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2006
Annual Report

Central Valley
Community
Bancorp

Strong. Solid. Unchanging. Just Like Our Commitment To The Community.

In an era where banks reinvent themselves with every shift in the market, every trend in the industry, Central Valley Community Bank stands refreshingly apart. Our ownership, leadership and values have remained unchanged since our founding in 1980. So we have an unbroken record of supporting our community, helping local businesses grow and keeping our economy strong. If it makes our Valley a better place to live, work and raise families, you can count on Central Valley Community Bank to be behind it. With the strength, stability and reliability we've demonstrated for 27 years. Being unchanged isn't something most banks would be proud of. But then again, Central Valley Community Bank isn't like most banks. Just ask the customers – and the communities – we serve.

Central Valley Community Bancorp

Ag Lenders Society of California • Alzheimer's Foundation of Central California • American Cancer Society • American Heart Association • American Red Cross • Arthritis Foundation • Big Brothers / Big Sisters • Boys & Girls Clubs of Fresno County • Buchanan High School • Business Organization of Old Town Clovis • California Rangeland Trust • California State University, Fresno Ag One Foundation • California State University, Fresno Craig School of Business • California State University, Fresno Foundation • California State University, Fresno Maddy Institute • Camp Sunshine Dreams • Cen Cal Business Finance Group • Center for Advanced Research & Technology (CART) • Central California Excellence in Business Awards • Central California Small Business Development Center • Central Valley Business Incubator • Children's Hospital Central California Los Rancheros Guild • Clovis Elks Lodge No. 2599 • Clovis District Chamber of Commerce • Clovis Drug Prevention Council • Clovis Lions Club • Clovis Rodeo Association • Coalition for Urban Renewal Excellence (CURE) • Coarsegold Community Center • Council of Fresno County Governments • Court Appointed Special Advocates of Fresno & Madera Counties • Doug McDonald Scholarship • Economic Development Corporation Fresno County • Exceptional Parents Unlimited • Family Self-Sufficiency Corp • Foundation for Clovis Schools • Fresno Area Crime Stoppers • Fresno Art Museum • Fresno City & County Historical Society • Fresno City College • Fresno County 4-H Club • Fresno County Community Food Bank • Fresno County Farm Bureau • Fresno County Sheriff's Department • Fresno Metropolitan Flood Control District • Fresno Metropolitan Museum of Art • Fresno Sunrise Rotary • Fresno West Coalition for Economic Development • Girl Scouts Golden Valley Council • Granite Park Kids Foundation • Greater Fresno Area Chamber of Commerce • Habitat for Humanity Fresno County • Hinds Hospice • Historic Old Sacramento Foundation • Houghton-Kearney Elementary School • House of Hope for Youth • Kerman 4H Club • Kerman Chamber of Commerce • Kerman Floyd Elementary School • Kerman Future Farmers of America • Kerman High School • Kerman Lions Club • Kerman Little League Baseball • Kerman Rotary Club • Kerman Senior Center • KVPT - Valley Public Television • Latino Business Association Foundation • Leukemia & Lymphoma Society • Madera Breakfast Lions • Madera Chamber of Commerce • Madera Community Hospital Foundation • Madera County Ag Boosters • Madera County Farm Bureau • Madera County Food Bank • Madera Future Farmers of America • Madera Italian • Madera Rescue Mission • Marjaree Mason Center • National Child Safety Council • National Multiple Sclerosis Society – Northern California Chapter • Oakhurst Chamber of Commerce • One by One Leadership • Read Fresno • Rotary Club of Auberry Intermountain • Rotary Club of Fresno • Rotary Club of Madera • Rotary Club of Oakhurst Sierra • Saint Peter the Apostle Serbian Orthodox Church • San Joaquin River Parkway and Conservation Trust • Sequoia Council of the Boy Scouts of America • Sierra High School • Sierra Oakhurst Kiwanis Club • Sierra Oaks Senior Citizens Association • Spirit of Women • Susan G. Komen Breast Cancer Foundation • The Bulldog Foundation • The Fresno Bee – Newspapers In Education • Tranquility High School • Tree Fresno • United Way of Fresno County • University High School • Valley Teen Ranch • Yosemite Gateway Association of Realtors • Yosemite High School

Community Partnerships

To Our Shareholders

Another Year Of Strength, Stability And Success.

The Company extended its strong track record in 2006 – a record year for earnings and financial performance. In addition to its monetary growth, Central Valley Community Bank grew in size in 2006, with the opening of three new offices in Fresno and the addition of new products and services to meet the needs of our growing clientele. All things considered, 2006 gave us much to celebrate, and we are grateful to our customers, staff, managers and directors for making it happen.

A Continued Focus On Shareholder Value
Despite record earnings in 2006, the Company's stock price remained fairly flat during the year, reflecting the overall trend in the Small Cap financial sector. However, over the last five years, the stock price has exceeded benchmarks commonly used for companies our size. The Company enjoyed strong growth in earnings per share during 2006 – a key driver in stock price – and at year-end, our stock was trading below the average price of our peers, creating the potential for upward movement in our stock price. As the Company looks forward to realizing that potential, continued focus on providing maximum value to our shareholders will remain a priority.

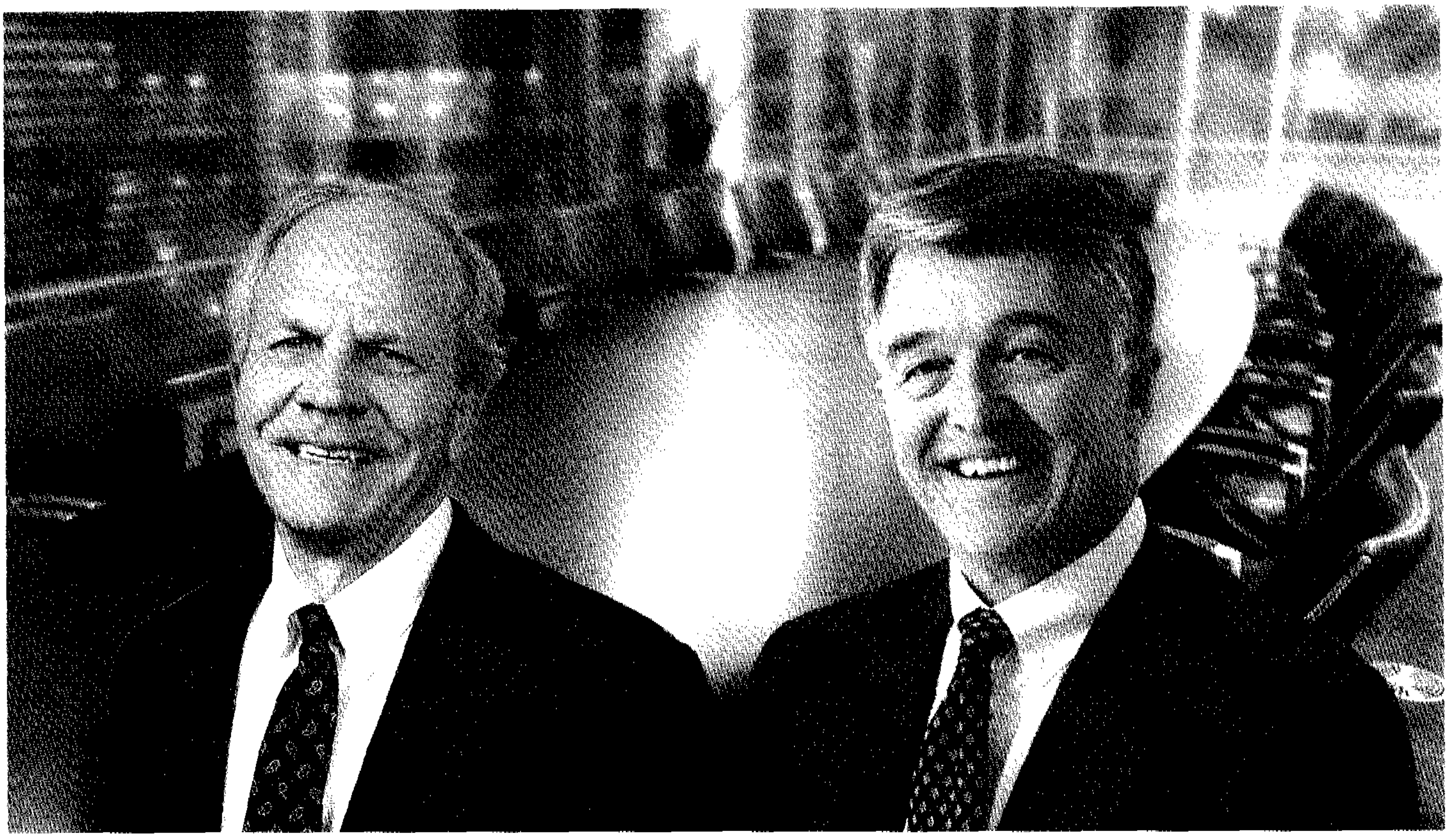
Expanding To Improve Our Service
Central Valley Community Bank expanded by two new full-service branch locations in 2006 – one in Fresno's revitalized Downtown area and another in its growing Sunnyside district. In addition, the Bank consolidated five buildings which housed support, administrative and other departments into a centrally-located, 25,000 square foot Financial Drive Corporate office, which better positions the Bank for employee retention and growth. These moves will also help the Bank improve efficiencies, enhance customer service and prepare for continued growth and expansion in the years to come.

In 2007, the Bank's Kerman office will relocate from a smaller leased facility, into a larger, company-owned location, which will include a drive-up window and other customer convenient features. The Herndon & Fowler office will also relocate from an in-store location to a free-standing branch to allow for continued growth and expansion in this fast-growing area of Clovis. Geographic expansion will take the Bank north to Modesto, where a new Loan Production office will open to serve new and existing customers between our offices in Madera and Sacramento. In addition to the facilities upgrades completed over the past few years, the Bank's Clovis Main office will undergo an extensive remodel in 2007.

More Security, More Services For Our Customers
Customer service continues to be our highest priority, and an important way of differentiating ourselves from competitors. Part of this effort includes providing new products and services at fair prices. In 2006, the Bank's Internet banking service was updated with an enhanced, user-friendly website and the new MyBank Online Banking product. Part of this enhancement included added security to assure the confidentiality and privacy of customer information. Central Valley Community Insurance Services, LLC was introduced recently, enabling the Company to provide insurance and consulting services for business customers, with a primary focus on employee benefits, property/casualty, business planning, human resources and estate planning. Health Savings Accounts will also be offered in 2007, complementing health benefit plans for our customers, and offering the Bank an additional opportunity to increase our deposit base.

Helping Fuel A Robust Local Economy
The San Joaquin Valley's economy was strong in 2006, and Fresno County enjoyed a 7.5% unemployment rate after two decades of double-digit unemployment. Much of this growth was fueled by real estate and construction, contributing 50% of the job growth. While residential real estate construction has begun to slow, commercial real estate has remained strong. And although residential real estate has seen increased sale periods and some price decline, the local market has not collapsed and commercial real estate has remained stable. Our Company has intentionally not become as concentrated in Commercial Real Estate as some of our peers; instead we have chosen to diversify our loan portfolio with a balance of real estate, commercial, industrial, agricultural and consumer loans. As a result of the strong economy in the markets we serve, the credit quality of our loan portfolio is outstanding, and we experienced loan growth of approximately 10% for the year 2006.

Strong Earnings Despite Challenges
At year-end 2006, we exceeded $500 million in total Company assets. However, based upon our normal pattern, some decline in average deposits is expected in the first quarter 2007 that will take us below this number. The deposit gathering market was challenging in 2006 and is expected to continue in 2007. Adding to the challenge has been the opening of several new banks in the markets we serve, bringing irrational pricing during the startup periods. The addition of new deposit products in 2007, such as Health Savings Accounts and expanded Cash Management Services, will continue to help grow our core deposit base. During 2006, the impact of short-term rates being higher than long-term rates put some pressure on the cost of deposits and the net interest margin for our industry. Our Company conversely continued to increase its net interest margin during the year, despite the higher costs of



Daniel N. Cunningham
Director, Quinn Group, Inc.
Central Valley Community Bancorp,
Founding Director and Chairman of the Board

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

funding and increased competition of deposits through the normal flight to equity markets in this type of rate environment. Even with these challenges, the Company was still able to increase net earnings by 14%, increase return on assets, expand the net interest margin, and continue to have excellent liquidity and sources of funds that have not been needed or used. All of this accomplished while keeping asset quality at the highest level possible.

Standing Out In Our Markets
There has continued to be a consolidation in the banking industry with acquisitions and mergers among other banks. Additionally, there have been many new start-up banks – including community banks – opening new offices. With the ongoing population growth in the primary markets we serve, we believe we can continue to compete and prosper. One of the greatest challenges the industry faces is sufficient qualified employees to meet the ever-changing requirements of the marketplace, regulatory environment and products. Still, we have been able to differentiate ourselves in the market with wise decisions in the areas of automation, employee recruitment and training, privacy and security protection, new products and services, our focus on core values, serving our community, being advocates for our customers, and our superior service.

Looking Ahead
Having spent 27 years serving our market as a solid and dependable community bank with a foundation of core values and experienced leadership, we are well-positioned to continue to grow and provide value to our customers and shareholders. While much has changed around us in our communities and our industry, we remain unchanged in our commitment to service. We look forward to a long, successful future, rewarding our shareholders while serving our communities - not because of our past success, but because our valued employees and management give their best to earn our customers' business and our shareholders' support every day.

Daniel N. Cunningham
Chairman of the Board

Daniel J. Doyle
President and Chief Executive Officer

A 27-Year Tradition of Service & Dedication

Central Valley Community Bank Senior Management, clockwise from top left:
Shirley Wilburn, Daniel J. Doyle, Gary Quisenberry, David Kinross, and Thomas L. Sommer

Central Valley Community Bancorp *(the "Company")* was established as the holding company for Central Valley Community Bank *(the "Bank")* on November 15, 2000, 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 eleven full-service offices and one limited-service office 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 and Central Valley Community Insurance Services, LLC is now providing financial and insurance solutions for businesses. Now with approximately 170 employees and assets of over $500,000,000 as of December 31, 2006, Central Valley Community Bank has grown into a well-capitalized institution, with a proven track record of financial strength, security and stability. Yet despite the Bank's growth, it has remained true to its original "roots" – a commitment to the core values of integrity, trustworthiness, caring, loyalty, leadership and teamwork.

Central Valley Community Bank distinguishes itself from other financial institutions by providing superior client service and by remaining independent since opening 27 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, Downtown Fresno and Sunnyside, and acquiring offices in Madera and Oakhurst. Guided by a hands-on board of directors and a seasoned senior management team, the Bank continues to focus on customer service and retention while remaining committed to the ongoing addition and 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, and extended days and banking hours are offered at selected offices as well. 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.

"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 a continued 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 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 six times 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

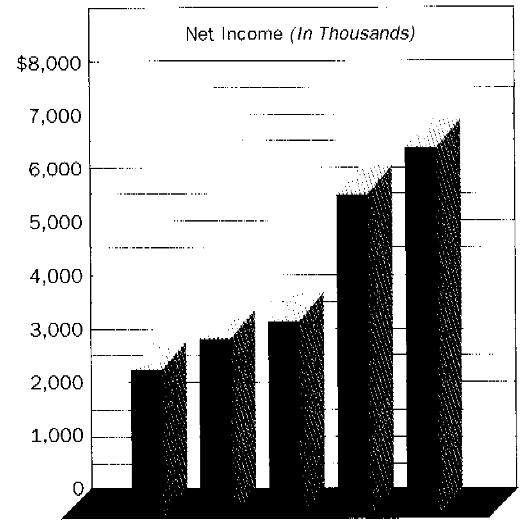
At Central Valley Community Bank, serving a community means more than just being in business there. More than meeting the material needs of its people. It means investing time, talent, and resources to make a community a strong and satisfying place to live. That's a role the Bank takes very seriously.

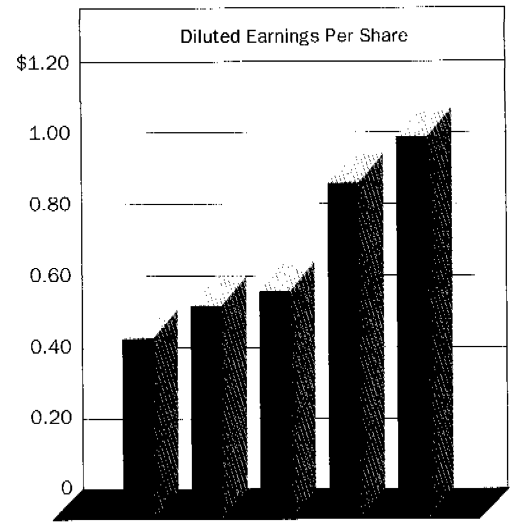
Which is why Central Valley Community Bank supports such a wide variety of local charities, agencies and philanthropies. From educational causes to disease research, the arts to the underprivileged, all are helped each year by Central Valley Community Bank. And not only with the Bank's financial support, 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.

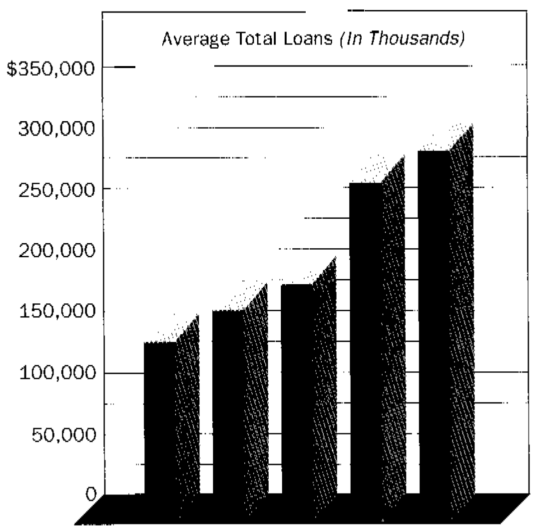
Strategic Vision

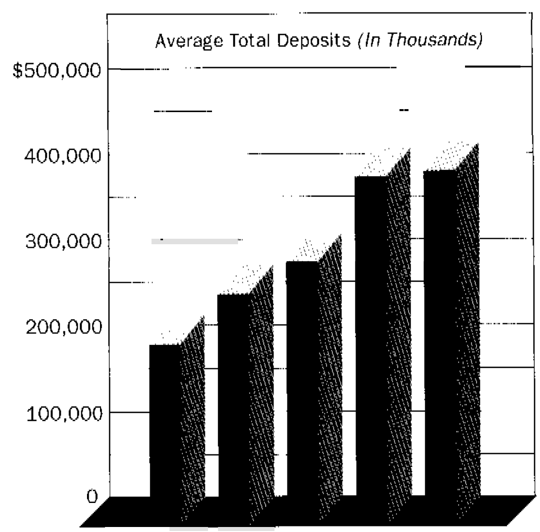
Thanks to the vision of the Bank's holding company, as well as the leadership of its board of directors, Central Valley Community Bank has grown steadily and sensibly over the past 27 years, keeping pace with the needs of its customers and community. All while retaining the original ownership, leadership and values that formed the Bank's firm foundation. Central Valley Community Bank. Strong. Solid. Unchanging. For personal and business customers alike.

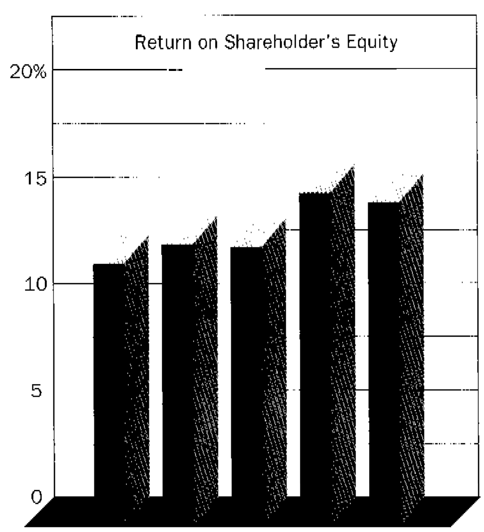
Cent al Valley Community Bancorp Trend Analysis

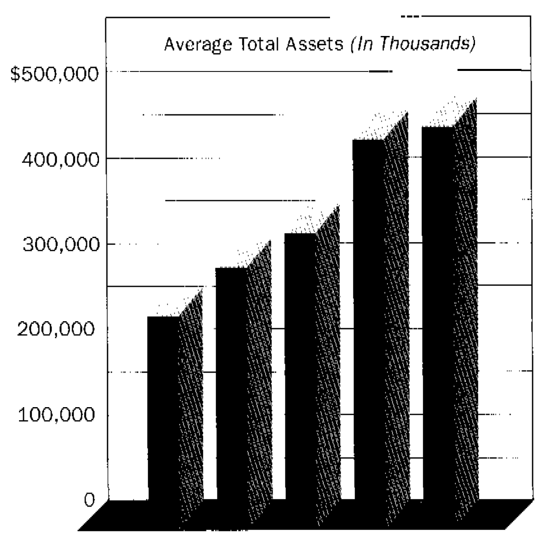




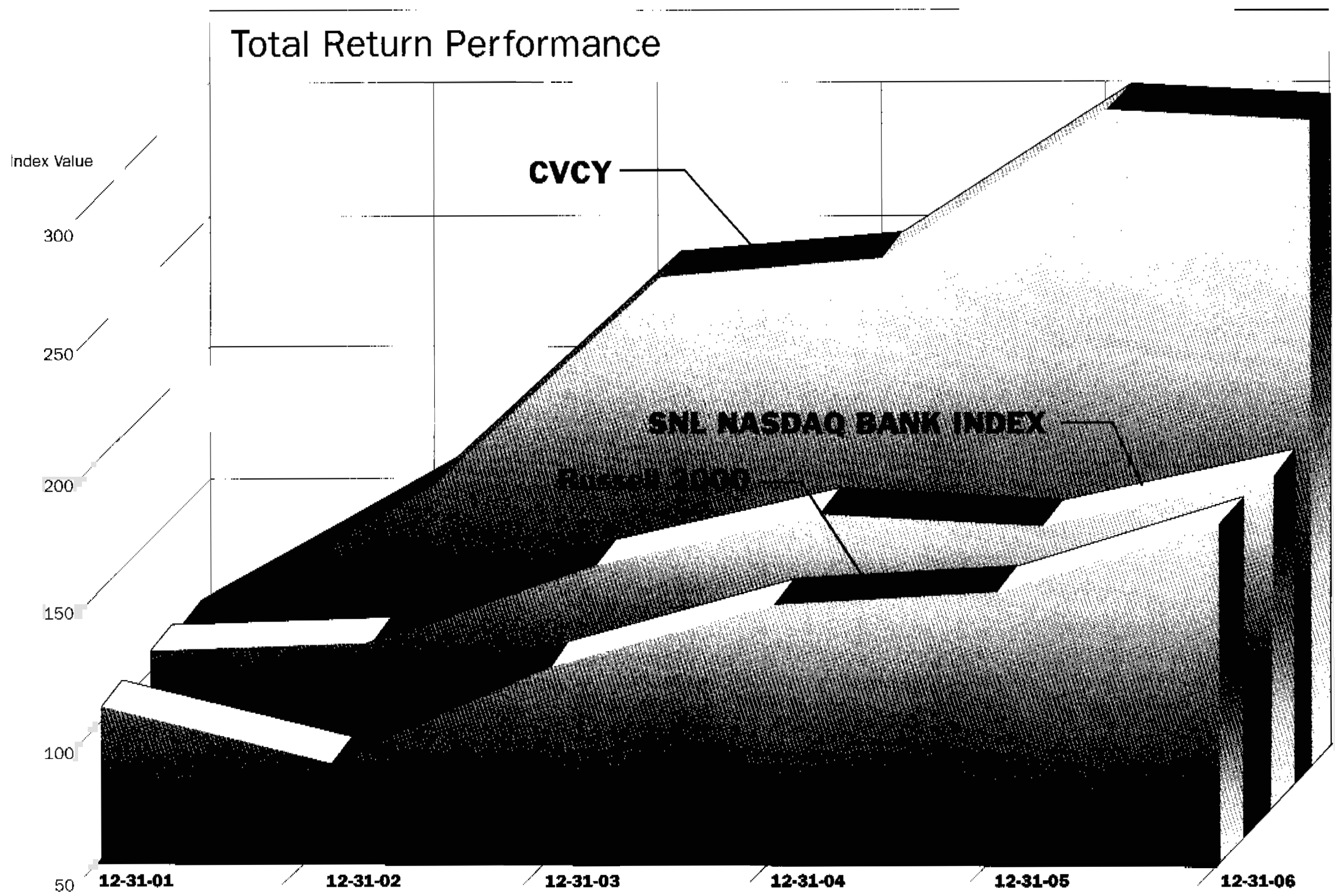








Central Val ey Community Bancorp Comparative Stock Price Appreciation



Period Ending

Index	12-31-01	12-31-02	12-31-03	12-31-04	12-31-05	12-31-06
Central Valley Community Bancorp	100.00	147.64	226.05	233.38	299.33	294.35
Russell 2000	100.00	79.52	117.09	138.55	144.86	171.47
SNL NASDAQ Bank Index	100.00	102.85	132.76	152.16	147.52	165.62

Source: SNL Financial LC

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

Consolidated Balance Sheets

December 31, 2006 and 2005 (In thousands, except share amounts)

ASSETS	2006	2005
Cash and due from banks	$ 23,898	$ 22,165
Federal funds sold	24,218	29,830
Total cash and cash equivalents	48,116	51,995
Interest bearing deposits in other banks	323	918
Available-for-sale investment securities (Notes 3 and 7)	103,922	105,592
Loans, less allowance for credit losses of $3,809 in 2006 and $3,339 in 2005 (Notes 4, 9 and 14)	318,853	298,463
Bank premises and equipment, net (Notes 5 and 9)	4,655	2,912
Bank owned life insurance (Note 13)	6,146	6,725
Federal Home Loan Bank stock	1,891	1,659
Goodwill	8,934	8,955
Intangible assets	1,071	1,286
Accrued interest receivable and other assets (Note 8)	6,148	5,172
Total assets	$ 500,059	$ 483,677

LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 150,182	$ 153,004
Interest bearing (Note 6)	290,445	277,985
Total deposits	440,627	430,989
Short-term borrowings (Note 7)	3,250	3,250
Long-term debt (Note 7)	-	3,250
Accrued interest payable and other liabilities (Note 13)	6,404	4,665
Total liabilities	450,281	442,154
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; 80,000,000 shares authorized, 6,037,656 and 5,891,820 shares issued and outstanding in 2006 and 2005, respectively	14,007	13,053
Retained earnings	35,888	28,977
Accumulated other comprehensive loss, net of taxes (Notes 3 and 15)	(117)	(507)
Total shareholders' equity	49,778	41,523
Total liabilities and shareholders' equity	$ 500,059	$ 483,677

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

Consolidated Statements
of Income

For the Years Ended December 31, 2006, 2005 and 2004 (In thousands, except per share amounts)

	2006	2005	2004
INTEREST INCOME:			
Interest and fees on loans	$ 25,527	$ 21,115	$ 13,227
Interest on Federal funds sold	1,165	702	234
Interest and dividends on investment securities:			
Taxable	3,213	3,061	2,499
Exempt from Federal income taxes	1,027	1,192	839
Total interest income	30,932	26,070	16,799
INTEREST EXPENSE:			
Interest on deposits (Note 6)	6,210	3,886	1,793
Other (Note 7)	349	253	185
Total interest expense	6,559	4,139	1,978
Net interest income before provision for credit losses	24,373	21,931	14,821
PROVISION FOR CREDIT LOSSES (NOTE 4)	800	510	-
Net interest income after provision for credit losses	23,573	21,421	14,821
NON-INTEREST INCOME:			
Service charges	2,532	2,414	2,340
Loan placement fees	350	390	330
Appreciation in cash surrender value of bank owned life insurance (Note 13)	253	215	200
Gain from bank owned life insurance (Note 13)	625	-	-
Net realized gains on sales and calls of investment securities (Note 3)	123	92	483
Federal Home Loan Bank stock dividends	89	68	41
Gain on sale and disposal of equipment	192	1	1
Other income	1,013	829	689
Total non-interest income	5,177	4,009	4,084
NON-INTEREST EXPENSES:			
Salaries and employee benefits (Notes 4 and 13)	10,871	9,178	7,539
Occupancy and equipment (Notes 5 and 9)	2,421	2,133	1,621
Other expenses (Notes 9 and 12)	5,249	4,731	4,106
Total non-interest expenses	18,541	16,042	13,266
Income before provision for income taxes	10,209	9,388	5,639
PROVISION FOR INCOME TAXES (NOTE 8)	3,298	3,344	1,944
Net income	$ 6,911	$ 6,044	$ 3,695
Basic earnings per share (Note 10)	$ 1.16	$ 1.03	$ 0.71
Diluted earnings per share (Note 10)	$ 1.07	$ 0.94	$ 0.64

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

Consolidated Statements
of Changes in Shareholders' Equity

For the Years Ended December 31, 2006, 2005 and 2004 (In thousands, except share and per share amounts)

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss) (Net of Taxes)	Total Shareholders' Equity	Total Comprehensive Income
	Shares	Amount				
Balance, January 1, 2004	5,197,854	$ 6,096	$ 19,501	$ 1,123	$ 26,720	
Comprehensive income (Note 15):						
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 - $.05 per share (Note 10)			(263)		(263)	
Stock options exercised and related tax benefit (Note 11)	77,880	460			460	
Repurchase and retirement of common stock (Note 10)	(18,000)	(213)			(213)	
Balance, December 31, 2004	5,257,734	6,343	22,933	330	29,606	
Comprehensive income (Note 15):						
Net income			6,044		6,044	$ 6,044
Other comprehensive loss, net of tax:						
Net change in unrealized gains on available-for-sale investment securities				(837)	(837)	(837)
Total comprehensive income						$ 5,207
Stock issued for acquisition (Note 2)	522,106	6,079			6,079	
Stock options exercised and related tax benefit (Note 11)	111,980	631			631	
Balance, December 31, 2005	5,891,820	13,053	28,977	(507)	41,523	
Comprehensive income (Note 15):						
Net income			6,911		6,911	$ 6,911
Other comprehensive income, net of tax:						
Net change in unrealized loss on available-for-sale investment securities				390	390	390
Total comprehensive income						$ 7,301
Repurchase and retirement of common stock (Note 10)	(26,200)	(395)			(395)	
Stock based compensation expense		163			163	
Stock options exercised and related tax benefit (Note 11)	172,036	1,186			1,186	
Balance, December 31, 2006	6,037,656	$ 14,007	$ 35,888	$ (117)	$ 49,778	

	2006	2005	2004
Disclosure of reclassification amount, net of taxes (Note 15):			
Unrealized holding gains (losses) arising during the year	$ 464	$ (782)	$ (474)
Less reclassification adjustment for net gains included in net income	(74)	55	319
Net change in unrealized gains (losses) on available-for-sale investment securities	$ 390	$ (837)	$ (793)

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

Consolidated Statements
of Cash Flows

For the Years Ended December 31, 2006, 2005 and 2004 (In thousands)

	2006	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 6,911	$ 6,044	$ 3,695
Adjustments to reconcile net income to net cash provided by operating activities:			
Net increase (decrease) in deferred loan fees	160	94	(150)
Depreciation, accretion and amortization, net	1,619	2,368	2,106
Stock-based compensation	163	-	-
Tax benefit from exercise of stock options	(451)	(173)	(143)
Provision for loan losses	800	510	-
Net realized gains on sales and calls of available-for-sale investment securities	(123)	(92)	(483)
Net gain on sale and disposal of equipment	(192)	(1)	(1)
Increase in bank owned life insurance, net of expenses	(248)	(210)	(196)
FHLB stock dividends	(89)	(68)	(41)
Net (increase) decrease in accrued interest receivable and other assets	(398)	1,889	(2,307)
Net increase in accrued interest payable and other liabilities	2,190	546	354
Provision for deferred income taxes	(838)	(147)	(409)
Net cash provided by operating activities	9,504	10,760	2,425
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash and cash equivalents acquired in acquisition	21	13,844	-
Purchases of available-for-sale investment securities	(30,657)	(50,046)	(40,781)
Proceeds from sales or calls of available-for-sale investment securities	16,559	15,487	4,775
Proceeds from maturity of available-for-sale investment securities	1,000	-	4,500
Proceeds from principal repayments of available-for-sale investment securities	15,085	25,463	26,488
Net decrease (increase) in interest bearing deposits in other banks	595	1,687	(2,105)
Net FHLB stock purchases	(143)	-	(807)
Net increase in loans	(21,350)	(47,458)	(22,583)
Purchases of premises and equipment	(2,987)	(781)	(539)
Proceeds from sale of equipment	488	-	5
Proceeds from bank owned life insurance	1,332	-	-
Purchases of bank owned life insurance	(505)	(440)	-
Net cash used in investing activities	(20,562)	(42,244)	(31,047)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (decrease) increase in demand, interest-bearing and savings deposits	(5,951)	32,000	38,466
Net increase (decrease) in time deposits	15,589	9,034	(2,845)
Proceeds from borrowings from Federal Home Loan Bank	9,788	-	6,000
Repayments to Federal Home Loan Bank	(11,788)	(2,000)	(7,000)
Repayment of borrowings from other financial institutions	(1,250)	-	-
Proceeds from borrowings from other financial institutions	-	-	2,500
Cash paid for dividends	-	-	(263)
Share repurchase and retirement	(395)	-	(213)
Proceeds from exercise of stock options	735	458	317
Tax benefit from exercise of stock options	451	173	143
Net cash provided by financing activities	7,179	39,665	37,105
(Decrease) increase in cash and cash equivalents	(3,879)	8,181	8,483
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	51,995	43,814	35,331
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 48,116	$ 51,995	$ 43,814
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest expense	$ 6,362	$ 3,947	$ 2,000
Income taxes	$ 3,400	$ 3,223	$ 2,409
NON-CASH INVESTING ACTIVITIES:			
Net change in unrealized gain (loss) on available-for-sale investment securities	$ 650	$ (1,407)	$ (1,090)
NON-CASH FINANCING ACTIVITIES:			
Tax benefit from stock options exercised	$ 451	$ 173	$ 143
SUPPLEMENTAL SCHEDULE RELATED TO ACQUISITION:			
Acquisition of Bank of Madera County:			
Deposits	$ -	63,769	
Other liabilities	-	439	
Loans, net	-	(45,028)	
Goodwill and intangibles	21	(10,455)	
Premises and equipment	-	(390)	
Federal Home Loan Bank stock	-	(172)	
Other assets	-	(398)	
Stock issued	-	6,079	
Cash and cash equivalents acquired, net of cash paid to Bank of Madera County shareholders and option holders	$ 21	$ 13,844	

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

Notes to
Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Bank operates 12 branches in Clovis, Fresno, west and northeast Fresno County, Madera 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.

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.

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

On September 21, 2005, the Company's Board of Directors approved a two-for-one stock split for shareholders of record at the close of business on October 5, 2005 and effective on October 31, 2005. All share and per share data in the consolidated financial statements have been retroactively restated to give effect to the stock split.

Certain reclassifications have been made to prior years' balances to conform to classifications used in 2006.

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, 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.

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, 2006 and 2005, all of the Company's investments were classified as available-for-sale and there were no transfers between categories.

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 Company 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.

The Company may acquire loans through a business combination or a purchase for which differences may exist between the contractual cash flows and the cash flows expected to be collected due, at least in part, to credit quality. When the Company acquires such loans, the yield that may be accreted (accretable yield) is limited to the excess of the Company's estimate of undiscounted cash flows expected to be collected over the Company's initial investment in the loan. The excess of contractual cash flows over cash flows expected to be collected may not be recognized as an adjustment to yield, loss, or a valuation allowance. Subsequent increases in cash flows expected to be collected generally should be recognized prospectively through adjustment of the loan's yield over its remaining life. Decreases in cash flows expected to be collected should be recognized as an impairment. The Company may not "carry over" or create a valuation allowance in the initial accounting for loans acquired under these circumstances. At December 31, 2006 and 2005, there were no such loans being accounted for under this policy.

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 and other factors. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

This allowance is established through a provision for credit losses which is charged to expense. Additions to the allowance are expected to maintain the adequacy of the total allowance after credit losses and loan growth. The allowance for credit losses at December 31, 2006 and 2005, 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.

Goodwill - Business combinations involving the Bank's acquisition of the equity interests or net assets of another enterprise give rise to goodwill. Goodwill of $8,934,000 represents the excess of the cost of the Bank of Madera County over the net of the amounts assigned to assets acquired and liabilities assumed in the transaction accounted for under the purchase method of accounting. The value of goodwill is ultimately derived from the Bank's ability to generate net earnings after the acquisition and is not deductible for tax purposes. A decline in net earnings could be indicative of a decline in the fair value of goodwill and result in impairment. For that reason, goodwill is assessed at least annually for impairment. There was no impairment resulting from management's assessment during 2006 or 2005.

Intangible Assets - The intangible assets represent the estimated fair value of the core deposit relationships acquired in the acquisition of Bank of Madera County of $1,071,000, net of $429,000 in amortization at December 31, 2006. The core deposit intangible is being amortized by the straight-line method over an estimated life of seven years. Management evaluates the recoverability and remaining useful life annually to determine whether events or circumstances warrant a revision to the intangible asset or the remaining period of amortization. There were no such events or circumstances in 2006. Amortization expense recognized in 2006 and 2005 was $215,000 and $214,000, respectively.

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.

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.

Share-Based Compensation - The Company has three share-based compensation plans, the Central Valley Community Bancorp 2005 Omnibus Incentive Plan and the 2000 and 1992 Stock Option Plans, all of which were approved by the shareholders of the Company. The Plans do not provide for the settlement of awards in cash and new shares are issued upon option exercise or restricted share grants. These plans are more fully described in Note 11.

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment* (SFAS 123(R)), using the modified prospective application transition method, which requires recognizing expense for options granted prior to the adoption date equal to fair value of the unvested amounts over their remaining vesting period, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, *Accounting for Stock Based Compensation*, and compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair values estimated in accordance with the provisions of SFAS 123(R). The Company applied the alternative transition method in calculating its pool of excess tax benefits available to absorb future tax deficiencies as provided by FSP FAS 123(R)-3, *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards*. There were 15,000 options granted in 2006 and 156,300 granted in 2005. Results for prior periods have not been restated. Prior to January 1, 2006, the Company accounted for these plans under the recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations (APB 25). No stock-based compensation cost is reflected in net income prior to January 1, 2006, 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 the grant.

As a result of adopting SFAS 123(R), the Company's income before provision for income taxes and net income for the year ended December 31, 2006 are $163,000 and $142,000, respectively, lower than if it had continued to account for share-based compensation under APB 25. Basic and diluted earnings per share for the year ended December 31, 2006 would have been $1.18 and $1.09, respectively, without the adoption of SFAS 123(R) compared to $1.16 and $1.07, respectively, as reported.

SFAS 123(R) requires the cash flows resulting from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as a cash flow from financing in the statement of cash flows. Excess tax benefits for the year ended December 31, 2006 was $451,000.

In February 2005 the Company accelerated the vesting of 186,000 options previously granted to certain directors and executive officers as reflected in the table below. No stock-based compensation is reflected in net income for the year ended December 31, 2005, as a result of the acceleration of the vesting as it is expected that generally all of the directors and executive management whose options were accelerated will remain with the Company through the original vesting period.

The following table illustrates the pro forma effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS 123 to options granted under the Company's stock option plans in all periods presented.

	Years Ended December 31, 2005	Years Ended December 31, 2004
	(In thousands)	
Net earnings as reported	$ 6,044	$ 3,695
Deduct: Total stock-based compensation expense determined under the fair value based method for all awards, net of related tax effects	478	250
Pro forma net income	$ 5,566	$ 3,445
Basic earnings per share – as reported	$ 1.03	$ 0.71
Basic earnings per share – pro forma	$ 0.95	$ 0.66
Diluted earnings per share – as reported	$ 0.94	$ 0.64
Diluted earnings per share – pro forma	$ 0.87	$ 0.60

The Company bases the fair value of the options previously granted on the date of grant using a Black-Scholes option pricing model that uses assumptions based on expected option life, the level of estimated forfeitures, expected stock volatility and the risk-free interest rate. Stock volatility is based on the historical volatility of the Company's stock. The risk-free rate is based on the U.S. Treasury yield curve and the expected term of the options. The "simplified" method described in SEC Staff Accounting Bulletin No. 107 was used to determine the expected term of the Bank's options in 2006 and 2005.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-Based Compensation - (continued)

The fair value of each option is estimated on the date of grant using the following assumptions.

	2006	2005	2004
Dividend yield	.5 %	.5%	.5%
Expected volatility	15.65%	50.29%	66.27%
Risk-free interest rate	5.05%	4.16%	4.17%
Expected option life	6.5 years	6.5 years	10 years

Impact of New Financial Accounting Standards

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. In this standard, the FASB clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, SFAS 157 establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The provisions of SFAS 157 are effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The provisions should be applied prospectively, except for certain specifically identified financial instruments. Management does not expect the adoption of SFAS 157 to have a material impact to the Company's financial position or result of operations.

Accounting for Uncertainty in Income Taxes

In July 2006, the FASB issued Financial Accounting Standards Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Fin 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transition.

The Company presently recognizes income tax positions based on management's estimate of whether it is reasonably possible that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, Accounting for Contingencies.

The provisions of FIN 48 will be effective for the Company on January 1, 2007 and are to be applied to all tax positions upon initial application of this standard. Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized upon adoption.

The cumulative effect of applying the provisions of FIN 48, if any, will be reported as an adjustment to the opening balance of retained earnings for the fiscal year of adoption. Management does not expect the adoption of FIN 48 to have a material impact on the Company's financial position or results of operations.

Accounting for Purchases of Life Insurance

In September 2006, the FASB ratified the consensuses reached by the Emerging Issues Task Force (the Task Force) on Issue No. 06-5 (EITF 06-5), *Accounting for the Purchases of Life Insurance – Determining the Amount that Could be Realized in Accordance with FASB Technical Bulletin No.85-4* (FTB 85-4). FTB 85-4 indicates that the amount of the asset included in the balance sheet for life insurance contracts within its scope should be "the amount that could be realized under the insurance contract as of the date of the statement of financial position." Questions arose in applying the guidance in FTB 85-4 to whether "the amount that could be realized" should consider 1) any additional amounts included in the contractual terms of the insurance policy other than the cash surrender value and 2) the contractual ability to surrender all of the individual-life policies (or certificates in a group policy) at the same time. EITF 06-5 determined that "the amount that could be realized" should 1) consider any additional amounts included in the contractual terms of the policy and 2) assume the surrender of an individual-life by individual-life policy (or certificate by certificate in a group policy). Any amount that is ultimately realized by the policy holder upon the assumed surrender of the final policy (or final certificate in a group policy) shall be included in the "amount that could be realized." An entity should apply the provisions of EITF 06-5 through either a change in accounting principle through a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption or a change in accounting principle through retrospective application to all prior periods. The provisions of EITF 06-5 are effective for fiscal years beginning after December 15, 2006. Management has not yet completed its evaluation of the impact that EITF 06-5 will have.

Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements

In September 2006, the FASB ratified the consensuses reached by the Task Force on Issue No. 06-4 (EITF 06-4), *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements*. A question arose when an employer enters into an endorsement split-dollar life insurance arrangement related to whether the employer should recognize a liability for the future benefits or premiums to be provided to the employee. EITF 06-4 indicates that an employer should recognize a liability for future benefits and that a liability for the benefit obligation has not been settled through the purchase of an endorsement type policy. An entity should apply the provisions of EITF 06-4 either through a change in accounting principle through a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption or a change in accounting principle through retrospective application to all prior periods. The provisions of EITF 06-4 are effective for fiscal years beginning after December 15, 2007. Management has not yet completed its evaluation of the impact that EITF 06-4 will have.

Consideration of the Effects of Prior Year Misstatements

In September, 2006, the Securities and Exchange Commission published Staff Accounting Bulletin No. 108 (SAB 108), *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*. The interpretations in this Staff Accounting Bulletin were issued to address diversity in practice in quantifying financial statement misstatements and the potential under current practice to build up improper amounts on the balance sheet. This guidance will apply to the first fiscal year ending after November 15, 2006, or December 31, 2006 for the Company. The adoption of SAB 108 did not have a material impact on the Company's financial position or results of operations and no cumulative adjustment was required.

2. MERGER OF BANK OF MADERA COUNTY INTO CENTRAL VALLEY COMMUNITY BANCORP

After the close of business on December 31, 2004, the Company and Bank of Madera County (BMC) completed their previously announced merger and BMC was merged into the Bank. The Company acquired 100% of the outstanding common shares of BMC and the results of BMC's operations have been included in the consolidated financial statements beginning January 1, 2005. Management believes that the merger allows the Bank to further accommodate a growing customer base in Madera County and provide BMC 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 the Company's long-term strategy to increase its presence from Sacramento to Bakersfield along the Highway 99 corridor and the surrounding foothills.

As of the date of acquisition, BMC had total assets of $68,080,000, comprised of $2,842,000 in cash and due from banks, $19,250,000 in Federal funds sold, $45,028,000 in loans (net of allowance for credit losses of $751,000), $390,000 in premises and equipment and $570,000 in other assets. Total liabilities acquired amounted to $64,208,000, including $63,769,000 in deposits.

2. MERGER OF BANK OF MADERA COUNTY INTO CENTRAL VALLEY COMMUNITY BANCORP (Continued)

The total consideration paid to BMC shareholders and option holders was approximately $14,311,000 which was comprised of $1,911,000 in cash payments to holders of outstanding BMC stock options, $6,200,000 in cash and 522,106, split adjusted, shares of the Company's common stock (valued at $6,200,000 for purposes of the merger agreement). Total consideration paid to BMC shareholders was established under the terms of the merger agreement based on a value of $26.22 per share of BMC common stock.

The excess of the purchase price over the estimated fair value of the net assets acquired, as adjusted, was $8,934,000, which was recorded as goodwill, is not subject to amortization, and is not expected to be deductible for tax purposes. In addition, assets acquired also included a core deposit intangible of $1,500,000 which is being amortized using a straight-line method.

The accompanying consolidated financial statements include the accounts of BMC since January 1, 2005. The following supplemental pro forma information discloses selected financial information for the periods indicated as though the BMC merger had been completed as of the beginning of each of the periods being reported. Dollars are in thousands except per share data. 2004 pro forma net income includes non-recurring merger expenses for legal, accounting and other professional fees, net of tax, totaling $602,000.

	Year Ended December 31, 2005	Year Ended December 31, 2004
Revenue	$ 29,830	$ 24,475
Net income	$ 6,044	$ 3,153
Diluted earnings per share	$ 0.94	$ 0.50

3. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

The amortized cost and estimated fair value of available-for-sale investment securities at December 31, 2006 and 2005 consisted of the following:

2006	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
Debt securities:				
U.S. Government agencies	$ 28,643	$ 34	$ (358)	$ 28,319
Obligations of states and political subdivisions	26,210	373	(168)	26,415
U.S. Government agencies collateralized by mortgage obligations	45,561	204	(237)	45,528
Other securities	3,703	-	(43)	3,660
	$ 104,117	$ 611	$ (806)	$ 103,922

2005	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
Debt securities:				
U.S. Government agencies	$ 23,314	$ -	$ (658)	$ 22,656
Obligations of states and political subdivisions	31,036	371	(473)	30,934
U.S. Government agencies collateralized by mortgage obligations	48,479	237	(285)	48,431
Other securities	3,608	-	(37)	3,571
	$ 106,437	$ 608	$ (1,453)	$ 105,592

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

Investment securities with unrealized losses at December 31, 2006 and 2005 are summarized and classified according to the duration of the loss period as follows:

	2006					
	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	$ 6,603	$ (9)	$ 16,628	$ (349)	$ 23,231	$ (358)
Obligations of states and political subdivisions	3,413	(24)	7,937	(144)	11,350	(168)
U.S. Government agencies collateralized by mortgage obligations	9,567	(55)	15,711	(182)	25,278	(237)
Other securities	1,457	(43)	-	-	1,457	(43)
	$ 21,040	$ (131)	$40,276	$ (675)	$ 61,316	$ (806)

	2005					
	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	$ 2,939	$ (55)	$ 19,717	$ (603)	$ 22,656	$ (658)
Obligations of states and political subdivisions	13,646	(270)	4,181	(203)	17,827	(473)
U.S. Government agencies collateralized by mortgage obligations	19,473	(161)	9,887	(124)	29,360	(285)
Other securities	1,463	(37)	-	-	1,463	(37)
	$ 37,521	$ (523)	$33,785	$ (930)	$ 71,306	$ (1,453)

U.S. Government Agencies - At December 31, 2006, the Company held 14 U.S. Government agency securities of which four were in a loss position for less than twelve months and nine were in a loss position and had been in a loss position for twelve months or more. The unrealized losses on the Company's investments in direct obligations of U.S. government agencies were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized costs of the investment. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company has the ability and intent to hold those investments until a recovery of fair value, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2006.

Obligations of States and Political Subdivision - At December 31, 2006, the Company held 58 obligations of states and political subdivision securities of which seven were in a loss position for less than twelve months and 12 were in a loss position and had been in a loss position for twelve months or more. The unrealized losses on the Company's investments in obligations of states and political subdivision securities were caused by interest rate increases. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company has the ability and intent to hold those investments until a recovery of fair value, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2006.

U.S. Government Agencies Collateralized by Mortgage Obligations - At December 31, 2006, the Company held 61 U.S. Government agency securities collateralized by mortgage obligation securities of which nine were in a loss position for less than twelve months and 14 were in a loss position and had been in a loss position for twelve months or more. The unrealized losses on the Company's investments in U.S. government agencies collateralized by mortgage obligations were caused by interest rate increases. The Company purchased those investments at a discount relative to their face amount, and the contractual cash flows of those investments are guaranteed by an agency of the U.S. government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the Company's investment. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company has the ability and intent to hold those investments until a recovery of fair value, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2006.

Other Securities - At December 31, 2006, the Company's other securities consists of investment of $1,500,000 in marketable equity securities and $2,203,000 in equity securities carried at cost. The equity securities carried at cost are investments in two different money market funds. No evaluation of impairment is considered necessary for these securities. The Company's investments in marketable equity securities consist primarily of an investment in a CRA Qualified Investment Fund. The Company has evaluated this investment for impairment. The unrealized losses on the Company's investment in marketable equity securities were caused by interest rate increases. Based on the Company's evaluation and the Company's ability and intent to hold the investment for a reasonable period of time sufficient for a recovery of fair value, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2006.

Net unrealized losses on available-for-sale investment securities totaling $195,000 and $845,000 are recorded net of $78,000 and $338,000 in tax benefit as accumulated other comprehensive income within shareholders' equity at December 31, 2006 and 2005, respectively.

Proceeds and gross realized gains from sales or calls of available-for-sale investment securities totaled $16,559,000 and $123,000, respectively, for the year ended December 31, 2006. Proceeds and gross realized gains from sales or calls of available-for-sale investment securities totaled $15,487,000 and $92,000, respectively, for the year ended December 31, 2005. Proceeds and gross realized gains from sales or calls of available-for-sale investment securities totaled $4,775,000 and $483,000 respectively, for the year ended December 31, 2004.

The amortized cost and estimated fair value of available-for-sale investment securities at December 31, 2006 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 Fair Value
	(In thousands)	
Within one year	$ 10,448	$ 10,357
After one year through five years	19,872	19,620
After five years through ten years	12,993	13,007
After ten years	11,540	11,750
	54,853	54,734
Investment securities not due at a single maturity date:		
U.S. Government agencies collateralized by mortgage obligations	45,561	45,528
Other securities	3,703	3,660
	$ 104,117	$ 103,922

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

Investment securities with amortized costs totaling $35,624,000 and $27,877,000 and fair values totaling $35,612,000 and $27,800,000 were pledged to secure public deposits, other contractual obligations, short-term borrowings and long-term debt at December 31, 2006 and 2005, respectively.

4. LOANS AND ALLOWANCE FOR CREDIT LOSSES

Outstanding loans are summarized as follows:

	December 31, 2006	December 31, 2005
	(In thousands)	
Commercial	$ 78,441	$ 82,978
Real estate	149,586	124,043
Real estate – construction, land development and other land loans	48,424	46,523
Equity lines of credit	21,858	23,604
Agricultural	17,102	17,547
Installment	7,549	7,539
Other	454	160
	323,414	302,394
Deferred loan fees, net	(752)	(592)
Allowance for credit losses	(3,809)	(3,339)
	$ 318,853	$ 298,463

At December 31, 2006 and 2005, loans originated under Small Business Administration (SBA) programs totaling $30,745,000 and $27,760,000, respectively, were included in the real estate and commercial categories.

Salaries and employee benefits totaling $388,000, $495,000 and $354,000 have been deferred as loan origination costs for the years ended December 31, 2006, 2005 and 2004, respectively.

Changes in the allowance for credit losses were as follows:

	Year Ended December 31, 2006	2005	2004
		(In thousands)	
Balance, beginning of year	$ 3,339	$ 2,697	$ 2,425
Provision charged to operations	800	510	-
Losses charged to the allowance	(721)	(787)	(24)
Recoveries	391	168	296
Allowance acquired in merger of Bank of Madera County	-	751	-
Balance, end of year	$ 3,809	$ 3,339	$ 2,697

There were no loans considered to be impaired at December 31, 2006 or 2004. There were two loans considered to be impaired at December 31, 2005 totaling $616,000. There was no required valuation allowance for these impaired loans. The average investment in impaired loans during 2006, 2005 and 2004 was $155,000, $776,000 and $36,000, respectively. No interest income was recognized for impaired loans in 2006, 2005 or 2004.

There were no loans on nonaccrual at December 31, 2006 or 2004 or interest foregone on nonaccrual loans for the years then ended. At December 31, 2005, nonaccrual loans totaled $616,000 and interest foregone on nonaccrual loans totaled $76,000 for the year then ended.

5. BANK PREMISES AND EQUIPMENT

Bank premises and equipment consisted of the following:

	December 31, 2006	December 31, 2005
	(In thousands)	
Land	$ 579	$ 250
Buildings and improvements	1,000	1,161
Furniture, fixtures and equipment	5,642	4,693
Leasehold improvements	2,435	1,718
	9,656	7,822
Less accumulated depreciation and amortization	(5,001)	(4,910)
	$ 4,655	$ 2,912

Depreciation and amortization included in occupancy and equipment expense totaled $948,000, $982,000 and $796,000 for the years ended December 31, 2006, 2005 and 2004, respectively.

6. DEPOSITS

Interest-bearing deposits consisted of the following:

	December 31, 2006	December 31, 2005
	(In thousands)	
Savings	$ 21,029	$ 24,389
Money market	109,069	108,024
NOW accounts	56,177	56,991
Time, $100,000 or more	60,183	48,670
Time, under $100,000	43,987	39,911
	$ 290,445	$ 277,985

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

Year Ending December 31,	
2007	$ 93,946
2008	5,208
2009	2,978
2010	1,488
2011	550
	$ 104,170

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

	Year Ended December 31, 2006	2005	2004
		(In thousands)	
Savings	$ 106	$ 89	$ 67
Money market	2,467	1,500	660
NOW accounts	56	60	51
Time certificates of deposit	3,581	2,237	1,015
	$ 6,210	$ 3,886	$ 1,793

7. BORROWING ARRANGEMENTS

Federal Home Loan Bank Advances

Advances from the Federal Home Loan Bank (FHLB) of San Francisco at December 31, 2006 and 2005 consisted of the following:

2006				2005		
Amount	Rate	Maturity Date		Amount	Rate	Maturity Date
(Dollars in thousands)				(Dollars in thousands)		
$ 2,000	2.66%	Feb. 12, 2007		$ 2,000	2.10%	Feb. 13, 2006
-				2,000	2.66%	Feb. 12, 2007
2,000				4,000		
(2,000)	Less short-term portion			(2,000)	Less short-term portion	
$ -	Long-term debt			$ 2,000	Long-term debt	

FHLB advances are secured by investment securities with amortized costs totaling $16,848,000 and $6,680,000 and market values totaling $16,758,000 and $6,598,000 at December 31, 2006 and 2005, respectively. The Bank's credit limit varies according to the amount and composition of the investment and loan portfolios pledged as collateral.

Other Short-Term Debt - The Company has a note payable to a financial institution with a balance of $1,250,000 at December 31, 2006. The note bears a variable interest rate of LIBOR plus 2.5% (7.87% as of December 31, 2006). 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, and September 30, 2007. 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 Bank with the value of pledged stock to be not less than 200% of the outstanding principal balance.

Lines of Credit - The Bank had unsecured lines of credit with its correspondent banks which, in the aggregate, amounted to $18,000,000 and $14,100,000 at December 31, 2006 and 2005, 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, 2006 and 2005 which bears interest at the prevailing discount rate collateralized by investment securities with amortized costs totaling $2,271,000 and $3,350,000 and market values totaling $2,200,000 and $3,252,000, respectively. At December 31, 2006 and 2005, 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, 2006, 2005 and 2004 consisted of the following:

	Federal	State	Total
		(In thousands)	
2006			
Current	$ 3,135	$ 1,001	$ 4,136
Deferred	(680)	(158)	(838)
Provision for income taxes	$ 2,455	$ 843	$ 3,298
2005			
Current	$ 2,512	$ 979	$ 3,491
Deferred	(72)	(75)	(147)
Provision for income taxes	$ 2,440	$ 904	$ 3,344
2004			
Current	$ 1,719	$ 634	$ 2,353
Deferred	(313)	(96)	(409)
Provision for income taxes	$ 1,406	$ 538	$ 1,944

Deferred tax assets (liabilities) consisted of the following:

	December 31, 2006	December 31, 2005
	(In thousands)	
Deferred tax assets:		
Allowance for credit losses	$ 1,407	$ 768
Other reserves	134	122
Bank premises and equipment	272	271
Deferred compensation	1,735	1,199
Future benefit of State tax	321	300
Unrealized loss on available-for-sale investment securities	78	338
State net operating loss	13	80
Total deferred tax assets	3,960	3,078
Deferred tax liabilities:		
Other accruals	(242)	(118)
Loan origination costs	(224)	-
Future liability of State deferred tax asset	(210)	(157)
Core deposit intangible	(480)	(577)
Total deferred tax liabilities	(1,156)	(852)
Net deferred tax assets	$ 2,804	$ 2,226

8. INCOME TAXES (Continued)

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, 2006, 2005 and 2004 consisted of the following:

	2006	2005	2004
Federal income tax, at statutory rate	34.0 %	34.0 %	34.0 %
State franchise tax, net of Federal tax effect	7.2 %	7.1 %	7.1 %
Tax exempt investment security income, net	(3.2)%	(4.2)%	(4.9)%
Bank owned life insurance, net	(3.5)%	(0.9)%	(1.4)%
Other	(2.2)%	(0.4)%	(0.3)%
Effective tax rate	32.3 %	35.6 %	34.5 %

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 $724,000, $518,000 and $359,000 for the years ended December 31, 2006, 2005 and 2004, respectively.

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

Year Ending December 31,	
2007	$ 933
2008	1,011
2009	1,080
2010	957
2011	913
Thereafter	8,506
	$ 13,400

Federal Reserve Requirements - Banks are required to maintain reserves with the Federal Reserve Bank equal to a percentage of their reservable deposits. The amount of such reserve balances required at December 31, 2006 and 2005 was $2,699,000 and $1,385,000, respectively.

Correspondent Banking Agreements - The Bank maintains funds on deposit with other federally insured financial institutions under correspondent banking agreements. Uninsured deposits totaled $2,075,000 at December 31, 2006.

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

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

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

	December 31, 2006	December 31, 2005
	(In thousands)	
Commitments to extend credit	$ 133,937	$ 133,876
Standby letters of credit	$ 612	$ 80

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, 2006 and 2005. The Company recognizes these fees as revenue over the term of the commitment or when the commitment is used.

At December 31, 2006, commercial loan commitments represent approximately 49% of total commitments and are generally secured by collateral other than real estate or unsecured. Real estate loan commitments represent 39% 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 12% 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, 2006, in management's judgment, a concentration of loans existed in commercial loans and real-estate-related loans. At that date, approximately 92.2% of the Bank's loans were commercial and real-estate-related, representing 24.2% and 68.0% of total loans, respectively.

At December 31, 2005, in management's judgment, a concentration of loans existed in commercial loans and real-estate-related loans. At that date, approximately 91.7% of the Bank's loans were commercial and real-estate-related, representing 27.5% and 64.2% of total loans, respectively.

Although management believes the loans within these concentrations have no more than the normal risk of collectibility, a substantial decline in the performance of the economy in general or a decline in real estate values in the Company's primary market area, in particular, could have an adverse impact on collectibility, increase the level of real-estate-related nonperforming loans, or have other adverse effects which alone or in the aggregate could have a material adverse effect on the financial condition of the Company.

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

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.

10. SHAREHOLDERS' EQUITY (Continued)

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. Management believes that the Company and the Bank meet all their capital adequacy requirements as of December 31, 2006.

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.

	2006		2005	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
Tier 1 Leverage Ratio				
Central Valley Community Bancorp and Subsidiary	$ 39,864	8.41%	$ 31,767	6.84%
Minimum regulatory requirement	$ 18,967	4.00%	$ 18,572	4.00%
Central Valley Community Bank	$ 39,045	8.24%	$ 32,493	7.00%
Minimum requirement for "Well-Capitalized" institution	$ 23,703	5.00%	$ 23,204	5.00%
Minimum regulatory requirement	$ 18,963	4.00%	$ 18,563	4.00%
Tier 1 Risk-Based Capital Ratio				
Central Valley Community Bancorp and Subsidiary	$ 39,864	10.97%	$ 31,767	9.26%
Minimum regulatory requirement	$ 14,536	4.00%	$ 13,719	4.00%
Central Valley Community Bank	$ 39,045	10.72%	$ 32,493	9.48%
Minimum requirement for "Well-Capitalized" institution	$ 21,852	6.00%	$ 20,572	6.00%
Minimum regulatory requirement	$ 14,568	4.00%	$ 13,715	4.00%
Total Risk-Based Capital Ratio				
Central Valley Community Bancorp and Subsidiary	$ 43,673	12.02%	$ 35,106	10.24%
Minimum regulatory requirement	$ 29,073	8.00%	$ 27,437	8.00%
Central Valley Community Bank	$ 42,854	11.77%	$ 35,832	10.45%
Minimum requirement for "Well-Capitalized" institution	$ 36,419	10.00%	$ 34,287	10.00%
Minimum regulatory requirement	$ 29,135	8.00%	$ 27,429	8.00%

Dividends - The Company did not pay any cash dividends in 2006 or 2005.

On May 19, 2004, the Board of Directors declared a $.05 per share cash dividend for shareholders of record as of June 4, 2004, paid on or about June 30, 2004.

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, 2006, retained earnings of $16,199,000 were free of such restrictions.

Share Repurchase Plan - During 2004, the Company approved a stock repurchase plan authorizing the purchase of shares of the Company's common stock up to a total cost of approximately $500,000, or approximately 2% of its outstanding shares of common stock. As of December 31, 2004, the Company repurchased 18,000 shares at an average price of $11.83 for a total cost of $213,000. On October 20, 2004, the Company's Board of Directors suspended the stock repurchase program.

During 2006, the Company approved a stock repurchase plan authorizing the purchase of shares of the Company's common stock up to a total cost of approximately $1,000,000 or approximately 1% of its outstanding shares of common stock during the period from October 23, 2006 to June 30, 2007. As of December 31, 2006, the Company had repurchased 26,200 shares at an average price of $15.08 for a total cost of $395,000.

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,		
	2006	2005	2004
	(In thousands, except share and per share amounts)		
Basic Earnings Per Share:			
Net income	$ 6,911	$ 6,044	$ 3,695
Weighted average shares outstanding	5,978,314	5,844,110	5,253,658
Net income per share	$ 1.16	$ 1.03	$ 0.71
Diluted Earnings Per Share:			
Net income	$ 6,911	$ 6,044	$ 3,695
Weighted average shares outstanding	5,978,314	5,844,110	5,253,658
Effect of dilutive stock options	500,595	571,298	585,252
Weighted average shares of common stock and common stock equivalents	6,478,909	6,415,408	5,838,910
Net income per diluted share	$ 1.07	$ 0.94	$ 0.64

11. SHARE-BASED COMPENSATION

The 1992 Stock Option Plan reserved shares 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. Outstanding options under this plan are exercisable until their expiration, however, no new options will be granted under this plan.

The Central Valley Community Bancorp 2000 Stock Option Plan has 899,834 shares remaining as reserved for issuance for options already granted to employees and directors under incentive and nonstatutory agreements and 73,446 remain reserved for future grants. 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.

The Central Valley Community Bancorp 2005 Omnibus Incentive Plan provides for awards in the form of incentive stock options, non-statutory stock options, stock appreciation rights, and restricted stock. The plan also allows for performance awards that may be in the form of cash or shares of the Company, including restricted stock. The maximum number of shares that can be issued with respect to all awards under the plan is 476,000. The plan requires that the exercise price may not be less than 100% of 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 and awards under the plan expire on dates determined by the Board of Directors, but not later than 10 years from the date of grant. The vesting period for the options and option related stock appreciation rights is determined by the Board of Directors and is generally over five years. There have been no grants made under this plan.

11. SHARE-BASED COMPENSATION (Continued)

A summary of the combined activity of the Plans for the years ended December 31, 2004, 2005 and 2006 follows:

	Number of Stock Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
	(dollars in thousands, except per share amounts)			
Options outstanding at January 1, 2004	1,131580	$ 4.64		
Options granted	1,000	$ 11.30		
Options exercised	(77,880)	$ 4.04		
Options cancelled	(1,840)	$ 6.34		
Options outstanding at December 31, 2004	1,052,860	$ 4.69		
Options granted	156,300	$ 13.50		
Options exercised	(111,980)	$ 4.08		
Options cancelled	(11,890)	$ 8.86		
Options outstanding at December 31, 2005	1,085,290	$ 5.97		
Options granted	15,000	$ 15.50		
Options exercised	(172,036)	$ 4.27		
Options cancelled	(28,420)	$ 6.15		
Options outstanding at December 31,2006	899,834	$ 6.45	5.00	$ 7,563
Options vested or expected to vest at at December 31,2006	867,767	$ 6.37	6.33	$ 7,368
Options exercisable at December 31,2006	724,734	$ 5.13	6.01	$ 7,054

The weighted-average grant-date fair value of options granted during 2006, 2005 and 2004 was $4.34, $3.28 and $4.80, respectively.

The total intrinsic value of options exercised in the years ended December 31, 2006, 2005 and 2004 was $1,900,000, $942,000 and $518,000, respectively.

Cash received from options exercised for the years ended December 31, 2006, 2005 and 2004 was $735,000, $458,000 and $317,000, respectively. The actual tax benefit realized for the tax deductions from options exercised totaled $451,000, $173,000 and $143,000 for the years ended December 31, 2006, 2005 and 2004, respectively.

As of December 31, 2006, there was $392,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the 1992 and 2000 Plans. The cost is expected to be recognized over a weighted average period of 3.5 years. The total fair value of options vested was $197,000 for the year ended December 31, 2006.

12. OTHER EXPENSES

Other expenses consisted of the following:

	Year Ended December 31, 2006	2005	2004
	(In thousands)		
Data processing	$ 816	$ 811	$ 758
Advertising	452	412	365
Audit and accounting fees	317	334	244
Amortization of core deposit intangible	215	214	-
Legal fees	300	192	129
Regulatory assessments	112	164	92
Other expenses	3,037	2,604	2,518
	$ 5,249	$ 4,731	$ 4,106

13. EMPLOYEE BENEFITS

401(k) and Profit Sharing Plan - The Bank has established a 401(k) and profit sharing plan. The 401(k) plan covers substantially all employees who have completed a 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 to the profit sharing plan are determined at the discretion of the Board of Directors. Participants are automatically vested 100% in all employer contributions. The Bank contributed $300,000, $275,000 and $105,000 to the profit sharing plan in 2006, 2005 and 2004, respectively.

Additionally, the Bank may elect to make a matching contribution to the participants' 401(k) plan accounts. The amount to be contributed is announced by the Bank at the beginning of the plan year. For the years ended December 31, 2006, 2005 and 2004, the Bank made a 100% matching contribution on all deferred amounts up to 3% of eligible compensation and a 50% matching contribution on all deferred amounts above 3% to a maximum of 5%. For the years ended December 31, 2006, 2005 and 2004, the Bank made matching contributions totaling $232,000, $210,000 and $188,000, 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 (8.25% at December 31, 2006). At December 31, 2006 and 2005, the total net deferrals included in accrued interest payable and other liabilities were $1,416,000 and $1,285,000, 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. During 2006, the Company recognized a gain of $625,000 from the proceeds of one of the life insurance policies. The cash surrender value of the policies totaled $2,720,000 and $3,921,000 at December 31, 2006 and 2005, respectively. The current annual tax-free interest rates on these policies is 5.5%. Income recognized on these policies, excluding the gain noted above and net of related expenses, for the years ended December 31, 2006, 2005 and 2004 was $131,000, $120,000 and $111,000, respectively.

13. EMPLOYEE BENEFITS (Continued)

Salary Continuation Plans - The Board of Directors approved salary continuation plans for certain key executives during 2002 and subsequently amended in 2006. 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 based on a discount rate of 6.25%. The expense recognized under these plans for the years ended December 31, 2006, 2005 and 2004 totaled $1,000,000, $332,000 and $285,000, respectively. Accrued compensation payable under the salary continuation plan totaled $2,285,000 and $1,293,000 at December 31, 2006 and 2005, respectively.

In connection with these plans, the Bank purchased single premium life insurance policies with cash surrender values totaling $3,426,000 and $2,804,000 at December 31, 2006 and 2005, respectively. Income recognized on these policies, net of related expense, for the years ended December 31, 2006, 2005 and 2004 totaled $117,000, $90,000 and $85,000, respectively.

14. LOANS TO RELATED PARTIES

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

Balance, January 1, 2006	$	447
Disbursements		565
Amounts repaid		(510)
Balance, December 31, 2006	$	502
Undisbursed commitments to related parties, December 31, 2006	$	2,042

15. 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, 2006, 2005 and 2004, 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, 2006			
Other comprehensive income:			
Unrealized holding gains:	$ 773	$ (309)	$ 464
Less reclassification adjustment for net gains included in net income	(123)	49	(74)
Total other comprehensive income	$ 650	$ (260)	$ 390
For the Year Ended December 31, 2005			
Other comprehensive loss:			
Unrealized holding losses	$ (1,315)	$ 533	$ (782)
Less reclassification adjustment for net gains included in net income	92	(37)	55
Total other comprehensive loss	$ (1,407)	$ 570	$ (837)
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)

16. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The following methods and assumptions were used by the Company to estimate the fair value of its financial instruments at December 31, 2006 and 2005:

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

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

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

Loans - For variable-rate loans that reprice frequently with no significant change in credit risk, fair values are based on carrying values. Fair values for other loans are estimated using discounted cash flow analyses, using interest rates being offered at each reporting date for loans with similar terms to borrowers of comparable creditworthiness adjusted for the allowance for credit 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 is 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 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 fund loans/standby letters of credit - Off-balance-sheet commitments to extend credit are primarily for adjustable rate loans and letters of credit. The fair values of commitments are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. The differences between the carrying value of commitments to fund loans or standby letters of credit and their fair value are not significant and, therefore, not included in the following table.

	December 31, 2006		December 31, 2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Financial assets:				
Cash and due from banks	$ 23,898	$ 23,898	$ 22,165	$ 22,165
Federal funds sold	24,218	24,218	29,830	29,830
Interest-bearing deposits in other banks	323	323	918	918
Available-for-sale investment securities	103,922	103,922	105,592	105,592
Loans	318,853	319,248	298,463	298,261
Bank owned life insurance	6,146	6,146	6,725	6,725
FHLB stock	1,891	1,891	1,659	1,659
Accrued interest receivable	2,508	2,508	2,232	2,232
Financial liabilities:				
Deposits	$ 440,627	$ 438,848	$ 430,989	$ 429,153
Short-term borrowings	3,250	3,250	3,250	3,250
Long-term debt	-	-	3,250	3,144
Accrued interest payable	591	591	394	394

17. PARENT ONLY CONDENSED FINANCIAL STATEMENTS

CONDENSED BALANCE SHEETS
December 31, 2006 and 2005
(In thousands)

ASSETS	2006	2005
Cash and cash equivalents	$ 1,477	$ 1,205
Investment in subsidiary	48,959	42,249
Other assets	794	639
Total assets	$ 51,230	$ 44,093
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Short-term debt	$ 1,250	$ 1,250
Long-term debt	-	1,250
Other liabilities	202	$ 70
Total liabilities	1,452	2,570
Shareholders' equity:		
Common stock	14,007	13,053
Retained earnings	35,888	28,977
Accumulated other comprehensive income, net of taxes	(117)	(507)
Total shareholders' equity	49,778	41,523
Total liabilities and shareholders' equity	$ 51,230	$ 44,093

17. PARENT ONLY CONDENSED FINANCIAL STATEMENTS
(Continued)

CONDENSED STATEMENTS OF INCOME
For the Years Ended December 31, 2006, 2005 and 2004
(In thousands)

	2006	2005	2004
Income:			
Dividends declared by subsidiary - eliminated in consolidation	$ 1,000	$ -	$ 593
Other income	1	1	-
Total income	1,001	1	593
Expenses:			
Professional fees	72	106	96
Other expenses	516	500	378
Total expenses	588	606	474
Income (loss) before equity in undistributed income of subsidiary	413	(605)	119
Equity in undistributed net income of subsidiary	6,342	6,438	3,419
Income before income tax benefit	6,755	5,833	3,538
Income tax benefit	156	211	157
Net income	$ 6,911	$ 6,044	$ 3,695

17. PARENT ONLY CONDENSED FINANCIAL STATEMENTS (Continued)

CONDENSED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2006, 2005 and 2004
(In thousands)

	2006	2005	2004
Cash flows from operating activities:			
Net income	$ 6,911	$ 6,044	$ 3,695
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed net income of subsidiary	(6,342)	(6,438)	(3,419)
Stock-based compensation	163	-	-
Tax benefit from exercise of stock options	(451)	(173)	(143)
Decrease (increase) in other assets	430	792	(316)
Increase (decrease) in other liabilities	132	(51)	47
Provision for deferred income taxes	(134)	-	-
Net cash provided by financing activities	709	174	(136)
Cash flows provided by (used in) investing activities:			
Investment in subsidiary	22	(309)	(2,000)
Cash flows from financing activities:			
Proceeds from borrowings	-	-	2,500
Repayments of borrowings from other financial institution	(1,250)	-	-
Share repurchase and retirement	(395)	-	(213)
Proceeds from exercise of stock options	735	458	317
Tax benefit from exercise of stock options	451	173	143
Cash paid for dividends	-	-	(263)
Net cash (used in) provided by financing activities	(459)	631	2,484
Increase in cash and cash equivalents	272	496	348
Cash and cash equivalents at beginning of year	1,205	709	361
Cash and cash equivalents at end of year	$ 1,477	$ 1,205	$ 709
Cash paid during the year for interest expense	$ 161	$ 153	$ -
Non-cash investing activities:			
Net change in unrealized loss on available-for-sale investment securities	$ 650	$ (1,407)	$ (1,090)
Fair market value of common stock issued in acquisition of subsidiary	$ -	$ 6,079	$ -
Non-cash financing activities:			
Tax benefit from stock options exercised	$ 451	$ 173	$ 143

Report of
Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Central Valley Community Bancorp and subsidiary as of December 31, 2006 and 2005 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, 2006. 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, 2006 and 2005 and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

Perry - Smith LLP

Sacramento, California
March 14, 2007

Selected
Financial Data

Years Ended December 31,
(In thousands, except per share amounts)

Operations for the year:	2006	2005	2004	2003	2002
Total interest income	$ 30,932	$ 26,070	$ 16,799	$ 14,970	$ 14,536
Total interest expense	6,559	4,139	1,978	2,290	2,728
Net interest income before provision for credit losses	24,373	21,931	14,821	12,680	11,808
Provision for credit losses	800	510	-	-	-
Net interest income after provision for credit losses	23,573	21,421	14,821	12,680	11,808
Non-interest income	5,177	4,009	4,084	4,559	4,226
	28,750	25,430	18,905	17,239	16,034
Non-interest expense	18,541	16,042	13,266	12,368	12,002
Income before provision for income taxes	10,209	9,388	5,639	4,871	4,032
Provision for income taxes	3,298	3,344	1,944	1,499	1,248
Net income	$ 6,911	$ 6,044	$ 3,695	$ 3,372	$ 2,784
Basic earnings per share	$ 1.16	$ 1.03	$ 0.71	$ 0.65	$ 0.54
Diluted earnings per share	$ 1.07	$ 0.94	$ 0.64	$ 0.60	$ 0.51
Cash dividends declared per common share	$ -	$ -	$ 0.05	$ 0.05	$ 0.03

December 31,
(In thousands)

Balances at end of year:	2006	2005	2004	2003	2002
Investment securities, Federal funds sold and deposits in other banks	$ 128,463	$ 136,340	$ 127,895	$ 107,300	$ 95,901
Net loans	318,853	298,463	206,582	183,849	156,293
Total deposits	440,627	430,989	326,186	290,565	246,337
Total assets	500,059	483,677	368,147	327,930	283,006
Shareholders' equity	49,778	41,523	29,606	26,720	24,099
Earning assets	453,211	440,646	338,032	292,494	251,895

Average balances:	2006	2005	2004	2003	2002
Investment securities, Federal funds sold and deposits in other banks	$ 125,702	$ 135,679	$ 115,069	$ 101,222	$ 74,111
Net loans	300,591	274,348	192,658	172,310	146,264
Total deposits	414,310	407,188	307,453	270,159	212,629
Total assets	470,221	455,680	346,217	306,384	248,948
Shareholders' equity	45,564	38,691	28,203	25,484	22,604
Earning assets	431,368	414,257	311,456	275,846	222,067

Unaudited Quarterly Statement of Operations Data
(Dollars in thousands, except per share data)

	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005
Net interest income	$ 6,259	$ 6,104	$ 6,045	$ 5,965	$ 5,945	$ 5,592	$ 5,357	$ 5,037
Provision for loan and lease losses	200	100	100	400	500	10	-	-
Non-interest income	1,679	1,295	1,146	1,057	1,002	1,028	1,074	905
Non-interest expenses	5,067	4,631	4,446	4,397	3,880	4,021	4,040	4,101
Income before provision for income taxes	2,671	2,668	2,645	2,225	2,567	2,589	2,391	1,841
Provision for income taxes	528	999	976	795	899	940	858	647
Net income	$ 2,143	$ 1,669	$ 1,669	$ 1,430	$ 1,668	$ 1,649	$ 1,533	$ 1,194
Per share:								
Basic earnings per share	$ 0.36	$ 0.28	$ 0.28	$ 0.24	$ 0.28	$ 0.28	$ 0.26	$ 0.21
Diluted earnings per share	$ 0.33	$ 0.26	$ 0.26	$ 0.22	$ 0.25	$ 0.26	$ 0.24	$ 0.19

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis should be read in conjunction with the Company's audited Consolidated Financial Statements, including the Notes thereto.

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, Central Valley Community Bank (the Bank). The Company's market area includes the Central Valley area from Sacramento, California to Bakersfield, California.

After the close of business on December 31, 2004, the Company completed the merger with Bank of Madera County (BMC). The Madera and Oakhurst branches of BMC were merged into the Bank. For details of the merger, refer to Note 2 to the Company's audited Consolidated Financial Statements.

During 2006, 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. The Bank opened full service retail offices in the Fresno downtown area on February 13, 2006 and in the Sunnyside area of Fresno on November 13, 2006. During October 2006, the Company consolidated its administrative offices into a single location on Financial Drive in Fresno and opened a limited service branch there, bringing the total number of branches to 12.

ECONOMIC CONDITIONS

Fresno County's economy has been relatively stable for the past three to four years, but during 2006, the local economy has shown signs of slowing. Most industries in the County are either stable or contracting very modestly. Fresno County's unemployment rate has historically been one of the highest rates in California and the nation; however in the fourth quarter of 2006, the County reported the lowest single digit rate in 27 years. 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. Due to low land costs, relative to the rest of the state, Fresno's economy has been significantly affected by the real estate construction segment in the past five years. However, during 2006, growth in the residential housing market stagnated as housing starts and appreciation in median home prices decreased compared to 2005.

Fresno County also offers lower living costs compared with metropolitan areas to the North and South of the County. Fresno County's home appreciation has averaged 20% annually over the four year period prior to 2006. In 2006 home appreciation was approximately 3%. While affordability has declined as a result, the area is still considered more affordable than other places in California.

STOCK SPLIT

On September 21, 2005 the Company's Board of Directors approved a two-for-one stock split for shareholders of record at the close of business on October 5, 2005 and effective on October 31, 2005. All share and per share data in the consolidated financial statements and the following management's discussion and analysis have been retroactively restated to give effect to the stock split.

Management's Discussion and Analysis
of Financial Condition and Results of Operations

OVERVIEW

We are pleased to report continued growth in consolidated earnings and total assets during 2006. Diluted earnings per share (EPS) for the year ended December 31, 2006 was $1.07 compared to $0.94 and $0.64 for years ended December 31, 2005 and 2004, respectively. Net income for 2006 was $6,911,000 compared to $6,044,000 and $3,695,000 for the years ended December 31, 2005 and 2004, respectively. Total assets at December 31, 2006 were $500,059,000 compared to $483,677,000 at December 31, 2005.

Return on average equity for 2006 was 15.17% compared to 15.63% and 13.10% for 2005 and 2004, respectively. Return on average assets for 2006 was 1.47% compared to 1.33% and 1.07% for 2005 and 2004, respectively. Total equity was $49,778,000 at December 31, 2006 compared to $41,523,000 at December 31, 2005.

Total loans continued to grow during 2006. Average total loans increased $26,219,000 or 9.44% in 2006 compared to 2005. Asset quality continues to be strong. In 2006, we recorded a provision for credit losses of $800,000 compared to $510,000 for 2005 and none in 2004. The Company had no non-accrual loans at December 31, 2006 compared to two non-accrual loans totaling $616,000 at December 31, 2005. Net charge-offs for 2006 were $330,000 compared to $619,000 for 2005 and net recoveries of $272,000 for 2004. Refer to "Asset Quality" below for further information. We had no other real estate owned at either December 31, 2006 or 2005.

Key Factors in Evaluating Financial Condition
and Operating Performance

As a publicly traded community bank holding company, we focus on several key factors including:

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

Return to Our Stockholders

Our return to our stockholders is measured in the form of return on average equity ("ROE"). Our net income for the year ended December 31, 2006 increased $867,000 compared to increases of $2,349,000 and $323,000 for 2005 and 2004, respectively. Net income increased mainly due to an increase in net interest income provided by the increase in interest rates and the additional loan volume from the 2005 BMC merger and our own organic growth, and increases in non-interest income. This increase was partially offset by an increase in interest expenses, addition to the provision for credit losses, and operating expenses. Basic EPS increased to $1.16 for 2006 compared to $1.03 and $0.71 for years ended 2005 and 2004, respectively. Diluted EPS increased to $1.07 for the year ended 2006 compared to $0.94 and $0.64 for years ended 2005 and 2004, respectively. The increase in EPS was due primarily to the increase in net income, partially offset by the increase in average shares outstanding as a result of the merger and the exercise of stock options. Our ROE was 15.17% for the year ended 2006 compared to 15.63% and 13.10% for the years ended 2005 and 2004, respectively. The decrease in ROE for 2006 is primarily due to the increase in capital from the exercise of stock options and current year earnings.

Return on Average Assets

Our return on average assets ("ROA") is a measure we use to compare our performance with other banks and bank holding companies. Our ROA for the year ended 2006 increased to 1.47% compared to 1.33% and 1.07% for the years ended December 31, 2005 and 2004, respectively. The 2006 increase in ROA is due to the increase in net income relative to our increase in average assets. ROA for our peer group was 1.11% at September 30, 2006. Peer group information from SNL Financial data includes all bank holding companies in California with assets from $300M to $500M and not subchapter S.

Development of Core Earnings

Over the past several years, we have focused on not only improving net income, but improving the consistency of our revenue streams in order to create more predictable future earnings and reduce the effect of changes in our operating environment on our net income. Specifically, we have focused on net interest income through a variety of processes, including increases in average interest earning assets as a result of the 2005 merger, loan generation and retention and improved net interest margin by focusing on core deposit growth and managing the cost of funds. As a result, our net interest income before provision for credit losses increased $2,442,000 or 11.13% to $24,373,000 for the year ended 2006 compared to $21,931,000 and $14,821,000 for the years ended 2005 and 2004, respectively. Our net interest margin also improved 33 basis points to 5.79% for the year ended 2006 compared to 5.46% and 4.91% for the years ended 2005 and 2004, respectively.

Our non-interest income is generally made up of service charges and fees on deposit accounts, fee income from loan placements, and gain on sale from investment securities. Non-interest income in 2006 increased $1,168,000 or 29.13% to $5,177,000 compared to $4,009,000 and $4,084,000 in 2005 and 2004, respectively. Customer service charges increased slightly to $2,532,000 in 2006 compared to $2,414,000 and $2,340,000 in 2005 and 2004, respectively, mainly due to an increase in the number of transaction accounts. Non-interest income in 2006 also included tax-exempt proceeds from a life insurance policy of $625,000, gains from the sale of real estate of $265,000, realized gains from the sale of investments of $123,000 and loan placement fees of $350,000. During 2005, non-interest income included gains from the sale of investments of $92,000 compared to $483,000 in 2004 and loan placement fees of $390,000 in 2005 compared to $330,000 for 2004. Further detail on non-interest income is provided below.

Asset Quality

For all banks and bank holding companies, asset quality has a significant impact on the overall financial condition and results of operations. Asset quality is measured in terms of percentage of total loans and total assets, and is a key element in estimating the future earnings of a company. We had no non-performing loans as of December 31, 2006, compared to two non-accrual loans totaling $616,000 as of December 31, 2005. Management maintains certain loans that have been brought current by the borrower (less than 30 days delinquent) on non-accrual status until such time as management has determined that the loans are likely to remain current in future periods. There were no non-performing loans at December 31, 2006 and 0.20% of gross loans were non-performing at December 31, 2005. The Company did not have any other real estate owned at December 31, 2006 or 2005.

Asset Growth

As revenues from both net interest income and non-interest income are a function of asset size, the continued growth in assets has a direct impact in increasing net income and therefore ROE and ROA. The majority of our assets are loans and investment securities, and the majority of our liabilities are deposits, and therefore the ability to generate deposits as a funding source for loans and investments is fundamental to our asset growth. Total assets increased 3.39% during 2006 to $500,059,000 as of December 31, 2006 from $483,677,000 as of December 31, 2005. Total gross loans increased 6.91% to $322,662,000 as of December 31, 2006, compared to $301,802,000 at December 31, 2005. Total investment securities decreased 1.58% to $103,922,000 as of December 31, 2006 compared to $105,592,000 as loan growth exceeded deposit growth. Total deposits increased 2.24% to $440,627,000 as of December 31, 2006 compared to $430,989,000 as of December 31, 2005. We continue to under perform in our loan to deposit ratio compared to our peers. Our loan to deposit ratio at December 31, 2006 was 73.2% compared to 70.0% at December 31, 2005. The loan to deposit ratio of our peers was 92.61% at September 30, 2006.

OVERVIEW (Continued)

Operating Efficiency

Operating efficiency is the measure of how efficiently earnings before taxes are generated as a percentage of revenue. The Company's efficiency ratio (non-interest expenses, excluding amortization of intangibles divided by net interest income plus non-interest income, excluding gain from sale of securities) deteriorated slightly to 62.28% for 2006 compared to 61.20% for 2005 and 72.00% for 2004. The deterioration in the efficiency ratio in 2006 is due to the increase in operating expenses exceeding the increase in revenues. The Company's net interest income before provision for credit losses plus non-interest income increased 13.84% to $29,427,000 in 2006 compared to $25,848,000 in 2005 and $18,426,000 in 2004, while operating expenses increased 15.85% in 2006, 19.25% in 2005, and 7.37% in 2004. The increase in operating expenses in 2006 can be partially attributed to the opening of two new full service branches and the relocation of our administrative offices, including a limited service branch.

RESULTS OF OPERATIONS

NET INCOME

Net income increased to $6,911,000 in 2006 compared to $6,044,000 and $3,695,000 in 2005 and 2004, respectively. Basic earnings per share were $1.16, $1.03, and $0.71 for 2006, 2005 and 2004, respectively. Diluted earnings per share were $1.07, $0.94, and $0.64 for 2006, 2005 and 2004, respectively. ROE was 15.17% for 2006 compared to 15.63% for 2005 and 13.10% for 2004. ROA for 2006 was 1.47% compared to 1.33% for 2005 and 1.07% for 2004.

The increase in net income and profitability for 2006 compared to 2005 was mainly due to the increases in net interest income and non-interest income and was partially offset by increases in the provision for credit losses and non-interest expenses. Net interest income increased due to an increase in average interest earning assets provided by our organic growth, the 2005 merger and the positive effect of our asset sensitive position expanding our net interest margin in response to the 17 increases in the Federal funds interest rate since June 30, 2004. Non interest-income in 2006 included tax-exempt proceeds from a life insurance policy, gains from the sale of real estate, and realized gains from the sale of investments. Non-interest expenses increased in 2006 primarily due to salaries and benefits, and equipment and occupancy expenses that were all affected by our continued organic expansion and the 2005 merger.

INTEREST INCOME AND EXPENSE

Net interest income is the most significant component of our income from operations. Net interest income (the interest rate spread) 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 table on the following page sets forth a summary of average balances with corresponding interest income and interest expense as well as average yield and cost information for the periods presented. Average balances are derived from daily balances, and non-accrual loans are not included as interest earning assets for purposes of this table.

Interest and fee income from loans increased 20.90% in 2006 compared to 2005. Interest and fee income increased 59.64% in 2005 compared to 2004. As stated above, the combination of the increased volume of loans from the 2005 merger, our organic growth from the focus on building relationships, and the 17 interest rate increases that have occurred since June 30, 2004, were the major components of the $4,412,000 and $7,888,000 increases in 2006 and 2005, respectively. Average total loans for 2006 were $304,074,000 compared to $277,855,000 and $195,223,000 for the same periods of 2005 and 2004. The yield on loans for 2006 was 8.40% compared to 7.63% and 6.78% for 2005 and 2004, respectively.

Interest income from total investments, (total investments include investment securities, Federal funds, interest bearing deposits with other banks, and other securities) not on a fully tax equivalent basis, increased $450,000 in 2006 compared to 2005 mainly due to the 100 basis point interest rate increase that occurred during 2006 which was partially offset by a 7.35% decrease in the average balances of these investments. In 2005, total investment income increased $1,383,000 from 2004. We sold $16,436,000 and $15,395,000 in investment securities in 2006 and 2005, respectively, due to funding several new loans and some portfolio restructuring. The realized gain from sales of available for sale investments is discussed in non-interest income below. Due to our low loan to deposit ratio, a significant contributor to interest income is the investment portfolio, which represents 22.18%, 22.59% and 24.10% of net interest income before provision for credit losses for 2006, 2005 and 2004, respectively.

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, 2006, we held $45,528,000 or 43.80% of the total market value of the investment portfolio in MBS and CMOs with an average yield of 5.00%. We understand the interest rate risks and prepayment risks associated with MBS and CMOs. In a declining interest rate environment, prepayments from MBS and CMOs could be expected to increase and the expected life of the investment could be expected to shorten. Conversely, if interest rates increase, prepayments could be expected to decline and the average life of the MBS and CMOs could be expected to extend. Additionally, changes in interest rates are reflected in the market value of the investment portfolio. During declining interest rates, the investment portfolio could be expected to have market value gains and in increasing rate environments, the market value could be expected to decline. The net of tax-effect value of the change in market value of the available-for-sale investment portfolio is also reflected in the Company's equity. At December 31, 2006, the average life of the investment portfolio was 4.2 years and the market value reflected a pre-tax loss of $195,000.

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. At December 31, 2006, an immediate rate increase of 200 basis points would result in an estimated decrease in the market value of the investment portfolio by approximately $6,914,000. Conversely, with an immediate rate decrease of 200 basis points, the estimated increase in the market value of the investment portfolio is $6,726,000. 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 year, 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. For further discussion of the Company's market risk, refer to Quantitative and Qualitative Disclosures about Market Risk.

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

Total interest income in 2006 increased $4,862,000, to $30,932,000 compared to $26,070,000 in 2005 and $16,799,000 in 2004. The 18.65% increase in 2006 was due to the 4.13% increase in the average balance of interest earning assets, combined with the 85 basis point increase in the yield on those assets. Average interest-earning assets increased to $431,368,000 for 2006 compared to $414,257,000 for 2005, and $311,456,000 for 2004. The yield on interest earning assets increased to 7.31% for 2006 compared to 6.46% and 5.55% for 2005 and 2004, respectively. The $17,111,000 increase in average earning assets in 2006 was the result of our organic growth. The $102,801,000 increase in average earning assets in 2005 was the result of our own organic growth and the approximate $45,779,000 in loans and $19,250,000 in investments as the result of the merger with BMC.

Interest expense on deposits in 2006 increased $2,324,000 or 59.80% to $6,210,000 compared to $3,886,000 and $1,793,000 in 2005 and 2004, respectively. The increase in 2006 compared to 2005 was due to the repricing of interest bearing deposits, which increased 83 basis points to 2.20% in 2006 from 1.37% in 2005, as a result of the increases in the Federal funds interest rate. This was partially offset by the $853,000 decrease in volume of average interest bearing deposits from 2005 to 2006. The increase in interest expense in 2005 compared to 2004 was due to the repricing of interest bearing deposits, which increased 52 basis points to 1.37% in 2005 from .85% in 2004, as a result of the increases in the Federal funds interest rate and the $72,770,000 increase in volume of average interest bearing deposits from 2004 to 2005. Average interest-bearing deposits were $282,160,000 for 2006 compared to $283,013,000 and

INTEREST INCOME AND EXPENSE (Continued)

SCHEDULE OF AVERAGE BALANCES AND AVERAGE YIELDS AND RATES (Dollars in thousands)	For The Year Ended December 31, 2006 Average Balance	Interest	Average Interest Rate	For The Year Ended December 31, 2005 Average Balance	Interest	Average Interest Rate
ASSETS						
Interest-earning deposits in other banks	$ 634	$ 22	3.47%	$ 2,136	$ 59	2.76%
Securities:						
Taxable securities	74,915	3,191	4.26%	86,857	3,002	3.46%
Non-taxable securities (1)	26,749	1,556	5.82%	25,096	1,806	7.20%
Total investment securities	101,664	4,747	4.67%	111,953	4,808	4.29%
Federal funds sold	23,404	1,165	4.98%	21,590	702	3.25%
Total	125,702	5,934	4.72%	135,679	5,569	4.10%
Loans (2) (3)	303,867	25,527	8.40%	276,957	21,115	7.63%
Federal Home Loan Bank stock	1,799	89	4.95%	1,621	68	4.19%
Total interest-earning assets	431,368	$ 31,550	7.31%	414,257	$ 26,752	6.46%
Allowance for credit losses	(3,483)			(3,507)		
Non-accrual loans	207			898		
Cash and due from banks	17,404			19,365		
Bank premises and equipment	3,369			3,004		
Other non-earning assets	21,356			21,663		
Total average assets	$ 470,221			$ 455,680		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities:						
Savings and NOW accounts	$ 78,410	$ 162	0.21%	$ 83,781	$ 149	0.18%
Money market accounts	105,632	2,467	2.34%	111,519	1,500	1.35%
Time certificates of deposit, under $100,000	53,208	1,499	2.82%	50,841	1,017	2.00%
Time certificates of deposit, $100,000 and over	44,910	2,082	4.64%	36,872	1,220	3.31%
Total interest-bearing deposits	282,160	6,210	2.20%	283,013	3,886	1.37%
Other borrowed funds	6,774	349	5.15%	6,725	253	3.76%
Total interest-bearing liabilities	288,934	$ 6,559	2.27%	289,738	$ 4,139	1.43%
Non-interest bearing demand deposits	132,150			124,175		
Other liabilities	3,573			3,076		
Shareholders' equity	45,564			38,691		
Total average liabilities and shareholders' equity	$ 470,221			$ 455,680		
Interest income and rate earned on average earning assets		$ 31,550	7.31%		$ 26,752	6.46%
Interest expense and interest cost related to average interest-bearing liabilities		6,559	2.27%		4,139	1.43%
Net interest income and net interest margin (4)		$ 24,991	5.79%		$ 22,613	5.46%

(1) Calculated on a fully tax equivalent basis, which includes Federal tax benefits relating to income earned on municipal bonds totaling $529 and $614 in 2006 and 2005, respectively.

(2) Loan interest income includes loan fees of $798 in 2006 and $961 in 2005.

(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.

$210,243,000 for 2005 and 2004, respectively. Average deposits in 2006 were relatively flat compared to 2005. The increase in 2005 was the result of our own internal growth and the addition of approximately $44,596,000 in interest-bearing deposits as the result of the merger with BMC.

Average other borrowings increased slightly to $6,774,000 with an effective rate of 5.15% for 2006 compared to $6,725,000 with an effective rate of 3.76% for 2005. In 2004, the average other borrowings were $7,311,000 with an effective rate of 2.53%. Included in other borrowings are advances from the Federal Home Loan Bank (FHLB) and a loan from a major bank, in late 2004, primarily to provide additional capital for the Bank in conjunction with the 2005 merger with BMC. We borrowed funds from the Federal Home Loan Bank during a period of relatively low interest rates. The effective rate of the FHLB advances was 3.97% for 2006 compared to 2.36 % for 2005 and 2.53% for 2004.

In partial offset to the increase in the cost of interest bearing deposits and other borrowings, the increase in non-interest bearing demand deposits has made a positive contribution to the overall cost of funds. Average demand deposits increased 6.42% to $132,150,000 in 2006 compared to $124,175,000 for 2005 and $97,210,000 for 2004. The increases in 2006 and 2005 were due primarily to organic growth and the merger with BMC which added approximately $19,173,000 in non-interest bearing deposits to our portfolio in 2005. The cost of all of our interest bearing liabilities increased 84 basis points to 2.27% for 2006 compared to 1.43% for 2005 and 0.91% for 2004. Average transaction accounts (including interest bearing checking, money market accounts and non-interest bearing demand deposits) decreased slightly by 0.26% to $292,840,000 for 2006 compared to $293,609,000 for 2005 and $229,249,000 for 2004.

NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES

Net interest income before provision for credit losses for 2006 increased $2,442,000 or 11.13% to $24,373,000 compared to $21,931,000 for 2005 and $14,821,000 for 2004. The increases in 2006 compared to 2005 and in 2005 compared to 2004 were primarily due to increases in the net interest margin,

NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES (Continued)

combined with increases in average interest earning assets. Average interest earning assets and net interest margin, respectively, were $431,368,000 and 5.79% in 2006, $414,257,000 and 5.46% in 2005, and $311,456,000 and 4.91% in 2004. For a discussion of the repricing of our assets and liabilities, see Quantitative and Qualitative Disclosure about Market Risk.

PROVISION FOR CREDIT LOSSES

We provide 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 and makes recommendations to Credit Review who gives final approval. The risk grading and reserve allocation is analyzed annually by a third party credit reviewer and by various regulatory agencies.

Quarterly, the CCA sets the specific reserve for all adversely risk-graded credits. 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 the 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. We have 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 our 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.

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

Loan Type (Dollars in thousands)	December 31, 2006	% of Total Loans	December 31, 2005	% of Total Loans
Commercial & industrial	$ 1,656	24.2%	$ 1,325	27.5%
Real estate	1,210	46.3%	1,138	41.0%
Real estate - construction, land development and other land loans	294	15.0%	378	15.4%
Equity lines of credit	171	6.8%	175	7.8%
Agricultural	227	5.3%	198	5.8%
Consumer & installment	193	2.3%	120	2.5%
Other	1	0.1%	1	0.0%
Non-specific reserve	57		4	
	$ 3,809		$ 3,339	

Managing credits identified through the risk evaluation methodology includes developing a business strategy with the customer to mitigate our 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 provisions for credit losses in 2006 and 2005 were $800,000 and $510,000, respectively. There was no provision in 2004. The increases in 2006 and 2005 are primarily the result of our assessment of the overall adequacy of the allowance for credit losses considering a number of factors as discussed in the "Allowance for Credit Losses" section below. We did not have any non-performing loans as of December 31, 2006. Non-performing loans as of December 31, 2005 totaled $616,000 and were comprised of one real estate secured loan for $591,000 and one commercial loan for $25,000. The Company did not have any other real estate owned at December 31, 2006 or 2005.

For 2006 and 2005 we had a net charge off ratio to average loans of 0.109% and 0.223%, respectively. For 2004, we had a net recovery ratio of 0.139%. The potential for a future net recovery position is not likely as we have been very successful in collection of those loans charged off in prior years.

Based on information currently available, management believes that the allowance for credit losses should be adequate to absorb estimated probable losses in the portfolio. However, no assurance can be given that we may not sustain charge-offs which are in excess of the allowance in any given period. Refer to "Allowance for Credit Losses" below for further information.

NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES

Net interest income, after the provision for credit losses of $800,000 in 2006 and $510,000 in 2005, was $23,573,000 for 2006 compared to $21,421,000 and $14,821,000 for 2005 and 2004, respectively.

NON-INTEREST INCOME

Non-interest income is comprised of customer service charges, loan placement fees, gain on sales of investments and other income. Non-interest income was $5,177,000 in 2006 compared to $4,009,000 and $4,084,000 in 2005 and 2004, respectively. The $1,168,000 increase in non-interest income comparing 2006 to 2005 was primarily due to increases in service charges, the tax-exempt proceeds from a life insurance policy of $625,000, gains from the sale of real estate of $265,000 and equipment of $192,000, and realized gains from the sale of investments of $123,000. The decrease of $75,000 comparing 2005 to 2004 was primarily due to the decrease in gain realized on sale of investment securities of $391,000.

Customer service charges increased $118,000 to $2,532,000 in 2006 compared to $2,414,000 in 2005 and $2,340,000 in 2004. The increase in both years is mainly due to an increase in the activity level as the average number of transaction accounts has increased and the increase in fees generated by the overdraft protection program.

We earn loan placement fees from the brokerage of single-family residential mortgage loans provided for the convenience of our customers. Loan placement fees decreased $40,000 in 2006 to $350,000 compared to $390,000 in 2005 and increased $60,000 in 2005 to $390,000 compared to $330,000 for 2004. The decrease in 2006 is primarily due to a slowdown in the housing market in California and the recent increases in mortgage rates and fewer refinancing opportunities. The increase in 2005 was primarily due to the relative strength of normal home sales due to "moving up" or relocating as Fresno and Madera counties reflected affordable housing compared to other parts of California.

Appreciation in cash surrender value of bank owned life insurance (BOLI) increased $38,000 mainly due to $505,000 in BOLI purchased in 2006. The Bank purchased the additional insurance in connection with new split-dollar life insurance policies related to salary continuation benefits for three key executives. Salary continuation and the related BOLI are used as a retention tool for directors and key executives of the Bank.

The Bank holds stock from the Federal Home Loan Bank (FHLB) in relationship with the borrowing capacity and generally receives quarterly dividends. We currently hold $1,891,000 in FHLB stock compared to $1,659,000 at December 31, 2005. Dividends in 2006 increased to $89,000 compared to $68,000 in 2005 and $41,000 in 2004.

Other income increased to $1,013,000 in 2006 compared to $829,000 and $689,000 in 2005 and 2004, respectively. The $184,000 increase in 2006 compared to 2005 and the $140,000 increase comparing 2005 to 2004 are primarily due to increases in merchant fees from bankcards, debit card interchange fees and fees from investment services provided by a third party.

NON-INTEREST EXPENSES

Salaries and employee benefits, occupancy and equipment, professional services, and data processing are the major categories of non-interest expenses. Non-interest expenses increased $2,499,000 to $18,541,000 in 2006 compared to $16,042,000 in 2005, which was an increase of $2,776,000 in 2005 compared to $13,266,000 in 2004.

The Company's efficiency ratio, measured as the percentage of non-interest expenses, excluding amortization of intangibles, to net interest income before provision for credit losses plus non-interest income, excluding realized gains on sale of investments was 62.28% for 2006 compared to 61.20% for 2005 and 72.00% for 2004. The slight deterioration in the efficiency ratio in 2006 is due to the increase in operating expenses exceeding the increase in revenues.

Salaries and employee benefits increased $1,693,000 or 18.45% to $10,871,000 in 2006 compared to $9,178,000 in 2005 and $7,539,000 in 2004. The increase in salaries and employee benefits in 2006 compared to 2005 is primarily due to normal cost increases for salaries and benefits and incentive based compensation due to increased loan and deposit production, and profitability. In 2006 we also made changes to certain executive salary continuation agreements and recorded an expense related to the change of $518,000. The increase in salaries and employee benefits in 2005 compared to 2004 includes the additional personnel costs from the merger with BMC. Commissions paid for loan placements in 2006 decreased $37,000 compared to 2005. Commissions paid were $162,000 for 2006 compared to $199,000 in 2005 and $150,000 in 2004.

The Company has three share based compensation plans. In 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment* (SFAS 123(R)), using the modified prospective application transition method. Prior to January 1, 2006, the Company accounted for these plans under the recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations (APB 25). No stock-based compensation cost is reflected in net income prior to January 1, 2006, 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 the grant. As a result of adopting SFAS 123(R), the Company's income before provision for income taxes and net income for the year ended December 31, 2006 are $163,000 and $142,000, respectively, lower than if it had continued to account for share-based compensation under APB 25. Basic and diluted earnings per share for the year ended December 31, 2006 would have been $1.18 and $1.09, respectively, without the adoption of SFAS 123(R) compared to $1.16 and $1.07, respectively, as reported. Results for prior periods have not been restated.

In February 2005 the Company accelerated the vesting of 186,000 options previously granted to certain directors and executive officers. No stock-based compensation is reflected in net income for the year ended December 31, 2005, as a result of the acceleration of the vesting as it is expected that generally all of the directors and executive management whose options were accelerated will remain with the Company through the original vesting period.

The Company bases the fair value of the options previously granted on the date of grant using a Black-Scholes option pricing model that uses assumptions based on expected option life, the level of estimated forfeitures, expected stock volatility and the risk-free interest rate. Stock volatility is based on the historical volatility of the Company's stock. The risk-free rate is based on the U.S. Treasury yield curve and the expected term of the options. The "simplified" method described in SEC Staff Accounting Bulletin No. 107 was used to determine the expected term of the Bank's options in 2006 and 2005.

There were no significant changes in evaluation methods for types of awards or terms made by the Company subsequent to the adoption on FAS No. 123(R) and no cumulative effect adjustments were made to the financial statements.

As of December 31, 2006, there was $392,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the 1992 and 2000 Plans. The cost is expected to be recognized over a weighted average period of 3.5 years. See Notes 1 and 11 to the audited Consolidated Financial Statements.

Occupancy and equipment expense increased $288,000 to $2,421,000 in 2006 compared to $2,133,000 in 2005 and $1,621,000 in 2004. The 13.50% increase in occupancy expense in 2006 compared to 2005 was due mainly to the addition of the three newly opened branches during 2006 and the consolidation of the Company's administrative offices, normal increases in rent on existing leaseholds, and other occupancy related expenses. The 31.59% increase in occupancy expense in 2005 compared to 2004 was due mainly to the addition of the two branches resulting from the merger with BMC.

Other non-interest expenses increased $518,000 or 10.95% to $5,249,000 in 2006 compared to $4,731,000 2005 and $4,106,000 in 2004. The increase in 2006 was attributable primarily to personnel recruitment fees, leasehold termination expenses in connection with the relocation of our administrative offices into a single facility, and consulting expenses. Contributing to the 2005 increase in other non-interest expense was an additional $100,000 write down to the Company's investment in CATEX Holding Corporation, formerly known as Diversified Capital Holdings, the parent company of a title and escrow insurance company that was sold in July 2005. To date, the Company has written down a total of $250,000 of the original $500,000 investment. The Company has received $225,000 from the sale and anticipates full recovery of the remaining balance of $25,000.

The following table describes significant components of other non-interest expense as a percentage of average assets.

	For the year ended December 31,			
	2006		2005	
	Other Expense	% Avg Assets	Other Expense	% Avg Assets
	(Dollars in thousands)			
Advertising	$ 452	0.10%	$ 412	0.09%
Audit/accounting	317	0.07%	334	0.07%
Data/item processing	816	0.17%	811	0.18%
ATM/debit card expenses	296	0.06%	255	0.06%
Director fees & related expenses	265	0.06%	218	0.05%
Donations	119	0.03%	114	0.03%
Education/training	68	0.01%	81	0.02%
General Insurance	124	0.03%	120	0.03%
Legal fees	300	0.06%	192	0.04%
Postage	164	0.03%	156	0.03%
Regulatory assessments	112	0.02%	164	0.04%
Stationery/supplies	247	0.05%	207	0.04%
Telephone	144	0.03%	123	0.03%
Operating losses	49	0.01%	44	0.01%
Other	1,776	0.38%	1,500	0.33%
Total other non-interest expense	$ 5,249		$ 4,731	

PROVISION FOR INCOME TAXES

Our effective income tax rate was 32.3% for 2006 compared to 35.6% for 2005 and 34.5% for 2004. The provision for income taxes totaled $3,298,000, $3,344,000, and $1,944,000 in 2006, 2005, and 2004 respectively. The decrease in the effective tax rate for 2006 is due primarily to the tax exempt life insurance proceeds of $625,000 received in 2006.

FINANCIAL CONDITION

SUMMARY OF CHANGES IN CONSOLIDATED BALANCE SHEETS

December 31, 2006 compared to December 31, 2005

The demand for our banking products has led to continued increases in loans and deposits during 2006. As of December 31, 2006, total assets were $500,059,000, an increase of 3.39%, or $16,382,000, compared to $483,677,000 as of December 31, 2005. Total gross loans increased 6.91%, or $20,860,000, to $322,662,000 as of December 31, 2006 compared to $301,802,000 as of December 31, 2005. Total deposits increased 2.24%, or $9,638,000, to $440,627,000 as of December 31, 2006 compared to $430,989,000 as of December 31, 2005. Shareholders' equity increased 19.88%, or $8,255,000, to $49,778,000 as of December 31, 2006 compared to $41,523,000 as of December 31, 2005.

INVESTMENTS

Our investment portfolio consists primarily of agency securities, mortgage backed securities, municipal securities, and overnight investments in the Federal funds market and are all classified as available-for-sale. As of December 31, 2006, investment securities with a fair value of $35,612,000 were held as collateral for public funds, treasury, tax, and for other purposes. Our investment policies are established by the Board of Directors and implemented by our Investment/Asset Liability Committee. They are designed primarily to provide and maintain liquidity, to enable us to meet our pledging requirements for public money and borrowing arrangements, to generate a favorable return on investments without incurring undue interest rate and credit risk, and to complement our lending activities.

The volume of our investment portfolio is generally considered higher than our peers due mostly to our relatively low loan to deposit ratio. Our loan to deposit ratio at December 31, 2006 was 73.2% compared to 70.0% at December 31, 2005. The loan to deposit ratio of our peers was 92.61% at September 30, 2006. The total investment portfolio decreased 5.78% from $136,340,000 at December 31, 2005 to $128,463,000 at December 31, 2006 as a portion of the portfolio was used to provide liquidity to fund loan growth during 2006. The market value of the portfolio reflected an unrealized loss of $195,000 at December 31, 2006 compared to an unrealized loss of $845,000 at December 31, 2005.

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.

See Note 3 to the Company's audited Consolidated Financial Statements for carrying values and estimated fair values of our investment securities portfolio.

LOANS

Total gross loans have increased to $322,662,000 as of December 31, 2006 compared to $301,802,000 as of December 31, 2005.

The following table sets forth information concerning the composition of our loan portfolio at the dates indicated:

Loan Type (Dollars in thousands)	December 31, 2006	% of Total Loans	December 31, 2005	% of Total Loans
Commercial & industrial	$ 78,441	24.2%	$ 82,978	27.5%
Real estate	149,586	46.3%	124,043	41.0%
Real estate - construction, land development and other land loans	48,424	15.0%	46,523	15.4%
Equity lines of credit	21,858	6.8%	23,604	7.8%
Agricultural	17,102	5.3%	17,547	5.8%
Consumer & installment	7,549	2.3%	7,539	2.5%
Other	454	0.1%	160	0.0%
	323,414	100%	302,394	100%
Deferred loan fees, net	(752)		(592)	
Total loans	$ 322,662		$ 301,802	

As of December 31, 2006, a concentration of loans existed in loans collateralized by real estate (real estate, real estate construction, land development and other land loans, and equity lines of credit) comprising 67.98% of total loans. This level of concentration is consistent with December 31, 2005. Although management believes the loans within this concentration 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 our primary market areas, in particular, could have an adverse impact on collectibility, increase the level of real estate-related non-performing loans, or have other adverse effects which alone or in the aggregate could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

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

Non-performing Assets - Non-performing assets consist of non-performing loans, other real estate owned ("OREO"), and repossessed assets. Non-performing loans are those loans which have (i) been placed on non-accrual status, (ii) been subject to troubled debt restructuring, (iii) been classified as doubtful under our asset classification system, or (iv) become contractually past due 90 days or more with respect to principal or interest and have not been restructured or otherwise placed on non-accrual status. 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, 2006 and 2005, we had no OREO, repossessed assets or restructured loans. At December 31, 2006, we had no non-accrual loans compared to two non-accrual loans totaling $616,000 at December 31, 2005.

A summary of non-accrual, restructured, and past due loans at December 31, 2006 and 2005 is set forth below. The Company had no restructured loans and no accruing loans past due more than 90 days at December 31, 2006 and 2005. Management is not aware of any potential problem loans, which were current and accruing at December 31, 2006, where serious doubt exists as to the ability of the borrower to comply with the present repayment terms. 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, 2006	December 31, 2005
Non-accrual loans		
Commercial & industrial loans	$ -	$ 25
Real Estate	-	591
Total non-accrual	-	616
Accruing loans past due 90 days or more	-	-
Restructured loans	-	-
Total non-performing loans	$ -	$ 616
Non-performing loans to total loans	0.0%	0.20%
Ratio of non-performing loans to allowance for credit losses	0.0%	18.5%
Loans considered to be impaired	$ -	$ 616
Related allowance for credit losses on impaired loans	$ -	$ -

We measure our impaired loans by using the fair value of the collateral if the loan is collateral-dependent and the present value of the expected future cash flows discounted at the loan's effective interest rate if the loan is not collateral-dependent. As of December 31, 2006, we had no impaired loans. We place loans on non-accrual status that are delinquent 90 days or more or when a reasonable doubt exists as to the collectibility of interest and principal. Management maintains certain loans that have been brought current by the borrower (less than 30 days delinquent) on non-accrual status until such time as management has determined that the loans are likely to remain current in future periods.

Classified Assets - From time to time, management has reason to believe that certain borrowers may not be able to repay their loans within the parameters of the present repayment terms, even though, in some cases, the loans are current at the time. These loans are graded in the classified loan grades of "substandard," "doubtful," or "loss" and include non-performing loans. Each classified loan is monitored monthly.

LOANS (Continued)

Allowance for Credit Losses - We have established a methodology for the determination of the allowance for credit losses. The methodology is set forth in a formal policy and takes into consideration the need for an overall allowance for credit losses as well as specific allowances that are tied to individual loans. Our methodology for assessing the appropriateness of the allowance consists of several key elements, which include the formula allowance and a specific allowance for identified problem loans.

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

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

The allowance for credit losses is an estimate of the losses that may be sustained in our loan and lease portfolio. The allowance is based on two principles of accounting: (1) Statement of Financial Accounting Standards (SFAS) No. 5, "Accounting for Contingencies," which requires that losses be accrued when they are probable of occurring and estimable; and (2) SFAS No. 114, "Accounting by Creditors for Impairment of a Loan" and SFAS No. 118, "Accounting by Creditors for Impairment of a Loan—Income Recognition and Disclosures," which requires that losses be accrued based on the differences between the value of collateral, present value of future cash flows or values that are observable in the secondary market and the loan balance.

Credit Administration adheres to an internal asset review system and loss allowance methodology designed to provide for timely recognition of problem assets and adequate valuation allowances to cover expected asset losses. The Bank's asset monitoring process includes the use of asset classifications to segregate the assets, largely loans and real estate, into various risk categories. The Bank uses the various asset classifications as a means of measuring risk and determining the adequacy of valuation allowances by using a nine-grade system to classify assets. All credit facilities exceeding 90 days of delinquency require classification.

The allowance for credit losses has seven components: the general valuation allowance, criticized and classified allowance, the specific valuation allowance, large borrower risk allowance, pool loan allowance, qualitative ("Q") factor allowance and the model risk allowance. Each of these components is determined based upon estimates that can and do change when the actual events occur.

- General valuation allowances ("GVA"): This element relates to assets with no well-defined deficiency or weakness (i.e. assets classified pass) and takes into consideration losses that are imbedded within the portfolio but have not yet been recognized. Generally, borrowers are impacted by events well in advance of a lender's knowledge that may ultimately result in loan default and eventual loss. An example of such a loss-causing event would be the loss of a major tenant in the case of commercial real estate loan. General valuation allowances are determined through consideration of past loss experience.

- GVA is calculated by applying loss factors to outstanding loans, in each case based on the internal risk grade of pass of such loans and commercial leases. Changes in risk grades affect the amount of the allowance. Loss factors are based on our historical loss experience and may be adjusted for significant factors that, in management's judgment, affect the collectibility of the portfolio as of the evaluation date. The calculated reserve has a minimum seventy basis points of total GVA loan types, or expected net charge offs based on historical data, which ever is higher.

  - ➢ Loss factors are developed in the following ways:
    - pass graded loss factors for commercial, financial, and industrial loans along with real estate construction (participated, commercial or consumer) derive from a migration model that tracks historical losses over a period (usually the last thirty six calendar months) which we believe captures the inherent losses in our loan portfolio;
    - pass graded loss factors for commercial real estate loans are based on the average annual net charge-off rate over a period reflective of a full economic cycle (usually the past eighty-four months).

We believe that an economic cycle is a period in which both upturns and downturns in the economy have been reflected.

- Criticized and classified allowance ("CCA"): At the time of credit analysis and risk determination, credits, which have been determined to contain a weakness higher than management's overall risk appetite, are graded as criticized or classified. Once validated that the credit is not impaired, a risk of loss is calculated and applied. In addition, determination of commitments outstanding on classified loans is determined.

  - ➢ The CCA identifies credits that have a risk level of special mention or worse, however not inclusive of Impaired Assets. The calculation uses the credit's expected default frequency ("EDF") as estimated by Moody's risk for private companies. In each case use of the loan maturity defines if the one or five year default component is employed. Default is defined by Moody's as a statistical probability that the credit will either miss or delay interest and/or principal payment, bankruptcy or receivership will occur, or exchange security where the exchange has the apparent purpose of helping the borrower avoid default. If the EDF has not been calculated, the Bank maintains an allocation equal to the sum of:

    100% of those loans classified loss
    50% of those loans classified doubtful
    15% of those loans classified substandard
    5% of those loans classified special mention

- Pool loan allowance ("PLA"): Our residential and consumer loans and leases are relatively homogeneous with no single loan individually significant in terms of its size or potential risk of loss. Therefore, we review our residential and consumer portfolios by analyzing their performance as a pool of loans. Generally, borrowers become impacted by events well in advance of a lender's knowledge that may ultimately result in loan default and eventual loss. Examples of such loss-causing events would be borrower job loss, divorce or medical crisis in the case of single family residential and consumer loans. The calculated reserve has a minimum one hundred basis points of total PLA loan types, or expected net charge offs based on historical data, which ever is higher. Risk grade is not a component of this computation.

  - ➢ Loss factors are developed in the following ways:
    - Pooled loan loss factors (not individually graded loans) are based on expected net charge-offs for one year, based on historical loss data. Pooled loans are loans that are homogeneous in nature, such as consumer installment, home equity, residential mortgage loans, credit cards, and consumer leases.

- Large borrower risk allowance ("LBA"): We have a number of borrowers with large loan balances which may create an additional risk if one or two of these borrowers were to unexpectedly default. Therefore an additional allowance for this risk is analyzed and applied.

LOANS (Continued)

- LBA identifies those credits with outstanding balances exceeding the house lending limit. The calculated reserve has a minimum of, the greater of, fifty basis points of total LBA, or the expected net charge offs based on historical data.

- Q factor allowances ("QFA"): The methodology applied in all other allowance sections does not account for both quantitative and qualitative factors and documentation. Any methodology falls subject to some uncertainties. All loans and commercial leases contain, in management's judgment, factors where loss recognition exists due to effects of the national and local economies, trends in nature and volume, changes in mix, consumer credit score migration, loan administration, concentrations, changes in internal lending policies, and collection practices to mention just a few.

- QFA is subjective by definition. The factors reflect management's overall estimate of the additional rate of loss over the next four quarters that differ from either the historical loss experience or other valuations. The factors ever evolve and expectation of change from quarter to quarter is expected, both in inclusion and in value. As multiple factors exist which may be evaluated in connection with this allowance, topics noted below are examples only:

  - general economic and business conditions affecting our key lending areas;
  - credit quality trends (including trends in nonperforming loans expected to result from existing conditions);
  - collateral values;
  - loan volumes and concentrations;
  - seasoning of the loan portfolio;
  - specific industry conditions within portfolio segments;
  - recent loss experience in particular segments of the portfolio;
  - duration of the current economic cycle;
  - government regulation;
  - bank regulatory examination results; and
  - findings of our internal and external credit reviewers.

- Each factor is calculated on a scale of negative four to positive four, with the latter having the greatest risk level. Zero, results in no increase or decrease to the required reserve level as computed in this section.

Model risk allowance ("MRA"): The allowance methodologies noted above are by definition imprecise. Any methodology is subject to some uncertainties. Estimating future losses inherent in a loan portfolio will vary with each method. Therefore, management applies a model risk component to determine a loss provision. This allowance is also used to reserve for potential losses which might occur through customer overdrafts, and to establish a minimum floor by which the provision for credit loss would not decline below one percent of total gross loans.

The following table sets forth information regarding our allowance for credit losses at the dates and for the periods indicated:

(Dollars in thousands)	For the Years Ending December 31, 2006	2005
Balance, beginning of the year	$ 3,339	$ 2,697
Addition from merger with BMC	-	751
Provision charged to operations	800	510
Losses charged to the allowance	(721)	(787)
Recoveries on loans previously charged off	391	168
Balance, end of year	$ 3,809	$ 3,339
Ratio of non-performing loans to allowance for credit losses	0.0%	18.50%
Allowance for credit losses to total loans	1.18%	1.11%

As of December 31, 2006 the balance in the allowance for credit losses was $3,809,000 compared to $3,339,000 as of December 31, 2005. The increase resulted from the additional provision of $800,000, partially offset by the net charge-offs totaling $330,000. The balance of commitments to extend credit on undisbursed construction and other loans and letters of credit was $134,549,000 as of December 31, 2006 compared to $133,956,000 as of December 31, 2005. Risks and uncertainties exist in all lending transactions, and even though there have historically been no charge offs on construction and other loans that have not been fully disbursed, our management and Directors' Loan Committee have established reserve levels on disbursed loans based on historical losses as well as economic uncertainties and other risks that exist as of each reporting period.

As of December 31, 2006 the allowance was 1.18% of total gross loans compared to 1.11% as of December 31, 2005. Assumptions regarding the collateral value of various under performing loans may affect the level and allocation of the allowance for credit losses in future periods. The allowance may also be affected by trends in the amount of charge offs experienced or expected trends within different loan portfolios. There were no non-performing loans as of December 31, 2006. The allowance for credit losses as a percentage of non-performing loans was 542% as of December 31, 2005. Management believes the allowance at December 31, 2006 is adequate based upon its ongoing analysis of the loan portfolio, historical loss trends and other factors. However, no assurance can be given that the Company may not sustain charge-offs which are in excess of the allowance in any given period.

DEPOSITS AND BORROWINGS

Total deposits increased $9,638,000 or 2.24% to $440,627,000 as of December 31, 2006 compared to $430,989,000 as of December 31, 2005. Interest bearing deposits increased $12,460,000 or 4.48% to $290,445,000 as of December 31, 2006 compared to $277,985,000 as of December 31, 2005. Non-interest bearing deposits decreased $2,822,000 or 1.84% to $150,182,000 as of December 31, 2006 compared to $153,004,000 as of December 31, 2005. During 2006 deposit growth was difficult to achieve; however, we were able to achieve positive growth in part due to the opening of two new retail banking offices.

The composition of the deposits and average interest rates paid at December 31, 2006 and 2005 is summarized in the table below.

	December 31, 2006			December 31, 2005		
	Dollars	Percent of Total Deposits	Effective Rate	Dollars	Percent of Total Deposit	Effective Rate
	(Dollars in thousands)					
NOW accounts	$ 56,177	12.8%	0.10%	$ 56,991	13.2%	0.10%
MMA accounts	109,069	24.7%	2.34%	108,024	25.1%	1.35%
Time deposits	104,170	23.6%	3.65%	88,581	20.5%	2.55%
Savings deposits	21,029	4.8%	0.45%	24,389	5.7%	0.34%
Total Interest-bearing	290,445	65.9%	2.20%	277,985	64.5%	1.37%
Non-interest bearing	150,182	34.1%		153,004	35.5%	
Total deposits	$440,627	100.0%		$430,989	100.0%	

Short-term borrowings totaled $3,250,000 as of December 31, 2006 compared to $3,250,000 as of December 31, 2005. Short-term borrowings include $1,250,000 in principal payments coming due in 2007 on the loan with a major bank (described below) and $2,000,000 in FHLB advances maturing in the next twelve months. We maintain a line of credit with the FHLB collateralized by government securities. Refer to Liquidity below for further discussion of FHLB advances.

There was no long-term debt as of December 31, 2006 and $3,250,000 in long-term debt as of December 31, 2005.

On December 17, 2004, the Company entered into a non-revolving loan agreement with a major bank under which the Company borrowed $2,500,000 and contributed $2,000,000 of additional capital to the Bank. The loan bears interest indexed to prime or LIBOR, at the Company's election. The outstanding balance at December 31, 2006 was $1,250,000. The purpose of the borrowing was to ensure

DEPOSITS AND BORROWINGS (Continued)

the Bank's capital ratios remain at or above well capitalized after the effective date of the merger with BMC. Refer to Note 7 to the audited Consolidated Financial Statements.

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.

Our stockholders' equity increased to $49,778,000 as of December 31, 2006 compared to $41,523,000 as of December 31, 2005. The increase in stockholders' equity is primarily a result of net income of $6,911,000 for 2006 and proceeds from the exercise of stock options.

During October 2006, the Bank declared and paid a cash dividend to the Company of $1,000,000 in connection with a stock repurchase agreement approved by the Company's Board of Directors. During the period the Company's borrowings remains outstanding, which is expected to be until December 2007, the Bank does not anticipate paying any additional dividends to the Company except for dividends that are necessary to meet the ordinary and usual operating expenses of the Company. The Bank would not pay any dividend that would cause it to be deemed not "well capitalized" under applicable banking laws and regulations.

Management considers capital requirements as part of its strategic planning process. The strategic plan calls for continuing increases in assets and liabilities, and the capital required may therefore be in excess of retained earnings. The ability to obtain capital is dependent upon the capital markets as well as our performance. Management regularly evaluates sources of capital and the timing required to meet its strategic objectives. The following table presents the Company's and the Bank's capital ratios as of December 31, 2006 and 2005.

	2006		2005	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
Tier 1 Leverage Ratio				
Central Valley Community Bancorp and Subsidiary	$ 39,864	8.41%	$ 31,767	6.84%
Minimum regulatory requirement	$ 18,967	4.00%	$ 18,572	4.00%
Central Valley Community Bank	$ 39,045	8.24%	$ 32,493	7.00%
Minimum requirement for "Well-Capitalized" institution	$ 23,703	5.00%	$ 23,204	5.00%
Minimum regulatory requirement	$ 18,963	4.00%	$ 18,563	4.00%
Tier 1 Risk-Based Capital Ratio				
Central Valley Community Bancorp and Subsidiary	$ 39,864	10.97%	$ 31,767	9.26%
Minimum regulatory requirement	$ 14,536	4.00%	$ 13,719	4.00%
Central Valley Community Bank	$ 39,045	10.72%	$ 32,493	9.48%
Minimum requirement for "Well-Capitalized" institution	$ 21,852	6.00%	$ 20,572	6.00%
Minimum regulatory requirement	$ 14,568	4.00%	$ 13,715	4.00%
Total Risk-Based Capital Ratio				
Central Valley Community Bancorp and Subsidiary	$ 43,673	12.02%	$ 35,106	10.24%
Minimum regulatory requirement	$ 29,073	8.00%	$ 27,437	8.00%
Central Valley Community Bank	$ 42,854	11.77%	$ 35,832	10.45%
Minimum requirement for "Well-Capitalized" institution	$ 36,419	10.00%	$ 34,287	10.00%
Minimum regulatory requirement	$ 29,135	8.00%	$ 27,429	8.00%

LIQUIDITY

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

Our primary sources of liquidity are derived from financing activities which include the acceptance of customer and, to a lesser extent, broker deposits, federal funds facilities and advances from the Federal Home Loan Bank of San Francisco. These funding sources are augmented by payments of principal and interest on loans, the routine maturities and paydowns of securities from the securities portfolio, the stability of our core deposits and the ability to sell investment securities. Primary uses of funds include withdrawal of and interest payments on deposits, origination and purchases of loans, purchases of investment securities, and payment of operating expenses.

As a means of augmenting our liquidity, we have established Federal funds lines with correspondent banks. At December 31, 2006 our available borrowing capacity includes approximately $18,000,000 in Federal funds lines with our correspondent banks and $14,334,000 in unused FHLB advances. We believe our liquidity sources to be stable and adequate. At December 31, 2006, we were not aware of any information that was reasonably likely to have a material effect on our liquidity position.

The following table reflects the Company's credit lines, balances outstanding, and pledged collateral at December 31, 2006 and 2005:

Credit Lines (In thousands)	December 31, 2006	Balance Outstanding at December 31, 2006	December 31, 2005	Balance Outstanding at December 31, 2005
Unsecured Credit Lines (interest rate varies with market)	$ 18,000	$ -	$ 14,100	$ -
Federal Home Loan Bank (interest rate at prevailing interest rate)	Collateral pledged $ 16,848		Collateral pledged $ 6,680	
	Fair Value of Collateral $ 16,758	$ 2,000	Fair Value of Collateral $ 6,598	$ 4,000
Federal Reserve Bank (interest rate at prevailing discount interest rate)	Collateral pledged $ 2,271		Collateral pledged $ 3,350	
	Fair Value of Collateral $ 2,200	$ -	Fair Value of Collateral $ 3,252	$ -

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

OFF-BALANCE SHEET ITEMS

In the ordinary course of business, the Company is a party to financial instruments with off-balance sheet risk. These financial instruments include commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received. The balance of commitments to extend credit on undisbursed construction and other loans and letters of credit was $134,549,000 as of December 31, 2006 compared to $133,956,000 as of December 31, 2005. For a more detailed discussion of these financial instruments, see Note 10 to the audited Consolidated Financial Statements.

OFF-BALANCE SHEET ITEMS (Continued)

In the ordinary course of business, the Company is party to various operating leases. For a more detailed discussion of these financial instruments, see Note 10 to the audited Consolidated Financial Statements.

CONTRACTUAL OBLIGATIONS

The following summarizes the Company's long-term contractual obligations at December 31, 2006:

(In thousands)	Less than 1 year	1-3 years	3-5 years	Therafter	Total
Time deposits	$ 93,946	$ 8,186	$ 2,038	$ -	$ 104,170
FHLB Advances	2,000	-	-	-	2,000
Other long-term debt	1,250	-	-	-	1,250
Deferred Compensation Liability (1)	1,355	61	-	-	1,416
Salary Continuation Liability (1)	566	292	275	1,152	2,285
Obligations reflected on Consolidated Balance Sheet	$ 99,117	$ 8,539	$ 2,313	$ 1,152	$ 111,121
Operating lease obligations	$ 933	$ 2,091	$ 1,870	$ 8,506	$ 13,400
Obligations not reflected on Consolidated Balance Sheet	$ 933	$ 2,091	$ 1,870	$ 8,506	$ 13,400

(1) These amounts represent the current accrual for payments to participants under the Company's deferred compensation and salary continuation plans. See Note 13 to the audited Consolidated Financial Statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

We realize income principally from the differential or spread between the interest earned on loans, investments, other interest-earning assets and the interest incurred on deposits and borrowings. The volumes and yields on loans, deposits and borrowings are affected by market interest rates. As of December 31, 2006, 89% of our loan portfolio was tied to adjustable-rate indices. The majority of these adjustable-rate loans are tied to prime and reprice within 90 days. The majority of our time deposits have a fixed rate of interest. As of December 31, 2006, 90.2% of our time deposits mature within one year or less. As of December 31, 2006, $2,000,000 of our short term debt was fixed rate which matures on February 12, 2007, and $1,250,000 of short-term debt which reprices on a quarterly basis.

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

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

The ALCO seeks to stabilize our NII by matching rate-sensitive assets and liabilities through maintaining the maturity and repricing of these assets and liabilities at appropriate levels given the interest rate environment. When the amount of rate-sensitive liabilities exceeds rate-sensitive assets within specified time periods, NII generally will be negatively impacted by an increasing interest rate environment and positively impacted by a decreasing interest rate environment. Conversely, when the amount of rate-sensitive assets exceeds the amount of rate-sensitive liabilities within specified time periods, net interest income will generally be positively impacted by an increasing interest rate environment and negatively impacted by a decreasing interest rate environment. The speed and velocity of the repricing of assets and liabilities will also contribute to the effects on our NII, as will the presence or absence of periodic and lifetime interest rate caps and floors.

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

Interest rate simulations provide us with an estimate of both the dollar amount and percentage change in NII under various rate scenarios. All assets and liabilities are normally subjected to up to 300 basis point increases and decreases in interest rates in 100 basis point increments. Under each interest rate scenario, we project our net interest income. From these results, we can then develop alternatives in dealing with the tolerance thresholds.

Approximately 88% of our loan portfolio is tied to adjustable rate indices and 53% of our loan portfolio reprices within 90 days. As of December 31, 2006, we had 95 commercial and real estate loans totaling $44,481,000 with floors ranging from 1% to 8% and ceilings ranging from 9% to 25%. In the current rate environment, the number of loans affected by floors and ceilings is minimal.

The following table shows the effects of changes in projected net interest income for the twelve months ending December 31, 2007 under the interest rate shock scenarios stated. The table was prepared as of December 31, 2006, at which time prime interest rate was 8.25%.

Sensitivity Analysis of Impact on Interest Income of Rate Changes

Hypothetical Change In Rates	Projected Net Interest Income	$ Change From Rates At Dec. 31, 2006	% Change From Rates At Dec. 31, 2006
(Dollars in thousands)			
UP 300 bp	$28,982	$2,981	11.47%
UP 200 bp	27,477	1,476	5.68%
UP 100 bp	26,240	239	0.92%
UNCHANGED	26,001	-	-
DOWN 100 bp	25,542	(459)	-1.76%
DOWN 200 bp	24,440	(1,561)	-6.00%
DOWN 300 bp	23,042	(2,959)	-11.38%

Assumptions are inherently uncertain, and, consequently, the model cannot precisely measure net interest income or precisely predict the impact of changes in interest rates on net interest income. Actual results will differ from simulated results due to timing, magnitude and frequency of interest rate changes, as well as changes in market conditions and management strategies which might moderate the negative consequences of interest rate deviations. In the model above, the simulation shows that the Company is neutral over the one-year horizon. If interest rates increase or decline, there will be similar positive and negative impact to net interest income.

There is no material change in our current market risk exposure from the market risk exposure we experienced in 2005. The outcome of the sensitivity Analysis conducted for 2005 was essentially the same as 2006.

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 in the audited Consolidated Financial Statements. Not all of the significant accounting policies presented in Note 1 of the audited consolidated financial statements require management to make difficult, subjective or complex judgments or estimates.

CRITICAL ACCOUNTING POLICIES (Continued)

Use of Estimates

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.

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

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

We follow 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 our current accounting policies involving significant management judgments.

Allowance for Credit Losses

Our 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 our 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 our management's best estimate of the losses inherent in our 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

We invest in Collateralized Mortgage Obligations ("CMO") and Mortgage Backed Securities, ("MBS") as part of the overall strategy to increase our 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 our net interest income. Our 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.

Goodwill

Business combinations involving the Company's acquisition of the equity interests or net assets of another enterprise or the assumption of net liabilities in an acquisition of branches constituting a business may give rise to goodwill. Goodwill represents the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed in transactions accounted for under the purchase method of accounting. The value of goodwill is ultimately derived from the Company's ability to generate net earnings after the acquisition. A decline in net earnings could be indicative of a decline in the fair value of goodwill and result in impairment. For that reason, goodwill is assessed for impairment at a reporting unit level at least annually. While the Company believes all assumptions utilized in its assessment of goodwill for impairment are reasonable and appropriate, changes could cause the Company to record impairment in the future.

Share-Based Compensation

Under SFAS No.123(R), "Share Based Payment" compensation expense is recognized for options granted prior to the adoption date in an amount equal to the fair value of the unvested amounts over their remaining vesting period, based on the grant date fair value estimated in accordance with SFAS No. 123, "Accounting for Stock Based Compensation" and compensation expense for all share based payments granted after adoption based on the grant date fair values estimated in accordance with SFAS No. 123(R) . The estimates of the grant date fair values are based on an option pricing model that uses assumptions based on the expected option life, the level of estimated forfeitures, expected stock volatility and the risk-free interest rate. The calculation of the fair value of share based payments is by nature inexact, and represents management's best estimate of the grant date fair value of the share based payments. See Note 1 to the audited Consolidated Financial Statements.

INFLATION

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

At December 31, 2006, we do not believe that inflation will have a material impact on our consolidated financial position or results of operations. However, if inflation concerns cause short term rates to rise in the near future, we may benefit by immediate repricing of a majority of our loan portfolio. Refer to Market Risk for further discussion.

Stock Price Information

Exceptional Employees

Stock Price Information

The Company's common stock is listed for trading on the NASDAQ Capital Market under the ticker symbol CVCY. As of February 28, 2007 the Company had approximately 385 shareholders of record.

The following table shows the high and low sales prices for the common stock for each quarter as reported by NASDAQ. The prices have been adjusted to reflect a two-for-one stock split on October 31, 2005.

	Sales Prices for the Company's Common Stock	
Quarter Ended	Low	High
March 31, 2005	$ 11.25	$ 13.13
June 30, 2005	11.06	16.36
September 30, 2005	11.00	14.98
December 31, 2005	13.95	16.00
March 31, 2006	14.11	19.25
June 30, 2006	14.75	16.69
September 30, 2006	14.50	16.74
December 31, 2006	14.50	15.64

The Company did not pay any cash dividends in 2006 or 2005. The Company paid a $0.05 per share cash dividend in 2004.

Market Makers

Inquiries on Central Valley Community Bancorp stock can be made by calling Troy Norlander with Stone & Youngberg at (800) 288-2811, Jeffrey Mayer with Crowell, Weedon & Co. at (559) 375-7510, Joey Warmenhoven with Wedbush Morgan Securities at (800) 569-2138, or Dave Bonaccorso at Howe Barnes Hoefer & Arnett at (800) 346-5544 ext. 223. Central Valley Community Bancorp stock can also be purchased through any licensed stockbroker.

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, anonymously at www.ethicspoint.com or call Ethics Point, Inc. at (866) 294-9588.

General inquiries about the Company or the Bank should be directed to Cathy Ponte, Assistant Corporate Secretary at (800) 298-1775.

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 2006 Circle of Elite included:

Shelle Abbott
Vice President, Branch Manager

Jenhi Ciapponi
Commercial Loan Support Officer

Candy Epperson
Loan Servicing Representative

Lynne Greenlee
Commercial Loan Support Officer

Rona Melkus
Vice President, Controller

Cathy Ponte
Executive Administrative Assistant

Karen Schaaf
Personal Banker

Jeannine Welton
Vice President, Branch Manager

Christian Yanez-Burbano
Financial Service Representative

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

Jacquie Ashjian
Vice President,
Credit Administration

Jan Bowman
Vice President,
Branch Support Manager

Cyndi Carmichael
Vice President,
Compliance Officer

Vicki Casares
Vice President,
Branch Manager

Cathy Chatoian
Vice President,
Sales Manager/Cash Management

Terry Crawford
Vice President,
Commercial Loan Officer

Stan Davis
Vice President,
Commercial Loan Officer

Daniel Demmers
Vice President,
Manager, Information Services

Ken Dodderer
Vice President,
Commercial Loan Officer

Steve Freeland
Vice President,
Special Assets Officer

Rod Geist
Vice President,
Branch Manager

Barbara Gillmore
Vice President,
Human Resources Director

Deby Greco
Vice President,
Private Banking Officer

Diane Hamp
Vice President,
Loan Servicing Manager

Tim Harris
Vice President,
Private Banking Manager

Charles Jones
Vice President,
Branch Manager

Bernie Kraus
Vice President,
Commercial Loan Officer

Rona Melkus
Vice President,
Controller

Don Mendenhall
Vice President,
Commercial Loan Officer

Sheryl Michael
Vice President,
Branch Manager

Frank Oliver
Vice President,
Commercial Loan Officer

Jean Ornelas
Vice President,
Real Estate Construction
Loan Officer

Jeff Pace
Vice President,
Manager Real Estate Division

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

Robert Walker
Vice President,
Commercial Loan Officer

Jeannine Welton
Vice President,
Branch Manager

Jennette Williams
Vice President,
Business Development Officer

Carol Worstein
Vice President,
Branch Manager

Our Mission

As a Full Service Bank We Are Committed To:

Providing the full range of financial products and services required by our customers

Contributing to the quality of life throughout the Central Valley communities we serve

Providing superior customer service to be delivered in a highly professional, but very personal, manner that promotes trust and confidence

Maintain a positive work environment for our team members

Continuing to maximize shareholder value

Being the Best we can be!

Core Values

Leadership
Integrity
Loyalty
Caring
Teamwork
Trustworthiness

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

David A. Kinross
Senior Vice President, Chief Financial Officer

Thomas L. Sommer
Senior Vice President, Credit Administrator

Board of Directors

A Continued Commitment To Success

Central Valley Community Bank owes much of its strength, growth and success to a board of directors that has long demonstrated solid commitment and skilled leadership. Like the Bank itself, these individuals are involved in the communities we serve, and care deeply about making it a better place to live, work and raise families. Each member of the board personifies the Bank's core values of integrity, trustworthiness, caring, loyalty, leadership and teamwork, forming a foundation upon which Central Valley Community Bank can continue to grow and prosper.

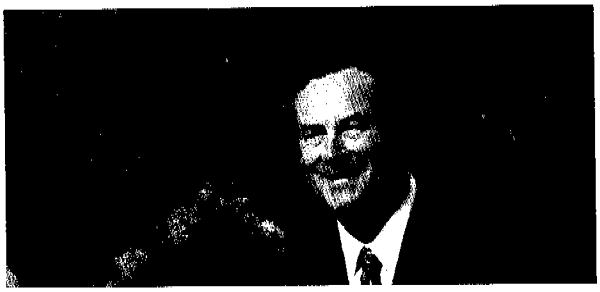
Daniel N. Cunningham
Chairman of the Board
Director, Quinn Group, Inc.

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

Board of Directors



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

Notes