,413	194,663	—	—
Commercial real estate - non-owner occupied	4,507	—	—	4,507	460,302	464,809	—	—
Farmland	—	—	—	—	119,648	119,648	—	—
Multi-family residential	—	—	—	—	24,586	24,586	—	—
1-4 family - close-ended	—	—	—	—	93,510	93,510	—	—
1-4 family - revolving	465	—	—	465	29,606	30,071	—	—
Consumer	233	—	—	233	40,019	40,252	—	—
Deferred fees	—	—	—	—	1,386	1,386	—	—
Total	$ 5,895	$ —	$ —	$ 5,895	$ 1,250,409	$ 1,256,304	$ —	$ —

As of December 31, 2023 and December 31, 2022 there were no collateral dependent loans.

There was no foregone interest on nonaccrual loans for the year ended December 31, 2023. Foregone interest on nonaccrual loans totaled $132,000 and $99,000 for the years ended December 31, 2022 and 2021, respectively.

Occasionally, the Company modifies loans to borrowers in financial distress by providing reductions of the stated interest rate of the loan or an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk. There were no loan modifications granted to borrowers experiencing financial difficulty during the years ended December 31, 2023 or 2022. As of December 31, 2022, the Company had a recorded investment in troubled debt restructurings ("TDR") of $2,372,000. The Company allocated $314,000 of specific reserves for those loans at December 31, 2022. The Company committed to lend no additional amounts as of December 31, 2022 to customers with outstanding loans that were classified as troubled debt restructurings.

The following is a summary of the allowance for credit losses by impairment methodology and portfolio segment as of December 31, 2022 and December 31, 2021 (in thousands):

	Commercial	Real Estate	Consumer	Unallocated	Total
Allowance for credit losses:					
Ending balance, December 31, 2022	$ 1,820	$ 7,803	$ 885	$ 340	$ 10,848
Ending balance: individually evaluated for impairment	$ 309	$ 5	$ —	$ —	$ 314
Ending balance: collectively evaluated for impairment	$ 1,511	$ 7,798	$ 885	$ 340	$ 10,534

The following table shows the ending balances of loans as of December 31, 2022 and December 31, 2021 by portfolio segment and by impairment methodology (in thousands):

	Commercial	Real Estate	Consumer	Total
Loans:				
Ending balance, December 31, 2022	$ 180,204	$ 910,881	$ 163,833	$ 1,254,918
Ending balance: individually evaluated for impairment	$ 1,240	$ 139	$ 993	$ 2,372
Ending balance: collectively evaluated for impairment	$ 178,964	$ 910,742	$ 162,840	$ 1,252,546

The following table shows information related to impaired loans by class at December 31, 2022 (in thousands):

	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:			
Consumer:			
Equity loans and lines of credit	$ 993	$ 1,007	$ —
Total with no related allowance recorded	993	1,007	—
With an allowance recorded:			
Commercial:			
Commercial and industrial	1,240	1,240	309
Real estate:			
Commercial real estate	126	126	2
Agricultural real estate	13	13	3
Total real estate	139	139	5
Total with an allowance recorded	1,379	1,379	314
Total	$ 2,372	$ 2,386	$ 314

The recorded investment in loans excludes accrued interest receivable and net loan origination fees, due to immateriality.

The following table shows information related to impaired loans by class at December 31, 2021 (in thousands):

	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:			
Consumer:			
Equity loans and lines of credit	$ 136	$ 172	$ —
Total with no related allowance recorded	136	172	—
With an allowance recorded:			
Commercial:			
Commercial and industrial	6,452	6,491	544
Agricultural land and production	634	714	63
Total commercial	7,086	7,205	607
Real estate:			
Real estate construction and other land loans	292	292	30
Commercial real estate	137	138	3
Agricultural real estate	21	21	5
Total real estate	450	451	38
Consumer:			
Equity loans and lines of credit	914	914	4
Total consumer	914	914	4
Total with an allowance recorded	8,450	8,570	649
Total	$ 8,586	$ 8,742	$ 649

4. BANK PREMISES AND EQUIPMENT

Bank premises and equipment consisted of the following (in thousands):

	December 31,	
	2023	2022
Land	$ 729	$ 1,131
Buildings and improvements	5,020	8,360
Furniture, fixtures and equipment	15,725	11,885
Leasehold improvements	10,218	4,305
	31,692	25,681
Less accumulated depreciation and amortization	(17,650)	(17,694)
	$ 14,042	$ 7,987

Depreciation and amortization included in occupancy and equipment expense totaled $891,000, $755,000 and $897,000 for the years ended December 31, 2023, 2022, and 2021, respectively.

5. GOODWILL AND INTANGIBLE ASSETS

Business combinations involving the Company's acquisition of the equity interests or net assets of another enterprise give rise to goodwill. Total goodwill at December 31, 2023 and 2022 was $53,777,000. Total goodwill at December 31, 2023 consisted of $13,466,000, $10,394,000, $6,340,000, $14,643,000, and $8,934,000 representing the excess of the cost of Folsom Lake Bank, Sierra Vista Bank, Visalia Community Bank, Service 1st Bancorp, and Bank of Madera County, respectively, over the net of the amounts assigned to assets acquired and liabilities assumed in the transactions accounted for under the purchase method of accounting. The value of goodwill is ultimately derived from the Company's ability to generate net earnings after the acquisitions and is not deductible for tax purposes. A decline in net earnings could be indicative of a decline in the fair value of goodwill and result in impairment. For that reason, goodwill is assessed at least annually for impairment.

The Company has selected September 30 as the date to perform the annual impairment test. Management assessed qualitative factors including performance trends and noted no factors indicating goodwill impairment.

Goodwill is also tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the Company below its carrying amount. No such events or circumstances arose during the fourth quarter of 2023, so goodwill was not required to be retested.

Intangible assets represent the estimated fair value of the core deposit relationships acquired in the 2013 acquisition of Visalia Community Bank. Core deposit intangibles are amortized using the straight-line method over an estimated life of five to ten years from the date of acquisition. Upon acquisition, the core deposit intangible asset of Visalia Community Bank was recorded as $1,365,000.

There was no carrying value remaining of this intangible asset at December 31, 2023, compared to a carrying value at December 31, 2022 of $68,000, which was net of $1,297,000 in accumulated amortization expense. Amortization expense recognized was $68,000 for 2023, $454,000 for 2022, and $661,000 for 2021.

6. DEPOSITS

Interest-bearing deposits consisted of the following (in thousands):

	December 31, 2023	December 31, 2022
Savings	$ 179,609	$ 215,287
Money market	497,043	435,783
NOW accounts	251,334	324,089
Time, $250,000 or more	24,257	13,338
Time, under $250,000	137,828	54,585
	$ 1,090,071	$ 1,043,082

Aggregate annual maturities of time deposits are as follows (in thousands):

Years Ending December 31,	
2024	$ 128,035
2025	3,327
2026	1,343
2027	15,334
2028	14,046
Thereafter	—
	$ 162,085

Interest expense recognized on interest-bearing deposits consisted of the following (in thousands):

	Years Ended December 31,		
	2023	2022	2021
Savings	$ 245	$ 25	$ 20
Money market	8,910	848	661
NOW accounts	366	207	162
Time certificates of deposit	6,006	117	193
	$ 15,527	$ 1,197	$ 1,036

As of December 31, 2023 and December 31, 2022 uninsured deposits totaled $821,756,000 and $900,123,000, respectively.

7. BORROWING ARRANGEMENTS

Federal Home Loan Bank Advances - As of December 31, 2023, the Company had a $35,000,000 Federal Home Loan Bank ("FHLB") of San Francisco advance with an interest rate of 5.70%, as compared to a $46,000,000 advance with an interest rate of 4.65% at December 31, 2022. Approximately $590,387,000 in loans were pledged under a blanket lien as collateral to the FHLB for the Bank's remaining borrowing capacity of $307,483,000 as of December 31, 2023. FHLB advances are also secured by investment securities with amortized costs totaling $22,315,000 and $21,745,000 and market values totaling $29,727,000 and $28,961,000 at December 31, 2023 and 2022, respectively. The Bank's credit limit varies according to the amount and composition of the investment and loan portfolios pledged as collateral.

Lines of Credit - The Bank had unsecured lines of credit with its correspondent banks which, in the aggregate, amounted to $110,000,000 and $110,000,000 at December 31, 2023 and 2022, respectively, at interest rates which vary with market conditions. As of December 31, 2023 and 2022, the Company had no advances with correspondent banks.

Federal Reserve Line of Credit and Bank Term Funding Program - The Bank has a line of credit in the amount of $4,448,000 and $4,702,000 with the Federal Reserve Bank of San Francisco (FRB) at December 31, 2023 and 2022, respectively, which bears interest at the prevailing discount rate collateralized by investment securities with amortized costs totaling $4,894,000 and $5,508,000 and market values totaling $4,374,000 and $4,893,000, respectively. The Bank participates in the Bank Term Funding Program (BTFP) which offers loans of up to one year in length to banks, savings associations, credit unions, and other eligible depository institutions pledging any collateral eligible for purchase by the Federal Reserve Banks in open market operations such as U.S. Treasuries, U.S. agency securities, and U.S. agency mortgage-backed securities. These assets are valued at par. The BTFP is an additional source of liquidity against high-quality securities

At December 31, 2023, the Bank had $45,000,000 as a short-term loan outstanding with the FRB under the Bank Term Funding Program at an interest rate of 4.81%. The Bank had no borrowings with the FRB as of December 31, 2022.

The following table reflects the Company's credit lines, balances outstanding, and pledged collateral at December 31, 2023 and December 31, 2022:

Credit Lines (In thousands)	December 31, 2023	December 31, 2022
Unsecured Credit Lines		
Credit limit	$ 110,000	$ 110,000
Balance outstanding	$ —	$ —
Federal Home Loan Bank		
Credit limit	$ 342,483	$ 365,309
Balance outstanding	$ 35,000	$ 46,000
Collateral pledged	$ 612,702	$ 687,357
Fair value of collateral	$ 500,972	$ 565,869
Federal Reserve Bank Term Loan Funding Program		
Credit limit	$ 46,174	$ —
Balance outstanding	$ 45,000	$ —
Collateral pledged	$ 53,650	$ —
Fair value of collateral	$ 47,603	$ —
Federal Reserve Bank		
Credit limit	$ 4,448	$ 4,702
Balance outstanding	$ —	$ —
Collateral pledged	$ 4,894	$ 5,508
Fair value of collateral	$ 4,374	$ 4,893

8. LEASES

Leases - The Bank leases certain of its branch facilities and administrative offices under noncancelable operating leases with terms extending through 2033. Leases with an initial term of twelve months or less are not recorded on the balance sheet. Operating lease cost is comprised of lease expense recognized on a straight-line basis, the amortization of the right-of-use asset and the implicit interest accreted on the operating lease liability. Operating lease cost is included in occupancy and equipment expense on our consolidated statements of income. We evaluate the lease term by assuming the exercise of options to extend that are reasonably assured and those option periods covered by an option to terminate the lease, if deemed not reasonably certain to be exercised. The lease term is used to determine the straight-line expense and limits the depreciable life of any related leasehold improvements. Certain leases require us to pay real estate taxes, insurance, maintenance and other operating expenses associated with the leased premises. These expenses are classified in occupancy and equipment expense on our consolidated statements of income, consistent with similar costs for owned locations, but is not included in operating lease cost below. We calculate the lease liability using a discount rate that represents our incremental borrowing rate at the lease commencement date.

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2023 are as follows (in thousands):

Years Ending December 31,	
2024	2,214
2025	1,720
2023	1,535
2027	1,305
2028	663
Thereafter	1,920
Total lease payments	9,357
Less: imputed interest	(237)
Present value of operating lease liabilities	$ 9,120

The table below summarizes the total lease cost for the period ending:

(Dollars in thousands)	December 31, 2023	December 31, 2022	December 31, 2021
Operating lease cost	$ 2,375	$ 2,187	$ 2,088
Short-term lease cost	—	—	3
Variable lease cost	347	307	353
Total lease cost	$ 2,722	$ 2,494	$ 2,444

The table below summarizes other information related to our operating leases:

	December 31, 2023	December 31, 2022
Weighted average remaining lease term, in years	5.91	6.38
Weighted average discount rate	1.40 %	1.50 %

The table below shows operating lease right of use assets and operating lease liabilities as of :

(Dollars in thousands)	December 31, 2023	December 31, 2022
Operating lease right-of-use assets	$ 8,311	$ 10,629
Operating lease liabilities	$ 9,120	$ 11,449

The right-of-use-assets and lease liabilities are included with other assets and other liabilities on the consolidated balance sheet, respectively.

9. INCOME TAXES

The provision for income taxes for the years ended December 31, 2023, 2022, and 2021 consisted of the following (in thousands):

	Federal	State	Total
2023			
Current	$ 4,692	$ 3,502	$ 8,194
Deferred	176	(66)	110
Provision for income taxes	$ 4,868	$ 3,436	$ 8,304
2022			
Current	$ 4,827	$ 3,445	$ 8,272
Deferred	80	144	224
Provision for income taxes	$ 4,907	$ 3,589	$ 8,496
2021			
Current	$ 4,687	$ 3,464	$ 8,151
Deferred	1,002	463	1,465
Provision for income taxes	$ 5,689	$ 3,927	$ 9,616

Deferred tax assets (liabilities) consisted of the following (in thousands):

	December 31, 2023	December 31, 2022
Deferred tax assets:		
Allowance for credit losses	$ 4,643	$ 3,207
Deferred compensation	4,152	4,204
Unrealized loss on available-for-sale investment securities	27,716	34,093
Net operating loss carryovers	1,754	1,907
Mark-to-market adjustment	301	497
Other deferred tax assets	302	84
Other-than-temporary impairment	30	30
Loan and investment impairment	280	376
Operating lease liabilities	2,696	3,385
Partnership income	74	52
State taxes	718	777
Bank premises and equipment	229	(385)
Total deferred tax assets	42,895	48,227
Deferred tax liabilities:		
Operating lease right-of-use assets	(2,457)	(3,142)
Finance leases	(625)	(668)
Unrealized gain on available-for-sale investment securities	—	—
Core deposit intangible	—	(20)
FHLB stock	(191)	(191)
Loan origination costs	(1,166)	(829)
Total deferred tax liabilities	(4,439)	(4,850)
Net deferred tax assets	$ 38,456	$ 43,377

The determination of the amount of deferred income tax assets which are more likely than not to be realized is primarily dependent on projections of future earnings, which are subject to uncertainty and estimates that may change given economic conditions and other factors. The realization of deferred income tax assets is assessed and a valuation allowance is recorded if it is more likely than not that all or a portion of the deferred tax asset will not be realized. More likely than not is defined as greater than a 50% chance. All available evidence, both positive and negative is considered to determine whether, based on the weight of the evidence, a valuation allowance is needed. Thus, management concludes no valuation allowance is necessary against deferred tax assets as of December 31, 2023 and 2022.

The provision for income taxes differs from amounts computed by applying the statutory Federal income tax rates to operating income before income taxes. The significant items comprising these differences for the years ended December 31, 2023, 2022, and 2021 consisted of the following:

	2023	2022	2021
Federal income tax, at statutory rate	21.0 %	21.0 %	21.0 %
State taxes, net of Federal tax benefit	8.0 %	8.1 %	8.2 %
Tax exempt investment security income, net	(3.5)%	(3.7)%	(3.1)%
Bank owned life insurance, net	(0.6)%	(0.8)%	(0.5)%
Compensation - stock compensation	— %	(0.2)%	(0.2)%
Low income housing tax credits	(0.6)%	(0.3)%	(0.3)%
Other	0.2 %	0.1 %	0.2 %
Effective tax rate	24.5 %	24.2 %	25.3 %

As of December 31, 2023, the Company had Federal and California net operating loss ("NOL") carry-forwards of $5,659,000 and $6,599,000, respectively. These NOLs were acquired through business combinations and are subject to IRC 382 will begin expiring at various dates between 2030 and 2035, for federal purposes and various dates between 2030 and 2036 for California purposes. While they are subject to IRC Section 382, management has determined that all of the NOLs are more than likely than not to be utilized before they expire.

The Company and its subsidiary file income tax returns in the U.S. federal and California jurisdictions. The Company conducts all of its business activities in the State of California. There are no pending U.S. federal or state income tax examinations by those taxing authorities. The Company is no longer subject to the examination by U.S. federal taxing authorities for the years ended before December 31, 2020 and by the state taxing authorities for the years ended before December 31, 2019.

As of December 31, 2023, the Company has no unrecognized tax benefits and does not expect any material changes in the next 12 months.

During the years ended December 31, 2023 and 2022, the Company recorded no interest or penalties related to uncertain tax positions.

10. SENIOR DEBT AND SUBORDINATED DEBENTURES

The following table summarizes the Company's subordinated debentures:

(Dollars in thousands)	December 31, 2023	December 31, 2022
Fixed - floating rate subordinated debentures, due 2031	$ 35,000	$ 35,000
Unamortized debt issuance costs	(411)	(556)
Floating rate senior debt bank loan, due 2032	30,000	30,000
Junior subordinated deferrable interest debentures, due October 2036	5,155	5,155
Total subordinated debentures	$ 69,744	$ 69,599

Subordinated Debentures

On November 12, 2021, the Company completed a private placement of $35.0 million aggregate principal amount of its fixed-to-floating rate subordinated notes ("Subordinated Debt") due December 1, 2031. The Subordinated Debt initially bears a fixed interest rate of 3.125% per year. Commencing on December 1, 2026, the interest rate on the Subordinated Debt will reset each quarter at a floating interest rate equal to the then-current three month term SOFR plus 210 basis points. The Company may at its option redeem in whole or in part the Subordinated Debt on or after November 12, 2026 without a premium. The Subordinated Debt is treated as Tier 2 Capital for regulatory purposes.

Interest expense recognized by the Company for the Subordinated Debentures for the years ended December 31, 2023, 2022, and 2021 was $1,239,000, $1,239,000, and $173,000, respectively.

Senior Debt

On September 15, 2022, the Company entered into a $30.0 million loan agreement with Bell Bank. Initially, payments of interest only are payable in 12 quarterly payments commencing December 31, 2022. Commencing December 31, 2025, 27 equal quarterly principal and interest payments are payable based on the outstanding balance of the loan on August 30, 2025 and an amortization of 48 quarters. A final payment of outstanding principal and accrued interest is due at maturity on September 30, 2032. Variable interest is payable at the Prime Rate (published by the Wall Street Journal) less 50 basis points. The loan is secured by the assets of the Company and a pledge of the outstanding common stock of Central Valley Community Bank, the Company's banking subsidiary. The Company may prepay the loan without penalty with one exception. If the loan is prepaid prior to August 30, 2025 with funds received from a financing source other than Bell Bank, the Company will incur a 2% prepayment penalty. The loan contains customary representations, covenants, and events of default.

Interest expense recognized by the Company for the Senior Debt for the years ended December 31, 2023, 2022, and 2021 was $2,053,000, $544,000, and $0, respectively.

Junior Subordinated Debentures

Service 1st Capital Trust I is a Delaware business trust formed by Service 1st. The Company succeeded to all of the rights and obligations of Service 1st in connection with the merger with Service 1st as of November 12, 2008. The Trust was formed on August 17, 2006 for the sole purpose of issuing trust preferred securities fully and unconditionally guaranteed by Service 1st. Under applicable regulatory guidance, the amount of trust preferred securities that is eligible as Tier 1 capital is limited to 25% of the Company's Tier 1 capital on a pro forma basis. At December 31, 2023, all of the trust preferred securities that have been issued qualify as Tier 1 capital. The trust preferred securities mature on October 7, 2036, are redeemable at the Company's option, and require quarterly distributions by the Trust to the holder of the trust preferred securities at a variable interest rate which will adjust quarterly to equal the three month SOFR plus 1.60%.

The Trust used the proceeds from the sale of the trust preferred securities to purchase approximately $5,155,000 in aggregate principal amount of Service 1st's junior subordinated notes (the Notes). The Notes bear interest at the same variable interest rate during the same quarterly periods as the trust preferred securities. The Notes are redeemable by the Company on any January 7, April 7, July 7, or October 7 or at any time within 90 days following the occurrence of certain events, such as: (i) a change in the regulatory capital treatment of the Notes (ii) in the event the Trust is deemed an investment company or (iii) upon the occurrence of certain adverse tax events. In each such case, the Company may redeem the Notes for their aggregate principal amount, plus any accrued but unpaid interest.

The Notes may be declared immediately due and payable at the election of the trustee or holders of 25% of the aggregate principal amount of outstanding Notes in the event that the Company defaults in the payment of any interest following the nonpayment of any such interest for 20 or more consecutive quarterly periods.

Holders of the trust preferred securities are entitled to a cumulative cash distribution on the liquidation amount of $1,000 per security. For each January 7, April 7, July 7 or October 7 of each year, the rate will be adjusted to equal the three month SOFR plus 1.60%. As of December 31, 2023, the rate was 7.26%. Interest expense recognized by the Company for the years ended December 31, 2023, 2022, and 2021 was $360,000, $188,000 and $93,000, respectively.

11. COMMITMENTS AND CONTINGENCIES

Correspondent Banking Agreements - The Bank maintains funds on deposit with other federally insured financial institutions under correspondent banking agreements. Uninsured deposits totaled $3,813,000 at December 31, 2023.

Financial Instruments With Off-Balance-Sheet Risk - The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business in order to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments consist of commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the balance sheet.

The Bank's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and standby letters of credit as it does for loans included on the balance sheet.

The following financial instruments represent off-balance-sheet credit risk (in thousands):

	December 31,	
	2023	**2022**
Commitments to extend credit	$ 274,282	$ 286,925
Standby letters of credit	$ 1,988	$ 1,216

Commitments to extend credit consist primarily of unfunded commercial loan commitments and revolving lines of credit, single-family residential equity lines of credit and commercial and residential real estate construction loans. Construction loans are established under standard underwriting guidelines and policies and are secured by deeds of trust, with disbursements made over the course of construction. Commercial revolving lines of credit have a high degree of industry diversification. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Standby letters of credit are generally secured and are issued by the Bank to guarantee the financial obligation or performance of a customer to a third party. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers. The fair value of the liability related to these standby

letters of credit, which represents the fees received for issuing the guarantees, was not significant at December 31, 2023 and 2022. The Company recognizes these fees as revenue over the term of the commitment or when the commitment is used.

At December 31, 2023, commercial loan commitments represent 47% of total commitments and are generally secured by collateral other than real estate or unsecured. Real estate loan commitments represent 49% of total commitments and are generally secured by property with a loan-to-value ratio not to exceed 80%. Consumer loan commitments represent the remaining 4% of total commitments and are generally unsecured. In addition, the majority of the Bank's loan commitments have variable interest rates.

At December 31, 2023 and 2022, the balance of a contingent allocation for probable loan loss experience on unfunded obligations was $839,000 and $110,000, respectively. The contingent allocation for probable loan loss experience on unfunded obligations is calculated by management using an appropriate, systematic, and consistently applied process. While related to credit losses, this allocation is not a part of the allowance for credit losses and is considered separately as a liability for accounting and regulatory reporting purposes. Changes in this contingent allocation are recorded in other non-interest expense.

Concentrations of Credit Risk - At December 31, 2023, in management's judgment, a concentration of loans existed in commercial loans and real-estate-related loans, representing approximately 95.5% of total loans of which 10.7% were commercial and 84.8% were real-estate-related.

At December 31, 2022, in management's judgment, a concentration of loans existed in commercial loans and real-estate-related loans, representing approximately 96.8% of total loans of which 14.1% were commercial and 82.7% were real-estate-related.

Management believes the loans within these concentrations have no more than the typical risks of collectability. However, in light of the current economic environment, additional declines in the performance of the economy in general, or a continued decline in real estate values or drought-related decline in agricultural business in the Company's primary market area could have an adverse impact on collectability, increase the level of real-estate-related nonperforming loans, or have other adverse effects which alone or in the aggregate could have a material adverse effect on the financial condition, results of operations and cash flows of the Company.

Contingencies - The Company is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to such actions will not materially affect the consolidated financial position or consolidated results of operations of the Company.

Investments in Low Income Housing Tax Credit Funds - The unfunded commitments as of December 31, 2023 and 2022 in low income housing tax credit funds were $4,371,000 and $4,949,000, respectively. All commitments will be paid by the Company by 2038.

12. SHAREHOLDERS' EQUITY

Regulatory Capital - The Company and the Bank are subject to certain regulatory capital requirements administered by the Board of Governors of the Federal Reserve System and the FDIC. Failure to meet these minimum capital requirements could result in mandatory or, discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements.

The Company and the Bank each meet specific capital guidelines that involve quantitative measures of their respective assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The Bank is also subject to additional capital guidelines under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following table. The most recent notification from the FDIC categorized the Bank as well capitalized under these guidelines. Management knows of no conditions or events since that notification that would change the Bank's category.

Capital ratios are reviewed by Management on a regular basis to ensure that capital exceeds the prescribed regulatory minimums and is adequate to meet our anticipated future needs. For all periods presented, the Bank's ratios exceed the regulatory definition of well capitalized under the regulatory framework for prompt correct action and the Company's ratios exceed the required minimum ratios for capital adequacy purposes.

Bank holding companies with consolidated assets of $3 billion or more and banks like Central Valley Community Bank must comply with minimum capital ratio requirements which consist of the following: (i) a new common equity Tier 1 capital to total risk weighted assets ratio of 4.5%; (ii) a Tier 1 capital to total risk weighted assets ratio of 6%; (iii) a total capital to total risk weighted assets ratio of 8%; and (iv) a Tier 1 capital to adjusted average total assets ("leverage") ratio of 4%.

In addition, a "capital conservation buffer" is established which requires maintenance of a minimum of 2.5% of common equity Tier 1 capital to total risk weighted assets in excess of the regulatory minimum capital ratio requirements described above. The 2.5% buffer increases the minimum capital ratios to (i) a common equity Tier 1 capital ratio of 7.0%, (ii) a Tier 1 capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. If the capital ratio levels of a banking organization fall below the capital conservation buffer amount, the organization will be subject to limitations on (i) the payment of dividends; (ii) discretionary bonus payments; (iii) discretionary payments under Tier 1 instruments; and (iv) engaging in share repurchases.

Management believes that the Company and the Bank met all their capital adequacy requirements as of December 31, 2023 and 2022. There are no conditions or events since those notifications that management believes have changed those categories. The capital ratios for the Company and the Bank are presented in the table below (exclusive of the capital conservation buffer).

The following table presents the Company's regulatory capital ratios as of December 31, 2023 and December 31, 2022:

(Dollars in thousands)	Actual Ratio	
December 31, 2023	**Amount**	**Ratio**
Tier 1 Leverage Ratio	$ 222,567	9.18 %
Common Equity Tier 1 Ratio (CET 1)	$ 217,567	12.78 %
Tier 1 Risk-Based Capital Ratio	$ 222,567	13.07 %
Total Risk-Based Capital Ratio	$ 273,699	16.08 %
December 31, 2022		
Tier 1 Leverage Ratio	$ 205,154	8.37 %
Common Equity Tier 1 Ratio (CET 1)	$ 200,154	11.92 %
Tier 1 Risk-Based Capital Ratio	$ 205,154	12.22 %
Total Risk-Based Capital Ratio	$ 250,556	14.92 %

The following table presents the Bank's regulatory capital ratios as of December 31, 2023 and December 31, 2022, as well as the minimum capital ratios for capital adequacy for the Bank:

(Dollars in thousands)	Actual Ratio		Minimum regulatory requirement (1)	
December 31, 2023	**Amount**	**Ratio**	**Amount**	**Ratio**
Tier 1 Leverage Ratio	$ 285,099	11.75 %	$ 97,016	4.00 %
Common Equity Tier 1 Ratio (CET 1)	$ 285,099	16.76 %	$ 76,526	7.00 %
Tier 1 Risk-Based Capital Ratio	$ 285,099	16.76 %	$ 102,035	8.50 %
Total Risk-Based Capital Ratio	$ 301,642	17.74 %	$ 136,047	10.50 %
December 31, 2022				
Tier 1 Leverage Ratio	$ 266,373	10.86 %	$ 98,075	4.00 %
Common Equity Tier 1 Ratio (CET 1)	$ 266,373	15.87 %	$ 75,516	7.00 %
Tier 1 Risk-Based Capital Ratio	$ 266,373	15.87 %	$ 100,688	8.50 %
Total Risk-Based Capital Ratio	$ 277,331	16.53 %	$ 134,251	10.50 %

(1) The minimum regulatory requirement threshold includes the capital conservation buffer of 2.50%.

Dividends - During 2023, the Bank declared and paid cash dividends to the Company in the amount of $6,963,000, in connection with cash dividends declared to the Company's shareholders and holding company expenses as approved by the Company's Board of Directors. The Company declared and paid a total of $5,657,000 or $0.48 per common share cash

dividend to shareholders of record during the year ended December 31, 2023. The Company did not repurchase or retire any common stock during the year ended December 31, 2023.

During 2022, the Company paid dividends to the Bank in the amount of $38,000,000 in connection with the senior and subordinated debt proceeds approved by the Company's Board of Directors. The Company declared and paid a total of $5,638,000 or $0.48 per common share cash dividend to shareholders of record during the year ended December 31, 2022. During the year ended December 31, 2022, the Company repurchased and retired common stock in the amount of $6,814,000.

During 2021, the Bank declared and paid cash dividends to the Company in the amount of $7,679,000, in connection with cash dividends declared to the Company's shareholders and holding company expenses as approved by the Company's Board of Directors. The Company declared and paid a total of $5,757,000 or $0.47 per common share cash dividend to shareholders of record during the year ended December 31, 2021. During the year ended December 31, 2021, the Company repurchased and retired common stock in the amount of $13,619,000.

The Company's primary source of income with which to pay cash dividends is dividends from the Bank. The California Financial Code restricts the total amount of dividends payable by a bank at any time without obtaining the prior approval of the California Department of Business Oversight to the lesser of (1) the Bank's retained earnings or (2) the Bank's net income for its last three fiscal years, less distributions made to shareholders during the same three-year period. At December 31, 2023, $72,335,000 of the Bank's retained earnings were free of these restrictions.

A reconciliation of the numerators and denominators of the basic and diluted earnings per common share computations is as follows (in thousands, except share and per-share amounts):

	For the Years Ended December 31,		
	2023	2022	2021
Basic Earnings Per Common Share:			
Net income	$ 25,536	$ 26,645	$ 28,401
Weighted average shares outstanding	11,728,858	11,715,376	12,237,424
Net income per common share	$ 2.17	$ 2.27	$ 2.32
Diluted Earnings Per Common Share:			
Net income	$ 25,536	$ 26,645	$ 28,401
Weighted average shares outstanding	11,728,858	11,715,376	12,237,424
Effect of dilutive stock options and warrants	24,014	23,698	44,508
Weighted average shares of common stock and common stock equivalents	11,752,872	11,739,074	12,281,932
Net income per diluted common share	$ 2.17	$ 2.27	$ 2.31

No outstanding options or restricted stock awards considered were anti-dilutive at December 31, 2023, 2022, and 2021.

13. EQUITY-BASED COMPENSATION

In May 2015, the Company adopted the Central Valley Community Bancorp 2015 Omnibus Incentive Plan (2015 Plan). The plan provides for awards in the form of stock options, stock appreciation rights, and restricted stock. The plan also allows for performance awards that may be in the form of cash or shares of the Company's common stock. With respect to stock options and restricted stock the exercise price in the case of stock options and the grant value in the case of restricted stock may not be less than the fair market value at the date of the award. The options and awards under the plan expire on dates determined by the Board of Directors, but not later than ten years from the date of grant. The vesting period for stock options and restricted stock rights is determined by the Board of Directors and ranges one to five years. The maximum number of shares that can be issued with respect to all awards under the plan is 875,000. Currently under the 2015 Plan, 612,652 shares remain reserved for future grants as of December 31, 2023.

Share-based compensation cost recognized for the 2015 Plan plans was $858,000, $776,000, and $562,000 for the years ended December 31, 2023, 2022, and 2021, respectively. The recognized tax benefit for the share-based compensation expense, forfeitures of restricted stock, and exercise of stock options, resulted in the recognition of $0, $87,000, and $50,000 for the years ended December 31, 2023, 2022, and 2021, respectively.

No options to purchase shares of the Company's common stock were granted during the years ending December 31, 2023, 2022 and 2021 from any of the Company's stock based compensation plans.

A summary of the combined activity of the Plans during the years then ended is presented below (dollars in thousands, except per-share amounts):

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2021	77,070	$ 10.06	1.51	$ 382
Options exercised	(24,265)	$ 10.6		
Options outstanding at December 31, 2021	52,805	$ 9.81	0.57	$ 581
Options exercised	(50,205)	$ 9.74		
Options forfeited	(2,600)	$ 11.12		
Options outstanding at December 31, 2022 and 2023	—	$ —	0.00	$ —

Information related to the stock option plan during each year follows (in thousands):

	2023	2022	2021
Intrinsic value of options exercised	$ —	$ 496	$ 253
Cash received from options exercised	$ —	$ 489	$ 257
Excess tax benefit realized for option exercises	$ —	$ 87	$ 50

As of December 31, 2023, there is no unrecognized compensation cost related to stock options granted under all Plans. All options are fully vested.

Restricted Stock and Common Stock Awards

The 2015 Plan provides for the issuance of restricted common stock to directors and officers and common stock awards based on the achievement of performance goals as determined by the Board of Directors or in accordance with executive employment agreements. Restricted common stock grants typically vest over a one to five-year period. Restricted common stock is subject to forfeiture if employment terminates prior to vesting. The cost of these awards is recognized over the vesting period of the awards based on the fair value of our common stock on the date of the grant.

The shares awarded to employees and directors under the restricted stock agreements vest on applicable vesting dates only to the extent the recipient of the shares is then an employee or a director of the Company or one of its subsidiaries, and each recipient will forfeit all of the shares that have not vested on the date his or her employment or service is terminated. Outstanding restricted awards related to these agreements are presented in the table below. Common stock awards for performance vest immediately. During 2023 and 2022 the Company awarded 10,347 and 13,446 shares, recognizing compensation expense for these shares of $221,000 and $279,000, respectively.

Holders of restricted stock awards receive non-forfeitable dividends at the same rate as common stockholders and they both share equally in undistributed earnings. Therefore, under the two-class method the difference in EPS is not significant for these participating securities.

The following table summarizes restricted stock activity for the years ended as follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested outstanding shares at January 1, 2021	30,013	$ 15.60
Granted	31,496	$ 18.83
Vested	(37,085)	$ 15.12
Forfeited	(247)	$ 20.26
Nonvested outstanding shares at December 31, 2021	24,177	$ 20.50
Granted	56,089	$ 17.75
Vested	(33,316)	$ 20.39
Forfeited	(244)	$ 20.50
Nonvested outstanding shares at December 31, 2022	46,706	$ 17.28
Granted	69,692	$ 15.86
Vested	(40,387)	$ 17.90
Forfeited	(878)	$ 15.79
Nonvested outstanding shares at December 31, 2023	75,133	$ 15.65

The shares awarded to employees and directors under the restricted stock agreements vest on applicable vesting dates only to the extent the recipient of the shares is then an employee or a director of the Company or one of its subsidiaries. Each recipient will forfeit all of the shares that have not vested on the date his or her employment or service is terminated.

As of December 31, 2023, there were 75,133 shares of restricted stock that are nonvested and expected to vest. Share-based compensation cost charged against income for restricted stock awards was $612,000, $474,000, and $385,000 for the year ended December 31, 2023, 2022, and 2021 respectively.

As of December 31, 2023, there was $763,000 of total unrecognized compensation cost related to nonvested restricted common stock. Restricted stock compensation expense is recognized on a straight-line basis over the vesting period. This cost is expected to be recognized over a weighted average remaining period of 2.16 years and will be adjusted for subsequent changes in estimated forfeitures. Restricted common stock awards had an intrinsic value of $649,000 at December 31, 2023.

14. EMPLOYEE BENEFITS

401(k) and Profit Sharing Plan - The Bank has established a 401(k) and profit sharing plan. The 401(k) plan covers substantially all employees who have completed a one-month employment period. Participants in the profit sharing plan are eligible to receive employer contributions after completion of two years of service. Bank contributions to the profit sharing plan are determined at the discretion of the Board of Directors. Participants are automatically vested 100% in all employer contributions. The Bank contributed $850,000, $1,000,000, and $1,050,000 to the profit sharing plan in 2023, 2022, and 2021, respectively.

Additionally, the Bank may elect to make a matching contribution to the participants' 401(k) plan accounts. The amount to be contributed is announced by the Bank at the beginning of the plan year. For the years ended December 31, 2023, 2022, and 2021, the Bank made a 100% matching contribution on all deferred amounts up to 5% of eligible compensation. For the years ended December 31, 2023, 2022, and 2021, the Bank made matching contributions totaling $1,089,000, $1,046,000, and $1,014,000, respectively.

Deferred Compensation Plans - The Bank has a nonqualified Deferred Compensation Plan which provides directors with an unfunded, deferred compensation program. Under the plan, eligible participants may elect to defer some or all of their current compensation or director fees. Deferred amounts earn interest at an annual rate determined by the Board of Directors (5.10% at December 31, 2023). At December 31, 2023 and 2022, the total net deferrals included in accrued interest payable and other liabilities were $4,131,000 and $4,023,000, respectively.

In connection with the implementation of the above plan, single premium universal life insurance policies on the life of each participant were purchased by the Bank, which is the beneficiary and owner of the policies. The cash surrender value of the policies totaled $11,252,000 and $10,915,000 and at December 31, 2023 and 2022, respectively. Income recognized on these

policies, net of related expenses, for the years ended December 31, 2023, 2022, and 2021, was $292,000, $278,000, and $264,000, respectively.

In October 2015, the Board of Directors of the Company and the Bank adopted a board resolution to create the Central Valley Community Bank Executive Deferred Compensation Plan (the Executive Plan). Pursuant to the Executive Plan, all eligible executives of the Bank may elect to defer up to 50 percent of their compensation for each deferral year. Deferred amounts earn interest at an annual rate determined by the Board of Directors (5.10% at December 31, 2023). At December 31, 2023 and 2022, the total net deferrals included in accrued interest payable and other liabilities were $271,000 and $300,000, respectively.

Salary Continuation Plans - The Board of Directors has approved salary continuation plans for certain key executives. Under these plans, the Bank is obligated to provide the executives with annual benefits for 10-15 years after retirement. In connection with the acquisitions of Folsom Lake Bank (FLB), Service 1st Bank, and Visalia Community Bank (VCB), the Bank assumed a liability for the estimated present value of future benefits payable to former key executives of FLB, Service 1st, and VCB. The liability relates to change in control benefits associated with their salary continuation plans. The benefits are payable to the individuals when they reach retirement age. These benefits are substantially equivalent to those available under split-dollar life insurance policies purchased by the Bank on the life of the executives. The expense/(benefit) recognized under these plans for the years ended December 31, 2023, 2022, and 2021, totaled $186,000, $(430,000), and $377,000, respectively. Note, the expense is effected by the changing discount rate used to calculate the liability. Accrued compensation payable under the salary continuation plans totaled $9,291,000 and $9,554,000 at December 31, 2023 and 2022, respectively. These benefits are substantially equivalent to those available under split-dollar life insurance policies acquired.

In connection with these plans, the Bank purchased single-premium life insurance policies with cash surrender values totaling $30,320,000 and $29,622,000 at December 31, 2023 and 2022, respectively. Income recognized on these policies, net of related expense, for the years ended December 31, 2023, 2022, and 2021 totaled $743,000, $706,000, and $576,000, respectively.

Employee Stock Purchase Plan - During 2017, the Company adopted an Employee Stock Purchase Plan which allows employees to purchase the Company's stock at a discount to fair market value as of the date of purchase. The Company bears all costs of administering the plan, including broker's fees, commissions, postage and other costs actually incurred.

As of December 31, 2023, the Company had 418,083 shares remaining for purchase under the plan.

15. RELATED PARTIES

During the normal course of business, the Bank enters into loans with related parties, including executive officers and directors. The following is a summary of the aggregate activity involving related-party borrowers (in thousands):

Balance, January 1, 2023	$	23,727
Disbursements		1,383
Amounts repaid		(832)
Balance, December 31, 2023	$	24,278
Undisbursed commitments to related parties, December 31, 2023	$	547

As of December 31, 2023 and 2022, the Company had $12,921,000 and $14,549,000 in related party deposits, respectively.

16. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

***Level 1* —** Quoted market prices (unadjusted) for identical instruments traded in active markets that the entity has the ability to access as of the measurement date.

Level 2 **—**Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 **—** Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Management monitors the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, we report the transfer at the beginning of the reporting period.

The estimated carrying and fair values of the Company's financial instruments are as follows (in thousands):

	December 31, 2023				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	$ 30,017	$ 30,017	$ —	$ —	$ 30,017
Interest-earning deposits in other banks	23,711	23,711	—	—	23,711
Held-to-maturity investment securities	302,442	—	277,003	—	277,003
Loans, net	1,276,144	—	—	1,213,098	1,213,098
Accrued interest receivable	10,898	—	6,146	4,752	10,898
Financial liabilities:					
Time deposits	162,085	—	160,839	—	160,839
Short-term borrowings	80,000	—	79,991	—	79,991
Senior debt and subordinated debentures	69,744	—	—	61,121	61,121
Accrued interest payable	778	—	594	184	778

	December 31, 2022				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	$ 25,485	$ 25,485	$ —	$ —	$ 25,485
Interest-earning deposits in other banks	5,685	5,685	—	—	5,685
Held-to-maturity investment securities	305,107	—	271,249	—	271,249
Loans, net	1,245,456	—	—	1,113,849	1,113,849
Accrued interest receivable	10,547	—	6,035	4,512	10,547
Financial liabilities:					
Time deposits	67,923	—	67,047	—	67,047
Short-term borrowings	46,000	—	46,000	—	46,000
Senior debt and subordinated debentures	69,599	—	—	62,504	62,504
Accrued interest payable	794	—	83	711	794

The methods and assumptions used to estimate fair values are described as follows:

(a) Cash and Cash Equivalents — The carrying amounts of cash and due from banks, interest-earning deposits in other banks, and Federal funds sold approximate fair values and are classified as Level 1.

(b) Investment securities **—** The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2), using matrix pricing. Matrix pricing is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). For securities where

quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

(c) Loans — Fair values of loans are estimated as follows: fixed and variable loans are estimated using discounted cash flow analyses, taking into consideration various factors including loan type, credit loss and prepayment expectations. The loan cash flows are discounted to present value using a combination of existing market rates and liquidity spreads as well as underlying index rates and margins on variable rate loans resulting in a Level 3 classification.

(d) Time Deposits — Fair value for fixed and variable rate certificates of deposit are estimated using discounted cash flow analyses using interest rates offered at each reporting date by the Company for certificates with similar remaining maturities resulting in a Level 2 classification.

(e) Short-Term Borrowings — The carrying amounts of federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings, maturing within one year, approximate their fair values resulting in a Level 2 classification.

(f) Subordinated Debentures and Senior Debt — The fair values of the Company's Subordinated Debentures are estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements resulting in a Level 3 classification.

(g) Accrued Interest Receivable/Payable — The fair value of accrued interest receivable and payable is based on the fair value hierarchy of the related asset or liability.

Assets Recorded at Fair Value

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring and non-recurring basis as of December 31, 2023 and 2022:

Recurring Basis

The Company is required or permitted to record the following assets at fair value on a recurring basis under other accounting pronouncements (in thousands):

		Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3
December 31, 2023				
Available-for-sale debt securities:				
U.S. Treasury securities	$ 8,954	$ —	$ 8,954	$ —
U.S. Government agencies	95	—	95	—
Obligations of states and political subdivisions	180,222	—	180,222	—
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	83,352	—	83,352	—
Private label mortgage and asset backed securities	324,573	—	324,573	—
Equity Securities	6,649	6,649	—	—
Total assets measured at fair value on a recurring basis	$ 603,845	$ 6,649	$ 597,196	$ —

	Fair Value Measurements Using			
	Fair Value	Level 1	Level 2	Level 3
December 31, 2022				
Available-for-sale debt securities:				
U.S. Treasury securities	$ 8,707	$ —	$ 8,707	$ —
U.S. Government agencies	98	—	98	—
Obligations of states and political subdivisions	174,985	—	174,985	—
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	109,493	—	109,493	—
Private label residential mortgage and asset backed securities	355,542	—	355,542	—
Corporate debt securities	—	—	—	—
Equity Securities	6,558	6,558	—	—
Total assets measured at fair value on a recurring basis	$ 655,383	$ 6,558	$ 648,825	$ —

Securities in Level 1 are mutual funds and fair values are based on quoted market prices for identical instruments traded in active markets. Fair values for available-for-sale investment securities in Level 2 are based on quoted market prices for similar securities in active markets. For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators.

Management evaluates the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets, total liabilities or total earnings. During the years ended December 31, 2023 and 2022, no transfers between levels occurred.

There were no Level 3 assets measured at fair value on a recurring basis at December 31, 2023 or December 31, 2022. Also there were no liabilities measured at fair value on a recurring basis at December 31, 2023 or December 31, 2022.

Non-Recurring Basis

There were no assets measured on a non-recurring basis at December 31, 2023 and December 31, 2022.

17. PARENT ONLY CONDENSED FINANCIAL STATEMENTS

CONDENSED BALANCE SHEETS

December 31, 2023 and 2022

(In thousands)	2023	2022
ASSETS		
Cash and cash equivalents	$ 776	$ 3,202
Investment in Bank subsidiary	274,596	240,879
Other assets	1,704	989
Total assets	$ 277,076	$ 245,070
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Senior debt and subordinated debentures	$ 69,744	$ 69,599
Other liabilities	268	811
Total liabilities	70,012	70,410
Shareholders' equity:		
Common stock	62,550	61,487
Retained earnings	210,548	194,400
Accumulated other comprehensive loss, net of tax	(66,034)	(81,227)
Total shareholders' equity	207,064	174,660
Total liabilities and shareholders' equity	$ 277,076	$ 245,070

CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)

For the Years Ended December 31, 2023, 2022, and 2021

(In thousands)	2023	2022	2021
Income:			
Dividends declared by (Company) Subsidiary - eliminated in consolidation	$ 6,963	$ (38,000)	$ 7,679
Other income	11	6	3
Total income	6,974	(37,994)	7,682
Expenses:			
Interest on subordinated debentures and borrowings	3,652	1,971	266
Professional fees	1,305	239	296
Other expenses	283	601	560
Total expenses	5,240	2,811	1,122
Income (loss) before equity in undistributed net income of Subsidiary	1,734	(40,805)	6,560
Equity in undistributed net income of Subsidiary, net of distributions	22,256	66,583	21,496
Income before income tax benefit	23,990	25,778	28,056
Benefit from income taxes	1,546	867	345
Net income	$ 25,536	$ 26,645	$ 28,401
Total other comprehensive income (loss)	15,193	(88,859)	(7,224)
Comprehensive income (loss)	$ 40,729	$ (62,214)	$ 21,177

CONDENSED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023, 2022, and 2021

(In thousands)	2023	2022	2021
Cash flows from operating activities:			
Net income	$ 25,536	$ 26,645	$ 28,401
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Undistributed net income of subsidiary, net of distributions	(22,256)	(66,583)	(21,496)
Equity-based compensation	858	776	562
Amortization of unamortized issuance cost	145	145	—
Net (increase) decrease in other assets	(715)	(499)	1
Net increase (decrease) in other liabilities	(542)	390	307
Benefit for deferred income taxes	—	15	6
Net cash provided by (used in) operating activities	3,026	(39,111)	7,781
Cash flows used in investing activities:			
Investment in subsidiary	—	—	—
Cash flows from financing activities:			
Proceeds from issuance of subordinated and senior debt	—	30,000	34,299
Cash dividend payments on common stock	(5,657)	(5,638)	(5,757)
Purchase and retirement of common stock	(1)	(6,814)	(13,619)
Proceeds from exercise of stock options	—	489	256
Proceeds from stock issued under employee stock purchase plan	206	216	204
Net cash (used in) provided by financing activities	(5,452)	18,253	15,383
(Decrease) increase in cash and cash equivalents	(2,426)	(20,858)	23,164
Cash and cash equivalents at beginning of year	3,202	24,060	896
Cash and cash equivalents at end of year	$ 776	$ 3,202	$ 24,060
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the year for interest	$ 4,180	$ 1,431	$ 119

18. SUBSEQUENT EVENT

On February 8, 2024, the Company received shareholder approval of the merger of Community West Bancshares with and into the Company, with Central Valley Community Bancorp as the resulting company, and Community West Bank with and into Central Valley Community Bank.

Additionally, all required regulatory approvals have been received for the merger and the closing of the transaction is expected to be completed as of April 1, 2024, subject to certain other customary closing conditions. Following the closing of the merger, the resulting company will assume the name Community West Bancshares, and Central Valley Community Bank will assume the name Community West Bank to reflect the expanded territory of the combined company.

Dividend Declared

On January 17, 2024, the Board of Directors declared a 0.12 per share cash dividend payable on February 19, 2024 to shareholders of record as of February 2, 2024.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A - CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of the end of the period covered by this report.

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on management’s evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are designed to, and are effective to, provide assurance at a reasonable level that the information we are required to disclose in this report is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosures.

(b) Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as
such term is defined in Exchange Act Rules 13a- l 5(f) and 15d-15(f). Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2023 based on the guidelines established in the *Internal Control--Integrated Framework* (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission **(COSO).** Our internal control over financial reporting includes policies and procedures that provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Based on the results of our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2023. We reviewed the results of management’s assessment with our Audit Committee.

(c) Changes in Internal Control over Financial Reporting

There were no changes in the Company’s internal control over financial reporting that occurred during the quarter ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting. Pursuant to SEC rules applicable to small reporting companies and non-accelerated filers, this Annual Report on Form 10-K does not include an audit report on internal control over financial reporting from the Company’s independent registered public accounting firm.

(d) Inherent Limitations on Effectiveness of Controls

Our management, including our chief executive officer and chief financial officer, do not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

ITEM 9B - OTHER INFORMATION

None.

ITEM 9C- DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information required of this Item can be found in the definitive Proxy Statement for the Company's 2024 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A (the Proxy Statement), under "Election of Directors", which section of the Proxy Statement is incorporated herein by reference.

CODE OF ETHICS

We maintain and enforce *Code of Business Conduct and Ethics* that applies to all employees, including our CEO and CFO. A copy of our *Code of Business Conduct and Ethics*, has been posted on the Investor Relations portion of our website, under the Investment Menu - Governance Documents, at www.cvcb.com.

We intend to disclose any changes or amendments to our code of ethics or waivers from our code of ethics applicable to our CEO by posting such changes or waivers to our website.

ITEM 11 - EXECUTIVE COMPENSATION.

The information required by this Item can be found in the definitive Proxy Statement for the Company's 2024 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A (the Proxy Statement), under "Executive Compensation", "Compensation Discussion and Analysis", "Compensation Committee Report", and "Compensation of Directors", which sections of the Proxy Statement is incorporated herein by reference.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

For information concerning security ownership of certain beneficial owners and management, see "Principal Shareholders" and "Election of Directors of the Company" in the definitive Proxy Statement for the Company's 2024 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A (the Proxy Statement), which section of the Proxy Statement is incorporated herein by reference.

EQUITY COMPENSATION PLAN INFORMATION

The following chart sets forth information for the year ended December 31, 2023, regarding equity-based compensation plans of the Company.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)		Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)	
Equity compensation plans approved by security holders	—	(1)	$ —	612,652	(2)
Equity compensation plans not approved by security holders	N/A		N/A	N/A	
Total	—		$ —	612,652	

(1) Under the Central Valley Community Bancorp 2015 Omnibus Incentive Plan (2015 Plan), the Company is authorized to issue restricted stock awards. Restricted stock awards are not included in the total in column (a). See Note 13 in the audited Consolidated Financial Statements in Item 8 of this Annual Report.
(2) Includes securities available for issuance of stock options and restricted stock.

At December 31, 2023, there were 75,133 shares of restricted common stock issued and outstanding. No options to purchase shares of the Company's common stock were issued during the years ended December 31, 2023 and 2022 from any of the Company's equity-based compensation plans. During the year ended December 31, 2023, 69,692 shares of restricted common stock were granted under the 2015 Plan, and 56,089 shares of restricted common stock were granted during the year ended December 31, 2022.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

For information concerning certain relationships and related transactions, see "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" and "INDEBTEDNESS OF MANAGEMENT" in the definitive Proxy Statement for the Company's 2024 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A (the Proxy Statement), which section of the Proxy Statement is incorporated herein by reference.

ITEM 14 - PRINCIPAL ACCOUNTING FEES AND SERVICES

For information concerning principal accounting fees and services, see "PRINCIPAL ACCOUNTING FEES AND SERVICES" in the definitive Proxy Statement for the Company's 2024 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A (the Proxy Statement), which section of the Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) FINANCIAL STATEMENTS

The Financial Statements of the Company and the Report of Independent Registered Public Accounting Firm (PCAOB ID:659) are set forth in Part II, Item 8 and incorporated by reference herein.

(a)(2) FINANCIAL STATEMENT SCHEDULES

All schedules to the Financial Statements are omitted because of the absence of the conditions under which they are required or because the required information is included in the Financial Statements or accompanying notes.

(a)(3) EXHIBITS

The exhibits filed as part of this report and exhibits incorporated by reference to other documents are as follows:

Exhibit Number	Exhibit
2.1	Agreement and Plan of Reorganization and Merger, dated October 10, 2023, by and among Central Valley Community Bancorp and Community West Bancshares, attached as Exhibit 2.1 to the Form 8-K, filed October 10, 2023 and incorporated herein by reference.
2.2	Agreement and Plan of Reorganization and Merger, dated December 19, 2012, by and among Central Valley Community Bancorp, Central Valley Community Bank and Visalia Community Bank, incorporated by reference to Appendix A to the proxy statement-prospectus contained in the Amendment No. 2 to Form S-4, Registration Statement No. 333-187260, filed May 8, 2013 and incorporated herein by reference.
2.3	The Agreement and Plan of Reorganization and Merger among Central Valley Community Bancorp, Central Valley Community Bank, and Sierra Vista Bank, dated April 28, 2016, attached as Exhibit 2.2 to the Form 8-K, filed April 29, 2016 and incorporated herein by reference.
2.4	The Agreement and Plan of Reorganization and Merger among Central Valley Community Bancorp, Central Valley Community Bank, and Folsom Lake Bank, dated April 27, 2017, incorporated by reference to Appendix A to the proxy statement-prospectus contained in the Amendment No. 1 to Form S-4, Registration Statement No. 333-218664, filed June 26, 2017 and incorporated herein by reference.
3.1	Amended and Restated Articles of Incorporation of Central Valley Community Bancorp, attached as Exhibit 3.1 to the Form 10-Q for quarter ended June 30, 2010, refiled herein.
3.2	Revised and Restated Bylaws of the Company.
4.1	Indenture, dated as of August 17, 2006 between Service 1st Bancorp, as Issuer, and Wells Fargo Bank, National Association, as trustee, attached as Exhibit 4.2 to the Quarterly Report on Form 10-Q for the quarter ended August June 30, 2007 and incorporated herein by reference.
4.2	Declaration of Trust for Service 1st Capital Trust I, dated as of August 17, 2006, between Wells Fargo Bank, National Association as trustee, and Central Valley Community Bancorp as successor through merger to Service 1st Bancorp, attached as Exhibit 4.3 to the Quarterly Report on Form 10-Q for the quarter ended August June 30, 2007 and incorporated herein by reference.
4.3	Description of Securities Registered under Section 12 of the Securities Exchange Act of 1934.
10.1	Clovis Community Bank Amended and Restated Deferred Fee Agreement for Daniel N. Cunningham, attached as Exhibit 10.23 to the Form 10-K for the year ended December 31, 2000, filed on March 30, 2001 and incorporated herein by reference.*
10.2	Clovis Community Bank Amended and Restated Deferred Fee Agreement for Steven McDonald, attached as Exhibit 10.24 to the Form 10-K for the year ended December 31, 2000, filed on March 30, 2001 and incorporated herein by reference.*
10.3	Clovis Community Bank Amended and Restated Deferred Fee Agreement for Louis McMurray, attached as Exhibit 10.25 to the Form 10-K for the year ended December 31, 2000, filed on March 30, 2001 and incorporated herein by reference.*
10.4	Clovis Community Bank Amended and Restated Deferred Fee Agreement for William S. Smittcamp, attached as Exhibit 10.27 to the Form 10-K for the year ended December 31, 2000, filed on March 30, 2001 and incorporated herein by reference.*

10.5	Form of Second Amended and Restated Director Deferred Fee Agreement by and between Clovis Community Bank and Daniel N. Cunningham, Steven McDonald, Louis McMurray, and William S. Smittcamp, effective February 13, 2002, attached as Exhibit 10.36 to the Quarterly Report on Form 10-QSB for the quarter ended June 30, 2002, filed August 12, 2002 and incorporated herein by reference.*
10.6	Schedule A, Participants' Normal Retirement Age and Form of Benefit Elected to Second Amended and Restated Director Deferred Fee Agreement by and between Clovis Community Bank and Daniel N. Cunningham, Steven McDonald, Louis McMurray, and William S. Smittcamp, effective February 13, 2002, attached as Exhibit 10.37 to the Quarterly Report on Form 10-QSB for the quarter ended June 30, 2002, filed August 12, 2002 and incorporated herein by reference.*
10.7	Addendum A, Clovis Community Bank Split Dollar Agreement and Endorsement by and between Clovis Community Bank and Daniel N. Cunningham, Steven McDonald, Louis McMurray, and William S. Smittcamp, effective February 13, 2002, attached as Exhibit 10.38 to the Quarterly Report on Form 10-QSB for the quarter ended June 30, 2002, filed August 12, 2002 and incorporated herein by reference.*
10.8	Schedule B, Participants and Their Executive Interest in Clovis Community Bank Split Dollar Agreement and Endorsement, by and between Clovis Community Bank and Daniel N. Cunningham, Steven McDonald, Louis McMurray, and William S. Smittcamp, effective February 13, 2002, attached as Exhibit 10.39 to the Quarterly Report on Form 10-QSB for the quarter ended June 30, 2002, filed August 12, 2002 and incorporated herein by reference.*
10.9	Amendment No. 1 to Salary Continuation Agreement by and between Central Valley Community Bank and Daniel J. Doyle effective October 16, 2002, attached as Exhibit 10.42 to the Annual Report on Form 10-KSB for the year ended December 31, 2002, filed March 31, 2003 and incorporated herein by reference.*
10.10	Form of Amendment to the Split Dollar Agreement and Policy Endorsement with Central Valley Community Bank by and between Central Valley Community Bank f/k/a Clovis Community Bank and Daniel N. Cunningham, Steven McDonald, Louis McMurray, and William S. Smittcamp, effective January 1, 2003, attached as Exhibit 10.43 to the Quarterly Report on Form 10-QSB for the quarter ended March 31, 2003, filed May 8, 2003 and incorporated herein by reference.*
10.11	Schedule C, Participants and life insurance policies in Central Valley Community Bank Amended Split Dollar Agreement and Policy Endorsement by and between Central Valley Community Bank f/k/a Clovis Community Bank and Daniel N. Cunningham, Steven McDonald, Louis McMurray, and William S. Smittcamp, effective January 1, 2003, attached as Exhibit 10.44 to the Quarterly Report on Form 10-QSB for the quarter ended March 31, 2003, filed May 8, 2003 and incorporated herein by reference.*
10.12	Schedule C, Participants and life insurance policies in Central Valley Community Bank Amended Split Dollar Agreement and Policy Endorsement by and between Central Valley Community Bank f/k/a Clovis Community Bank and Daniel N. Cunningham, Steven McDonald, Louis McMurray, and William S. Smittcamp, effective January 1, 2003, attached as Exhibit 10.44 to the Quarterly Report on Form 10-QSB for the quarter ended March 31, 2003, filed May 8, 2003 and incorporated herein by reference.*
10.13	Schedule C, Participants and life insurance policies in Central Valley Community Bank Amended Split Dollar Agreement and Policy Endorsement by and between Central Valley Community Bank f/k/a Clovis Community Bank and Daniel N. Cunningham, Steven McDonald, Louis McMurray, and William S. Smittcamp, effective January 1, 2003, attached as Exhibit 10.44 to the Quarterly Report on Form 10-QSB for the quarter ended March 31, 2003, filed May 8, 2003 and incorporated herein by reference.*
10.14	Second Amendment to the Clovest Corporation Director Deferred Compensation Plan Agreement Dated November 14, 1996 by and between Clovest Corporation and Daniel N. Cunningham effective October 31, 2003, attached as Exhibit 10.47 to the Annual Report on Form 10-KSB for the year ended December 31, 2003, filed March 26, 2004 and incorporated herein by reference.*
10.15	Second Amendment to the Clovest Corporation Director Deferred Compensation Plan Agreement Dated November 14, 1996 by and between Clovest Corporation and William S. Smittcamp effective October 31, 2003, attached as Exhibit 10.48 to the Annual Report on Form 10-KSB for the year ended December 31, 2003, filed March 26, 2004 and incorporated herein by reference.*

10.16	Second Amendment to the Clovest Corporation Director Deferred Compensation Plan Agreement Dated November 14, 1996 by and between Clovest Corporation and Louis McMurray effective October 31, 2003, attached as Exhibit 10.49 to the Annual Report on Form 10-KSB for the year ended December 31, 2003, filed March 26, 2004 and incorporated herein by reference.*
10.17	Amendment No. 3 To Salary Continuation Agreement by and between Central Valley Community Bank and Daniel Doyle effective February 1, 2005, attached as Exhibit 10.62 to the Quarterly Report on Form 10-Q for the quarter ended June, 30 2005, filed August 15, 2005 and incorporated herein by reference.*
10.18	Salary Continuation Agreement Amendment dated March 1, 2008 by and between Central Valley Community Bank and Daniel J. Doyle, attached as Exhibit 10.82 to Annual Report on Form 10-K for the year ended December 31, 2007, filed March 5, 2008 and incorporated herein by reference.*
10.19	Form of Second Amendment to the Director Deferred Compensation Agreement effective January 1, 2009 by and between Central Valley Community Bank and Daniel N. Cunningham, Edwin S. Darden, Jr., Steven D. McDonald, Louis C. McMurray, and William S. Smittcamp, attached as Exhibit 10.83 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, filed November 13, 2009 and incorporated herein by reference.
10.20	Second Amended and Restated Executive Salary Continuation Agreement effective July 1, 2011, by and between Central Valley Community Bank and Daniel J. Doyle, attached as Exhibit 10.89 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed on November 14, 2011 and incorporated herein by reference.*
10.21	Second Amended and Restated Life Insurance Endorsement Method Split Dollar Plan Agreement effective July 1, 2011, by and between Central Valley Community Bank and Daniel J. Doyle, attached as Exhibit 10.90 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed on November 14, 2011 and incorporated herein by reference.*
10.22	Amended Split Dollar Plan Agreement and Endorsement effective March 21, 2012, by and between Central Valley Community Bank and William S. Smittcamp, attached as Exhibit 10.99 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed May 11, 2012 and incorporated herein by reference.*
10.23	Amended Split Dollar Plan Agreement and Endorsement effective March 21, 2012, by and between Central Valley Community Bank and Daniel N. Cunningham, attached as Exhibit 10.100 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed May 11, 2012 and incorporated herein by reference.*
10.24	Amended Split Dollar Plan Agreement and Endorsement effective March 21, 2012, by and between Central Valley Community Bank and Louis McMurray, attached as Exhibit 10.101 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed May 11, 2012 and incorporated herein by reference.*
10.25	Amended Split Dollar Plan Agreement and Endorsement effective March 21, 2012, by and between Central Valley Community Bank and Steven D. McDonald, attached as Exhibit 10.102 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed May 11, 2012 and incorporated herein by reference.*
10.26	Amended Split Dollar Plan Agreement and Endorsement effective December 18, 2013, by and between Central Valley Community Bank and Daniel N. Cunningham, attached as Exhibit 10.104 to Annual Report on Form 10K for the year ended December 31, 2013, filed March 21, 2014 and incorporated herein by reference.*
10.27	Amended Split Dollar Plan Agreement and Endorsement effective December 18, 2013, by and between Central Valley Community Bank and Louis McMurray, attached as Exhibit 10.106 to Annual Report on Form 10K for the year ended December 31, 2013, filed March 21, 2014 and incorporated herein by reference.*
10.28	Amended Split Dollar Plan Agreement and Endorsement effective December 18, 2013, by and between Central Valley Community Bank and Steven D. McDonald, attached as Exhibit 10.107 to Annual Report on Form 10K for the year ended December 31, 2013, filed March 21, 2014 and incorporated herein by reference.*

10.29	Amended Split Dollar Plan Agreement and Endorsement effective December 18, 2013, by and between Central Valley Community Bank and William S. Smittcamp, attached as Exhibit 10.108 to Annual Report on Form 10K for the year ended December 31, 2013, filed March 21, 2014 and incorporated herein by reference.*
10.30	Central Valley Community Bank Executive Deferred Compensation Plan dated October 21, 2015, attached as Exhibit 10.110 to Annual Report on Form 10-K for the year ended December 31, 2015, filed March 15, 2016 and incorporated herein by reference.*
10.31	Central Valley Community Bancorp 2015 Omnibus Incentive Plan dated May 20, 2015, attached as Exhibit 10.114 to Annual Report on Form 10-K for the year ended December 31, 2016, filed March 29, 2017 and incorporated herein by reference.*
10.32	Service 1st Bank Salary Continuation Agreement by and between Service 1st Bank and Patrick J. Carman effective August 22, 2008, as amended, attached as Exhibit 10.11 to the Annual Report on Form 10-K for the year ended December 31, 2016, filed on March 29, 2017 and incorporated herein by reference.*
10.33	Central Valley Community Bancorp Employee Stock Purchase Plan dated June 1, 2017, attached as Exhibit 4.3 to Registration Statement No. 333-218408 on Form S-8, filed June 1, 2017 and incorporated herein by reference.*
10.34	Life Insurance Endorsement Method Split Dollar Plan Agreement by and between Central Valley Community Bank and James J. Kim, dated February 1, 2019, attached as Exhibit 10.84 to the Annual Report on Form 10-K for the year ended December 31, 2018 filed March 8, 2019 and incorporated herein by reference.*
10.35	Executive Salary Continuation Agreement by and between Central Valley Community Bank and Teresa Gilio, dated May 1, 2019, attached as Exhibit 10.84 to the Annual Report on Form 10-K for the year ended December 31, 2019 filed as March 6, 2020 and incorporated herein by reference.*
10.36	Life Insurance Endorsement Method Split Dollar Plan Agreement by and between Central Valley Community Bank and Teresa Gilio, dated May 1, 2019. attached as Exhibit 10.85 to the Annual Report on Form 10-K for the year ended December 31, 2019 filed on March 6, 2020 and incorporated herein by reference.*
10.37	Amended Executive Salary Continuation Agreement effective April 1, 2020, by and between Central Valley Community Bank and James J. Kim, attached as Exhibit 10.86 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 filed May 6, 2020 and incorporated herein by reference.*
10.38	Amended Life Insurance Endorsement Method Split Dollar Agreement effective April 1, 2020, by and between Central Valley Community Bank and James J. Kim, attached as Exhibit 10.87 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 filed May 6, 2020 and incorporated herein by reference.*
10.39	Executive Salary Continuation Agreement by and between Central Valley Community Bank and Ken Ramos, dated April 1, 2020, attached as Exhibit 10.88 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 filed May 6, 2020 and incorporated herein by reference.*
10.40	Life Insurance Endorsement Method Split Dollar Plan Agreement by and between Central Valley Community Bank and Ken Ramos, dated April 1, 2020, attached as Exhibit 10.89 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 filed May 6, 2020 and incorporated herein by reference.*
10.41	Change in Control Agreement by and between Central Valley Community Bank and James J. Kim, Patrick A. Luis, A. Kenneth Ramos, Teresa Gilio, and Blaine C. Lauhon, Dated April 30, 2021, attached as Exhibit 99.1 to file Form 8-K, filed May 5, 2021 and incorporated herein by reference.*
10.42	Executive Salary Continuation Agreement by and between Central Valley Community Bank and Patrick Luis, dated July 1, 2021, attached as Exhibit 10.93 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 filed August 4, 2021 and incorporated herein by reference.*

10.43	Life Insurance Endorsement Method Split Dollar Plan Agreement by and between Central Valley Community Bank and Patrick Luis, dated July 1, 2021, attached as Exhibit 10.94 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 filed August 4, 2021 and incorporated herein by reference.*
10.44	Employment Agreement by and between Central Valley Community Bank and James J. Kim effective November 1, 2021, attached as Exhibit 99.2 to the Form 8K filed September 10, 2021 and incorporated herein by reference.*
10.45	Restricted Stock Award Agreement by and between Central Valley Community Bancorp and James J. Kim, dated February 1, 2022, attached as Exhibit 10.86 to the Annual Report on Form 10-K for the year ended December 31, 2021 filed March 9, 2022 and incorporated herein by reference.*
10.46	Change in Control Agreement by and between Central Valley Community Bank and Jeffrey Martin, effective June 3, 2022, attached as Exhibit 99.1 to the Form 8K filed June 3, 2022 and incorporated herein by reference.*
10.47	Restricted Stock Award Agreement by and between Central Valley Community Bancorp and James J. Kim, dated February 1, 2023.*
10.48	Change in Control Agreement by and between Central Valley Community Bank and Shannon Livingston, effective September 22, 2023, attached as Exhibit 99.1 to the Form 8K filed September 22, 2023 and incorporated herein by reference.*
21	Subsidiaries, attached as Exhibit 21 to the Annual Report on Form 10-K for the year ended December 31, 2023 and incorporated by reference.
23.1	Consent of Moss Adams LLP
23.2	Consent of Crowe LLP
24	Power of Attorney (incorporated by reference to the signature page of this Annual Report on Form 10-K)
31.1	Rule 13a-14(a) [Section 302] Certification Of Principal Executive Officer
31.2	Rule 13a-14(a) [Section 302] Certification Of Principal Financial Officer
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350. As Adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002
97.1	Executive Officer Incentive Compensation Recovery Policy.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase

101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Link Document

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* Management contract and compensatory plans.

ITEM 16 FORM 10-K SUMMARY

Omitted at registrant's option

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CENTRAL VALLEY COMMUNITY BANCORP

Date:	March 15, 2024	By:	/s/ James J. Kim
			James J. Kim President and Chief Executive Officer (Principal Executive Officer)
Date:	March 15, 2024	By:	/s/ Shannon Livingston
			Shannon Livingston Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

POWER OF ATTORNEY AND SIGNATURES

KNOW ALL PERSONS BY THESE PRESENT, that each person whose signature appears below constitutes and appoints James J. Kim, his or her attorney-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact, or his or her substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ James J. Kim | Date: March 15, 2024
James J. Kim,
President and Chief Executive Officer and Director (Principal Executive Officer)

/s/ Shannon Livingston | Date: March 15, 2024
Shannon Livingston
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

/s/ Daniel J. Doyle | Date: March 15, 2024
Daniel J. Doyle,
Chairman of the Board and Director

/s/ Daniel N. Cunningham | Date: March 15, 2024
Daniel N. Cunningham, Vice Chairman of the Board and Director

/s/ F.T. "Tommy" Elliott, IV | Date: March 15, 2024
F.T. "Tommy" Elliott, IV, Director

/s/ Robert J. Flautt | Date: March 15, 2024
Robert J. Flautt, Director

/s/ Gary D. Gall | Date: March 15, 2024
Gary D. Gall, Director

/s/ Andriana D. Majarian | Date: March 15, 2024
Andriana D. Majarian, Director

/s/ Steven D. McDonald | Date: March 15, 2024
Steven D. McDonald, Director

/s/ Louis McMurray | Date: March 15, 2024
Louis McMurray, Director

/s/ Karen Musson | Date: March 15, 2024
Karen Musson, Director

/s/ Dorothea D. Silva | Date: March 15, 2024
Dorothea D. Silva, Director

/s/ William S. Smittcamp | Date: March 15, 2024
William S. Smittcamp, Director

Exhibit 3.1

AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF
CENTRAL VALLEY COMMUNITY BANCORP

CERTIFICATE OF AMENDMENT OF
ARTICLES OF INCORPORATION

The undersigned certify that:

1. They are the President and Chief Executive Officer, and Secretary, respectively, of CENTRAL VALLEY COMMUNITY BANCORP, a California corporation.

2. The Articles of Incorporation of CENTRAL VALLEY COMMUNITY BANCORP are amended and restated as follows:

I.

NAME

The name of this corporation is Central Valley Community Bancorp.

II.

PURPOSE

The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

III.

AUTHORIZED STOCK

(a) Central Valley Community Bancorp (hereinafter the "Corporation") is authorized to issue two classes of shares designated "Preferred Stock" and "Common Stock" respectively. The number of shares of Common Stock authorized to be issued is 81,000,000 and the number of shares of Preferred Stock authorized to be issued is 10,000,000.

(b) The shares of Common Stock shall be divided into two series, 80,000,000 shares of which shall be designated "Common Stock," and 1,000,000 shares of which shall be designated "Non-Voting Common Stock." The Non-Voting Common Stock shall not be entitled to cast votes for the election of directors, nor shall it vote on other matters except as provided by the California Corporations Code, but shall have all other rights of the voting Common Stock, including without limitation the same rights to dividends and distributions in cash or other property. The Corporation shall not register the Non-Voting Common Stock for trading on any exchange.

(c) Except as provided in Section (d), the shares of Preferred Stock may be divided into such number of series as the Board of Directors may determine. The Board of Directors is authorized to determine and alter the rights, preferences, privileges and restrictions granted to and imposed upon any wholly unissued series of Preferred Stock, and to fix the number of shares of any series of Preferred Stock and the designation of any such series of Preferred

Stock. The Board of Directors, within the limits and restrictions stated in any resolution or resolutions of the Board of Directors originally fixing the number of shares constituting any series, may increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series subsequent to the issue of shares of that series.

(d) The rights, preferences, privileges and restrictions of the Company's existing series of Preferred Stock, created by previously filed Certificates of Determination, are as set forth in Articles IV and V below.

IV.

SERIES A FIXED RATE CUMULATIVE PERPETUAL PREFERRED STOCK

This Article IV restates, as an Article in these Amended and Restated Articles of Incorporation pursuant to Section 910(c) of the California Corporations Code, that certain Certificate of Determination of the Corporation, filed January 20, 2009.

Designation and Number of Shares. The Corporation is authorized to issue a series of Preferred Stock designated as the "Series A Fixed Rate Cumulative Perpetual Preferred Stock" (the "Designated Preferred Stock"). The authorized number of shares of Designated Preferred Stock is 7,000.

Section 1. General Matters. Each share of Designated Preferred Stock shall be identical in all respects to every other share of Designated Preferred Stock. The Designated Preferred Stock shall be perpetual, subject to the provisions of Section 5 of this Article IV. The Designated Preferred Stock shall rank equally with Parity Stock and shall rank senior to Junior Stock with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the Corporation.

Section 2. Standard Definitions. As used herein with respect to Designated Preferred Stock:

(a) "Applicable Dividend Rate" means (i) during the period from the Original Issue Date to, but excluding, the first day of the first Dividend Period commencing on or after the fifth anniversary of the Original Issue Date, 5% per annum and (ii) from and after the first day of the first Dividend Period commencing on or after the fifth anniversary of the Original Issue Date, 9% per annum.

(b) "Appropriate Federal Banking Agency" means the "appropriate Federal banking agency" with respect to the Corporation as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. Section 1813(q)), or any successor provision.

(c) "Business Combination" means a merger, consolidation, statutory share exchange or similar transaction that requires the approval of the Corporation's stockholders.

(d) "Business Day" means any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

(e) "Bylaws" means the bylaws of the Corporation, as they may be amended from time to time.

(f) "Charter" means the Corporation's certificate or articles of incorporation, articles of association, or similar organizational document.

(g) "Dividend Payment Date" means February 15, May 15, August 15 and November 15 of each year.

(h)"Dividend Period" has the meaning set forth in Section 3(a).

(i)"Dividend Record Date" has the meaning set forth in Section 3(a).

(j)"Junior Stock" means the Common Stock and any other class or series of stock of the Corporation the terms of which expressly provide that it ranks junior to Designated Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Corporation.

(k)"Liquidation Amount" means $1,000 per share of Designated Preferred Stock.

(l)"Liquidation Preference" has the meaning set forth in Section 4(a).

(m)"Original Issue Date" means the date on which shares of Designated Preferred Stock are first issued.

(n)"Minimum Amount" means $1,750,000.

(o)"Parity Stock" means any class or series of stock of the Corporation (other than Designated Preferred Stock) the terms of which do not expressly provide that such class or series will rank senior or junior to Designated Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Corporation (in each case without regard to whether dividends accrue cumulatively or non-cumulatively). Without limiting the foregoing, Parity Stock shall include the Corporation's authorized but unissued Preferred Stock.

(p)"Preferred Director" has the meaning set forth in Section 7(b).

(q)"Preferred Stock" means any and all series of preferred stock of the Corporation, including the Designated Preferred Stock.

(r)"Qualified Equity Offering" means the sale and issuance for cash by the Corporation to persons other than the Corporation or any of its subsidiaries after the Original Issue Date of shares of perpetual Preferred Stock, Common Stock or any combination of such stock, that, in each case, qualify as and may be included in Tier 1 capital of the Corporation at the time of issuance under the applicable risk-based capital guidelines of the Corporation's Appropriate Federal Banking Agency (other than any such sales and issuances made pursuant to agreements or arrangements entered into, or pursuant to financing plans which were publicly announced, on or prior to October 13, 2008).

(s)"Share Dilution Amount" has the meaning set forth in Section 3(b).

(t)"Signing Date" means the Original Issue Date.

(u)"Successor Preferred Stock" has the meaning set forth in Section 5(a).

(v)"Voting Parity Stock" means, with regard to any matter as to which the holders of Designated Preferred Stock are entitled to vote as specified in Sections 7(a) and 7(b) of this Article IV, any and all series of Parity Stock upon which like voting rights have been conferred and are exercisable with respect to such matter.

Section 3. Dividends.

(a)Rate. Holders of Designated Preferred Stock shall be entitled to receive, on each share of Designated Preferred Stock if, as and when declared by the Board of Directors or any duly authorized committee of the Board of Directors, but only out of assets legally available therefor, cumulative cash dividends with respect to

each Dividend Period (as defined below) at a rate per annum equal to the Applicable Dividend Rate on (i) the Liquidation Amount per share of Designated Preferred Stock and (ii) the amount of accrued and unpaid dividends for any prior Dividend Period on such share of Designated Preferred Stock, if any. Such dividends shall begin to accrue and be cumulative from the Original Issue Date, shall compound on each subsequent Dividend Payment Date (*i.e.*, no dividends shall accrue on other dividends unless and until the first Dividend Payment Date for such other dividends has passed without such other dividends having been paid on such date) and shall be payable quarterly in arrears on each Dividend Payment Date, commencing with the first such Dividend Payment Date to occur at least 20 calendar days after the Original Issue Date. In the event that any Dividend Payment Date would otherwise fall on a day that is not a Business Day, the dividend payment due on that date will be postponed to the next day that is a Business Day and no additional dividends will accrue as a result of that postponement. The period from and including any Dividend Payment Date to, but excluding, the next Dividend Payment Date is a "Dividend Period", provided that the initial Dividend Period shall be the period from and including the Original Issue Date to, but excluding, the next Dividend Payment Date.

Dividends that are payable on Designated Preferred Stock in respect of any Dividend Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The amount of dividends payable on Designated Preferred Stock on any date prior to the end of a Dividend Period, and for the initial Dividend Period, shall be computed on the basis of a 360-day year consisting of twelve 30-day months, and actual days elapsed over a 30-day month.

Dividends that are payable on Designated Preferred Stock on any Dividend Payment Date will be payable to holders of record of Designated Preferred Stock as they appear on the stock register of the Corporation on the applicable record date, which shall be the 15th calendar day immediately preceding such Dividend Payment Date or such other record date fixed by the Board of Directors or any duly authorized committee of the Board of Directors that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a "Dividend Record Date"). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Holders of Designated Preferred Stock shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on Designated Preferred Stock as specified in this Section 3 (subject to the other provisions of the this Article IV).

(b) Priority of Dividends. So long as any share of Designated Preferred Stock remains outstanding, no dividend or distribution shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than dividends payable solely in shares of Common Stock) or Parity Stock, subject to the immediately following paragraph in the case of Parity Stock, and no Common Stock, Junior Stock or Parity Stock shall be, directly or indirectly, purchased, redeemed or otherwise acquired for consideration by the Corporation or any of its subsidiaries unless all accrued and unpaid dividends for all past Dividend Periods, including the latest completed Dividend Period (including, if applicable as provided in Section 3(a) above, dividends on such amount), on all outstanding shares of Designated Preferred Stock have been or are contemporaneously declared and paid in full (or have been declared and a sum sufficient for the payment thereof has been set aside for the benefit of the holders of shares of Designated Preferred Stock on the applicable record date). The foregoing limitation shall not apply to (i) redemptions, purchases or other acquisitions of shares of Common Stock or other Junior Stock in connection with the administration of any employee benefit plan in the ordinary course of business (including purchases to offset the Share Dilution Amount (as defined below) pursuant to a publicly announced repurchase plan) and consistent with past practice, *provided* that any purchases to offset the Share Dilution Amount shall in no event exceed the Share Dilution Amount; (ii) purchases or other acquisitions by a broker-dealer subsidiary of the Corporation solely for the purpose of market-making, stabilization or customer facilitation transactions in Junior Stock or Parity Stock in the ordinary course of its business; (iii) purchases by a broker-dealer subsidiary of the Corporation of capital stock of the Corporation for resale pursuant to an offering by the Corporation of such capital stock underwritten by such broker-dealer subsidiary; (iv) any dividends or distributions of rights or Junior Stock in connection with a stockholders' rights plan or any redemption or repurchase of rights pursuant to any stockholders' rights plan; (v) the acquisition by the Corporation or any of its subsidiaries of record ownership in Junior Stock or Parity Stock for the beneficial ownership of any other persons (other than the Corporation or any of its subsidiaries), including as trustees or custodians; and (vi) the exchange or conversion of Junior Stock for or into other Junior Stock or of Parity Stock for or into other Parity Stock (with the same or lesser aggregate liquidation amount) or Junior Stock, in each

case, solely to the extent required pursuant to binding contractual agreements entered into prior to the Signing Date or any subsequent agreement for the accelerated exercise, settlement or exchange thereof for Common Stock. "Share Dilution Amount" means the increase in the number of diluted shares outstanding (determined in accordance with generally accepted accounting principles in the United States, and as measured from the date of the Corporation's consolidated financial statements most recently filed with the Securities and Exchange Commission prior to the Original Issue Date) resulting from the grant, vesting or exercise of equity-based compensation to employees and equitably adjusted for any stock split, stock dividend, reverse stock split, reclassification or similar transaction.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside for the benefit of the holders thereof on the applicable record date) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period related to such Dividend Payment Date) in full upon Designated Preferred Stock and any shares of Parity Stock, all dividends declared on Designated Preferred Stock and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared *pro rata* so that the respective amounts of such dividends declared shall bear the same ratio to each other as all accrued and unpaid dividends per share on the shares of Designated Preferred Stock (including, if applicable as provided in Section 3(a) above, dividends on such amount) and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) (subject to their having been declared by the Board of Directors or a duly authorized committee of the Board of Directors out of legally available funds and including, in the case of Parity Stock that bears cumulative dividends, all accrued but unpaid dividends) bear to each other. If the Board of Directors or a duly authorized committee of the Board of Directors determines not to pay any dividend or a full dividend on a Dividend Payment Date, the Corporation will provide written notice to the holders of Designated Preferred Stock prior to such Dividend Payment Date.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or any duly authorized committee of the Board of Directors may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and holders of Designated Preferred Stock shall not be entitled to participate in any such dividends.

Section 4. Liquidation Rights.

(a) Voluntary or Involuntary Liquidation. In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Designated Preferred Stock shall be entitled to receive for each share of Designated Preferred Stock, out of the assets of the Corporation or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Corporation, subject to the rights of any creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Corporation ranking junior to Designated Preferred Stock as to such distribution, payment in full in an amount equal to the sum of (i) the Liquidation Amount per share and (ii) the amount of any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount), whether or not declared, to the date of payment (such amounts collectively, the "Liquidation Preference").

(b) Partial Payment. If in any distribution described in Section 4(a) above the assets of the Corporation or proceeds thereof are not sufficient to pay in full the amounts payable with respect to all outstanding shares of Designated Preferred Stock and the corresponding amounts payable with respect of any other stock of the Corporation ranking equally with Designated Preferred Stock as to such distribution, holders of Designated Preferred Stock and the holders of such other stock shall share ratably in any such distribution in proportion to the full respective distributions to which they are entitled.

(c) Residual Distributions. If the Liquidation Preference has been paid in full to all holders of Designated Preferred Stock and the corresponding amounts payable with respect of any other stock of the Corporation ranking equally with Designated Preferred Stock as to such distribution has been paid in full, the holders of other stock of the Corporation shall be entitled to receive all remaining assets of the Corporation (or proceeds thereof) according to their respective rights and preferences.

(d) Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 4, the merger or consolidation of the Corporation with any other corporation or other entity, including a merger or consolidation in which the holders of Designated Preferred Stock receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

Section 5. Redemption.

(a) Optional Redemption. Except as provided below, the Designated Preferred Stock may not be redeemed prior to the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date. On or after the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date, the Corporation, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem, in whole or in part, at any time and from time to time, out of funds legally available therefor, the shares of Designated Preferred Stock at the time outstanding, upon notice given as provided in Section 5(c) below, at a redemption price equal to the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount) (regardless of whether any dividends are actually declared) to, but excluding, the date fixed for redemption.

Notwithstanding the foregoing, prior to the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date, the Corporation, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem, in whole or in part, at any time and from time to time, the shares of Designated Preferred Stock at the time outstanding, upon notice given as provided in Section 5(c) below, at a redemption price equal to the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount) (regardless of whether any dividends are actually declared) to, but excluding, the date fixed for redemption; *provided* that (x) the Corporation (or any successor by Business Combination) has received aggregate gross proceeds of not less than the Minimum Amount (plus the "Minimum Amount" as defined in the relevant certificate of determination for each other outstanding series of preferred stock of such successor that was originally issued to the United States Department of the Treasury (the "Successor Preferred Stock") in connection with the Troubled Asset Relief Program Capital Purchase Program) from one or more Qualified Equity Offerings (including Qualified Equity Offerings of such successor), and (y) the aggregate redemption price of the Designated Preferred Stock (and any Successor Preferred Stock) redeemed pursuant to this paragraph may not exceed the aggregate net cash proceeds received by the Corporation (or any successor by Business Combination) from such Qualified Equity Offerings (including Qualified Equity Offerings of such successor).

The redemption price for any shares of Designated Preferred Stock shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 3 above.

(b) No Sinking Fund. The Designated Preferred Stock will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Designated Preferred Stock will have no right to require redemption or repurchase of any shares of Designated Preferred Stock.

(c) Notice of Redemption. Notice of every redemption of shares of Designated Preferred Stock shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and

not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Designated Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Designated Preferred Stock. Notwithstanding the foregoing, if shares of Designated Preferred Stock are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Designated Preferred Stock at such time and in any manner permitted by such facility. Each notice of redemption given to a holder shall state: (1) the redemption date; (2) the number of shares of Designated Preferred Stock to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) Partial Redemption. In case of any redemption of part of the shares of Designated Preferred Stock at the time outstanding, the shares to be redeemed shall be selected either *pro rata* or in such other manner as the Board of Directors or a duly authorized committee thereof may determine to be fair and equitable. Subject to the provisions hereof, the Board of Directors or a duly authorized committee thereof shall have full power and authority to prescribe the terms and conditions upon which shares of Designated Preferred Stock shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(e) Effectiveness of Redemption. If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been deposited by the Corporation, in trust for the *pro rata* benefit of the holders of the shares called for redemption, with a bank or trust company doing business in the Borough of Manhattan, The City of New York, and having a capital and surplus of at least $500 million and selected by the Board of Directors, so as to be and continue to be available solely therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

(f) Status of Redeemed Shares. Shares of Designated Preferred Stock that are redeemed, repurchased or otherwise acquired by the Corporation shall revert to authorized but unissued shares of Preferred Stock (*provided* that any such cancelled shares of Designated Preferred Stock may be reissued only as shares of any series of Preferred Stock other than Designated Preferred Stock).

Section 6. Conversion. Holders of Designated Preferred Stock shares shall have no right to exchange or convert such shares into any other securities.

Section 7. Voting Rights.

(a) General. The holders of Designated Preferred Stock shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

(b) Preferred Stock Directors. Whenever, at any time or times, dividends payable on the shares of Designated Preferred Stock have not been paid for an aggregate of six quarterly Dividend Periods or more, whether or not consecutive, the holders of the Designated Preferred Stock shall have the right, with holders of shares of any one or more other classes or series of Voting Parity Stock outstanding at the time, voting together as a class, to elect two directors (hereinafter the *"Preferred Directors"* and each a *"Preferred Director"*) at the Corporation's next annual meeting of stockholders (or at a special meeting called for that purpose prior to such next annual meeting) and at each subsequent annual meeting of stockholders until all accrued and unpaid dividends for

all past Dividend Periods, including the latest completed Dividend Period (including, if applicable as provided in Section 3(a) above, dividends on such amount), on all outstanding shares of Designated Preferred Stock have been declared and paid in full at which time such right shall terminate with respect to the Designated Preferred Stock, except as herein or by law expressly provided, subject to revesting in the event of each and every subsequent default of the character above mentioned; *provided* that it shall be a qualification for election for any Preferred Director that the election of such Preferred Director shall not cause the Corporation to violate any corporate governance requirements of any securities exchange or other trading facility on which securities of the Corporation may then be listed or traded that listed or traded companies must have a majority of independent directors. Upon any termination of the right of the holders of shares of Designated Preferred Stock and Voting Parity Stock as a class to vote for directors as provided above, the Preferred Directors shall cease to be qualified as directors and the term of office of all Preferred Directors then in office shall terminate immediately. Any Preferred Director may be removed at any time, with or without cause, and any vacancy created thereby may be filled, only by the affirmative vote of the holders a majority of the shares of Designated Preferred Stock at the time outstanding voting separately as a class together with the holders of shares of Voting Parity Stock, to the extent the voting rights of such holders described above are then exercisable. If the office of any Preferred Director becomes vacant for any reason other than removal from office as aforesaid, the remaining Preferred Director may choose a successor who shall hold office for the unexpired term in respect of which such vacancy occurred.

(c) Class Voting Rights as to Particular Matters. So long as any shares of Designated Preferred Stock are outstanding, in addition to any other vote or written consent of stockholders required by law or by the Charter, the vote or written consent of the holders of at least 66 2/3% of the shares of Designated Preferred Stock at the time outstanding, voting as a separate class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) Authorization of Senior Stock. Any amendment or alteration of this Article IV for the Designated Preferred Stock or the Charter to authorize or create or increase the authorized amount of, or any issuance of, any shares of, or any securities convertible into or exchangeable or exercisable for shares of, any class or series of capital stock of the Corporation ranking senior to Designated Preferred Stock with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Corporation;

(ii) Amendment of Designated Preferred Stock. Any amendment, alteration or repeal of any provision of this Article IV for the Designated Preferred Stock or the Charter (including, unless no vote on such merger or consolidation is required by Section 7(c)(iii) below, any amendment, alteration or repeal by means of a merger, consolidation or otherwise) so as to adversely affect the rights, preferences, privileges or voting powers of the Designated Preferred Stock; or

(iii) Share Exchanges, Reclassifications, Mergers and Consolidations. Any consummation of a binding share exchange or reclassification involving the Designated Preferred Stock, or of a merger or consolidation of the Corporation with another corporation or other entity, unless in each case (x) the shares of Designated Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of Designated Preferred Stock immediately prior to such consummation, taken as a whole;

provided, *however*, that for all purposes of this Section 7(c), any increase in the amount of the authorized Preferred Stock, including any increase in the authorized amount of Designated Preferred Stock necessary to satisfy preemptive or similar rights granted by the Corporation to other persons prior to the Signing Date, or the creation and issuance, or an increase in the authorized or issued amount, whether pursuant to preemptive or similar rights or otherwise, of any other series of Preferred Stock, or any securities convertible into or exchangeable or exercisable for any other series of Preferred Stock, ranking equally with and/or junior to Designated Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets upon liquidation, dissolution or winding up of the Corporation will not be deemed to adversely affect the

rights, preferences, privileges or voting powers, and shall not require the affirmative vote or consent of, the holders of outstanding shares of the Designated Preferred Stock.

(d) Changes after Provision for Redemption. No vote or consent of the holders of Designated Preferred Stock shall be required pursuant to Section 7(c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of the Designated Preferred Stock shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been deposited in trust for such redemption, in each case pursuant to Section 5 above.

(e) Procedures for Voting and Consents. The rules and procedures for calling and conducting any meeting of the holders of Designated Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall conform to the requirements of the Charter, the Bylaws, and applicable law and the rules of any national securities exchange or other trading facility on which Designated Preferred Stock is listed or traded at the time.

Section 8. Record Holders. To the fullest extent permitted by applicable law, the Corporation and the transfer agent for Designated Preferred Stock may deem and treat the record holder of any share of Designated Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent shall be affected by any notice to the contrary.

Section 9. Notices. All notices or communications in respect of Designated Preferred Stock shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Article IV, in the Charter or Bylaws or by applicable law. Notwithstanding the foregoing, if shares of Designated Preferred Stock are issued in book-entry form through The Depository Trust Company or any similar facility, such notices may be given to the holders of Designated Preferred Stock in any manner permitted by such facility.

Section 10. No Preemptive Rights. No share of Designated Preferred Stock shall have any rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

Section 11. Replacement Certificates. The Corporation shall replace any mutilated certificate at the holder’s expense upon surrender of that certificate to the Corporation. The Corporation shall replace certificates that become destroyed, stolen or lost at the holder’s expense upon delivery to the Corporation of reasonably satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be reasonably required by the Corporation.

Section 12. Other Rights. The shares of Designated Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Charter or as provided by applicable law.

V.

SERIES B ADJUSTABLE RATE NON-CUMULATIVE PERPETUAL PREFERRED

This Article V restates, as an Article in these Amended and Restated Articles of Incorporation pursuant to Section 910(c) of the California Corporations Code, that certain Certificate of Determination of the Corporation, filed December 22, 2009.

Section 1. Designation of Series and Number of Shares.

(a) The Corporation is authorized to issue a series of Preferred Stock designated as the "Series B Adjustable Rate Non-Cumulative Perpetual Preferred Stock" (the "Series B Preferred Stock"), and the authorized number of shares that shall constitute such series shall be 1,359 shares, which may be decreased (but not below the number of shares of Series B Preferred Stock then issued and outstanding) from time to time by the Board of Directors. Shares of outstanding Series B Preferred Stock that are purchased or otherwise acquired by the Corporation shall be cancelled and, if the Board of Directors so expressly provides by resolution, shall revert to authorized but unissued shares of Preferred Stock of the Corporation undesignated as to series; provided, nevertheless, that, except to the extent a statement of designations adopted by resolution of the Board of Directors in accordance with applicable law and the Articles of Incorporation expressly reduces the authorized number of shares of Series B Preferred Stock, cancelled shares may be reissued as Series B Preferred Stock up to a maximum aggregate of 1,000 at any time issued and outstanding as Series B Preferred Stock shall remain 1,000.

(b) The number of shares of Series B Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by a further statement of designations hereafter adopted by resolution of the Board of Directors in accordance with applicable law and the Articles of Incorporation. In case the authorized number of shares of Series B Preferred Stock shall be so decreased, any excess shares shall revert to authorized but unissued shares of preferred stock of the Corporation undesignated as to series.

Section 2. Ranking. The Series B Preferred Stock will rank, with respect to the payment of dividends and distributions and upon liquidation, dissolution or winding-up, (1) on a parity with the Corporation's Series A Fixed Rate Cumulative Perpetual Preferred Stock issued on January 30, 2009 (the "EESA Preferred Shares"), and each class or series of capital stock the Corporation may issue in the future the terms of which expressly provide that such class or series will rank on a parity with the Series B Preferred Stock as to dividend rights and rights on liquidation, winding up or dissolution of the Corporation (collectively, the "Parity Securities"), and (2) senior to Common Stock and each other class or series of capital stock, not referred to in clauses (1) or (2) above, that the Corporation may issue in the future the terms of which do not expressly provide that it ranks on a parity with or senior to the Series B Preferred Stock as to dividend rights and rights on liquidation, winding-up or dissolution of the Corporation (the "Junior Securities").

Section 3. Definitions. As used herein with respect to the Series B Preferred Stock:

(a) "Articles of Incorporation" shall mean the articles of incorporation of the Corporation, as they may be amended from time to time.

(b) "Board of Directors" means the board of directors of the Corporation or any committee thereof duly authorized to act on behalf of such board of directors.

(c) "Business Day" means any day that is not Saturday or Sunday and that, in California, is not a day on which banking institutions generally are authorized or obligated by law or executive order to be closed.

(d) "Bylaws" means the Amended and Restated Bylaws of the Corporation, as may be amended from time to time.

(e) "Common Stock" means the common stock of the Corporation.

(f) "Corporation" means Central Valley Community Bancorp, a California business corporation.

(g) "Depositary" means DTC or its nominee or any successor depositary appointed by the Corporation.

(h) "Dividend Payment Date" has the meaning set forth in Section 4(b).

(i) "Dividend Period" has the meaning set forth in Section 4(b).

(j) "DTC" means The Depository Trust Company and its successors or assigns.

(k) "Exchange Election" means the proper election by the Corporation of any contractual right it may have to cause the holders of the outstanding shares of Series B Preferred exchange all of their respective shares of Series A Preferred into other shares of capital stock of the Corporation.

(l) "Holder" means the Person in whose name the shares of the Series B Preferred Stock are registered, which may be treated by the Corporation, Transfer Agent, Registrar, and paying agent as the absolute owner of the shares of Series B Preferred Stock for the purpose of making payment and settling the related conversions and for all other purposes.

(m) "Issue Date" means the date on which shares of the Series B Preferred Stock are first issued.

(n) "Junior Securities" has the meaning set forth in Section 2.

(o) "Liquidation Preference" means, as to the Series B Preferred Stock, $1,000.00 per share.

(p) "Mandatory Exchange Date" means the date upon which all of the shares of Series B Preferred Stock are exchanged, at the Corporation's election, for capital stock of the Corporation in accordance with a proper Exchange Election.

(q) "Officer" means the President, the Chief Executive Officer, the Chief Operating Officer, any Senior Executive Vice President, any Executive Vice President, any Senior Vice President, the Chief Financial Officer, the Treasurer or the Secretary of the Corporation.

(r) "Officer's Certificate" means a certificate of the Corporation, signed by any duly authorized Officer of the Corporation.

(s) "Parity Securities" has the meaning set forth in Section 2.

(t) "Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint-stock company, limited liability company or trust.

(u) "Record Date" has the meaning set forth in Section 4(b).

(v) "Registrar" shall mean the Transfer Agent acting in its capacity as registrar for the Series B Preferred Stock, and its successors and assigns or any other registrar duly appointed by the Corporation.

(w) "Transfer Agent" means the Corporation, acting as Transfer Agent, Registrar, and paying agent for the Series B Preferred Stock, and its successors and assigns, including any successor transfer agent appointed by the Corporation. The Corporation may act as its own transfer agent.

(x) "Voting Preferred Stock" means any and all series of preferred stock of the Corporation that rank equally with Series B Preferred Stock either or both as to the payment of dividends and/or the distribution of assets upon liquidation, dissolution or winding up of the Corporation and upon which like voting rights have been conferred and are exercisable.

Section 4. Dividends.

(a) From and after the Issue Date, Holders shall be entitled to receive, when, as and if authorized and declared by the Board of Directors, out of legally available funds, on a non-cumulative basis, cash dividends in the amount determined as set forth in Section 4(c), and no more.

(b) Subject to Section 4(a), dividends shall be payable in semi-annual installments commencing on the six (6) month anniversary of the Series B Issuance Date and continuing on each six (6) month anniversary thereafter (each, a "Dividend Payment Date"). Each dividend will be payable to Holders of record as they appear in the stock register of the Corporation at the close of business on the first day of the month, whether or not a Business Day, in which the relevant Dividend Payment Date occurs (each, a "Record Date"). Each period from and including a Dividend Payment Date (or the date of the issuance of the Series B Preferred Stock (the "Series B Issuance Date")) to but excluding the following Dividend Payment Date is herein referred to as a "Dividend Period."

(c) Dividends, if, when and as authorized and declared by the Board of Directors, will be payable, for each outstanding share of Series B Preferred Stock, at the following respective rates during each of the following respective periods (each rate expressed as an annual rate on the $1,000.00 per share liquidation preference):

(i) 10% per annum for the Dividend Period beginning on the Series B Issuance Date and ending on the six (6) month anniversary of the Series B Issuance Date (the "First Period End Date");

(ii) 15% per annum for the Dividend Period beginning on the First Period End Date and ending on the six (6) month anniversary of the First Period End Date (the "Second Period End Date"); and

(iii) 20% per annum for the dividends accruing during all Dividend Periods subsequent to the Second Period End Date.

Dividends payable for a Dividend Period will be computed on the basis of a 360-day year of twelve 30-day months. If a scheduled Dividend Payment Date falls on a day that is not a Business Day, the dividend will be paid on the next Business Day as if it were paid on the scheduled Dividend Payment Date, and no interest or other amount will accrue on the dividend so payable for the period from and after that Dividend Payment Date to the date the dividend is paid. No interest or sum of money in lieu of interest will be paid on any dividend payment on shares of Series B Preferred Stock paid later than the scheduled Dividend Payment Date.

(d) Dividends on the Series B Preferred Stock are non-cumulative. If the Board of Directors does not authorize and declare a dividend on the Series B Preferred Stock or if the Board of Directors authorizes and declares less than a full dividend in respect of any Dividend Period, the Holders will have no right to receive any dividend or a full dividend, as the case may be, for the Dividend Period, and the Corporation will have no obligation to pay a dividend or to pay full dividends for that Dividend Period, whether or not dividends are authorized, declared and paid for any future Dividend Period with respect to the Series B Preferred Stock or the Common Stock or any other class or series of the Corporation's preferred stock.

(e) So long as any share of Series B Preferred Stock remains outstanding, (1) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Junior Securities (other than a dividend payable solely in shares of Junior Securities) and (2) no shares of Junior Securities shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than (a) as a result of a reclassification of Junior Securities for or into other Junior Securities or the exchange or conversion of one share of Junior Securities for or into another share of Junior Securities, (b) repurchases in support of the Corporation's employee benefit and compensation programs and (c) through the use of the proceeds of a substantially contemporaneous sale of other shares of Junior Securities), unless, in each case, the full dividends for the most recent Dividend Payment Date on all outstanding shares of Series B Preferred Stock and Parity Securities have been paid or declared and a sum sufficient for the payment thereof has been set aside.

Subject to the succeeding sentence, for so long as any shares of Series B Preferred Stock remain outstanding, no dividends shall be declared or paid or set aside for payment on any Parity Securities for any period unless full dividends on all outstanding shares of Series B Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside for all outstanding shares of Series B Preferred Stock. To the extent the Corporation declares dividends on the Series B Preferred Stock and on any Parity Securities but does not make full payment of such declared dividends, the Corporation shall allocate the dividend payments on a pro rata basis among the holders of the shares of Series B Preferred Stock and the holders of any Parity Securities then outstanding. For purposes of calculating the pro rata allocation of partial dividend payments, the Corporation shall allocate those payments so that the respective amounts of those payments bear the same ratio to each other as all accrued and unpaid dividends per share on the Series B Preferred Stock and all Parity Securities bear to each other.

The Corporation is not obligated to pay Holders of the Series B Preferred Stock any dividend in excess of the dividends on the Series B Preferred Stock that are payable as described herein. Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors or any duly authorized committee of the Board of Directors may be declared and paid on any Junior Securities from time to time out of any assets legally available therefor, and the shares of Series B Preferred Stock shall not be entitled to participate in any such dividend.

(f) Payments of cash for dividends will be delivered to the Holder by check or, at any time that shares of Series B Preferred Stock are held by book-entry with DTC or any successor Depositary, through a book-entry transfer through DTC or such successor Depositary.

(g) If the shares of Series B Preferred Stock are cancelled or reaquired by the Corporation by any means (including share exchanges) (a "Termination Event") on or prior to the Record Date for any declared dividend for the Dividend Period, the Holder will not have the right to receive any declared dividends for that Dividend Period. If a Termination Event occurs after the Record Date for any declared dividend and prior to the Dividend Payment Date, such Holder shall receive that dividend on the relevant Dividend Payment Date if such Holder was the Holder of record on the Record Date for that dividend.

Section 5. Liquidation.

(a) In the event the Corporation voluntarily or involuntarily liquidates, dissolves or winds up, the Holders at the time shall be entitled to receive liquidating distributions in the amount of $1,000.00 per share of Series B Preferred Stock, plus an amount equal to any authorized and declared but unpaid dividends thereon to and including the date of such liquidation, out of assets legally available for distribution to the Corporation's stockholders, before any distribution of assets is made to the holders of the Common Stock or any other Junior Securities. After payment of the full amount of such liquidating distributions, the Holders will not be entitled to any further participation in any distribution of assets by, and shall have no right or claim to any remaining assets of, the Corporation.

(b) In the event the assets of the Corporation available for distribution to stockholders upon any liquidation, dissolution or winding-up of the affairs of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full the amounts payable with respect to all outstanding shares of the Series B Preferred Stock and the corresponding amounts payable on any Parity Securities, Holders and the holders of such Parity Securities shall share ratably in any distribution of assets of the Corporation in proportion to the full respective liquidating distributions to which they would otherwise be respectively entitled.

(c) The Corporation's consolidation or merger with or into any other entity, the consolidation or merger of any other entity with or into the Corporation, or the sale of all or substantially all of the Corporation's property or business will not constitute its liquidation, dissolution or winding up.

Section 6. Perpetual; No Maturity. The Series B Preferred Stock shall be perpetual and shall be without maturity.

Section 7. Non-Redeemable. The Series B Preferred Stock shall not be redeemable either at the Corporation's option or at the option of Holders at any time. The Series B Preferred Stock shall not be subject to any sinking fund or other obligation to redeem, repurchase or retire the Series B Preferred Stock.

Section 8. Voting Rights. The holders of Series B Preferred Stock shall not have any voting rights except as set forth in this Section 8 or as otherwise from time to time required by law.

(a) Voting Rights. So long as any shares of Series B Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Articles of Incorporation, the vote or consent of the holders of at least two-thirds of the outstanding shares of Series B Preferred Stock and any Voting Preferred Stock then outstanding (subject to the last paragraph of this Section 8(a)) at the time outstanding and entitled to vote thereon, voting together as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) *Authorization of Senior Stock*. Any amendment or alteration of the Articles of Incorporation or this Article V to authorize or create, or increase the authorized amount of, any shares of any specific class or series of capital stock of the Corporation ranking senior to the Series B Preferred Stock with respect to either or both the payment of dividends or the distribution of assets on any liquidation, dissolution or winding up of the Corporation, provided, however, that no vote, approval or consent of the holders of the Series B Preferred Stock shall be required in any event to authorize, or in any way as a condition to the issuance of, the EESA Preferred Shares even if the EESA Preferred Shares rank senior to the Series B Preferred Stock, and regardless of whether the terms of the EESA Preferred Shares are consistent with, or less favorable to the holders of Series B Preferred Stock than, proposed terms of the EESA Preferred Shares as may have been disclosed to the holders of Series B Preferred Stock in connection with their subscriptions for Series B Preferred Stock or as may have been otherwise published or disclosed in any manner;

(ii) *Amendment of Series B Preferred Stock*. Any amendment, alteration or repeal of any provision of the Articles of Incorporation or this Article V so as to materially and adversely affect the special rights, preferences, privileges or voting powers of the Series B Preferred Stock, taken as a whole; or

(iii) *Share Exchanges, Reclassifications, Mergers and Consolidations*. Any consummation of a binding share exchange or reclassification involving the Series B Preferred Stock, or of a merger or consolidation of the Corporation with another corporation or other entity, unless in each case (x) the shares of Series B Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, in each case, that is an entity organized and existing under the laws of the United States of America, any state thereof of the District of Columbia and (y) such shares of Series B Preferred Stock remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series B Preferred Stock immediately prior to such consummation, taken as a whole;

provided, however, that for all purposes of this Section 8(a), (1) any increase in the amount of the Corporation's authorized but unissued shares of Preferred Stock, (2) any increase in the amount of the Corporation's authorized or issued Series B Preferred Stock, and (3) the creation and issuance, or an increase in the authorized or issued amount, of other series of preferred stock of the Corporation ranking equally with or junior to the Series B Preferred Stock either or both with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon the liquidation, dissolution or winding up of the Corporation, will not be deemed to materially and adversely affect the special rights, preferences, privileges or voting powers of the Series B Preferred Shares.

The Series B Preferred Stock shall rank at least equally with any other series of Preferred Stock that may be issued (except for the EESA Preferred Stock and any other senior series that may be issued with the requisite consent of the holders of the Series B Preferred Stock), and will rank senior to the shares of Common Stock and any other stock

that ranks junior to the Series B Preferred Stock either or both with respect to the payment of dividends and/or the distributions of assets upon liquidation, dissolution or winding up of the Corporation.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified in this Section 8(a) would materially and adversely affect one or more but not all series of Voting Preferred Stock (including the Series B Preferred Stock for the purpose of this paragraph), then only the series of Voting Preferred Stock materially and adversely affected and entitled to vote shall vote as a class in lieu of all other series of Voting Preferred Stock.

(b) Procedures for Voting and Consents. The rules and procedures for calling and conducting any meeting of the holders of Series B Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors or a duly authorized committee of the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Articles of Incorporation, the Bylaws, applicable law and any national securities exchange or other trading facility, if any, on which the Series B Preferred Stock is listed or traded at the time. Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Series B Preferred Stock and any Voting Preferred Stock has been cast or given on any matter on which the holders of shares of Series B Preferred Stock are entitled to vote shall be determined by the Corporation by reference to the specified liquidation preference amounts of the Series B Preferred Stock and such other Voting Preferred Stock voted or covered by the consent.

Section 9. Transfer Agent, Registrar and Paying Agent. The duly appointed Transfer Agent, Registrar, and paying agent for the Series B Preferred Stock shall initially be the Corporation. The Corporation may, in its sole discretion, remove the Transfer Agent; provided that the Corporation shall appoint a successor transfer agent who shall accept such appointment prior to the effectiveness of such removal.

Section 10. Miscellaneous. All notices referred to herein shall be in writing, and, unless otherwise specified herein, all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three Business Days after the mailing thereof if sent by registered or certified mail (unless first-class mail shall be specifically permitted for such notice under the terms of this Article V) with postage prepaid, addressed: (i) if to the Corporation, to the principal executive office of the Corporation or to the Transfer Agent at its principal office in the United States of America, or other agent of the Corporation designated as permitted by this Article V, or (ii) if to any Holder or holder of shares of Common Stock, as the case may be, to such Holder at the address of such Holder as listed in the stock record books of the Corporation (which may include the records of any transfer agent for the Series B Preferred Stock or the Common Stock, as the case may be), or (iii) to such other address as the Corporation or any such Holder, as the case may be, shall have designated by notice similarly given.

VI.

LIABILITY LIMITATION

The liability of the directors of the Corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

VI.

INDEMNIFICATION

The Corporation is authorized to provide indemnification of agents (as defined in Section 317 of the California Corporations Code) through bylaws, agreements with agents, vote of shareholders or disinterested directors or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject only to the applicable limits set forth in Section 204 of the California Corporations Code.

VII.

BUSINESS COMBINATIONS

Section 1. The provisions of this Article shall apply to any of the following transactions (hereinafter referred to as “Business Combinations”):

(a) any merger of the Corporation with or into any other corporation, person or other entity which is the beneficial owner, directly or indirectly, of 5% or more of the total voting power of the outstanding voting securities of the Corporation; or

(b) any sale, lease, exchange or other disposition (in one transaction or series of related transactions) of all or substantially all of the assets of the Corporation to any other corporation, person or other entity which is the beneficial owner, directly or indirectly, of 5% or more of the total voting power of the outstanding voting securities of the Corporation; or

(c) any sale, lease, exchange or other disposition (in one transaction or a series of related transactions) to the Corporation or any subsidiary of the Corporation of any assets in exchange for voting securities (or securities convertible into or exchangeable for voting securities, or options, warrants or rights to purchase voting securities or securities convertible into or exchangeable for voting securities) constituting 5% or more of the outstanding securities of the Corporation after such exchange by any other corporation, person or entity which is the beneficial owner, directly or indirectly, of 5% or more of the total voting power of the outstanding voting securities of the Corporation; or

(d) any reclassification of securities, recapitalization or other transaction designed to decrease the number of holders of the Corporation’s voting securities remaining after any other corporation, person or other entity has acquired 5% or more of the total voting power of the outstanding voting securities of the Corporation.

A corporation, person or other entity which is the beneficial owner, directly or indirectly, of 5% or more of the total voting power of the outstanding voting securities of the Corporation is herein referred to as the “Acquiring Entity.”

Section 2. Without the affirmative vote in person or by proxy of the holders of not less than one hundred percent (100%) of the outstanding voting securities of the Corporation, no Business Combination may be effected unless all of the following conditions, to the extent applicable, are fulfilled:

(a) The Acquiring Entity shall not have acquired any voting securities, directly or indirectly, from the Corporation except in a Business Combination to which this Article did not apply or in a Business Combination to which this Article did apply and which satisfied all of the requirements of this Article.

(b) After the time when the Acquiring Entity became the beneficial owner, directly or indirectly, of 5% or more of the total voting power of the outstanding voting securities of the Corporation, the Acquiring Entity shall not have (i) received the benefit, directly or indirectly, of any loans, advances, extensions of credit, guarantees, pledges or other financial assistance or tax benefits provided, directly or indirectly, by the Corporation, or (ii) made or caused to be made any major change in the Corporation’s business or equity capital structure without the unanimous approval of the directors of the Corporation then in office.

(c) A proxy statement complying with the requirements of the Securities Exchange Act of 1934, or any similar or superseding federal statute, as at the time in effect (whether or not the provisions of such act or statute shall be applicable to the Corporation) shall be mailed to shareholders of the Corporation for the purpose of soliciting shareholder approval of the Business Combination and shall contain at the front thereof, in a prominent place, any recommendations as to the advisability (or inadvisability) of the Business Combination which any of the directors may choose to state and an opinion of a reputable investment banking firm stating that the terms of the

Business Combination are fair from the point of view of both the Corporation and the shareholders of the Corporation other than an Acquiring Entity.

Section 3. No Business Combination shall be effected unless it is approved at an annual meeting or a special meeting of the Corporation's shareholders called for that purpose. The affirmative vote in person or by proxy of the holders of not less than eighty percent (80%) of the voting power of the outstanding securities of the Corporation shall be required for approval of any such Business Combination. No Business Combination may be approved by action by written consent of the shareholders of the Corporation.

Section 4. For the purpose of this Article, any corporation, person or entity will be deemed to be the beneficial owner of any voting securities of the Corporation:

(a) which it owns directly, whether or not of record; or

(b) which it has the right to acquire pursuant to any agreement or arrangement or understanding or upon exercise of conversion rights, exchange rights, warrants or options or otherwise, or

(c) which are beneficially owned, directly or indirectly (including shares deemed to be owned through application of clause (b) above), by any "affiliate" or "associate" as those terms as defined in the Regulations of the Securities and Exchange Commission adopted pursuant to the Securities Exchange Act of 1934 as in effect on the date hereof; or

(d) which are beneficially owned, directly or indirectly (including shares deemed owned through application of clause (b) above), by any other corporation, person or entity with which it or any of its "affiliates" or "associates" has any agreement or arrangement or understanding for the purpose of acquiring, holding, voting or disposing of voting securities of the Corporation.

For the purposes only of determining whether a corporation, person or other entity owned beneficially, directly or indirectly, 5% or more of the total voting power of the outstanding voting securities of the Corporation, the outstanding voting securities of the Corporation will be deemed to include any voting securities that may be issuable pursuant to any agreement, arrangement or understanding or upon exercise of conversion rights, exchange rights, warrants, options or otherwise which are deemed to be beneficially owned by such corporation, person or other entity pursuant to the foregoing provisions of this Section 4.

Section 5. The provisions of this Article shall not apply to a Business Combination which (a) (i) does not change any voting security holder's percentage ownership of voting power in any successor to the Corporation from the percentage of voting power beneficially owned by such holder in the Corporation, (ii) provides for the provisions of this Article, without any amendment, change, alteration or deletion, to apply to any successor to the Corporation, and (iii) does not transfer all or substantially all of the Corporation's assets other than to a wholly-owned subsidiary of the Corporation, or (b) shall have been authorized by the Board of Directors of the Corporation prior to the time that the Acquiring Entity became the beneficial owner, directly or indirectly, of 5% or more of the total voting power of the outstanding voting securities of the Corporation.

Section 6. The affirmative vote required by this Article will he in addition to the vote of the holders of any class or series of stock of the Corporation otherwise required by law, or these Articles of Incorporation, or the resolution providing for the issuance of a class or series of stock which has been adopted by the Board of Directors, or any agreement between the Corporation and any national securities exchange.

Section 7. The Board of Directors of the Corporation shall make all determinations pursuant to this Article, including, without limitation, (i) the amount of voting power beneficially owned directly or indirectly, by any corporation, person or entity, and (ii) the status of any corporation, person or entity as an affiliate or associate of another. Any such determination reasonably made in good faith by the Board of Directors on the basis of available information shall he conclusive and binding.

3. The foregoing amendment and restatement of Articles of Incorporation has been duly approved by the board of directors.

4. The foregoing amendment and restatement of Articles of Incorporation has been duly approved by the required vote of shareholders in accordance with Section 902, California Corporations Code. The total number of outstanding shares of the corporation eligible to vote on the foregoing amendment was 8,876,518 shares of Common Stock. The number of shares voting in favor of the amendment equaled or exceeded the vote required. The percentage vote required was more than 50 percent.

[Certificate Signature Page To Follow]

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

DATE: June 10, 2010

/s/ Daniel J. Doyle

Daniel J. Doyle, President

/s/ Cathy Ponte

Cathy Ponte, Assistant Secretary

Exhibit 3.2 Revised and Restated Bylaws of the Company

AMENDED AND RESTATED BYLAWS
OF

CENTRAL VALLEY COMMUNITY BANCORP
A California Corporation

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AMENDED AND RESTATED BYLAWS

OF

CENTRAL VALLEY COMMUNITY BANCORP
A California Corporation

ARTICLE 1.

OFFICES

Section 1.1 Principal Executive Office.

The principal executive office for the transaction of the business of the corporation shall be established and maintained by the Board of Directors at any place within or without the State of California. The Board of Directors is hereby granted full power and authority to change said principal executive office from one location to another.

Section 1.2 Other Offices.

Other business offices may at any time be established at any place or places specified by the Board of Directors.

ARTICLE 2.

MEETINGS OF SHAREHOLDERS

Section 2.1 Place of Meetings.

All meetings of shareholders shall be held at the principal executive office of the corporation or at any other place within or without the State of California specified by the Board of Directors, or, to the extent permitted by and in accordance with Section 2.7, by electronic transmission by and to the corporation (as these terms are defined in Article 11 hereof) or by electronic video screen communication.

Section 2.2 Annual Meeting.

The annual meeting of the shareholders shall be held at the time and date in each year fixed by the Board of Directors. At the annual meeting directors shall be elected, reports of the affairs of the corporation shall be considered, and any other business may be transacted that is within the power of the shareholders.

Section 2.3 Notice of Annual Meeting.

(i) Written notice of each annual meeting shall be given to each shareholder entitled to vote, either personally, by electronic transmission by the corporation (as defined in Article 11 hereof), or by first-class mail, or, if the corporation has outstanding shares held of record by 500 or more persons (determined in accordance with Section 605 of the General Corporation Law) on the record date for the meeting, by third-class mail, or by other means of written communication, charges prepaid, addressed to such shareholder at the shareholder's address appearing on the books of the corporation or given by such shareholder to the corporation for the purpose of notice.

(ii) If any notice or report addressed to the shareholder at the address of such shareholder appearing on the books of the corporation is returned to the corporation by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice or report to the shareholder at such address, all future notices or reports shall be deemed to have been duly given without further mailing if the same shall be available for the shareholder upon written demand of the shareholder at the principal executive office of the corporation for a period of one year from the date of the giving of the notice or report to all other shareholders. If a shareholder gives no address, notice shall be deemed to have been given to such shareholder if addressed to the shareholder at the place where the principal executive office of the corporation is situated, or if published at least once in some newspaper of general circulation in the county in which said principal executive office is located.

(iii) Notice given by electronic transmission by the corporation (as defined in Article 11 hereof) shall be valid only if such notice complies with the procedures set forth in such definition and as long as neither of the following has occurred: (i) the corporation is unable to deliver two consecutive notices to the shareholder by that means; or (ii) the inability to so deliver the notices to the shareholder becomes known to the secretary, any assistant secretary, the transfer agent, or other person responsible for the giving of the notice. If the circumstances described in either clauses (i) or (ii) above occurs with respect to a shareholder, the corporation shall again obtain the consent of such shareholder as required by the definition of "electronic transmission by the corporation" set forth in Article 11 hereof prior to utilizing electronic transmission by the corporation to provide notices of shareholders meetings to such shareholder.

(iv) All such notices shall be given to each shareholder entitled thereto not less than ten (10) days (or, if sent by third-class mail, thirty (30) days) nor more than sixty (60) days before each annual meeting. Any such notice shall be deemed to have been given at the time when delivered personally, sent by electronic transmission by the corporation (as defined in Article 11 hereof), or deposited in the mail or sent by other means of written communication. An affidavit of mailing or electronic transmission of any such notice in accordance with the foregoing provisions, executed by the Secretary, Assistant Secretary or any transfer agent of the corporation, shall be prima facie evidence of the giving of the notice.

Such notice shall specify:

(a) the place (unless the meeting is to be conducted solely by electronic transmission by and to the corporation (as these terms are defined in Article 11 hereof) if permitted by Section 2.7), the date, and the hour of such meeting;

(b) if the meeting is to be conducted in whole or in part by means of electronic communication by and to the corporation, (i) the means of electronic transmission by and to the corporation (as these terms are defined in Article 11 hereof) or electronic video screen communication, if any, by which shareholders may participate in that meeting and (ii) notice that absent the valid consent of all of the shareholders of the corporation for the utilization of electronic transmission by and to the corporation (as these terms are defined in Article 11 hereof) as required by such definitions, the meeting shall include a physical location;

(c) those matters that the Board of Directors, at the time of the mailing of the notice, intends to present for action by the shareholders (but, subject to the provisions of Section 2.5 below, any proper matter may be presented at the meeting for such action);

(d) if directors are to be elected, the names of nominees intended at the time of the notice to be presented by the Board of Directors for election;

(e) the general nature of a proposal, if any, to take action with respect to approval of (i) a contract or other transaction with an interested director, (ii) amendment of the Articles of Incorporation, (iii) a reorganization of the corporation as defined in Section 181 of the General Corporation Law, (iv) voluntary dissolution of the corporation, or (v) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, if any; and

(f) such other matters, if any, as may be expressly required by statute.

Section 2.4 Nominations for Director.

Nominations for election of members of the Board of Directors may be made by the Board of Directors or by any shareholder of any outstanding class of voting stock of the Corporation entitled to vote for election of directors. Notice of intention to make any nominations, other than by the Board of Directors, shall be made in writing and shall be received by the Chief Executive Officer or President of the Corporation not less than twenty-one (21) days nor more than sixty (60) days prior to any meeting of shareholders called for the election of directors; provided, however, that if less than 21 days' notice of the meeting is given to shareholders, such notice of intention to nominate shall be mailed or delivered to the Chief Executive Officer or President of the Corporation not later that the close of business on the tenth day following the day on which the notice of meeting is mailed. Such notification shall contain the following information to the extent known to the notifying shareholder: (A) the name and address of each proposed nominee; (B) the principal occupation of each proposed nominee; (C) the number of shares of voting stock of the Corporation owned by each proposed nominee; (D) the name and residence address of the notifying shareholder; and (E) the number of shares of voting stock of the Corporation owned by the notifying shareholder. Nominations not made in accordance herewith shall be disregarded by the chairman of the meeting, and the inspectors of election shall then disregard all votes cast for each such nominee.

Section 2.5 Shareholder Proposals at Annual Meetings.

At an annual meeting of the shareholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, otherwise properly brought before the meeting by or at the direction of the Board of Directors or otherwise properly brought before the meeting by a shareholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in writing (as defined in Article 11) to the Secretary of the corporation. To be timely, a shareholder's notice shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date of the annual meeting, notice by the shareholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the public announcement of an adjournment or postponement of an annual meeting of shareholders commence a new time period (or extend any time period) for the giving of a shareholder's notice as described above. A shareholder's notice to the Secretary shall set forth as to each matter the shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the shareholder proposing such business,

(iii) the class and number of shares of the corporation which are beneficially owned by the shareholder, and (iv) any material interest of the shareholder in such business.

Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section 2.5; provided, however, that nothing in this Section 2.5 shall be deemed to preclude discussion by any shareholder of any business properly brought before the annual meeting in accordance with said procedure.

The chair of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 2.5, and if the chair should so determine, the chair shall so declare to the meeting, and any such business not properly brought before the meeting shall not be transacted.

Nothing in this Section 2.5 shall affect the right of a shareholder to request inclusion of a proposal in the corporation's proxy statement to the extent that such right is provided by an applicable rule of the Securities and Exchange Commission.

Section 2.6 Special Meetings.

Special meetings of the shareholders for any purpose or purposes whatsoever may be called at any time by the Chairman of the Board (if there be such an officer appointed), by the President, by the Board of Directors, or by one or more shareholders entitled to cast not less than ten percent (10%) of the votes at the meeting.

Section 2.7 Annual or Special Meeting by Electronic Communication.

A meeting of the shareholders may be conducted, in whole or in part, by electronic transmission by and to the corporation (as these terms are defined in Article 11 hereof) or by electronic video screen communication (a) if the corporation implements measures to provide shareholders (in person or by proxy) an opportunity to participate in the meeting and to vote on matters submitted to the shareholders, including an opportunity to read or hear the proceedings of the meeting concurrently with those proceedings, and (b) if any shareholder votes or takes other action at the meeting by means of electronic transmission to the corporation (as defined in Article 11 hereof) or electronic video screen communication, a record of that vote or action is maintained by the corporation. If authorized by the Board of Directors in its sole discretion, and subject to the statutory requirements of shareholder consent then in effect and those guidelines and procedures as the Board of Directors may adopt, shareholders not physically present in person or by proxy at a meeting of shareholders may, by electronic transmission by and to the corporation (as these terms are defined in Article 11 hereof) or by electronic video screen communication, participate in a meeting of shareholders, be deemed present in person or by proxy, and vote at a meeting of shareholders whether that meeting is to be held at a designated place or in whole or in part by means of electronic transmission by and to the corporation (as these terms are defined in Article 11 hereof) or by electronic video screen communication, in accordance with this Section 2.7. A shareholder's participation in a meeting of the shareholders by electronic communication by and to the corporation (as these terms are defined in Article 11) is predicated upon the consent of such shareholder to electronic communication by the corporation (as such term is defined in Article 11 and as required by such definition). Unless all of the shareholders have consented to the use of electronic transmission by and to the corporation (as these terms are defined in Article 11) for the purposes of a shareholders meeting (or to the use of such transmissions for such meetings generally) a shareholders' meeting shall include a physical location determined in accordance with Section 2.1.

Section 2.8 Notice of Special Meetings.

Upon request in writing (as defined in Article 11) that a special meeting of shareholders be called for any proper purpose, directed to the Chairman of the Board (if there be such an officer appointed), Chief Executive Officer, President, Vice President or Secretary by any person (other than the Board of Directors) entitled to call a special meeting of shareholders, the officer forthwith shall cause notice to be given to the shareholders entitled to vote that a meeting will be held at a time requested by the person or persons calling the meeting, not less than thirty-five (35) nor more than sixty (60) days after the receipt of the request. Except in special cases where other express provision is made by statute, notice of any special meeting of shareholders shall be given in the same manner as for annual meetings of shareholders. In addition to the matters required by Section 2.3(d)(1) and, if applicable, Sections 2.3(d)(2)-(6) of these Bylaws, notice of any special meeting shall specify the general nature of the business to be transacted, and no other business may be transacted at such meeting.

Section 2.9 Conduct of Meetings.

The Board of Directors of the Corporation may adopt such rules and regulations for the conduct of the meeting of the shareholders as it shall deem appropriate. The Secretary of the Corporation or, in his or her absence or inability to act, the person whom the chairman of the meeting shall appoint secretary of the meeting, shall act as secretary of the meeting and keep the minutes thereof. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of the shareholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (a) the establishment of an agenda or order of business for the meeting; (b) rules and procedures for maintaining order at the meeting and the safety of those present; (c) limitations on attendance at or participation in the meeting to stockholders of record of the corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (d) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (e) limitations on the time allotted to questions or comments by participants. The chairman of the meeting shall also rule on the precedence of and procedure on motions and other procedural matters, and exercise discretion with respect to such procedural matters. Should any person in attendance become unruly or obstruct the meeting proceedings, the chairman of the meeting shall have the power to have such person removed from the meeting.

Section 2.10 Quorum.

The presence in person or by proxy of persons entitled to vote a majority of the voting shares at any meeting shall constitute a quorum for the transaction of business. If a quorum is present, the affirmative vote of a majority of the shares represented and voting at the meeting (which shares voting affirmatively also constitute at least a majority of the required quorum) shall be the act of the shareholders, unless the vote of a different number or voting by classes is required by the General Corporation Law, the Articles of Incorporation or these Bylaws. Any meeting of shareholders, whether or not a quorum is present, may be adjourned from time to time by the vote of the holders of a majority of the shares present in person or represented by proxy thereat and entitled to vote, but in the absence of a quorum no other business may be transacted at such meeting, except that the shareholders present or represented by proxy at a duly called or held meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to

constitute a quorum, or if required by the General Corporation Law or the Articles of Incorporation, the vote of a greater number or voting by classes.

Section 2.11 Adjourned Meeting and Notice.

When any shareholders' meeting, either annual or special, is adjourned for more than forty-five (45) days, or if after adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given as in the case of an original meeting. Except as provided above, it shall not be necessary to give any notice of the time and place of the adjourned meeting (or the means of electronic transmission by and to the corporation (as these terms are defined in Article 11 hereof) or electronic video screen communication, if any, by which the shareholders may participate), or of the business to be transacted thereat, other than by announcement of the time and place thereof at the meeting at which such adjournment is taken.

Section 2.12 Record Date.

(i) The Board of Directors may fix a time in the future as a record date for the determination of the shareholders entitled to notice of and to vote at any meeting of shareholders or entitled to give consent to corporate action in writing (as defined in Article 11) without a meeting, to receive any report, to receive any dividend or other distribution, or allotment of any rights, or to exercise rights in respect of any other lawful action. The record date so fixed shall be not more than sixty (60) days nor less than ten (10) days prior to the date of such meeting, nor more than sixty (60) days prior to any other action. A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting unless the Board of Directors fixes a new record date for the adjourned meeting, but the Board of Directors shall fix a new record date if the meeting is adjourned for more than forty-five (45) days from the date set for the original meeting. When a record date is so fixed, only shareholders of record at the close of business on that date are entitled to notice of and to vote at any such meeting, to give consent without a meeting, to receive any report, to receive the dividend, distribution, or allotment of rights, or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date, except as otherwise provided in the Articles of Incorporation or these Bylaws.

(ii) If no record date is fixed:

(a) The record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day preceding the day on which the meeting is held.

(b) The record date for determining shareholders entitled to give consent to corporate action in writing (as defined in Article 11) without a meeting, when no prior action by the Board of Directors has been taken, shall be the day on which the first written consent is given.

(c) The record date for determining shareholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto, or the sixtieth (60th) day prior to the date of such other action, whichever is later.

Section 2.13 Voting.

(i) Except as may be otherwise provided in the Articles of Incorporation (as amended), each outstanding share, regardless of class, shall be entitled to one vote on each

matter submitted to a vote of shareholders. Any holders of shares entitled to vote on any matter may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal, other than elections to office, but, if the shareholder fails to specify the number of shares such shareholder is voting affirmatively, it will be conclusively presumed that the shareholder's approving vote is with respect to all shares such shareholder is entitled to vote.

(ii) Subject to the provisions of Sections 702 through 704 of the General Corporation Law (relating to voting of shares held by a fiduciary, receiver, pledgee, or minor, in the name of a corporation, or in joint ownership), persons in whose names shares entitled to vote stand on the stock records of the corporation at the close of business on the record date shall be entitled to vote at the meeting of shareholders. Such vote may be viva voce or by ballot; provided, however, that all elections for directors must be by ballot upon demand made by a shareholder at any election and before the voting begins. Shares of this corporation owned by a corporation more than twenty-five percent (25%) of the voting power of which is owned directly by this corporation, or indirectly through one or more majority-owned subsidiaries of this corporation, shall not be entitled to vote on any matter.

(iii) No shareholder shall be entitled to cumulate votes on any matters, including, without limitation, the election of directors.

(iv) The candidates for directors receiving the highest number of affirmative votes of shares entitled to be voted for them, up to the number of directors to be elected by such shares, shall be elected and votes against a director and votes withheld shall have no legal effect.

Section 2.14 Proxies.

(i) Every person entitled to vote shares (including voting by written consent) may authorize another person or other persons to act by proxy with respect to such shares. "Proxy" means a written authorization signed or an electronic transmission authorized by a shareholder or the shareholder's attorney-in-fact giving another person or persons power to vote with respect to the shares of such shareholder. "Signed" for the purpose of this Section 2.14 means the placing of the shareholder's name or other authorization on the proxy (whether by manual signature, typewriting, telegraphic, or electronic transmission or otherwise) by the shareholder or the shareholder's attorney-in-fact. A proxy may be transmitted by an oral telephone transmission if it is submitted with information from which it may be determined that the proxy was authorized by the shareholder, or his or her attorney-in-fact. Any proxy duly executed is not revoked and continues in full force and effect until (i) a written instrument revoking it is filed with the Secretary of the corporation prior to the vote pursuant thereto, (ii) a subsequent proxy executed by the person executing the prior proxy is presented to the meeting, (iii) the person executing the proxy attends the meeting and votes in person, or (iv) written notice of the death or incapacity of the maker of such proxy is received by the corporation before the vote pursuant thereto is counted; provided that no such proxy shall be valid after the expiration of eleven (11) months from the date of its execution, unless otherwise provided in the proxy. Notwithstanding the foregoing sentence, a proxy that states that it is irrevocable, is irrevocable for the period specified therein to the extent permitted by Section 705(e) and (f) of the General Corporation Law. The dates contained on the forms of proxy presumptively determine the order of execution, regardless of the postmark dates on the envelopes in which they are mailed.

(ii) As long as no outstanding class of securities of the corporation is registered under of the Securities Exchange Act of 1934, or is not exempted from such registration by Section 12(g)(2) of such Act, any form of proxy or written consent distributed to ten (10) or more shareholders of the corporation when outstanding shares of the corporation are held of record by 100 or more persons shall afford an opportunity on the proxy or form of written

consent to specify a choice between approval and disapproval of each matter or group of related matters intended to be acted upon at the meeting for which the proxy is solicited or by such written consent, other than elections to office, and shall provide, subject to reasonable specified conditions, that where the person solicited specifies a choice with respect to any such matter the shares will be voted in accordance therewith. In any election of directors, any form of proxy in which the directors to be voted upon are named therein as candidates and which is marked by a shareholder "withhold" or otherwise marked in a manner indicating that the authority to vote for the election of directors is withheld shall not be voted for the election of a director.

Section 2.15 Validation of Defectively Called or Noticed Meetings.

The transactions of any meeting of shareholders, however called and noticed, and wherever held, are as valid as though had at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy, and if, either before or after the meeting, each of the persons entitled to vote, not present in person or by proxy, provides a waiver of notice or consent to the holding of the meeting or approval of the minutes thereof in writing (as defined in Article 11). All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Attendance of a person at a meeting shall constitute a waiver of notice of and presence at such meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters required by these Bylaws or by the General Corporation Law to be included in the notice if such objection is expressly made at the meeting. Neither the business to be transacted at nor the purpose of any regular or special meeting of shareholders need be specified in any written waiver of notice, consent to the holding of the meeting or approval of the minutes thereof, unless otherwise provided in the Articles of Incorporation or these Bylaws, or unless the meeting involves one or more matters specified in Section 2.3(d)(4) of these Bylaws.

Section 2.16 Action Without Meeting.

(i) Directors may be elected without a meeting by a consent in writing (as defined in Article 11), setting forth the action so taken, signed by all of the persons who would be entitled to vote for the election of directors, provided that, without notice except as hereinafter set forth, a director may be elected at any time to fill a vacancy not filled by the directors (other than a vacancy created by removal of a director) by the written consent of persons holding a majority of the outstanding shares entitled to vote for the election of directors.

Any other action that may be taken at a meeting of the shareholders, may be taken without a meeting, and without prior notice except as hereinafter set forth, if a consent in writing (as defined in Article 11), setting forth the action so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

(ii) Unless the consents of all shareholders entitled to vote have been solicited in writing (as defined in Article 11):

(a) notice of any proposed shareholder approval of (i) a contract or other transaction with an interested director, (ii) indemnification of an agent of the corporation, (iii) a reorganization of the corporation as defined in Section 181 of the General Corporation Law, or (iv) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, if any, without a meeting by less than unanimous written consent, shall be given at least ten (10) days before the consummation of the action authorized by such approval in accordance with Section 2.3 of these Bylaws; and

(b) prompt notice shall be given of the taking of any other corporate action approved by shareholders without a meeting by less than unanimous written consent to those shareholders entitled to vote who have not consented in writing (as defined in Article 11). Such notices shall be given in the manner provided in Section 2.3 of these Bylaws.

Any shareholder giving a written consent, or the shareholder's proxyholders, or a transferee of the shares or a personal representative of the shareholder or their respective proxyholders, may revoke the consent personally or by proxy by a writing (as defined in Article 11) received by the corporation prior to the time that written consents of the number of shares required to authorize the proposed action have been filed with the Secretary of the corporation, but may not do so thereafter. Such revocation is effective upon its receipt by the Secretary of the corporation.

Section 2.17 Inspectors of Election.

(i) In advance of any meeting of shareholders, the Board of Directors may appoint inspectors of election to act at the meeting and any adjournment thereof. If inspectors of election are not so appointed, or if any persons so appointed fail to appear or refuse to act, the chair of any such meeting may, and on the request of any shareholder or the holder of such shareholder's proxy shall, appoint inspectors of election (or persons to replace those who so fail or refuse) at the meeting. The number of inspectors shall be either one or three. If inspectors are appointed at a meeting on the request of one or more shareholders or holders of proxies, the majority of shares represented in person or by proxy shall determine whether one inspector or three inspectors are to be appointed.

(ii) The inspectors of election shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum and the authenticity, validity and effect of proxies; receive votes, ballots or consents; hear and determine all challenges and questions in any way arising in connection with the right to vote; count and tabulate all votes or consents; determine when the polls shall close; determine the result; and do such acts as may be proper to conduct the election or vote with fairness to all shareholders.

(iii) The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein.

ARTICLE 3.

BOARD OF DIRECTORS

Section 3.1 Powers.

Subject to the provisions of the General Corporation Law and any limitations in the Articles of Incorporation relating to action required to be approved by the shareholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors. The Board of Directors may delegate the management of the day-to-day operation of the business of the corporation to a management company or other person, provided that the business and affairs of the corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board of Directors.

Section 3.2 Number and Qualification of Directors.

The authorized number of directors of the corporation shall not be less than nine (9) nor more than fifteen (15) until changed by amendment of the Articles of Incorporation or by a Bylaw amending this Section 3.2 duly adopted by the vote or written consent of holders of a majority of the outstanding shares entitled to vote, *provided*, *however*, that if the minimum or fixed number of directors is five (5) or more, an amendment reducing the fixed number or minimum number of directors to a number less than five (5) cannot be adopted if the votes cast against its adoption at a meeting, or the shares not consenting in the case of action by written consent, are equal to more than sixteen and two-thirds percent (16-2/3%) of the outstanding shares entitled to vote. No amendment may change the stated maximum number of authorized directors to a number greater than two times the stated minimum minus one. The exact number of directors within the range of authorized directors shall be fixed from time to time, within the limits specified in the Articles of Incorporation or in this Section 3.2, (a) by a bylaw or amendment thereof duly adopted by the vote of a majority of the shares entitled to vote represented at a duly held meeting at which a quorum is present, or by the written consent of the holders of a majority of the outstanding shares entitled to vote, or (b) by resolution adopted from time-to-time by the Board of Directors.

Section 3.3 Election and Term of Office.

The directors shall be elected at each annual meeting of shareholders, but, if any such annual meeting is not held or the directors are not elected thereat, the directors may be elected at any special meeting of shareholders held for that purpose. Each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified, subject, however, to such director's prior death, resignation, retirement, disqualification or removal from office.

Section 3.4 Vacancies.

A vacancy in the Board of Directors shall be deemed to exist in case of the death, resignation or removal of any director, if a director has been declared of unsound mind by order of court or convicted of a felony, if the authorized number of directors is increased, if the incorporator or incorporators have failed to appoint the authorized number of directors in any resolution for appointment of directors upon the initial organization of the corporation, or if the shareholders fail, at any annual or special meeting of shareholders at which any director or directors are elected, to elect the full authorized number of directors to be voted for at that meeting.

Vacancies in the Board of Directors, except for a vacancy created by the removal of a director, may be filled by a majority of the directors present at a meeting at which a quorum is present, or if the number of directors then in office is less than a quorum, (a) by the unanimous written consent of the directors then in office, (b) by the vote of a majority of the directors then in office at a meeting held pursuant to notice or waivers of notice in compliance with these Bylaws, or (c) by a sole remaining director. Each director so elected shall hold office until his or her successor is elected at an annual or a special meeting of the shareholders. A vacancy in the Board of Directors created by the removal of a director may be filled only by the vote of a majority of the shares entitled to vote represented at a duly held meeting at which a quorum is present, or by the written consent of all of the holders of the outstanding shares.

The shareholders may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors. Any such election by written consent other than to fill a vacancy created by removal which requires the unanimous written consent of all shares entitled to vote for the election of directors shall require the consent of holders of a majority of the

outstanding shares entitled to vote. Any such election by written consent to fill a vacancy created by removal shall require the unanimous written consent of all shares entitled to vote for the election of directors.

Any director may resign effective upon giving written notice to the Chairman of the Board (if there be such an officer appointed), the Chief Executive Officer, the President, the Secretary or the Board of Directors of the corporation, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of the director's term of office.

Section 3.5 Time and Place of Meetings.

The Board of Directors shall hold a regular meeting immediately after the meeting of shareholders at which it is elected and at the place where such meeting is held, or as shall otherwise be fixed by the Board of Directors, for the purpose of organization, election of officers of the corporation and the transaction of other business. Notice of such meeting is hereby dispensed with. Other regular meetings of the Board of Directors shall be held without notice at such times and places as are fixed by the Board of Directors. Special meetings of the Board of Directors may be held at any time whenever called by the Chairman of the Board (if there be such an officer appointed), the Chief Executive Officer, the President, any Vice-President, the Secretary or any two directors.

Except as hereinabove provided in this Section 3.5, all meetings of the Board of Directors may be held at any place within or without the State of California that has been designated by resolution of the Board of Directors as the place for the holding of regular meetings, or by written consent of all directors as specified in the notice for the meeting or, if designated by the Board of Directors, by means of conference telephone, electronic video screen communication or electronic transmission by and to the corporation (as these terms are defined in Article 11 hereof). In the absence of such designation, meetings of the Board of Directors shall be held at the principal executive office of the corporation.

Section 3.6 Notice of Special Meetings.

Notice of the time and place of special meetings shall be delivered personally to each director or communicated to each director by telephone, telegraph, facsimile (or other electronic transmission by the corporation (as defined in Article 11 hereof)), or mail, charges prepaid, addressed to the director at the director's address as it is shown upon the records of the corporation or, if it is not so shown on such records or is not readily ascertainable, at the place at which the meetings of the directors are regularly held. In case such notice is mailed, it shall be deposited in the United States mail at least four (4) days prior to the time of the holding of the meeting. In case such notice is delivered personally or by telephone, telegraph, facsimile, electronic mail message or other electronic transmission by the corporation (as defined in Article 11 hereof), it shall be so delivered at least forty-eight (48) hours prior to the time of the holding of the meeting. Any such transmission of notice, as above provided, shall be due, legal and personal notice to such director. As used herein, notice by telephone shall be deemed to include a voice messaging system or other system or technology designed to record and communicate messages, or wireless, to the recipient, including the recipient's designated voice mailbox or address on such a system.

Notice of a meeting need not be given to any director who provides a waiver of notice or a consent to holding the meeting or an approval of the minutes thereof in writing (as defined in

Article 11), whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meetings.

Section 3.7 Action at a Meeting: Quorum and Required Vote.

(i) Presence of a majority of the authorized number of directors at a meeting of the Board of Directors constitutes a quorum for the transaction of business, except as hereinafter provided.

(ii) Members of the Board of Directors may participate in a meeting through use of conference telephone, electronic video screen communication or electronic transmission by and to the corporation (as these terms are defined in Article 11 hereof). Participation in a meeting through use of conference telephone or electronic video screen communication pursuant to this subsection (b) constitutes presence in person at such meeting as long as all members participating in the meeting are able to hear one another. Participation in a meeting through electronic transmission by and to the corporation (as these terms are defined in Article 11 hereof), other than conference telephone or electronic video screen communication (to which the restrictions in this sentence do not apply), pursuant to this subsection (b) constitutes presence in person at such meeting, if both of the following apply: (i) each member participating in the meeting can communicate with all of the other members concurrently, and (ii) each member is provided the means of participating in all matters before the Board of Directors, including, without limitation, the capacity to propose, or to interpose an objection to, a specific action to be taken by the corporation.

(iii) Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present is the act of the Board of Directors, unless a greater number, or the same number after disqualifying one or more directors from voting, is required by law, by the Articles of Incorporation, or by these Bylaws. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting.

Section 3.8 Action Without a Meeting.

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board of Directors shall individually or collectively consent in writing (as defined in Article 11) to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors. Such action by written consent shall have the same force and effect as a unanimous vote of such directors. All members of the board shall include an “interested director” or a “common director” as described in Sections 310(a) or (b) of the General Corporation Law, who abstains in writing from providing consent, where the material facts of the contract or transaction, and the interest or other directorship of the interested or common director are fully disclosed to the non-interested or non-common directors prior to their execution of the written consent or consents, such disclosures are conspicuously included in the written consent or consents executed by the noninterested or noncommon directors, and noninterested or noncommon directors constituting a quorum approve the action.

Section 3.9 Adjourned Meeting and Notice.

A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. If the meeting is adjourned for more than twenty-four (24)

hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

Section 3.10 Fees and Compensation.

Directors and members of committees may receive such compensation, if any, for their services, and such reimbursement for expenses, as may be fixed or determined by resolution of the Board of Directors.

Section 3.11 Appointment of Executive and Other Committees.

The Board of Directors may, by resolution adopted by a majority of the authorized number of directors, designate one or more committees, each consisting of two or more directors, to serve at the pleasure of the Board of Directors. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. The appointment of members or alternate members of a committee requires the vote of a majority of the authorized number of directors. Any such committee, to the extent provided in the resolution of the Board of Directors or in these Bylaws, shall have all the authority of the Board of Directors, except with respect to:

(i) The approval of any action for which the General Corporation Law also requires shareholders' approval or approval of the outstanding shares.

(ii) The filling of vacancies on the Board of Directors or in any committee.

(iii) The fixing of compensation of the directors for serving on the Board of Directors or on any committee.

(iv) The amendment or repeal of these Bylaws or the adoption of new Bylaws.

(v) The amendment or repeal of any resolution of the Board of Directors that by its express terms is not so amendable or repealable.

(vi) A distribution to the shareholders of the corporation, except at a rate, in a periodic amount or within a price range determined by the Board of Directors.

(vii) The appointment of other committees of the Board of Directors or the members thereof.

The provisions of Sections 3.5 through 3.9 of these Bylaws apply also to committees of the Board of Directors and action by such committees, mutatis mutandis (with the necessary changes having been made in the language thereof). Notwithstanding anything to the contrary, all committees of the corporation in existence as of the date these Bylaws are adopted shall continue without any additional action until terminated by the Board of Directors.

ARTICLE 4.

OFFICERS

Section 4.1 Officers.

The officers of the corporation shall consist of the Chief Executive Officer or a President, or both, the Secretary and the Chief Financial Officer (collectively, "Specified Officers"), and each of them shall be appointed by the Board of Directors. The corporation may also have a

Chairman of the Board, one or more Vice-Chairmen, a Lead Independent Director, one or more Vice-Presidents, a Controller, one or more Assistant Secretaries and Assistant Chief Financial Officers, and such other officers as may be appointed by the Board of Directors, or with authorization from the Board of Directors by the Chief Executive Officer or the President. The order of the seniority of the Vice-Chairmen and Vice-Presidents shall be in the order of their nomination, unless otherwise determined by the Board of Directors. Any two or more of such offices may be held by the same person. The Board of Directors may appoint, and may empower the Chief Executive Officer or President to appoint, such other officers as the business of the corporation may require, each of whom shall have such authority and perform such duties as are provided in these Bylaws or as the Board of Directors may from time to time determine.

The Board of Directors shall appoint the Specified Officers each year at its regular meeting of the Board of Directors following the meeting of shareholders at which the Board of Directors is elected. Specified Officers shall hold office from the date appointed to the date of the next succeeding regular meeting of the Board of Directors following the meeting of shareholders at which the Board of Directors is elected, and until their successors are elected; provided that all officers, as well as any other employee or agent of the corporation, may be removed at any time at the pleasure of the Board of Directors, or, except in the case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors, and upon the removal, resignation, death or incapacity of any officer, the Board of Directors or the Chief Executive Officer or the President, in cases where he or she has been vested by the Board of Directors with power to appoint, may declare such office vacant and fill such vacancy. Nothing in these Bylaws shall be construed as creating any kind of contractual right to employment with the corporation.

Any officer may resign at any time by giving written notice to the Board of Directors, the Chief Executive Officer, the President, or the Secretary of the corporation, without prejudice, however, to the rights, if any, of the corporation under any contract to which such officer is a party. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

The salary and other compensation of the officers shall be fixed from time to time by resolution of or in the manner determined by the Board of Directors.

Section 4.2 The Chairman of the Board.

The Board of Directors may appoint one of its members to be the Chairman of the Board to serve at the pleasure of the Board of Directors. The Chairman of the Board (if there be such an officer appointed) shall, when present, preside at all meetings of the shareholders and of the Board of Directors, and shall perform all the duties commonly incident to that office. The Chairman of the Board shall have authority to execute in the name of the corporation bonds, contracts, deeds, leases and other written instruments to be executed by the corporation (except where by law the signature of Chief Executive Officer or the President is required), and shall perform such other duties as the Board of Directors may from time to time determine.

Section 4.3 Vice-Chairmen and Lead Independent Director.

The Board of Directors may appoint one or more of its members to be a Vice Chairman or Lead Independent Director to serve at the pleasure of the Board of Directors. One or more Vice-Chairmen or a Lead Independent Director (if there be such officer or officers appointed), in the order of their seniority (unless otherwise established by the Board of Directors), may assume and perform the duties of the Chairman of the Board in the absence or disability of the Chairman of the Board or whenever the office of the Chairman of the Board is vacant. Any Vice-Chairman

or Lead Independent Director shall have such titles, perform such other duties, and have such other powers as the Board of Directors, the Chairman of the Board or these Bylaws may designate from time to time. A Lead Independent Director shall be deemed independent by the Board of Directors.

Section 4.4 Chief Executive Officer.

Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board, the Chief Executive Officer of the corporation and shall perform all the duties commonly incident to that office. The Chief Executive Officer shall have authority to execute in the name of the corporation bonds, contracts, deeds, leases and other written instruments to be executed by the corporation. In the absence of the Chairman of the Board, the Vice Chairman, and the Lead Independent Director, if any, the Chief Executive Officer shall preside at all meetings of the shareholders and of the Board of Directors. The Chief Executive Officer shall also perform such other duties as the Board of Directors may from time to time determine.

Section 4.5 The President.

Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board or the Chief Executive Officer, the President shall perform all the duties commonly incident to that office. The President shall have authority to execute in the name of the corporation bonds, contracts, deeds, leases and other written instruments to be executed by the corporation. In the absence of the Chairman of the Board, the Vice Chairman, the Lead Independent Director and the Chief Executive Officer, if any, the President shall preside at all meetings of the shareholders and of the Board of Directors. The President shall also perform such other duties as the Board of Directors may from time to time determine.

Section 4.6 Vice-Presidents.

The Vice-Presidents (if there be such officers appointed), including Executive Vice-Presidents and Senior Vice-Presidents, in the order of their rank (first to Executive Vice-Presidents and second to Senior Vice-Presidents) and seniority within each rank (unless otherwise established by the Board of Directors), may assume and perform the duties of the Chief Executive Officer in the absence or disability of the Chief Executive Officer and the President or whenever the offices of the Chairman of the Board, the Chief Executive Officer and the President are vacant and may assume and perform the duties of the President in the absence or disability of the President or whenever the offices of the Chairman of the Board, the Chief Executive Officer and the President are vacant. The Vice-Presidents shall have such titles, perform such other duties, and have such other powers as the Board of Directors, the Chief Executive Officer, the President or these Bylaws may designate from time to time. Vice Presidents who are not Executive Vice Presidents or Senior Vice Presidents shall not be deemed to be executive officers of the Corporation and shall be excluded from participation in major policy making functions of the Corporation.

Section 4.7 The Secretary.

The Secretary shall record or cause to be recorded, and shall keep or cause to be kept, at the principal executive office and such other place as the Board of Directors may order, a record of minutes of actions taken at all meetings of directors and committees thereof and of shareholders, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at directors' meetings, the number of shares present or represented at shareholders' meetings, and the proceedings thereof. Minutes and other books and records shall be kept either in written form or in another form

capable of being converted into clearly legible tangible form or in any a combination of the foregoing.

The Secretary shall keep, or cause to be kept, at the principal executive office or at the office of the corporation's transfer agent, a share register or a duplicate share register in a form capable of being converted into written form, showing the names of the shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all the meetings of the shareholders and of the Board of Directors and committees thereof required by these Bylaws or by law to be given, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by these Bylaws.

The Chief Executive Officer and the President may direct any Assistant Secretary to assume and perform the duties of the Secretary in the absence or disability of the Secretary, and each Assistant Secretary shall perform such other duties and have such other powers as the Board of Directors, the Chief Executive Officer or the President may designate from time to time.

Section 4.8 Chief Financial Officer.

The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the corporation. The books of account shall at all reasonable times be open to inspection by any director.

The Chief Financial Officer shall deposit all moneys and other valuables in the name and to the credit of the corporation with such depositaries as may be designated by the Board of Directors. The Chief Financial Officer shall disburse the funds of the corporation as may be ordered by the Board of Directors, shall render to the Chief Executive Officer, the President and directors, whenever they request it, an account of all of the Chief Financial Officer's transactions as Chief Financial Officer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

The Chief Executive Officer or the President may direct any Assistant Chief Financial Officer to assume and perform the duties of the Chief Financial Officer in the absence or disability of the Chief Financial Officer, and each Assistant Chief Financial Officer shall perform such other duties and have such other powers as the Board of Directors Chief Executive Offer or the President may designate from time to time.

Section 4.9 The Controller.

The Controller (if there be such an officer appointed) shall be responsible for the establishment and maintenance of accounting and other systems required to control and account for the assets of the corporation and provide safeguards therefor, and to collect information required for management purposes, and shall perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer or President may designate from time to time.

The Chief Executive Officer and the President may direct any Assistant Controller to assume and perform the duties of the Controller, in the absence or disability of the Controller, and each Assistant Controller shall perform such other duties and have such other powers as the

Board of Directors, the Chairman of the Board (if there be such an officer appointed), Chief Executive Officer or the President may designate from time to time.

ARTICLE 5.

EXECUTION OF CORPORATE INSTRUMENTS, RATIFICATION, AND VOTING OF STOCKS OWNED BY THE CORPORATION

Section 5.1 Execution of Corporate Instruments.

In its discretion, the Board of Directors may determine the method and designate the signatory officer or officers or other person or persons, to execute any corporate instrument or document, or to sign the corporate name without limitation, except where otherwise provided by law, and such execution or signature shall be binding upon the corporation.

All checks and drafts drawn on banks or other depositaries on funds to the credit of the corporation, or in special accounts of the corporation, shall be signed by such person or persons as the Board of Directors shall authorize to do so.

The Board of Directors shall designate an officer who personally, or through his representative, shall vote shares of other corporations standing in the name of this corporation. The authority to vote shares shall include the authority to execute a proxy in the name of the corporation for purposes of voting the shares.

Section 5.2 Ratification by Shareholders.

In its discretion, the Board of Directors may submit any contract or act for approval or ratification of the shareholders at any annual meeting of shareholders, or at any special meeting of shareholders called for that purpose; and any contract or act that shall be approved or ratified by the holders of a majority of the voting power of the corporation shall be as valid and binding upon the corporation and upon the shareholders thereof as though approved or ratified by each and every shareholder of the corporation, unless a greater vote is required by law for such purpose.

Section 5.3 Voting of Stocks Owned by the Corporation.

All stock of other corporations owned or held by the corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized to do so by resolution of the Board of Directors, or in the absence of such authorization, by the Chairman of the Board (if there be such an officer appointed), the Chief Executive Officer, the President or any Vice-President, or by any other person authorized to do so by the Chairman of the Board, the Chief Executive Officer, the President or any Vice President.

ARTICLE 6.

ANNUAL AND OTHER REPORTS

Section 6.1 Reports to Shareholders.

The Board of Directors of the corporation shall cause an annual report to be sent or otherwise legally made available to the shareholders not later than 120 days after the close of the fiscal year, and at least fifteen (15) days (or, if sent by third-class mail, thirty-five (35) days) prior to the annual meeting of shareholders to be held during the next fiscal year. If approved by

the Board of Directors, the report and any accompanying material may be sent by electronic transmission by the corporation (as defined in Article 11 hereof). This report shall contain a balance sheet as of the end of that fiscal year and an income statement and statement of changes in financial position for that fiscal year, accompanied by any report thereon of independent accountants or, if there is no such report, the certificate of an authorized officer of the corporation that the statements were prepared without audit from the books and records of the corporation. This report shall also contain such other matters as required by Section 1501(b) of the General Corporation Law, unless the corporation is subject to the reporting requirements of Section 13 of the Securities Exchange Act of 1934, and is not exempted therefrom under Section 12(g)(2) thereof. As long as the corporation has less than 100 holders of record of its shares (determined as provided in Section 605 of the General Corporation Law), the foregoing requirement of an annual report is hereby waived.

If no annual report for the last fiscal year has been sent to shareholders, the corporation shall, upon the written request of any shareholder made more than 120 days after the close of such fiscal year, deliver (including by electronic transmission by the corporation (as defined in Article 11 hereof) or mail to the person making the request within thirty (30) days thereafter the financial statements for such year as required by Section 1501(a) of the General Corporation Law. A shareholder or shareholders holding at least five percent (5%) of the outstanding shares of any class of the corporation may make a written request to the corporation for an income statement of the corporation for the three-month, six-month or nine-month period of the current fiscal year ended more than thirty (30) days prior to the date of the request and a balance sheet of the corporation as of the end of such period and, in addition, if no annual report for the last fiscal year has been sent to shareholders, the annual report for the last fiscal year, unless such report has been waived under these Bylaws. The statements shall be delivered (including by electronic transmission by the corporation (as defined in Article 11 hereof) if such transmission is permitted to such shareholder pursuant to such definition) or mailed to the person making the request within thirty (30) days thereafter. A copy of any such statements shall be kept on file in the principal executive office of the corporation for twelve (12) months, and they shall be exhibited at all reasonable times to any shareholder demanding an examination of the statements, or a copy shall be mailed to the shareholder.

The quarterly income statements and balance sheets referred to in this section shall be accompanied by the report thereon, if any, of any independent accountants engaged by the corporation or the certificate of an authorized officer of the corporation that the financial statements were prepared without audit from the books and records of the corporation.

Section 6.2 Report of Shareholder Vote.

For a period of sixty (60) days following the conclusion of an annual, regular, or special meeting of shareholders, the corporation shall, upon written request from a shareholder, forthwith inform the shareholder of the result of any particular vote of shareholders taken at the meeting, including the number of shares voting for, the number of shares voting against, and the number of shares abstaining or withheld from voting. If the matter voted on was the election of directors, the corporation shall report the number of shares (or votes if voted cumulatively) cast for each nominee for director. If more than one class or series of shares voted, the report shall state the appropriate numbers by class and series of shares.

Section 6.3 Reports to the Secretary of State.

(i) Except as otherwise required by the Secretary of State, every year, during the calendar month in which the original Articles of Incorporation were filed with the California Secretary of State, or during the preceding five calendar months, the corporation shall file a certified statement with the Secretary of State on the prescribed form, setting forth the names and

complete business or residence addresses of all incumbent directors; the number of vacancies on the Board of Directors, if any; the names and complete business or residence addresses of the chief executive officer, the secretary, and the chief financial officer; the street address of the corporation's principal executive office or principal business office in California; a statement of the general type of business constituting the principal business activity of the corporation; and a designation of the agent of the corporation for the purpose of service of process, all in compliance with Section 1502 of the General Corporation Law.

(ii) Notwithstanding the provisions of paragraph (a) of this section, if there has been no change in the information contained in the corporation's last annual statement on file in the Secretary of State's office, the corporation may in lieu of filing the annual statement described in paragraph (a) of this section, advise the Secretary of State, on the appropriate form, that no changes in the required information have occurred during the applicable period, as permitted by Section 1502 of the General Corporation Law.

ARTICLE 7.

SHARES OF STOCK

Section 7.1 Stock Certificates.

Every holder of shares in the corporation shall be entitled to have a certificate signed in the name of the corporation by the Chairman or Vice Chairman of the Board (if there be such officers appointed) or the Chief Executive Officer, the President or a Vice-President and by the Chief Financial Officer or any Assistant Chief Financial Officer or the Secretary or any Assistant Secretary, certifying the number of shares and the class or series of shares owned by the shareholder. Any of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue.

Any such certificate shall also contain such legends or other statements as may be required by Sections 417 and 418 of the General Corporation Law, the Corporate Securities Law of 1968, federal or other state securities laws, and any agreement between the corporation and the issue of the certificate.

Certificates for shares may be issued prior to full payment, under such restrictions and for such purposes as the Board of Directors or these Bylaws may provide; provided, however, that the certificate issued to represent any such partly paid shares shall state on the face thereof the total amount of the consideration to be paid therefor, the amount remaining unpaid and the terms of payment.

No new certificate for shares shall be issued in lieu of an old certificate unless the latter is surrendered and canceled at the same time; provided, however, that a new certificate will be issued without the surrender and cancellation of the old certificate if (1) the old certificate is lost, apparently destroyed or wrongfully taken; (2) the request for the issuance of the new certificate is made within a reasonable time after the owner of the old certificate has notice of its loss, destruction, or theft; (3) the request for the issuance of a new certificate is made prior to the receipt of notice by the corporation that the old certificate has been acquired by a bona fide purchaser; (4) the owner of the old certificate files a sufficient indemnity bond with or provides other adequate security to the corporation; and (5) the owner satisfies any other reasonable requirement imposed by the corporation. In the event of the issuance of a new certificate, the

rights and liabilities of the corporation, and of the holders of the old and new certificates, shall be governed by the provisions of Sections 8104 and 8405 of the California Commercial Code.

Section 7.2 Certificated and Uncertificated Shares.

Certificates for the shares of stock of the Corporation shall be issued only to the extent as may be required by applicable law or as otherwise authorized by the Secretary or any Assistant Secretary, and if so issued shall be in such form as is consistent with the Articles of Incorporation of the Corporation and applicable law. Any such certificates shall be signed by, or in the name of the Corporation by, the Chief Executive Officer or the President and by the Secretary or any Assistant Secretary, certifying the number of shares and the class or series of shares owned by the shareholder. Any or all of the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue. Any such certificate shall also contain such legend or other statement as may be required by Section 418 of the Code, any agreement between the Corporation and the issuee thereof, and may contain such legend or other statement as may be required by any other applicable law or regulation or agreement.

Upon resolution of the Board of Directors, shares of the Corporation may also be issued, recorded and transferred exclusively in uncertificated book-entry form in accordance with a direct registration program operated by a clearing agency registered under Section 17A of the Securities and Exchange Act of 1934, as amended.

The Board of Directors may appoint, or authorize any officer or officers to appoint, one or more transfer agents and one or more registrars on behalf of the Corporation. If a transfer agent is appointed, transfers of shares of stock of the Corporation shall be made by the transfer agent and registrar on the books of the Corporation after receipt of a request with proper evidence of succession, assignment, or authority to transfer by the record holder of such stock, or by an attorney lawfully constituted in writing, and in the case of stock represented by a certificate, upon surrender of the certificate. Subject to the foregoing, the Board of Directors shall have power and authority to make such rules and regulations as it shall deem necessary or appropriate concerning the issue, transfer, and registration of shares of stock of the corporation, and to appoint and remove transfer agents and registrars of transfers.

ARTICLE 8.

INSPECTION OF CORPORATE RECORDS

Section 8.1 General Records.

The accounting books and records and the minutes of proceedings of the shareholders, the Board of Directors and committees thereof of the corporation and any subsidiary of the corporation shall be open to inspection upon the written demand on the corporation of any shareholder or holder of a voting trust certificate at any reasonable time during usual business hours, for a purpose reasonably related to such holder’s interests as a shareholder or as the holder of such voting trust certificate. Such inspection by a shareholder or holder of a voting trust certificate may be made in person or by agent or attorney, and the right of inspection includes the right to copy and make extracts. Minutes of proceedings of the shareholders, Board of Directors, and committees thereof and other books and records shall be kept either in written form or in another form capable of being converted into clearly legible tangible form or any combination of the foregoing.

A shareholder or shareholders holding at least five percent (5%) in the aggregate of the outstanding voting shares of the corporation or who hold at least one percent (1%) of such voting shares and have filed a Schedule 14A with the United States Securities and Exchange Commission relating to the election of directors of the corporation shall have (in person, or by agent or attorney) the right to inspect and copy the record of shareholders' names and addresses and shareholdings during usual business hours upon five (5) business days' prior written demand upon the corporation or to obtain from the transfer agent for the corporation, upon written demand and upon the tender of its usual charges for such list, a list of the shareholders' names and addresses, who are entitled to vote for the election of directors, and their shareholdings, as of the most recent record date for which it has been compiled or as of a date.

Every director shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of every kind and to inspect the physical properties of the corporation and its subsidiaries. Such inspection by a director may be made in person or by agent or attorney, and the right of inspection includes the right to copy and make extracts.

The Board of Directors may appoint, or authorize any officer or officers to appoint, one or more transfer agents and one or more registrars on behalf of the Corporation. If a transfer agent is appointed, transfers of shares of stock of the Corporation shall be made by the transfer agent and registrar on the books of the Corporation after receipt of a request with proper evidence of succession, assignment, or authority to transfer by the record holder of such stock, or by an attorney lawfully constituted in writing, and in the case of stock represented by a certificate, upon surrender of the certificate. Subject to the foregoing, the Board of Directors shall have power and authority to make such rules and regulations as it shall deem necessary or appropriate concerning the issue, transfer, and registration of shares of stock of the corporation, and to appoint and remove transfer agents and registrars of transfers.

Section 8.2 Inspection of Bylaws.

The corporation shall keep at its principal executive office in California, or if its principal executive office is not in California, then at its principal business office in California (or shall otherwise provide upon written request of any shareholder if it has no such office in California) the original or a copy of these Bylaws as amended to date, which shall be open to inspection by the shareholders at all reasonable times during office hours.

ARTICLE 9.

INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS

Section 9.1 Right to Indemnification.

Each person who was or is a party or is threatened to be made a party to or is involved (as a party, witness, or otherwise), in any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (hereafter a "**Proceeding**"), by reason of the fact that such person, or another person of whom such person is the legal representative, is or was a director, officer, employee, or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, or was a director, officer, employee, or agent of a foreign or domestic corporation that was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation, including service with respect to employee benefit plans, whether the basis of the Proceeding is alleged action in an official capacity as a director, officer, employee, or agent or in any other capacity while serving as a director, officer, employee, or agent (hereafter an "**Agent**"), shall be indemnified and held harmless by the corporation to the fullest extent

authorized by statutory and decisional law, as the same exists or may hereafter be interpreted or amended (but, in the case of any such amendment or interpretation, only to the extent that such amendment or interpretation permits the corporation to provide broader indemnification rights than were permitted prior thereto) against all expenses, liability, and loss (including attorneys' fees, judgments, fines, ERISA excise taxes and penalties, amounts paid or to be paid in settlement, any interest, assessments, or other charges imposed thereon, and any federal, state, local, or foreign taxes imposed on any Agent as a result of the actual or deemed receipt of any payments under this Article) reasonably incurred or suffered by such person in connection with investigating, defending, being a witness in, or participating in (including on appeal), or preparing for any of the foregoing in, any Proceeding (hereafter "**Expenses**"); provided, however, that except as to actions to enforce indemnification rights pursuant to Section 9.3 of these Bylaws, the corporation shall indemnify any Agent seeking indemnification in connection with a Proceeding (or part thereof) initiated by such person only if the Proceeding (or part thereof) was authorized by the Board of Directors of the corporation. The right to indemnification conferred in this Article shall be a contract right. It is the corporation's intention that these Bylaws provide indemnification in excess of that expressly permitted by Section 317 of the General Corporation Law, as authorized by the corporation's Articles of Incorporation. Any identification provided under this Section 9.1 shall only be authorized in each specific case upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in this Section 9.1 as determined by any of the following: (1) A majority vote of a quorum consisting of directors who are not parties to such proceeding; (2) If such a quorum of directors is not obtainable, by independent legal counsel in a written opinion; (3) Approval of the shareholders, with the shares owned by the person to be indemnified not being entitled to vote thereon; (4) The court in which the proceeding is or was pending upon application made by the corporation or the agent or the attorney or other person rendering services in connection with the defense, whether or not the application by the agent, attorney or other person is opposed by the corporation.

Section 9.2 Authority to Advance Expenses.

Expenses incurred by an officer or director (acting in his capacity as such) in defending a Proceeding shall be paid by the corporation in advance of the final disposition of such Proceeding, provided, however, that if required by the General Corporation Law, as amended, such Expenses shall be advanced only upon delivery to the corporation of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this Article or otherwise. Expenses incurred by other Agents of the corporation (or by the directors or officers not acting in their capacity as such, including service with respect to employee benefit plans) may be advanced upon the receipt of a similar undertaking, if required by law, and upon such other terms and conditions as the Board of Directors deems appropriate. Any obligation to reimburse the corporation for Expense advances shall be unsecured, and no interest shall be charged thereon.

Section 9.3 Right of Claimant to Bring Suit.

If a claim under Section 9.1 or 9.2 of these Bylaws is not paid in full by the corporation within thirty (30) days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense (including attorneys' fees) of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending a Proceeding in advance of its final disposition where the required undertaking has been tendered to the corporation) that the claimant has not met the standards of conduct that make it permissible under the General Corporation Law for the corporation to indemnify the claimant for the amount claimed. The burden of proving such a defense shall be on the corporation. Neither

the failure of the corporation (including its Board of Directors, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper under the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel, or its shareholders) that the claimant had not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct.

Section 9.4 Provisions Nonexclusive.

The rights conferred on any person by this Article shall not be exclusive of any other rights that such person may have or hereafter acquire under any statute, provision of the Articles of Incorporation, agreement, vote of shareholders or disinterested directors, or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office. To the extent that any provision of the Articles of Incorporation, agreement, or vote of the shareholders or disinterested directors is inconsistent with these Bylaws, the provision, agreement, or vote shall take precedence.

Section 9.5 Authority to Insure.

The corporation may purchase and maintain insurance to protect itself and any Agent against any Expense asserted against or incurred by such person, whether or not the corporation would have the power to indemnify the Agent against such Expense under applicable law or the provisions of this Article, provided that, in cases where the corporation owns all or a portion of the shares of the company issuing the insurance policy, the company and/or the policy must meet one of the two sets of conditions set forth in Section 317 of the General Corporation Law, as amended.

Section 9.6 Survival of Rights.

The rights provided by this Article shall continue as to a person who has ceased to be an Agent and shall inure to the benefit of the heirs, executors, and administrators of such person.

Section 9.7 Settlement of Claims.

The corporation shall not be liable to indemnify any Agent under this Article (a) for any amounts paid in settlement of any action or claim effected without the corporation's written consent, which consent shall not be unreasonably withheld; or (b) for any judicial award, if the corporation was not given a reasonable and timely opportunity to participate, at its expense, in the defense of such action.

Section 9.8 Effect of Amendment.

Any amendment, repeal, or modification of this Article shall not adversely affect any right or protection of any Agent existing at the time of such amendment, repeal, or modification.

Section 9.9 Subrogation.

In the event of payment under this Article, the corporation shall be subrogated to the extent of such payment to all of the rights of recovery of the Agent, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the corporation effectively to bring suit to enforce such rights.

Section 9.10 No Duplication of Payments.

The corporation shall not be liable under this Article to make any payment in connection with any claim made against the Agent to the extent the Agent has otherwise actually received payment (under any insurance policy, agreement, vote, or otherwise) of the amounts otherwise indemnifiable hereunder.

ARTICLE 10.

AMENDMENTS

Section 10.1 Power of Shareholders.

New bylaws may be adopted or these Bylaws may be amended or repealed by the affirmative vote of a majority of the outstanding shares entitled to vote, or by the written assent of shareholders entitled to vote such shares, except as otherwise provided by law or by the Articles of Incorporation or by these Bylaws.

Section 10.2 Power of Directors.

Subject to the right of shareholders as provided in Section 10.1 of this Article 10 to adopt, amend or repeal these Bylaws, these Bylaws (other than a bylaw or amendment thereof changing the authorized number of directors, or providing for the approval by the Board of Directors, acting alone, of a loan or guarantee to any officer or an employee benefit plan providing for the same) may be adopted, amended or repealed by the Board of Directors.

ARTICLE 11.

DEFINITIONS

Unless the context otherwise requires, the general provisions, rules of construction and definitions contained in the General Corporation Law as amended from time to time shall govern the construction of these Bylaws. Without limiting the generality of the foregoing, the masculine gender includes the feminine and neuter, the singular number includes the plural and the plural number includes the singular, and the term "person" includes a corporation as well as a natural person.

Certain definitions in the General Corporation Law are set forth below; provided that the definitions in the General Corporation Law (and with respect to the applicable portions of definition of "electronic communication by the corporation," the United States Code), as amended from time to time, shall govern and control for purposes of these Bylaws with respect to the terms set forth below and the other terms utilized in these Bylaws:

"**Electronic transmission by the corporation**" means a communication (a) delivered by (1) facsimile telecommunication or electronic mail when directed to the facsimile number or electronic mail address, respectively, for that recipient on record with the corporation, (2) posting on an electronic message board or network which the corporation has designated for those communications, together with a separate notice to the recipient of the posting, which transmission shall be validly delivered upon the later of the posting or delivery of the separate notice thereof, or (3) other means of electronic communication, (b) to a recipient who has provided an unrevoked consent to the use of those means of transmission for communications under or pursuant to this code, and (c) that creates a record that is capable of retention, retrieval and review, and that may thereafter be rendered into clearly legible tangible form.

In addition, an electronic transmission by a corporation to an individual shareholder or director recipient is not authorized unless, in addition to satisfying the requirements above, the corporation also satisfies the following requirements:

(i) prior to giving consent, the recipient is provided with a clear and conspicuous statement that describes:

(1) the recipient's right to withdraw the consent and any conditions, consequences, or fees in the event of such withdrawal;

(2) whether the consent applies only to a particular communication between the corporation and the recipient or to identified categories of communications or all categories of communications by and to the corporation;

(3) procedures for withdrawing consent;

(4) procedures for updating the recipient's contact information for electronic transmissions; and

(5) how, after the consent, the recipient may obtain a paper copy of a record or other communication sent by means of electronic transmission, and whether any fee will be charged for such copy and any other terms and conditions applicable to the receipt such paper copy;

(ii) the recipient

(1) prior to consenting, is provided with a statement of the hardware and software requirements for access to and retention of the records sent by electronic transmission; and

(2) consents electronically, or confirms his or her consent electronically, in a manner that reasonably demonstrates that the recipient can access information in the electronic form that will be used to provide the information that is the subject of the consent; and

(iii)if after the recipient's consent a change occurs in the hardware or software requirements needed to access or retain the records sent by electronic transmission, the corporation shall provide the recipient with a statement of the revised hardware and software requirements for access to and retention of the records sent by electronic transmission, offer the recipient the right to withdraw consent without the imposition of any fees for such withdrawal and without the imposition of any condition or consequence that was not disclosed previously; and shall again comply with paragraph (B) above.

"**Electronic transmission to the corporation**" means "a communication (a) delivered by (1) facsimile telecommunication or electronic mail when directed to the facsimile number or electronic mail address, respectively, which the corporation has provided from time to time to shareholders or members and directors for sending communications to the corporation, (2) posting on an electronic message board or network which the corporation has designated for those communications, and which transmission shall be validly delivered upon the posting, or (3) other means of electronic communication, (b) as to which the corporation has placed in effect reasonable measures to verify that the sender is the shareholder or member (in person or by proxy) or director purporting to send the transmission, and (c) that creates a record that is capable

of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form.

“**General Corporation Law**” means the General Corporate Law of the State of California, as may be amended from time to time.

“**Writing**” includes any form of recorded message capable of comprehension by ordinary visual means; and when used to describe communications between the corporation and its shareholders or directors, writing shall include electronic transmissions by and to a corporation, as defined above in this Article 11.

Exhibit 4.3

DESCRIPTION OF SECURITIES REGISTERED UNDER SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

The authorized capital stock of Central Valley Community Bancorp ("Central Valley") stock consists of 80,000,000 shares of common stock, 1,000,000 shares of non-voting common stock, no par value ("non-voting common stock") and 10,000,000 shares of preferred stock, no par value per share ("preferred stock"). The authorized but unissued shares of capital stock are be available for future issuance without shareholder approval, unless otherwise required by applicable law or the rules of any applicable securities exchange. All of the issued and outstanding shares of common stock are fully paid and non-assessable. Except for the non-voting common stock, each share of common stock has the same rights, privileges and preferences as every other share of common stock, and there is no preemptive, conversion, redemption rights or sinking fund provisions applicable to our common stock. The designations and powers, preferences and rights and the qualifications, limitations or restrictions of the common stock are described below.

Central Valley has only one class of securities registered under the Securities Exchange Act of 1934, as amended, ("Exchange Act") consisting of its common stock, no par value.

Subject to the rights and preferences granted to holders of the preferred stock then outstanding, if any, and except with respect to voting rights, holders of our common stock and holders of non-voting common stock then outstanding, if any, will rank equally with respect to distributions and have identical rights, preferences, privileges and restrictions, including the right to attend meetings and receive any information Central Valley may distribute with respect to such meetings.

Dividends

Holders of common stock are equally entitled to receive ratably such dividends, if any, as may be declared from time to time by the Central Valley board of directors out of legally available funds. In no event will any stock dividends or stock splits or combinations of stock be declared on, or effected with respect to, Central Valley's common stock then outstanding, if any, unless the shares of common stock are treated equally and identically, provided that, in the event of a dividend of common stock, shares of common stock shall only be entitled to receive shares of common stock. The ability of the Central Valley board of directors to declare and pay dividends on Central Valley common stock is subject to the laws of the State of California, applicable federal and state banking laws and regulations, and the terms of any senior securities (including preferred stock) Central Valley may then have outstanding. Central Valley's principal source of income is dividends that are declared and paid by its wholly owned banking subsidiary, Central Valley Community Bank ("CVCB"), on its capital stock. Therefore, Central Valley's ability to pay dividends is dependent upon the receipt of dividends from CVCB.

Voting Rights

Each holder of common stock (other than non-voting) is entitled to one vote for each share of record held on all matters submitted to a vote of shareholders, except as otherwise required by law and subject to the rights and preferences of the holders of any outstanding shares of preferred stock. Holders of common stock are entitled to cumulative voting in the election of directors. Directors are elected by a plurality of the votes cast.

Liquidation Rights

In the event of the liquidation, dissolution or winding up of Central Valley, holders of common stock are entitled to share ratably in all of Central Valley's assets remaining after payment of liabilities, including but not limited to the liquidation preference of any then outstanding preferred stock. Because Central Valley is a bank holding company, its rights and the rights of its creditors and shareholders to receive the assets of any subsidiary upon liquidation or recapitalization may be subject to prior claims of its subsidiary's creditors, except to the extent that we may be a creditor with recognized claims against its subsidiary.

Preemptive Rights

Holders of Central Valley common stock are not entitled to any preemptive, subscription, redemption, exchange or conversion rights, and no sinking fund will be applicable to the common stock.

Special Meetings

Central Valley's bylaws provide that special meetings of shareholders may only be called by its Chairman, President, the board of directors or by the holders of not less than 10% of its outstanding shares of capital stock entitled to vote for the purpose or purposes for which the meeting is being called.

Director Nominations

Central Valley's bylaws provide that shareholders seeking to make nominations of candidates for election as directors must provide timely notice of their intent. Notice of intention to make any nominations must be made in writing and delivered or mailed to the President of Central Valley not less than 21 days nor more than 60 days prior to any meeting of shareholders called for the election of directors; provided however, that if less than 21 days' notice of the meeting is given to shareholders, such notice of intention to nominate must be mailed or delivered to the President of Central Valley not later than the close of business on the 10th day following the day on which the notice of meeting was mailed; provided further, that if notice of such meeting is sent by third class mail as permitted by the bylaws, no notice of intention to make nominations will be required. The notification must contain the following information to the extent known to the notifying shareholder: (i) the name and address of each proposed nominee; (ii) the principal occupation of each proposed nominee; (iii) the number of shares of capital stock of Central Valley owned by each proposed nominee; (iv) the name and residence address of the notifying shareholder; and (v) the number of shares of capital stock of Central Valley owned by the notifying shareholder.

Board Vacancies

Any vacancies in the board of directors of Central Valley and any directorships resulting from any increase in the number of directors may be filled by a majority of the remaining directors, or if the number of directors then in office is less than a quorum, by: (i) a majority of the directors then in office; (ii) by the affirmative vote of a majority of the shares represented and voting at a duly held meeting at which a quorum is present, or by the unanimous written consent of a majority entitled to vote thereon; or (iii) a sole remaining director. A vacancy created by the removal of a director by the vote or written consent of the shareholders or by court order may be filled only by the affirmative vote of a majority of the shares represented and voting at a duly held meeting at which a quorum is present, or by the unanimous written consent of a majority entitled to vote thereon.

Bylaw Amendments

New bylaws may be adopted or the bylaws may be amended or repealed by the vote or written consent of holders of a majority of the outstanding shares entitled to vote. The bylaws also provide that except for changing the authorized number of directors, the bylaws may be altered, amended or repealed by the board without prior notice to or approval by Central Valley's shareholders. Accordingly, the Central Valley board of directors could take action to amend the bylaws in a manner that could have the effect of delaying, deferring or discouraging another party from acquiring control of Central Valley.

Business Combination Anti-Takeover Provision

Central Valley's articles of incorporation provide special voting requirements for certain business combinations. For this purpose a "Business Combination" is defined as: (i) any merger of Central Valley with or into any other company, person or other entity which is the beneficial owner, directly or indirectly, of 5% or more of the total voting power of the outstanding voting securities of Central Valley; (ii) any sale, lease, exchange or other disposition (in one transaction or series of related transactions) of all or substantially all of the assets of Central Valley to any other corporation, person or other entity which is the beneficial owner, directly or indirectly, of 5% or more of the total voting power of the outstanding voting securities of Central Valley; (iii) any sale, lease, exchange or other disposition (in one transaction or a series of related transactions) to the Central Valley or any subsidiary of Central Valley of any assets in exchange for voting securities (or securities convertible into or exchangeable for voting securities, or options, warrants or rights to purchase voting securities or securities convertible into or exchangeable for voting securities) constituting 5% or more of the outstanding securities of Central Valley after such exchange by any other corporation, person or entity which is the beneficial owner, directly or indirectly, of 5% or more of the total voting power of the outstanding voting securities of Central Valley; or (iv) any reclassification of securities, recapitalization or other transaction designed to decrease the number of holders of Central Valley's voting securities remaining after any other company, person or other entity has acquired 5% or more of the total voting power of the outstanding voting securities of Central Valley.

The affirmative vote required by this provision will be in addition to the vote of the holders of any class or series of stock of the Central Valley otherwise required by law, or the articles of incorporation, or the resolution providing for the issuance of a class or series of stock which has been adopted by the board of directors, or any agreement between Central Valley and any national securities exchange.

No Business Combination may all be effected unless it is approved at an annual meeting or a special meeting of the Central Valley's shareholders called for that purpose. The affirmative vote in person or by proxy of the holders of not less than eighty percent (80%) of the voting power of the outstanding securities of Central Valley is required for approval of any such Business Combination. No Business Combination may be approved by action by written consent of the shareholders of Central Valley.

Additional voting requirements are required for a Business Combination with an Acquiring Entity (a corporation, person or other entity which is the beneficial owner, directly or indirectly, of 5% or more of the total voting power of the outstanding voting securities of Central Valley). Without the affirmative vote in person or by proxy of the holders of not less than one

hundred percent (100%) of the outstanding voting securities of the Central Valley, no Business Combination may be effected unless all of the following conditions, to the extent applicable, are fulfilled: (i) the Acquiring Entity shall not have acquired any voting securities, directly or indirectly, from the Central Valley except in a Business Combination to which the these following requirements did not apply; (ii) after the time when the Acquiring Entity became the beneficial owner, directly or indirectly, of 5% or more of the total voting power of the outstanding voting securities of Central Valley, the Acquiring Entity shall not have (A) received the benefit, directly or indirectly, of any loans, advances, extensions of credit, guarantees, pledges or other financial assistance or tax benefits provided, directly or indirectly, by Central Valley or (B) made or caused to be made any major change in Central Valley's business or equity capital structure without the unanimous approval of the directors of Central Valley then in office; and (iii) a proxy statement complying with the requirements of the Exchange Act , or any similar or superseding federal statute, as at the time in effect (whether or not the provisions of such act or statute shall be applicable to Central Valley) shall be mailed to shareholders of Central Valley for the purpose of soliciting shareholder approval of the Business Combination and shall contain at the front thereof, in a prominent place, any recommendations as to the advisability (or inadvisability) of the Business Combination which any of the directors may choose to state and an opinion of a reputable investment banking firm stating that the terms of the Business Combination are fair from the point of view of both Central Valley and the shareholders of Central Valley other than an Acquiring Entity.

The foregoing is qualified in its entirety by reference to Central Valley's articles of incorporation and bylaws, both of which are on file with the SEC.

California and Federal Law Anti-Takeover Restrictions

Under the California Financial Code, no person shall, directly or indirectly, acquire control of a California state bank or its holding company unless the California Department of Financial Protection and Innovation ("DFPI") has approved such acquisition of control. A person would be deemed to have acquired control of Central Valley if such person, directly or indirectly, has the power (i) to vote 25% or more of the voting power of Central Valley or (ii) to direct or cause the direction of the management and policies of Central Valley. For purposes of this law, a person who directly or indirectly owns or controls 10% or more of our outstanding common stock would be presumed to control Central Valley.

The Bank Holding Company Act of 1954, as amended, generally would prohibit any company that is not engaged in financial activities and activities that are permissible for a bank holding company or a financial holding company from acquiring control of Central Valley. "Control" is generally defined as direct or indirect ownership of 25% or more of the voting stock, control over the election of a majority of directors or other exercise of a controlling influence. In addition, any existing bank holding company would need the prior approval of the Board of Governors of the Federal Reserve ("Federal Reserve") before acquiring 5% or more of Central Valley's voting stock. The Change in Bank Control Act of 1978, as amended, prohibits a person or group of persons from acquiring control of a bank holding company unless the Federal Reserve has been notified and has not objected to the transaction. Under a rebuttable presumption established by the Federal Reserve, the acquisition of 10% or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Exchange Act, such as Central Valley, constitutes acquisition of control of the bank holding company.

The foregoing provisions of California and federal law could make it more difficult for a third party to acquire a majority of Central Valley's outstanding voting stock, by discouraging a hostile bid, or delaying, preventing or deterring a merger, acquisition or tender offer in which Central Valley's shareholders could receive a premium for their shares, or effect a proxy contest for control of the company or other changes in Central Valley's management.

Listing

Central Valley common stock is listed for trading on the NASDAQ Capital Market under the trading symbol "CVCY."

CENTRAL VALLEY COMMUNITY BANCORP 2015 OMNIBUS INCENTIVE PLAN

RESTRICTED STOCK AWARD AGREEMENT

This Restricted Stock Award Agreement (Award Agreement), effective **February 1, 2023** (Effective Date), is between Central Valley Community Bancorp (Company), a California corporation, and **James Kim** (Participant). This Award Agreement is made pursuant to the terms and conditions of the Central Valley Community Bancorp 2015 Omnibus Incentive Plan (Plan), a copy of which is attached to this Award Agreement as Exhibit A. Unless the context otherwise requires, all capitalized terms used herein have the respective meanings assigned to them in the Plan.

A. Award of Restricted Stock.

Pursuant to that certain Employment Agreement by and between Central Valley Community Bank (Bank) and Participant, dated November 1, 2021, the Company offers to Participant the right to receive three awards of Restricted Stock subject to the terms and conditions set forth herein.

The initial award date will be February 1, 2022 (Effective Date) (such award, the Initial Award). The second award date will be the first anniversary of the Effective Date (such award, the Second Award), subject to Participant's Continuous Service through the second award date. The third award date will be the second anniversary of the Effective Date (such award, the Third Award), subject to Participant's Continuous Service through the third award date.

Each award of Restricted Stock will have a value of up to twenty-five percent (25%) of Executive's Base Salary on the respective award date as reasonably determined by the Board of Directors of the Company, and such Restricted Stock will be transferred into Participant's name as of the respective award date, according to the terms and conditions set forth in the Plan and this Award Agreement.

B. Vesting.

The Restricted Period will end upon the satisfaction of all terms and conditions set forth in the Plan and this Award Agreement, and the vested Restricted Stock (Vested Restricted Stock) will be released from restrictions upon the satisfaction of the following criteria.

a. Participant will vest in the Restricted Stock awarded pursuant to this Award Agreement as of the specified anniversaries of the Effective Date of the award, in accordance with the following schedule:

i. Participant will vest in one-fifth (20%) of the shares of the Restricted Stock awarded pursuant to this Award Agreement on the one-year anniversary of the Effective Date (Vesting Commencement Date) (and if no such date exists, then on the last day of the month).

ii. Participant will subsequently vest in one-fifth (20%) of the remaining Restricted Stock awarded on each anniversary of the Vesting Commencement Date, such

that all Restricted Stock will be Vested Restricted Stock on the fourth anniversary of the Vesting Commencement Date.

b. As of each vesting date, restrictions placed upon the specified Restricted Stock will lapse, subject to Participant's Continuous Service through the vesting date. The Company's secretary will retain custody of Participant's original stock certificates for safekeeping.

C. Acceleration.

In the event of a Change in Control (as defined in the Plan) during Participant's Continuous Service, the vesting periods will accelerate such that one hundred percent (100%) of the Restricted Stock will immediately become Vested Restricted Stock.

D. Limitation of Benefits under Certain Circumstances.

If any transfer of stock pursuant to this Award Agreement, either alone or together with other payments, benefits, and transfers which Participant has the right to receive from Company and/or Central Valley Community Bank (Bank), would constitute a "parachute payment" under Section 280G of the Internal Revenue Code of 1986, as amended (the Code), the value of stock transferred will be reduced, in the manner determined by the Board of Directors of the Company, by the amount, if any, which is the minimum necessary to result in no portion of the transfer being non-deductible to the Company or Bank pursuant to Section 280G of the Code and subject to the excise tax imposed under Section 4999 of the Code. The dete1mination of any reduction in the value of stock transferred will be based upon the opinion of independent counsel selected by the Company and paid by the Company. Such counsel will be reasonably acceptable to Participant; will promptly prepare the foregoing opinion, but in no event later than thirty (30) days from the date of any stock transfer under the terms of this Award Agreement; and may use such actuaries or other consultants as such counsel deems necessary or advisable for the purpose.

E. Regulatory Compliance.

This Award Agreement is drawn to be effective in the State of California and will be construed in accordance with California laws, except to the extent superseded by federal law. The parties specifically acknowledge that while the restrictions contained in Section 131 of the Federal Deposit Insurance Corporation Improvement Act of 1991, relating to the payment of bonuses and increases for senior executive officers of institutions which are deemed "undercapitalized", do not currently apply to the Company or Bank such provisions may affect the terms of this Award Agreement if the Company or Bank should be deemed undercapitalized by any state or federal regulatory authority (including, without limitation, the Federal Deposit Insurance Company and the Federal Reserve Board). Without limiting the generality of the foregoing, under no circumstances will the Company or Bank be required to take any other actions under this Award Agreement if such actions would result in any violation of applicable law, rule, regulation or regulatory directive.

F. Clawback.

Notwithstanding any provisions of this Award Agreement to the contrary, if any Payment Restrictions (as hereinafter defined) require the recapture or "clawback" of any benefits received by or stock transferred to the Participant under this Award Agreement,

Participant will repay or transfer stock back to the Company or Bank the aggregate amount of any such benefits or stock, with such repayment or transfer to occur no later than thirty (30) days following Participant's receipt of a written notice from the Company or Bank indicating that benefits or stock received by Participant under this Award Agreement are subject to recapture or clawback pursuant to the Payment Restrictions. "Payment Restrictions" means any applicable state or federal statute, law, regulation, or regulatory interpretation or other guidance, or contractual arrangement with or required by a governmental authority that would require the Company or Bank to seek or demand repayment or return of any benefits or stock received by Participant for any reason, including, without limitation, FIL-66-02010 and any related or successor regulatory guidance, any regulatory or enforcement interpretations or guidance provided by the Securities Exchange Commission or other regulatory body under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Company or Bank or its successors later obtaining information indicating that Participant has committed, is substantially responsible for, or has violated, the respective acts or omission, conditions, or offenses outlined under 12 C.F.R. 359.4(a)(4).

G. The Plan.

The provisions of the Plan are incorporated into this Award Agreement by reference and, in the event of any conflict between this Award Agreement and the Plan, the terms of the Plan will govern, unless the Company has specifically provided otherwise in this Award Agreement.

H. Stock Certificates; Legend.

The Restricted Stock granted under the Plan and this Award Agreement will be evidenced by issuance of a stock certificate or certificates, which certificate or certificates will be held by the Company. Such certificate or certificates will be registered in the name of the Participant and will bear the following (or similar) legend:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THESE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO DISTRIBUTION OR RESALE, AND MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED, PLEDGED, ENCUMBERED OR OTHERWISE CONVEYED WITHOUT SUCH REGISTRATION OR UNLESS THE COMPANY RECEIVES AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED FOR SUCH SALE, TRANSFER, PLEDGE OR OTHER CONVEYANCE UNDER THE SECURITIES ACT.

THE TRANSFERABILITY OF THIS CERTIFICATE AND THE SHARES OF STOCK REPRESENTED HEREBY ARE SUBJECT TO THE TERMS AND CONDITIONS (INCLUDING FORFEITURE) CONTAINED IN THE COMPANY'S 2015 OMNIBUS INCENTIVE PLAN AND AN AGREEMENT ENTERED INTO BETWEEN THE REGISTERED OWNER AND THE COMPANY. COPIES OF SUCH PLAN AND AGREEMENT ARE ON FILE IN THE OFFICES OF THE SECRETARY OF THE COMPANY, 7100 N. FINANCIAL DRIVE, SUITE 101, FRESNO, CA 93720.

I. Miscellaneous Provisions.

a. Withholding Taxes.

In the event that the Company determines that it is required by law to withhold federal, state or local taxes as a result of any transaction involving this Award Agreement or the Plan, Participant will make arrangements satisfactory to the Company to enable it to satisfy all withholding requirements.

The Company retains the right to deduct from all amounts paid pursuant to the Plan any taxes required by law to be withheld with respect to such awards.

b. Rights as a Restricted Shareholder or Vested Restricted Shareholder.

Participant will have only the rights with respect to the Restricted Stock and Vested Restricted Stock expressed in the Plan and this Award Agreement.

With respect to the Restricted Stock conferred by this Award Agreement, Participant will have the rights of a shareholder of the Company, including the right to vote such Restricted Stock and receive dividends and other distributions thereon, if any.

c. No Employment Rights.

Nothing in this Award Agreement will be construed as giving Participant the right to be retained as an employee of the Company or to receive any benefits other than those specifically set forth in this Award Agreement. Sections D, E and F of this Award Agreement are included for compliance purposes only and do not confer any benefits.

d. Further Assurances.

Each party to this Award Agreement agrees to perform any and all further acts and to execute and deliver any documents that may reasonably be necessary or requested to carry out the provisions of this Award Agreement.

e. Attorneys' Fees.

In any legal action or other proceeding brought by either party to enforce or interpret the terms of this Award Agreement, the prevailing party will be entitled to recover reasonable attorney's fees and costs.

f. Confidentiality.

Participant agrees and acknowledges that the terms and conditions of this Award Agreement are confidential. Participant agrees that they will not disclose these terms and conditions to any third party, except to Participant's financial or legal advisors, tax preparer or family members, unless such disclosure is required by law.

g. Governing Law.

This Award Agreement will be governed by and construed in accordance with the laws of the State of California applicable to contracts wholly made and performed in the State of California.

h. Notices.

Any notice or other communication under this Award Agreement must be in writing and will be effective upon delivery by hand; upon facsimile transmission to either party at the number provided below for that party, but only upon receipt by the transmitting party of a written confirmation of receipt; or three (3) business days after deposit in the United States mail, postage prepaid, certified or registered, and addressed to the Company or to Participant at the corresponding address below. Each party will be obligated to notify the other in writing of any change in that party's address. Notice of change of address will be effective only when done in accordance with this paragraph.

If to the Company, to:

Central Valley Community Bancorp Attention: Chairman of the Board 7100 N.
Financial Drive, Suite 101
Fresno, California 93720

If to Participant, to the address specified below his or her signature below.

i. Entire Award Agreement.

This Award Agreement and the Plan, together with those documents that are referenced in the Award Agreement, are intended to be the final, complete, and exclusive statement of the terms of the agreement between Participant and the Company with regard to the subject matter of this Award Agreement. This Award Agreement and the Plan supersede all other prior agreements, communications, and statements, whether written or oral, express or implied, pertaining to that subject matter. This Award Agreement and the Plan may not be contradicted by evidence of any prior or contemporaneous statements or agreements, oral or written, and may not be explained or supplemented by evidence of consistent additional terms.

j. Amendments.

This Award Agreement may be amended by the Board of Directors of the Company at any time (i) if the Board of Directors of the Company determines, in its sole discretion, that amendment is necessary or advisable in light of any addition to or change in the Code, as amended or in the regulations issued thereunder, or any federal or state securities law or other law or regulation, which change occurs after the Effective Date and by its terms applies to the Restricted Stock; or (ii) for other matters and circumstances, with the consent of Participant.

k. Successors and Assigns.

Participant agrees that he or she will not assign, sell, transfer, delegate, or otherwise dispose of, whether voluntarily or involuntarily, or by operation of law, any rights or obligations under this Award Agreement, except as expressly permitted by this Award Agreement. Any such purported assignment, sale, transfer, delegation, or other disposition will be null and void. Subject to the limitations set forth in this Award Agreement, the Award Agreement will be binding on and inure to the benefit of the successors and assigns of the Company and any successors and permitted assigns of Participant, including any executors, administrators, or other legal representatives. It will not benefit any person or entity other than those specifically enumerated in this Award Agreement.

l. Severability.

If any provision of this Award Agreement, or its application to any person, place or circumstance, is held by an arbitrator or a court of competent jurisdiction to be invalid, unenforceable or void, that provision will be enforced to the greatest extent permitted by law, and the remainder of this Award Agreement and of that provision will remain in full force and effect as applied to other persons, places and circumstances.

m. Interpretation.

This Award Agreement will be construed as a whole, according to its fair meaning, and not in favor of or against any party. By way of example and not in limitation, this Award Agreement will not be construed in favor of the party receiving a benefit nor against the party responsible for any particular language in this Award Agreement. Captions are used for reference purposes only and should be ignored in the interpretation of the Award Agreement. Unless the context requires otherwise, all references in this Award Agreement to paragraphs are to the paragraphs of this Award Agreement.

n. Counterparts.

This Award Agreement may be executed in one or more counterparts all of which together will constitute one and the same instrument.

PARTICIPANT ACKNOWLEDGES THAT IT IS PARTICIPANT'S SOLE RESPONSIBILITY TO DETERMINE WHETHER TO FILE AN ELECTION UNDER SECTION 83(b) OF THE INTERNAL REVENUE CODE AND TO TIMELY FILE SUCH ELECTION IF DESIRED.

PARTICIPANT FURTHER ACKNOWLEDGES THAT PARTICIPANT IS ADVISED THAT HE OR SHE MAY CONSULT WITH AN ATTORNEY OR TAX ADVISOR BEFORE SIGNING THIS AGREEMENT, AND THAT PARTICIPANT VOLUNTARILY AND KNOWINGLY EXECUTED THIS AGREEMENT.

(Signature Page Follows)

The parties have duly executed this Award Agreement as of the date first written above.

COMPANY
CENTRAL VALLEY COMMUNITY BANCORP A
California Corporation

By:
Title: Daniel J. Doyle, Chairman of the Board

PARTICIPANT

James Kim
President, Chief Executive Officer

(Signature Page to Restricted Stock Award Agreement -James Kim)

EXHIBIT 21

SUBSIDIARIES OF CENTRAL VALLEY COMMUNITY BANCORP

Name	State of Incorporation
Central Valley Community Bank	California
Service 1st Capital Trust I	Delaware

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-254526) and Form S-8 (No. 332-218408 and No. 333-204545) of Central Valley Community Bancorp (the “Company”), of our report dated March 15, 2024, relating to the 2023 consolidated financial statements of the Company (which report expresses an unqualified opinion and includes an explanatory paragraph relating to a change in the method of accounting for the allowance for credit losses), appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2023.

/s/ Moss Adams LLP

Sacramento, California
March 15, 2024

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-218408 and No. 333-204545 on Form S-8, and No. 333-254526 on Form S-3 of Central Valley Community Bancorp of our report dated March 9, 2023 relating to the 2022 consolidated financial statements appearing in this Annual Report on Form 10-K.

/s/ Crowe LLP

Sacramento, California
March 15, 2024

EXHIBIT 31.1

RULE 13a-14(a) [SECTION 302] CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, James J. Kim, certify that:

1. I have reviewed this this Quarterly Report on Form 10-Q for the Quarter Ended December 31, 2023 of CENTRAL VALLEY COMMUNITY BANCORP;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Rules 13a-15(f) & 15d-15(f)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and;

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ James J. Kim Date: March 15, 2024

James J. Kim,

President and Chief Executive Officer (principal executive officer)

EXHIBIT 31.2

RULE 13a-14(a) [SECTION 302] CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Shannon Livingston, certify that:

1. I have reviewed this this Quarterly Report on Form 10-Q for the Quarter Ended December 31, 2023 of CENTRAL VALLEY COMMUNITY BANCORP;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Rules 13a-15(f) & 15d-15(f)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and;

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Shannon Livingston Date: March 15, 2024

Shannon Livingston,

Executive Vice President and Chief Financial Officer (principal financial and accounting officer)

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Central Valley Community Bancorp (CVCB) on Form 10-Q for the period ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, James J. Kim, President and Chief Executive Officer of CVCB, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of CVCB.

A signed original of this written statement required by Section 906 has been provided to Central Valley Community Bancorp and will be retained by Central Valley Community Bancorp and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: March 15, 2024

/s/ James J. Kim
JAMES J. KIM
President and Chief Executive Officer

EXHIBIT 32.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Central Valley Community Bancorp (CVCB) on Form 10-Q for the period ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Shannon Avrett, Executive Vice President and Chief Financial officer of CVCB, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of CVCB.

A signed original of this written statement required by Section 906 has been provided to Central Valley Community Bancorp and will be retained by Central Valley Community Bancorp and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: March 15, 2024

/s/ Shannon Livingston
SHANNON LIVINGSTON
Executive Vice President and Chief Financial Officer

CENTRAL VALLEY COMMUNITY BANCORP
CENTRAL VALLEY COMMUNITY BANK
INCENTIVE COMPENSATION RECOVERY POLICY

Introduction

The Board of Directors ("***Board***") of Central Valley Community Bancorp ("***Company***") has determined that it is in the best interests of the Company and its shareholders to maintain and promote a culture emphasizing integrity and accountability by, among other things, reinforcing the pay-for-performance compensation philosophy applicable to the officers and employees of the Company and of its subsidiary bank, Central Valley Community Bank ("***Bank***"). The Board has therefore adopted the accompanying Incentive Compensation Recovery Policy ("***Policy***") to permit the Company or the Bank, as appropriate, to recoup certain executive compensation in the event of an accounting restatement that results from material noncompliance with financial reporting requirements under the Securities Exchange Act of 1934 ("***Exchange Act***") and other federal securities laws. This Policy is intended to comply with the requirements of Exchange Act Section 10D and Rule 10D-1 thereunder, and with Nasdaq Rule 5608 adopted in conformity therewith.

Administration

This Policy shall be administered by the Compensation Committee ("***Administrator***"). Any determinations made by the Administrator shall be final and binding on all affected individuals.

Executive Officers

This Policy applies to the Company's current and former Executive Officers. For purposes of this Policy, an "***Executive Officer***" includes, with respect to the Company and the Bank, the President, Chief Executive Officer, Chief Financial Officer, principal accounting officer, any senior vice president of the Company in charge of a principal business unit, division or function, any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company or the Bank. The interpretation of whether an individual is or was serving as an Executive Officer shall be made in a manner consistent with Nasdaq Rule 5608(d), Exchange Act Rule 12b-3, and Exchange Act Rule 16a-1(f).

Recoupment; Accounting Restatement

In the event the Company is required to restate its financial statements to correct a material error in previously reported financial statements due to the Company's material noncompliance with any financial reporting requirement under the securities laws, the Administrator will require reimbursement or forfeiture of any excess Incentive Compensation received by any Executive Officer during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement. The recovery of erroneously awarded compensation is required on a "no fault" basis, without regard to whether any misconduct occurred or an executive officer's responsibility for the erroneous financial statements. The Administrator's determination whether an event of material noncompliance has occurred shall be based upon the facts and circumstances and upon then-existing judicial and administrative interpretations.

Incentive Compensation

For purposes of this Policy, Incentive Compensation means any compensation that is granted, earned, or vested based wholly or in part on the attainment of a financial reporting measure. For such purposes, a "***financial reporting measure***" means any measure that is determined and presented in accordance with the accounting principles used in an issuer's financial statements, and any measure that is derived wholly or in part from such measures, as well as an issuer's stock price and total shareholder return. Without limiting the generality of the foregoing,

Incentive Compensation includes:

- Annual bonuses and other short- and long-term cash incentives.
- Stock options.
- Stock appreciation rights.
- Restricted stock.
- Restricted stock units.
- Performance shares.
- Performance units.

Financial reporting measures include any quantitative metric identified in an Incentive Compensation program or award as a basis for determining the vesting or value of Incentive Compensation, including:

- Company stock price.
- Total shareholder return.
- Revenues.
- Net income.
- Return on equity, including return on invested capital, return on average tangible equity, and similar measures.
- Return on average assets.
- Loan loss experience, provision expense, and loan portfolio performance metrics.
- Liquidity measures, whether determined in accordance with federal banking laws and regulations or otherwise.
- Earnings measures such as earnings per share.

Equity awards that vest exclusively upon completion of a specified employment period, without any performance condition, and bonus awards that are discretionary or based on qualitative goals or goals unrelated to financial reporting measures, do not constitute Incentive Compensation.

Excess Incentive Compensation: Amount Subject to Recovery

The amount to be recovered will be the excess of the Incentive Compensation paid to the Executive Officer based on the erroneous data over the Incentive Compensation that would have been paid to the Executive Officer had it been based on the accurately restated results, as determined by the Administrator. Incentive Compensation is deemed to have been received in the fiscal period during which the financial reporting measure specified in the relevant compensatory award is attained, even if the grant or payment of the Incentive Compensation occurs after the end of that period.

If the Administrator cannot determine the amount of excess Incentive Compensation received by the Executive Officer directly from the information in the accounting restatement, then it will make its determination based on a reasonable estimate of the effect of the accounting restatement, and such determination shall be conclusive and binding.

Method of Recoupment; Limitations on Enforcement

The Administrator will determine, in its sole discretion, the methods for recouping Incentive Compensation hereunder which may include any one or more of the following methods, without limitation and in such combinations as the Administrator deems appropriate:

- Requiring reimbursement of cash Incentive Compensation previously paid.
- Seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards.
- Offsetting the recouped amount from any compensation otherwise owed to the Executive Officer.
- Cancelling outstanding vested or unvested equity awards.
- Any other remedial and recovery action permitted by law, as determined by the Administrator.

Notwithstanding the foregoing, the Administrator may determine not to require recoupment of compensation when any of the following circumstances exist:

- The direct expense to be paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered.
- Recovery would violate any federal or state law that was in effect on the date this Policy was adopted, or that would otherwise subject the Company or the Bank to material risk of a violation of law as stated in a written opinion of counsel to the Company.
- Recovery would cause a broad-based retirement plan to fail to meet the tax-qualification requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

Before concluding that pursuit is impracticable, the Company must first make a reasonable attempts to recover the Incentive Compensation and must provide documentation to Nasdaq describing such attempts.

No Indemnification

The Company shall not indemnify any Executive Officers against the loss of any incorrectly awarded Incentive Compensation or against any action or proceeding resulting in a dispute with respect thereto.

Interpretation

The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Exchange Act Section 10D and Rule 10D-1, Nasdaq Rule 5608, and any other applicable law or regulation governing the forfeiture, disgorgement or recoupment of executive compensation. Without limiting the generality of the foregoing, the Administrator shall be expressly permitted to consider and to rely in its discretion upon judicial and administrative interpretations involving

the Securities and Exchange Commission and federal and applicable state banking regulatory authorities.

Effective Date; Applicability

This Policy shall be effective as of December 1, 2023, (the "***Effective Date***") and shall apply to Incentive Compensation that is approved, awarded or granted to Executive Officers on or after the Effective Date.

Periodic Review; Amendment; Termination

The Administrator may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to reflect modifications in or amendments to any Nasdaq listing requirement or any regulation adopted by the Securities and Exchange Commission. The Administrator may terminate this Policy at any time; provided, however, that this Policy will not be terminated under circumstances that would cause the Company to fail to comply with applicable laws, regulations or Nasdaq listing requirement, or cause the Company or the Bank to violate or fail to comply with any federal or state banking law or regulation.

Other Recoupment Rights

The Administrator may require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Executive Officer to agree to abide by the terms of this Policy and to cooperate in the recoupment of any Incentive Compensation to be recovered hereunder. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company or the Bank pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company or the Bank.

Successors

This Policy shall be binding and enforceable against all Executive Officers and their beneficiaries, heirs, executors, administrators or other legal representatives.