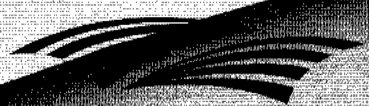
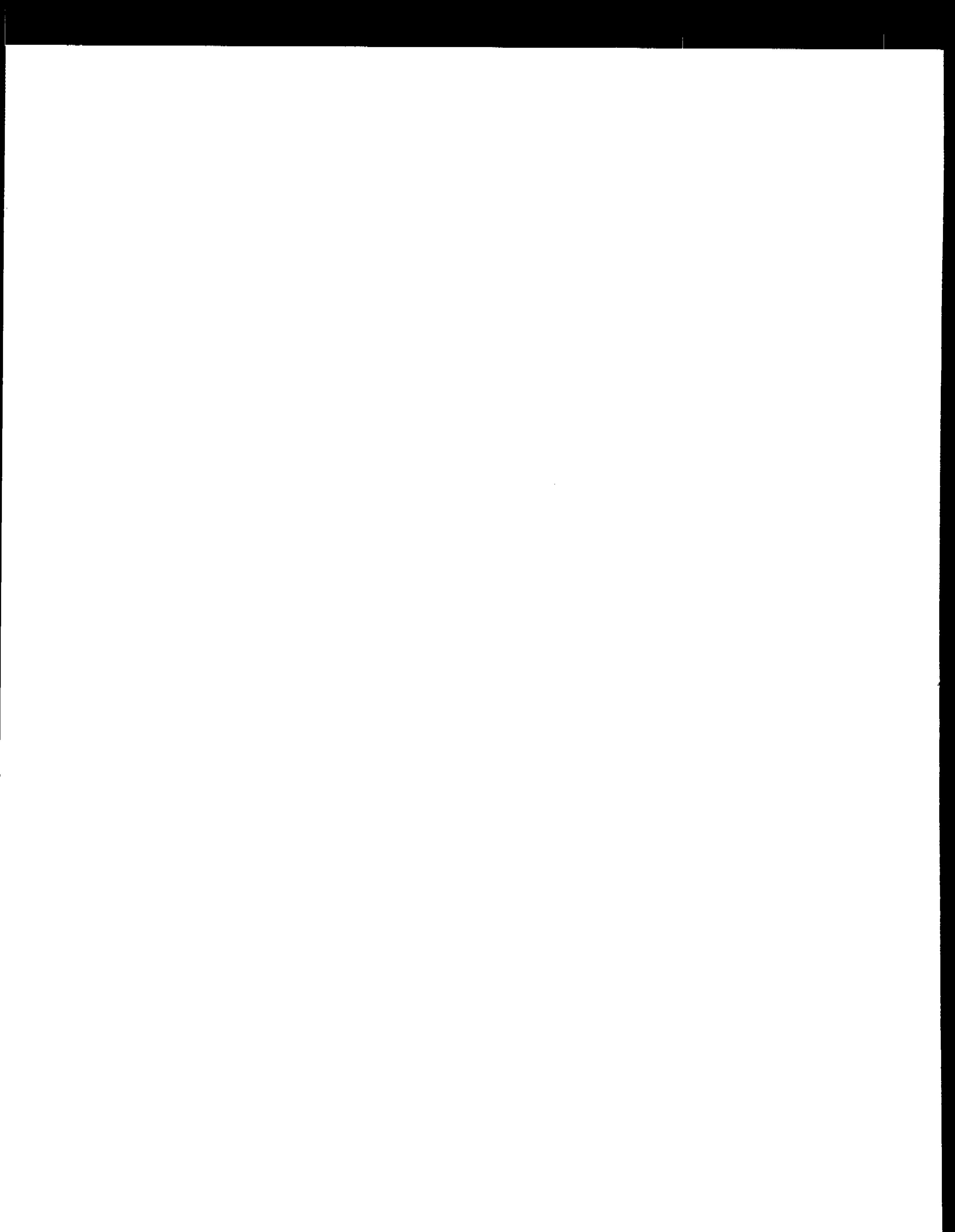
1987245

Annual Report 04

Capitol Research Division
SNL Financial
1-800-969-4121



Central Valley Community Bancorp



Celebrating The First 25 Years
Of Great Banking And Community Service.

Teamwork

Leadership

A Proud Past...
A Promising Future

Caring

As Central Valley Community Bank commemorates a quarter-century of success and satisfaction, we're proud of how far the Bank has come. But we're even more proud of continuing to remain close to our core values since 1980. Integrity. Trustworthiness. Caring. Loyalty. Leadership. Teamwork. At Central Valley Community Bank, these values are woven into the fabric of the way the Bank does business. They deepen our commitment to the community around us, and drive us to constantly seek to improve it. And they provide inspiration to support charities, programs and events that enhance the quality of life we all enjoy. That's a commitment you can count on from Central Valley Community Bank, for years to come.

Loyalty

Integrity

Trustworthiness

Daniel N. Cunningham

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

To Our Shareholders

A Success Story 25 Years In The Making

As your community bank celebrates 25 years in business, it is amazing how much has changed since we opened in 1980. From our original 12-person team, the Bank is now home to over 150 employees. From our single Clovis office, we now look forward to opening our tenth office in 2005. From our beginning assets of only $2 million, the Bank's assets now exceed $450 million. From our original ability to lend less than $500,000, we can now provide credit of more than $7 million. The Bank's growth has truly been remarkable.

Yet, much remains the same at Central Valley Community Bank. Four of our original directors still serve on our board, while three others have served for over 15 years. Throughout our 25-year history, the Bank has had only two Chief Executive Officers, providing a secure foundation upon which to grow. And of the more than 30 Fresno County banks and savings-and-loans operating when we opened in 1980, only Central Valley Community Bank has not changed ownership.

In 1980, as today, the Bank has grown by serving the community and helping the local economy. We have done this with competitive, high quality products and services that build long-term relationships. The Bank has also provided time- and money-saving conveniences and many other services to the communities we serve.

A Solid Investment

Ownership of Central Valley Community Bancorp stock has proven to be a good investment, as the Company has grown to be listed on the NASDAQ exchange. At this writing, an original investment of $10,000 is now valued at approximately $268,000, not including the many cash dividends that were paid through the years. In 2004, the Board of Directors announced a $0.10 cash dividend on common stock, payable to shareholders of record on June 4, 2004 – yet another way in which we are pleased to increase shareholder value.

Milestones: Our First Acquisition and Continued Growth

The highlight of 2004 was the acquisition of Bank of Madera County, finalized after the close of business on December 31, 2004. By bringing together two similar banking franchises and a shared culture of customer service, we can meet the needs of customers in new markets while providing career opportunities for employees. The merger added new offices in Madera and Oakhurst, as well as a team of new employees who will continue to serve both new and established customers. The Bank has successfully completed the systems integration and we are excited about the immediate and future benefits this acquisition will provide our Company.

The Bank's expansion is also taking place in Downtown Fresno, where we await the opening of our new office in the summer of 2005, allowing us to increase our local presence and contribute to the economic vitality of this key district. We will also be relocating our Clovis & Herndon In-Store office to a new, expanded Save Mart Supermarket location at Fowler & Herndon Avenues.

Doing Our Part To Improve The Local Economy

With favorable long-term interest rates, the area's housing and construction trade did very well in 2004. Likewise, it was a better year for our farm and agricultural customers, with generally improved crop prices in the San Joaquin Valley. The median price of homes in this market has grown rapidly in the last two years, at one of the highest paces in the country. Even with that, this market is still one of the most affordable in California, and the population continues to exceed the average growth rate in the state. Unfortunately, while the unemployment rate in Fresno County improved in the past year, it still remains in double digits. The challenge facing this region is to provide meaningful career opportunities while increasing the level of educated employees in the workforce. To that end, the Bank is actively involved in several initiatives, such as the Regional Jobs Initiative – a public/private partnership to create 30,000 new jobs over the next five years.

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

Strong Performance Despite Obstacles

The first half of 2004 provided some challenges as interest rates were at their lowest level in over 40 years, creating downward pressure on our net interest margin. In the second half of the year, we saw improvement as the Federal Reserve began to increase interest rates, and likewise, improvement in our net consolidated earnings. It appears interest rates will continue to move upward in the near term, which should provide for a more favorable net interest margin and core earnings for 2005.

Overall, 2004 was a great year, with net consolidated earnings increasing 10%, (with a 36% increase in the fourth quarter), average loans increasing 12%, and average deposits increasing 14% with non-interest bearing deposits representing 32% of total average deposits. Equally important was the Bank's ability to maintain a high level of asset quality in the loan portfolio with no net charge-offs for the year, and ending the year with no non-performing loans. As we enter 2005, we will inherit a few non-performing loans from Bank of Madera County, but we will also have the benefit of an increased Allowance for Credit Losses. We believe the opportunities in this new market will allow us to grow profitably. And for the fifth year in a row, the Bank has been recognized as the area leader in SBA 504 loans.

Expanding lending relationships within the Bank's primary market area continues to be a major focus. Likewise, we expect to see improvement in the Bank's efficiency ratio in 2005, which has been below our peers in the past. One of the main reasons for this has been our low loan-to-deposit ratio, driven by strong core deposits, and deriving revenue from investment securities at a lesser rate than loan yield.

New Regulations Bring New Challenges

The banking industry continues to face escalating costs due to compliance with new laws and growing oversight. The U.S. Patriot Act, Bank Secrecy Act and Sarbanes Oxley regulations add layers of reporting and expense to the Bank – neither of which provide a return in profits to our shareholders. Combined with the need to provide our employees with competitive benefits in this era of rising health care costs, we are looking for ways to be both responsible and compliant.

Another major mandate from the Federal Reserve in 2004 was the Check 21 project, designed to move the settlement process for checks from a paper base to electronic clearing system. Also, as we are now defined as a "large bank" under the Community Reinvestment Act (CRA), we have expanded our Information Systems to comply with the additional reporting requirements and obligations. The Bank continues to be well-positioned to comply with the regulatory requirements with no negative impact on our customers.

Bright Future In 2005 And Beyond

In 2005, we will continue our commitment to providing outstanding service and expanding our services, including lending opportunities, to meet our customers' needs, as we know our clients have many available options for financial services. With expanded branch locations, great employees, competitive products, a focus on a sales and a strong service culture, the Company is poised for continued success. We thank you for your support, and look forward to continuing our tradition of financial strength, security and stability in 2005 and the future.

Daniel N. Cunningham
Chairman of the Board

Daniel J. Doyle
President and Chief Executive Officer

Board of Directors

William S. Smittcamp

President, Owner Wawona Frozen Foods
Central Valley Community Bancorp, Director

A 25-Year Tradition of Service & Dedication

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 stock exchange 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 nine full-service offices in Clovis, Fresno, Kerman, Madera, Oakhurst, Prather and Sacramento, plus Commercial, Real Estate, SBA and Agribusiness Lending Departments. Investment services are also provided by Investment Centers of America. Now with over 150 employees and assets of over $450,000,000, 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.

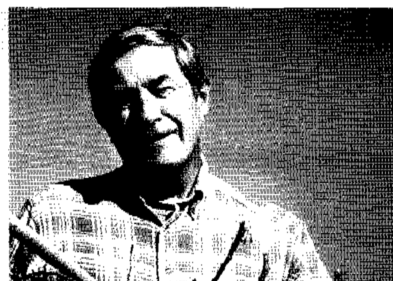
Central Valley Community Bank Senior Management from left to right: Shirley Wilburn, Daniel J. Doyle, Gayle Graham, Gary Quisenberry, Thomas L. Sommer.

Central Valley Community Bank distinguishes itself from other financial institutions by providing superior client service and by remaining independent since opening 25 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 offices in Sacramento, Kerman, Madera and Oakhurst. Additionally, a new Fresno Downtown office is under construction and is scheduled to open in the summer of 2005. 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 retention of high-quality employees.

Competitive Products, State-of-the-Art Convenience

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, BankLine 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.

Board of Directors



Joseph B. Weirick

Investments
Central Valley Community Bancorp, Founding Director

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

Board of Directors

"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 Central Valley. Central Valley Community Bank has been recognized for the fifth 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 business customers.

"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.

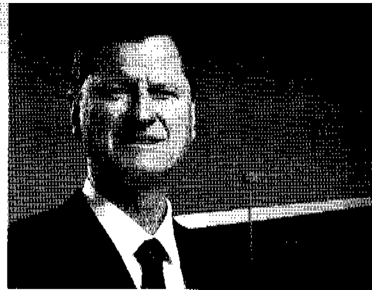
Strategic Vision

Through the vision of our holding company, Central Valley Community Bancorp, and the leadership of its board of directors, the Bank has grown consistently over the past 25 years, keeping pace with the needs of its customers and its community. Now more than ever, Central Valley Community Bank is positioned to fulfill its mission of providing "common sense solutions" to its personal and business customers alike.

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

Board of Directors

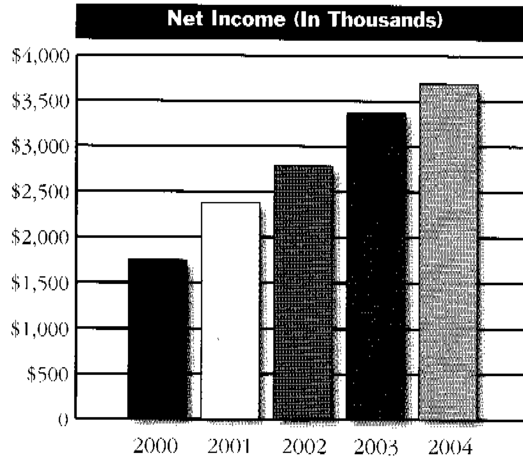
Board of Directors

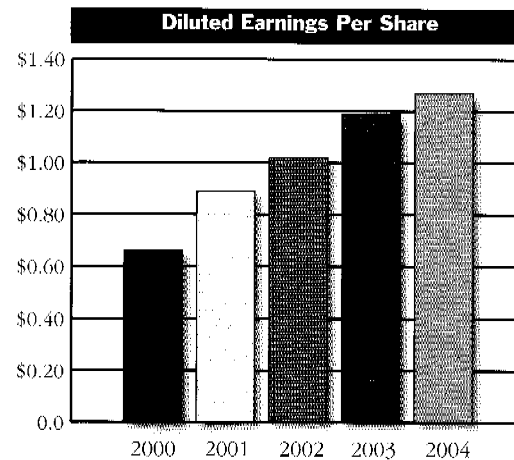


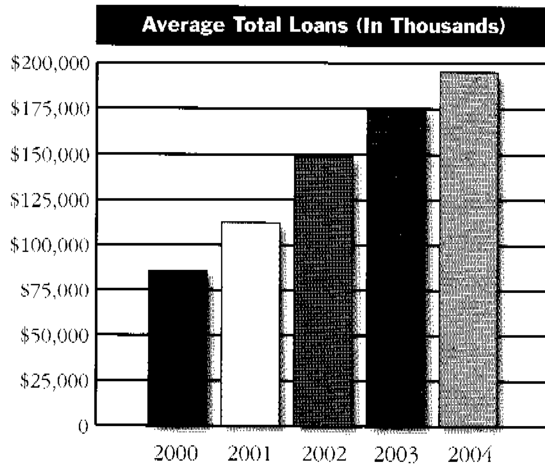
Edwin S. Darden, Jr.

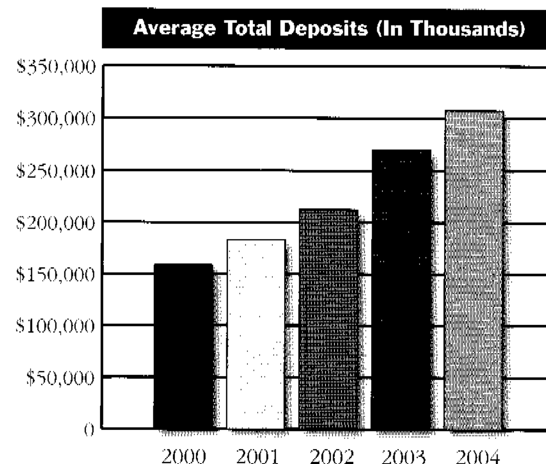
President, Edwin S. Darden Associates
Central Valley Community Bancorp, Director

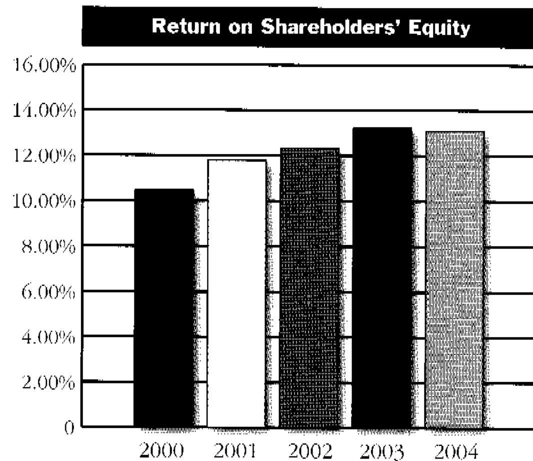
Central Valley Community Bancorp Trend Analysis

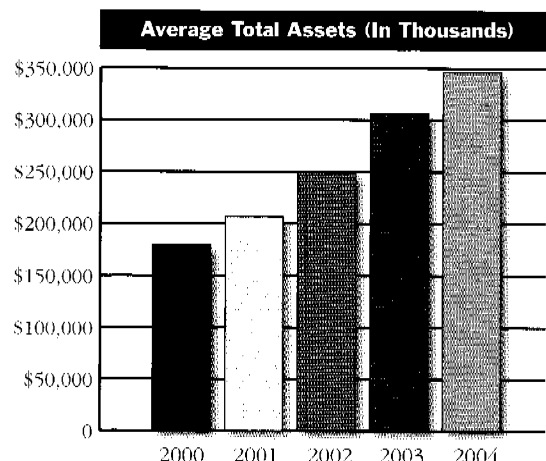












Board of Directors

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
Measuring For The 2-Year Period 1/2003 - 12/2004

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, 2004 and 2003 (In thousands, except share amounts)

ASSETS	2004	2003
Cash and due from banks	$ 17,507	$ 24,375
Federal funds sold	26,307	10,956
Total cash and cash equivalents	43,814	35,331
Interest bearing deposits in other banks	2,605	500
Available-for-sale investment securities (Notes 2 and 7)	98,983	95,844
Loans, less allowance for credit losses of $2,697 in 2004 and $2,425 in 2003 (Notes 3, 9 and 13)	206,582	183,849
Bank premises and equipment, net (Notes 5 and 9)	2,724	2,985
Bank owned life insurance (Note 12)	6,075	5,879
Federal Home Loan Bank stock	1,420	572
Accrued interest receivable and other assets (Note 8)	5,944	2,970
Total assets	$ 368,147	$ 327,930

LIABILITIES AND SHAREHOLDERS' EQUITY	2004	2003
Deposits:		
Non-interest bearing	$ 105,235	$ 96,945
Interest bearing (Note 6)	220,951	193,620
Total deposits	326,186	290,565
Short-term borrowings (Note 7)	2,000	7,000
Long-term debt (Note 7)	6,500	
Accrued interest payable and other liabilities (Note 12)	3,855	3,645
Total liabilities	338,541	301,210
Commitments and contingencies (Note 9)		
Shareholders' equity (Note 10):		
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, 2,628,867 and 2,598,927 shares issued and outstanding in 2004 and 2003, respectively	6,343	6,096
Retained earnings	22,933	19,501
Accumulated other comprehensive income, net of taxes (Notes 2 and 14)	330	1,123
Total shareholders' equity	29,606	26,720
Total liabilities and shareholders' equity	$ 368,147	$ 327,930

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

Consolidated Statement of Income

For the Years Ended December 31, 2004, 2003 and 2002 (In thousands, except per share amounts)

	2004	2003	2002
INTEREST INCOME:			
Interest and fees on loans	$ 13,227	$ 12,039	$ 11,195
Interest on Federal funds sold	234	185	195
Interest and dividends on investment securities:			
Taxable	2,499	1,992	2,634
Exempt from Federal income taxes	839	754	512
Total interest income	16,799	14,970	14,536
INTEREST EXPENSE:			
Interest on deposits (Note 6)	1,793	2,004	2,393
Other (Note 7)	185	286	335
Total interest expense	1,978	2,290	2,728
Net interest income before provision for credit losses	14,821	12,680	11,808
PROVISION FOR CREDIT LOSSES (NOTE 3)	-	-	-
Net interest income after provision for credit losses	14,821	12,680	11,808
NON-INTEREST INCOME:			
Service charges	2,340	2,215	1,922
Net realized gains on sales and calls of investment securities (Note 2)	483	506	27
Loan placement fees	330	488	364
Appreciation in cash surrender value of bank owned life insurance (Note 12)	200	303	274
Federal Home Loan Bank stock dividends	41	28	29
Rentals from equipment leased to others (Note 4)	38	485	1,094
Other income	505	521	502
Total non-interest income	3,937	4,546	4,212
NON-INTEREST EXPENSES:			
Salaries and employee benefits (Notes 3 and 12)	7,539	7,152	6,232
Occupancy and equipment (Notes 5 and 9)	1,621	1,576	1,234
Depreciation, net of reduction in allowance for losses on equipment leased to others (Note 4)	38	202	977
Other expenses (Notes 9 and 11)	3,921	3,425	3,545
Total non-interest expenses	13,119	12,355	11,988
Income before provision for income taxes	5,639	4,871	4,032
PROVISION FOR INCOME TAXES (NOTE 8)	1,944	1,499	1,248
Net income	$ 3,695	$ 3,372	$ 2,784
Basic earnings per share (Note 10)	$ 1.41	$ 1.30	$ 1.08
Diluted earnings per share (Note 10)	$ 1.27	$ 1.19	$ 1.02

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

Consolidated Statement
of Changes in Shareholders' Equity

For the Years Ended December 31, 2004, 2003 and 2002 (In thousands, except share and per share amounts)

	Common Stock			Accumulated Other Comprehensive Income (Net of Taxes)	Total Shareholders' Equity	Total Comprehensive Income
	Shares	Amount	Retained Earnings			
Balance, January 1, 2002	2,570,714	$ 6,049	$ 13,733	$ 1,046	$ 20,828	
Comprehensive income (Note 14):						
Net income			2,784		2,784	$ 2,784
Other comprehensive income, net of tax:						
Net change in unrealized gains on available-for sale investment securities				812	812	812
Total comprehensive income						$ 3,596
Cash dividend - $.05 per share (Note 10)			(130)		(130)	
Stock options exercised and related tax benefit (Note 10)	43,340	288			288	
Repurchase and retirement of common stock (Note 10)	(40,812)	(483)			(483)	
Balance, December 31, 2002	2,573,242	5,854	16,387	1,858	24,099	
Comprehensive income (Note 14):						
Net income			3,372		3,372	$ 3,372
Other comprehensive loss, net of tax:						
Net change in unrealized gains on available for-sale investment securities				(735)	(735)	(735)
Total comprehensive income						$ 2,637
Cash dividend - $.10 per share (Note 10)			(258)		(258)	
Stock options exercised and related tax benefit (Note 10)	31,148	323			323	
Repurchase and retirement of common stock (Note 10)	(5,463)	(81)			(81)	
Balance, December 31, 2003	2,598,927	6,096	19,501	1,123	26,720	
Comprehensive income (Note 14):						
Net income			3,695		3,695	$ 3,695
Other comprehensive loss, net of tax:						
Net change in unrealized gains on available-for-sale investment securities				(793)	(793)	(793)
Total comprehensive income						$ 2,902
Cash dividend - $.10 per share (Note 10)			(263)		(263)	
Stock options exercised and related tax benefit (Note 10)	38,940	460			460	
Repurchase and retirement of common stock (Note 10)	(9,000)	(213)			(213)	
Balance, December 31, 2004	2,628,867	$ 6,343	$ 22,933	$ 330	$ 29,606	

	2004	2003	2002
Disclosure of reclassification amount, net of taxes (Note 14):			
Unrealized holding (losses) gains arising during the year	$ (474)	$ (386)	$ 831
Less reclassification adjustment for net gains included in net income	319	349	19
Net change in unrealized gains on available-for-sale investment securities	$ (793)	$ (735)	$ 812

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

Consolidated Statement
of Cash Flows
For the Years Ended December 31, 2004, 2003 and 2002 (In thousands)

	2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 3,695	$ 3,372	$ 2,784
Adjustments to reconcile net income to net cash provided by operating activities:			
Reduction in allowance for residual losses on equipment leased to others		(203)	
Gain on sale of equipment leased to others			(21)
Net (decrease) increase in deferred loan fees	(150)	160	87
Depreciation, accretion and amortization, net	2,106	2,851	2,193
Net realized gains on sales and calls of available-for-sale investment securities	(483)	(506)	(27)
(Gain) loss on sale of equipment	(1)	10	(6)
Increase in bank owned life insurance, net of expenses	(196)	(298)	(257)
FHLB stock dividends	(41)	(28)	(30)
Net increase in accrued interest receivable and other assets	(2,307)	(154)	(208)
Net increase in accrued interest payable and other liabilities	354	155	550
Provision for deferred income taxes	(409)	(39)	97
Net cash provided by operating activities	2,568	5,320	5,162
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of available-for-sale investment securities	(40,781)	(65,192)	(35,559)
Proceeds from sales or calls of available-for-sale investment securities	4,775	9,105	1,955
Proceeds from maturity of available-for-sale investment securities	4,500	1,630	165
Proceeds from principal repayments of available-for-sale investment securities	26,488	34,039	16,686
Net increase in interest bearing deposits in other banks	(2,105)		(500)
Net FHLB stock (purchases) redemptions	(807)	115	(469)
Net increase in loans	(22,583)	(27,716)	(25,583)
Purchases of premises and equipment	(539)	(586)	(1,858)
Proceeds from sale of equipment	5		19
Proceeds from sale of equipment leased to others			21
Purchases of bank owned life insurance			(1,475)
Net cash used in investing activities	(31,047)	(48,605)	(46,598)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in demand, interest-bearing and savings deposits	38,466	40,743	46,895
Net (decrease) increase in time deposits	(2,845)	3,485	7,310
Proceeds from borrowings from Federal Home Loan Bank	6,000		14,000
Repayments to Federal Home Loan Bank	(7,000)	(2,000)	(8,000)
Proceeds from borrowings from other financial institutions	2,500		
Cash paid for dividends	(263)	(258)	(130)
Share repurchase and retirement	(213)	(81)	(483)
Proceeds from exercise of stock options	317	245	202
Net cash provided by financing activities	36,962	42,134	59,794
Increase (decrease) in cash and cash equivalents	8,483	(1,151)	18,358
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	35,331	36,482	18,124
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 43,814	$ 35,331	$ 36,482
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest expense	$ 2,000	$ 2,327	$ 2,724
Income taxes	$ 2,409	$ 1,080	$ 1,398
NON-CASH INVESTING ACTIVITIES:			
Net change in unrealized gain on available-for-sale investment securities	$ (1,090)	$ (1,080)	$ 989
NON-CASH FINANCING ACTIVITIES:			
Tax benefit from stock options exercised	$ 143	$ 78	$ 86

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

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

Certain reclassifications have been made to prior years' balances to conform to classifications used in 2004.

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 significant. All significant intercompany accounts and transactions have been eliminated in consolidation.

Subsequent Event - After the close of business on December 31, 2004, Central Valley Community Bancorp and Bank of Madera County completed their previously announced merger and the Bank of Madera County was merged into the Bank. The assets acquired, liabilities assumed and the operating results are not reflected in the financial statements of the Company at December 31, 2004 (see Note 17 for additional information).

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. 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.

Cash and Cash Equivalents - For the purpose of the statement of cash flows, cash, 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. As of December 31, 2004 and 2003, all of the Company's investments were classified as available-for-sale securities.

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.

Investment securities are evaluated for impairment on at least a quarterly basis and more frequently when economic or market conditions warrant such an evaluation to determine whether a decline in their value is other than temporary. Management utilizes criteria such as the magnitude and duration of the decline and the intent and ability of the Company to retain its investment in the securities for a period of time sufficient to allow for an anticipated recovery in fair value, in addition to the reasons underlying the decline, to determine whether the loss in value is other than temporary. The term "other than temporary" is not intended to indicate that the decline is permanent, but indicates that the prospects for a near-term recovery of value is not necessarily favorable, or that there is a lack of evidence to support a realizable value equal to or greater than the carrying value of the investment. Once a decline in value is determined to be other than temporary, the value of the security is reduced and a corresponding charge to earnings is recognized.

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. Interest income on impaired loans, if appropriate, is recognized on a cash basis.

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.

Classified loans and loans determined to be impaired 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 loss 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, current economic conditions and other factors. 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. There were no provisions for credit losses in 2004, 2003 or 2002.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses - (continued) The allowance for credit losses at December 31, 2004 and 2003, respectively, reflects management's estimate of potential losses in the portfolio.

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 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, 2004, the Company has two stock-based compensation plans, the Central Valley Community Bancorp 2000 and 1992 Stock Option Plans, which are described more fully in Note 10. 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 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 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.

	2004	2003	2002
	(In thousands, except per share amounts)		
Net income, as reported	$ 3,695	$ 3,372	$ 2,784
Deduct: Total stock-based compensation expense determined under the fair value based method for all awards, net of related tax effects	250	205	198
Pro forma net income	$ 3,445	$ 3,167	$ 2,586
Basic earnings per share - as reported	$ 1.41	$ 1.30	$ 1.08
Basic earnings per share - pro forma	$ 1.31	$ 1.22	$ 1.00
Diluted earnings per share - as reported	$ 1.27	$ 1.19	$ 1.02
Diluted earnings per share - pro forma	$ 1.19	$ 1.14	$ .96
Weighted average fair value of options granted during the year	$ 9.60	$ 5.84	$ 4.86

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

	2004	2003	2002
Dividend yield	.5%	.5%	.5%
Expected volatility	66.27%	65.4 to 72.77%	65.88 to 75.21%
Risk-free interest rate	4.17%	2.05 to 3.18%	3.66 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.

Impact of New Financial Accounting Standards -

Other-Than-Temporary Impairment of Securities

In June 2004, the Financial Accounting Standards Board (FASB) ratified Emerging Issues Task Force (EITF) Issue 03-1, *The Meaning of Other-than-Temporary Impairment and Its Application to Certain Investments* (EITF 03-1). EITF 03-1 includes additional guidance for evaluating and recording impairment losses on debt and equity investments, as well as disclosure requirements for investments that are deemed to be temporarily impaired. The proposed guidance indicates that an investor must have the intent and ability to hold an investment until a forecasted recovery of the fair value up to or beyond the cost of the investment in order to determine that any impairment is temporary. In September 2004, the FASB delayed the effective date of the recognition and measurement guidance of EITF 03-1, pending further deliberations. The disclosures for investments that are deemed temporarily impaired are included in Note 2 to the financial statements. Once the FASB has reached a final decision on the measurement and recognition provisions, the Company will evaluate the impact of the adoption of EITF 03-1.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impact of New Financial Accounting Standards - (continued)

Share-Based Payments

In December 2004 the FASB issued Statement Number 123 (revised 2004) (FAS 123 (R)), *Share-Based Payments*. FAS 123 (R) requires all entities to recognize compensation expense in an amount equal to the fair value of share-based payments such as stock options granted to employees. The Company is required to apply FAS 123 (R) on a modified prospective method. Under this method, the Company is required to record compensation expense (as previous awards continue to vest) for the unvested portion of previously granted awards that remain outstanding at the date of adoption. In addition, the Company may elect to adopt FAS 123 (R) by restating previously issued financial statements, basing the expense on that previously reported in their pro forma disclosures required by FAS 123. FAS 123 (R) is effective for the first reporting period beginning after June 15, 2005. Management has not completed its evaluation of the effect that FAS 123 (R) will have, but believes that the effect will be consistent with its previous pro forma disclosures.

Accounting for Loans or Debt Securities Acquired in a Transfer

In December 2003, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 03-03, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer* (SOP). This SOP addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor's initial investment in loans or debt securities (loans) acquired in a transfer if those differences are attributable, at least in part, to credit quality. It also includes such loans acquired in purchase business combinations. This SOP does not apply to loans originated by the entity. This SOP limits the yield that may be accreted and requires that the excess of contractual cash flows over cash flows expected to be collected not be recognized as an adjustment of yield, loss accrual, or valuation allowance.

This SOP prohibits "carrying over" or creation of valuation allowances in the initial accounting for loans acquired in a transfer that are within the scope of this SOP. The prohibition of the valuation allowance carryover applies to the purchase of an individual loan, a pool of loans, a group of loans, and loans acquired in a purchase business combination.

This SOP is effective for loans acquired in fiscal years beginning after December 15, 2004. In management's opinion, the adoption of this pronouncement will not have a material impact on the Company's financial position or results of operations.

2. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

The amortized cost and estimated fair value of available-for sale investment securities at December 31, 2004 and 2003 consisted of the following:

	2004			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
	(In thousands)			
Debt securities:				
U.S. Government agencies	$ 22,492	$ 119	$ (267)	$ 22,344
Obligations of states and political subdivisions	19,993	637	(121)	20,509
U.S. Government agencies collateral ized by mortgage obligations	52,292	466	(255)	52,503
Other securities	3,644	-	(17)	3,627
	$ 98,421	$ 1,222	$ (660)	$ 98,983

	2003			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
	(In thousands)			
Debt securities:				
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 collateral-ized by mortgage obligations	55,490	678	(255)	55,913
Other securities	7,632		-	7,632
	$ 94,192	$ 2,050	$ (398)	$ 95,844

Investment securities with unrealized losses at December 31, 2004 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)					
Debt securities:						
U.S. Government agencies	$ 20,225	$ (267)	-	-	$ 20,225	$ (267)
Obligations of states and political sub-divisions	421	(4)	$ 3,148	$ (117)	3,569	(121)
U.S. Government agencies collateral-ized by mortgage obligations	24,193	(230)	1,480	(25)	25,673	(255)
Other securities	1,483	(17)	-	-	1,483	(17)
	$ 46,322	$ (518)	$ 4,628	$ (142)	$ 50,950	$ (660)

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

At December 31, 2004, the Company held 122 investment securities of which 27 were in a loss position for less than twelve months and 5 were in a loss position and had been in a loss position for twelve months or more. Management periodically evaluates each investment security for other than temporary impairment, 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 considered temporary and due only to interest rate fluctuations.

Net unrealized gains on available-for-sale investment securities totaling $562,000 and $1,652,000 are recorded net of $232,000 and $529,000 in tax expense as accumulated other comprehensive income within shareholders' equity at December 31, 2004 and 2003, respectively.

Proceeds and gross realized gains from the sale or call of available-for-sale investment securities totaled $4,775,000 and $483,000, respectively, for the year ended December 31, 2004. 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.

The amortized cost and estimated fair value of available-for-sale investment securities at December 31, 2004 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)	
After one year through five years	$ 25,241	$ 25,258
After five years through ten years	4,767	4,800
After ten years	12,477	12,795
	42,485	42,853
Investment securities not due at a single maturity date:		
U.S. Government agencies collateralized by mortgage obligations	52,292	52,503
Other securities	3,644	3,627
	$ 98,421	$ 98,983

Investment securities with amortized costs totaling $30,248,000 and $26,552,000 and fair values totaling $30,807,000 and $27,642,000 were pledged to secure public deposits, other contractual obligations, short-term borrowings and long-term debt at December 31, 2004 and 2003, respectively.

3. LOANS

Outstanding loans are summarized as follows:

	December 31, 2004	December 31, 2003
	(In thousands)	
Commercial	$ 57,669	$ 55,506
Real estate	94,138	90,033
Real estate – construction, land development and other land loans	35,364	25,232
Agricultural	15,946	10,714
Installment	6,420	5,117
Other	240	320
	209,777	186,922
Deferred loan fees, net	(498)	(648)
Allowance for credit losses	(2,697)	(2,425)
	$ 206,582	$ 183,849

At December 31, 2004 and 2003, loans originated under Small Business Administration (SBA) programs totaling $24,311,000 and $20,505,000, respectively, were included in the real estate and commercial categories.

Changes in the allowance for credit losses were as follows:

	Year Ended December 31, 2004	2003	2002
	(In thousands)		
Balance, beginning of year	$ 2,425	$ 2,433	$ 2,474
Provision charged to operations	–	–	–
Losses charged to the allowance	(24)	(217)	(352)
Recoveries	296	209	311
Balance, end of year	$ 2,697	$ 2,425	$ 2,433

There were no loans considered to be impaired at December 31, 2004. The recorded investment in loans that were considered to be impaired totaled $634,000 at December 31, 2003. The related allowance for credit losses on these impaired loans at December 31, 2003 was $198,000. The average recorded investment in impaired loans during 2004, 2003 and 2002 was $36,000, $651,000 and $782,000, respectively. No interest income was recognized for impaired loans in 2004, 2003 or 2002.

There were no loans on nonaccrual at December 31, 2004 or interest foregone on nonaccrual loans for the year then ended. At December 31, 2003, nonaccrual loans totaled $634,000. Interest foregone on nonaccrual loans totaled $27,000 and $62,000 for the years ended December 31, 2003 and 2002, respectively.

Salaries and employee benefits totaling $354,000, $214,000 and $163,000 have been deferred as loan origination costs for the years ended December 31, 2004, 2003 and 2002, respectively.

4. EQUIPMENT LEASED TO OTHERS

Prior to 2003, the Bank entered into leasing arrangements through certain leasing brokers to lease computer equipment to various entities. During 2004, the remaining leases matured and the underlying equipment was fully depreciated. As a result, there was no recorded investment in equipment leased to others at December 31, 2004. Net book value of equipment at December 31, 2003 was $38,000. Rental income for the years ended December 31, 2004, 2003 and 2002 was $38,000, $485,000 and $1,094,000, respectively. Depreciation expense, net of the reduction in provision for allowance for losses on equipment, was $38,000, $202,000 and $977,000 for 2004, 2003 and 2002, respectively.

5. BANK PREMISES AND EQUIPMENT

Bank premises and equipment consisted of the following:

	December 31,	
	2004	2003
	(In thousands)	
Land	$ 250	$ 250
Buildings and improvements	1,161	1,161
Furniture, fixtures and equipment	3,862	3,449
Leasehold improvements	1,702	1,734
	6,975	6,594
Less accumulated depreciation and amortization	(4,251)	(3,609)
	$ 2,724	$ 2,985

Depreciation and amortization included in occupancy and equipment expense totaled $796,000, $721,000 and $575,000 for the years ended December 31, 2004, 2003 and 2002, respectively.

6. DEPOSITS

Interest-bearing deposits consisted of the following:

	December 31,	
	2004	2003
	(In thousands)	
Savings	$ 20,518	$ 16,888
Money market	89,904	71,382
NOW accounts	52,571	44,547
Time, $100,000 or more	25,854	25,980
Time, under $100,000	32,104	34,823
	$ 220,951	$ 193,620

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

Year Ending December 31,	
2005	$ 39,852
2006	13,745
2007	1,469
2008	-
2009	2,892
	$ 57,958

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

	Year Ended December 31,		
	2004	2003	2002
		(In thousands)	
Savings	$ 67	$ 66	$ 88
Money market	660	659	817
NOW accounts	51	49	80
Time certificates of deposit	1,015	1,230	1,408
	$ 1,793	$ 2,004	$ 2,393

7. BORROWING ARRANGEMENTS

Federal Home Loan Bank Advances

Advances from the Federal Home Loan Bank (FHLB) of San Francisco at December 31, 2004 and 2003 consisted of the following:

2004			2003		
Amount	Rate	Maturity Date	Amount	Rate	Maturity Date
(Dollars in thousands)			(Dollars in thousands)		
$ 2,000	1.38%	Feb. 11, 2005	$ 2,000	3.28%	Feb. 23, 2004
2,000	2.10%	Feb. 13, 2006	3,000	3.38%	March 4, 2004
2,000	2.66%	Feb. 12, 2007	1,000	3.70%	April 15, 2004
			1,000	3.99%	Nov. 22, 2004
6,000			7,000		
(2,000)	Less short-term portion		(7,000)	Less short-term portion	
$ 4,000	Long-term debt		$ -	Long term debt	

The FHLB advances are secured by investment securities with amortized costs totaling $9,668,000 and $8,148,000 and market values totaling $9,822,000 and $8,474,000 at December 31, 2004 and 2003, respectively. The Bank's credit limit varies according to the amount and composition of the investment and loan portfolios pledged as collateral.

Other Long-Term Debt - The Company has a note payable to a financial institution with a balance of $2,500,000 at December 31, 2004. The note bears a variable interest rate of LIBOR plus 2.5% (5.05% as of December 31, 2004). Payment terms call for interest only payments based on the financial institution's prime rate or LIBOR at the Company's discretion. Payments are due on March 31, June 30, September 30 and December 31, 2005. Beginning on March 31, 2006, one-eighth (1/8) of the principal is due with each quarterly payment, along with all accrued interest. The remaining principal and accrued interest is due when the note matures on December 31, 2007. The note is secured by 20% of the issued and outstanding stock of the Company's subsidiary bank (Central Valley Community Bank) with the value of pledged stock to be valued at not less than 200% of the outstanding principal balance.

Other long term debt matures as follows:

Year Ending December 31,	
2005	$ -
2006	1,035
2007	1,465
	$ 2,500

7. BORROWING ARRANGEMENTS (Continued)

Lines of Credit - The Bank had unsecured lines of credit with its correspondent banks which, in the aggregate, amounted to $10,100,000 and $9,000,000 at December 31, 2004 and 2003, 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, 2004 and 2003 which bears interest at the prevailing discount rate collateralized by investment securities with amortized costs totaling $3,504,000 and $1,028,000 and market values totaling $3,456,000 and $1,090,000, respectively. At December 31, 2004 and 2003, the Bank had no outstanding borrowings under these lines of credit.

8. INCOME TAXES

The provision for income taxes for the years ended December 31, 2004, 2003 and 2002 consisted of the following:

	Federal	State (In thousands)	Total
2004			
Current	$ 1,719	$ 634	$ 2,353
Deferred	(313)	(96)	(409)
Provision for income taxes	$ 1,406	$ 538	$ 1,944
2003			
Current	$ 1,258	$ 280	$ 1,538
Deferred	(96)	57	(39)
Provision for income taxes	$ 1,162	$ 337	$ 1,499
2002			
Current	$ 885	$ 266	$ 1,151
Deferred	189	(92)	97
Provision for income taxes	$ 1,074	$ 174	$ 1,248

Deferred tax assets (liabilities) consisted of the following:

	December 31, 2004	2003
	(In thousands)	
Deferred tax assets:		
Allowance for credit losses	$ 539	$ 539
Other reserves	111	60
Bank premises and equipment	153	34
Deferred compensation	1,003	834
Future benefit of State deferred tax liability	92	38
Total deferred tax assets	1,898	1,505
Deferred tax liabilities:		
Other accruals	(157)	(173)
Unrealized gain on available-for-sale investment securities	(232)	(529)
Total deferred tax liabilities	(389)	(702)
Net deferred tax assets	$ 1,509	$ 803

The provision for income taxes differs from amounts computed by applying the statutory Federal income tax rates to operating income before income taxes. The significant items comprising these differences for the years ended December 31, 2004, 2003 and 2002 consisted of the following:

	2004	2003	2002
Federal income tax, at statutory rate	34.0 %	34.0 %	34.0 %
State franchise tax, net of Federal tax effect	7.1 %	6.1 %	2.8 %
Tax exempt investment security income, net	(4.9)%	(5.1)%	(4.1)%
Bank owned life insurance, net	(1.4)%	(2.2)%	(2.2)%
Other	(0.3)%	(2.0)%	0.4 %
Total income tax expense	34.5 %	30.8 %	30.9 %

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. The Company did not realize any tax benefits from CVCR in 2004 or 2003.

9. 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 expenses totaled $359,000, $334,000 and $235,000 for the years ended December 31, 2004, 2003 and 2002, respectively.

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

Year Ending December 31,	
2005	$ 402
2006	332
2007	261
2008	248
2009	253
Thereafter	674
	$ 2,170

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, 2004 and 2003 was $753,000 and $233,000, respectively.

Correspondent Banking Agreements - The Bank maintains funds on deposit with other federally insured financial institutions under correspondent banking agreements. Uninsured deposits totaled $9,975,000 at December 31, 2004.

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

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

9. COMMITMENTS AND CONTINGENCIES (Continued)

Financial Instruments With Off-Balance-Sheet Risk - (continued)

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

	December 31, 2004	December 31, 2003
	(In thousands)	
Commitments to extend credit	$ 106,561	$ 91,469
Standby letters of credit	$ 1,255	$ 1,180

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 standby letters of credit is essentially the same as that involved in extending loans to customers. The fair value of the liability related to these standby letters of credit, which represents the fees received for issuing the guarantees, was not significant at December 31, 2004 and 2003. The Company recognizes these fees as revenue over the term of the commitment or when the commitment is used.

At December 31, 2004, 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 41% 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 9% 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, 2004, in management's judgment, a concentration of loans existed in commercial loans and real-estate-related loans. At that date, approximately 89.2% of the Bank's loans were commercial and real-estate-related, representing 27.5% and 61.7% of total loans, respectively.

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.

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 - During 2004, the Company wrote down its investment in a title and insurance company by $150,000 to its estimated fair value of $350,000. This investment is included in other assets in the consolidated balance sheet. The title and insurance company is currently in negotiations to either be sold or restructured. The ultimate resolution is not known and any additional adjustment to fair value, if necessary, is not currently estimable.

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.

10. 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, 2004 and 2003. Management believes that the Company and the Bank meet all their capital adequacy requirements as of December 31, 2004.

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.

	2004 Amount	2004 Ratio	2003 Amount	2003 Ratio
	(Dollars in thousands)			
Tier 1 Leverage Ratio				
Central Valley Community Bancorp and Subsidiary	$ 29,259	8.0%	$ 25,595	7.8%
Minimum regulatory requirement	$ 14,574	4.0%	$ 13,051	4.0%
Central Valley Community Bank	$ 29,913	8.2%	$ 24,509	7.5%
Minimum requirement for "Well-Capitalized" institution	$ 18,155	5.0%	$ 16,274	5.0%
Minimum regulatory requirement	$ 14,524	4.0%	$ 13,020	4.0%
Tier 1 Risk-Based Capital Ratio				
Central Valley Community Bancorp and Subsidiary	$ 29,259	11.6%	$ 25,595	11.7%
Minimum regulatory requirement	$ 10,137	4.0%	$ 8,734	4.0%
Central Valley Community Bank	$ 29,913	11.8%	$ 24,509	11.2%
Minimum requirement for "Well-Capitalized" institution	$ 15,166	6.0%	$ 13,070	6.0%
Minimum regulatory requirement	$ 10,111	4.0%	$ 8,713	4.0%
Total Risk-Based Capital Ratio				
Central Valley Community Bancorp and Subsidiary	$ 31,956	12.6%	$ 28,020	12.8%
Minimum regulatory requirement	$ 20,273	8.0%	$ 17,467	8.0%
Central Valley Community Bank	$ 32,610	12.9%	$ 26,934	12.3%
Minimum requirement for "Well-Capitalized" institution	$ 25,277	10.0%	$ 21,783	10.0%
Minimum regulatory requirement	$ 20,222	8.0%	$ 17,426	8.0%

10. SHAREHOLDERS' EQUITY (Continued)

Dividends - On May 19, 2004, the Board of Directors declared a $.10 per share cash dividend for shareholders of record as of June 4, 2004, paid on or about June 30, 2004. On May 21, 2003, the Board of Directors declared a $.10 per share cash dividend to shareholders of record as of 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 as of March 1, 2002, paid on or about March 31, 2002.

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, 2004, retained earnings of $8,808,000 were free of such restrictions.

Share Repurchase Plan - During 2004, 2003 and 2002, the Company approved stock repurchase plans authorizing the purchase of shares up to a total cost of $500,000, or approximately 2%, 2% and 3%, respectively, of its common stock, in each year. As of December 31, 2004, 2003 and 2002, the Company repurchased 9,000, 5,463 and 40,812 shares at a total cost of $213,000, $81,000 and $483,000, respectively. On October 20, 2004, Central Valley Community Bancorp's Board of Directors suspended operation of the stock repurchase program.

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,		
	2004	2003	2002
	(In thousands, except share and per share amounts)		
Basic Earnings Per Share:			
Net income	$ 3,695	$ 3,372	$ 2,784
Weighted average shares outstanding	2,626,829	2,586,352	2,585,433
Net income per share	$ 1.41	$ 1.30	$ 1.08
Diluted Earnings Per Share:			
Net income	$ 3,695	$ 3,372	$ 2,784
Weighted average shares outstanding	2,626,829	2,586,352	2,585,433
Effect of dilutive stock options	292,626	242,486	156,310
Weighted average shares of common stock and common stock equivalents	2,919,455	2,828,838	2,741,743
Net income per diluted share	$ 1.27	$ 1.19	$ 1.02

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 630,250 shares remain reserved for issuance to employees and directors under incentive and nonstatutory agreements.

A summary of the combined activity of the plans, adjusted to give effect to stock splits, follows:

	2004		2003		2002	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, beginning of year	565,790	$ 9.28	531,088	$ 8.02	541,430	$ 7.49
Options granted	500	$22.60	78,100	$17.21	51,000	$10.94
Options exercised	(38,940)	$ 8.08	(31,148)	$ 7.86	(43,340)	$ 4.66
Options canceled	(920)	$12.38	(12,250)	$ 8.90	(18,002)	$ 8.33
Options outstanding, end of year	526,430	$ 9.38	565,790	$ 9.28	531,088	$ 8.02
Options exercisable, end of year	340,880	$ 8.38	287,400	$ 7.98	234,278	$ 7.98

A summary of options outstanding at December 31, 2004 follows:

Range of Exercise Prices	Number of Options Outstanding December 31, 2004	Weighted Average Remaining Contractual Life	Number of Options Exercisable December 31, 2004
$6.50 to $7.75	226,780	5.62 years	154,890
$8.63 to $10.03	189,470	4.73 years	157,550
$10.75 to $11.63	33,000	7.58 years	13,400
$17.25 to $22.60	77,180	8.47 years	15,040
	526,430		340,880

11. OTHER EXPENSES

Other expenses consisted of the following:

	Year Ended December 31,		
	2004	2003	2002
	(In thousands)		
Data processing	$ 663	$ 684	$ 593
Advertising	365	360	524
Audit and accounting fees	244	222	334
Legal fees	129	101	158
ATM and debit card	134	111	153
Other expenses	2,386	1,947	1,783
	$ 3,921	$ 3,425	$ 3,545

12. 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 $105,000, $120,000 and $100,000 to the profit sharing plan in 2004, 2003 and 2002, 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, 2004, 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 years ended December 31, 2004, 2003 and 2002, the Bank made matching contributions totaling $188,000, $157,000 and $128,000, 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 (5.5% at December 31, 2004). At December 31, 2004 and 2003, the total net deferrals included in accrued interest payable and other liabilities were $1,190,000 and $1,107,000, 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 $3,801,000 and $3,690,000 at December 31, 2004 and 2003, respectively. The current annual tax-free interest rates on these policies is 4.9%. Income recognized on these policies, net of related expenses, for the years ended December 31, 2004, 2003 and 2002 totaled $111,000, $171,000 and $164,000, respectively.

Salary Continuation Plans - The Board of Directors approved salary continuation plans for certain key executives during 2000. 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, 2004, 2003 and 2002 totaled $285,000, $256,000 and $205,000, respectively.

In connection with these plans, the Bank purchased single premium life insurance policies with cash surrender values totaling $2,274,000 and $2,189,000 at December 31, 2004 and 2003, respectively. Income recognized on these policies, net of related expense, for the years ended December 31, 2004, 2003 and 2002 totaled $85,000, $90,000 and $111,000, respectively.

13. 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, 2004	$ 383
Disbursements	145
Amounts repaid	(108)
Balance, December 31, 2004	$ 420
Undisbursed commitments to related parties, December 31, 2004	$ 1,565

14. COMPREHENSIVE INCOME

Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of other comprehensive income (loss) that historically has not been recognized in the calculation of net income. The Company's only source of other comprehensive income (loss) is unrealized gains and losses on the Company's available-for-sale investment securities. Total comprehensive income and the components of accumulated other comprehensive income (loss) are presented in the consolidated statement of changes in shareholders' equity.

At December 31, 2004, 2003 and 2002, the Company held securities classified as available-for-sale which had net unrealized gains or losses as follows:

	Before Tax	Tax (Expense) Benefit	After Tax
		(In thousands)	
For the Year Ended December 31, 2004			
Other comprehensive loss:			
Unrealized holding losses	$ (607)	$ 133	$ (474)
Less reclassification adjustment for net gains included in net income	483	(164)	319
Total other comprehensive loss	$ (1,090)	$ 297	$ (793)
For the Year Ended December 31, 2003			
Other comprehensive income:			
Unrealized holding gains	$ (574)	$ 188	$ (386)
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

15. 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, 2004 and 2003:

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 analysis, using interest rates being offered at each reporting date for loans with similar terms to borrowers of comparable creditworthiness adjusted for the allowance for loan losses. The carrying amount of accrued interest receivable approximates its fair value.

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

Federal Home Loan Bank stock: - The carrying amount of Federal Home Loan Bank (FHLB) stock approximates fair value. This investment is carried at cost and is redeemable at par with certain restrictions.

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.

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.

Commitments to extend credit and letters of credit Off-balance-sheet 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 standby letters of credit are at rates which approximate fair value at each reporting date.

	December 31, 2004		December 31, 2003	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Financial assets:				
Cash and due from banks	$ 17,507	$ 17,507	$ 24,375	$ 24,375
Federal funds sold	26,307	26,307	10,956	10,956
Interest-bearing deposits in other banks	2,605	2,605	500	500
Investment securities	98,983	98,983	95,844	95,844
Loans	206,582	211,393	183,849	187,520
Bank owned life insurance	6,075	6,075	5,879	5,879
FHLB stock	1,420	1,420	572	572
Accrued interest receivable	1,413	1,413	1,239	1,239
Financial liabilities:				
Deposits	$ 326,186	$ 308,325	$ 290,565	$ 290,090
Short-term borrowings	2,000	2,000	7,000	6,993
Long-term debt	6,500	6,310		
Accrued interest payable	202	202	224	224
Off balance-sheet financial instruments:				
Commitments to extend credit	$ 106,561	$ 106,561	$ 91,469	$ 91,469
Standby letters of credit	1,255	1,255	1,180	1,180

16. PARENT ONLY CONDENSED FINANCIAL STATEMENTS

BALANCE SHEET
December 31, 2004 and 2003
(In thousands)

ASSETS	2004	2003
Cash and cash equivalents	$ 709	$ 361
Investment in subsidiary	30,261	25,634
Other assets	1,257	799
Total assets	$ 32,227	$ 26,794
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Long-term debt	$ 2,500	
Other liabilities	121	$ 74
Total liabilities	2,621	74
Shareholders' equity:		
Common stock	6,343	6,096
Retained earnings	22,933	19,501
Accumulated other comprehensive income, net of taxes	330	1,123
Total shareholders' equity	29,606	26,720
Total liabilities and shareholders' equity	$ 32,227	$ 26,794

16. PARENT ONLY CONDENSED FINANCIAL STATEMENTS (continued)

STATEMENT OF INCOME
For the Years Ended December 31, 2004, 2003 and 2002
(In thousands)

	2004	2003	2002
Income:			
Dividends declared by subsidiary - eliminated in consolidation	$ 593		$ 1,130
Other income		$ 42	50
Total income	593	42	1,180
Expenses:			
Professional fees	96	62	144
Other expenses	378	184	184
Total expenses	474	246	328
Income (loss) before equity in undistributed income of subsidiary	119	(204)	852
Equity in undistributed net income of subsidiary	3,419	3,532	1,857
Income before income taxes	3,538	3,328	2,709
Income tax benefit	157	44	75
Net income	$ 3,695	$ 3,372	$ 2,784

STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2004, 2003 and 2002
(In thousands)

	2004	2003	2002
Cash flows from operating activities:			
Net income	$ 3,695	$ 3,372	$ 2,784
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Undistributed net income of subsidiary	(3,419)	(3,532)	(1,857)
(Increase) decrease in other assets	(316)	(47)	33
Increase (decrease) in liabilities	47	(22)	77
Net cash provided by (used in) operating activities	7	(229)	1,037
Cash flows used in investing activities:			
Investment in subsidiary	(2,000)		
Cash flows from financing activities:			
Proceeds from borrowings	2,500		
Share repurchase and retirement	(213)	(81)	(483)
Proceeds from exercise of stock options	317	245	202
Cash paid for dividends	(263)	(258)	(130)
Net cash provided by (used in) financing activities	2,341	(94)	(411)
Increase (decrease) in cash and cash equivalents	348	(323)	626
Cash and cash equivalents at beginning of year	361	684	58
Cash and cash equivalents at end of year	$ 709	$ 361	$ 684
Non-cash investing activities:			
Net change in unrealized (loss) gain on available-for-sale investment securities	$ (1,090)	$ (1,080)	$ 989
Non-cash financing activities:			
Tax benefit from stock options exercised	$ 143	$ 78	$ 86

17. SUBSEQUENT EVENT

Merger of Bank of Madera County into Central Valley Community Bank - After the close of business on December 31, 2004, Central Valley Community Bancorp and Bank of Madera County completed their previously announced merger and the Bank of Madera County was merged into Central Valley Community Bank, the wholly owned subsidiary of Central Valley Community Bancorp. The total consideration paid to Bank of Madera County shareholders and option holders was approximately $14,311,000 which was comprised of $1,911,000 in payment to holders of outstanding Bank of Madera County stock options, $6,200,000 in cash and 261,053 shares of Central Valley Community Bancorp common stock (valued at $6,200,000 for purposes of the merger agreement). Total consideration paid to the Bank of Madera County shareholders was established under the terms of the merger agreement based on a value of $26.22 per share of Bank of Madera County common stock.

This transaction represents the first acquisition for Central Valley Community Bancorp. Management believes that the merger will allow Central Valley Community Bank to further accommodate a growing customer base in Madera County, provide Bank of Madera County customers with more convenient locations in the Central Valley, as well as offer new advancement and geographic opportunities for their employees. As a result of the above factors, management believes that the potential for the combined performance exceeds what each entity could accomplish independently and the goodwill in this transaction arose from the synergies associated with the merger. The acquisition is part of Central Valley Community Bancorp's long term strategy to increase its presence from Sacramento to Bakersfield along the Highway 99 corridor and the surrounding foothills.

Due to the merger becoming effective after the close of business on December 31, 2004, the assets acquired, liabilities assumed and the operating results for Bank of Madera County are not reflected in the financial statements of Central Valley Community Bancorp at December 31, 2004.

The fair values of the assets acquired and the liabilities assumed after the close of business on December 31, 2004, the date of acquisition, are as follows (in thousands):

Assets:	
Cash	$ 2,842
Federal funds sold	19,250
Loans, net of allowance for loan losses of $751	45,028
Property and equipment	390
Core deposit intangibles	1,500
Goodwill arising in the acquisition	8,939
Other assets	570
Total assets acquired	78,519
Liabilities:	
Deposit	(63,769)
Other liabilities	(439)
Total liabilities assumed	(64,208)
Net assets acquired	$ 14,311

Goodwill and Intangible Assets

The $1,500,000 core deposit intangible will be amortized over an estimated life of 7 years with no significant residual value. Goodwill of $8,939,000 arising in the acquisition will be allocated to Other Assets and will not be subject to amortization for book purposes, but will be reviewed for impairment.

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, 2004 and 2003 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, 2004. 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 the standards of the Public Company Accounting Oversight Board (United States). 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 provided 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, 2004 and 2003 and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

Perry - Smith LLP

Sacramento, California
February 7, 2005

Selected
Financial Data

	Years Ended December 31, (In thousands, except per share amounts)				
Operations for the year:	**2004**	**2003**	**2002**	**2001**	**2000**
Total interest income	$ 16,799	$ 14,970	$ 14,536	$ 14,577	$ 13,560
Total interest expense	1,978	2,290	2,728	4,138	4,247
Net interest income before provision for credit losses	14,821	12,680	11,808	10,439	9,313
Provision for credit losses	-	-	-	(623)	(50)
Net interest income after provision for credit losses	14,821	12,680	11,808	9,816	9,263
Non interest income	3,937	4,546	4,212	4,692	3,528
	18,758	17,226	16,020	14,508	12,791
Non-interest expense	13,119	12,355	11,988	10,855	10,139
Income from continuing operations before income taxes	5,639	4,871	4,032	3,653	2,652
Provision for income taxes	1,944	1,499	1,248	1,275	904
Net income	$ 3,695	$ 3,372	$ 2,784	$ 2,378	$ 1,748
Basic earnings per share	$ 1.41	$ 1.30	$ 1.08	$ 0.92	$ 0.67
Diluted earnings per share	$ 1.27	$ 1.19	$ 1.02	$ 0.89	$ 0.66
Cash dividends declared per common share	$ 0.10	$ 0.10	$ 0.05	-	$ $0.05

	December 31, (In thousands)				
Balances at end of year:	**2004**	**2003**	**2002**	**2001**	**2000**
Investment securities, Federal funds sold and other deposits	$ 127,895	$ 107,300	$ 95,901	$ 64,746	$ 78,955
Net loans	206,582	183,849	156,293	130,797	93,973
Total deposits	326,186	290,565	246,337	192,132	180,952
Total assets	368,147	327,930	283,006	219,067	202,167
Shareholders' equity	29,606	26,720	24,099	20,828	18,670
Earning assets	338,032	292,494	251,895	196,374	173,655

Average balances:	**2004**	**2003**	**2002**	**2001**	**2000**
Investment securities, Federal funds sold and other deposits	$ 115,069	$ 101,222	$ 74,111	$ 70,326	$ 73,094
Net loans	192,658	172,310	146,264	110,293	83,476
Total deposits	307,453	270,159	212,629	183,189	158,784
Total assets	346,217	306,384	248,948	206,522	179,240
Shareholders' equity	28,203	25,484	22,604	20,181	16,675
Earning assets	311,414	275,846	222,067	182,418	157,244

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 24 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 (7) risks associated with acquisitions, relating to difficulty in integrating combined operations and related negative impact on earnings, and incurrence of substantial expenses. 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 (NASDAQ: CVCY) (the "Company") was incorporated on February 7, 2000. The formation of the holding company offered the Company more flexibility in meeting the long-term needs of customers, shareholders, and the communities it serves. The Company currently has one bank subsidiary. The Company's market area includes the 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 2004, the Company focused on assuring competitive products and services to our clients were made available while adjusting to the many new laws and regulations that affect the banking industry. No new branches or relocations were undertaken in 2004. The Bank opened an office in Kerman, California and a private banking facility in Sacramento, California in 2002 and anticipates opening a full service retail office in the Fresno downtown area in Summer 2005.

After the close of business on December 31, 2004, the Company acquired all of the assets and assumed the liabilities of Bank of Madera County, a two-branch state chartered bank. On July 19, 2004, the Company signed a definitive agreement to merge Bank of Madera County ("BMC") into the Company's wholly owned subsidiary, Central Valley Community Bank (the "Bank"). The Company filed a Form S-4, Registration Statement Under the Securities Act of 1933 on August 25, 2004 with the Securities and Exchange Commission to register the shares of the Company's common stock to be issued in the merger. All approvals of the merger were received from the FDIC, DFI and the Federal Reserve Bank of San Francisco, under the Bank Holding Company Act, as of December 17, 2004. On December 20, 2004, the shareholders of BMC approved the merger and the merger was closed after the close of business on December 31, 2004. BMC had $68,080,000 in total assets and $3,821,000 in shareholders' equity as of December 31, 2004. Under the terms of the Agreement, BMC shareholders will receive a total of approximately $12,400,000 in cash and stock, representing $6,200,000 in cash and 261,053 shares of the Company's common stock. In addition, the holders of BMC common stock options received $1,911,000 for those options.

The transaction is valued at $12,400,000, or $26.22 per share of Bank of Madera County common stock. There were no material relationships between Bank of Madera County, its officers, shareholders or employees and Central Valley Community Bancorp and Central Valley Community Bank, and its officers, shareholders or employees, other than in respect to the transaction. Funds utilized in the transaction came solely from cash held at Central Valley Community Bank.

In December 2004, the Company entered into a non-revolving loan agreement with Bank of the West under which the Company borrowed $2,500,000 and added $2,000,000 in additional capital to the Bank. It is unlikely that the Company will pay dividends until the debt is paid. Refer to "Other Liabilities" for further information regarding the credit arrangement.

Due to the merger becoming effective after the close of business on December 31, 2004, the assets acquired, liabilities assumed and the operating results for BMC are not reflected in the financial statements of the Company or in Management's Discussion and Analysis of Financial Condition and Results of Operations.

The merger of the Bank and BMC will bring the total number of branches to nine (9). The combined banks will have approximately $435,475,000 in total assets. Total loans for BMC at December 31, 2004 were $45,779,000 and the Company's total gross loans were $209,279,000 at December 31, 2004 for a combined total of $255,058,000. Total deposits for BMC at December 31, 2004 were $63,769,000 and the Company's total deposits at December 31, 2004 were $326,006,000 for a combined total of $389,775,000.

The Company successfully offered an incentive program to BMC employees to retain and increase loans and deposits during the transition period of the merger. BMC's average gross loans for June 2004 were $43,300,000 compared to $44,941,000 for December 2004. BMC's average deposits for June 2004 were $55,300,000 compared to $62,012,000 for December 2004. There is no assurance that this level of loan and deposit retention will continue.

For a summary of assets acquired and liabilities assumed, see Footnote 17 to the audited financial statements at page 23.

This is the first acquisition to be undertaken by the Company. Management believes that the merger will allow the Bank to further accommodate a growing customer base and provide BMC customers with more convenient locations and that the potential for the combined performance exceeds what each entity could accomplish independently. However, the Company may not be able to integrate effectively the different operations without encountering difficulties, such as the loss of key employees and customers, the disruption of ongoing businesses, or possible inconsistencies in standards, controls, procedures, and policies. Moreover, the projected efficiencies which the Company expects from the merger or from any future acquisitions may not result in significant cost savings or revenue enhancements. If the Company experiences difficulties with the integration, it may not achieve the economic benefits expected to result from the merger, and this could have a negative impact on business and earnings.

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.

INTRODUCTION (Continued)

In 2002, the Bank formed a real estate investment trust, Central Valley Community Realty, LLC ("CVCR"). The trust invested in the Bank's real estate related assets. The Company realized certain favorable tax treatments related to the formation of CVCR in its consolidated California state tax filing for 2002. The Company did not realize any tax benefits from CVCR in 2004 or 2003.

ECONOMIC CONDITIONS

Fresno County's economy has been relatively stable for the past three to four years; however, some minor evidence of a slow down has been evident in the fourth quarter of 2004. Most industries in the County are either stable or contracting very modestly. Fresno County's double-digit unemployment is one of the highest rates in California and the nation. This high level is a strong hindrance to strong growth in the County. Agriculture and agricultural related businesses remain a critical part of the County's economy. The County's agricultural production is widely diversified producing cotton, nuts, vegetables, fruit, cattle, and dairy products.

Fresno County also offers lower living costs compared with metropolitan areas to the North and South of the County. Residential construction, while slowing somewhat, still appears to be strong. According to the FDIC State Profiles reported for the Winter of 2004, the "Unsold Inventory Index increased year-over-year, especially in Southern California markets. Concurrently, the medial time on market for detached homes increased to 30 days from 24 days" additionally, "housing affordability remained low and could deteriorate further as interest rates increase." The local economy benefited from growth in housing and construction fueled by record low long-term interest rates, demand for new housing and refinance activity. The Central Valley experienced significant appreciation in home and real estate values in the past two years while remaining relatively inexpensive compared to other metropolitan areas in the State; however, this appreciation began to slow in the fourth quarter of 2004.

OVERVIEW

In 2004, the Company reported net income of $3,695,000 or $1.27 diluted earnings per share compared to $3,372,000 or $1.19 diluted earnings per share in 2003. Basic earnings per share for 2004 was $1.41 compared to $1.30 for 2003, an 8.5% increase. The main contributor to the increase in net income was net interest income which increased $2,141,000 in 2004 compared to 2003, primarily as the result of increased volumes in earning assets and a 125 basis point increase in interest rates by the Federal Open Market Committee ("FOMC"), combined with modest decreases in the cost of interest bearing liabilities. These changes were partially offset by reductions of $447,000 in rental income from equipment leased to others and $158,000 in loan placement fees. Net interest margin on a tax equivalent basis for 2004 was 4.91% compared to 4.75% in 2003. The increase in the net interest margin reflects five (5) increases in the prime rate of 25 basis points each during the second half of 2004. The impact of the 125 basis point increase in interest rates can be better appreciated given the Company's asset sensitive position as set forth in the following table of loan yields by quarter. (For further discussion on the Company's asset sensitive position, refer to Market Risk)

	1st Quarter 2004 Effective Yield	2nd Quarter 2004 Effective Yield	3rd Quarter 2004 Effective Yield	4th Quarter 2004 Effective Yield
Total Loans	6.70	6.42	6.75	7.22
Total Interest Bearing Deposits	0.86	0.81	0.83	0.91
Net Interest Margin	4.74	4.71	5.00	5.18

Average earning assets for 2004 were $311,414,000 compared to $275,846,000 for 2003. The major contributor to the 12.9% increase in average earning assets was an 11.7% increase in average loans and a 12.1% increase in average investment securities which were funded by the 13.8% growth in deposits. Loan and deposit growths are discussed in more detail below.

Return to shareholders is measured in the form of return on average equity ("ROE") and the potential valuation of the stock price relative to the return and earnings per share. The return on average assets ("ROA") is a measurement used to compare the Company's performance with other banks and holdings companies. ROA and ROE December 31, 2004 and 2003, respectively, are reflected in the following table.

	For the Year Ended December 31, 2004	For the Year Ended December 31, 2003
ROA	1.07%	1.10%
ROE	13.10%	13.23%

The Company strives to improve the consistency of the revenue streams in order to create more predictable future earnings and reduce the effect of changes in the operating environment on net income. Specifically, the Company has focused on net interest income through a variety of processes, including increases in average interest earning assets as a result of loan generation and retention and improved net interest margin by focusing on core deposit growth.

Similar to most of the banking industry, the Company's net interest margin was challenged by the impact of twelve consecutive decreases in the Federal funds interest rate by the FOMC in the past four years. Managing the loan yields affected by the interest rate movements and increased competition, and controlling the effective rates paid on deposits continues to challenge the Company's net interest margin. However, the Company is asset-sensitive and is positioned well in the event of future rate increases. The FOMC has increased the Federal funds interest rate by 125 basis points during the second half of 2004, providing opportunities for the Company's asset sensitive loan portfolio to reprice at higher rates, which are reflected in the increase in the Company's net interest margin. For additional information, please see Market Risk for further discussion of the Bank's interest rate position.

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 mainly to business cash flow as its primary source of repayment.

The Company offers Small Business Administration (SBA) loans, and agricultural lending, as well. For the fifth consecutive year, Central Valley Community Bank has been honored as the number one SBA 504 lender in Fresno, Kings and Madera counties. At December 31, 2004 and 2003, SBA 504 loans were $13,645,000 and $10,448,000, respectively.

Agricultural loans increased $5,232,000 in 2004 compared to 2003. Agricultural loans were 7.6% of total loans at December 31, 2004 compared to 5.7% at December 31, 2003. The Company has several experienced and seasoned agricultural lending officers who provide expertise to agricultural lending.

As of December 31, 2004, 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 27.5% and 61.7% of gross total loans, respectively. These concentrations are within the Company's strategic plan and are the main focus of its business. Commercial and real estate related loans are generally a mix of short to

COMPANY LINES OF BUSINESS (Continued)

medium-term, fixed and floating rate instruments and are mainly tied to the borrower's ability to repay from business cash flow. Similar concentrations existed as of December 31, 2003 with commercial and real estate-related loans representing 29.7% and 61.7% 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.

The composition of the loan portfolio at December 31, 2004 and December 31, 2003 is summarized in the table below.

Loan Type (Dollars in thousands)	December 31, 2004	% of Total Loans	December 31, 2003	% of Total Loans
Commercial & industrial	$ 57,669	27.5%	$ 55,506	29.7%
Real estate	75,424	35.9%	77,468	41.5%
Real estate - construction, land development and other land loans	35,364	16.9%	25,232	13.5%
Equity lines of credit	18,714	8.9%	12,565	6.7%
Consumer & installment	6,420	3.1%	5,117	2.7%
Agricultural	15,946	7.6%	10,714	5.7%
Other	240	0.1%	320	0.2%
	209,777	100.0%	186,922	100.0%
Deferred loan fees, net	(498)		(648)	
Total loans	$ 209,279		$ 186,274	

The majority of the Company's loans are direct loans made to local businesses, individuals, and farmers. The Company relies substantially on local promotional activity, personal contacts by Bank officers, directors, and employees to compete with other financial institutions. The Company makes loans to borrowers whose applications include a sound purpose, viable repayment sources, and a plan of repayment established at inception and generally backed by a secondary source of payment.

Deposits are the Company's main source of funding for loans. As a result of the market focus on small and medium sized 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 products 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. Based on historical experience, management believes it will continue to retain a large portion of its time deposit accounts at maturity. During the second quarter of 2004, the Bank began participating in Certificate of Deposit Account Registry Services (CDARS) and had $1,097,000 in CDAR deposits as of December 31, 2004. CDARS is a program that enables the Bank to place large deposits into certificates of deposits issued by multiple banks which ensure eligibility for full FDIC insurance. Management's Assets and Liability Committee (ALCO) meets regularly to discuss economic conditions, competition, community needs, and set competitive rates and fees.

The composition of the deposits and average interest rates paid at December 31, 2004 and December 31, 2003 is summarized in the table below.

	December 31, 2004			December 31, 2003		
	Dollars	Percent of Total Deposits	Effective Rate	Dollars	Percent of Total Deposit	Effective Rate
	(Dollars in thousands)					
NOW accounts	$ 52,571	16.1%	0.10%	$ 44,547	15.3%	0.12%
MMDA accounts	89,904	27.5%	0.78%	71,382	24.6%	0.91%
Time deposits	57,958	17.8%	1.72%	60,803	20.9%	2.02%
Savings deposits	20,518	6.3%	0.35%	16,888	5.8%	0.42%
Total Interest-bearing	220,951	67.7%	0.85%	193,620	66.6%	1.05%
Non-interest bearing	105,235	32.3%		96,945	33.4%	
Total deposits	$326,186	100.0%		$290,565	100.0%	

COMPANY'S SOURCE OF INCOME

Net Interest Income

Net interest income is the Company's most significant component of income from operations. Net interest income is the difference between the gross interest and fees earned on the loan and investment portfolios and the interest paid on deposits and other borrowings. Net interest income depends on the volume of and interest rate earned on interest earning assets and the volume of and interest rate paid on interest bearing liabilities.

The following table sets forth year to date average assets, liabilities, and shareholders' equity; interest income earned and interest expense paid; and the average yield earned or rates paid thereon for the years ended December 31, 2004 and 2003. The year to date average balances reflect daily averages except non-accrual loans that were computed using month-end averages. Net interest margin is calculated by dividing annualized net interest income by year to date average interest earning assets and computed on a fully taxable equivalent basis.

Net Interest Income (Continued)

SCHEDULE OF AVERAGE BALANCES AND AVERAGE YIELDS AND RATES (Dollars in thousands)	For The Year Ended December 31, 2004 Average Balance	Interest	Average Interest Rate	For The Year Ended December 31, 2003 Average Balance	Interest	Average Interest Rate
ASSETS						
Interest-earning deposits in other banks	$ 2,192	$ 37	1.69%	$ 500	$ 11	2.20%
Securities:						
Taxable securities	77,734	2,462	3.17%	67,238	1,981	2.95%
Non-taxable securities (1)	18,833	1,271	6.75%	15,842	1,142	7.21%
Total investment securities	96,567	3,733	3.87%	83,080	3,123	3.76%
Federal funds sold	16,310	234	1.43%	17,642	185	1.05%
Total securities	112,877	3,967	3.51%	100,722	3,308	3.28%
Loans (2) (3)	195,145	13,227	6.78%	174,057	12,039	6.92%
Federal Home Loan Bank stock	1,200	41	3.42%	567	28	4.94%
Total interest-earning assets	311,414	$ 17,272	5.55%	275,846	$ 15,386	5.58%
Allowance for credit losses	(2,523)			(2,398)		
Non-accrual loans	36			651		
Cash and due from banks	23,567			18,364		
Bank premises and equipment	2,863			3,082		
Other non-earning assets	10,860			10,839		
Total average assets	$ 346,217			$ 306,384		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities:						
Savings and NOW accounts	$ 67,099	$ 118	0.18%	$ 57,282	$ 115	0.20%
Money market accounts	84,178	660	0.78%	72,720	659	0.91%
Time certificates of deposit, under $100,000	37,082	550	1.48%	36,554	710	1.94%
Time certificates of deposit, $100,000 and over	21,884	465	2.12%	24,239	520	2.15%
Total interest-bearing deposits	210,243	1,793	0.85%	190,795	2,004	1.05%
Other borrowed funds	7,311	185	2.53%	8,230	286	3.48%
Federal funds purchased	2	-		-		
Total interest-bearing liabilities	217,556	$ 1,978	0.91%	199,025	$ 2,290	1.15%
Non interest bearing demand deposits	97,210			79,364		
Other liabilities	3,248			2,511		
Shareholders' equity	28,203			25,484		
Total average liabilities and shareholders' equity	$ 346,217			$ 306,384		
Interest income and rate earned on average earning assets		$ 17,272	5.55%		$ 15,386	5.58%
Interest expense and interest cost related to average interest-bearing liabilities		1,978	0.91%		2,290	1.15%
Net interest income and net interest margin (4)		$ 15,294	4.91%		$ 13,096	4.75%

(1) Calculated on a fully tax equivalent basis, which includes Federal tax benefits relating to income earned on municipal bonds totalling $432 and $388 in 2004 and 2003, respectively.
(2) Loan interest income includes loan fees of $808 in 2004 and $721 in 2003
(3) Average loans do not include non-accrual loans.
(4) Net interest margin is computed by dividing net interest income by total average interest earning assets.

The Company's net interest margin increased 16 basis points in 2004. The net interest margin in 2004 was 4.91% compared to 4.75% in 2003. The increase can be partially attributed to the increasing interest rate environment and the fact that assets generally reprice more quickly than liabilities. West Coast prime rate increased 125 basis points in the second half of 2004. As discussed above, the impact of the Company's asset sensitive position is better understood in comparing the quarter to quarter comparison for 2004. Prime Rate at December 31, 2004 was 5.25% compared to 4.00% at December 31, 2003.

Total average loans were $195,181,000 for 2004 compared to $174,708,000 for 2003, a $11.7% increase. See Interest and Fees from Loans for further discussion on loan growth.

The effective rate paid on interest bearing liabilities in 2004 was 0.91% compared to 1.15% in 2003. Refer to "Schedule of Average Balances and Average Yields and Rates". The Company was able to maintain its relatively low deposit interest rates while still maintaining the 13.8% growth in total average deposits comparing 2004 to 2003.

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 22.5% from 2003 to 2004. New business relationships were the major contributor to this increase.

Total average deposits increased to $307,453,000 in 2004 from $270,159,000 in 2003, or 13.8%. No one relationship represented more than 4% of total deposits at December 31, 2004.

INTEREST AND FEE INCOME FROM LOANS

Interest income and fees from loans increased 9.9% in 2004 compared to 2003, and average total loans increased 11.7% in 2004. The competition in loan pricing from major and regional banks that have located in the Fresno/Clovis market area in the past 2 years has been a significant

INTEREST AND FEE INCOME FROM LOANS (Continued)

challenge to the Bank's net interest margin. The effective yield on loans for 2004 was 6.78% compared to 6.92% for 2003, a 14 basis point decrease. In 2004 the Company reassessed costs associated with originating loans which resulted in an increase in origination costs deferred. Loan origination costs represent the Bank's expense to get a loan through approval to boarding and is an offset to salary expense. The effect was a reduction in the amount of loan fees that are amortized over the life of the loan, a reduction in yield on loans, and an increase in the loan origination costs that offset salary expenses. (Refer to Salary Expenses below.) Additionally, the decrease is partially the result of the significant increase in Home Equity Loans and Lines which have an initial rate of prime for the first six months. Average Home Equity Loans increased $6,717,000 in 2004 compared to 2003.

Due to five (5) increases of 25 basis points each in the Federal funds rate in the second half of 2004, the Company's prime rate increased 125 basis points from 4.00% to 5.25%. The positive effect of the Company's asset sensitive position is partially evident in the $1,188,000 increase in interest income from loans in the periods under review. As discussed in the Overview, in comparing the quarterly change in loan yield, the Company's asset sensitive position is more evident than in the year to date comparison. The effective yield on loans for the quarter ended June 30, 2004, prior to any increases in loans rates, was 6.42% compared to the quarter ended December 31 2004 of 7.22%, an 80 basis point increase.

Average loan volume for 2004 was $195,181,000 compared to $174,708,000 for 2003, a $20,473,000 increase. This 11.7% increase in 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 rate environment has offered opportunities for small businesses to make capital improvements. However, increased competition from major, regional, and other community banks continue to challenge pricing on new relationships as well as repricing of existing relationships which effect the Company's net interest margin. No assurances can be given that this level of loan growth will continue. Refer to Provision for Credit Losses below for discussion regarding risk and risk assessment of loans.

The Company purchases loan participations from other financial institutions and brokers when appropriate. At December 31, 2004, the Company had $23,003,000 in purchased loans compared to $24,875,000 at December 31, 2003.

The Company's loan to deposit ratio at December 31, 2004 was 64.2% compared to 64.1% at December 31, 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 under the original contractual terms is not expected, or 3) principal or interest has been in default for a period of 90 days or more unless the asset is both well secured and in the process of collection.

At December 31, 2004, the Company had no non-accrual loans compared to $634,000 at December 31, 2003. Average non-accrual loans for 2004 was $36,000 compared to $651,000 for 2003.

A summary of non-accrual, restructured and past due loans at December 31, 2004 and December 31, 2003 is set forth below. The Company had no restructured loans or loans past due more than 90 days and still accruing at December 31, 2004 and December 31, 2003. Management can give no assurance that non-accrual and other non-performing loans will not increase in the future.

Composition of Non-accrual, Past Due and Restructured Loans

(Dollars in thousands)	December 31, 2004	December 31, 2003
Non-accrual loans		
Commercial & industrial loans	$ -	$ 420
SBA loans	-	214
Total non-accrual	-	634
Accruing loans past due 90 days or more	-	-
Restructured loans	-	-
Total non-performing loans	$ -	$ 634
Non-accrual loans to total loans	0.0%	0.3%
Loans considered to be impaired	$	$ 634
Related allowance for credit Losses on impaired loans	$ -	$ 198

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 increased 21.9% in 2004 compared to 2003, mainly due to a 12.7% increase in total investment securities volumes. Interest income from investment securities is a significant contributor to income and represents 21.3% of total interest income.

In an effort to increase yields, without accepting unreasonable risk, a significant portion of the investment purchases have been in high quality mortgage-backed securities ("MBS") and collateralized mortgage obligations ("CMOs"). At December 31, 2004, the Company held $52,292,000, or 53.1% of the total investment portfolio, in MBS and CMOs with an average yield of 3.18% compared to $55,490,000 at December 31, 2003, or 58.9% of the total investment portfolio, with an average yield of 2.58%. Historical low mortgage rates in the past two years created numerous refinancing opportunities for homeowners. As interest rates decreased, principal paydowns on MBS and CMOs increased as borrowers refinanced to take advantage of the lower rates. Principal paydowns on CMOs and MBS effect the yield on the investments. 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 cash flows from principal prepayments created accelerated premium amortization which negatively affected yield and income. The recent rise in rates has slowed the prepayments on the MBS and CMOs, which is reflected in the increase in interest income, and increased effective yield on CMOs and MBS.

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. At December 31, 2004, the weighted average life of the investment portfolio

INTEREST INCOME FROM INVESTMENTS (Continued)

was 4.0 years. 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, 2004, the book value of the investment portfolio was $98,421,000, and the market value was $98,983,000, for an unrealized gain of $562,000. At December 31, 2004, 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, 2004 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 $6,453,000. 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 $4,301,000 at December 31, 2004.

The modeling environment assumes management would take no action during an immediate shock of 200 basis points. The likelihood of immediate changes of 200 basis points is contrary to expectation, as evidenced by the changes in interest rates in the past 6 months which were in 25 basis point increments. However, 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.

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, and concentration guidelines, prohibited investments, impairment, and prohibited practices.

INTEREST EXPENSE FROM DEPOSITS

Interest expense for interest bearing deposits was $1,793,000 in 2004 compared to $2,004,000 in 2003, a 10.5% decrease even with the 10.2% growth in average interest bearing deposits over the same period. Average interest bearing deposits were $210,243,000 for 2004 compared to $190,795,000 for 2003. The Company has managed the rates paid on deposits through its management ALCO meetings, monitoring the competition, and general market while still continuing to attract new deposit relationships.

On June 30, August 17, September 21, November 10, and December 14, 2004, the FOMC announced 25 basis point increases in the Federal Funds rate. The Federal funds rate at December 31, 2004 was 2.00%. The effective rates paid on interest bearing deposits was 0.85% for 2004 compared to 1.05% for 2003. Partially affecting the effective rate paid on deposits was approximately $7,000,000 in time deposits paying interest over 3.0% which matured and repriced in 2004. Average time certificates of deposits decreased $1,827,000, or 3.0%, in the periods under review.

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. However in this long period of rates unchanged followed by a rapid rate increase and the competition from regional, major, and community financial institutions moving into the market areas of the Company have resulted in rate changes which have not followed this typical lag. As rates increase, it is uncertain if the Company can maintain its relatively low effective rates on deposits.

If interest rates were to decline, the Company could experience restraints on decreases in the rates paid on deposit products. Additionally, interest rate risk could continue to increase as depositors are reluctant to accept low deposit rates and search for higher yields in investment products other than those offered by the Company. Conversely, as interest rates continue to increase, the Company could benefit from the immediate increase in loan rates without comparable immediate increases in deposit rates. However, due to the prolonged period of low interest rates paid on deposit products, deposit rates may not follow historical patterns as depositors demand higher paying yields on their deposits.

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 remaining relatively low, the advantages of this funding source are not as significant as in times of higher market interest rates. Average non-interest bearing deposits increased $17,846,000 to $97,210,000, or 31.6% of total average deposits for 2004 compared to $79,364,000, or 29.4% of total average deposits for 2003. New business relationships and expansion of existing relationships were major contributors to this increase. Increased emphasis on a sales culture throughout the Company contributed to the increase in relationships.

INTEREST EXPENSE FROM OTHER LIABILITIES

Other interest expense decreased in the periods under review partially due to a decrease in the rate paid on other borrowings. The Company utilizes its Federal Home Loan Bank ("FHLB") credit line for short-term liquidity needs as well as to take advantage of opportunities to lock in low funding rates for increased loan growth. Borrowings from the FHLB were $6,000,000 at December 31, 2004 compared to $7,000,000 at December 31, 2003. The average maturities and weighted average rate of the FHLB borrowings at December 31, 2004 were 1.12 years and 2.05%, respectively, compared to 0.38 years and 3.48%, respectively at December 31, 2003. (Refer to the discussion on Liquidity for further information.) The Company will continue to analyze the advantages and disadvantages of borrowing funds versus selling investment securities as part of its ongoing funding analysis.

On December 17, 2004, the Company entered into a non-revolving loan agreement with Bank of the West under which the Company may borrow up to $2,500,000 bearing interest at a rate equal to Bank of the West's prime or LIBOR, at the Company's election. At December 31, 2004, $2,500,000 was outstanding on the loan. Payment terms call for interest only payments due on the last day of each quarter in 2005. Beginning on March 31, 2006 and until the note matures on December 31, 2007, one-eighth (1/8) of the principal is due with each quarterly payment, along with all accrued interest. Further terms and conditions of the loan agreement were outlined in an 8-K filing on December 22, 2004. The Company used $2,000,000 from the loan to invest additional capital in the Bank. The purpose of the additional capital was to ensure that the Bank's capital ratios remain above well-capitalized after the effective date of the merger with Bank of Madera County.

NET INTEREST INCOME

Net interest income is the most significant component of income from operations. Net interest income is the difference between the gross interest and fees earned on the loan and investment portfolios and the interest paid on deposits and other borrowings. Net interest income depends on the volume of and interest rate earned on interest earning assets and the volume of and interest rate paid on interest bearing liabilities.

PROVISION AND ALLOWANCE 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 Chief Credit Administrator ("CCA"), 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.

PROVISION FOR CREDIT LOSSES (Continued)

The CCA 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. Historical loss experience within the portfolio along with peer bank loss experiences are used in determining 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. 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 2004 and 2003, due mainly to improvements in the Company's credit quality supported by the historical net charge-off ratio, which reflects net charge-offs to beginning loan balances for the past three (3) years and recoveries on prior charged-off loans. For 2004, the Bank had a net recovery ratio of 0.146% compared to net charge-off ratios of 0.005% for 2003 and 0.031% for 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

Non-interest income consists primarily of service charge income and fees, rental income from equipment leased to other, loan placement fees, other miscellaneous income, appreciation in the cash surrender value of bank owned life insurance and gain on sales and calls of investment securities.

Non-interest income decreased $609,000, or 13.4%, to $3,937,000 in 2004 compared to $4,546,000 in 2003. The major contributors to the change were decreases in rental income from equipment leased to others, loan placement fees and appreciation in the cash surrender value of bank owned life insurance which were partially offset by increases in service charges.

Service charges increased $125,000 or 5.6% in 2004 compared to 2003. The continued success of the Company's Overdraft Protection Program, introduced in 2003, and increased customer relationships were the major contributors to the increase. The Company has focused increased emphasis on a sales culture and customer retention throughout the entire Company.

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. Loan placement fees decreased $158,000 or 32.3% in 2004 compared to 2003 mainly due to the increase in mortgage rates and less refinancing opportunities in the rates unchanged environment that existed in previous periods under review. The staffing for this area of the Company has not increased during the past two years and compensation is based on commissions, therefore salary expense decreases as volume decreases. (Refer to Non-Interest Expense, Salaries below.)

Rental income from equipment leased to others decreased $447,000 in 2004 compared to 2003 as the Company's strategy to exit this product has resulted in no operating leases on the balance sheet as of December 31, 2004. Offsetting this decrease in income is the decrease in depreciation on equipment leased to others described in "Non-Interest Expenses".

Net realized gain on sales and calls of investment securities decreased $23,000 in 2004 compared to 2003. One municipal bond was called during 2004. Gains were realized as the Company utilized its investment portfolio for interest income protection as interest rates decreased during the past several years. This strategy had resulted in significant market gains in the portfolio.

Appreciation in the cash surrender value of bank owned life insurance decreased $103,000 comparing 2004 to 2003. The decrease in cash surrender value reflects the reduction in yield on bank owned life insurance.

NON-INTEREST EXPENSES

Non-interest expenses for 2004 increased $764,000, or 6.2%, compared to 2003. The major components of the increase were increases in salaries and employee benefits, and other non interest expenses which were partially offset by a decrease in depreciation on equipment leased to others.

Salaries and employee benefits increased $387,000, or 5.4%, in 2004 compared to 2003. 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, and the addition of staff for the Company's future downtown Fresno branch. Benefit costs include performance incentives, salary deferral and profit sharing costs, group health insurance, and worker's compensation insurance. Also included in the salary expenses are commissions paid to the personnel employed in the mortgage brokerage area. Commissions paid decreased $78,000 in the periods under review. Additionally, in 2004, the Company reassessed loan origination costs which resulted in an increase to the amount of direct salary costs deferred. Loan origination costs represent the Bank's expense to get a loan through approval to boarding and is an offset to salary expense. Salaries and employee benefits adjusted for loan origination costs were $7,947,000 for 2004 compared to $7,459,000 for 2003, a $488,000, or 6.5% increase. (Refer to discussion of Loan Income above.) These increases were anticipated and correspond to the Company's overall strategic plan.

Occupancy, furniture, fixtures, and equipment expense increased $45,000. This 2.9% increase can be attributed to increased depreciation costs related to remodeling of offices.

Depreciation expense and the provision for residual losses on equipment leased to others decreased $164,000, in 2004 compared to 2003. As discussed above, the Company has successfully exited from this product. (Refer to Non Interest Income above for discussion regarding income from rentals of equipment leased to others.)

Other non-interest expenses increased $496,000, or 14.5% in 2004 compared to 2003. Included in other non interest expense is $95,000 in expenses associated with the acquisition of Bank of Madera County and costs associated with the data processing conversion from BMC's data processor to the Bank's data processor. Also contributing to the increase in other non-interest expenses was a $150,000 write down to $350,000 of the Company's investment in Diversified Capital Holdings, the parent company of a title and escrow insurance company. The investment provided approximately $91,000 in dividends from 2002 to 2003, however no dividends were paid in 2004. Partially due to the economics of the title insurance business and the reduction of business as the result of increasing interest rates, the Company determined that the asset was impaired and wrote it down to its current estimated fair value. A further adjustment to fair value may be necessary but is not estimable at this time. The Company will continue to monitor the investment.

Another contributor to the increase in other non-interest expense was the Company's decision to reverse state tax benefits previously recognized in 2002 relating to its REIT. The total additional expense was $127,000. The Company formed a REIT in 2002 as a means of generating capital. Additionally, management, based upon a tax opinion obtained from a nationally recognized accounting firm, believed the Company would be afforded certain favorable tax treatments available to REITs. In the fourth

NON-INTEREST EXPENSES (Continued)

quarter of 2003, the Company reversed certain previously recognized state tax benefits recorded in the first three quarters of 2003 due to an announcement by the California Franchise Tax Board ("FTB") which set forth the FTB interpretation of the taxation of REITs. Though management believed it had taken an appropriate position in its 2002 California tax filing, it determined that the Company would take advantage of a voluntary compliance initiative made available under recent California legislation. Accordingly, the Company amended its California 2002 tax return adding additional taxable income related to REIT earnings that was previously excluded. The Company elected this course of action because it limits its exposure to possible penalties and additional interest while reserving its right to appeal and claim a refund should an interpretation supporting the Company's initial position be made by the FTB or the state's courts.

The following table describes significant components of other non-interest expense as a percentage of average assets for years ended December 31, 2004 and 2003.

	For the year ended December 31,			
	Expense 2004	% Avg Assets	Expense 2003	% Avg Assets
	(Dollars in thousands)			
Advertising	$ 365	0.11%	$ 360	0.12%
Audit/accounting	244	0.07%	222	0.07%
Data/item processing	663	0.19%	684	0.22%
ATM/debit card expenses	134	0.04%	111	0.04%
Director fees	206	0.06%	187	0.06%
Donations	103	0.03%	102	0.03%
Education/training	50	0.01%	59	0.02%
General Insurance	117	0.03%	95	0.03%
Legal fees	129	0.04%	101	0.03%
Postage	147	0.04%	138	0.04%
Regulatory assessments	92	0.03%	74	0.02%
Stationery/supplies	151	0.04%	138	0.04%
Telephone	105	0.03%	101	0.03%
Travel expense	49	0.01%	42	0.01%
Operating losses	65	0.02%	55	0.02%
Provision for overdraft losses	-	0.00%	45	0.01%
Merger expenses	95	0.03%	-	0.00%
Write down of investment in title company	150	0.04%	-	0.00%
Reversal of REIT tax benefit	127	0.04%	-	0.00%
Other	929	0.27%	911	0.30%
Total other non-interest expense	$ 3,921		$ 3,425	

INCOME TAXES

Income tax expense was $1,944,000 for 2004 compared to $1,499,000 for 2003. The increase is mainly attributed to the 15.6% increase in before tax income and the increase in the effective tax rate. The Company's effective tax rate was 34.5% for 2004 compared to 30.8% for 2003.

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, 2004 was 69.2% compared to 72.6% at December 31, 2003. This means that for every dollar of income generated, the cost of that income was 69 cents in 2004 and 73 cents in 2003. 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 64.2% at December 31, 2004 remains lower than the loan to deposit ratios of many of the Company's peers.

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.

At December 31, 2004, the Company was considered "asset sensitive" and would be expected to benefit from rising interest rates. The $1,188,000 increase in interest income from loans in 2004 is partially reflective of that "asset sensitive" position as prime rate has increased 125 basis points in the second half of 2004, providing a rising rates scenario as described above.

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)

On December 17, 2004, the Company entered into a non-revolving loan agreement with Bank of the West under which the Company borrowed $2,500,000 and contributed $2,000,000 of additional capital to the Bank. The loan bears interest at a rate equal to Bank of the West's prime or LIBOR, at the Company's election. Further terms and conditions of the loan agreement were outlined in an 8-K filing on December 22, 2004. The purpose of the borrowing was to ensure the Bank's capital ratios remain at or above well capitalized after the effective date of the merger with Bank of Madera County. During the period the Company's borrowing remains outstanding, which is expected to be until approximately 2007, the Bank would not anticipate paying dividends to the Company except for dividends that are necessary to meet the ordinary and usual operating expenses of the Company provided that the Bank would not pay any dividend that would cause it to be deemed not "well capitalized" under applicable banking laws and regulations.

The following table presents the Company's and the Bank's capital ratios as of December 31, 2004 and December 31, 2003.

	2004		2003	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
Tier 1 Leverage Ratio				
Central Valley Community Bancorp and Subsidiary	$ 29,259	8.0%	$ 25,595	7.8%
Minimum regulatory requirement	$ 14,574	4.0%	$ 13,051	4.0%
Central Valley Community Bank	$ 29,913	8.2%	$ 24,509	7.5%
Minimum requirement for "Well-Capitalized" institution	$ 18,155	5.0%	$ 16,274	5.0%
Minimum regulatory requirement	$ 14,524	4.0%	$ 13,020	4.0%
Tier 1 Risk-Based Capital Ratio				
Central Valley Community Bancorp and Subsidiary	$ 29,259	11.6%	$ 25,595	11.7%
Minimum regulatory requirement	$ 10,137	4.0%	$ 8,734	4.0%
Central Valley Community Bank	$ 29,913	11.8%	$ 24,509	11.2%
Minimum requirement for "Well-Capitalized" institution	$ 15,166	6.0%	$ 13,070	6.0%
Minimum regulatory requirement	$ 10,111	4.0%	$ 8,713	4.0%
Total Risk-Based Capital Ratio				
Central Valley Community Bancorp and Subsidiary	$ 31,956	12.6%	$ 28,020	12.8%
Minimum regulatory requirement	$ 20,273	8.0%	$ 17,467	8.0%
Central Valley Community Bank	$ 32,610	12.9%	$ 26,934	12.3%
Minimum requirement for "Well-Capitalized" institution	$ 25,277	10.0%	$ 21,783	10.0%
Minimum regulatory requirement	$ 20,222	8.0%	$ 17,426	8.0%

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 the economy in general. In addition to liquidity from core deposits and repayments/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 $107,953,000 for 2004, or 31.2% of average assets compared to $93,758,000, or 30.6% of average assets for 2003. The ratio of average liquid assets to average non-interest bearing demand deposits was 111.1% for 2004 compared to 118.2% for 2003. These ratios suggest 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, 2004 was 64.2%.

As mentioned above, unpledged investment securities may also provide liquidity through principal paydowns, maturities, or by selling the investment. At December 31, 2004, $68,173,000 in unpledged securities was available as collateral for borrowing or for sale. The market value of these unpledged securities was $68,176,000.

The following table reflects the Company's credit lines, balances outstanding, and collateral pledged at December 31, 2004 and 2003:

Credit Lines	December 31, 2004	Balance at December 31, 2004	December 31, 2003	Balance at December 31, 2003
Unsecured Credit Lines (interest rate varies with market)	$ 10,100,000	$ -	$ 9,000,000	$ -
Federal Home Loan Bank (interest rate at prevailing interest rate)	Collateral pledged $ 9,668,000 Market Value of Collateral $ 9,822,000	$ 6,000,000	Collateral pledged $ 8,148,000 Market Value of Collateral $ 8,475,000	$ 7,000,000
Federal Reserve Bank (interest rate at prevailing discount interest rate)	Collateral pledged $ 3,504,000 Market Value of Collateral $ 3,456,000	$ -	Collateral pledged $ 1,028,000 Market Value of Collateral $ 1,090,000	$ -

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.

INFLATION (Continued)

At December 31, 2004, the Company does not believe that inflation has a material impact on its consolidated financial position or results of operations. However, if the inflation concerns cause short term rates to rise in the near future, the Company may benefit by immediate repricing of a majority of its loan portfolio. Refer to *Market Risk* for further discussion.

OFF-BALANCE SHEET ITEMS

The Company is party to financial instruments with off-balance sheet risk in the normal course of business in order to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments consist of commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the balance sheet. Refer to Note 9, of the Notes to Consolidated Financial Statements, for further information of off-balance sheet items.

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 judgments, 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 of the "Notes to Consolidated Financial Statements," pages 12 through 14. 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 judgments regarding the carrying values of assets and liabilities when these values are not readily available from other sources, as well as assessing and identifying the accounting treatments of contingencies and commitments. 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 to the Consolidated Financial statements on pages 12 through 14.

The Company follows accounting policies typical to the commercial banking industry and in compliance with various regulation and guidelines as established by the Public Company Accounting Oversight Board ("PCAOB"), 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 judgments.

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. 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 losses inherent in the Company's credit portfolios at the reporting date. These credit 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 strategy to increase its 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 monitors the prepayment speed of these investments and adjusts 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, the bond coupon rate, the bond origination date, and 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 Based Compensation

Under Accounting Practice Bulletin No. 25, compensation cost for stock options is measured as the excess, if any, of the fair market value of the Company's stock at the date of the grant over the amount required to be paid to the Company by the optionee upon exercising the option. Because the Company's stock option plan provides for the issuance of options at a price of no less than the fair market value at the date of the grant, no compensation cost is required to be recognized for the stock option plan on the date of the grant. See Note 1 to the Consolidated Financial Statements for further information.

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, 2005 the Company had approximately 450 shareholders of record.

The following table summarizes the high and low sales prices for the Company's Common Stock for the periods presented.

	Sales Prices for the Company's Common Stock (1)	
Quarter Ended	**Low**	**High**
March 31, 2003	$ 13.75	$ 16.00
June 30, 2003	14.50	17.50
September 30, 2003	16.80	20.00
December 31, 2003	18.20	24.95
March 31, 2004	20.50	27.00
June 30, 2004	23.00	25.00
September 30, 2004	22.00	30.00
December 31, 2004	22.75	26.85

(1) The Company's Common Stock was not listed on the NASDAQ SmallCap Market until March 5, 2004. Consequently, sales prices in 2003 are based on the over the counter (OTC) transactions while sales prices in 2004 fell under NASDAQ.

The Company paid $0.10 per share cash dividends in 2004 and 2003, and a $0.05 per share cash dividend in 2002. On January 6, 2003, the Company effected a two-for-one stock split.

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.

Exceptional Employees

Central Valley Community Bank could not continue to achieve unprecedented growth and financial success without an outstanding team of employees. We pride ourselves on the strength of our team and are proud of its continued commitment and dedication to providing superior customer service and community support.

Each year Central Valley Community Bank's top-performing employees are recognized in the Circle of Excellence, and from that group, the best are designated to the Circle of Elite.

The 2004 Circle of Elite included:

Jan Bowman
Assistant Vice President, Branch Support Manager

Chuck Brown
Courier

Brenda Davis
Overdraft Protection Coordinator

Stan Davis
Vice President, Small Business Loan Underwriter

Shannon Johnson
Customer Service Representative IV

Joyce Lawrence
Systems Administrator

Teresa Palsgaard
Vice President, Business Development Officer

Board of Directors
and Officers

Directors:

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

Sidney B. Cox
Owner
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

Steven D. McDonald
President
McDonald Properties, Inc.

Louis McMurray
President
Charles McMurray Co.

Wanda L. Rogers
President
Rogers Helicopters, Inc.

William Smittcamp
President/Owner
Wawona Frozen Foods

Joseph B. Weirick
Investments

Independent Auditors

Perry-Smith LLP, Sacramento, CA

Counsel

Downey Brand LLP, Sacramento, CA

Holding Company and Bank Officers:

Daniel J. Doyle
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

Shelle Abbott
Vice President,
Branch Manager

Mary Barber
Vice President,
Private Banking Officer

Vicki Casares
Vice President,
Branch Manager

Cathy Chatoian
Vice President,
Retail Banking Sales

Terry Crawford
Vice President,
Commercial Loan Officer

Stan Davis
Vice President,
Commercial Loan Officer

Ken Dodderer
Vice President,
Commercial Loan Officer

Scott Eastom
Vice President,
Branch Manager

Steve Freeland
Vice President,
Special Assets Officer

Frank Gallegos
Vice President,
Business Development Officer

Rod Geist
Vice President,
Branch Manager

Barbara Gillmore
Vice President,
Human Resources Director

Diane Hamp
Vice President,
Loan Servicing Manager

Tim Harris
Vice President,
Private Banking Manager

Ken Herron
Vice President,
Commercial Loan Officer

Charles Jones
Vice President,
Branch Manager

Bernie Kraus
Vice President,
Commercial Loan Officer

Lesley Lang-Lopez
Vice President,
Manager SBA Department

Rona Melkus
Vice President,
Controller

Don Mendenhall
Vice President,
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,
Business Development Officer

John Royal
Vice President,
Commercial Loan Officer

Elizabeth Salas
Vice President,
Branch Manager

Gerald Sullivan
Vice President,
Commercial Loan Officer

Theodore Thome
Vice President,
Private Banking Officer

Ray Vandervelde
Vice President,
Compliance Officer

Robert Walker
Vice President,
Branch Manager

Jeannine Welton
Vice President,
Branch Manager

Jennette Williams
Vice President,
Business Development Officer

Carol Worstein
Vice President,
Small Business Development
Officer

Clovis Main
600 Pollasky Avenue
Clovis, CA 93612
(559) 298-1775

Fig Garden Village
5180 North Palm, Suite 105
Fresno, CA 93704
(559) 221-2760

Fresno Downtown
Opening Summer 2005
2400 Tulare Street
Fresno, CA 93721
(559) 432-7847

Foothill
29430 Auberry Road
Prather, CA 93651
(559) 855-4100

Herndon & Fowler
Inside Save Mart Supermarket
1835 Herndon Avenue
Clovis, CA 93612
(559) 323-2200

Kerman
15208 W. Whitesbridge
Kerman, CA 93630
(559) 842-2265

Madera
1919 Howard Road
Madera, CA 93638
(559) 673-0395

Oakhurst
40266 Junction Drive
Oakhurst, CA 93644
(559) 642-2265

River Park
8375 North Fresno Street
Fresno, CA 93720
(559) 447-3350

Sacramento
2339 Gold Meadow Way, Suite 100
Gold River, CA 95670
(916) 859-2550

SBA Lending
624 Pollasky Avenue
Clovis, CA 93612
(559) 323-3384

Agribusiness
8375 North Fresno Street
Fresno, CA 93720
(559) 439-3989

Real Estate
795 Pollasky Avenue
Clovis, CA 93612
(559) 323-3365

www.cvcb.com

Member FDIC EQUAL HOUSING LENDER