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Annual Report 03

Capitol Research Division
SNL Financial
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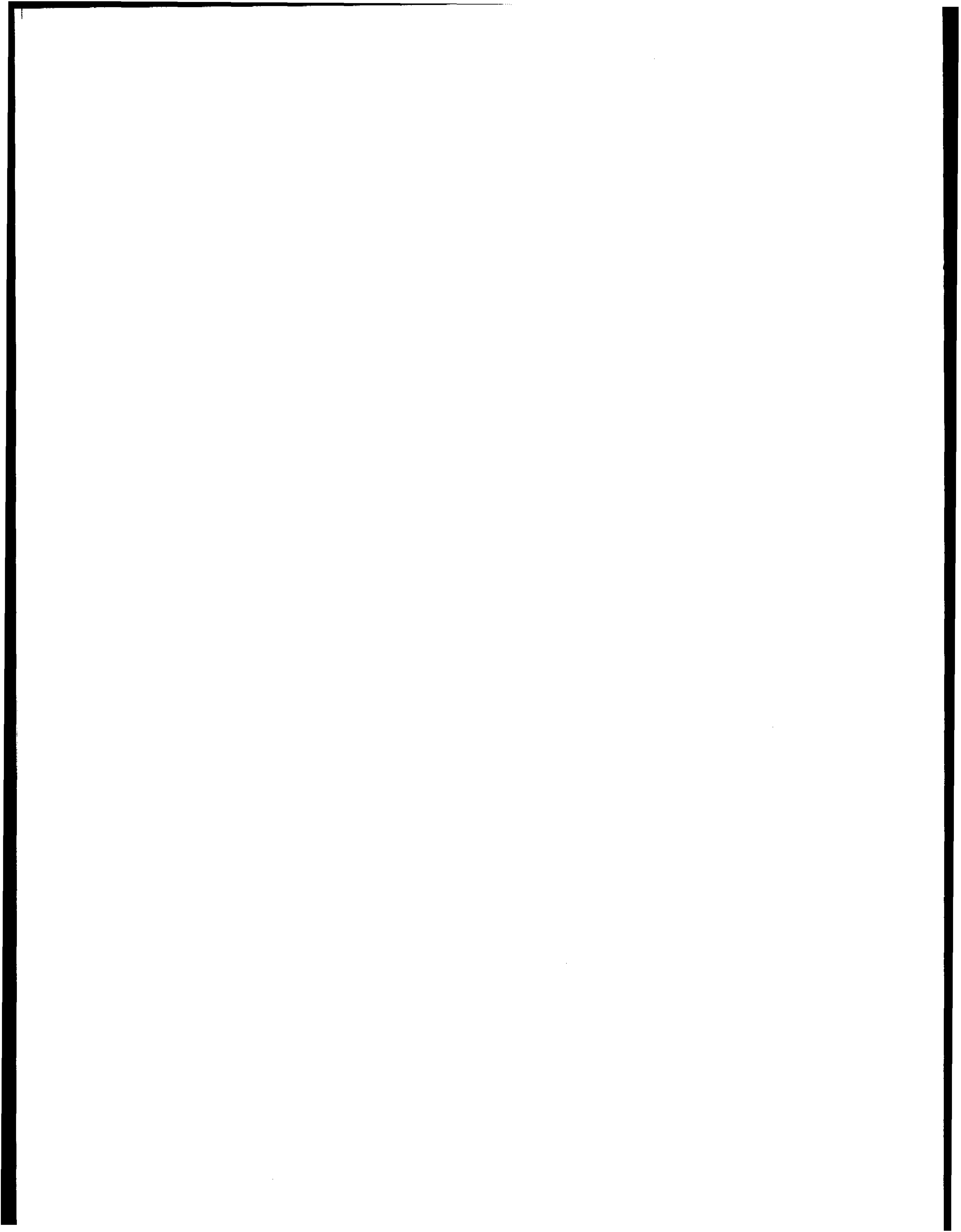
Central Valley Community Bancorp



Caring for the Community.

It's more than our purpose...it's our passion.

Alzheimer's Foundation of Central California • American Cancer Society • American Heart Association • American Legion • American Red Cross • Arthritis Foundation of San Joaquin Valley • Auberry Public Library • Auberry Volunteer Fire Department • Big Brothers Big Sisters • Botanical Gardens • Boys & Girls Club of Fresno County • Break The Barriers • California Armenian Home • California State University, Fresno Alumni Association • California State University, Fresno Foundation • Camp Sunshine Dreams • Cen Cal Business Finance Group • Central High School Baseball • Children's Hospital Central California Foundation • Children's Hospital Central California Los Rancheros Guild • City of Clovis Mayor's Breakfast • Clovis District Chamber of Commerce • Clovis East High School • Clovis Elks Lodge • Clovis Future Farmers of America Boosters • Clovis High School • Clovis Lions Club • Clovis Police Officers Association • Clovis Rodeo Association • Clovis Unified School District • Council of Reedley College Memorial • Court Appointed Special Advocates of Fresno County • Cystic Fibrosis Foundation • Diabetic Youth Foundation • Doug McDonald Scholarship • East Fresno Rotary Charity Foundation - The Greater Valley Concourse d'Elegance • Economic Development Corporation • Epilepsy Research Foundation • Foundation for Clovis Schools • Fresno Area Crime Stoppers • Fresno Art Museum • Fresno Business Council • Fresno City & County Historical Society • Fresno Madera Area Agency on Aging • Fresno Metropolitan Museum of Art • Fresno Rescue Mission Lighthouse Guild • Fresno Sunrise Rotary • Fresno West Coalition for Economic Development • Greater Fresno Area Chamber of Commerce • Greater Fresno Area Chamber of Commerce - Central California Excellence in Business Awards • Help A Kid Read - Fresno Bee • Hinds Hospice • Hoover Babe Ruth Baseball • James Adams Elementary School • Kerman 4H Club • Kerman Chamber of Commerce • Kerman Community Service Organization • Kerman High School • Kerman Police Department • Kerman Senior Center • Kiwanis Club of Clovis • Kiwanis Club of Kerman • Knights of Columbus • KVPR - Valley Public Radio • KVPT - Valley Public Television • March of Dimes • Marjaree Mason Center • National Association of Government Guaranteed Lenders • National Association of Professional Mortgage Women • National Child Safety Council • Poverello House • Ronald McDonald House • Rotary Club of Fresno • San Joaquin Professional Association of Healthcare Management • Sequoia Council of the Boy Scouts of America • Shaver Lake Chamber of Commerce • Sierra Ag Boosters • Sierra Foothill Conservancy • Sierra High School • Sierra Unified School District • Spirit of Women • Saint Agnes Associates • St. Anthony of Padua Catholic School • Sunnyside High School • Susan G. Komen Breast Cancer Foundation • Sutter Hospital Foundation • The Bulldog Foundation • The Salvation Army • United Cerebral Palsy • United Way of Fresno County • Valley Small Business Development Corporation • Valley Teen Ranch • Verde View Farm

The year 2003 will be remembered as a year of continued success for Central Valley Community Bancorp, and a year of continued growth for our primary subsidiary, Central Valley Community Bank.

We are grateful for the trust and support given to us by the communities we serve. We consider it a privilege to give something back to those communities – namely, financial support for the many charities, philanthropies, programs and events that add so much to the quality of life we all enjoy.

Serving our communities is more than just our responsibility, it's our passion – something we are both honored and humbled to do. The greatest reward for serving? The opportunity to serve even more. That's what we intend to do, in 2004 and beyond.

Daniel N. Cunningham

Vice President and Director, Quinn Properties
Central Valley Community Bancorp, Founding Director and Chairman of the Board

To Our Shareholders

Good Decisions Bearing Fruit

As you review our annual report and performance for 2003, we believe you'll find that Central Valley Community Bancorp has succeeded in providing shareholder value and meeting the needs of the communities we serve. A record year in earnings and growth, 2003 will be remembered as the year we began to enjoy the benefits of our past strategic decisions, including the Bank's 2002 name change to Central Valley Community Bank, expanding our Central Valley geographic coverage with the establishment of two branch offices in Sacramento and Kerman, and the relocation/expansion of two Fresno-based offices. Our performance in 2003 is evidence that our strategic decisions are paying off.

Shareholders Celebrate

2003 proved to be another great year to be a Central Valley Community Bancorp shareholder, as our stock price increased 54% over the previous year-end price. This follows two successive years of stock appreciation in excess of 40%. In fact, our stock outperformed the Standard & Poors 500, the Standard & Poors Bank Index and the NASDAQ Bank Index for this same period. As a sector, community and regional bank stocks have outperformed the market in the recent past, and Central Valley Community Bancorp stock has outperformed even this thriving sector. In addition, our diluted earnings per share was $1.19 per diluted share, a 17% increase over 2002, return on average assets was 1.10% and return on average equity was 13.23% for 2003.

Effective March 4, 2004, Central Valley Community Bancorp was accepted to be listed on the NASDAQ, thus enabling shareholders to buy and sell stock from a wider source of brokerage firms. We believe this opportunity is another milestone in the growth of the Company and will create additional shareholder value by providing more liquidity in the Company's common stock.

Growth In Quantity And Quality

Central Valley Community Bancorp's main subsidiary, Central Valley Community Bank, experienced growth in all financial categories in 2003, both in quantity and quality. Net consolidated earnings for the year grew by 21%, average assets grew by 23%, average net loans grew by 18% and average deposits grew by 27%. We are proud of our financial results, and equally proud of the quality of our earning assets, as demonstrated by very low levels of non-performing assets and virtually no net charge-offs from loans – both indications that the Bank continues to operate with a very solid foundation. The Bank has also held the line on expenses in 2003. With the exception of salaries, benefits and related expenses, all other expenses remained flat in 2003 for the third consecutive year. These positive results have all been achieved in the lowest interest rate environment in four decades, which has created unique challenges and downward pressure on our net interest margin.

Smart Expansion

In 2003, our primary focus was on increasing the number of both businesses and consumer households served by the Bank, as well as increasing the number of services we provide to our customers. We achieved this through our outstanding employees and our expanded geographic service area. Additionally, the Bank consolidated and relocated its administrative headquarters in order to accommodate the space needed to expand our Centralized Branch Support Center. All four of our new locations are now showing a profit and offering further opportunities for growth.

Ongoing upgrades to our systems enhance our compliance with regulatory changes, assure the safety and privacy of our customers' information and enhance our growing line of products. As the Bank grows, so do additional regulatory demands as we are now considered a "large" bank under FDIC guidelines. But no matter how "large" the Bank becomes, our number-one objective is always to deliver services in the same responsive, community bank model that has sustained us for 24 years.

Daniel J. Doyle
President, CEO and Director
Central Valley Community Bancorp, Central Valley Community Bank

Leadership For A Changing Market

While Central Valley Community Bank serves markets as far north as Sacramento, the Fresno County area has historically been considered the Bank's base region. This area has faced several economic challenges, and the Bank continues to address them. The construction and real estate industries saw growth in 2003, fueled largely by low interest rates and high housing demand. Major real estate projects such as the Save Mart Center, the Internal Revenue Services building and the Federal Courthouse – as well as business owners taking advantage of the low rates – have kept the construction trades busy. The agricultural segment showed some improvement in crop prices, yields and demand, but overall the industry remains challenged.

Fresno County's population has grown dramatically in recent years, and that trend is expected to continue. While population growth can provide benefits to a centrally located community, there is evidence that Fresno's unemployment rate (which has run in the 14% range for over a decade) could be cause for future concern. To deal with these challenges, Bank management is active in leadership roles in a number of community initiatives designed to address the region's critical issues and stimulate job growth.

Outstanding Employees

While the growth of Central Valley Community Bank has been exemplary in recent years, the importance of retaining key employees and customers will continue to be a priority and a challenge in 2004. Our commitment to competitive compensation, training and career growth has enabled us to attract and retain an outstanding team of professionals, and build a strong, positive culture within our Company. We believe this will help us succeed, as our key competitive advantage is our team of employees who are focused on doing the right thing for the customer and providing a high level of personal service.

Our top-performing employees are recognized each year in the Circle of Excellence. From this group, the best are named to the Circle of Elite. In 2003, Circle of Elite members included: Diane Hamp, Vice President, Loan Service Manager; Tim Harris, Vice President, Private Banking Manager; Lesley Lang-Lopez, Vice President, SBA Manager; Steve Morales, Vice President, Information Systems Manager; Jeannine Welton, Vice President, Branch Manager; and Carol Worstein, Vice President, Small Business Development Officer.

Looking Forward

As we look ahead to 2004, we believe the persistent low interest rate environment will create challenges for increasing net interest income. In 2003, we experienced deposit growth of 32% over the previous year – by comparison, the Fresno County market grew deposits by 11% and the state grew by 15% in the same period. The market is becoming more competitive, and we have already seen aggressive below-market pricing on loans and above-market pricing on deposits from some of our competitors. Still, we believe the Bank is positioned to be very competitive in 2004. To that end, the Bank has signed a lease to open a branch office in a new commercial building in the heart of Fresno's revitalized Downtown. Likewise, we are considering another branch office site in Clovis. While it is unlikely that either location will be open before year-end 2004, we believe the Bank is well-positioned to compete with other banks planning to open new offices in our primary market.

A Productive Year, A Positive Outlook

As we close the books on 2003, we enter 2004 with momentum, enthusiasm and expectations of continued success. The Bank has begun its 25th year of operation – a milestone that could not have been achieved without the support of our customers, employees, shareholders, directors and community. We are truly grateful for the trust and encouragement you have demonstrated through the years. Rest assured, we will work to earn your continued confidence every day, in everything we do.

Daniel N. Cunningham
Chairman of the Board

Daniel J. Doyle
President and Chief Executive Officer

William S. Smittcamp
President, Owner Wawona Frozen Foods
Central Valley Community Bancorp, Director

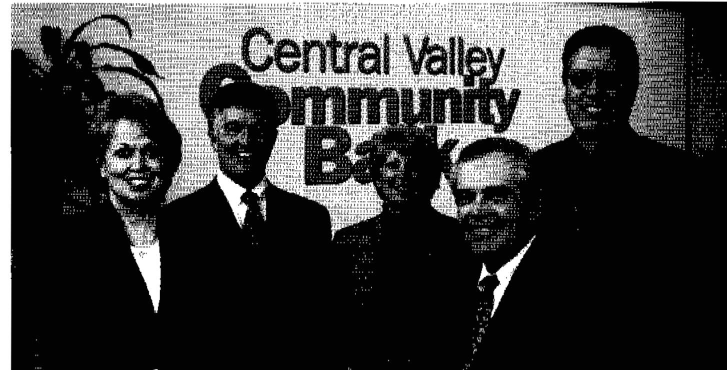
Dedication and Commitment

Central Valley Community Bancorp (the "Company") was established on November 15, 2000 as the holding company for Central Valley Community Bank (the "Bank") and is registered as a bank holding company with the Board of Governors of the Federal Reserve System. The Company currently conducts no operation other than through its ownership of the Bank. The common stock of the Company trades on the NASDAQ under the symbol CVCY.

A History of Growth

Central Valley Community Bank, founded in 1979 as Clovis Community Bank, is a California State chartered bank with deposit accounts insured by the Federal Deposit Insurance Corporation. The Bank commenced operations on January 10, 1980, in Clovis, California, with 12 professional bankers and beginning assets of $2,000,000. Currently, the Bank operates seven full-service offices in Clovis, Fresno, Prather, Kerman and Sacramento, plus Real Estate Lending, SBA Lending and Agribusiness Lending Departments. Investment services are also provided by Investment Centers of America. Now with over 125 employees, assets of over $327,000,000 and over 14,000 customer households, Central Valley Community Bank has grown into a well-capitalized institution, with a proven track record of financial strength, security and stability. Yet despite the Bank's growth, it has remained true to its original "roots" – a commitment to the core values of integrity, trustworthiness, caring, loyalty, leadership and teamwork.

Central Valley Community Bank distinguishes itself from other financial institutions by providing superior client service and by remaining independent since opening 24 years ago. In recent years, the Bank has expanded its unique brand of personalized service by expanding its markets in the Central Valley and opening new administrative headquarters that are better suited to growing the institution. Guided by a hands-on board of directors and a seasoned senior management team, the Bank continues to focus on customer service and retention while remaining committed to the ongoing addition of high-quality employees.



Central Valley Community Bank Senior Management from left to right: Shirley Wilburn, Daniel J. Doyle, Gayle Graham, Gary Quisenberry, Thomas L. Sommer

More Products, More Convenience Than Ever

Central Valley Community Bank maintains state-of-the-art data processing and information systems, and offers a complete line of competitive business and personal deposit and loan products. For maximum convenience, Personal and Business Internet Banking is available at www.cvcb.com and 24-hour Automated Teller Machines (ATMs) are available at most Central Valley Community Bank offices. Additionally, 24-hour telephone banking is available to provide customer access to account information, deposit and withdrawal history, interest earned or paid and the ability to transfer checking and savings funds via touch-tone phone through BankLine.

Joseph B. Weirick
Investments
Central Valley Community Bancorp, Founding Director

Sidney B. Cox
Owner, Cox Communications
Central Valley Community Bancorp, Founding Director

"Relationship Banking" Means Service

The Bank is committed to increasing and enhancing the products and services offered to customers, while emphasizing needs-based consulting within the branch environment. Serving both new and long-time customers continues to be an important factor in the Bank's growth as evidenced in ongoing customer referrals. Dependable values and security have always been important to America's banking customers, and the Bank is well-positioned to provide them, with an increased emphasis on privacy, security and convenience. The Bank takes protecting the privacy and security of customer information very seriously, as demonstrated by a range of expanded operational security measures. These include specialized software, procedures and helpful customer tools like the Bank's identity theft protection kit. All designed to give Central Valley Community Bank's customers maximum protection and peace of mind.

Central Valley Community Bank offers investment services provided by licensed representatives from the Investment Centers of America. The Bank's Real Estate Department provides comprehensive processing of residential and commercial interim construction loans, all types of single-family residential loans and other real-estate related transactions. The Bank supports small business growth and community job creation, as evidenced by its certification in SBA's Preferred Lender Program, which allows for rapid loan response to local small business customers throughout the San Joaquin Valley. Central Valley Community Bank has been recognized for the fourth consecutive year as being the top lender in the Small Business Administration 504 loan program in the counties it serves. The Bank's participation in progressive and specialized lending programs for small businesses in all areas of the Central Valley demonstrates its ongoing commitment to building a stronger, healthier Valley economy.

Central Valley Community Bank has built a reputation for superior banking service by offering personalized "relationship banking" for businesses, professionals, and individuals. Serving the business community has always been a primary focus for Central Valley Community Bank and the Bank continues to expand its commercial banking team to enhance the level of service to even more individual and business customers. This sector is further served by courier service for commercial/business customers throughout Clovis, Fresno and Sacramento.

"Community", It's More Than Just the Bank's Middle Name

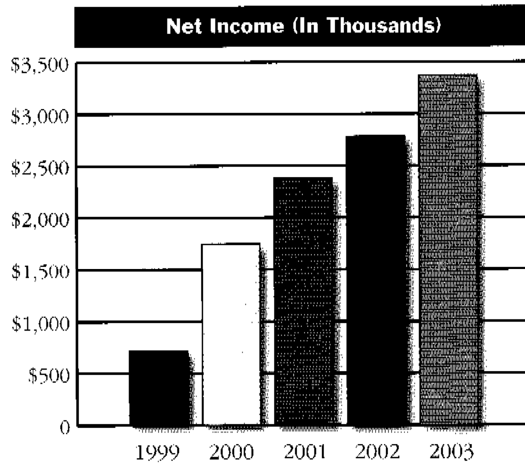
At Central Valley Community Bank, serving a community means more than just being in business there. More than meeting the material needs of its people. It means investing time, talent, and resources to make a community a strong and satisfying place to live. That's a role the Bank takes very seriously.

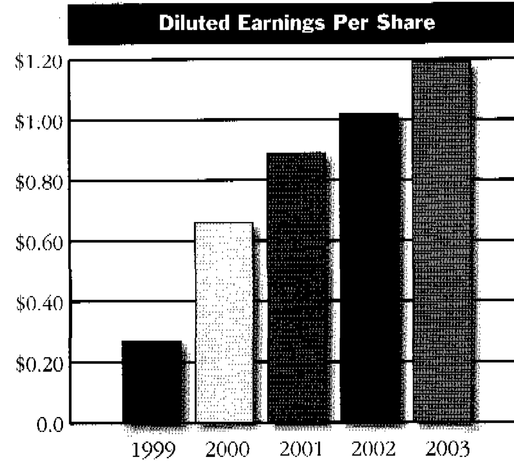
Which is why Central Valley Community Bank supports such a wide variety of local charities, agencies and philanthropies. From educational causes to disease research, the arts to the underprivileged, all are helped each year by Central Valley Community Bank. And not only with the Bank's financial support, but also with its people who generously volunteer their time to serve these important causes. Community is truly more than just the Bank's middle name.

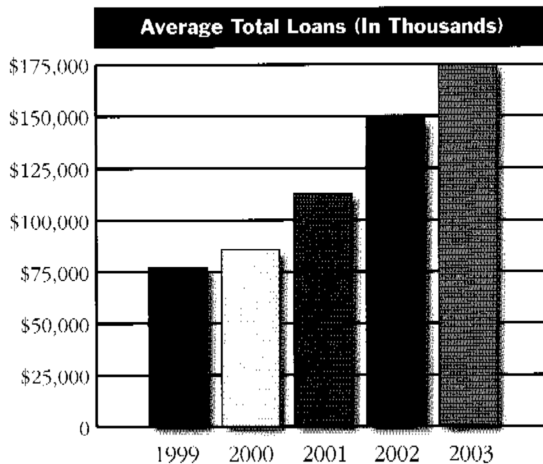
Wanda L. Rogers
President, Rogers Helicopters, Inc.
Central Valley Community Bancorp, Founding Director

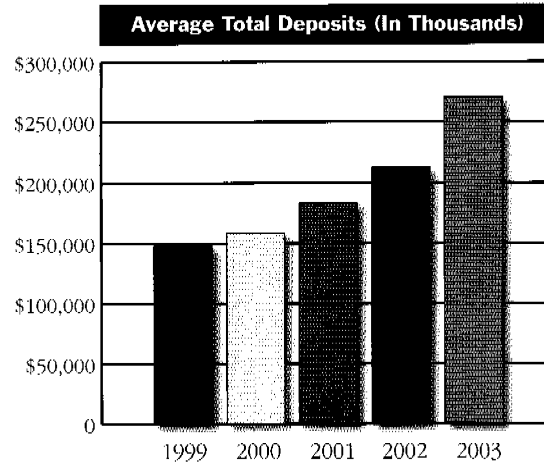
Edwin S. Darden, Jr.
President, Edwin S. Darden Associates
Central Valley Community Bancorp, Director

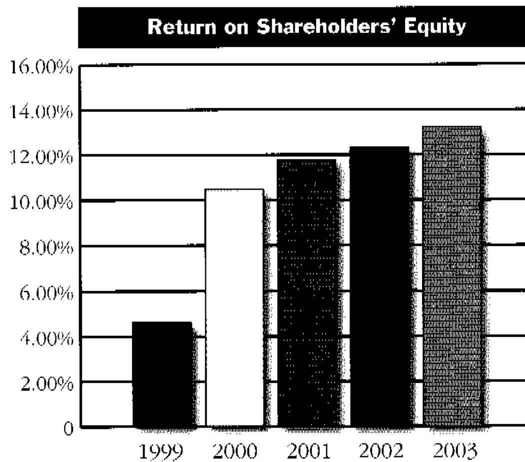
Central Valley Community Bancorp Trend Analysis

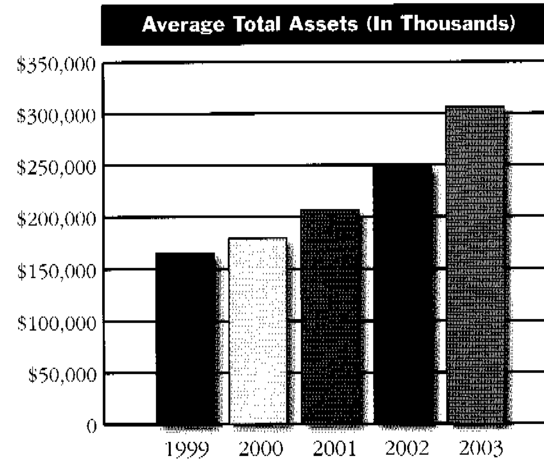












Steven McDonald
President, McDonald Properties, Inc.
Central Valley Community Bancorp, Director

Louis McMurray
President, Charles McMurray Co.
Central Valley Community Bancorp, Director

Comparative Stock Price Appreciation

224.58%
135.80%
96.85%

12/29/01 2/28/02 4/29/02 6/29/02 8/29/02 10/29/02 12/29/02 2/29/03 4/29/03 6/29/03 8/29/03 10/29/03 12/29/03

CVCY NASDAQ BANK INDEX S & P 500

Note: The stock price performance shown in the graphs above should not be indicative of potential future stock price performance.

Consolidated Balance Sheet

December 31, 2003 and 2002 (In thousands, except share amounts)

ASSETS	2003	2002
Cash and due from banks	$ 24,375	$ 18,804
Federal funds sold	10,956	17,678
Interest bearing deposits in other banks	500	500
Available-for-sale investment securities (Notes 2 and 8)	95,844	77,723
Loans, less allowance for credit losses of $2,425 in 2003 and $2,433 in 2002 (Notes 3, 10 and 14)	183,849	156,293
Bank premises and equipment, net (Notes 5 and 10)	2,985	3,131
Accrued interest receivable and other assets (Notes 6, 9 and 13)	9,421	8,877
Total assets	$ 327,930	$ 283,006
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 96,945	$ 73,822
Interest bearing (Note 7)	193,620	172,515
Total deposits	290,565	246,337
Short-term borrowings (Note 8)	7,000	2,000
Long-term debt (Note 8)		7,000
Accrued interest payable and other liabilities (Note 13)	3,645	3,570
Total liabilities	301,210	258,907
Commitments and contingencies (Note 10)		
Shareholders' equity (Note 11):		
Preferred stock, no par value; 10,000,000 shares authorized, no shares issued or outstanding	-	-
Common stock, no par value; 40,000,000 shares authorized, 2,598,927 and 2,573,242 shares issued and outstanding in 2003 and 2002, respectively	6,096	5,854
Retained earnings	19,501	16,387
Accumulated other comprehensive income (Notes 2 and 15)	1,123	1,858
Total shareholders' equity	26,720	24,099
Total liabilities and shareholders' equity	$ 327,930	$ 283,006

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

Consolidated Statement
of Income

For the years ended December 31, 2003, 2002 and 2001 (In thousands, except per share amounts)

	2003	2002	2001
INTEREST INCOME:			
Interest and fees on loans	$ 12,039	$ 11,195	$ 10,380
Interest on Federal funds sold	185	195	240
Interest and dividends on investment securities:			
Taxable	1,992	2,634	3,478
Exempt from Federal income taxes	754	512	479
Total interest income	14,970	14,536	14,577
INTEREST EXPENSE:			
Interest on deposits (Note 7)	2,004	2,393	4,115
Other (Note 8)	286	335	23
Total interest expense	2,290	2,728	4,138
Net interest income before provision for credit losses	12,680	11,808	10,439
PROVISION FOR CREDIT LOSSES (NOTE 3)			623
Net interest income after provision for credit losses	12,680	11,808	9,816
NON-INTEREST INCOME:			
Service charges	2,215	1,922	1,197
Rentals from equipment leased to others (Note 4)	485	1,094	1,441
Loan placement fees	488	364	201
Net realized gains on sales and calls of investment securities (Note 2)	506	27	468
Appreciation in cash surrender value of insurance contracts (Note 13)	303	274	199
Other income	549	531	1,186
Total non-interest income	4,546	4,212	4,692
NON-INTEREST EXPENSES:			
Salaries and employee benefits (Notes 3 and 13)	7,152	6,232	5,365
Occupancy and equipment (Notes 5 and 10)	1,576	1,234	930
Depreciation and (reduction in) provision for allowance for losses on equipment leased to others (Note 4)	202	977	1,308
Other expenses (Notes 10 and 12)	3,425	3,545	3,252
Total non-interest expenses	12,355	11,988	10,855
Income before income taxes	4,871	4,032	3,653
INCOME TAX EXPENSE (NOTE 9)	1,499	1,248	1,275
Net income	$ 3,372	$ 2,784	$ 2,378
Basic earnings per share (Note 11)	$ 1.30	$ 1.08	$ .92
Diluted earnings per share (Note 11)	$ 1.19	$ 1.02	$ .89

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

Consolidated Statement
of Changes in Shareholders' Equity

For the years ended December 31, 2003, 2002 and 2001 (In thousands, except share and per share amounts)

	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Shareholders' Equity	Comprehensive Income
Balance, January 1, 2001	2,606,918	$ 6,465	$ 11,355	$ 851	$ 18,671	
Comprehensive income (Note 15):						
Net income			2,378		2,378	$ 2,378
Other comprehensive income, net of tax:						
Unrealized gains on available-for-sale investment securities				195	195	195
Total comprehensive income						$ 2,573
Stock options exercised and related tax benefit (Note 11)	15,596	83			83	
Repurchase and retirement of common stock (Note 11)	(51,800)	(499)			(499)	
Balance, December 31, 2001	2,570,714	6,049	13,733	1,046	20,828	
Comprehensive income (Note 15):						
Net income			2,784		2,784	$ 2,784
Other comprehensive income, net of tax:						
Unrealized gains on available-for-sale investment securities				812	812	812
Total comprehensive income						$ 3,596
Cash dividend - $.05 per share			(130)		(130)	
Stock options exercised and related tax benefit (Note 11)	43,340	288			288	
Repurchase and retirement of common stock (Note 11)	(40,812)	(483)			(483)	
Balance, December 31, 2002	2,573,242	5,854	16,387	1,858	24,099	
Comprehensive income (Note 15):						
Net income			3,372		3,372	$ 3,372
Other comprehensive loss, net of tax:						
Unrealized losses on available-for-sale investment securities (Note 2)				(735)	(735)	(735)
Total comprehensive income						$ 2,637
Cash dividend - $.10 per share			(258)		(258)	
Stock options exercised and related tax benefit (Note 11)	31,148	323			323	
Repurchase and retirement of common stock (Note 11)	(5,463)	(81)			(81)	
Balance, December 31, 2003	2,598,927	$ 6,096	$ 19,501	$ 1,123	$ 26,720	

Disclosure of reclassification amount, net of taxes (Note 15):	2003	2002	2001
Unrealized holding (losses) gains arising during the year	$ (1,084)	$ 831	$ 476
Less reclassification adjustment for net gains included in net income	349	19	281
Net unrealized (losses) gains on available-for-sale investment securities	$ (735)	$ 812	$ 195

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

Consolidated Statement of Cash Flows

For the years ended December 31, 2003, 2002 and 2001 (In thousands)

	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 3,372	$ 2,784	$ 2,378
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses			623
(Reduction in) provision for allowance for residual losses on equipment leased to others	(203)		100
Gain on sale of equipment leased to others		(21)	(13)
Net increase in deferred loan fees	160	87	135
Depreciation, accretion and amortization, net	2,851	2,193	1,950
Net realized gains on sales and calls of available-for-sale investment securities	(506)	(27)	(468)
Loss (gain) on sale of equipment	10	(6)	
Increase in cash surrender value of life insurance	(298)	(257)	(183)
Net (increase) decrease in accrued interest receivable and other assets	(67)	(707)	264
Net increase in accrued interest payable and other liabilities	155	550	598
Deferred income taxes	(39)	97	65
Net cash provided by operating activities	5,435	4,693	5,449
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of available-for-sale investment securities	(65,192)	(35,559)	(24,455)
Proceeds from sales or calls of available-for-sale investment securities	9,105	1,955	17,267
Proceeds from maturity of available-for-sale investment securities	1,630	165	3,995
Proceeds from principal repayments of available-for-sale investment securities	34,039	16,686	17,509
Net increase in interest bearing deposits in other banks		(500)	
Net increase in loans	(27,716)	(25,583)	(37,582)
Purchases of premises and equipment	(586)	(1,858)	(399)
Proceeds from sale of equipment		19	
Purchase of equipment leased to others			(181)
Proceeds from sale of equipment leased to others		21	163
Deposits on single premium cash surrender value life insurance policies		(1,475)	(447)
Net cash used in investing activities	(48,720)	(46,129)	(24,130)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in demand, interest-bearing and savings deposits	40,743	46,895	15,158
Net increase (decrease) in time deposits	3,485	7,310	(3,978)
Payments on notes payable for equipment leased to others			(36)
Proceeds from borrowings from Federal Home Loan Bank		14,000	5,000
Repayments to Federal Home Loan Bank	(2,000)	(8,000)	(2,000)
Cash paid for dividends	(258)	(130)	
Share repurchase and retirement	(81)	(483)	(499)
Proceeds from exercise of stock options	245	202	83
Net cash provided by financing activities	42,134	59,794	13,728
(Decrease) increase in cash and cash equivalents	(1,151)	18,358	(4,953)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	36,482	18,124	23,077
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 35,331	$ 36,482	$ 18,124
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest expense	$ 2,327	$ 2,724	$ 4,258
Income taxes	$ 1,080	$ 1,398	$ 530
NON-CASH INVESTING ACTIVITIES:			
Net change in unrealized gain on available-for-sale investment securities	$ (1,080)	$ 989	$ 324
Transfer of equipment leased to others to assets held for sale			$ 116
NON-CASH FINANCING ACTIVITIES:			
Tax benefit from stock options exercised	$ 78	$ 86	

The accompanying notes are an integral part of these 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.

The Bank operates seven branches in Clovis, north Fresno, west and northeast Fresno County, and Sacramento, California. The Bank's primary source of revenue is providing loans to customers who are predominately small and middle-market businesses and individuals. The Bank's subsidiaries have nominal activity with the exception of Central Valley Community Realty, LLC ("CVCR"). The Bank formed CVCR in June 2002 to invest in certain of the Bank's real estate related assets. CVCR can be used as a means of generating capital and may afford the Company certain favorable income tax treatments.

The accounting and reporting policies of Central Valley Community Bancorp and subsidiary conform with generally accepted accounting principles and prevailing practices within the banking industry.

Certain reclassifications have been made to prior years' balances to conform to classifications used in 2003.

Principles of Consolidation - The consolidated financial statements include the accounts of the Company and the consolidated accounts of its wholly-owned subsidiary, the Bank. In addition, the accounts of the Bank's wholly owned subsidiaries, CVCR, Clovest Corporation ("Clovest") and Clovis Securities Corporation (an inactive company), are included in the consolidated financial statements. The operating results of Clovest were not material. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash Equivalents - For the purpose of the statement of cash flows, cash and due from banks and Federal funds sold are considered to be cash equivalents. Generally, Federal funds are sold for one-day periods.

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.

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. In addition, unrealized losses that are other than temporary are recognized in earnings for all investments.

Loans - Loans are stated at principal balances outstanding. Interest is accrued daily based upon outstanding loan balances. However, when, in the opinion of management, loans are considered impaired and the future collectibility of interest and principal is in serious doubt, a loan is placed on nonaccrual status and the accrual of interest income is suspended. Any interest accrued but unpaid is charged against income. Payments received are applied to reduce principal to the extent necessary to ensure collection. Subsequent payments on these loans, or payments received on nonaccrual loans for which the ultimate collectibility of principal is not in doubt, are applied first to earned but unpaid interest and then to principal.

An impaired loan is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical matter, at the loan's observable market price or the fair value of collateral if the loan is collateral dependent. A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due (including both principal and interest) in accordance with the contractual terms of the loan agreement.

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, to be 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.

Allowance for Credit Losses - The allowance for credit losses is maintained to provide for losses related to impaired loans and other losses that can be expected to occur in the normal course of business. The determination of the allowance is based on estimates made by management, to include consideration of the character of the loan portfolio, specifically identified problem loans, potential losses inherent in the portfolio taken as a whole and economic conditions in the Bank's service area.

Loans determined to be impaired or classified are individually evaluated by management for specific risk of loss. In addition, a reserve factor is assigned to currently performing loans based on the Bank's historical experience. Management also computes specific and expected loss reserves for loan commitments. These estimates are susceptible to changes in the economic environment and market conditions.

The Bank's Audit Committee reviews the adequacy of the allowance for credit losses quarterly, to include consideration of the relative risks in the portfolio and current economic conditions. The allowance is adjusted based on that review if, in the judgment of the Audit Committee and management, changes are warranted.

This allowance is established through a provision for credit losses which is charged to expense. Additions to the allowance are expected to maintain the adequacy of the total allowance after credit losses and loan growth. The allowance for credit losses at December 31, 2003 and 2002, respectively, reflects management's estimate of potential losses in the portfolio.

Equipment Leased to Others - The Bank enters into leasing arrangements through certain leasing brokers to lease computer equipment to various entities. Computer equipment leased to others under operating leases is depreciated on a straight-line basis over the lease term to an estimated residual value. Related rental income is recorded when earned. On the balance sheet, equipment leased to others, net of accumulated depreciation, is included in accrued interest receivable and other assets.

Bank Premises and Equipment - Bank premises and equipment are carried at cost. 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 twenty and forty 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.

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

Deferred tax assets and liabilities are recognized for the tax consequences of temporary differences between the reported amounts of

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

assets and liabilities and their tax basis. 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.

Stock-Based Compensation - At December 31, 2003, the Company has two stock-based employee compensation plans, the Central Valley Community Bancorp 2000 and 1992 Stock Option Plans, which are described more fully in Note 11. The Company accounts for these plans under the recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees,* and related Interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under these plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation,* to stock-based employee compensation.

Pro forma adjustments to the Company's consolidated net earnings and earnings per share are disclosed during the years in which the options become vested.

	2003	2002	2001
	(In thousands except per share amounts)		
Net income, as reported	$ 3,372	$ 2,784	$ 2,378
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	205	198	268
Pro forma net income	$ 3,167	$ 2,586	$ 2,110
Basic earnings per share - as reported	$ 1.30	$ 1.08	$ .92
Basic earnings per share - pro forma	$ 1.22	$ 1.00	$ .81
Diluted earnings per share - as reported	$ 1.19	$ 1.02	$ .89
Diluted earnings per share - pro forma	$ 1.14	$ .96	$ .79
Weighted average fair value of options granted during the year	$ 5.84	$ 4.86	$ 3.96

The fair value of each option is estimated on the date of grant using an option-pricing model with the following assumptions:

	2003	2002	2001
Dividend yield	.5%	.5%	N/A
Expected volatility	65.4 to 72.77%	65.88 to 75.21%	48.36 to 82.38%
Risk-free interest rate	2.05 to 3.18%	3.66 to 5.39%	4.88 to 5.39%
Expected option life	10 years	10 years	10 years

Earnings Per Share - Basic earnings per share (EPS), which excludes dilution, is computed by dividing income available to common shareholders 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, 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.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. 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 could differ from these estimates.

Impact of New Financial Accounting Standards - On April 30, 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities.* This Statement amends and clarifies the accounting for derivative instruments by providing guidance related to circumstances under which a contract with a net investment meets the characteristics of a derivative as discussed in SFAS No. 133. The Statement also clarifies when a derivative contains a financing component. The Statement is intended to result in more consistent reporting for derivative contracts and must be applied prospectively for contracts entered into or modified after June 30, 2003, except for hedging relationships designated after June 30, 2003. In management's opinion, adoption of this Statement did not have a material impact on the Company's consolidated financial position or results of operations.

2. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

The amortized cost and estimated market value of available-for-sale investment securities at December 31, 2003 and 2002 consisted of the following:

	2003			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
	(In thousands)			
U.S. Government agencies	$ 11,123	$ 442	$ (7)	$ 11,558
Obligations of states and political subdivisions	19,947	930	(136)	20,741
U.S. Government agencies collateralized by mortgage obligations	55,490	678	(255)	55,913
Other securities	7,632	-	-	7,632
	$ 94,192	$ 2,050	$ (398)	$ 95,844

	2002			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
	(In thousands)			
U.S. Government agencies	$ 10,619	$ 886	-	$ 11,505
Obligations of states and political subdivisions	16,629	933	$ (101)	17,461
U.S. Government agencies collateralized by mortgage obligations	44,421	1,117	(144)	45,394
Corporate Bonds	974	41	-	1,015
Other securities	2,348	-	-	2,348
	$ 74,991	$ 2,977	$ (245)	$ 77,723

2. AVAILABLE-FOR-SALE INVESTMENT SECURITIES (Continued)

Investment securities with unrealized losses at December 31, 2003 are summarized and classified according to the duration of the loss period as follows:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. Government agencies	$ 2,088	$ (7)	-	-	$ 2,088	$ (7)
Obligations of states and political subdivisions	2,900	(136)	-	-	2,900	(136)
U.S. Government agencies collateralized by mortgage obligations	18,881	(225)	$ 2,409	$ (30)	21,290	(255)
	$ 23,869	$ (368)	$ 2,409	$ (30)	$ 26,278	$ (398)

At December 31, 2003, investment securities totaling $23,869,000 were in a loss position for less than twelve months and investment securities totaling $2,409,000 were in a loss position and had been in a loss position for twelve months or more. Management periodically evaluates each investment security relying primarily on industry analyst reports, observation of market conditions and interest rate fluctuations. Management believes it will be able to collect all amounts due according to the contractual terms of the underlying investment securities and that the noted decline in fair value is due only to interest rate fluctuations.

Net unrealized gains on available-for-sale investment securities totaling $1,652,000 and $2,732,000 are recorded net of $529,000 and $874,000 in tax expense as accumulated other comprehensive income within shareholders' equity at December 31, 2003 and 2002, respectively.

Proceeds and gross realized gains from the sale or call of available-for-sale investment securities totaled $9,105,000 and $506,000, respectively, for the year ended December 31, 2003. Proceeds and gross realized gains from the sale or call of available-for-sale investment securities totaled $1,955,000 and $27,000, respectively, for the year ended December 31, 2002. Proceeds and gross realized gains from the sale or call of available-for-sale investment securities totaled $17,267,000 and $468,000, respectively, for the year ended December 31, 2001.

The amortized cost and estimated market value of available-for-sale investment securities at December 31, 2003 by contractual maturity are shown below. 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.

	Amortized Cost	Estimated Market Value
	(In thousands)	
Within one year	$ 1,002	$ 1,006
After one year through five years	10,733	11,220
After five years through ten years	4,670	4,931
After ten years	14,665	15,142
	31,070	32,299
Investment securities not due at a single maturity date:		
U.S. Government agencies collateralized by mortgage obligations	55,490	55,913
Other securities	7,632	7,632
	$ 94,192	$ 95,844

Investment securities with amortized costs totaling $26,552,000 and $23,681,000 and market values totaling $27,642,000 and $25,269,000 were pledged to secure public deposits, other contractual obligations, short-term borrowings and long-term debt at December 31, 2003 and 2002, respectively.

3. LOANS

Outstanding loans are summarized as follows:

	December 31, 2003	December 31, 2002
	(In thousands)	
Commercial	$ 55,506	$ 51,618
Real estate	90,033	78,338
Real estate – construction, land development and other land loans	25,232	20,379
Agricultural	10,714	3,285
Installment	5,117	5,581
Other	320	13
	186,922	159,214
Deferred loan fees, net	(648)	(488)
Allowance for credit losses	(2,425)	(2,433)
	$ 183,849	$ 156,293

At December 31, 2003 and 2002, loans originated under Small Business Administration (SBA) programs totaling $20,506,000 and $16,697,000, respectively, were included in the real estate and commercial categories.

Changes in the allowance for credit losses were as follows:

	Year Ended December 31, 2003	2002	2001
	(In thousands)		
Balance, beginning of year	$ 2,433	$ 2,474	$ 2,047
Provision charged to operations			623
Losses charged to the allowance	(217)	(352)	(392)
Recoveries	209	311	196
Balance, end of year	$ 2,425	$ 2,433	$ 2,474

The recorded investment in loans that were considered to be impaired totaled $634,000 and $952,000 at December 31, 2003 and 2002, respectively. The related allowance for credit losses on these impaired loans at December 31, 2003 and 2002 was $198,000 and $194,000, respectively. The average recorded investment in impaired loans during 2003, 2002 and 2001 was $651,000, $782,000 and $1,175,000, respectively. Interest income on impaired loans, if appropriate, is recognized on a cash basis. No interest income was recognized for impaired loans in 2003 and 2002. Interest income recognized for impaired loans totaled $2,000 for the year ended December 31, 2001.

At December 31, 2003 and 2002, nonaccrual loans totaled $634,000 and $466,000, respectively. Interest foregone on nonaccrual loans totaled $27,000, $62,000 and $46,000 for the years ended December 31, 2003, 2002 and 2001, respectively.

Salaries and employee benefits totaling $214,000, $163,000 and $91,000 have been deferred as loan origination costs for the years ended December 31, 2003, 2002 and 2001, respectively.

4. EQUIPMENT LEASED TO OTHERS

Equipment leased to others consisted of the following:

	December 31, 2003	December 31, 2002
	(In thousands)	
Computer equipment	$ 653	$ 3,192
Accumulated depreciation	(615)	(2,749)
Allowance for residual losses		(203)
	$ 38	$ 240

Changes in the allowance for residual losses were as follows:

	Year Ended December 31, 2003	2002	2001
		(In thousands)	
Balance, beginning of year	$ 203	$ 203	$ 104
Losses charged to provision			(1)
(Reduction in) provision for allowance included in operations	(203)		100
Balance, end of year	$ -	$ 203	$ 203

Depreciation expense totaled $405,000, $977,000 and $1,208,000 for the years ended December 31, 2003, 2002 and 2001, respectively.

Minimum future rental income on operating leases for the year ending December 31, 2004 is $38,000.

5. BANK PREMISES AND EQUIPMENT

Bank premises and equipment consisted of the following:

	December 31, 2003	December 31, 2002
	(In thousands)	
Land	$ 250	$ 250
Buildings and improvements	1,161	1,185
Furniture, fixtures and equipment	3,449	3,145
Leasehold improvements	1,734	1,515
	6,594	6,095
Less accumulated depreciation and amortization	(3,609)	(2,964)
	$ 2,985	$ 3,131

Depreciation and amortization included in occupancy and equipment expense totaled $721,000, $575,000 and $414,000 for the years ended December 31, 2003, 2002 and 2001, respectively.

6. ACCRUED INTEREST RECEIVABLE AND OTHER ASSETS

Accrued interest receivable and other assets consisted of the following:

	December 31, 2003	December 31, 2002
	(In thousands)	
Accrued interest receivable	$ 1,239	$ 1,207
Cash surrender value of life insurance (Note 13)	5,879	5,581
Net deferred tax assets (Note 9)	803	419
Prepaid expenses	287	221
Federal Home Loan Bank stock	572	659
Other	641	790
	$ 9,421	$ 8,877

7. DEPOSITS

Interest-bearing deposits consisted of the following:

	December 31, 2003	December 31, 2002
	(In thousands)	
Savings	$ 16,888	$ 14,918
Money market	71,382	59,392
NOW accounts	44,547	40,887
Time, $100,000 or more	25,980	21,624
Time, under $100,000	34,823	35,694
	$ 193,620	$ 172,515

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

Year Ending December 31,	
2004	$ 49,436
2005	10,108
2006	1,259
	$ 60,803

Interest expense recognized on interest-bearing deposits consisted of the following:

	Year Ended December 31, 2003	2002	2001
		(In thousands)	
Savings	$ 66	$ 88	$ 144
Money market	659	817	1,366
NOW accounts	49	80	119
Time certificates of deposit	1,230	1,408	2,486
	$ 2,004	$ 2,393	$ 4,115

8. SHORT-TERM BORROWINGS, LONG-TERM DEBT AND OTHER BORROWING ARRANGEMENTS

Short-Term Borrowings and Long-Term Debt

Advances from the Federal Home Loan Bank of San Francisco at December 31, 2003 and 2002 consisted of the following:

2003			2002		
Amount	Rate	Maturity Date	Amount	Rate	Maturity Date
(Dollars in thousands)			(Dollars in thousands)		
			$ 1,000	2.44%	May 7, 2003
			1,000	3.33%	Nov. 20, 2003
$ 2,000	3.28%	Feb. 23, 2004	2,000	3.28%	Feb. 23, 2004
3,000	3.38%	March 4, 2004	3,000	3.38%	March 4, 2004
1,000	3.70%	April 15, 2004	1,000	3.70%	April 15, 2004
1,000	3.99%	Nov. 22, 2004	1,000	3.99%	Nov. 22, 2004
7,000			9,000		
(7,000)	Less short-term portion		(2,000)	Less short-term portion	
$ -			$ 7,000		

The advances are secured by investment securities with amortized costs totaling $8,148,000 and $13,809,000 and market values totaling $8,474,000 and $14,823,000 at December 31, 2003 and 2002, respectively. The Bank's credit limit varies according to the amount and composition of the investment and loan portfolios pledged as collateral.

Other Borrowing Arrangements - The Bank had unsecured lines of credit with its correspondent banks which, in the aggregate, amounted to $9,000,000 and $8,000,000 at December 31, 2003 and 2002, respectively, at interest rates which vary with market conditions. The Bank also had a line of credit with the Federal Reserve Bank of San Francisco at December 31, 2003 and 2002 which bears interest at the prevailing discount rate collateralized by investment securities with amortized costs totaling $1,028,000 and $3,833,000 and market values totaling $1,090,000 and $3,946,000, respectively. At December 31, 2003 and 2002, the Bank had no outstanding borrowings under these lines of credit.

9. INCOME TAXES

The expense (benefit) for income taxes for the years ended December 31, 2003, 2002 and 2001 consisted of the following:

	Federal	State	Total
		(In thousands)	
2003			
Current	$ 1,258	$ 280	$ 1,538
Deferred	(96)	57	(39)
Income tax expense	$ 1,162	$ 337	$ 1,499
2002			
Current	$ 885	$ 266	$ 1,151
Deferred	189	(92)	97
Income tax expense	$ 1,074	$ 174	$ 1,248
2001			
Current	$ 983	$ 227	$ 1,210
Deferred	54	11	65
Income tax expense	$ 1,037	$ 238	$ 1,275

Deferred tax assets (liabilities) consisted of the following:

	December 31, 2003	December 31, 2002
	(In thousands)	
Deferred tax assets:		
Allowance for credit losses	$ 539	$ 538
Other reserves	60	76
Bank premises and equipment	34	210
Deferred compensation	834	668
Future benefit of State deferred tax liability	38	
Total deferred tax assets	1,505	1,492
Deferred tax liabilities:		
Other accruals	(173)	(140)
Future liability of State deferred tax asset		(59)
Unrealized gain on available-for-sale investment securities	(529)	(874)
Total deferred tax liabilities	(702)	(1,073)
Net deferred tax assets	$ 803	$ 419

The expense 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, 2003, 2002 and 2001 consisted of the following:

	2003	2002	2001
Federal income tax expense, at statutory rate	34.0 %	34.0 %	34.0 %
State franchise tax expense, net of Federal tax effect	6.1 %	2.8 %	6.7 %
Tax exempt income, net	(5.1)%	(4.1)%	(5.8)%
Company owned life insurance, net	(2.2)%	(2.2)%	(1.8)%
Other	(2.0)%	0.4 %	1.8 %
Total income tax expense	30.8 %	30.9 %	34.9 %

As discussed in Note 1, the Company's subsidiary, the Bank, formed CVCR in June 2002. The Company realized certain favorable tax treatments related to the formation of CVCR in its consolidated California state tax filing for 2002. Management believes it has appropriately recognized these tax benefits. However, should the favorable tax treatment be disallowed by the California Franchise Tax Board or conceded by the Company, additional tax payments ranging from $140,000 to $175,000 would be due. The Company did not recognize similar tax benefits in 2003.

10. COMMITMENTS AND CONTINGENCIES

Leases - The Bank leases certain of its branch facilities and administrative offices under noncancelable operating leases. Rental expense included in occupancy and equipment and other expense totaled $334,000, $235,000 and $195,000 for the years ended December 31, 2003, 2002 and 2001, respectively.

10. COMMITMENTS AND CONTINGENCIES (Continued)

Future minimum lease payments on noncancelable operating leases are as follows (in thousands):

Year Ending December 31,		
2004	$	349
2005		311
2006		239
2007		181
2008		164
Thereafter		266
	$	1,510

The Bank has lease renewal options for its branch facilities and administrative offices as follows:

Location	Lease Expiration Date	Renewal Options
Clovis - SBA	August 31, 2004	Two three-year terms
Clovis - Real Estate	December 1, 2005	Two five-year terms
Clovis - Administration	August 14, 2006	Two one-year terms
Clovis - Training	April 30, 2005	One three-year term
Fig Garden	March 15, 2005	One five-year term
Fig Garden	September 1, 2010	One eight-year term
Shaver Lake	May 31, 2005	One five-year term
Kerman	September 30, 2004	Three one-year terms
Sacramento	April 30, 2007	One five-year term
River Park	March 31, 2012	Two five-year terms
Clovis - In-Store Branch	July 1, 2005	One five-year term

Federal Reserve Requirements - Banks are required to maintain reserves with the Federal Reserve Bank equal to a percentage of their reservable deposits. The average amount of such reserve balances required at December 31, 2003 and 2002 was $233,000 and $311,000, respectively.

Correspondent Banking Agreements - The Bank maintains funds on deposit with other federally insured financial institutions under correspondent banking agreements. Uninsured deposits totaled $12,918,000 at December 31, 2003.

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 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 letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and letters of credit as it does for loans included on the balance sheet.

The following financial instruments represent off-balance-sheet credit risk:

	December 31,			
	2003		2002	
	(In thousands)			
Commitments to extend credit	$	91,469	$	65,211
Letters of credit	$	1,180	$	1,177

Commitments to extend credit consist primarily of unfunded single-family residential and commercial real estate construction loans and commercial revolving lines of credit. 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 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 performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

At December 31, 2003, commercial loan commitments represent approximately 50% of total commitments and are generally secured by collateral other than real estate or unsecured. Real estate loan commitments represent 28% 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 22% of total commitments and are generally unsecured. In addition, the majority of the Bank's loan commitments have variable interest rates.

Concentrations of Credit Risk - At December 31, 2003, in management's judgment, a concentration of loans existed in commercial loans and real-estate-related loans. At that date, approximately 91.4% of the Bank's loans were commercial and real-estate-related, representing 29.7% and 61.7% of total loans, respectively.

At December 31, 2002, in management's judgment, a concentration of loans existed in commercial loans and real-estate-related loans. At that date, approximately 94.4% of the Bank's loans were commercial and real-estate-related, representing 32.4% and 62.0% of total loans, respectively.

Although management believes the loans within these concentrations have no more than the normal risk of collectibility, a substantial decline in the performance of the economy in general or a decline in real estate values in the Company's primary market area, in particular, could have an adverse impact on collectibility, 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 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.

11. SHAREHOLDERS' EQUITY

Regulatory Capital - The Company and the Bank are subject to certain regulatory requirements administered by the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation (FDIC). Failure to meet these minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's 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.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets and of Tier 1 capital to average assets. Each of these components is defined in the regulations. The consolidated average assets and risk-weighted assets of the Company and the average assets and risk-weighted assets of the Bank were not materially different at December 31, 2003 and 2002. Management believes that the Company and the Bank meet all their capital adequacy requirements as of December 31, 2003.

11. SHAREHOLDERS' EQUITY (Continued)

Regulatory Capital (continued) - In addition, the most recent notification from the FDIC categorized the Bank as well capitalized 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 below. There are no conditions or events since that notification that management believes have changed the Bank's category.

	2003		2002	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
Tier 1 Leverage Ratio				
Central Valley Community Bancorp and Subsidiary	$ 25,595	7.8%	$ 22,236	8.0%
Central Valley Community Bank	$ 24,509	7.5%	$ 20,974	7.6%
Minimum requirement for "Well-Capitalized" institution	$ 16,314	5.0%	$ 13,915	5.0%
Minimum regulatory requirement	$ 13,020	4.0%	$ 11,132	4.0%
Tier 1 Risk-Based Capital Ratio				
Central Valley Community Bancorp and Subsidiary	$ 25,595	11.7%	$ 22,236	12.0%
Central Valley Community Bank	$ 24,509	11.2%	$ 20,974	11.3%
Minimum requirement for "Well-Capitalized" institution	$ 13,101	6.0%	$ 11,129	6.0%
Minimum regulatory requirement	$ 8,713	4.0%	$ 7,419	4.0%
Total Risk-Based Capital Ratio				
Central Valley Community Bancorp and Subsidiary	$ 28,020	12.8%	$ 24,550	13.2%
Central Valley Community Bank	$ 26,934	12.3%	$ 23,288	12.6%
Minimum requirement for "Well-Capitalized" institution	$ 21,834	10.0%	$ 18,549	10.0%
Minimum regulatory requirement	$ 17,426	8.0%	$ 14,839	8.0%

Stock Split - On January 6, 2003, the Company effected a two-for-one stock split. All per share, shares outstanding and stock option data in the consolidated financial statements have been retroactively restated to reflect the stock split.

Dividends - On May 21, 2003, the Board of Directors declared a $.10 per share cash dividend to shareholders of record at the close of business on June 2, 2003, paid on or about June 30, 2003. On February 13, 2002, the Board of Directors declared a $.05 per share cash dividend to shareholders of record at the close of business on March 1, 2002, paid on or about March 31, 2002. No cash dividends were paid during 2001.

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 Financial Institutions 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, 2003, retained earnings of $6,767,000 were free of such restrictions.

Share Repurchase Plan - During 2003, 2002 and 2001, the Company approved stock repurchase plans authorizing the purchase of shares up to a total cost of $500,000, or approximately 2%, 3% and 3%, respectively, of its common stock, in each year. As of December 31, 2003, 2002 and 2001, the Company repurchased 5,463, 40,812 and 51,800 shares at a total cost of $81,000, $483,000 and $499,263, respectively.

Earnings Per Share - A reconciliation of the numerators and denominators of the basic and diluted earnings per share computations is as follows:

	Year Ended December 31,		
	2003	2002	2001
	(In thousands except share and per share amounts)		
Basic Earnings Per Share:			
Net income	$ 3,372	$ 2,784	$ 2,378
Weighted average shares outstanding	2,586,352	2,585,433	2,594,332
Net income per share	$ 1.30	$ 1.08	$ .92
Diluted Earnings Per Share:			
Net income	$ 3,372	$ 2,784	$ 2,378
Weighted average shares outstanding	2,586,352	2,585,433	2,594,332
Effect of dilutive stock options	242,486	156,310	84,298
Weighted average shares of common stock and common stock equivalents	2,828,838	2,741,743	2,678,630
Net income per diluted share	$ 1.19	$ 1.02	$ .89

Stock Options - During 1992, the Bank established a Stock Option Plan for which shares are reserved for issuance to employees and directors under incentive and nonstatutory agreements. The Company assumed all obligations under this plan as of November 15, 2000, and options to purchase shares of the Company's common stock were substituted for options to purchase shares of common stock of the Bank. The plan requires that the option price may not be less than the fair market value of the stock at the date the option is granted, and that the option price must be paid in full at the time it is exercised. The options 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 is determined by the Board of Directors and is generally over five years. Outstanding options under the 1992 plan are exercisable until their expiration; however, no new options will be granted under this plan.

On November 15, 2000, the Company adopted, and subsequently amended on December 20, 2000, the Central Valley Community Bancorp 2000 Stock Option Plan for which 686,090 shares are reserved for issuance to employees and directors under incentive and nonstatutory agreements.

11. SHAREHOLDERS' EQUITY (Continued)

Stock Options (continued) - A summary of the combined activity of the plans, adjusted to give effect to stock splits, follows:

	2003		2002		2001	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, beginning of year	531,088	$ 8.02	541,430	$ 7.49	250,450	$ 6.53
Options granted	78,100	$17.21	51,000	$10.94	320,276	$ 8.10
Options exercised	(31,148)	$ 7.86	(43,340)	$ 4.66	(15,596)	$ 4.17
Options canceled	(12,250)	$ 8.90	(18,002)	$ 8.33	(13,700)	$ 8.20
Options outstanding, end of year	565,790	$ 9.28	531,088	$8.02	541,430	$ 7.49
Options exercisable, end of year	287,400	$ 7.98	234,278	$7.98	188,018	$ 7.36

A summary of options outstanding at December 31, 2003 follows:

Range of Exercise Prices	Number of Options Outstanding December 31, 2003	Weighted Average Remaining Contractual Life	Number of Options Exercisable December 31, 2003
$ 6.50 to $7.75	235,580	6.5 years	117,700
$ 8.18 to $9.50	202,660	6.2 years	159,500
$ 10.03 to $11.63	50,000	8.5 years	10,200
$ 15.50 to $19.00	77,550	9.5 years	
	565,790		287,400

12. OTHER EXPENSES

Other expenses consisted of the following:

	Year Ended December 31, 2003	2002	2001
		(In thousands)	
Data processing	$ 795	$ 746	$ 772
Advertising	360	524	367
Audit and accounting fees	222	334	227
Legal fees	101	158	170
Other expenses	1,947	1,783	1,716
	$ 3,425	$ 3,545	$ 3,252

13. EMPLOYEE BENEFITS

401(k) and Profit Sharing Plan - The Bank has established a 401(k) plan covering substantially all employees who have completed a six-month period in which they are credited with at least 1,000 hours of service. Participants in the profit sharing plan are eligible to receive employer contributions after completion of two years of service. Bank contributions are determined at the discretion of the Board of Directors. Participants are automatically vested 100% in all employer contributions. The Bank contributed $120,000, $100,000 and $125,000 to the profit sharing plan in 2003, 2002 and 2001, respectively.

Additionally, the Bank may elect to make a matching contribution to the participants' accounts. The amount contributed is announced by the Bank at the beginning of the plan year. For the years ended December 31, 2003 and 2002, the Bank made a 100% matching contribution on all deferred amounts up to 3% and a 50% matching contribution on all deferred amounts above 3% to a maximum of 5% of eligible compensation. For the year ended December 31, 2001, the Bank made a 50% matching contribution on all deferred amounts up to 5% of eligible compensation. For the years ended December 31, 2003, 2002 and 2001, the Bank made matching contributions totaling $157,000, $128,000 and $70,000, respectively.

Deferred Compensation Plan - The Bank has a nonqualified Deferred Compensation Plan which provides directors and a former key executive 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 (6% at December 31, 2003). At December 31, 2003 and 2002, the total net deferrals included in other liabilities were $1,107,000 and $1,053,000, 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 beneficiary and owner of the policies. The cash surrender value of the policies totaled $3,690,000 and $3,482,000 at December 31, 2003 and 2002, respectively, and is included in accrued interest receivable and other assets on the consolidated balance sheet. The current annual tax-free interest rates on these policies is 6.1%.

Salary Continuation Plans - The Board of Directors approved salary continuation plans for certain key executives during 2001. Under these plans, the Bank is obligated to provide the executives with annual benefits for fifteen years after retirement. These benefits are substantially equivalent to those available under split-dollar life insurance policies purchased by the Bank on the life of the executives. In addition, the estimated present value of these future benefits are accrued from the effective date of the plans until the executives' expected retirement date. The expense recognized under these plans for the years ended December 31, 2003, 2002 and 2001 totaled $256,000, $205,000 and $161,000, respectively.

In connection with these plans, the Bank purchased single premium life insurance policies with cash surrender values totaling $2,189,000 and $2,099,000 at December 31, 2003 and 2002, respectively, which are included on the consolidated balance sheet in accrued interest receivable and other assets. Income recognized on these policies, net of related expense, for the years ended December 31, 2003, 2002 and 2001 totaled $90,000, $111,000 and $98,000, respectively.

14. LOANS TO RELATED PARTIES

During the normal course of business, the Bank enters into loans with related parties, including executive officers and directors. These loans are made with substantially the same terms, including rates and collateral, as loans to unrelated parties. The following is a summary of the aggregate activity involving related party borrowers (in thousands):

Balance, January 1, 2003	$ 567
Disbursements	76
Amounts repaid	(260)
Balance, December 31, 2003	$ 383
Undisbursed commitments to related parties, December 31, 2003	$ 1,539

15. COMPREHENSIVE INCOME

Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of other comprehensive income that historically has not been recognized in the calculation of net income. Unrealized gains and losses on the Company's available-for-sale investment securities are included in other comprehensive income. Total comprehensive income and the components of accumulated other comprehensive income are presented in the Consolidated Statement of Changes in Shareholders' Equity.

At December 31, 2003, 2002 and 2001, the Company held securities classified as available-for-sale which had unrealized gains or losses as follows:

	Before Tax	Tax (Benefit) Expense	After Tax
		(In thousands)	
For the Year Ended December 31, 2003			
Other comprehensive loss:			
Unrealized holding losses	$ (1,586)	$ 502	$ (1,084)
Less reclassification adjustment for net gains included in net income	506	(157)	349
Total other comprehensive loss	$ (1,080)	$ 345	$ (735)
For the Year Ended December 31, 2002			
Other comprehensive income:			
Unrealized holding gains	$ 1,016	$ (185)	$ 831
Less reclassification adjustment for net gains included in net income	27	(8)	19
Total other comprehensive income	$ 989	$ (177)	$ 812
For the Year Ended December 31, 2001			
Other comprehensive income:			
Unrealized holding gains	$ 792	$ (316)	$ 476
Less reclassification adjustment for net gains included in net income	468	(187)	281
Total other comprehensive income	$ 324	$ (129)	$ 195

16. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures include estimated fair values for financial instruments for which it is practicable to estimate fair value. These estimates are made at a specific point in time based on relevant market data and information about the financial instruments. These estimates do not reflect any premium or discount that could result from offering the Company's entire holdings of a particular financial instrument for sale at one time, nor do they attempt to estimate the value of anticipated future business related to the instruments. In addition, the tax ramifications related to the realization of unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of these estimates.

Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the fair values presented.

The following methods and assumptions were used by the Company to estimate the fair value of its financial instruments at December 31, 2003 and 2002:

Cash and cash equivalents - For cash and cash equivalents, the carrying amount is estimated to be fair value.

Available-for-sale investment securities and interest-bearing deposits in other banks - For investment securities and deposits, fair values are based on quoted market prices, where available. If quoted market prices are not available, fair values are estimated using quoted market prices for similar securities and deposits and indications of value provided by brokers.

Loans - For variable-rate loans that reprice frequently with no significant change in credit risk, fair values are based on carrying values. Fair values for other loans are estimated using discounted cash flow analyses, using interest rates being offered at each reporting date for loans with similar terms to borrowers of comparable creditworthiness. The carrying amount of accrued interest receivable approximates its fair value.

Cash surrender value of life insurance policies - The fair value of life insurance policies are based on cash surrender values at each reporting date as provided by the insurers.

Short-term borrowings and long-term debt - The fair values of fixed-rate borrowings are estimated by discounting their future cash flows using rates at each reporting date for similar instruments.

Deposits - The fair values for demand deposits are, by definition, equal to the amount payable on demand at the reporting date represented by their carrying amount. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow analysis using interest rates being offered at each reporting date by the Bank for certificates with similar remaining maturities. The carrying amount of accrued interest payable approximates its fair value.

Commitments to extend credit and letters of credit - Commitments to extend credit are primarily for adjustable rate loans. For these commitments, there are no differences between the committed amounts and their fair values. Commitments to fund fixed rate loans and letters of credit are at rates which approximate fair value at each reporting date.

16. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	December 31, 2003		December 31, 2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Financial assets:				
Cash and due from banks	$ 24,375	$ 24,375	$ 18,804	$ 18,804
Federal funds sold	10,956	10,956	17,678	17,678
Interest-bearing deposits in other banks	500	500	500	500
Investment securities	95,844	95,844	77,723	77,723
Loans	183,849	187,520	156,293	164,023
Cash surrender value of life insurance policies	5,879	5,879	5,581	5,581
Accrued interest receivable	1,239	1,239	1,207	1,207
Financial liabilities:				
Deposits	$ 290,565	$ 290,090	$ 246,337	$ 245,751
Short-term borrowings	7,000	6,993	2,000	2,000
Long-term debt			7,000	6,922
Accrued interest payable	224	224	261	261
Off-balance-sheet financial instruments:				
Commitments to extend credit	$ 91,469	$ 91,469	$ 65,211	$ 65,211
Letters of credit	1,180	1,180	1,177	1,177

17. PARENT ONLY CONDENSED FINANCIAL STATEMENTS

BALANCE SHEET
December 31, 2003 and 2002
(In thousands)

ASSETS	2003	2002
Cash and due from banks	$ 361	$ 684
Investment in subsidiary	25,634	22,837
Other assets	799	674
Total assets	$ 26,794	$ 24,195
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities	$ 74	$ 96
Shareholders' equity:		
Common stock	6,096	5,854
Retained earnings	19,501	16,387
Accumulated other comprehensive income	1,123	1,858
Total shareholders' equity	26,720	24,099
Total liabilities and shareholders' equity	$ 26,794	$ 24,195

STATEMENT OF INCOME
For the Years Ended December 31, 2003, 2002 and 2001
(In thousands)

	2003	2002	2001
Income:			
Dividends declared by subsidiary - eliminated in consolidation		$ 1,130	$ 1,100
Interest – eliminated in consolidation			1
Other income	$ 42	50	
Total income	42	1,180	1,101
Expenses:			
Professional fees	62	144	101
Other expenses	184	184	56
Total expenses	246	328	157
(Loss) income before equity in undistributed income of subsidiary	(204)	852	944
Equity in undistributed net income of subsidiary	3,532	1,857	1,378
Income before income taxes	3,328	2,709	2,322
Income tax benefit	44	75	56
Net income	$ 3,372	$ 2,784	$ 2,378

17. PARENT ONLY CONDENSED FINANCIAL STATEMENTS (continued)

STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2003, 2002 and 2001
(In thousands)

	2003	2002	2001
Cash flows from operating activities:			
Net income	$ 3,372	$ 2,784	$ 2,378
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Undistributed net income of subsidiary	(3,532)	(1,857)	(1,378)
(Increase) decrease in other assets	(47)	33	(582)
(Decrease) increase in liabilities	(22)	77	19
Net cash (used in) provided by operating activities	(229)	1,037	437
Cash flows from financing activities:			
Share repurchase and retirement	(81)	(483)	(499)
Proceeds from exercise of stock options	245	202	83
Cash paid for dividends	(258)	(130)	-
Net cash used in financing activities	(94)	(411)	(416)
(Decrease) increase in cash and cash equivalents	(323)	626	21
Cash and cash equivalents at beginning of year	684	58	37
Cash and cash equivalents at end of year	$ 361	$ 684	$ 58
Non-cash investing activities:			
Net change in unrealized gain on available-for-sale investment securities	$ (1,080)	$ 989	$ 324
Non-cash financing activities:			
Tax benefit from stock options exercised	$ 78	$ 86	$ -

18. SUBSEQUENT EVENT

In January 2004, the Company announced its intent to purchase up to $500,000 of its common stock through a stock repurchase plan that will be effective beginning January 21, 2004 and ending December 31, 2004.

Independent
Auditor's Report

The Shareholders and Board of Directors
Central Valley Community Bancorp and Subsidiary

We have audited the accompanying consolidated balance sheet of Central Valley Community Bancorp and subsidiary as of December 31, 2003 and 2002 and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Central Valley Community Bancorp and subsidiary as of December 31, 2003 and 2002 and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

Perry-Smith LLP

Sacramento, California
January 14, 2004, except for Note 18, as
to which the date is January 21, 2004

Selected
Financial Data

Operations for the year:	2003	2002	2001	2000	1999
	Years Ended December 31, (In thousands, except per share amounts)				
Total interest income	$ 14,970	$ 14,536	$ 14,577	$ 13,560	$ 11,353
Total interest expense	2,290	2,728	4,138	4,247	3,344
Net interest income before provision for credit losses	12,680	11,808	10,439	9,313	8,009
Provision for credit losses	-	-	(623)	(50)	(1,270)
Net interest income after provision for credit losses	12,680	11,808	9,816	9,263	6,739
Non-interest income	4,546	4,212	4,692	3,528	2,997
	17,226	16,020	14,508	12,791	9,736
Non-interest expense	12,355	11,988	10,855	10,114	8,811
Income from continuing operations before income taxes	4,871	4,032	3,653	2,677	925
Income tax expense	1,499	1,248	1,275	904	208
Net income from continuing operations	$ 3,372	$ 2,784	$ 2,378	$ 1,773	$ 717
Net income	$ 3,372	$ 2,784	$ 2,378	$ 1,748	$ 718
Basic earnings per share from continuing operations (1)	$ 1.30	$ 1.08	$ 0.92	$ 0.68	$ 0.28
Basic earnings per share (1)	$ 1.30	$ 1.08	$ 0.92	$ 0.67	$ 0.28
Diluted earnings per share from continuing operations (1)	$ 1.19	$ 1.02	$ 0.89	$ 0.67	$ 0.27
Diluted earnings per share (1)	$ 1.19	$ 1.02	$ 0.89	$ 0.66	$ 0.27
Cash dividends declared per common share (1)	$ 0.10	$ 0.05	-	$ $0.05	$ -

(1) On December 18, 2002, the Board of Directors declared a two-for-one stock split, effective January 6, 2003. All per share data in the selected financial data has been retroactively restated to reflect the stock split.

Balances at end of year:	2003	2002	2001	2000	1999
	December 31, (In thousands)				
Investment securities, Federal funds sold and other deposits	$ 107,300	$ 95,901	$ 64,746	$ 78,955	$ 62,695
Net loans	183,849	156,293	130,797	93,973	79,017
Total deposits	290,565	246,337	192,132	180,952	149,147
Total assets	327,930	283,006	219,067	202,167	167,003
Shareholders' equity	26,720	24,099	20,828	18,670	15,816
Earning assets	291,922	251,895	196,374	173,655	144,588

Average balances:	2003	2002	2001	2000	1999
Investment securities, Federal funds sold and other deposits	$ 101,222	$ 74,111	$ 70,326	$ 73,094	$ 68,284
Net loans	172,310	146,264	110,293	83,476	74,695
Total deposits	270,159	212,629	183,189	158,784	147,855
Total assets	306,384	248,948	206,522	179,240	165,926
Shareholders' equity	25,484	22,604	20,181	16,675	15,694
Earning assets	275,279	222,067	182,418	157,244	141,258

Management's discussion and analysis should be read in conjunction with the Company's audited Consolidated Financial Statements, including the Notes thereto, at pages 8 through 23 herein.

Certain matters discussed in this report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained herein that are not historical facts, such as statements regarding the Company's current business strategy and the Company's plans for future development and operations, are based upon current expectations. These statements are forward-looking in nature and involve a number of risks and uncertainties. Such risks and uncertainties include, but are not limited to (1) significant increases in competitive pressure in the banking industry; (2) the impact of changes in interest rates, a decline in economic conditions at the international, national or local level on the Company's results of operations, the Company's ability to continue its internal growth at historical rates, the Company's ability to maintain its net interest margin, and the quality of the Company's earning assets; (3) changes in the regulatory environment; (4) fluctuations in the real estate market; (5) changes in business conditions and inflation; (6) changes in securities markets. Therefore, the information set forth in such forward-looking statements should be carefully considered when evaluating the business prospects of the Company.

When the Company uses in this Annual Report the words "anticipate," "estimate," "expect," "project," "intend," "commit," "believe" and similar expressions, the Company intends to identify forward-looking statements. Such statements are not guarantees of performance and are subject to certain risks, uncertainties and assumptions, including those described in this Annual Report. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, expected, projected, intended, committed or believed. The future results and shareholder values of the Company may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results and values are beyond the Company's ability to control or predict. For those statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

INTRODUCTION

Central Valley Community Bancorp (OTC: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. The Company's market area includes the entire central valley area from Sacramento, California to Bakersfield, California. To garner public acceptance beyond the Clovis-Fresno area, 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 (the "Bank").

During 2003, the Company focused on gaining the benefits of the new offices opened in 2002 and assuring competitive products and services to our clients while adjusting to the many new laws and regulations that affect the banking industry. Identity theft, terrorism, and the resulting compliance requirements are of utmost importance to the Company. No new branches or relocations were undertaken in 2003. During 2002, the Bank relocated its River Park and Fig Garden Offices in Fresno, California to new expanded sites and opened an office in Kerman, California and a private banking facility in Sacramento, California.

The Bank anticipates additional branch openings to meet the growing service needs of its customers through establishment of new branches or bank or branch acquisitions. The Company anticipates opening a full service retail office in the Fresno downtown area in late 2004 or early 2005. Branch expansions provide the Company with opportunities to expand its loan and deposit base; however, based on past experience, management expects these new offices will initially have a negative impact on earnings until the volume of business grows to cover fixed overhead expenses.

In 2002, the Bank formed a real estate investment trust, Central Valley Community Realty, LLC (CVCR). The trust invests in the Bank's real estate related assets and provides an alternative means to potentially generate additional capital. The REIT offered preferred stock to private investors, to raise capital for its subsidiary bank in accordance with the laws and regulations in effect at the time. Additionally, CVCR, as a real estate investment trust, is afforded certain tax advantages which may reduce state income tax expense. However, no assurance can be given that the Company will be successful in accomplishing these objectives. (Refer to "INCOME TAXES" on page 30 for further discussion of CVCR.)

ECONOMIC CONDITIONS

The local economy benefited from growth in housing and construction fueled by record low long term interest rates and demand for new housing and refinance activity. The Central Valley experienced significant appreciation in home and real estate values during 2003 while remaining relatively inexpensive compared to other major cities in the State. Agriculture improved in most sectors with good weather and some improvement in crop prices. The impact of the Mad Cow disease on the cattle industry is yet unknown, but will likely have an impact on cattle prices. Fresno County continues to have one of the highest unemployment rates in California.

OVERVIEW

In 2003, the Company reported its highest earnings in the Company's history. The Company had net income of $3,372,000 in 2003 compared to $2,784,000 in 2002. The primary contributors to the increase in net income during 2003 were a 7.4% increase in net interest income, and a 7.9% increase in non-interest income which was partially offset by a 3.1% increase in non-interest expenses. An increase in gain on sale of investments of $479,000 was the major contributor to the increase in non-interest income.

Average earning assets for 2003 were $275,279,000 compared to $222,067,000 for 2002. The major contributor to the increase in average earning assets was the 17.5% increase in average loans and a 36.2% increase in average investments which were the result of the 27.1% growth in deposits. Loan and deposit growth are discussed in more detail below.

Average assets increased 23.1% in the periods under review. Return on average assets (ROA) and return on average equity (ROE) for the past two years are reflected in the following table.

	For the Year Ended December 31, 2003	For the Year Ended December 31, 2002
ROA	1.10%	1.12%
ROE	13.23%	12.32%

Similar to most of the banking industry, the Company's net interest margin continues to be challenged by the impact of *twelve* consecutive decreases in the Federal funds interest rate by the Federal Open Market Committee (FOMC) in the past three years. Managing the decrease in loan yields and the effective rates paid on deposits have become increasingly difficult as deposit rates may be near the bottom of consumer tolerance. While the Company's loan volume increased 17.5% in the periods under review, interest income from loans only increased 7.5%. For additional information, please see Market Risk for further discussion of the Bank's interest rate position.

The following table sets forth average assets, liabilities, and shareholders' equity; interest income earned and interest expense paid; and the average yields earned or rates paid thereon for the years 2003 and 2002. The average balances reflect daily averages except non-accrual

Overview (Continued)

SCHEDULE OF AVERAGE BALANCES AND AVERAGE YIELDS AND RATES (Dollars in thousands)	For The 12 Months Ended December 31, 2003			For The 12 Months Ended December 31, 2002		
	Average Balance	Interest	Average Interest Rate	Average Balance	Interest	Average Interest Rate
ASSETS						
Interest-earning deposits in other banks	$ 500	$ 11	2.20%	$ 175	$ 5	2.86%
Securities:						
Taxable securities	67,238	1,981	2.95%	50,974	2,629	5.16%
Non-taxable securities	15,842	754	4.76%	10,136	512	5.05%
Total investment securities	83,080	2,735	3.29%	61,110	3,141	5.14%
Federal funds sold	17,642	185	1.05%	12,826	195	1.52%
Total securities	100,722	2,920	2.90%	73,936	3,336	4.51%
Loans	174,057	12,039	6.92%	147,956	11,195	7.57%
Total interest-earning assets	275,279	14,970	5.44%	222,067	14,536	6.55%
Allowance for credit losses	(2,398)			(2,390)		
Non-accrual loans	651			698		
Cash and due from banks	18,364			14,988		
Premises	3,082			2,719		
Other non-earning assets	10,906			10,866		
Total average assets	$ 306,384	$ 14,970		$ 248,948	$ 14,536	
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities:						
Savings and NOW	$ 57,282	$ 115	0.20%	$ 47,936	$ 168	0.35%
Money market accounts	72,720	659	0.91%	52,414	817	1.56%
Time certificates of deposit, under $100,000	47,118	1,032	2.19%	38,847	1,074	2.76%
Time certificates of deposit, $100,000 and over	13,675	198	1.45%	14,251	334	2.34%
Total interest-bearing deposits	190,795	2,004	1.05%	153,448	2,393	1.56%
Other borrowed funds	8,230	286	3.48%	11,277	335	2.97%
Federal funds purchased				18		1.09%
Total interest-bearing liabilities	199,025	2,290	1.15%	164,743	2,728	1.66%
Non-interest bearing demand deposits	79,364			59,181		
Other liabilities	2,511			2,420		
Shareholders' equity	25,484			22,604		
Total average liabilities and shareholders' equity	$ 306,384	$ 2,290		$ 248,948	$ 2,728	
Interest income and rate earned on average earning assets		$ 14,970	5.44%		$ 14,536	6.55%
Interest expense and interest cost related to average interest-bearing liabilities		2,290	1.15%		2,728	1.66%
Net interest income and net interest margin		$ 12,680	4.61%		$ 11,808	5.32%

loans that were computed using month-end averages. Net interest margin is calculated by dividing net interest income by average interest earning assets and not computed on a taxable equivalent basis.

The Company's net interest margin decreased 71 basis points in 2003. The net interest margin in 2003 was 4.61% compared to 5.32% in 2002. The decrease can be partially attributed to the declining interest rate environment and the fact that assets generally reprice more quickly than liabilities. West Coast prime rate declined 25 basis points in 2003 and 50 basis points in 2002, from 4.25% at December 31, 2002 to 4.00% at December 31, 2003.

The effective rate on interest bearing liabilities in 2003 was 1.15% compared to 1.66% in 2002. The Federal funds rate decreased 25 basis points in June 2003 and 50 basis points in November 2002. Refer to "Schedule of Average Balances and Average Yields and Rates". However, as stated above, the Bank may not be able to reduce the rates paid on deposits further. Customers may seek alternative avenues to increase yields on their investments and accept higher risks than those associated with traditional products offered by financial institutions.

Non-interest bearing deposits provide fairly inexpensive funding for loans and offer the opportunity for the Company to enhance and strengthen its net interest margin. However, with deposit rates at historical lows, the advantages of this funding source are not as significant as in times of higher market interest rates. Average non-interest bearing deposits increased 34.1% from 2002 to 2003. New business relationships were the major contributor to this increase.

Total average deposits increased 27.1% in 2003. No one relationship represented more than 4% of total deposits at December 31, 2003.

COMPANY LINES OF BUSINESS

The Company's market focus is lending to small to medium size commercial businesses offering both commercial and real estate loans. The Company also offers retail consumer loan products. These loans offer diversification as to industries and types of business, thus reducing exposure in any one industry concentration. The Company offers both fixed and floating interest rate loans and typically obtains collateral in the form of real estate, business equipment, deposit accounts, and accounts receivable, but looks to business cash flow as its primary source of repayment.

The Company also offers Small Business Administration (SBA) loans, and agricultural lending as well. While the Company has approximately 5.0% of total loans as Section 7(a) SBA loans, it believes the recent cuts in grants and reduced loan limit will have limited affect as the Company's main strength is in SBA 504 loans which have not been affected. For the fourth year, Central Valley Community Bank has been honored as the number one SBA 504 lender in Fresno, Kings and Madera counties. Agricultural loans increased 226% in 2003 due in part to the addition of

COMPANY LINES OF BUSINESS (Continued)

the Kerman Office. Agricultural loans were 5.7% of total loans in 2003 compared to 2.1% in 2002.

As of December 31, 2003, in management's judgment, a concentration of loans existed in commercial loans and real estate-related loans. At that date, commercial and real estate-related loans represented 29.7% and 61.7% of gross total loans, respectively. Similar concentrations existed as of December 31, 2002 with commercial and real estate-related loans representing 32.4% and 62.0% of total loans, respectively. No one borrower had aggregate credit commitments exceeding 4.0% of the loan portfolio at December 31, 2003.

Although management believes the loans within these concentrations have no more than the normal risk of collectibility, a substantial decline in the performance of the economy in general or a decline in real estate values in the Company's primary market area, in particular, could have an adverse impact on collectibility, 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 of the Company.

Deposits are the Company's main source of funding for loans. As a result of the market focus on small and medium businesses, deposits from these businesses and their corresponding relationships are significant contributors to this funding resource. The Company also offers numerous retail consumer deposit products and services to meet the needs of its customers.

The Company offers a variety of deposit accounts having a range of interest rates and terms. The Company's deposits consist of savings, demand deposits, and certificate of deposit accounts. The flow of deposits is influenced significantly by general economic conditions, changes in the money market, prevailing interest rates and competition. The Company's deposits are obtained primarily from the geographic area in which its offices are located. The Company relies primarily on customer service and long-standing relationships with customers to attract and retain these deposits. The Company does not currently have any brokered deposits, and based on historical experience, management believes it will continue to retain a large portion of its time deposit accounts at maturity. Management's Assets and Liability Committee (ALCO) meets regularly to discuss economic conditions, competition, community needs, and set competitive rates and fees.

COMPANY'S SOURCE OF INCOME

Net interest income is the Company's primary source of revenue. Net interest income is the difference between the interest income received on interest-earning assets and the interest expense paid on interest-bearing liabilities. Net interest income is primarily affected by two factors, the volume and mix of interest-earning assets and interest-bearing liabilities and the interest rates earned on those assets and paid on the liabilities.

Results of Operations

Net income for 2003 increased $588,000 as compared to 2002. The increase in net income in 2003 resulted primarily from an increase in net interest income as increases in non-interest income and non-interest expense largely offset each other. The increase in non-interest income was mainly attributable to the increase in gain on sale of investments in 2003. The increase in non-interest expense can be mainly attributed to increases in salaries and employee benefits from 2002 to 2003.

INTEREST INCOME FROM LOANS

Interest income from loans increased 7.5%, or $844,000, in 2003 as average total loan volumes increased $26,054,000 for 2003 compared to 2002.

The increase in the average loan volume can be attributed to the continued success of the Company's strategic plan to build its core business with the introduction of new products, seasoned commercial bankers, and strong emphasis on business development and customer retention activities. The current low rate environment has also offered opportunities for many small businesses to make capital improvements. The successes of new offices and the expansion into the Sacramento market have also contributed to the increase in volume. However, no assurances can be given that this level of loan growth will continue. At December 31, 2003 and 2002, SBA loans were $20,506,000 and $16,697,000, respectively. Agricultural and agricultural related loans increased $7,429,000 in the periods under review. Refer to Provision for Credit Losses below for discussion regarding risk and risk assessments of loans.

The Company continued to purchase loans from other financial institutions and brokers during 2003 which also contributed to the 2003 volumes. Loans purchased in 2003 totaled $27,417,000 compared to $20,139,000 in 2002.

The Company's loan to deposit ratio at December 31, 2003 was 64.1% compared to 64.4% at December 31, 2002. The relatively unchanged status can be mainly attributed to the $44,228,000 increase in deposits compared to the $27,548,000 increase in loans in 2003.

NON-ACCRUAL LOANS

A loan is classified as non-accrual when 1) it is maintained on a cash basis because of deterioration in the financial condition of the borrower, 2) payment in full of principal or interest is not expected, or 3) principal or interest has been in default for a period of 90 days or more unless the asset is both well secured and in the process of collection.

Average non-accrual loans for 2003 were $651,000 compared to $698,000 for 2002. At December 31, 2003, the Company had $634,000 in non-accrual loans compared to $466,000 at December 31, 2002.

A summary of non-accrual, restructured, and past due loans at December 31, 2003 and 2002 is set forth below. The Company had no restructured or past due loans at December 31, 2003 or 2002. Management can give no assurance that non-accrual and other non-performing loans will not increase in the future.

	December 31, 2003			December 31, 2002		
Loan Type	Dollars	Percent of Total of Non-Accrual	Number of Loans	Dollars	Percent of Total of Non-Accrual	Number of Loans
	(Dollars in thousands)					
Commercial Loans	$ 420	66.2%	2	$ 103	22.0%	1
Agricultural Loans	-	-	-	$ 337	72.5%	1
SBA Loans	$ 214	33.8%	2	$ 26	5.5%	1
Total	$ 634			$ 466		

The designation of a loan as non-accrual for financial reporting purposes does not relieve the borrower of its obligation to pay interest. Accordingly, the Company may ultimately recover all or a portion of the interest due on these non-accrual loans. A non-accrual loan returns to accrual status when the loan becomes contractually current and future collectibility of amounts due is reasonably assured.

INTEREST INCOME FROM INVESTMENTS

The investment policy of the Company is established by the Board of Directors and implemented by the Company's Investment/Asset Liability Committee. It is designed primarily to provide and maintain liquidity, to enable the Company to meet its 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 the Company's lending activities. Investments typically have yields lower than loans.

The portfolio is comprised of U.S. government agency securities, mortgage-backed securities, obligations of states and political subdivisions, mutual funds, and corporate debt instruments.

Interest income from investment securities, Federal funds sold, and interest bearing deposits in other banks decreased 12.3% in 2003. The

INTEREST INCOME FROM INVESTMENTS (Continued)

decrease in these categories of income can be attributed to lower Federal funds rates and lower yields on new investment purchases, consistent with current market conditions.

In an effort to increase yields without accepting unreasonable risk, a significant portion of new investment purchases have been in high quality mortgage-backed securities ("MBS") and collateralized mortgage obligations ("CMOs"). At December 31, 2003, the Company held $55,490,000, or 58.9% of the total investment portfolio, in MBS and CMOs with an average yield of 2.58% compared to $44,421,000 for 2002, or 59.2% of the total investment portfolio, with an average yield of 5.10%. However, as interest rates have decreased, the principal paydowns on MBS and CMOs have increased as borrowers refinance to take advantage of the lower rates. The Federal Reserve Board lowered the Federal funds rate a total of 550 basis points from January 2001 to December 31, 2003 which created, by the nature of CMOs and MBS, increased levels of principal prepayment in the periods under review. While a portion of the paydowns provided funding for loans, excess funds were generally reinvested at lower yields than those generated by the original investment. Additionally, the increased cashflows from principal prepayments create accelerated premium amortization, which negatively affects yield and income. The company has purchased some CMOs with prepayment penalties of 3 years and 5 years to attempt to slow the pre-payments and increase yield. Refer to Note 2 in the "Notes to Consolidated Statements," page 14 for details of investments.

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 the Bank's investment policy. The policy addresses issues of average life, duration, concentration guidelines, prohibited investments, impairment, and prohibited practices. Refer to Note 2 in the "Notes to Consolidated Financial Statements," page 14 for further analysis and discussion regarding continued unrealized loss on certain investments.

The Company recognizes the interest rate risks and prepayment risks associated with MBS and CMOs. In a 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. Conversely, if interest rates increase, prepayments would be expected to decline and the average life of the MBS and CMOs would be expected to extend. The Company has purchased certain of these investments which are meant to perform well in an increasing rate environment and others that are meant to perform well in a declining rate environment, with the ultimate goal of a balanced portfolio.

A component of the Company's strategic plan has been to use its investment portfolio to offset, in part, its interest rate risk relating to variable rate loans. The Company recognized the market rate risk of the investment portfolio in an increasing rate environment. At December 31, 2003, the Company's market risk related to its investment portfolio was higher in an increasing rate environment versus a declining rate environment. At December 31, 2003 an immediate rate increase of 200 basis points would result in an estimated decrease in the market value of the Company's investment portfolio by approximately $6,311,000. Conversely, with an immediate rate decrease of 200 basis points, the estimated increase in the market value of the Company's investment portfolio would be approximately $3,342,000 at December 31, 2003.

While an immediate shock of 200 basis points is highly unlikely, as evidenced by the changes in interest rates in the past 3 years which were in 25 and 50 basis point increments, the Company uses those increments to measure its interest rate risk in accordance with regulatory requirements and to measure the possible future risk in the investment portfolio.

INTEREST EXPENSE FROM DEPOSITS

Total interest expense in 2003 was $2,290,000 compared to $2,728,000 in 2002. This $438,000, or 16.1%, decrease in interest expense occurred notwithstanding a 24.3% growth in average interest bearing deposits in 2003. The decrease in interest expense can be partially attributed to the decrease in Federal funds interest rates discussed above as well as prudent management of loan and deposit interest rates by the Management ALCO. Interest rates on deposits typically lag behind immediate changes in Federal funds rates and then generally reflect only a percentage of the rate changes on deposit accounts. Average interest-bearing liabilities for 2003 were $199,025,000 compared to $164,743,000 for 2002, or a $34,282,000 increase. The effective rate for interest bearing liabilities was 1.15% in 2003 compared to 1.66% in 2002, a 51 basis point decrease.

If interest rates were to decline or continue to remain unchanged in 2004, the Company could experience restraints on further decreases in the rates paid on deposit products. Additionally, interest rate risk could increase as depositors are reluctant to accept continued low deposit rates and search for higher yields in investment products other than those offered by the Company. Conversely, if interest rates were to increase, the Company could benefit from the immediate increase in loan rates without comparable immediate increases in deposit rates.

Non-interest bearing deposits provide fairly inexpensive funding for loans and offer the opportunity for the Company to enhance and strengthen its net interest margin. However with deposit rates at historical lows, the advantages of this funding source are not as significant as in times of higher market interest rates. Average non-interest bearing deposits increased 34.1% to $79,364,000, or 28.5% of total average deposits, for 2003 compared to $59,181,000, or 26.4% of total average deposits, for 2002. New business relationships were the major contributor to this increase.

INTEREST EXPENSE FROM OTHER LIABILITIES

Other interest expense increased in the periods under review as the Company utilized its Federal Home Loan Bank (FHLB) credit line in 2002 in anticipation of short-term liquidity needs as well as to take advantage of opportunities to lock in low funding rates for increased loan growth. No additional borrowings occurred in 2003. Borrowings from the FHLB were $7,000,000 at December 31, 2003 compared to $9,000,000 at December 31, 2002. The average maturities and weighted average rate of the borrowings at December 31, 2003 was 0.38 years and 3.48%, respectively. The Company will continue to analyze the advantages and disadvantages of borrowing funds versus selling investment securities as part of its ongoing funding analysis.

NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES

Net interest income before provision for credit losses in 2003 was $12,680,000 compared to $11,808,000 in 2002, an increase of $872,000, or 7.4%.

PROVISION FOR CREDIT LOSSES

The Company provides for possible credit losses by a charge to operating income based upon the composition of the loan portfolio, past delinquency levels, losses and non-performing assets, economic and environmental conditions and other factors which, in management's judgment, deserve recognition in estimating credit losses. Loans are charged off when they are considered uncollectible or of such little value that continuance as an active earning bank asset is not warranted.

The establishment of an adequate credit allowance is based on both an accurate risk rating system and loan portfolio management tools. The Board has established initial responsibility for the accuracy of credit risk grades with the individual credit officer. The grading is then submitted to the Credit Administrator (CA), who reviews the grades for accuracy. The risk grading and reserve allocation is analyzed annually by a third party credit reviewer and by various regulatory agencies.

The CA sets the specific reserve for all adversely risk-graded credits quarterly. This process includes the utilization of loan delinquency reports, classified asset reports, and portfolio concentration reports to assist in accurately assessing credit risk and establishing appropriate reserves. Reserves are also allocated to credits that are not adversely graded. Use of historical loss experience within the portfolio along with peer bank loss experience determines the level of reserves held.

The allowance for credit losses is reviewed at least quarterly by the Board's Audit/Compliance Committee and by the Board of Directors.

PROVISION FOR CREDIT LOSSES (Continued)

Reserves are allocated to loan portfolio categories 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. The Company has adopted the specific reserve approach to allocate reserves to each adversely graded asset, as well as to each impaired 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 the Company's own internal review process. Additions are also required when, in management's judgment, the allowance does not properly reflect the portfolio's potential loss exposure.

Managing credits identified through the risk evaluation methodology includes developing a business strategy with the customer to mitigate the Company's potential 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 Company made no additions to the allowance for credit losses in 2003 and 2002, due mainly to improvements in the Company's historical net charge-off ratio, which reflects net charge-offs to beginning loan balances for the past three (3) years. The net charge-off ratios decreased to 0.005% for 2003 compared to 0.031% for 2002, and 0.209% for 2001. Refer to Note 3 of the "Notes to Consolidated Financial Statements," page 14 for further details.

At December 31, 2003 and December 31, 2002, the Company's recorded investment in loans that were considered to be impaired totaled $634,000,and $952,000, respectively. The related allowance for credit losses on these impaired loans was $198,000 and $194,000, respectively. The Company had no restructured loan and no accruing loans past due 90 days or more at December 31, 2003. For information regarding impaired loans, refer to Note 3, in the "Notes to Consolidated Financial Statements," page 14.

The ratio of net credit losses to total average loans outstanding was 0.005% in 2003 compared to 0.03% in 2002. Net charge-offs were $8,000 in 2003 and $41,000 in 2002. Non-performing loans at December 31, 2003 and 2002 were $634,000 and $1,081,000, respectively. The ratio of non-performing loans to the allowance for credit losses at December 31, 2003 was 26.1% compared to 44.4% at December 31, 2002. The allowance for credit losses was $2,425,000, or 1.30% of total loans at December 31, 2003 compared to $2,433,000, or 1.53% of total loans at December 31, 2002. Based on information currently available, management believes that the allowance for credit losses should be adequate to absorb potential risks in the portfolio. 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.

NON-INTEREST INCOME

As stated above, the continued pressure on net interest margin has resulted in many banks actively pursuing additional income through a variety of non-traditional bank activities. While the Company has investigated numerous opportunities available, the risks associated with the endeavors has reinforced its strategic plan to stand by its core banking business strategy.

Non-interest income includes service charges, rental income from equipment leased to others, loan placement fees and other income as well as gains on sales of assets and gains on securities transactions.

Non-interest income increased $334,000, or 7.9%, to $4,546,000 in 2003 from $4,212,000 in 2002. The major contributors were increases in service charges, loan placement fees, net realized gains on sales of investment securities, partially offset by a decrease in rentals from equipment leased to others.

Service charge income increased $293,000, or 15.2% in the periods under review. The Company's relatively new deposit product, Overdraft Privilege Account, was the main contributor to the increase. Increased deposit accounts and lower earnings credit rates for commercial deposit accounts were also contributors to the increase. Business related deposit accounts may earn credit for average deposit holdings which may be used to offset service expenses. When the earnings credit is lower, the business will be required to increase deposit holdings or pay additional service charges.

The Company earns loan placement fees from the brokerage of single-family residential mortgage loans. The Company offers the service for the convenience of its customers. The personnel staffing in this area has remained relatively unchanged in the periods under review. Loan placement fees increased $124,000, or 34.1%, in 2003. The 550 basis point reduction in the past three years in the Federal funds rate provided consumers with numerous opportunities for refinancing of single-family homes. As interest rates remain unchanged or begin to increase, the opportunities for continued growth in this area may decline. Partially offsetting this income is the expense paid in commission fees which is discussed below.

Rental income from equipment leased to others decreased $609,000 or 55.7% in 2003. In addition, this income was partially offset by the $202,000 depreciation for losses on equipment leased to others noted below. The decrease is mainly the result of the Company's decision not to actively pursue new operating lease arrangements. Equipment leased to others was $38,000 at December 31, 2003 compared to $240,000 at December 31, 2002.

Net realized gain on sales of investment securities increased $479,000 to $506,000 in 2003 compared to $27,000 in 2002. The Company has utilized its investment portfolio as interest income protection as interest rates decreased during the past several years. In an opportunity to partially restructure some of this "rates down" protection, the Company sold an agency bond and reinvested into two bonds that would offer increased interest income in a "rates up" environment. Additionally in 2003, a corporate bond was sold due to a decline in its credit ratings resulting in a net gain.

Appreciation in cash surrender value of insurance contracts increased $29,000 in 2003. The increase partially resulted from a $298,000 increase in bank-owned life insurance.

NON-INTEREST EXPENSES

Total non-interest expenses for 2003 increased by $367,000, or 3.1% compared to 2002. Non-interest expenses include salaries and employee benefits, occupancy and equipment expenses, depreciation and provision for losses on equipment leased to others and other expenses. The major components of the increase were salaries and occupancy expenses, which were partially offset by a decrease in depreciation on equipment leased to others. Non-interest expense in 2002 reflected the Bank's name change and formation of the REIT.

Salaries and employee benefits increased $920,000, or 14.8%, in 2003 compared to 2002. The increase can be mainly attributed to general salary and benefits increases that enable the Company to manage recent and projected growth and retain qualified personnel. Benefit costs include performance incentives, salary deferral and profit sharing costs, group health insurance, and worker's compensation insurance. Additional personnel for the new offices that were opened in the latter part of 2002. Also included in the salary expense increase are commissions paid to the personnel employed in the mortgage brokerage area. At stated above, the income in the brokered mortgage area increased 34.1% in 2003. These increases were anticipated and correspond to the Company's overall strategic plan.

Occupancy and equipment expense increased $342,000 or 27.7%, in the periods under review. Depreciation expenses associated with the new offices and remodeling costs in 2002 and 2003 were the main contributors to the increase.

Depreciation expense and the provision for losses on equipment leased to others decreased $775,000, or 79.3%, in 2003 compared to 2002. This expense was partially offset by the $485,000 in rentals from equipment leased to others noted above. In 2003, the Company reversed $203,000 of its reserve for residual losses. As discussed above, the Company has decided not to actively pursue any additional lease purchases and the reserves were no longer required.

Other expenses decreased $120,000, or 3.4% in 2003. The decrease is mainly attributable to the decrease in advertising expenses incurred in

NON-INTEREST EXPENSES (Continued)

2002 related to the Bank's name change, and a decrease in accounting and legal expenses related to the formation of CVCR which did not impact 2003 expenses.

EFFICIENCY RATIO

The Bank's efficiency ratio is calculated by dividing non-interest expense by the sum of net interest income and non-interest income. The ratio at December 31, 2003 was 72.6% compared to 73.1% at December 31, 2002. This means that for every dollar of income generated, the cost of that income was 73 cents in 2003 and 73 cents in 2002. The lower the ratio the more efficient the Company's operations. While reducing operating expenses can lower the ratio, the Company's low loan to deposit ratio, which reduces net interest income, also significantly affects this ratio. The Company's loan to deposit ratio of 64.1% at December 31, 2003 remains lower than the loan to deposit ratios of the Company's peers.

INCOME TAXES

Income tax expense was $1,499,000 for 2003 compared to $1,248,000 for 2002. The Company's effective tax rate was 30.8% in 2003 compared to 30.9% in 2002. As previously stated the Bank formed a real estate investment trust, CVCR, in the second quarter of 2002, that invests in the Bank's real estate related assets. In the fourth quarter of 2003, the Company reversed certain previously recognized state tax benefits recorded in the first three quarters of 2003 due to recent announcements by the California Franchise Tax Board with respect to REITs which resulted in an additional $96,000 in income taxes expenses in 2003. The Company formed its REIT, CVCR, in 2002 as a means of generating capital and recognizing favorable tax treatments afforded this type of entity. Management believes it has taken an appropriate position in its 2002 California tax filing. However, should the favorable tax treatment be disallowed by the California Franchise Tax Board or conceded by the Company, additional tax payments ranging from $140,000 to $175,000 would be due.

OFF BALANCE SHEET COMMITMENTS

Off balance sheet commitments are comprised of the unused portions of commitments to make or purchase extensions of credit in the form of loans or participations in loans, lease financing receivables, or similar transactions. Included are loan proceeds that the Company is obligated to advance, such as loan draws, construction progress payments, seasonal or living advances to farmers under prearranged lines of credit, rotating or revolving credit arrangements, including retail credit cards, or similar transactions. Forward agreements and commitments to issue a commitment at some point in the future are also included. The Company holds no off balance sheet derivatives and engages in no hedging activities.

The following table shows the distribution of the Company's undisbursed loan commitments at December 31, 2003 and 2002, respectively.

Loan Type	December 31, 2003	December, 31, 2002
	(In thousands)	
Commercial & Industrial	$ 45,817	$ 34,780
Real Estate	36,502	24,650
Consumer & Installment	9,150	5,781
Letters of Credit	1,180	1,177
Total	$ 92,649	$ 66,388

In the event these unused portions of commitments were to be fully funded, the Company's liquidity or capital resources are adequate to absorb the increased volume. (Refer to Liquidity Management and Capital Resources) The Company's relatively low loan to deposit ratio of 64.1% also allows considerable room for enhancement of Company earnings through the funding of these commitments. Credit risk is addressed in the Company's allowance for credit losses where a reserve is calculated for such unused commitments.

MARKET RISK

Market risk is the risk of loss from adverse changes in market prices and rates. The Company's market risk arises primarily from interest rate risk inherent in its loan and deposit functions. Management actively monitors and manages this interest rate risk exposure.

Fluctuations in market interest rates expose the Company to potential gains and losses. The primary objective of asset/liability management is to manage the balance between rate sensitive assets and rate sensitive liabilities being repriced in any given period in order to maximize net interest income during periods of fluctuating interest rates.

Rate sensitive assets are those which contain a provision to adjust the interest rate periodically (for example, a loan in which prime rate determines the basis of the rate charged on outstanding balances). Those assets include certain commercial, real estate mortgage and construction loans and certain investment securities, Federal funds sold and time deposits in other financial institutions. Rate sensitive liabilities are those which provide for periodic changes in interest rate and include interest-bearing transaction accounts, money market accounts and time certificates of deposit. Analysis has shown that because of time and volume influences, the repricing of assets and liabilities is not tied directly to the timing of changes in market interest rates. If repricing assets exceed repricing liabilities in a time period, the Company would be considered "asset sensitive" and have a "positive gap." Conversely, if repricing liabilities exceed repricing assets in a time period, the Company would be considered "liability sensitive" and have a "negative gap."

Managing interest rate risk is important to the Company as its net interest margin can be affected by the repricing of assets and liabilities. Management uses several different tools to monitor its interest rate risk, including gap analysis. Additionally, the Company utilizes an asset/liability computer model which provides a detailed quarterly analysis of the Company's financial reports, to include a ratio analysis of liquidity, equity, strategic free capital, volatile liability coverage, and maturity of the investment portfolio. In addition, a trend analysis is generated which provides a projection of the Company's asset and liability sensitivity position over a one-year period. Exposure to interest rate changes is calculated within the program to ascertain interest rate risk in actual dollar exposure resulting from incremental changes in market interest rates. The incremental changes are generally referred to as "shocks". These "shocks" measure the effect of sudden and significant rate changes on the Company's net interest income. Assets may not reprice in the same way as liabilities and adjustments are made to the model to reflect these differences. For example, the time between when the Company changes its rate on deposits may lag behind the time the Company changes the rate it charges on loans. Additionally, the interest rate change may not be in the same proportion for assets and liabilities. Interest rates on deposits may not decrease in the same proportion as a decrease in interest rates charged on loans. Conversely, interest rates on deposits may not be increased in the same proportion as rates charged on loans.

CAPITAL RESOURCES

Capital serves as a source of funds and helps protect depositors and shareholders against potential losses. The primary source of capital for the Company has been internally generated capital through retained earnings.

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.

CAPITAL RESOURCES (Continued)

The Company approved a stock repurchase program effective January 21, 2004 and ending December 31, 2004 with the intent to purchase shares for an aggregate amount of $500,000.

The Company has had three prior stock repurchase programs for the repurchase of up to $500,000 of its common stock under each plan. In 2003, the Company repurchased 5,463 shares at a cost of $81,000. The combined results of the three programs were that 98,075 shares had been repurchased at a total cost of $1,064,000 as of December 31, 2003.

On December 18, 2002, the Company announced a 2 for 1 stock split, which was effected as of January 6, 2003.

At the current time, there are no commitments that would engender the use of material amounts of the Company's capital. For further discussion of capital levels. Refer to Note 1 in the "Notes to Consolidated Financial Statements," Shareholders' Equity on pages 12 and 13.

LIQUIDITY MANAGEMENT

The objective of our liquidity management is to maintain the Company's ability to meet the day-to-day cash flow requirements of our clients who either wish to withdraw funds or require funds to meet their credit needs. The liquidity position must be managed to allow the Company to meet the needs of its clients while maintaining an appropriate balance between assets and liabilities to maximize the return on investment expectation for its shareholders. Sources and uses of funds are monitored on a daily basis to maintain an acceptable liquidity position assessing historical information such as seasonal demand, local economic cycles, and economy in general. In addition to liquidity from core deposits and repayments and maturities of loans and investments, the Company has the ability to sell securities, obtain Federal Home Loan Bank ("FHLB") advances or purchase overnight Federal Funds. Additionally, current ratios, management goals, and unique characteristics of the Company are considered. Management accomplishes these objectives through the selection of asset and liability maturity mixes that it believes will meet the Company's needs.

The Company reviews its liquidity position regularly based upon its current position and expected trends of loans and deposits. Liquidity is provided by the Bank's core deposit base, shareholders' equity, and reductions in assets, which can be immediately converted to cash at minimal cost. Liquid assets, which consist of cash, deposits in other financial institutions, Federal funds sold, available for sale investment securities (less pledged securities) averaged $93,944,000 for 2003, or 30.7% of average assets, compared to $65,419,000, or 26.3% of average assets for 2002. The ratio of average liquid assets to average demand deposits was 118.4% for 2003 compared to 110.5% for 2002. These ratios mean the Company had sufficient liquidity to fund unexpected deposit runoff or support increased loan activity. The Company's loan to deposit ratio at December 31, 2003 was 64.1%.

As mentioned above, unpledged investment securities may also provide liquidity through principal paydowns, maturities, or by selling the investment. At December 31, 2003, $67,640,000 in unpledged securities was available as collateral for borrowing or for sale. The market value of these unpledged securities was $68,202,000.

At December 31, 2003, the Company had $7,000,000 in FHLB borrowings compared to $9,000,000 at December 31, 2002. No other lines of credits had outstanding balances at December 31, 2003 or 2002. Refer to Note 8, in the "Notes to Consolidated Financial Statements," page 16 for details of borrowing arrangements.

Management believes that the Company maintains adequate amounts of liquid assets to meet its liquidity needs. The Company's liquidity might be insufficient if deposits or withdrawals were to exceed anticipated levels. Deposit withdrawals can increase if a company experiences financial difficulties or receives adverse publicity for other reasons, or if its pricing of products or services is not competitive with those offered by other financial institutions.

Management believes that the Company's current mix of assets and liabilities provide a reasonable level of risk related to significant fluctuations in net interest income or the result of volatility of the Company's earning base.

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, 2003, the Company does not believe that inflation has a material impact on its consolidated financial position or results of operations.

CRITICAL ACCOUNTING POLICIES

The Securities and Exchange Commission ("SEC") issued disclosure guidance for "critical accounting policies". The SEC defines "critical accounting policies" as those that require application of management's most difficult, subjective or complex judgements, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in future periods.

Our accounting policies are integral to understanding the results reported. Our significant accounting policies are described in detail in Note 1 in the "Notes to Consolidated Financial Statements," pages 12 and 13. Not all of the significant accounting policies presented in Note 1 of the Consolidated Financial Statements require management to make difficult, subjective or complex judgements or estimates.

Preparation of financial statements

The preparation of these financial statements 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.

Use of estimates

These estimates result in judgements 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. Actual results may differ from these estimates under different assumptions.

Accounting Principles Generally Accepted in the United States of America

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Company's significant accounting policies are presented in Note 1 in the "Notes to Consolidated Financial Statements," on pages 12 and 13.

The Company follows accounting policies typical to the commercial banking industry and in compliance with various regulation and guidelines as established by the Financial Accounting Standards Board ("FASB"), the American Institute of Certified Public Accountants ("AICPA"), and the Bank's primary federal regulator, the FDIC. The following is a brief description of the Company's current accounting policies involving *significant* management judgements.

Allowance for Credit Losses

The Company's most significant management accounting estimate is the appropriate level for the allowance for credit losses. The allowance for credit losses is established to absorb known and inherent losses attributable to loans outstanding. The adequacy of the allowance is monitored on an on-going basis and is based on management's evaluation of numerous factors.

CRITICAL ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses (Continued) - These factors include the quality of the current loan portfolio, the trend in the loan portfolio's risk ratings, current economic conditions, loan concentrations, loan growth rates, past-due and non-performing trends, evaluation of specific loss estimates for all significant problem loans, historical charge-off and recovery experience and other pertinent information.

The calculation of the allowance for credit losses is by nature inexact, as the allowance represents management's best estimate of the loan losses inherent in the Company's credit portfolios at the reporting date. These loan losses will occur in the future, and as such cannot be determined with absolute certainty at the reporting date.

Amortization of Premiums on Investments

The Company invests in Collateralized Mortgage Obligations ("CMO") and Mortgage Backed Securities, ("MBS") as part of the overall all strategy to increase it net interest margin. CMOs and MBS by their nature react to changes in interest rates. In a 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. Conversely, if interest rates increase, prepayments would be expected to decline and the average life of the MBS and CMOs would be expected to extend. Premium amortization of these investments affects the Company's net interest income. Management monitored the prepayment speed of these investments and adjusted premium amortization 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, level of principal remaining on the bond, bond coupon rate, the bond origination date, volume of available bonds in market.

The calculation of premium amortization is by nature inexact, and represents management's best estimate of principal paydowns inherent in the total investment portfolio.

STOCK PRICE INFORMATION

The Company's common stock is listed for trading on the NASDAQ SmallCap Market under the ticker symbol CVCY.

As of February 28, 2004 the Company had approximately 600 shareholders of record. The following table summarizes bid quotations for the Company's common stock for the periods presented, as the Company's common stock was not listed on the NASDAQ SmallCap Market prior to March 5, 2004. The prices indicated may not necessarily represent actual transactions. Bid information has been obtained from The Seidler Companies, Inc. which makes a market in the Company's common stock.

	Bid Quotations of the Company's Common Stock	
Quarter Ended	**Low Bid**	**High Bid**
March 31, 2002	$ 10.25	$ 11.50
June 30, 2002	11.40	11.75
September 30, 2002	11.43	11.88
December 31, 2002	14.75	14.95
March 31, 2003	13.50	14.75
June 30, 2003	14.55	17.00
September 30, 2003	16.80	18.60
December 31, 2003	18.10	21.50

The Company paid a $0.10 cash dividend in 2003, and a $0.05 cash dividend in 2002. No dividends were paid in 2001.

Market Makers

Inquiries on Central Valley Community Bancorp stock can be made by calling Troy Norlander with The Seidler Companies at (800) 288-2811, Jeffrey Mayer with The Seidler Companies at (559) 449-2777, Joey Warmenhoven with Wedbush Morgan Securities at (503) 675-3100, or Dave Bonaccorso at Hoefer & Arnett at (800) 346-5544 ext. 223.

Shareholder Inquiries

Inquiries regarding Central Valley Community Bancorp's accounting, internal accounting controls or auditing concerns should be directed to Steven D. McDonald, chairman of the Board of Directors' Audit Committee, at steve.mcdonald@cvcb.com.

Board of Directors
and Officers

Directors:

Daniel N. Cunningham, Chairman of the Board
Vice President and Director
Quinn Properties

Sidney B. Cox
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Cox Communications

Edwin S. Darden, Jr.
President
Edwin S. Darden Associates

Daniel J. Doyle
President and CEO
Central Valley Community Bancorp,
Central Valley Community Bank

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President
Charles McMurray Co.

Wanda L. Rogers
President
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William Smittcamp
President/Owner
Wawona Frozen Foods

Joseph B. Weirick
Investments

Independent Auditors

Perry-Smith LLP, Sacramento, CA

Counsel

Nixon Peabody LLP, San Francisco, CA

Holding Company and Bank Officers:

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President and Chief Executive Officer

Gayle Graham
Senior Vice President, Chief Financial Officer

Thomas L. Sommer
Senior Vice President, Credit Administrator

Bank Officers:

Gary Quisenberry
Senior Vice President,
Commercial and
Business Banking

Shirley Wilburn
Senior Vice President,
Consumer and
Retail Banking

Mary Barber
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Lesley Lang-Lopez
Vice President,
Manager SBA Department

Rona Melkus
Vice President,
Controller

Don Mendenhall
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Commercial Loan Officer

Steve Morales
Vice President,
Manager Information Services

Jean Ornelas
Vice President,
Real Estate Construction
Loan Officer

Jeff Pace
Vice President,
Manager Real Estate Division

Teresa Palsgaard
Vice President,
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Teri Recchio
Vice President,
Branch Manager

John Royal
Vice President,
Commercial Loan Officer

Theodore Thome
Vice President,
Private Banking Officer

Ray Vandervelde
Vice President,
Compliance Officer

Jeannine Welton
Vice President,
Branch Manager

Jennette Williams
Vice President,
Business Development Officer

Carol Worstein
Vice President,
Small Business Development
Officer

Central Valley
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Inside Save Mart Supermarket
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Fig Garden Village
5180 North Palm, Suite 105
Fresno, CA 93704
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