

2007 Annual Report

Unchanged in all the right ways.

With each passing year, Central Valley Community Bank becomes more deeply rooted in the communities we serve, supporting our region

with a level of integrity and dependability unmatched by other banks. Since the day we opened in 1980, Central Valley Community Bank remains the only bank in Fresno and Madera counties that is unchanged in all the right ways. While other banks have been closed, acquired or merged with out-of-market institutions, only Central Valley Community Bank remains independent and locally headquartered. That's important, because it enables us to invest in the communities we call home, helping local businesses grow and keeping our economy strong. Thank you for another fulfilling year for Central Valley Community Bank...a year in which we continued to put our unchanging values to work throughout our community.

Community Partnerships

Ag Lenders Society of California
Alzheimer's Foundation of Central California

American Cancer Society

American Red Cross

Arte Américas

Boys & Girls Clubs of Fresno County

Buchanan High School

Business Organization of Old Town Clovis

California Armenian Home

California State University, Fresno Craig School of Business

California State University, Fresno Foundation

California State University, Fresno Maddy Institute

California Women Lawyers

Camp Sunshine Dreams

Cen Cal Business Finance Group

Center for Advanced Research & Technology (CART)

Central California Public Service Broadcasters

Central Valley Business Incubator

Children's Hospital Central California
Los Rancheros Guild

City of Kerman Police Department

Clovis Botanical Garden

Clovis Community Foundation

Clovis Elks Lodge No. 2599

Clovis Exchange Club

Clovis District Chamber of Commerce

Clovis Lions Club

Clovis Police Activities League

Clovis Rockets Softball Club

Clovis Rodeo Association

Council of Fresno County Governments

Court Appointed Special Advocates of Fresno & Madera Counties

Court Appointed Special Advocates of Stanislaus County

Cynthia Miller-Kelton Memorial Fund

Destination ImagiNation

Doug McDonald Scholarship

Economic Development Corporation

Family Self-Sufficiency Corp

Foundation for Clovis Schools

Fresno Area Crime Stoppers

Fresno Art Museum

Fresno Builders Exchange

Fresno City & County Historical Society

Fresno County 4-H Club

Fresno County Community Food Bank

Fresno County Sheriff's Department

Fresno Metropolitan Museum of Art

Fresno Pacific University

Fresno Regional Foundation

Fresno Rescue Mission

Fresno Sunrise Rotary

Fresno West Coalition for Economic Development

Greater Fresno Area Chamber of Commerce

Habitat for Humanity Fresno County

Hinds Hospice

Kerman 4H Club

Kerman All Stars League

Kerman Cal Ripken Baseball League

Kerman Chamber of Commerce

Kerman Christian School

Kerman High School

Kerman Swim Club - Kerman Kickers

Latin Business Association Foundation

Leukemia & Lymphoma Society

Madera County Association of Realtors

Madera Breakfast Lions

Madera Community Hospital Foundation

Madera County Ag Boosters

Madera County Farm Bureau

Madera High School

Madera Sunrise Rotary

Marjaree Mason Center

Muscular Dystrophy Association

Oakhurst Chamber of Commerce

Oakhurst Community Association

One by One Leadership

Poverello House

Risk Management Association

Central Valley Chapter

Rotary Club of Fresno

Rotary Club of Madera

Rotary Club of Oakhurst Sierra

Sacramento Agency For Hearing

San Joaquin Gardens

Sequoia Council of the Boy Scouts of America

Shaver Lake Chamber of Commerce

Sierra High School

Sierra Oaks Senior Citizens Association

Soroptimist International of Kerman

Spirit of Women

Sunnyside High School

The Bulldog Foundation

The Discovery Center

The Fresno Bee - Newspapers In Education

The Pop Laval Foundation

Tranquility High School

Tree Fresno

United Way of Fresno County

United Way of Sacramento

United Way of Stanislaus County

Yosemite High School



To Our Shareholders

High Achievements Despite Hard Challenges

In 2007, Central Valley Community Bank and our holding company, Central Valley Community Bancorp, achieved the second highest earnings in our history. This was accomplished by maintaining strength in our asset quality, liquidity and net interest margin. But a year of challenges for the banking and financial services sector resulted in a disappointing decline in the Company's stock price.

Committed To Shareholder Value

Company earnings for 2007 declined slightly when compared to 2006, which included a one-time \$625,000 addition to earnings from the life insurance proceeds of a former bank executive. Adjusting for that item, 2007 earnings would have been equal to the record earnings of 2006. While the Company's stock price enjoyed solid increases for four straight years, growth became flat in 2006 and declined in 2007 – mirroring the results throughout the SmallCap Financial sector. The Company continued its stock repurchase program and reinstated cash dividends in 2007 as ways of rewarding shareholders and utilizing excess capital from earnings. As we move forward, the Company will continue to look for ways to maximize shareholder value and utilize excess capital, balanced with maintaining strong capital and growth opportunities.

Another Year Of Growth & Accolades

Central Valley Community Bank was honored as one of the top three large firms to work for in the 2007 Best Companies To Work For In Central California competition, and was the only financial services organization to achieve this distinction. In 2006, the Bank opened three new offices, and continued that growth in 2007 by opening a Loan Production office in Modesto, relocating the Kerman office to a new expanded facility, and beginning construction of a new facility in Clovis to relocate the Herndon & Fowler In-Store office. Other than the completed relocation of the Herndon & Fowler office, no new offices are anticipated for 2008, allowing the Bank to focus on the growth and benefits of recent expansions. Along with the new facilities, we added experienced employees to our team to foster our outstanding levels of customer service.

Helping Our Products & Services Keep Pace

The Bank is always looking for ways to enhance and improve the products and services we provide to our customers in today's highly competitive financial services market. In 2007, we were able to grow average loans 9% while total average non-interest deposit accounts grew by 2% and total average deposits grew by 1%. Although total average deposits did not meet our desired growth, we did expand

our market share in deposits. And we introduced several new products and services in order to remain competitive and enhance non-interest income. Among these were the launch of a full range of Health Savings Accounts to meet the needs of our customers; the addition of Central Valley Community Insurance Services, LLC to be able to provide health, commercial property and casualty insurance; the licensing of Personal Bankers to provide non-FDIC insured products to complement our strategic partnership with Investment Centers of America; and the addition of Remote Deposit services for our business customers. In 2008, branch computer systems will be upgraded to provide increased efficiency and an enhanced sales platform, plus Branch Remote Capture will be implemented in all of our offices. These improvements, along with expansion of our internet-based services, will help the Bank take advantage of today's ever-changing technology while protecting the privacy and security of our customers.

No Portfolio Impact From Slowing Local Economy

The San Joaquin Valley's economy has enjoyed several years of job growth following decades of double-digit unemployment. However, 50% of this job growth has been in construction and real estate related sectors, resulting in an increase in unemployment due to the slowing of these sectors. While the market is reporting higher rates of foreclosure in single family homes, our Company has not seen a significant impact on our loan portfolio. Many of the foreclosures appear to have been out-of-area investors who financed homes with sub-prime loans with the hope of quickly selling them for a profit. We are proud to report that our Company did not participate in this type of financing and had no sub-prime exposure in loans or investments. While there are signs of a slowing residential housing market and a decline in values following four years of double-digit appreciation, we have not experienced significant impact on our asset quality of loans.

Strong Performance Despite Lower-Than-Anticipated Earnings

While earnings in 2007 did not meet established growth goals due to a flat and inverted yield curve combined with aggressive deposit pricing in the market, we were able to show quarter-over-quarter increases in Net Interest Margins with a respectable 5.74% for the year. The Company also achieved Return on Average Assets of 1.32%. Equally important to short and long-term earnings, the asset quality of loans and investments remained strong, with total net charge-offs to total loans of 0.12%, no other real estate owned and virtually no non-performing loans at December 31, 2007. The Return on Equity was 12.13%, as the Company's Capital increased from earnings and Capital Ratios exceeded the regulatory requirements of being a well-capitalized institution. The Company achieved all of this while utilizing \$3,302,000 of Capital for common stock repurchases and cash dividends.

Meanwhile, 2008 is shaping up to be another year of challenges, with the Federal Reserve decreasing rates 125 basis points in January along with the decline of 100 basis points in the fourth quarter of 2007. The declines will put pressure on the

Company's Net Interest Margin due to asset sensitivity, with loans re-pricing faster than interest bearing deposits. Along with the slowdown in the residential real estate market, we are beginning to see early signs of excess capacity in the commercial real estate market. We have managed the concentration risk of loans so that a high percentage of commercial real estate loans are owner-occupied, rather than investor-owned. The Company's Commercial/Industrial and Agribusiness customers appear to be handling the changes in the overall economy, and with rainfall and snow at above-average levels at this point in the year, there is good news for the Agriculture industry. We are well positioned to meet the challenges of the economy with our strong capital, high quality loans and investments, strength in core deposits (32% of which are non-interest bearing) and the strength of our experienced employees and established customer base.

Higher Market Share Despite Increased Competition

The Company was able to increase deposit market share in the Fresno Metropolitan Statistical Area from 3.86% to 4.09%, despite the competitive deposit pricing and the growth of banking offices in the region, which increased from 143 to 152 offices over the past two years. The addition of two new de novo banks and out-of-area banks with branches in our market has created competitive pressure for loans and deposits, as well as human resources. The California banking industry experienced an employee turnover rate of 25% in 2007 compared to our Company's rate of just 15%, which was primarily in entry-level positions.

Planning For Strong Performance & Value In 2008

As we enter our 28th year of unchanged values, vision and community commitment, we thank our shareholders for your continued support and loyalty. Because of the ongoing trust you have placed in Central Valley Community Bancorp, we continue to be the only bank that has remained independent and locally headquartered in our core markets since 1980. You can count on Central Valley Community Bancorp to maintain focus on providing long-term shareholder value, while demonstrating our core values of integrity, teamwork and trustworthiness in meeting the needs of our customers, employees and community...through 2008 and beyond.



Daniel N. Cunningham
Chairman of the Board



Daniel J. Doyle
President and Chief Executive Officer



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

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

In 2007, the Company continued to have strong asset and loan quality with virtually no non-performing loans and no investments in sub-prime mortgages, while maintaining well-capitalized status as defined by the banking regulators. It was the second highest earnings year in the Company's history, despite the competitive pressures for cost of deposits. Additionally, loan growth continued to be strong throughout the year and the Company's net interest margin exceeded that of most of our industry peers.



Central Valley Community Bank Senior Management, clockwise from center: Daniel Doyle, Lydia Shaw, David Kinross, Thomas Sommer and Gary Quisenberry.

A 28-Year Tradition of Service & Dedication

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 operations 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 12 full-service offices in Clovis, Fresno, Kerman, Madera, Oakhurst, Prather and Sacramento, one limited service office in Modesto, plus Commercial, Real Estate, SBA and Agribusiness Lending Departments. Investment services are provided by Investment Centers of America and Central Valley Community Insurance Services, LLC provides financial and insurance solutions for businesses. Now with approximately 170 employees and assets of nearly \$500,000,000 as of December 31, 2007, 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 28 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, Modesto, and Fresno's Downtown and Sunnyside regions, 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. The Bank has remained committed to the ongoing addition and retention of high-quality employees, as evidenced by receiving the 2007 honor of being named one of the "Best Companies to Work For" among companies with 100 or more employees throughout a six-county area of the Central Valley.

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 and insurance and financial services are provided by Central Valley Insurance Services, LLC's licensed consultants. 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 seven times as being the top lender in the Small Business Administration 504

loan program in the Central Valley. The Bank's participation in progressive and specialized lending programs for small businesses in all areas of the Central Valley demonstrates its ongoing commitment to building a stronger, healthier Valley economy.

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

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

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

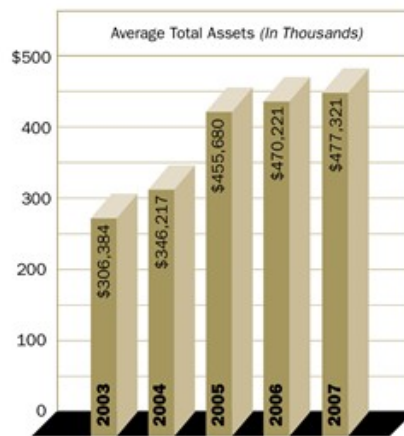
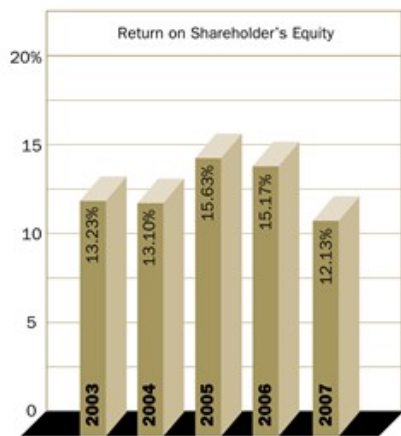
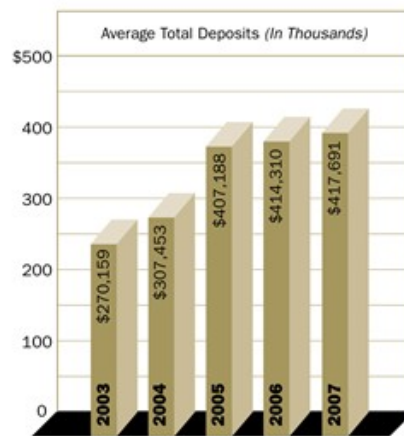
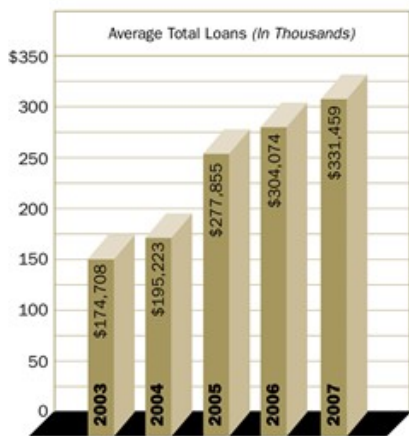
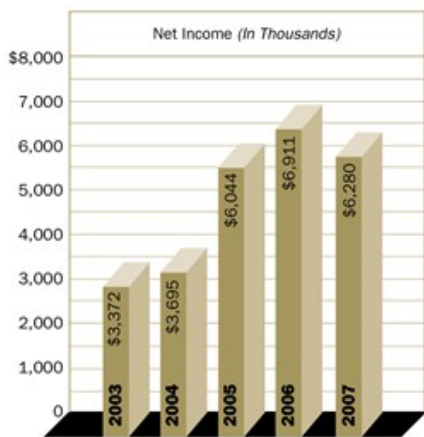
Which is why Central Valley Community Bank supports such a wide variety of local charities, agencies and philanthropies. From educational causes to disease research, the arts to the underprivileged, all are helped each year by Central Valley Community Bank. And not only with the Bank's financial support,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

Strategic Vision

Through the vision of 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 28 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.

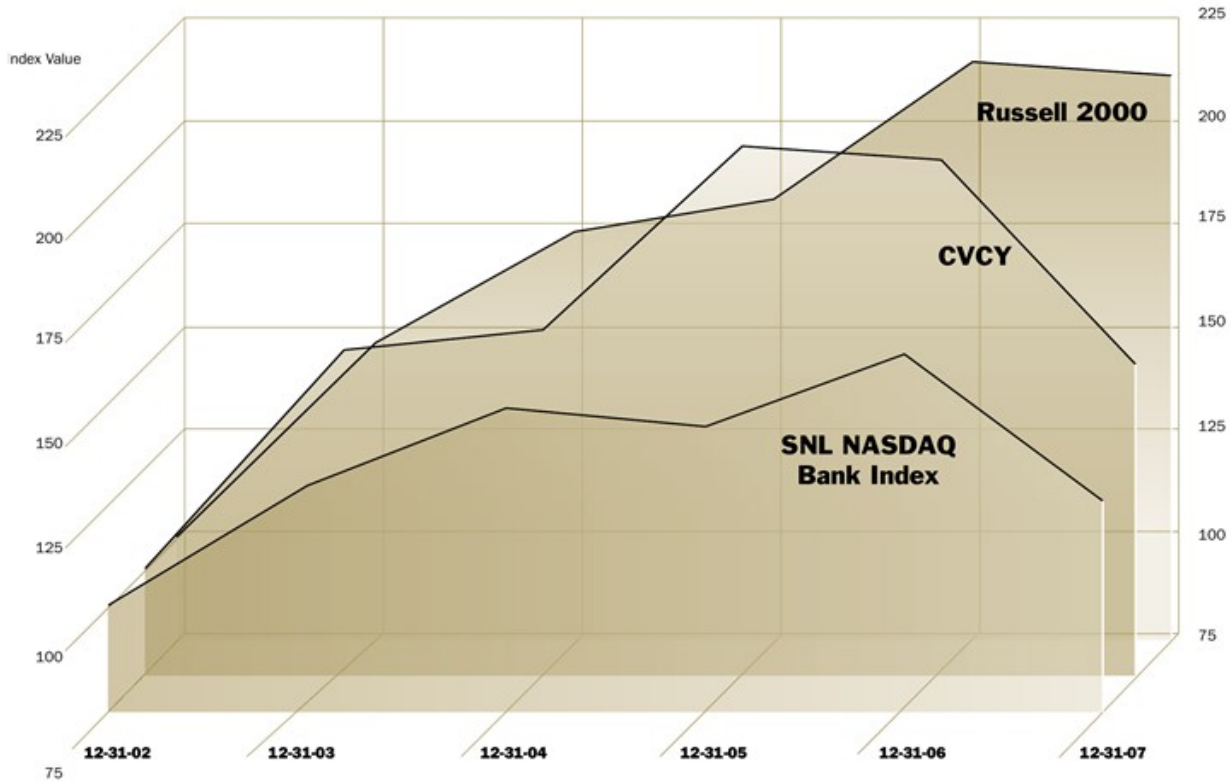
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Central Valley Community Bancorp Trend Analysis



Central Valley Community Bancorp Comparative Stock Price Appreciation

Total Return Performance



Index	Period Ending					
	12-31-02	12-31-03	12-31-04	12-31-05	12-31-06	12-31-07
Central Valley Community Bancorp	100.00	153.11	158.07	202.75	199.37	149.65
Russell 2000	100.00	147.25	174.24	182.18	215.64	212.26
SNL NASDAQ Bank Index	100.00	129.08	147.94	143.43	161.02	126.42

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, 2007 and 2006 (In thousands, except share amounts)

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
Cash and due from banks	\$ 17,108	\$ 23,898
Federal funds sold	<u>14,536</u>	<u>24,218</u>
Total cash and cash equivalents	31,644	48,116
Interest bearing deposits in other banks	-	323
Available-for-sale investment securities (Notes 2 and 6)	84,373	103,922
Loans, less allowance for credit losses of \$3,887 in 2007 and \$3,809 in 2006 (Notes 3, 8 and 13)	337,241	318,853
Bank premises and equipment, net (Notes 4 and 8)	5,767	4,655
Bank owned life insurance (Note 12)	6,723	6,146
Federal Home Loan Bank stock	2,022	1,891
Goodwill	8,934	8,934
Accrued interest receivable, intangibles, and other assets (Note 7)	<u>6,981</u>	<u>7,219</u>
Total assets	<u>\$ 483,685</u>	<u>\$ 500,059</u>
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Deposits:		
Non-interest bearing	\$ 128,120	\$ 150,182
Interest bearing (Note 5)	<u>274,442</u>	<u>290,445</u>
Total deposits	402,562	440,627
Short-term borrowings (Note 6)	20,000	3,250
Accrued interest payable and other liabilities (Note 12)	<u>6,929</u>	<u>6,404</u>
Total liabilities	<u>429,491</u>	<u>450,281</u>
Commitments and contingencies (Note 8)		
Shareholders' equity (Note 9):		
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, 5,975,316 and 6,037,656 shares issued and outstanding in 2007 and 2006, respectively	13,571	14,007
Retained earnings	40,483	35,888
Accumulated other comprehensive income (loss), net of taxes (Notes 2 and 14)	<u>140</u>	<u>(117)</u>
Total shareholders' equity	<u>54,194</u>	<u>49,778</u>
Total liabilities and shareholders' equity	<u>\$ 483,685</u>	<u>\$ 500,059</u>

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

Consolidated Statements of Income

For the Years Ended December 31, 2007, 2006 and 2005 (In thousands, except per share amounts)

	2007	2006	2005
INTEREST INCOME:			
Interest and fees on loans	\$ 27,748	\$ 25,527	\$ 21,115
Interest on Federal funds sold	583	1,165	702
Interest and dividends on investment securities:			
Taxable	3,355	3,213	3,061
Exempt from Federal income taxes	880	1,027	1,192
Total interest income	<u>32,566</u>	<u>30,932</u>	<u>26,070</u>
INTEREST EXPENSE:			
Interest on deposits (Note 5)	7,894	6,210	3,886
Other (Note 6)	164	349	253
Total interest expense	<u>8,058</u>	<u>6,559</u>	<u>4,139</u>
Net interest income before provision for credit losses	24,508	24,373	21,931
PROVISION FOR CREDIT LOSSES (NOTE 3)			
	<u>480</u>	<u>800</u>	<u>510</u>
Net interest income after provision for credit losses	<u>24,028</u>	<u>23,573</u>	<u>21,421</u>
NON-INTEREST INCOME:			
Service charges	2,859	2,532	2,414
Appreciation in cash surrender value of bank owned life insurance (Note 12)	226	253	215
Loan placement fees	185	350	390
Federal Home Loan Bank stock dividends	102	89	68
Net realized gains on sales and calls of investment securities (Note 2)	63	123	92
Gain on sale and disposal of equipment	3	192	1
Gain from bank owned life insurance (Note 12)	-	625	-
Other income	1,080	1,013	829
Total non-interest income	<u>4,518</u>	<u>5,177</u>	<u>4,009</u>
NON-INTEREST EXPENSES:			
Salaries and employee benefits (Notes 3 and 12)	10,829	10,871	9,178
Occupancy and equipment (Notes 4 and 8)	2,618	2,421	2,133
Other expenses (Notes 8 and 11)	5,652	5,249	4,731
Total non-interest expenses	<u>19,099</u>	<u>18,541</u>	<u>16,042</u>
Income before provision for income taxes	9,447	10,209	9,388
PROVISION FOR INCOME TAXES (NOTE 7)			
	<u>3,167</u>	<u>3,298</u>	<u>3,344</u>
Net income	<u>\$ 6,280</u>	<u>\$ 6,911</u>	<u>\$ 6,044</u>
Basic earnings per share (Note 9)	<u>\$ 1.05</u>	<u>\$ 1.16</u>	<u>\$ 1.03</u>
Diluted earnings per share (Note 9)	<u>\$ 0.99</u>	<u>\$ 1.07</u>	<u>\$ 0.94</u>
Cash dividends per share	<u>\$ 0.10</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2007, 2006 and 2005 (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, 2005	5,257,734	\$ 6,343	\$ 22,933	\$ 330	\$ 29,606	
Comprehensive income (Note 14):						
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	522,106	6,079			6,079	
Stock options exercised and related tax benefit (Note 10)	111,980	631			631	
Balance, December 31, 2005	5,891,820	13,053	28,977	(507)	41,523	
Comprehensive income (Note 14):						
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 9)	(26,200)	(395)			(395)	
Stock based compensation expense		163			163	
Stock options exercised and related tax benefit (Note 10)	172,036	1,186			1,186	
Balance, December 31, 2006	6,037,656	14,007	35,888	(117)	49,778	
Comprehensive income (Note 14):						
Net income			6,280		6,280	\$ 6,280
Other comprehensive income, net of tax:						
Net change in unrealized gain (loss) on available-for-sale investment securities				257	257	257
Total comprehensive income						\$ 6,537
Cash dividend payment (\$0.10 per share)			(595)		(595)	
Repurchase and retirement of common stock (Note 9)	(186,800)	(1,617)	(1,090)		(2,707)	
Stock based compensation expense		221			221	
Stock options exercised and related tax benefit (Note 10)	124,460	960			960	
Balance, December 31, 2007	5,975,316	\$ 13,571	\$ 40,483	\$ 140	\$ 54,194	
			2007	2006	2005	
Disclosure of reclassification amount, net of taxes (Note 14):						
Unrealized holding gains (losses) arising during the year			\$ 295	\$ 464	\$ (782)	
Less reclassification adjustment for net gains included in net income			(38)	(74)	55	
Net change in unrealized gains (losses) on available-for-sale investment securities			\$ 257	\$ 390	\$ (837)	

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

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2007, 2006 and 2005 (In thousands)

	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 6,280	\$ 6,911	\$ 6,044
Adjustments to reconcile net income to net cash provided by operating activities:			
Net (decrease) increase in deferred loan fees	(164)	160	94
Depreciation, accretion and amortization, net	1,077	1,619	2,368
Stock-based compensation	221	163	-
Tax benefit from exercise of stock options	(395)	(451)	(173)
Provision for loan losses	480	800	510
Net realized gains on sales and calls of available-for-sale investment securities	(63)	(123)	(92)
Net gain on sale and disposal of equipment	(3)	(192)	(1)
Increase in bank owned life insurance, net of expenses	(226)	(248)	(210)
FHLB stock dividends	(102)	(89)	(68)
Net decrease (increase) in accrued interest receivable and other assets	648	(398)	1,889
Net increase in accrued interest payable and other liabilities	525	2,190	546
Provision for deferred income taxes	(403)	(838)	(147)
Net cash provided by operating activities	<u>7,875</u>	<u>9,504</u>	<u>10,760</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash and cash equivalents acquired in acquisition	-	21	13,844
Purchases of available-for-sale investment securities	(20,693)	(30,657)	(50,046)
Proceeds from sales or calls of available-for-sale investment securities	15,700	16,559	15,487
Proceeds from maturity of available-for-sale investment securities	10,499	1,000	-
Proceeds from principal repayments of available-for-sale investment securities	14,608	15,085	25,463
Net decrease in interest bearing deposits in other banks	323	595	1,687
Net FHLB stock purchases	(29)	(143)	-
Net increase in loans	(18,704)	(21,350)	(47,458)
Purchases of premises and equipment	(2,047)	(2,987)	(781)
Proceeds from sale of equipment	4	488	-
Proceeds from bank owned life insurance	-	1,332	-
Purchases of bank owned life insurance	(351)	(505)	(440)
Net cash used in investing activities	<u>(690)</u>	<u>(20,562)</u>	<u>(42,244)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (decrease) increase in demand, interest-bearing and savings deposits	(45,523)	(5,951)	32,000
Net increase in time deposits	7,458	15,589	9,034
Proceeds from borrowings from Federal Home Loan Bank	87,500	9,788	-
Repayments to Federal Home Loan Bank	(69,500)	(11,788)	(2,000)
Repayment of borrowings from other financial institutions	(1,250)	(1,250)	-
Share repurchase and retirement	(2,707)	(395)	-
Proceeds from exercise of stock options	565	735	458
Tax benefit from exercise of stock options	395	451	173
Cash dividend payments	(595)	-	-
Net cash (used in) provided by financing activities	<u>(23,657)</u>	<u>7,179</u>	<u>39,665</u>
(Decrease) increase in cash and cash equivalents	(16,472)	(3,879)	8,181
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	48,116	51,995	43,814
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 31,644</u>	<u>\$ 48,116</u>	<u>\$ 51,995</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest expense	\$ 7,805	\$ 6,362	\$ 3,947
Income taxes	\$ 3,380	\$ 3,400	\$ 3,223
NON-CASH INVESTING ACTIVITIES:			
Net pre-tax change in unrealized gains (losses) on available-for-sale investment securities	\$ 429	\$ 650	\$ (1,407)
NON-CASH FINANCING ACTIVITIES:			
Tax benefit from stock options exercised	\$ 395	\$ 451	\$ 173
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	<u>\$ -</u>	<u>\$ 21</u>	<u>\$ 13,844</u>

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 of Madera County (BMC) was merged with and into the Bank on January 1, 2005. The transaction was a combination of cash and stock and was accounted for under the purchase method of accounting. BMC had two branches in Madera County which continue to be operated by the Bank.

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 2007.

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 and Clovis Securities Corporation (an inactive company), as well as a majority ownership in Central Valley Community Insurance Services, LLC, are included in the consolidated financial statements. 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, 2007 and 2006, 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 (accrutable 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, 2007 and 2006, 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

Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

economic conditions and other factors. The allowance is adjusted based on that review if, in the judgment of the Audit Committee and management, changes are warranted.

This allowance is established through a provision for credit losses which is charged to expense. Additions to the allowance are expected to maintain the adequacy of the total allowance after credit losses and loan growth. The allowance for credit losses at December 31, 2007 and 2006, 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 2007 or 2006.

Intangible Assets - The intangible assets represent the estimated fair value of the core deposit relationships acquired in the 2005 acquisition of Bank of Madera County of \$857,000, net of \$643,000 in amortization at December 31, 2007. 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. Amortization expense recognized in 2007, 2006 and 2005 was \$214,000 each year.

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 bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. On the balance sheet, net deferred tax assets are included in accrued interest receivable and other assets.

Accounting for Uncertainty in Income Taxes - On January 1, 2007, the Company adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). 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 an income tax position taken or expected to be taken in a tax return. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The provisions of FIN 48 have been applied to all tax positions of the Company as of January 1, 2007. Only tax positions that met the more-likely-than-not recognition threshold on January 1, 2007 were recognized or continue to be recognized upon adoption. The Company previously recognized income tax positions based on management's estimate of whether it was reasonably possible that

a liability had been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, *Accounting for Contingencies*. The adoption of FIN 48 did not have a material impact on the Company's financial position, results of operations or cash flows.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

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

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 10.

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*. Results for 2005 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. In October 2007, the Company cancelled the 15,000 stock options granted on May 1, 2006 and 78,900 granted on April 23, 2007 and, on October 17, 2007, granted 93,900 new options to the directors, senior managers and other employees. The modification affected 60 employees and 8 directors and the total incremental compensation cost recognized for the modification in 2007 was \$29,000. In addition, the Company granted 15,000 other stock options during 2007. All options were granted with an exercise price equal to the fair market value on the grant date. There were 156,300 options granted in 2005.

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, 2007 are \$221,000 and \$179,000, respectively, and 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

Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-Based Compensation - (continued)

ended December 31, 2007 would have been \$1.08 and \$1.01, respectively, without the adoption of SFAS 123(R) compared to \$1.05 and \$0.99, respectively, as reported. 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, 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 years ended December 31, 2007 and 2006 were \$395,000 and \$451,000, respectively.

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 for the year ended December 31, 2005.

	Year Ended December 31, 2005 (In thousands)
Net earnings as reported	\$ 6,044
Deduct: Total stock-based compensation expense determined under the fair value based method for all awards, net of related tax effects	478
Pro forma net income	<u>\$ 5,566</u>
Basic earnings per share - as reported	\$ 1.03
Basic earnings per share - pro forma	\$ 0.95
Diluted earnings per share - as reported	\$ 0.94
Diluted earnings per share - pro forma	\$ 0.87

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 Company's options in 2007, 2006 and 2005.

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

	2007	2006	2005
Dividend yield	0 - .10%	.5%	.5%
Expected volatility	28.45% - 29.34%	15.65%	50.29%
Risk-free interest rate	4.20% - 4.48%	5.05%	4.16%
Expected option life	6.5 years	6.5 years	6.5 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. The Company adopted SFAS 157 on January 1, 2008 and management does not believe its adoption will have a material impact on the Company's financial position, results of operations or cash flows.

The Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued Statement No. 159 (SFAS 159), *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115*. This standard permits an entity to choose to measure many financial instruments and certain other items at fair value at specified election dates. The entity will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option (a) may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method, (b) is irrevocable (unless a new election date occurs), and (c) is applied only to entire instruments and not to portions of instruments. The Company adopted SFAS 159 on January 1, 2008 and management did not elect the fair value option for any of its financial instruments.

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

In September 2006, the FASB ratified the consensus reached by the Task Force on Issue No. 06-4 (EITF 06-04), *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 06-04 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 06-04 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 06-04 are effective for fiscal years beginning after December 15, 2007. The Company adopted the provisions of EITF 06-04 on January 1, 2008 and management determined that a liability of \$316,000 will be recorded as of January 1, 2008, with the corresponding reduction as a cumulative-effect adjustment to retained earnings.

Accounting for Business Combinations

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), *Business Combinations* (SFAS No. 141(R)). SFAS No. 141(R), among other things, establishes principles and requirements for how the acquirer in a business combination (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquired business, (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Company is required to adopt SFAS No. 141(R) for all business combinations for which the acquisition date is on or after January 1, 2009. Earlier adoption is prohibited. This standard will change the accounting treatment for business combinations on a prospective basis.

Notes to Consolidated Financial Statements

2. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

The amortized cost and estimated fair value of available-for-sale investment securities at December 31, 2007 and 2006 consisted of the following:

	2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
Debt securities:				
U.S. Government agencies	\$ 8,496	\$ 4	\$ (10)	\$ 8,490
Obligations of states and political subdivisions	25,736	323	(77)	25,982
U.S. Government agencies collateralized by mortgage obligations	46,088	275	(239)	46,124
Other securities	3,819	-	(42)	3,777
	<u>\$ 84,139</u>	<u>\$ 602</u>	<u>\$ (368)</u>	<u>\$ 84,373</u>

	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
	<u>\$ 104,117</u>	<u>\$ 611</u>	<u>\$ (806)</u>	<u>\$ 103,922</u>

Investment securities with unrealized losses at December 31, 2007 and 2006 are summarized and classified according to the duration of the loss period as follows:

	2007					
	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	\$ -	\$ -	\$ 3,990	\$ (10)	\$ 3,990	\$ (10)
Obligations of states and political subdivisions	5,057	(25)	6,903	(52)	11,960	(77)
U.S. Government agencies collateralized by mortgage obligations	20,553	(153)	6,721	(86)	27,274	(239)
Other securities	-	-	1,458	(42)	1,458	(42)
	<u>\$ 25,610</u>	<u>\$ (178)</u>	<u>\$ 19,072</u>	<u>\$ (190)</u>	<u>\$ 44,682</u>	<u>\$ (368)</u>

	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)
	<u>\$ 21,040</u>	<u>\$ (131)</u>	<u>\$ 40,276</u>	<u>\$ (675)</u>	<u>\$ 61,316</u>	<u>\$ (806)</u>

U.S. Government Agencies - At December 31, 2007, the Company held six U.S. Government agency securities of which three 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 changes. 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, 2007.

Obligations of States and Political Subdivision - At December 31, 2007, the Company held 55 obligations of states and political subdivision securities of which 11 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 changes. 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, 2007.

Notes to Consolidated Financial Statements

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

U.S. Government Agencies Collateralized by Mortgage Obligations - At December 31, 2007, the Company held 60 U.S. Government agency securities collateralized by mortgage obligation securities of which 13 were in a loss position for less than twelve months and six 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 changes. 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, 2007.

Other Securities - At December 31, 2007, the Company's other securities consist of investments of \$1,500,000 in marketable equity securities and \$2,319,000 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 changes. 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, 2007.

Net unrealized gains (losses) on available-for-sale investment securities totaling \$234,000 and \$(195,000) are recorded net of \$94,000 and \$(78,000) in tax liabilities (benefit) as accumulated other comprehensive income within shareholders' equity at December 31, 2007 and 2006, respectively.

Proceeds and gross realized gains from sales or calls of available-for-sale investment securities totaled \$15,700,000 and \$63,000, respectively, for the year ended December 31, 2007. 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.

The amortized cost and estimated fair value of available-for-sale investment securities at December 31, 2007 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	\$ 8,496	\$ 8,490
After one year through five years	3,492	3,503
After five years through ten years	16,090	16,287
After ten years	6,154	6,192
	<u>34,232</u>	<u>34,472</u>
Investment securities not due at a single maturity date:		
U.S. Government agencies collateralized by mortgage obligations	46,088	46,124
Other securities	3,819	3,777
	<u>\$ 84,139</u>	<u>\$ 84,373</u>

Investment securities with amortized costs totaling \$39,206,000 and \$35,624,000 and fair values totaling \$39,326,000 and \$35,612,000 were pledged to secure public deposits, other contractual obligations and short-term borrowings at December 31, 2007 and 2006, respectively.

3. LOANS AND ALLOWANCE FOR CREDIT LOSSES

Outstanding loans are summarized as follows:

	December 31,	
	2007	2006
	(In thousands)	
Commercial:		
Commercial	\$ 92,613	\$ 100,675
Agricultural land and production	32,167	28,907
Total commercial	<u>124,780</u>	<u>129,582</u>
Real estate:		
Owner occupied	76,808	71,667
Real estate - construction and other land loans	48,593	48,424
Commercial real estate	43,334	34,766
Other	17,406	9,550
Total real estate	<u>186,141</u>	<u>164,407</u>
Consumer:		
Equity loans and lines of credit	24,595	24,178
Consumer and installment	5,742	4,872
Other	458	375
Total consumer	<u>30,795</u>	<u>29,425</u>
Deferred loan fees, net	(588)	(752)
Total gross loans	<u>341,128</u>	<u>322,662</u>
Allowance for credit losses	<u>(3,887)</u>	<u>(3,809)</u>
Total loans	<u>\$ 337,241</u>	<u>\$ 318,853</u>

At December 31, 2007 and 2006, loans originated under Small Business Administration (SBA) programs totaling \$28,961,000 and \$30,745,000, respectively, were included in the real estate and commercial categories.

Salaries and employee benefits totaling \$326,000, \$388,000 and \$495,000 have been deferred as loan origination costs for the years ended December 31, 2007, 2006 and 2005, respectively.

Changes in the allowance for credit losses were as follows:

	Years Ended December 31,		
	2007	2006	2005
	(In thousands)		
Balance, beginning of year	\$ 3,809	\$ 3,339	\$ 3,448
Provision charged to operations	480	800	510
Losses charged to the allowance	(481)	(721)	(787)
Recoveries	79	391	168
Balance, end of year	<u>\$ 3,887</u>	<u>\$ 3,809</u>	<u>\$ 3,339</u>

There were four loans considered to be impaired at December 31, 2007 totaling \$179,000. There were no loans considered to be impaired at December 31, 2006. There were two loans considered to be impaired at December 31, 2005 totaling \$616,000. There was no required valuation allowance for impaired loans in 2007 or 2005. The average investment in impaired loans during 2007, 2006 and 2005 was \$113,000, \$207,000 and \$776,000, respectively. No interest income was recognized for impaired loans in 2007, 2006 or 2005.

At December 31, 2007, nonaccrual loans totaled \$179,000 and interest foregone on nonaccrual loans totaled \$8,000 for the year then ended. There were no loans on nonaccrual at December 31, 2006 or interest foregone on nonaccrual loans for the year 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.

Notes to Consolidated Financial Statements

4. BANK PREMISES AND EQUIPMENT

Bank premises and equipment consisted of the following:

	December 31,	
	2007	2006
	(In thousands)	
Land	\$ 580	\$ 579
Buildings and improvements	3,074	1,000
Furniture, fixtures and equipment	5,316	5,642
Leasehold improvements	2,331	2,435
	11,301	9,656
Less accumulated depreciation and amortization	(5,534)	(5,001)
	<u>\$ 5,767</u>	<u>\$ 4,655</u>

Depreciation and amortization included in occupancy and equipment expense totaled \$935,000, \$948,000 and \$982,000 for the years ended December 31, 2007, 2006 and 2005, respectively.

5. DEPOSITS

Interest-bearing deposits consisted of the following:

	December 31,	
	2007	2006
	(In thousands)	
Savings	\$ 19,298	\$ 21,029
Money market	90,402	109,069
NOW accounts	53,114	56,177
Time, \$100,000 or more	61,197	60,183
Time, under \$100,000	50,431	43,987
	<u>\$ 274,442</u>	<u>\$ 290,445</u>

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

Years Ending December 31,		
2008		\$ 102,055
2009		6,856
2010		2,073
2011		438
2012		206
		<u>\$ 111,628</u>

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

	Years Ended December 31,		
	2007	2006	2005
	(In thousands)		
Savings	\$ 98	\$ 106	\$ 89
Money market	2,621	2,467	1,500
NOW accounts	347	56	60
Time certificates of deposit	4,828	3,581	2,237
	<u>\$ 7,894</u>	<u>\$ 6,210</u>	<u>\$ 3,886</u>

6. BORROWING ARRANGEMENTS

Federal Home Loan Bank Advances

Advances from the Federal Home Loan Bank (FHLB) of San Francisco at December 31, 2007 and 2006 consisted of the following:

2007			2006		
Amount	Rate	Maturity Date	Amount	Rate	Maturity Date
(Dollars in thousands)			(Dollars in thousands)		
\$ 10,000	4.37%	Jan. 10, 2008	\$ 2,000	2.66%	Feb. 12, 2007
10,000	4.49%	Jan. 9, 2008	-		
20,000			2,000		
(20,000)		Less short-term portion	(2,000)		Less short-term portion
<u>\$ -</u>		Long-term debt	<u>\$ -</u>		Long-term debt

FHLB advances are secured by investment securities with amortized costs totaling \$24,231,000 and \$16,848,000 and market values totaling \$24,203,000 and \$16,758,000 at December 31, 2007 and 2006, 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 had a note payable to a financial institution with a balance of \$1,250,000 at December 31, 2006. The note matured and was paid off as of December 31, 2007.

Lines of Credit - The Bank had unsecured lines of credit with its correspondent banks which, in the aggregate, amounted to \$18,000,000 at December 31, 2007 and 2006, 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, 2007 and 2006 which bears interest at the prevailing discount rate collateralized by investment securities with amortized costs totaling \$2,032,000 and \$2,271,000 and market values totaling \$2,057,000 and \$2,200,000, respectively. At December 31, 2007 and 2006, the Bank had no outstanding borrowings under these lines of credit.

7. INCOME TAXES

The provision for income taxes for the years ended December 31, 2007, 2006 and 2005 consisted of the following:

	Federal	State	Total
	(In thousands)		
2007			
Current	\$ 2,982	\$ 588	\$ 3,570
Deferred	(265)	(138)	(403)
Provision for income taxes	<u>\$ 2,717</u>	<u>\$ 450</u>	<u>\$ 3,167</u>
2006			
Current	\$ 3,135	\$ 1,001	\$ 4,136
Deferred	(680)	(158)	(838)
Provision for income taxes	<u>\$ 2,455</u>	<u>\$ 843</u>	<u>\$ 3,298</u>
2005			
Current	\$ 2,512	\$ 979	\$ 3,491
Deferred	(72)	(75)	(147)
Provision for income taxes	<u>\$ 2,440</u>	<u>\$ 904</u>	<u>\$ 3,344</u>

Notes to Consolidated Financial Statements

7. INCOME TAXES (Continued)

Deferred tax assets (liabilities) consisted of the following:

	December 31,	
	2007	2006
	(In thousands)	
Deferred tax assets:		
Allowance for credit losses	\$ 1,542	\$ 1,407
Other reserves	113	134
Bank premises and equipment	312	272
Deferred compensation	2,056	1,735
Future benefit of state tax	231	321
Shared-based compensation	68	-
Unrealized loss on available-for-sale investment securities	-	78
Other	3	13
Total deferred tax assets	4,325	3,960
Deferred tax liabilities:		
Other accruals	(292)	(242)
Loan origination costs	(263)	(224)
Future liability of state deferred tax asset	(257)	(210)
Unrealized gain on available-for-sale investment securities	(94)	-
Core deposit intangible	(384)	(480)
Total deferred tax liabilities	(1,290)	(1,156)
Net deferred tax assets	\$ 3,035	\$ 2,804

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, 2007, 2006 and 2005 consisted of the following:

	2007	2006	2005
Federal income tax, at statutory rate	34.0 %	34.0 %	34.0 %
State franchise tax, net of Federal tax benefit	3.1 %	7.2 %	7.1 %
Tax exempt investment security income, net	(2.9)%	(3.2)%	(4.2)%
Bank owned life insurance, net	(0.8)%	(3.5)%	(0.9)%
Other	0.1%	(2.2)%	(0.4)%
Effective tax rate	33.5 %	32.3 %	35.6 %

The Company and its subsidiary file income tax returns in the U.S. federal and California jurisdictions. The Company conducts all of its business activities in the State of California. There are currently no pending U.S. federal, state, and local income tax or non-U.S. income tax examinations by tax authorities. With few exceptions, the Company is no longer subject to tax examination by U.S. Federal taxing authorities for years ended before December 31, 2004 and by state and local taxing authorities for years ended before December 31, 2002.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

Balance at January 1, 2007	\$ 107
Additions based on tax positions related to the current year	49
Additions for tax positions of prior years	39
Reductions for tax positions of prior years	(16)
Balance at December 31, 2007	\$ 179

During the year ended December 31, 2007, the Bank recognized and accrued approximately \$22,000 in interest and penalties.

18

8. 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 \$1,047,000, \$724,000 and \$518,000 for the years ended December 31, 2007, 2006 and 2005, respectively.

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

Years Ending December 31,		
2008		\$ 990
2009		1,067
2010		949
2011		895
2012		837
Thereafter		7,608
		<u>\$ 12,346</u>

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, 2007 and 2006 was \$1,327,000 and \$2,699,000, respectively.

Correspondent Banking Agreements - The Bank maintains funds on deposit with other federally insured financial institutions under correspondent banking agreements. Uninsured deposits totaled \$600,000 at December 31, 2007.

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,	
	2007	2006
	(In thousands)	
Commitments to extend credit	\$ 134,669	\$ 133,937
Standby letters of credit	\$ 969	\$ 612

Commitments to extend credit consist primarily of unfunded commercial loan commitments and revolving lines of credit, single-family residential equity lines of credit and commercial real estate construction loans. Construction loans are established under standard underwriting guidelines and policies and are secured by deeds of trust, with disbursements made over the course of construction. Commercial revolving lines of credit have a high degree of industry diversification. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being 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, 2007 and 2006. The Company recognizes these fees as revenue over the term of the commitment or when the commitment is used.

At December 31, 2007, commercial loan commitments represent approximately 57% of total commitments and are generally secured by collateral other than real estate or unsecured. Real estate loan commitments represent 30% of total

Notes to Consolidated Financial Statements

8. COMMITMENTS AND CONTINGENCIES (Continued)

commitments and are generally secured by property with a loan-to-value ratio not to exceed 80%. Consumer loan commitments represent the remaining 13% 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, 2007, in management's judgment, a concentration of loans existed in commercial loans and real-estate-related loans. At that date, approximately 98.4% of the Bank's loans were commercial and real-estate-related, representing 36.6% and 61.8% of total loans, respectively.

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 98.6% of the Bank's loans were commercial and real-estate-related, representing 40.2% and 58.4% 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.

9. SHAREHOLDERS' EQUITY

Regulatory Capital - The Company and the Bank are subject to certain regulatory requirements administered by the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation (FDIC). Failure to meet these minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets and of Tier 1 capital to average assets. Each of these components is defined in the regulations. Management believes that the Company and the Bank meet all their capital adequacy requirements as of December 31, 2007.

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.

	2007		2006	
	Amount	Ratio	Amount	Ratio
(Dollars in thousands)				
Tier 1 Leverage Ratio				
Central Valley Community Bancorp and Subsidiary	\$ 44,238	9.43%	\$ 39,864	8.41%
Minimum regulatory requirement	\$ 18,758	4.00%	\$ 18,967	4.00%
Central Valley Community Bank	\$ 42,202	9.00%	\$ 39,045	8.24%
Minimum requirement for "Well-Capitalized" institution	\$ 23,438	5.00%	\$ 23,703	5.00%
Minimum regulatory requirement	\$ 18,751	4.00%	\$ 18,963	4.00%
Tier 1 Risk-Based Capital Ratio				
Central Valley Community Bancorp and Subsidiary	\$ 44,238	11.65%	\$ 39,864	10.97%
Minimum regulatory requirement	\$ 15,188	4.00%	\$ 14,536	4.00%
Central Valley Community Bank	\$ 42,202	11.12%	\$ 39,045	10.72%
Minimum requirement for "Well-Capitalized" institution	\$ 22,773	6.00%	\$ 21,852	6.00%
Minimum regulatory requirement	\$ 15,182	4.00%	\$ 14,568	4.00%
Total Risk-Based Capital Ratio				
Central Valley Community Bancorp and Subsidiary	\$ 48,125	12.67%	\$ 43,673	12.02%
Minimum regulatory requirement	\$ 30,376	8.00%	\$ 29,073	8.00%
Central Valley Community Bank	\$ 46,089	12.14%	\$ 42,854	11.77%
Minimum requirement for "Well-Capitalized" institution	\$ 37,954	10.00%	\$ 36,419	10.00%
Minimum regulatory requirement	\$ 30,363	8.00%	\$ 29,135	8.00%

Dividends - On July 19, 2007, the Board of Directors declared a \$0.10 per share cash dividend for shareholders of record as of August 8, 2007, payable on August 24, 2007. The Company did not pay any cash dividends in 2006 or 2005.

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, 2007, retained earnings of \$15,722,000 were free of such restrictions.

Share Repurchase Plan - During 2006, the Board of Directors 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.

On April 18, 2007, the Board of Directors approved a stock repurchase plan authorizing the purchase of shares of the Company's common stock. The plan called for repurchases of up to approximately \$2,000,000 of the Company's outstanding shares of common stock during the period from April 18, 2007 to October 18, 2007.

On November 20, 2007, the Board of Directors 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 during the period from November 21, 2007 to May 21, 2008.

During 2006 and 2007, under all three plans, the Company repurchased 213,000 shares at an average price of \$14.57 for a total cost of \$3,102,000.

Notes to Consolidated Financial Statements

9. SHAREHOLDERS' EQUITY (Continued)

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

	Years Ended December 31,		
	2007	2006	2005
	(In thousands, except share and per share amounts)		
Basic Earnings Per Share:			
Net income	\$ 6,280	\$ 6,911	\$ 6,044
Weighted average shares outstanding	5,990,812	5,978,314	5,844,110
Net income per share	\$ 1.05	\$ 1.16	\$ 1.03
Diluted Earnings Per Share:			
Net income	\$ 6,280	\$ 6,911	\$ 6,044
Weighted average shares outstanding	5,990,812	5,978,314	5,844,110
Effect of dilutive stock options	376,438	500,595	571,298
Weighted average shares of common stock and common stock equivalents	6,367,250	6,478,909	6,415,408
Net income per diluted share	\$ 0.99	\$ 1.07	\$ 0.94

10. SHARE-BASED COMPENSATION

On December 31, 2007, the Company had three share-based compensation plans, which are described below.

During 1992, the Bank established a Stock Option Plan for which shares are reserved for issuance to employees and directors under incentive and nonstatutory agreements. The Company assumed all obligations under this plan as of November 15, 2000, and options to purchase shares of the Company's common stock were substituted for options to purchase shares of common stock of the Bank. Outstanding options under this plan are exercisable until their expiration, however, no new options will be granted under this plan.

On November 15, 2000, the Company adopted, and subsequently amended on December 20, 2000, the Central Valley Community Bancorp 2000 Stock Option Plan (2000 Plan) for which 846,834 shares remain reserved for issuance for options already granted to employees and directors under incentive and nonstatutory agreements and 1,986 remain reserved for future grants as of December 31, 2007. 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 10 years from the date of grant. The vesting period is determined by the Board of Directors and is generally over five years.

In May 2005, the Company adopted the Central Valley Community Bancorp 2005 Omnibus Incentive Plan (2005 Plan). The 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. Currently under the 2005 Plan, there are 15,000 shares reserved for issuance for options already granted to employees and 461,000 remain reserved for future grants as of December 31, 2007. The 2005 plan requires that the exercise 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 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.

From the 2000 Plan 78,900 options were granted in 2007, at an exercise price of \$14.69, and 15,000 were granted in 2006, at an exercise price of \$15.50. From the 2005 Plan, 15,000 options were granted in 2007, at an exercise price of \$12.20. For the years ended December 31, 2007 and 2006, the compensation cost recognized for stock option compensation was \$221,000 and \$163,000, respectively. No stock-based compensation cost is reflected in net income for the year ended December 31, 2005. The recognized tax benefit for stock option compensation expense was \$42,000 and \$21,000 for 2007 and 2006, respectively. As of December 31, 2007, there was \$823,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under all plans. The cost is expected to be recognized over a weighted average period of four years.

A summary of the combined activity of the Plans for the years ended December 31, 2006 and 2007 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, 2006	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 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
Options outstanding at January 1, 2007	899,834	\$ 6.45		
Options granted	187,800	\$ 13.15		
Options exercised	(124,460)	\$ 4.55		
Options cancelled	(101,340)	\$ 14.69		
Options outstanding at December 31, 2007	861,834	\$ 7.22	4.77	\$ 3,712
Options vested or expected to vest at December 31, 2007	821,138	\$ 6.92	6.71	\$ 3,541
Options exercisable at December 31, 2007	662,324	\$ 5.64	3.68	\$ 3,689

The weighted-average grant-date fair value of options granted during 2007, 2006, and 2005 was \$5.49, \$4.34 and \$3.28 respectively.

The total intrinsic value of options exercised in the years ended December 31, 2007, 2006 and 2005 was \$962,000, \$1,900,000 and \$942,000, respectively.

Cash received from options exercised for the years ended December 31, 2007, 2006 and 2005 was \$565,000, \$735,000 and \$458,000, respectively. The actual tax benefit realized for the tax deductions from options exercised totaled \$395,000, \$451,000 and \$173,000 for the years ended December 31, 2007, 2006 and 2005, respectively.

As of December 31, 2007, there was \$823,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the 1992, 2000 and 2005 Plans. The cost is expected to be recognized over a weighted average period of 4.0 years. The total fair value of options vested was \$168,000 and \$197,000 for the years ended December 31, 2007 and 2006, respectively.

Notes to Consolidated Financial Statements

11. OTHER EXPENSES

Other expenses consisted of the following:

	Years Ended December 31.		
	2007	2006	2005
	(In thousands)		
Data processing	\$ 847	\$ 816	\$ 811
Advertising	481	452	412
Audit and accounting fees	382	317	334
Amortization of core deposit intangible	214	214	214
Legal fees	112	300	192
Regulatory assessments	109	112	164
Other expenses	3,507	3,038	2,604
	<u>\$ 5,652</u>	<u>\$ 5,249</u>	<u>\$ 4,731</u>

12. 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 \$260,000, \$300,000 and \$275,000 to the profit sharing plan in 2007, 2006 and 2005, 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, 2007, 2006 and 2005, 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, 2007, 2006 and 2005, the Bank made matching contributions totaling \$241,000, \$232,000, \$210,000, 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 (9.25% at December 31, 2007). At December 31, 2007 and 2006, the total net deferrals included in accrued interest payable and other liabilities were \$1,598,000 and \$1,416,000, 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 \$2,813,000 and \$2,720,000 at December 31, 2007 and 2006, respectively. The current annual tax-free interest rates on these policies is 5.6%. Income recognized on these policies, excluding the gain noted above and net of related expenses, for the years ended December 31, 2007, 2006 and 2005 was \$93,000, \$131,000 and \$120,000, respectively.

Salary Continuation Plans - The Board of Directors approved salary continuation plans for certain key executives during 2002 and subsequently amended the plans 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 6.00%. The expense recognized under these plans for the years ended December 31, 2007, 2006 and 2005 totaled \$367,000, \$1,000,000 and \$332,000, respectively. Accrued compensation payable under the salary continuation plan totaled \$2,623,000 and \$2,285,000 at December 31, 2007 and 2006, respectively.

In connection with these plans, the Bank purchased single premium life insurance policies with cash surrender values totaling \$3,910,000 and \$3,426,000 at December 31, 2007 and 2006, respectively. Income recognized on these policies, net of related expense, for the years ended December 31, 2007, 2006 and 2005 totaled \$133,000, \$117,000 and \$90,000, respectively.

13. LOANS TO RELATED PARTIES

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

Balance, January 1, 2007	\$ 502
Disbursements	477
Amounts repaid	<u>(135)</u>
Balance, December 31, 2007	<u>\$ 844</u>
Undisbursed commitments to related parties, December 31, 2007	<u>\$ 1,497</u>

Notes to Consolidated Financial Statements

14. COMPREHENSIVE INCOME

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

At December 31, 2007, 2006 and 2005, the Company held securities classified as available-for-sale which had net unrealized gains or losses as follows:

	Before Tax	Tax (Expense) Benefit (In thousands)	After Tax
For the Year Ended December 31, 2007			
Other comprehensive income:			
Unrealized holding gains	\$ 493	\$ (198)	\$ 295
Less reclassification adjustment for net gains included in net income	64	(26)	38
Total other comprehensive income	<u>\$ 429</u>	<u>\$ (172)</u>	<u>\$ 257</u>
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	<u>\$ 650</u>	<u>\$ (260)</u>	<u>\$ 390</u>
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	<u>\$ (1,407)</u>	<u>\$ 570</u>	<u>\$ (837)</u>

15. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of

significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the fair values presented.

The following methods and assumptions were used by the Company to estimate the fair value of its financial instruments at December 31, 2007 and 2006:

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

Available-for-sale investment securities and interest-bearing deposits in other banks - For 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.

Notes to Consolidated Financial Statements

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

	December 31, 2007		December 31, 2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Financial assets:				
Cash and due from banks	\$ 17,108	\$ 17,108	\$ 23,898	\$ 23,898
Federal funds sold	14,536	14,536	24,218	24,218
Interest-bearing deposits in other banks	-	-	323	323
Available-for-sale investment securities	84,373	84,373	103,922	103,922
Loans	337,241	342,638	318,853	319,248
Bank owned life insurance	6,723	6,723	6,146	6,146
FHLB stock	2,022	2,022	1,891	1,891
Accrued interest receivable	2,324	2,324	2,508	2,508
Financial liabilities:				
Deposits	\$ 402,562	\$ 404,147	\$ 440,627	\$ 438,848
Short-term borrowings	20,000	20,000	3,250	3,250
Accrued interest payable	680	680	591	591

16. PARENT ONLY CONDENSED FINANCIAL STATEMENTS

CONDENSED BALANCE SHEETS

December 31, 2007 and 2006

(In thousands)

	2007	2006
ASSETS		
Cash and cash equivalents	\$ 1,455	\$ 1,477
Investment in subsidiary	52,158	48,959
Other assets	675	794
Total assets	\$ 54,288	\$ 51,230
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Short-term debt	\$ -	\$ 1,250
Other liabilities	94	202
Total liabilities	94	1,452
Shareholders' equity:		
Common stock	13,571	14,007
Retained earnings	40,483	35,888
Accumulated other comprehensive income (loss), net of taxes	140	(117)
Total shareholders' equity	54,194	49,778
Total liabilities and shareholders' equity	\$ 54,288	\$ 51,230

CONDENSED STATEMENTS OF INCOME

For the Years Ended December 31, 2007, 2006 and 2005

(In thousands)

	2007	2006	2005
Income:			
Dividends declared by subsidiary - eliminated in consolidation	\$ 3,600	\$ 1,000	\$ -
Other income	1	1	1
Total income	3,601	1,001	1
Expenses:			
Professional fees	104	72	106
Other expenses	281	516	500
Total expenses	385	588	606
Income (loss) before equity in undistributed income of subsidiary	3,216	413	(605)
Equity in undistributed net income of subsidiary	2,942	6,342	6,438
Income before income tax benefit	6,158	6,755	5,833
Income tax benefit	122	156	211
Net income	\$ 6,280	\$ 6,911	\$ 6,044

Notes to Consolidated Financial Statements

16. PARENT ONLY CONDENSED FINANCIAL STATEMENTS (Continued)

CONDENSED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2007, 2006 and 2005

(In thousands)

	2007	2006	2005
Cash flows from operating activities:			
Net income	\$ 6,280	\$ 6,911	\$ 6,044
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed net income of subsidiary	(2,942)	(6,342)	(6,438)
Stock-based compensation	221	163	-
Tax benefit from exercise of stock options	(395)	(451)	(173)
Decrease in other assets	492	430	792
(Decrease) increase in other liabilities	(108)	132	(51)
Provision for deferred income taxes	22	(134)	-
Net cash provided by operating activities	<u>3,570</u>	<u>709</u>	<u>174</u>
Cash flows provided by (used in) investing activities:			
Investment in subsidiary	-	22	(309)
Cash flows from financing activities:			
Repayments of borrowings from other financial institution	(1,250)	(1,250)	-
Share repurchase and retirement	(2,707)	(395)	-
Proceeds from exercise of stock options	565	735	458
Tax benefit from exercise of stock options	395	451	173
Cash dividends paid	(595)	-	-
Net cash (used in) provided by financing activities	<u>(3,592)</u>	<u>(459)</u>	<u>631</u>
(Decrease) increase in cash and cash equivalents	(22)	272	496
Cash and cash equivalents at beginning of year	<u>1,477</u>	<u>1,205</u>	<u>709</u>
Cash and cash equivalents at end of year	<u>\$ 1,455</u>	<u>\$ 1,477</u>	<u>\$ 1,205</u>
Cash paid during the year for interest expense	\$ 67	\$ 161	\$ 153
Non-cash investing activities:			
Net pre-tax change in unrealized gains (losses) on available-for-sale investment securities	\$ 429	\$ 650	\$ (1,407)
Fair market value of common stock issued in acquisition of subsidiary	\$ -	\$ -	\$ 6,079
Non-cash financing activities:			
Tax benefit from stock options exercised	\$ 395	\$ 451	\$ 173

17. SUBSEQUENT EVENT

On February 20, 2008, the Board of Directors declared a \$0.10 per share cash dividend to shareholders of record at the close of business on March 11, 2008 which will be paid on March 31, 2008.

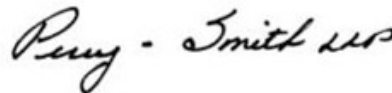
Report of Independent Registered Public Accounting Firm

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, 2007 and 2006 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, 2007. 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, 2007 and 2006 and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.



Sacramento, California
February 20, 2008

Selected Financial Data

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

Statements of Income:	2007	2006	2005	2004	2003
Total interest income	\$ 32,566	\$ 30,932	\$ 26,070	\$ 16,799	\$ 14,970
Total interest expense	8,058	6,559	4,139	1,978	2,290
Net interest income before provision for credit losses	24,508	24,373	21,931	14,821	12,680
Provision for credit losses	480	800	510	-	-
Net interest income after provision for credit losses	24,028	23,573	21,421	14,821	12,680
Non-interest income	4,518	5,177	4,009	4,084	4,559
	28,546	28,750	25,430	18,905	17,239
Non-interest expenses	19,099	18,541	16,042	13,266	12,368
Income before provision for income taxes	9,447	10,209	9,388	5,639	4,871
Provision for income taxes	3,167	3,298	3,344	1,944	1,499
Net income	\$ 6,280	\$ 6,911	\$ 6,044	\$ 3,695	\$ 3,372
Basic earnings per share	\$ 1.05	\$ 1.16	\$ 1.03	\$ 0.71	\$ 0.65
Diluted earnings per share	\$ 0.99	\$ 1.07	\$ 0.94	\$ 0.64	\$ 0.60
Cash dividends declared per common share	\$ 0.10	\$ -	\$ -	\$ 0.05	\$ 0.05

December 31,
(In thousands)

Balances at end of year:	2007	2006	2005	2004	2003
Investment securities, Federal funds sold and deposits in other banks	\$ 98,909	\$ 128,463	\$ 136,340	\$ 127,895	\$ 107,300
Net loans	337,241	318,853	298,463	206,582	183,849
Total deposits	402,562	440,627	430,989	326,186	290,565
Total assets	483,685	500,059	483,677	368,147	327,930
Shareholders' equity	54,194	49,778	41,523	29,606	26,720
Earning assets	441,825	453,211	440,646	338,032	292,494
Average balances:	2007	2006	2005	2004	2003
Investment securities, Federal funds sold and deposits in other banks	\$ 103,253	\$ 125,702	\$ 135,679	\$ 115,069	\$ 101,222
Net loans	327,665	300,591	274,348	192,658	172,310
Total deposits	417,691	414,310	407,188	307,453	270,159
Total assets	477,321	470,221	455,680	346,217	306,384
Shareholders' equity	51,754	45,564	38,691	28,203	25,484
Earning assets	436,564	431,368	414,257	311,456	275,846

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

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

	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Net interest income	\$ 6,224	\$ 6,186	\$ 6,130	\$ 5,968	\$ 6,259	\$ 6,104	\$ 6,045	\$ 5,965
Provision for credit losses	120	120	120	120	200	100	100	400
Net interest income after provision for credit losses	6,104	6,066	6,010	5,848	6,059	6,004	5,945	5,565
Total non-interest income	1,168	1,075	1,116	1,159	1,679	1,295	1,146	1,057
Total non-interest expenses	4,774	4,864	4,756	4,705	5,067	4,631	4,446	4,397
Provision for income taxes	865	701	751	850	528	999	976	795
Net income	\$ 1,633	\$ 1,576	\$ 1,619	\$ 1,452	\$ 2,143	\$ 1,669	\$ 1,669	\$ 1,430
Basic earnings per share	\$ 0.27	\$ 0.26	\$ 0.27	\$ 0.24	\$ 0.36	\$ 0.28	\$ 0.28	\$ 0.24
Diluted earnings per share	\$ 0.26	\$ 0.25	\$ 0.25	\$ 0.23	\$ 0.33	\$ 0.26	\$ 0.26	\$ 0.22

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; and (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 Bank of Madera County (BMC) was merged with and into the Bank on January 1, 2005. BMC had

two branches in Madera County which continue to be operated by the Bank. The Company's market area includes the central valley area from Sacramento, California to Bakersfield, California.

During 2007, the Company focused on assuring that competitive products and services were made available to our clients while adjusting to the many new laws and regulations that affect the banking industry. During 2007, the Bank opened a loan production office in Modesto, California, and relocated our Kerman branch to a new larger facility. During February and November of 2006, the Bank opened full service retail offices in the Fresno downtown area and in the Sunnyside area of Fresno, respectively. 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 has been affected by the residential construction slow down during 2007. Most industries in the County are either stable or contracting very modestly. Agriculture and agricultural related businesses remain a critical part of the County's economy. The County's agricultural production is widely diversified, producing cotton, nuts, vegetables, fruit, cattle, and dairy products.

Fresno County also offers lower living costs compared with metropolitan areas to the North and South of the County. While affordability has declined in recent years, 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.

OVERVIEW

Diluted earnings per share (EPS) for the year ended December 31, 2007 was \$0.99 compared to \$1.07 and \$0.94 for the years ended December 31, 2006 and 2005 respectively. Net income for 2007 was \$6,280,000 compared to \$6,911,000 and \$6,044,000 for the years ended December 31, 2006 and 2005, respectively. Total assets at December 31, 2007 were \$483,685,000 compared to \$500,059,000 at December 31, 2006.

Return on average equity for 2007 was 12.13% compared to 15.17% and 15.63% for 2006 and 2005, respectively. Return on average assets for 2007 was 1.32% compared to 1.47% and 1.33% for 2006 and 2005, respectively. Total equity was \$54,194,000 at December 31, 2007 compared to \$49,778,000 at December 31, 2006.

Total loans continued to grow during 2007. Average total loans increased \$27,385,000 or 9.0% to \$331,459,000 in 2007 compared to \$304,074,000 in 2006.

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

OVERVIEW (Continued)

Asset quality continues to be strong. In 2007, we recorded a provision for credit losses of \$480,000 compared to \$800,000 in 2006 and \$510,000 in 2005. The Company had non-accrual loans totaling \$179,000 at December 31, 2007 and none at December 31, 2006. Net charge-offs for 2007 were \$402,000 compared to \$330,000 for 2006 and \$619,000 for 2005. Refer to "Asset Quality" below for further information. We had no other real estate owned at either December 31, 2007 or 2006.

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 ROE was 12.13% for the year ended 2007 compared to 15.17% and 15.63% for the years ended 2006 and 2005, respectively. The decrease in ROE for 2007 is primarily due to the decrease in net income and the overall increase in the level of capital. Our net income for the year ended December 31, 2007 decreased \$631,000 compared to increases of \$867,000 and \$2,349,000 for 2006 and 2005, respectively. During 2007 net interest income increased due primarily to our organic loan growth. This increase was offset by the increase in interest bearing deposit expenses from a shift to time deposits and the overall rates paid. Non-interest expenses also increased due to higher occupancy expenses from our expansion in 2007 and 2006 and higher other general expenses. In addition non-interest income decreased primarily due to the tax exempt life insurance proceeds of \$625,000 received by the Bank in 2006. Basic EPS was \$1.05 for 2007 compared to \$1.16 and \$1.03 for the years ended 2006 and 2005, respectively. Diluted EPS was \$0.99 for the year ended 2007 compared to \$1.07 and \$0.94 for the years ended 2006 and 2005, respectively. The decrease in EPS in 2007 was due primarily to the decrease in net income.

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 2007 decreased to 1.32% compared to 1.47% and 1.33% for the years ended December 31, 2006 and 2005, respectively. The 2007 decrease in ROA is due to the decrease in net income compounded by our increase in average assets. ROA for our peer group was 1.18% at September 30, 2007. Peer group information from SNL Financial data includes bank holding companies in central California with assets from \$300M to \$950M and not subchapter S.

Development of Core Earnings

Over the past several years, we have focused on not only our net income, but improving the consistency of our core earnings 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 changes in the mix and increases in average interest earning assets through loan generation and retention and maintaining our net interest margin by managing the cost of funds. As a result, our net interest income before provision for credit losses increased \$135,000 or 0.6% to \$24,508,000 for the year ended 2007 compared to \$24,373,000 and \$21,931,000 for the years ended 2006 and 2005, respectively. Our net interest margin contracted slightly by 5 basis points to 5.74% for the year ended 2007 compared to 5.79% for the year ended 2006 and up from the 5.46% for 2005.

Our non-interest income is generally made up of service charges and fees on deposit accounts, fee income from loan placements, appreciation in cash surrender value of bank owned life insurance and other income. Non-interest income in 2007 decreased \$659,000 or 12.7% to \$4,518,000 compared to \$5,177,000 in 2006 and up from \$4,009,000 in 2005. Customer service charges increased \$327,000 or 12.9% to \$2,859,000 in 2007 compared to \$2,532,000 and \$2,414,000 in 2006 and 2005, respectively, mainly due to an increase in fee rates and an increase in the number of transaction accounts. Loan placement fees in 2007 decreased \$165,000 or 47.1% to \$185,000 compared to \$350,000 in 2006. Non-interest income in 2006 also included tax-exempt proceeds from a life insurance policy of \$625,000, and net pre-tax gains from the sale of real estate and equipment of \$192,000. During 2005, non-interest income included service charges of \$2,414,000 and loan placement fees of \$390,000. 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 non-performing loans totaling \$179,000 or 0.05% of gross loans as of December 31, 2007 and none as of December 31, 2006. 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. The Company did not have any other real estate owned at December 31, 2007 or 2006.

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 decreased 3.3% during 2007 to \$483,685,000 as of December 31, 2007 from \$500,059,000 as of December 31, 2006. Total gross loans increased 5.7% to \$341,128,000 as of December 31, 2007, compared to \$322,662,000 at December 31, 2006. Total investment securities and Federal funds sold decreased 23.0% to \$98,909,000 as of December 31, 2007 compared to \$128,463,000 as of December 31, 2006 as our organic loan growth was partially funded through the maturities and sales of our investment portfolio. Total deposits decreased 8.6% to \$402,562,000 as of December 31, 2007 compared to \$440,627,000 as of December 31, 2006. As a result we have increased our loan to deposit ratio, however, our peer group continues to have a higher ratio. Our loan to deposit ratio at December 31, 2007 was 84.7% compared to 73.2% at December 31, 2006. The loan to deposit ratio of our peers was 91.1% at September 30, 2007.

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 net gains from sale of securities) was 65.21% for 2007 compared to 62.28% for 2006 and 61.20% for 2005. The deterioration in the efficiency ratio in 2007 is due to the increase in operating expenses coupled with a slight decrease in revenues. The Company's net interest income before provision for credit losses plus non-interest income decreased 1.8% to \$29,026,000 in 2007 compared to \$29,550,000 in 2006 and \$25,940,000 in 2005, while operating expenses increased 3.0% in 2007, 15.9% in 2006, and 19.3% in 2005.

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

RESULTS OF OPERATIONS

NET INCOME

Net income was \$6,280,000 in 2007 compared to \$6,911,000 and \$6,044,000 in 2006 and 2005, respectively. Basic earnings per share were \$1.05, \$1.16, and \$1.03 for 2007, 2006 and 2005, respectively. Diluted earnings per share were \$0.99, \$1.07, and \$0.94 for 2007, 2006 and 2005, respectively. ROE was 12.13% for 2007 compared to 15.17% for 2006 and 15.63% for 2005. ROA for 2007 was 1.32% compared to 1.47% for 2006 and 1.33% for 2005.

The decrease in net income and profitability for 2007 compared to 2006 was mainly due to the decrease in non-interest income primarily due to the tax-exempt life insurance proceeds of \$625,000 and the net gain from the sale of real estate and equipment of \$192,000 received in 2006, the decrease in loan placement fees and increases in non-interest expenses. These changes were partially offset by the increases in services charges and the decrease in the provision for credit losses. Net interest income before provision for credit losses remained relatively consistent when comparing 2007 to 2006 as increases in interest on average earning assets were offset by increases in our cost of interest-bearing liabilities. The increase in net income for 2006 compared to 2005 was primarily 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.

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 \$2,221,000 or 8.7% in 2007 compared to 2006. Interest and fee income increased \$4,412,000 or 20.9% in 2006 compared to 2005. The increase in 2007 is attributable to a 9.0% increase in the level of average loans in 2007 compared to 2006 partially offset by a slight decrease in the yield of 3 basis points. Average total loans for 2007 increased \$27,385,000 to \$331,459,000 compared to \$304,074,000 for 2006 and \$277,855,000 for 2005. The yield on loans for 2007 was 8.37% compared to 8.40% and 7.63% for 2006 and 2005, respectively.

Interest income from total investments, (total investments include investment securities, Federal funds sold, interest bearing deposits with other banks, and other securities) not on a fully tax equivalent basis, decreased \$587,000 in 2007 compared to 2006 mainly due to a 17.9% decrease in the average balances of these investments partially offset by a 39 basis point increase in the yields earned. In 2006, total investment income increased \$450,000 from 2005 as the effect of the increase in yields earned outpaced the decrease in the average balance of investments. Average total investments for 2007 were \$103,253,000 compared to \$125,702,000 and \$135,679,000 for 2006 and 2005, respectively. The decrease in the investment portfolio is due primarily to the growth in our loans as maturities and sales of investments were used to fund loans in the absence of a corresponding growth in deposits.

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, 2007, we held \$46,124,000 or 54.67% of the total market value of the investment portfolio in MBS and CMOs with an average yield of 5.56%. 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, 2007, the average life of the investment portfolio was 4.4 years and the market value reflected a pre-tax gain of \$234,000.

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, 2007, an immediate rate increase of 200 basis points would result in an estimated decrease in the market value of the investment portfolio by approximately \$6,006,000. Conversely, with an immediate rate decrease of 200 basis points, the estimated increase in the market value of the investment portfolio is \$5,827,000. 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 and 50 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 2007 increased \$1,634,000, to \$32,566,000 compared to \$30,932,000 in 2006 and \$26,070,000 in 2005. The 5.3% increase in 2007 was due to the 1.2% increase in the average balance of interest earning assets, combined with the 28 basis point increase in the yield on those assets. Average interest-earning assets increased to \$436,564,000 for 2007 compared to \$431,368,000 for 2006, and \$414,257,000 for 2005. The yield on interest earning assets increased to 7.59% for 2007 compared to 7.31% and 6.46% for 2006 and 2005, respectively. The increases in average earning assets of \$5,196,000 in 2007 and \$17,111,000 in 2006 were the result of our own organic growth.

Interest expense on deposits in 2007 increased \$1,684,000 or 27.1% to \$7,894,000 compared to \$6,210,000 and \$3,886,000 in 2006 and 2005, respectively. The increase in 2007 compared to 2006 was due to the change in mix of interest-bearing deposits with higher average balances in time certificates and the repricing of interest bearing deposits, which increased 59 basis points to 2.79% in 2007 from 2.20% in 2006, as a result of the increases in the Federal funds interest rate. The increase in interest expense in 2006 compared to 2005 was also due to the change in mix and 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. Average interest-bearing deposits were \$282,539,000 for 2007 compared to \$282,160,000 and \$283,013,000 for 2006 and 2005, respectively.

Average other borrowings decreased to \$2,759,000 with an effective rate of 5.94% for 2007 compared to \$6,774,000 with an effective rate of 5.15% for 2006. In 2005, the average other borrowings were \$6,725,000 with an effective rate of 3.76%. Included in other borrowings are advances from the Federal Home Loan Bank (FHLB) and a loan from a major bank, which we paid in full during 2007. 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 4.87% for 2007 compared to 3.97% for 2006 and 2.36% for 2005.

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 2.3% to \$135,152,000 in 2007 compared to \$132,150,000 for 2006 and \$124,175,000 for 2005. The increases were due primarily to organic growth. The cost of all of our interest bearing liabilities increased 55 basis points to 2.82% for 2007 compared to 2.27% for 2006 and 1.43% for 2005, while the cost of total deposits increased to 1.89% for the year ended December 31, 2007 compared to 1.50% for the year ended December 31, 2006. Average transaction accounts (including interest bearing checking, money market accounts and non-interest bearing demand deposits) decreased by 2.0% to \$287,110,000 for 2007 compared to \$292,840,000 for 2006 and \$293,609,000 for 2005.

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

INTEREST INCOME AND EXPENSE (Continued)

SCHEDULE OF AVERAGE BALANCES AND AVERAGE YIELDS AND RATES (Dollars in thousands)	Year Ended December 31, 2007			Year Ended December 31, 2006		
	Average Balance	Interest Income/Expense	Average Interest Rate	Average Balance	Interest Income/Expense	Average Interest Rate
ASSETS						
Interest-earning deposits in other banks	\$ 168	\$ 5	2.98%	\$ 634	\$ 22	3.47%
Securities:						
Taxable securities	67,516	3,350	4.96%	74,915	3,191	4.26%
Non-taxable securities (1)	23,848	1,333	5.59%	26,749	1,556	5.82%
Total investment securities	91,364	4,683	5.13%	101,664	4,747	4.67%
Federal funds sold	11,721	583	4.97%	23,404	1,165	4.98%
Total	103,253	5,271	5.11%	125,702	5,934	4.72%
Loans (2) (3)	331,347	27,748	8.37%	303,867	25,527	8.40%
Federal Home Loan Bank stock	1,964	102	5.19%	1,799	89	4.95%
Total interest-earning assets	436,564	\$ 33,121	7.59%	431,368	\$ 31,550	7.31%
Allowance for credit losses	(3,794)			(3,483)		
Non-accrual loans	112			207		
Cash and due from banks	16,675			17,404		
Bank premises and equipment	5,747			3,369		
Other non-earning assets	22,017			21,356		
Total average assets	\$ 477,321			\$ 470,221		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities:						
Savings and NOW accounts	\$ 73,072	\$ 445	0.61%	\$ 78,410	\$ 162	0.21%
Money market accounts	99,448	2,621	2.64%	105,632	2,467	2.34%
Time certificates of deposit, under \$100,000	49,552	2,112	4.26%	53,208	1,499	2.82%
Time certificates of deposit, \$100,000 and over	60,467	2,716	4.49%	44,910	2,082	4.64%
Total interest-bearing deposits	282,539	7,894	2.79%	282,160	6,210	2.20%
Other borrowed funds	2,759	164	5.94%	6,774	349	5.15%
Total interest-bearing liabilities	285,298	\$ 8,058	2.82%	288,934	\$ 6,559	2.27%
Non-interest bearing demand deposits	135,152			132,150		
Other liabilities	5,117			3,573		
Shareholders' equity	51,754			45,564		
Total average liabilities and shareholders' equity	\$ 477,321			\$ 470,221		
Interest income and rate earned on average earning assets		\$ 33,121	<u>7.59%</u>		\$ 31,550	<u>7.31%</u>
Interest expense and interest cost related to average interest-bearing liabilities		8,058	<u>2.82%</u>		6,559	<u>2.27%</u>
Net interest income and net interest margin (4)		\$ 25,063	<u>5.74%</u>		\$ 24,991	<u>5.79%</u>

(1) Calculated on a fully tax equivalent basis, which includes Federal tax benefits relating to income earned on municipal bonds totaling \$453 and \$529 in 2007 and 2006, respectively.

(2) Loan interest income includes loan fees of \$873 in 2007 and \$798 in 2006.

(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.

NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES

As a result of the activity discussed above, net interest income before provision for credit losses for 2007 increased \$135,000 or 0.6% to \$24,508,000 compared to \$24,373,000 for 2006 and \$21,931,000 for 2005. The increase in 2007 was primarily due to an increase in average interest earning assets and the yields earned on those assets, offset by the change in mix of the interest bearing liabilities and the increase in rates paid on those liabilities. While net interest income increased slightly the net interest margin decreased slightly. The increase in 2006 compared to 2005 was primarily due to increases in the net interest margin, combined with increases in average interest earning assets. Average interest earning assets and net interest margin, respectively, were \$436,564,000 and 5.74% in 2007, \$431,368,000 and 5.79% in 2006, and \$414,257,000 and 5.46% in 2005. For a discussion of the repricing of our assets and liabilities, see the Quantitative and Qualitative Disclosure about Market Risk section.

PROVISION FOR CREDIT LOSSES

We provide for probable 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

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

PROVISION FOR CREDIT LOSSES (Continued)

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)	% of Loans		% of Loans	
	December 31, 2007	In Each Category To Total Loans	December 31, 2006	In Each Category To Total Loans
Commercial and industrial	\$ 1,254	27.1%	\$ 1,656	31.1%
Agricultural land and production	501	9.4%	227	9.0%
Real estate	1,353	40.3%	1,210	35.8%
Real estate - construction and other land loans	312	14.2%	294	15.0%
Equity loans and lines of credit	157	7.2%	171	7.5%
Consumer and installment	236	1.7%	193	1.5%
Other	23	0.1%	1	0.1%
Non-specific reserve	51		57	
	<u>\$ 3,887</u>		<u>\$ 3,809</u>	

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 2007, 2006 and 2005 were \$480,000, \$800,000, and \$510,000, respectively. These provisions 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. Non-performing loans were \$179,000 at December 31, 2007. We do not anticipate any further losses on these loans. We did not have any non-performing loans as of December 31, 2006. Non-performing loans as of December 31, 2005 totaled \$616,000. The Company did not have any other real estate owned at December 31, 2007 or 2006.

For 2007, 2006, and 2005, we had a net charge off ratio to average loans of 0.12%, 0.11% and 0.22%, respectively. The potential for a future net recovery position of loans previously charged off is not very likely.

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 \$480,000 in 2007, \$800,000 in 2006, and \$510,000 in 2005, was \$24,028,000 for 2007 compared to \$23,573,000 and \$21,421,000 for 2006 and 2005, respectively.

NON-INTEREST INCOME

Non-interest income is comprised of customer service charges, loan placement fees, appreciation in cash surrender value of bank owned life insurance and other income. Non-interest income was \$4,518,000 in 2007 compared to \$5,177,000 and \$4,009,000 in 2006 and 2005, respectively. The \$659,000 decrease in non-interest income comparing 2007 to 2006 was primarily due to the decreases in loan placement fees, the tax-exempt proceeds from a life insurance policy of \$625,000 and net gains from the sale of real estate and equipment of \$192,000 received in 2006. These decreases were partially offset by the increase in service charges. The increase of \$1,168,000 comparing 2006 to 2005 also included an increase in service charges in addition to the insurance proceeds and real estate and equipment gains discussed above.

Customer service charges increased \$327,000 to \$2,859,000 in 2007 compared to \$2,532,000 in 2006 and \$2,414,000 in 2005. 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. In addition, during 2007 the Company increased the fee structure on transaction accounts.

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 \$165,000 in 2007 to \$185,000 compared to \$350,000 in 2006 and \$390,000 in 2005. The decreases in 2007 and 2006 are primarily due to a slowdown in the housing market in California and the tightening of the credit market resulting in fewer refinancing opportunities.

The Bank holds stock from the Federal Home Loan Bank in relationship with the borrowing capacity and generally receives quarterly dividends. As of December 31, 2007, we held \$2,022,000 in FHLB stock compared to \$1,891,000 at December 31, 2006. Dividends in 2007 increased to \$102,000 compared to \$89,000 in 2006 and \$68,000 in 2005.

Other income increased to \$1,080,000 in 2007 compared to \$1,013,000 and \$829,000 in 2006 and 2005, respectively. The \$67,000 increase in 2007 compared to 2006 and the \$184,000 increase comparing 2006 to 2005 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 \$558,000 to \$19,099,000 in 2007 compared to \$18,541,000 in 2006, which was an increase of \$2,499,000 in 2006 compared to \$16,042,000 in 2005.

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 65.21% for 2007 compared to 62.28% for 2006 and 61.20% for 2005. Our efficiency ratio decreased in 2007 due to the increase in operating expenses coupled with a slight decrease in revenues.

Salaries and employee benefits decreased \$42,000 or 0.4% to \$10,829,000 in 2007 compared to \$10,871,000 in 2006 and \$9,178,000 in 2005. In 2006 we made changes to certain executive salary continuation agreements and recorded an expense related to the change of \$518,000. The decrease in salaries and employee benefits in 2007 compared to 2006 is primarily due to the above charge in 2006 offset by normal cost increases for salaries and benefits and incentive based compensation due to loan and deposit production in 2007. The increase in salaries and employee benefits in 2006 compared to 2005 includes the above expense of \$518,000 in addition to normal cost increases for salaries and benefits and incentive based compensation due to loan and deposit production. Commissions paid for loan placements in 2007 decreased \$76,000 compared to 2006. Commissions paid were \$86,000 for 2007 compared to \$162,000 in 2006 and \$199,000 in 2005.

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.

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

NON-INTEREST EXPENSES (Continued)

In February 2005 the Board of Directors of the Company approved the acceleration of 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.

In October 2007, the Board of Directors of the Company approved the cancellation of 15,000 stock options granted on May 1, 2006 and 78,900 stock options granted on April 23, 2007. The Board granted new options to the directors, senior managers and other employees in the same numbers and to the same employees who were holders of the cancelled options. The grant date of the new options was October 17, 2007 and the options were granted with an exercise price equal to the fair market value on the grant date of \$12.00 per share. The Board considered the general decline in stocks of financial institutions as a whole in reaching their decision. The cancellation of previously issued options reflects the Board's desire to ensure that options continue to provide proper incentive to key personnel. As a result of this modification the Company recognized an additional \$29,000 in incremental stock based compensation expense.

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 2007, 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, 2007, there was \$823,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the 1992, 2000 and 2005 Plans. The cost is expected to be recognized over a weighted average period of 4.0 years. See Notes 1 and 10 to the audited Consolidated Financial Statements.

Occupancy and equipment expense increased \$197,000 to \$2,618,000 in 2007 compared to \$2,421,000 in 2006 and \$2,133,000 in 2005. The 8.1% increase in occupancy expense in 2007 compared to 2006 was due mainly to a full year's worth of expense in 2007 for the three new branches and the Company's new administrative office added during 2006, in addition to the new loan production office added during 2007. The 13.5% increase in occupancy expense in 2006 compared to 2005 was primarily due to the new branches and administrative offices added during 2006.

Other non-interest expenses increased \$403,000 or 7.7% to \$5,652,000 in 2007 compared to \$5,249,000 in 2006 and \$4,731,000 in 2005. The increase in 2007 was attributable primarily to increases in advertising, consulting, data processing and telephone expenses, partially offset by a reduction in legal expenses. Contributing to the 2006 increase in other non-interest expense were increases in personnel recruitment fees, leasehold termination expenses in connection with the relocation of our administrative offices into a single facility, and consulting expenses.

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

	Years Ended December 31,			
	2007		2006	
	Other Expense	% Avg Assets	Other Expense	% Avg Assets
	(Dollars in thousands)			
Advertising	\$ 481	0.10%	\$ 452	0.10%
Audit/accounting	382	0.08%	317	0.07%
Data/item processing	847	0.18%	816	0.17%
ATM/debit card expenses	312	0.07%	296	0.06%
Director fees and related expenses	173	0.04%	154	0.03%
Donations	107	0.02%	119	0.03%
Education/training	87	0.02%	68	0.01%
General Insurance	131	0.03%	124	0.03%
Legal fees	112	0.02%	300	0.06%
Postage	178	0.04%	164	0.03%
Regulatory assessments	109	0.02%	112	0.02%
Stationery/supplies	222	0.05%	247	0.05%
Telephone	189	0.04%	144	0.03%
Operating losses	34	0.01%	49	0.01%
Other	2,288	0.48%	1,887	0.40%
Total other non-interest expense	<u>\$ 5,652</u>		<u>\$ 5,249</u>	

PROVISION FOR INCOME TAXES

Our effective income tax rate was 33.5% for 2007 compared to 32.3% for 2006 and 35.6% for 2005. The provision for income taxes totaled \$3,167,000, \$3,298,000, and \$3,344,000 in 2007, 2006, and 2005, respectively. The effective tax rate in 2007 was favorably impacted by the increase in our state tax deduction for enterprise zone loans. In 2006 we received tax exempt life insurance proceeds of \$625,000 which favorably impacted our effective tax rate in that year.

FINANCIAL CONDITION

SUMMARY OF CHANGES IN CONSOLIDATED BALANCE SHEETS

December 31, 2007 compared to December 31, 2006

For 2007 we continued to see demand for and growth in our loans, while total assets and deposits decreased. As of December 31, 2007, total assets were \$483,685,000, a decrease of 3.3%, or \$16,374,000, compared to \$500,059,000 as of December 31, 2006. Total gross loans increased 5.7%, or \$18,466,000, to \$341,128,000 as of December 31, 2007 compared to \$322,662,000 as of December 31, 2006. Total deposits decreased 8.6%, or \$38,065,000, to \$402,562,000 as of December 31, 2007 compared to \$440,627,000 as of December 31, 2006. Shareholders' equity increased 8.9%, or \$4,416,000, to \$54,194,000 as of December 31, 2007 compared to \$49,778,000 as of December 31, 2006.

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, 2007, investment securities with a fair value of \$39,326,000 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 level of our investment portfolio is generally considered higher than our peers due primarily to an increasing but comparatively low loan to deposit ratio. Our loan to deposit ratio at December 31, 2007 was 84.7% compared to 73.2% at December 31, 2006. The loan to deposit ratio of our peers was 91.1% at September 30, 2007.

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

INVESTMENTS (Continued)

The total investment portfolio decreased 23.0% to \$98,909,000 at December 31, 2007 from \$128,463,000 at December 31, 2006 as proceeds from the maturity and sales of securities were used to fund loan growth during 2007. The market value of the portfolio reflected an unrealized gain of \$234,000 at December 31, 2007 compared to an unrealized loss of \$195,000 at December 31, 2006.

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; therefore, management does not consider these investments to be other-than-temporarily impaired.

See Note 2 to the Company's audited Consolidated Financial Statements in this Annual Report for carrying values and estimated fair values of our investment securities portfolio.

LOANS

Total gross loans have increased to \$341,128,000 as of December 31, 2007 compared to \$322,662,000 as of December 31, 2006.

The following table sets forth information concerning the composition of our loan portfolio as of:

Loan Type (Dollars in thousands)	December 31, 2007	% of Total Loans	December 31, 2006	% of Total Loans
Commercial:				
Commercial	\$ 92,613	27.1%	\$ 100,675	31.1%
Agricultural land and production	32,167	9.4%	28,907	9.0%
Total commercial	124,780	36.5%	129,582	40.1%
Real estate:				
Owner occupied Real estate	76,808	22.4%	71,667	22.1%
- construction and other land loans	48,593	14.2%	48,424	15.0%
Commercial real estate	43,334	12.8%	34,766	10.7%
Other	17,406	5.1%	9,550	3.0%
Total real estate	186,141	54.5%	164,407	50.8%
Consumer:				
Equity loans and lines of credit	24,595	7.2%	24,178	7.5%
Consumer and installment	5,742	1.7%	4,872	1.5%
Other	458	0.1%	375	0.1%
Total consumer	30,795	9.0%	29,425	9.1%
Deferred loan fees, net	(588)		(752)	
Total gross loans	341,128	100.0%	322,662	100.0%
Allowance for credit losses	(3,887)		(3,809)	
Total loans	\$ 337,241		\$ 318,853	

As of December 31, 2007, a concentration of loans existed in loans collateralized by real estate (real estate, real estate construction, land development and other land loans, and equity loans and lines of credit) comprising 61.8% of total loans. This level of concentration is slightly higher than the 58.4% at December 31, 2006. 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, 2007 and 2006, we had no OREO, repossessed assets or restructured loans. We had non-accrual loans totaling \$179,000 at December 31, 2007 and none at December 31, 2006.

A summary of non-accrual, restructured, and past due loans at December 31, 2007 and 2006 is set forth below. The Company had no loans past due more than 90 days and still accruing interest at December 31, 2007 and 2006. Management is not aware of any potential problem loans, which were current and accruing at December 31, 2007, 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, 2007	December 31, 2006
Non-accrual loans		
Commercial and industrial loans	\$ 100	\$ -
Real Estate	79	-
Total non-accrual	179	-
Accruing loans past due		
90 days or more	-	-
Restructured loans	-	-
Total non-performing loans	\$ 179	\$ -
Non-performing loans to total loans	0.05%	0.00%
Ratio of non-performing loans to allowance for credit losses	4.61%	0.00%
Loans considered to be impaired	\$ 179	\$ -
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, 2007, there were four impaired loans totaling \$179,000. 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 under the original contractual terms. 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

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

LOANS (Continued)

Classified Assets - (continued)

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.

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 (CCO) 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 (e.g. 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
- 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) derived 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 the 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.
- LBA identifies those credits with outstanding balances exceeding the unsecured 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.

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

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 \$54,194,000 as of December 31, 2007 compared to \$49,778,000 as of December 31, 2006. The increase in stockholders' equity is primarily a result of net income of \$6,280,000 for 2007 and proceeds from the exercise of stock options of \$960,000 offset by the repurchases of the Company's common stock of \$2,707,000 and the payment of cash dividends of \$595,000.

On July 19, 2007, the Board of Directors declared a \$0.10 per share cash dividend for shareholders of record as of August 8, 2007, payable on August 24, 2007. The Company did not pay any cash dividends in 2006 or 2005.

During 2007 and 2006, the Bank declared and paid cash dividends to the Company of \$3,000,000 and \$1,000,000, respectively, in connection with stock repurchase agreements approved by the Company's Board of Directors. 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, 2007 and 2006.

	2007		2006	
	Amount	Ratio	Amount	Ratio
(Dollars in thousands)				
Tier 1 Leverage Ratio				
Central Valley Community Bancorp and Subsidiary	\$ 44,238	9.43%	\$ 39,864	8.41%
Minimum regulatory requirement	\$ 18,758	4.00%	\$ 18,967	4.00%
Central Valley Community Bank	\$ 42,202	9.00%	\$ 39,045	8.24%
Minimum requirement for "Well-Capitalized" institution	\$ 23,438	5.00%	\$ 23,703	5.00%
Minimum regulatory requirement	\$ 18,751	4.00%	\$ 18,963	4.00%
Tier 1 Risk-Based Capital Ratio				
Central Valley Community Bancorp and Subsidiary	\$ 44,238	11.65%	\$ 39,864	10.97%
Minimum regulatory requirement	\$ 15,188	4.00%	\$ 14,536	4.00%
Central Valley Community Bank	\$ 42,202	11.12%	\$ 39,045	10.72%
Minimum requirement for "Well-Capitalized" institution	\$ 22,773	6.00%	\$ 21,852	6.00%
Minimum regulatory requirement	\$ 15,182	4.00%	\$ 14,568	4.00%
Total Risk-Based Capital Ratio				
Central Valley Community Bancorp and Subsidiary	\$ 48,125	12.67%	\$ 43,673	12.02%
Minimum regulatory requirement	\$ 30,376	8.00%	\$ 29,073	8.00%
Central Valley Community Bank	\$ 46,089	12.14%	\$ 42,854	11.77%
Minimum requirement for "Well-Capitalized" institution	\$ 37,954	10.00%	\$ 36,419	10.00%
Minimum regulatory requirement	\$ 30,363	8.00%	\$ 29,135	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, 2007 our available borrowing capacity includes approximately \$18,000,000 in Federal funds lines with our correspondent banks and \$3,498,000 in unused FHLB advances. We believe our liquidity sources to be stable and adequate. At December 31, 2007, 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, 2007 and 2006:

Credit Lines (In thousands)	December 31,	
	2007	2006
Unsecured Credit Lines (interest rate varies with market):		
Credit limit	\$ 18,000	\$ 18,000
Balance outstanding	\$ -	\$ -
Federal Home Loan Bank (interest rate at prevailing interest rate):		
Credit limit	\$ 23,498	\$ 16,334
Balance outstanding	\$ 20,000	\$ 2,000
Collateral pledged	\$ 24,231	\$ 16,848
Fair value of collateral	\$ 24,203	\$ 16,758
Federal Reserve Bank (interest rate at prevailing discount interest rate):		
Credit limit	\$ 1,986	\$ 2,112
Balance outstanding	\$ -	\$ -
Collateral pledged	\$ 2,032	\$ 2,271
Fair value of collateral	\$ 2,057	\$ 2,200

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 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 \$135,638,000 as of December 31, 2007 compared to \$134,549,000 as of December 31, 2006. For a more detailed discussion of these financial instruments, see Note 8 to the audited Consolidated Financial Statements in this Annual Report.

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 8 to the audited Consolidated Financial Statements in this Annual Report.

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

CONTRACTUAL OBLIGATIONS

The following summarizes the Company's long-term contractual obligations at December 31, 2007:

(In thousands)	Less than 1 year	1-3 years	3-5 years	Thereafter	Total
Time deposits	\$ 102,624	\$ 8,378	\$ 626	\$ -	\$ 111,628
FHLB advances	20,000	-	-	-	20,000
Deferred compensation liability (1)	1,598	-	-	-	1,598
Salary continuation liability (1)	757	320	301	1,245	2,623
Obligations reflected on Consolidated Balance Sheet	<u>\$ 124,979</u>	<u>\$ 8,698</u>	<u>\$ 927</u>	<u>\$ 1,245</u>	<u>\$ 135,849</u>
Operating lease obligations	\$ 990	\$ 2,016	\$ 1,732	\$ 7,608	\$ 12,346
Obligations not reflected on Consolidated Balance Sheet	<u>\$ 990</u>	<u>\$ 2,016</u>	<u>\$ 1,732</u>	<u>\$ 7,608</u>	<u>\$ 12,346</u>

(1) These amounts represent the current accrual for payments to participants under the Company's deferred compensation and salary continuation plans. See Note 12 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, 2007, 78.3% 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, 2007, 91.4% of our time deposits mature within one year or less. As of December 31, 2007, \$20,000,000 of our short term debt was fixed rate. \$10,000,000 matures on January 9, 2008, and \$10,000,000 matures on January 10, 2008.

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

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

The ALCO seeks to stabilize our NII by matching rate-sensitive assets and liabilities through maintaining the maturity and repricing of these assets and liabilities at appropriate levels given the interest rate environment. When the amount of rate-sensitive liabilities exceeds rate-sensitive assets within specified time periods, NII generally will be negatively impacted by an increasing interest rate environment and positively impacted by a decreasing interest rate environment. Conversely, when the amount of rate-sensitive assets exceeds the amount of rate-sensitive liabilities within specified time periods, net interest income will generally be positively impacted by an increasing interest rate environment and negatively impacted by a decreasing interest rate environment. 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 78.3% of our loan portfolio is tied to adjustable rate indices and 50.0% of our loan portfolio reprices within 90 days. As of December 31, 2007, we had 82 commercial and real estate loans totaling \$31,543,000 with floors ranging from 5% to 9.25% and ceilings ranging from 13% 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, 2008 under the interest rate shock scenarios stated. The table was prepared as of December 31, 2007, using prime interest rate of 6.50%.

Sensitivity Analysis of Impact on Interest Income of Rate Changes

Hypothetical Change In Rates	Projected Net Interest Income	\$ Change From Rates At Dec. 31, 2007	% Change From Rates At Dec. 31, 2007
(Dollars in thousands)			
UP 300 bp	\$26,278	\$2,108	8.72%
UP 200 bp	25,563	1,393	5.76%
UP 100 bp	24,867	697	2.88%
UNCHANGED	24,170	-	-
DOWN 100 bp	23,303	(867)	-3.59%
DOWN 200 bp	22,361	(1,809)	-7.49%
DOWN 300 bp	21,269	(2,901)	-12.00%

Assumptions are inherently uncertain, and, consequently, the model cannot precisely measure net interest income or precisely predict the impact of changes in interest rates on net interest income. Actual results will differ from simulated results due to timing, magnitude and frequency of interest rate changes, as well as changes in market conditions and management strategies which might moderate the negative consequences of interest rate deviations. 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 2006. The outcome of the sensitivity analysis conducted for 2006 was essentially the same as 2007.

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 in this Annual Report. 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.

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

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 pay downs 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 in this Annual Report.

Accounting for 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 bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. On the balance sheet, net deferred tax assets are included in accrued interest receivable and other assets.

The provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48) have been applied to all tax positions of the Company as of January 1, 2007. FIN 48 prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. Only tax positions that met the more-likely-than-not recognition threshold on January 1, 2007 were recognized or continue to be recognized upon adoption. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest expense and penalties associated with unrecognized tax benefits are classified as income tax expense in the consolidated statement of income.

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, 2007, 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

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 20, 2008 the Company had approximately 371 shareholders of record.

The following table shows the high and low sales prices for the common stock for each quarter as reported by NASDAQ.

Quarter Ended	Sales Prices for the Company's Common Stock	
	Low	High
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
March 31, 2007	13.81	15.50
June 30, 2007	13.80	15.22
September 30, 2007	10.70	14.95
December 31, 2007	10.25	13.03

The Company paid a \$0.10 per share cash dividend in 2007. The Company did not pay any cash dividends in 2006.

Market Makers

Inquiries on Central Valley Community Bancorp stock can be made by calling any of the contacts listed below, or any licensed stockbroker.

Dave Bonaccorso Keefe Bruyette & Woods (415) 591-5063	Jeffrey Mayer Crowell, Weedon & Co. (559) 375-7510
Lisa Gallo Wedbush Morgan Securities (866) 491-7228	Troy Norlander Stone & Youngberg (800) 288-2811
Michael Hedrei Howe Barnes Hoefler & Arnett (415) 538-5749	Joey Warmenhoven McAdams Wright Ragen, Inc. (866) 662-0351

Richard Levenson
Western Financial Corporation
(800) 488-5990

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

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 2007 Circle of Elite included:

Cyndi Carmichael <i>Vice President, Compliance Officer</i>
Cathy Chatoian <i>Vice President, Cash Management Manager</i>
Ryan Coyle <i>Associate Network Administrator</i>
Barbara English <i>Loan Servicing Team Leader</i>
Erin Farinelli <i>Personal Banker</i>
Rod Geist <i>Vice President, Branch Manager</i>
Bernie Kraus <i>Vice President, Commercial Loan Officer</i>
Eddie Portillo <i>Branch Support Representative</i>
Elaine Wiens <i>Human Resources Assistant</i>

Board of Directors

Unwavering Values. Unchanging Vision.

Central Valley Community Bank is guided by the vision of its board of directors, four of whom are founding members with a record of leadership that predates the Bank's opening in 1980. Through the years, our board has seen the Bank grow in size, strength and success, leading by example through their deep involvement in the communities we serve and their dedication to making the Central Valley a better place to live. All while daily demonstrating the Bank's core values of leadership, integrity, loyalty, caring, teamwork and trustworthiness. We are grateful to our board of directors, whose steadfast service enables Central Valley Community Bank to continue our long tradition of growth and prosperity.

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

Sidney B. Cox
Owner
Cox Communications

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

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

Steven D. McDonald
President
McDonald Properties, Inc.

Louis C. McMurray
President
Charles McMurray Co.

Wanda L. Rogers
President
Rogers Helicopters, Inc.

William S. Smittcamp
President/Owner
Wawona Frozen Foods

Joseph B. Weirick
Investments



Bank Officers

Gary Quisenberry
Senior Vice President,
Commercial and Business Banking

Lydia Shaw
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,
Cash Management Manager

Terry Crawford
Vice President,
Commercial Loan Officer

Stan Davis
Vice President,
Consumer/Small Business Loan
Underwriter

Daniel Demmers
Vice President,
IS Department Manager

Ken Dodderer
Vice President,
Commercial Loan Officer

Bob Elledge
Vice President,
Commercial Loan Officer

Steve Freeland
Vice President,
Special Assets Manager

Rod Geist
Vice President,
Branch Manager

Barbara Gillmore
Vice President,
Human Resources Director

Diane Hamp
Vice President,
Loan Servicing Manager

Tim Harris
Vice President,
Private Banking Manager

Charles Jones
Vice President,
Branch Manager

Deby Jordan
Vice President,
Private Banking Officer

Bernie Kraus
Vice President,
Commercial Loan Officer

Mari Kroigaard
Vice President,
SBA Department Manager

Jack Mahon
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,
Real Estate Department Manager

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

Doug Van den Enden
Vice President,
Commercial Loan Officer

Robert Walker
Vice President,
Commercial Loan Officer

Jeannine Welton
Vice President,
Branch Manager

Jennette Williams
Vice President,
Commercial Loan Officer

Carol Worstein
Vice President,
Branch Manager

Our Mission Statement

As a Full Service Bank We Are Committed To:

Providing a full range of financial services desired by our customers, while providing superior customer service delivered in a highly professional and personal manner

Maintaining a positive work environment and investing in each individual to "be the best they can be"

Contributing to the quality of life in the communities we serve

Continuing to maximize shareholder value

Being the "Bank of Choice" for customers and employees!

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

Central Valley Community Bank



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(559) 221-2760

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Suite 101
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Foothill
29430 Auberry Road
Prather, CA 93651
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Fresno Downtown
2404 Tulare Street
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(559) 268-6806

Herndon & Fowler
1775 Herndon Avenue
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Clovis, CA 93611
(559) 323-2200

Kerman
360 South Madera Avenue
Kerman, CA 93630
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Madera
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Madera, CA 93637
(559) 673-0395

Modesto
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Oakhurst, CA 93644
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Fresno, CA 93720
(559) 447-3350

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Gold River, CA 95670
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Sunnyside
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SBA Lending
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