2014
Annual Report

Relationship Banking

Thank you for believing in us since we opened our doors in 1980. Our promise to you is that we will continue to invest and believe in you for the next 35 years and beyond.

To Our Shareholders

For Central Valley Community Bank and all those who put their trust in us, 2014 was a year of laying the foundation for the future, adapting to transitioning leadership and testing our ability to grow through the uncertainties of today's economic realities, while building upon our 35 years of strength and success.

2014 Highlights

Some of our 2014 highlights included: Robust loan growth across all product lines including, agribusiness, commercial and industrial, commercial real estate, single-family construction, in addition to record Small Business Administration lending. Broad relationship growth for loans and deposits especially in newer markets. A strong balance sheet liquidity position, partly due to how we invest in relationships rather than one-time transactions. Capital strength that is considered well-capitalized by regulatory standards.

Lastly, the culmination of over three decades of experience in long-term strategic planning, financial stability, seasoned leadership, local decision-making and our commitment to cultivating loyal customers by providing them with the financial products and services they desire and the customer service they deserve.

Leadership Transition - Unchanged Direction

As announced in 2014, Daniel J. Doyle retired as Chief Executive Officer effective January 31, 2015, and continues as Chairman of the Board for Central Valley Community Bancorp (Company) and Central Valley Community Bank (Bank).

James M. Ford, the third President in the history of our Bank, was appointed President and Chief Executive Officer for the Company and Bank, effective February 1, 2015.

Daniel N. Cunningham, a Founding Director and Chairman of the Board since 1998, became Lead Independent Director for the Company and Bank, effective February 1, 2015. All other Directors remain in their current positions.

Thomas L. Sommer, Executive Vice President and Chief Credit Officer, had announced his retirement in 2014, which will be effective on April 30, 2015, after 17 years with the Bank. His successor, Patrick J. Carman, has been with the Bank since 2008, and brings over 42 years of bank credit management experience to his new role, effective April 1, 2015.

Financial Overview of 2014

While we were disappointed about the necessary loan loss provision in the fourth quarter and the subsequent increase in our non-performing assets, we remain optimistic because of the many milestones achieved this year.

We experienced positive loan and deposit growth, driven by our focus on relationship banking. Our Company remains well-capitalized by regulatory definitions, our balance sheet is strong and we have significant liquidity available to support long-term growth objectives. As the Valley economy improves, our Company is well-positioned to meet the needs of our communities, grow with our clients and reward our shareholders.

Serving Communities Near And Far

Part of the Bank's proud tradition is connecting with our local communities and with the larger business and financial community too. Among our 2014 accomplishments was the "Valley Grown for You" campaign, a two-month initiative to promote the state's most valuable agribusiness region, the San Joaquin Valley, by encouraging individuals to buy local fresh food and food products. The Bank also contributed to food banks throughout the Valley and launched a "Food Fund Challenge" to businesses to help hungry residents in communities hardest hit by the prolonged drought.

The Bank was honored by The Business Journal's Best of Central Valley Business Readers Choice Awards as "Best Business Bank" and as a finalist in "Best Company to Work For" in the four-county Central Valley. Additionally, in March 2014, we celebrated 10 years of trading on NASDAQ.

Our Community Reinvestment Act advocacy has expanded regionally throughout the Valley with nonprofit, tribal and government organizations by providing financial literacy training, technical assistance on financial matters, credit consulting, offering of low-cost checking and savings accounts for the 'unbanked' and targeted economic development efforts for key neighborhood revitalization initiatives.

Building Trust Through Customer Convenience And Security

Even before the many reports of online financial-data breaches, our Bank was working to protect customers' security and confidentiality.

In early 2014, we partnered with Trusteer Rapport, the leading provider of secure web access services, to deliver at no charge an additional layer of online banking security for business and personal customers. We have invested significant time and money in state-of-the-art protection, procedures and continued customer education. Our Customer Safety page at www.cvcb.com offers identity protection materials and we provide information in all our offices and at informational meetings.

We began converting our traditional Business Online Banking platform and Cash Management programs to a new Business Online Banking service with more robust cash management services, eStatements and expanded bill pay and mobile banking services. That project was completed in March 2015.

"Voice of the Customer," an initiative launched in late 2014, reaches out to our customers to ensure that the Bank provides the best service possible and to encourage referral opportunities. In 2015, customer satisfaction will be reviewed regularly and areas for improvement will be addressed Bank-wide.

In its eighth year, the Bank's free document shredding events expanded to 18 Valley locations with the addition of Tulare County and a new partnership with Valley Crime Stoppers. The events coincided with tax season when individuals and businesses need to shred confidential files safely and securely. With identity theft and fraud among the nation's fastest-growing crimes, our goal is to educate the community on ways to protect personal and business information year-round online at www.cvcb.com and at the document shredding events.

Looking To Our Next 35 Years

Celebrating our Bank's 35th anniversary on January 10, 2015, we reflect on the accomplishments of our leadership and the continued passion for investing in the relationships of our customers and communities.

We continue to invest financial resources and the talents of our team in local San Joaquin Valley nonprofit organizations focusing on education, health and human services and economic development, many of which are mentioned in this Annual Report.

We have an opportunity to build on the drivers of our success, including asset quality, strong underwriting and regulatory compliance that earn our customers' trust and loyalty. We have sufficient capital and liquidity to meet strategic goals. Together with our balance sheet strength and growth in loans and deposits, we anticipate enhanced profitability.

Interest rates have remained at historic lows, with negative impact on our net interest margin. While there is no certainty about when rates will rise, the Company's earnings will benefit when it happens.

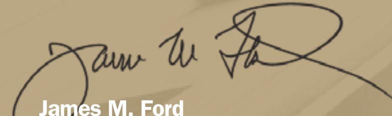
With minimal rainfall, snowpack and water allocation restrictions, many crops grown by our Central Valley customers will continue to be affected by California's prolonged drought. This issue could have short and long-range economic impact in the region and will continue to demand the Company's close monitoring in 2015 and beyond.

Finally, continuing regulatory burdens affecting the entire financial industry will impact Central Valley Community Bank as well. As we look to improve efficiency in our operations, we will need to take into account the expenses associated with increased regulatory oversight of the entire industry.

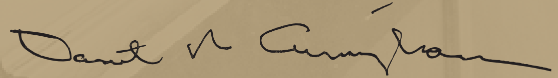
From our Board of Directors to our branches, all Central Valley Community Bank team members are grateful for your continued support. By cultivating positive customer relationships and prudent management practices, our Company creates value that serves our loyal shareholders and, indeed, our entire community.

In our first 35 years, we've built a franchise upon visionary leadership and hard work, solid relationships with customers and communities, and support of our shareholders, many of whom invested at our humble beginning. We are optimistic about our future, knowing that we can weather most any storm and continue the successful growth and service that has distinguished Central Valley Community Bank since the day we opened our doors in 1980.

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



James M. Ford
President,
Central Valley Community Bank



Daniel N. Cunningham
Chairman of the Board

Our Strong History

Central Valley Community Bancorp (the "Company") was established on November 15, 2000, as the holding company for Central Valley Community Bank (the "Bank") and is registered as a bank holding company with the Board of Governors of the Federal Reserve System. The Company currently conducts no 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 Strong History Of Steady 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 (FDIC). The Bank commenced operations on January 10, 1980, in Clovis, California, with 12 professional bankers and beginning assets of $2,000,000. The Bank now operates 21 full-service offices in 14 communities, within seven San Joaquin Valley counties and employs nearly 300 team members. Offices are located in Clovis, Exeter, Fresno, Kerman, Lodi, Madera, Merced, Modesto, Oakhurst, Prather, Sacramento, Stockton, Tracy and Visalia. Additionally, the Bank operates 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 and individuals. With assets exceeding $1.1 billion as of December 31, 2014, 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 its core values of integrity, trustworthiness, caring, loyalty, leadership and teamwork.

Central Valley Community Bank distinguishes itself from other financial institutions through its 35-year track record of strength, security, client advocacy and the values that have guided the Bank since its opening. The Bank's unique brand of personalized service has strategically grown throughout California's San Joaquin Valley. Guided by a hands-on Board of Directors and a seasoned Executive Management Team, the Bank continues to focus on personalized service and customer and employee satisfaction. Central Valley Community Bank's strong foundation and concern for its team has afforded the ongoing addition and retention of high-quality employees.

Unparalleled Innovation, Unmatched Protection & Unbeatable Convenience

Central Valley Community Bank maintains state-of-the-art data processing and information systems, and offers a complete line of innovative and competitive business and personal deposit and loan products. Through FDIC insurance, customer deposits for all insurable accounts are protected up to $250,000.

For maximum convenience, personal services are available including Personal Online Banking, Bill Pay, Mobile Banking, Popmoney (person-to-person payments) and eStatements, in addition to services for businesses of all sizes including Business Online Banking, Bill Pay, Mobile Banking, eStatements and custom-tailored Cash Management services. In addition, ATMs are located at most offices, BankLine provides 24-hour telephone banking, and extended days and banking hours are offered at select offices.

Success Built On "Relationship Banking"

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 the Bank, which continues to expand its commercial banking team to serve even more customers. Central Valley Community Bank's experienced banking professionals live and work in the local community, and have a deep understanding of the marketplace. As a result, the Bank has remained an active business lender and is proud to be a Preferred SBA Lender and ranked as the number one SBA 504 Lender for Fresno, Kings and Madera counties nine out of the past 15 years. At Central Valley Community Bank you will find the secure lending power of a big bank plus the stable values and relationships of a community bank. From small to large; agribusiness to manufacturing; healthcare to service industries; and everything in between – Central Valley Community Bank is always ready to leverage its strength, experience and commitment to help businesses thrive, even in the toughest economic times by offering tailored lending products.

Central Valley Community Bank is dedicated to providing outstanding value to customers by increasing and enhancing its products and services, 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 demonstrated in ongoing customer referrals. Dependable values and security are important to banking customers, and the Bank is well-positioned to provide them, with an ongoing emphasis on privacy, safety and convenience.

When A Bank's Core Values Reflect Its Community – Special Things Happen

Focused on investing in the communities it serves – annually the Bank provides financial support and dedicates the talents and energy of its people to a wide variety of organizations, with management serving in leadership positions for civic and philanthropic organizations in addition to industry groups at the state and national levels. Providing leadership-by-example sets the pace for the entire team who are committed to improving and strengthening the quality of life in the communities where they live, work and raise their families. This is evidenced by The Business Journal's Best of Central Valley Business Readers Choice Awards where the Bank was honored as "Best Business Bank" and a finalist in "Best Company to Work For" in the four-county Central Valley.

A Proud Past, A Promising Future

Thanks to the vision of Central Valley Community Bancorp, as well as the leadership of its Board of Directors, the Bank has grown steadily and sensibly for over three decades, keeping pace with the needs of its customers and the communities it serves, all while retaining the local leadership and values that formed the Bank's firm foundation.

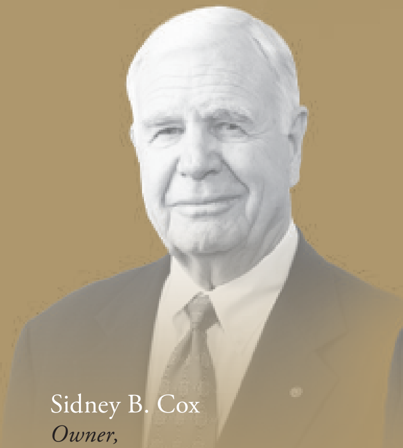
2015 Board Of Directors

A 35-Year Tradition of Strong & Secure Banking

Daniel N. Cunningham
Lead Independent Director,
Central Valley Community Bancorp
Central Valley Community Bank
Director, Quinn Group Inc.

Daniel J. Doyle
Chairmain of the Board,
Central Valley Community Bancorp
Central Valley Community Bank

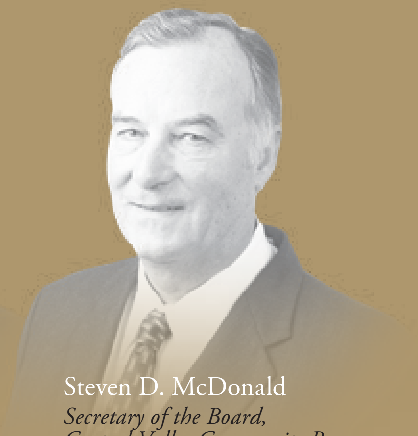
James M. Ford
President and CEO,
Central Valley Community Bancorp
Central Valley Community Bank



Sidney B. Cox
Owner,
Cox Communications

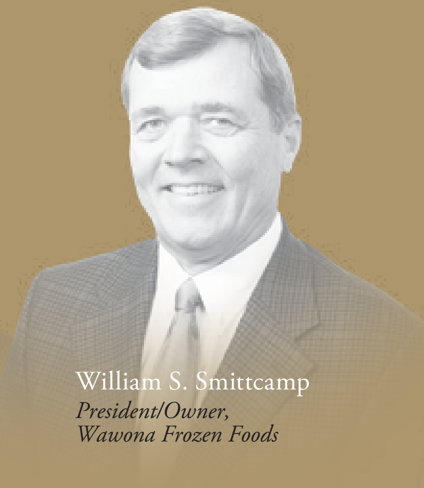
Edwin S. Darden, Jr.
Architect,
Darden Architects, Inc.

F.T. "Tommy" Elliott, IV
Owner,
Wileman Bros. & Elliott, Inc.
Kaweah Container, Inc.

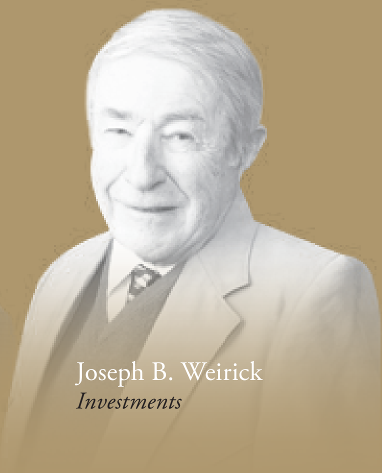


Steven D. McDonald
Secretary of the Board,
Central Valley Community Bancorp
Central Valley Community Bank
President, McDonald Properties, Inc.

Louis C. McMurray
President,
Charles McMurray Co.



William S. Smittcamp
President/Owner,
Wawona Frozen Foods



Joseph B. Weirick
Investments

Not Pictured: Wanda Rogers, *Director Emeritus and Founding President, Rogers Helicopters, Inc.*

We're Here To Serve You

For over 35 years, Central Valley Community Bank has grown steadily and sensibly to keep pace with the needs of its customers and community. The Bank has a tradition of exceptional customer service which is led by our strong management team and a powerful commitment to customer satisfaction. Throughout our history we have maintained the original community values that formed the Bank's firm foundation and continue to work hard to earn your business and your trust each and every day.

Holding Company & Bank Officers

James M. Ford
President and CEO

David A. Kinross
Executive Vice President,
Chief Financial Officer

Thomas L. Sommer
Executive Vice President,
Chief Credit Officer
(Retired Effective April 30, 2015)

Patrick J. Carman
Executive Vice President,
Chief Credit Officer
(Effective April 1, 2015)

Bank Executive Officers

Gary D. Quisenberry
Executive Vice President,
Commercial and Business Banking

Lydia E. Shaw
Executive Vice President,
Community Banking

Independent Auditors

Crowe Horwath LLP, Sacramento, CA

Counsel

Downey Brand LLP, Sacramento, CA

Senior Vice Presidents

Lawrence Cardoso
Senior Vice President,
Regional Manager

Cathy Chatoian
Senior Vice President,
Cash Management Team Leader

Terry Crawford
Senior Vice President,
Agribusiness Team Leader

Dawn Crusinberry
Senior Vice President,
Controller

Daniel Demmers
Senior Vice President,
Director of Information Technology

Teresa Gilio
Senior Vice President,
Central Operations

Tim Harris
Senior Vice President,
Sacramento Private Banking Team Leader

Marci Madsen
Senior Vice President,
Human Resources

Jeff Pace
Senior Vice President,
Real Estate Team Leader

Renee Savage
Senior Vice President,
Loan Servicing

Karen Smith
Senior Vice President,
Regional Manager

Theodore Thome
Senior Vice President,
Mid-Valley Commercial Team Leader

Jennette Williams
Senior Vice President,
Central Valley Commercial Team Leader

Exceptional Employees

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 2014 Circle of Elite included:

Vicki Cass
Consumer Loan Underwriter

Lis Hefner
Deposit Services Utility

Teri Hume
Assistant Vice President,
Customer Service Manager

Imelda Ortega
Customer Service Manager

Michele Osuna
Call Center Supervisor

Renee Savage
Senior Vice President,
Loan Servicing

Rod Schmall
Courier

Mandi Smith
Cash Management Service & Support Specialist

Debra Walker
Vice President,
SBA Loan Officer/Unit Supervisor

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!

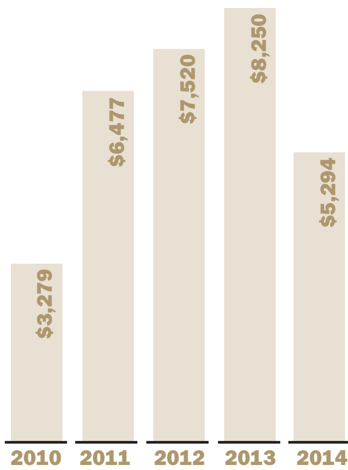
Core Values

Leadership
Caring
Integrity
Teamwork
Loyalty
Trustworthiness

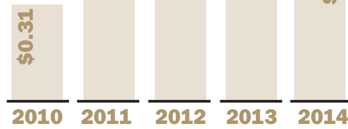
Central Valley Community Bank Executive Management
From Left to Right: Thomas Sommer, Gary Quisenberry, James Ford, Lydia Shaw, David Kinross

Trend Analysis

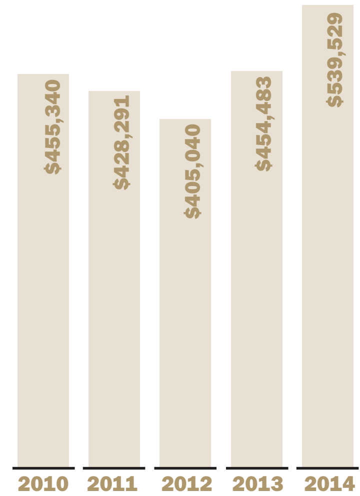
Central Valley Community Bancorp



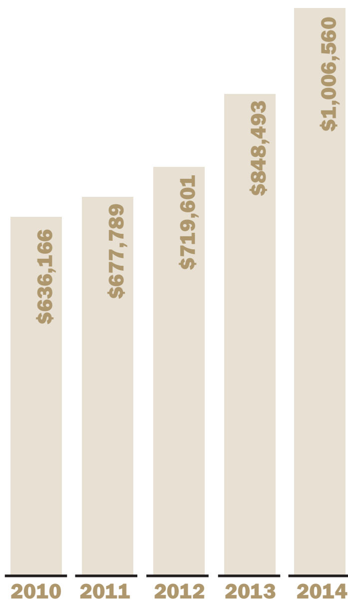
Net Income *(In Thousands)*



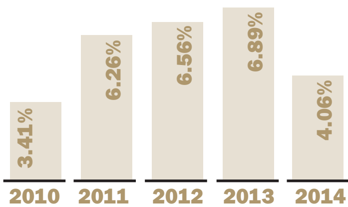
Diluted Earnings Per Share



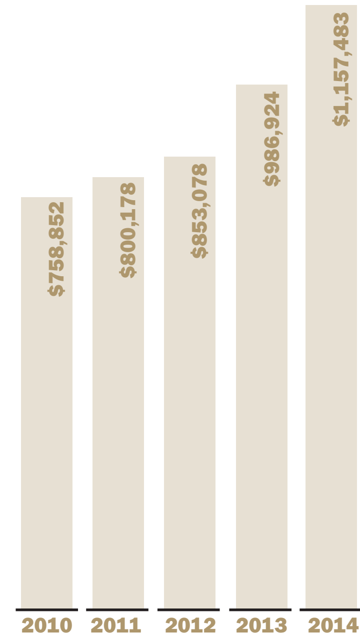
Average Total Loans *(In Thousands)*



Average Total Deposits *(In Thousands)*



Return on Shareholders' Equity



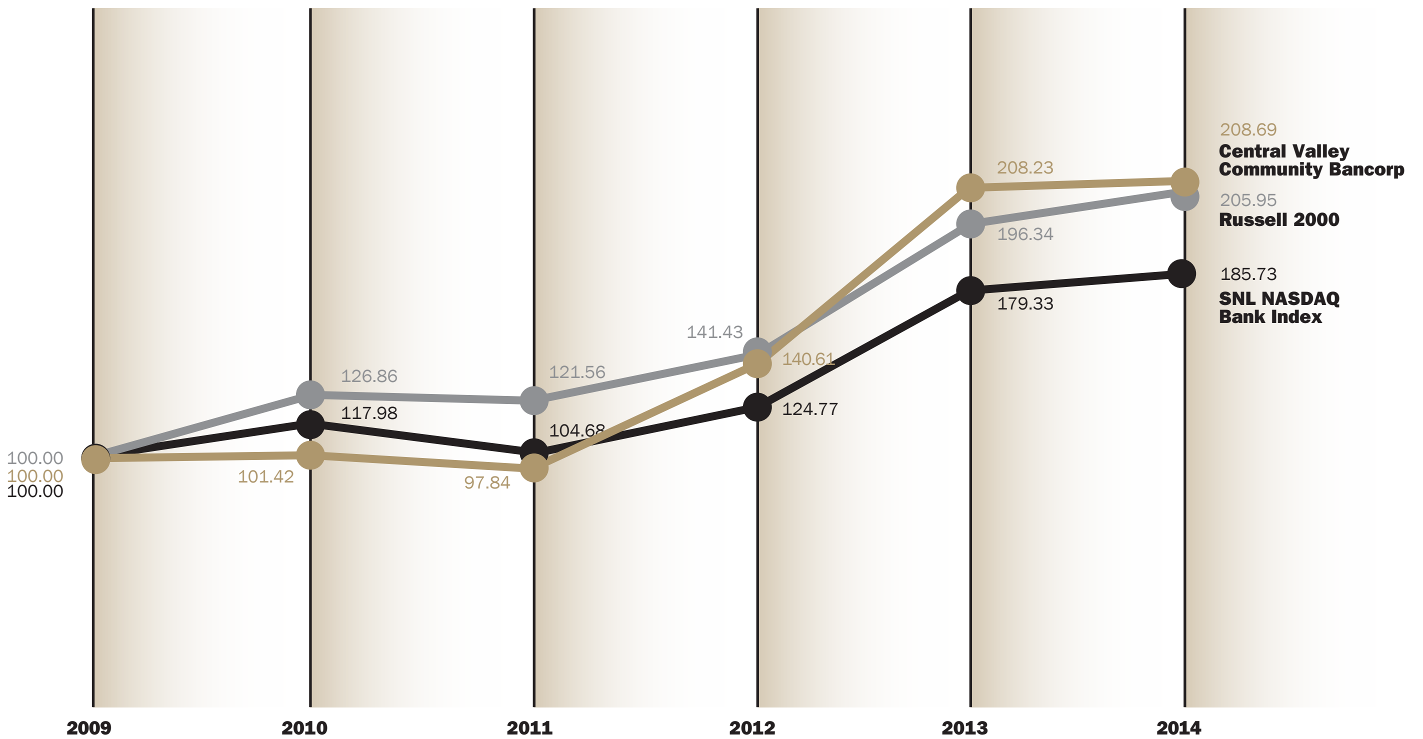
Average Total Assets *(In Thousands)*

Comparative Stock
Price Performance

Central Valley Community Bancorp

Total Return Performance

Index Value



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

Source: SNL Financial LC

Consolidated Balance Sheets

December 31, 2014 and 2013 (In thousands, except share amounts)

ASSETS	2014		2013	
Cash and due from banks	$	21,316	$	25,878
Interest-earning deposits in other banks		55,646		85,956
Federal funds sold		366		218
Total cash and cash equivalents		77,328		112,052
Available-for-sale investment securities (Amortized cost of $423,639 at December 31, 2014 and $447,108 at December 31, 2013)		432,535		443,224
Held-to-maturity investment securities (Fair value of $35,096 at December 31, 2014)		31,964		-
Loans, less allowance for credit losses of $8,308 at December 31, 2014 and $9,208 at December 31, 2013		564,280		503,149
Bank premises and equipment, net		9,949		10,541
Other real estate owned		-		190
Bank owned life insurance		20,957		19,443
Federal Home Loan Bank stock		4,791		4,499
Goodwill		29,917		29,917
Core deposit intangibles		1,344		1,680
Accrued interest receivable and other assets		19,118		20,940
Total assets	$	1,192,183	$	1,145,635
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits:				
Non-interest bearing	$	376,402	$	356,392
Interest bearing		662,750		647,751
Total deposits		1,039,152		1,004,143
Junior subordinated deferrable interest debentures		5,155		5,155
Accrued interest payable and other liabilities		16,831		16,294
Total liabilities		1,061,138		1,025,592
Commitments and contingencies (Note 13)				
Shareholders' equity:				
Preferred stock, no par value, $1,000 per share liquidation preference; 10,000,000 shares authorized, none issued and outstanding		-		-
Common stock, no par value; 80,000,000 shares authorized; issued and outstanding: 10,980,440 at December 31, 2014 and 10,914,680 at December 31, 2013		54,216		53,981
Retained earnings		71,452		68,348
Accumulated other comprehensive income (loss), net of tax		5,377		(2,286)
Total shareholders' equity		131,045		120,043
Total liabilities and shareholders' equity	$	1,192,183	$	1,145,635

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

Consolidated Statements
of Income

For the Years Ended December 31, 2014, 2013, and 2012 (In thousands, except per share amounts)

	2014	2013	2012
INTEREST INCOME:			
Interest and fees on loans	$ 29,493	$ 26,519	$ 23,913
Interest on deposits in other banks	176	164	110
Interest and dividends on investment securities:			
Taxable	5,538	2,375	3,289
Exempt from Federal income taxes	5,832	5,778	4,508
Total interest income	41,039	34,836	31,820
INTEREST EXPENSE:			
Interest on deposits	1,060	1,270	1,630
Interest on junior subordinated deferrable interest debentures	96	98	107
Other	-	17	146
Total interest expense	1,156	1,385	1,883
Net interest income before provision for credit losses	39,883	33,451	29,937
PROVISION FOR CREDIT LOSSES	7,985	-	700
Net interest income after provision for credit losses	31,898	33,451	29,237
NON-INTEREST INCOME:			
Service charges	3,280	3,156	2,774
Appreciation in cash surrender value of bank owned life insurance	614	495	391
Interchange fees	1,205	962	767
Loan placement fees	544	677	631
Gain on disposal of other real estate owned	63	-	12
Net realized gains on sales and calls of investment securities	904	1,265	1,639
Federal Home Loan Bank dividends	327	177	36
Other income	1,227	1,099	992
Total non-interest income	8,164	7,831	7,242
NON-INTEREST EXPENSES:			
Salaries and employee benefits	19,721	17,427	15,597
Occupancy and equipment	4,835	4,109	3,578
Regulatory assessments	762	696	652
Data processing expense	1,820	1,383	1,125
ATM/Debit card expenses	624	527	369
License & maintenance contracts	488	472	362
Consulting fees	239	461	162
Advertising	589	476	558
Audit and accounting fees	664	511	514
Internet banking expenses	520	397	270
Acquisition and integration	-	976	284
Amortization of core deposit intangibles	337	268	200
Other expense	4,739	3,982	3,603
Total non-interest expenses	35,338	31,685	27,274
Income before provision for income taxes	4,724	9,597	9,205
PROVISION (BENEFIT) FOR INCOME TAXES	(570)	1,347	1,685
Net income	$ 5,294	$ 8,250	$ 7,520
Net income	$ 5,294	$ 8,250	$ 7,520
Preferred stock dividends and accretion	-	350	350
Net income available to common shareholders	$ 5,294	$ 7,900	$ 7,170
Basic earnings per common share	$ 0.48	$ 0.77	$ 0.75
Diluted earnings per common share	$ 0.48	$ 0.77	$ 0.75
Cash dividends per common share	$ 0.20	$ 0.20	$ 0.05

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

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2014, 2013, and 2012 (In thousands)

	2014	2013	2012
NET INCOME	$ 5,294	$ 8,250	$ 7,520
OTHER COMPREHENSIVE INCOME (LOSS):			
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses)	13,847	(15,510)	7,522
Less: reclassification for net gains included in net income	904	1,265	1,639
Amortization of net unrealized gains transferred during the period	(21)	-	-
Other comprehensive income (loss), before tax	12,922	(16,775)	5,883
Tax (expense) benefit related to items of other comprehensive income	(5,259)	6,903	(2,421)
Total other comprehensive income (loss)	7,663	(9,872)	3,462
Comprehensive income (loss)	$ 12,957	$ (1,622)	$ 10,982

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, 2014, 2013, and 2012 (In thousands, except share amounts)

	Preferred Stock Series C		Common Stock			Accumulated Other	
	Shares	Amount	Shares	Amount	Retained Earnings	Comprehensive Income (Loss) (Net of Taxes)	Total Shareholders' Equity
Balance, January 1, 2012	7,000	$ 7,000	9,547,816	$ 40,552	$ 55,806	$ 4,124	$ 107,482
Net income	-	-	-	-	7,520	-	7,520
Other comprehensive income	-	-	-	-	-	3,462	3,462
Cash dividend ($0.05 per common share)	-	-	-	-	(480)	-	(480)
Repurchase and retirement of common stock warrants	-	-	(58,100)	(488)	-	-	(488)
Stock-based compensation expense	-	-	-	108	-	-	108
Stock options exercised and related tax benefit	-	-	69,030	411	-	-	411
Preferred stock dividends and accretion	-	-	-	-	(350)	-	(350)
Balance, December 31, 2012	7,000	7,000	9,558,746	40,583	62,496	7,586	117,665
Net income	-	-	-	-	8,250	-	8,250
Other comprehensive loss	-	-	-	-	-	(9,872)	(9,872)
Stock issued for acquisition	-	-	1,262,605	12,494	-	-	12,494
Redemption of preferred stock Series C	(7,000)	(7,000)	-	-	-	-	(7,000)
Stock-based compensation expense	-	-	-	98	-	-	98
Cash dividend ($0.20 per common share)	-	-	-	-	(2,048)	-	(2,048)
Stock options exercised and related tax benefit	-	-	93,329	806	-	-	806
Preferred stock dividends	-	-	-	-	(350)	-	(350)
Balance, December 31, 2013	-	-	10,914,680	53,981	68,348	(2,286)	120,043
Net income	-	-	-	-	5,294	-	5,294
Other comprehensive income	-	-	-	-	-	7,663	7,663
Restricted stock granted	-	-	56,850	-	-	-	-
Stock-based compensation expense	-	-	-	173	-	-	173
Cash dividend ($0.20 per common share)	-	-	-	-	(2,190)	-	(2,190)
Stock options exercised and related tax benefit	-	-	8,910	62	-	-	62
Balance, December 31, 2014	-	$ -	10,980,440	$ 54,216	$ 71,452	$ 5,377	$ 131,045

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

Consolidated Statements
of Cash Flows

For the Years Ended December 31, 2014, 2013, and 2012 (In thousands)

	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 5,294	$ 8,250	$ 7,520
Adjustments to reconcile net income to net cash provided by operating activities:			
Net decrease in deferred loan fees	(305)	(294)	(311)
Depreciation	1,355	1,133	972
Accretion	(1,015)	(852)	(713)
Amortization	7,949	9,179	7,549
Stock-based compensation	173	98	108
Excess tax benefit from exercise of stock options	(7)	(17)	(26)
Provision for credit losses	7,985	-	700
Net realized gains on sales and calls of available-for-sale investment securities	(904)	(1,265)	(1,639)
Net loss (gain) on sale and disposal of equipment	201	(1)	(4)
Net gain on sale of other real estate owned	(63)	-	(12)
Increase in bank owned life insurance, net of expenses	(614)	(495)	(391)
Net (increase) decrease in accrued interest receivable and other assets	(3,021)	410	(19)
Net decrease in prepaid FDIC Assessments	-	1,542	513
Net increase (decrease) in accrued interest payable and other liabilities	537	(1,805)	(7,425)
(Benefit) provision for deferred income taxes	(408)	(296)	440
Net cash provided by operating activities	17,157	15,587	7,262
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net cash and cash equivalents acquired in acquisition	-	40,935	-
Purchases of available-for-sale investment securities	(146,468)	(222,668)	(194,583)
Proceeds from sales or calls of available-for-sale investment securities	79,757	88,146	39,119
Proceeds from maturity and principal repayment of available-for-sale investment securities	52,665	76,512	90,798
Net (increase) decrease in loans	(69,047)	(4,393)	28,089
Proceeds from sale of other real estate owned	488	263	2,349
Purchases of premises and equipment	(1,328)	(1,159)	(1,353)
Purchases of bank owned life insurance	(900)	-	(116)
FHLB stock (purchased) redeemed	(292)	48	(957)
Proceeds from sale of premises and equipment	363	1	5
Net cash used in investing activities	(84,762)	(22,315)	(36,649)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in demand, interest-bearing and savings deposits	50,643	75,663	53,265
Net (decrease) increase in time deposits	(15,634)	2,841	(14,819)
Repayments of short-term borrowings to Federal Home Loan Bank	-	(4,000)	-
Redemption of preferred stock Series C	-	(7,000)	-
Purchase and retirement of common stock	-	-	(488)
Proceeds from exercise of stock options	55	789	385
Excess tax benefit from exercise of stock options	7	17	26
Cash dividend payments on common stock	(2,190)	(2,048)	(480)
Cash dividend payments on preferred stock	-	(438)	(350)
Net cash provided by financing activities	32,881	65,824	37,539
Increase (decrease) in cash and cash equivalents	(34,724)	59,096	8,152
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	112,052	52,956	44,804
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 77,328	$ 112,052	$ 52,956
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	$ 1,171	$ 1,430	$ 1,939
Income taxes	$ 1,360	$ 1,790	$ 1,193
Non-cash investing and financing activities:			
Transfer of securities from available-for-sale to held-to-maturity	$ 31,346	$ -	$ -
Unrealized gain on transfer of securities from available-for-sale to held-to-maturity	$ 163	$ -	$ -
Transfer of loans to other real estate owned	$ 235	$ 190	$ 2,337
Common stock issued in Visalia Community Bank acquisition	$ -	$ 12,494	$ -
Accrued preferred stock dividends	$ -	$ -	$ 88

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.

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

The Bank operates 21 full service offices in Clovis, Exeter, Fresno, Kerman, Lodi, Madera, Merced, Modesto, Oakhurst, Prather, Sacramento, Stockton, Tracy, and Visalia, California. The Bank's primary source of revenue is providing loans to customers who are predominately small and middle-market businesses and individuals.

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

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

Principles of Consolidation - The consolidated financial statements include the accounts of the Company and the consolidated accounts of its wholly-owned subsidiary, the Bank.

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

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

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

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

Investment Securities - Investments are classified into the following categories:

- Available-for-sale securities, reported at fair value, with unrealized gains and losses excluded from earnings and reported, net of taxes, as accumulated other comprehensive income (loss) within shareholders' equity.
- Held-to-maturity securities, which management has the positive intent and ability to hold to maturity, reported at amortized cost, adjusted for the accretion of discounts and amortization of premiums.

Management determines the appropriate classification of its investments at the time of purchase and may only change the classification in certain limited circumstances. All transfers between categories are accounted for at fair value. During the year ended December 31, 2014 management transferred $31,346,000 of securities from available-for-sale to held-to-maturity. For the year ended December 31, 2013, there were no transfers between categories. At December 31, 2013, the Company had no held-to-maturity securities.

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

An investment security is impaired when its carrying value is greater than its fair value. Investment securities that are impaired are evaluated on at least a quarterly basis and more frequently when economic or market conditions warrant such an evaluation to determine whether such a decline in their fair 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 prospect 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, and management does not intend to sell the security or it is more likely than not that the Company will not be required to sell the security before recovery, for debt securities, only the portion of the impairment loss representing credit exposure is recognized as a charge to earnings, with the balance recognized as a charge to other comprehensive income. If management intends to sell the security or it is more likely than not that the Company will be required to sell the security before recovering its forecasted cost, the entire impairment loss is recognized as a charge to earnings.

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

Interest income on mortgage and commercial loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Consumer and credit card loans are typically charged off no later than 90 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are individually evaluated for impairment. A loan is moved to non-accrual status in accordance with the Company's policy, typically after 90 days of non-payment. A loan placed on non-accrual status may be restored to accrual status when principal and interest are no longer past due and unpaid, or

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

the loan otherwise becomes both well secured and in the process of collection. When a loan is brought current the Company must also have a reasonable assurance that the obligor has the ability to meet all contractual obligations in the future, that the loan will be repaid within a reasonable period of time, and that a minimum of six months of satisfactory repayment performance has occurred.

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

Allowance for Credit Losses - The allowance for credit losses (the "allowance") is a valuation allowance for probable incurred credit losses in the Company's loan portfolio. The 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. Credit exposures determined to be uncollectible are charged against the allowance. Cash received on previously charged off amounts is recorded as a recovery to the allowance. The overall allowance consists of two primary components, specific reserves related to impaired loans and general reserves for inherent losses related to loans that are not impaired.

For all loan classes, 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 principal and interest, according to the contractual terms of the original agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Loans determined to be impaired are individually evaluated for impairment. When a loan is impaired, the Company measures impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate, except that as a practical expedient, it may measure impairment based on a loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. A loan is collateral dependent if the repayment of the loan is expected to be provided solely by the underlying collateral.

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the Company for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. Restructured workout loans typically present an elevated level of credit risk as the borrowers are not able to perform according to the original contractual terms. Loans that are reported as TDRs are considered impaired and measured for impairment as described above. For TDRs that subsequently default, the Company determines the amount of reserve in accordance with the accounting policy for the allowance for credit losses.

At December 31, 2013, the Company had loans that were acquired in an acquisition, for which there was, at acquisition, evidence of deterioration of credit quality since origination and for which it was probable, at acquisition, that all contractually required payments would not be collected. These purchased credit impaired loans are recorded at the amount paid, such that there is no carryover of the seller's allowance for loan losses. After acquisition, losses are recognized by an increase in the Company's allowance for credit losses. The Company estimates the amount and timing of expected cash flows for each loan and the expected cash flows in excess of amount paid is recorded as interest income over the remaining life of the loan (accretable yield). The excess of the loan's contractual principal and interest over expected cash flows is not recorded (nonaccretable difference). Over the life of the loan, expected cash flows continue to be estimated. If the present value of expected cash flows is less than the carrying amount, a loss is recorded. If the present value of expected cash flows is greater than the carrying amount, it is recognized as part of future interest income. At December 31, 2014, the Company no longer had any purchased credit impaired loans.

For all portfolio segments, the determination of the general reserve for loans that are not impaired is based on estimates made by management, including but not limited to, consideration of a simple average of historical losses by portfolio segment (and in certain cases peer loss data) over the most recent 20 quarters, and qualitative factors including economic trends in the Company's service areas, industry experience and trends, geographic concentrations, estimated collateral values, the Company's underwriting policies, the character of the loan portfolio, and probable losses inherent in the portfolio taken as a whole.

The Company maintains a separate allowance for each portfolio segment. These portfolio segments include commercial, real estate, and consumer loans. The relative significance of risk considerations vary by portfolio segment. For commercial and real estate loans, the primary risk consideration is a borrower's ability to generate sufficient cash flows to repay their loan. Secondary considerations include the creditworthiness of guarantors and the valuation of collateral. In addition to the creditworthiness of a borrower, the type and location of real estate collateral is an important risk factor for real estate loans. The primary risk considerations for consumer loans are a borrower's personal cash flow and liquidity, as well as collateral value. The allowance for credit losses attributable to each portfolio segment, which includes both impaired loans and loans that are not impaired, is combined to determine the Company's overall allowance, which is included on the consolidated balance sheet.

The Company assigns a risk rating to all loans, and periodically performs detailed reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectability of the portfolio. The most recent review of risk rating was completed in December 2014. These risk ratings are also subject to examination by independent specialists engaged by the Company and the Company's regulators. During these internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which borrowers operate and the fair values of collateral securing these loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into five major categories, defined as follows:

Pass - A pass loan is a strong credit with no existing or known potential weaknesses deserving of management's close attention.

Special Mention - A special mention loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the Company's credit position at some future date. Special Mention loans are not adversely classified and do not expose the Company to sufficient risk to warrant adverse classification.

Substandard - A substandard loan is not adequately protected by the current sound worth and paying capacity of the borrower or the value of the collateral pledged, if any. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Well defined weaknesses include a project's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time or the project's failure to fulfill economic expectations. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful - Loans classified doubtful have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors, which may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral, and refinancing plans. Doubtful classification is considered temporary and short term.

Loss - Loans classified as loss are considered uncollectible and charged off immediately.

The general reserve component of the allowance for credit losses also consists of reserve factors that are based on management's assessment of the following for each portfolio segment: (1) inherent credit risk, (2) historical losses and (3) other qualitative factors including economic trends in the Company's service areas, industry experience and trends, geographic concentrations, estimated collateral

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

values, the Company's underwriting policies, the character of the loan portfolio, and probable losses inherent in the portfolio taken as a whole. Inherent credit risk and qualitative reserve factors are inherently subjective and are driven by the repayment risk associated with each class of loans described below.

Commercial:

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

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

Real Estate:

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

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

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

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

Other Real Estate - Primarily loans secured by agricultural real estate for development and production of permanent plantings that have not reached maximum yields. Also real estate loans where agricultural vertical integration exists in packing and shipping of commodities. Risk is primarily based on the liquidity of the borrower to sustain payment during the development period. In addition, weather conditions and commodity prices within obligor's existing agricultural production may affect repayment.

Consumer:

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

Consumer and installment - An installment loan portfolio is usually comprised of a large number of small loans scheduled to be amortized over a specific period. Most installment loans are made directly for consumer purchases, but business loans granted for the purchase of heavy equipment or industrial vehicles may also be included. Consumer loans include credit card and other open ended unsecured consumer receivables. Credit card receivables and open ended unsecured receivables generally have a higher rate of default than all other portfolio segments and are also impacted by weak economic conditions and trends. Credit card receivables and open ended unsecured receivables in homogeneous loan portfolio segments are not evaluated for specific impairment.

Although management believes the allowance to be adequate, ultimate losses may vary from its estimates. At least quarterly, the Board of Directors reviews the adequacy of the allowance, including consideration of the relative risks in the portfolio, current economic conditions and other factors. If the Board of Directors and management determine that changes are warranted based on those reviews, the allowance is adjusted. In addition, the Company's primary regulators, the FDIC and California Department of Business Oversight, as an integral part of their examination process, review the adequacy of the allowance. These regulatory agencies may require additions to the allowance based on their judgment about information available at the time of their examinations.

Bank Premises and Equipment - Land is carried at cost. Bank premises and equipment are carried at cost less accumulated depreciation. Depreciation is determined using the straight-line method over the estimated useful lives of the related assets. The useful lives of Bank premises are estimated to be between 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.

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

Other Real Estate Owned - Other real estate owned (OREO) is comprised of property acquired through foreclosure proceedings or acceptance of deeds-in-lieu of foreclosure. Losses recognized at the time of acquiring property in full or partial satisfaction of debt are charged against the allowance for credit losses. OREO is initially recorded at fair value less estimated disposition costs. Fair value of OREO is generally based on an independent appraisal of the property. Subsequent to initial measurement, OREO is carried at the lower of the recorded investment or fair value less disposition costs. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through noninterest expense. Revenues and expenses associated with OREO are reported as a component of noninterest expense when incurred.

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

Goodwill - Business combinations involving the Bank's acquisition of the equity interests or net assets of another enterprise give rise to goodwill. Total goodwill at December 31, 2014 and 2013 represents the excess of the cost of Visalia Community Bank, Service 1st Bancorp and Bank of Madera County, respectively, over the net of the amounts assigned to assets acquired and liabilities assumed in the transactions accounted for under the purchase method of accounting. The value of goodwill is ultimately derived from the Bank's ability to generate net earnings after the acquisitions and is not deductible for tax purposes. A decline in net earnings could be indicative of a decline in the fair value of goodwill and

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

result in impairment. For that reason, goodwill is assessed at least annually for impairment.

The Company has selected September 30 as the date to perform the annual impairment test. Management assessed qualitative factors including performance trends and noted no factors indicating goodwill impairment. Goodwill is also tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the Company below its carrying amount. No such events or circumstances arose during the fourth quarter of 2014, so goodwill was not required to be retested. Goodwill is the only intangible asset with an indefinite life on our balance sheet.

Intangible Assets - The intangible assets at December 31, 2014 represent the estimated fair value of the core deposit relationships acquired in the acquisition of Service 1st Bank in 2008, and the 2013 acquisition of Visalia Community Bank. Core deposit intangibles are being amortized using the straight-line method over an estimated life of seven - ten years from the date of acquisition. Management evaluates the remaining useful lives quarterly to determine whether events or circumstances warrant a revision to the remaining periods of amortization. Based on the evaluation, no changes to the remaining useful lives was required. Management performed an annual impairment test on core deposit intangibles as of September 30, 2014 and determined no impairment was necessary.

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

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

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

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

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

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

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

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

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

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

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

Share-Based Compensation - Compensation cost is recognized for stock options and restricted stock awards issued to employees, based on the fair value of these awards at the date of grant. A Black-Scholes-Merton model is utilized to estimate the fair value of stock options, while the market price of the Company's common stock at the date of grant is used for restricted stock awards.

Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

The cash flows from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) are classified as cash flows from financing activity in the statement of cash flows. Excess tax benefits for the years ended December 31, 2014, 2013, and 2012 were $7,000, $17,000, and $26,000, respectively.

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

Fair Value of Financial Instruments - Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in *Note 3*. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Reclassifications - Some items in the prior years' financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior years' net income or shareholders' equity.

2. ACQUISITION OF VISALIA COMMUNITY BANK

Effective July 1, 2013, the Company acquired Visalia Community Bank, headquartered in Visalia, California, wherein Visalia Community Bank, with three branches in Visalia and one branch in Exeter, merged with and into Central Valley Community Bancorp's subsidiary, Central Valley Community Bank, in a combined cash and stock transaction. Visalia Community Bank's assets (unaudited) as of July 1, 2013 totaled approximately $197.621 million. The acquired assets and liabilities were recorded at fair value at the date of acquisition.

Under the terms of the merger agreement, the Company issued an aggregate of approximately 1.263 million shares of its common stock and cash totaling approximately $11.05 million to the former shareholders of Visalia Community Bank. Each Visalia Community Bank common shareholder of record at the effective time of the merger became entitled to receive 2.971 shares of common stock of the Company for each of their shares of Visalia Community Bank common stock.

2. ACQUISITION OF VISALIA COMMUNITY BANK (Continued)

In accordance with GAAP guidance for business combinations, the Company recorded $6.34 million of goodwill and $1.4 million of other intangible assets on the acquisition date. The other intangible assets are primarily related to core deposits and are being amortized using a straight-line method over a period of ten years with no significant residual value. For tax purposes purchase accounting adjustments, including goodwill are all non-taxable and/or non-deductible.

The acquisition was consistent with the Company's strategy to build a regional presence in Central California. The acquisition offers the Company the opportunity to increase profitability by introducing existing products and services to the acquired customer base as well as add new customers in the expanded region.

The following table summarizes the consideration paid for Visalia Community Bank and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date (in thousands):

Merger consideration:	
Cash	$ 11,050
Common stock issued	12,727
Fair Value of Total Consideration Transferred	$ 23,777
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	$ 51,985
Loans, net	113,467
Investments	14,818
Core deposit intangible	1,365
Premises and equipment	4,263
Federal Home Loan Bank stock	698
Other real estate owned	263
Deferred taxes and taxes receivable	3,179
Bank owned life insurance	6,786
Other assets	797
Total assets acquired	197,621
Deposits	174,206
Other liabilities	5,978
Total liabilities assumed	180,184
Total identifiable net assets	17,437
Goodwill	$ 6,340

The fair value of net assets acquired includes fair value adjustments to certain loans that were not considered impaired as of the acquisition date. The fair value adjustments were determined using discounted contractual cash flows. However, the Company believes that all contractual cash flows related to these financial instruments will be collected. As such, these loans were not considered impaired at the acquisition date and were not subject to the guidance relating to purchased credit impaired loans, which have shown evidence of credit deterioration since origination. Loans acquired that were not subject to these requirements include non-impaired loans and customer receivables with a fair value and gross contractual amounts receivable of $110,891,000 and $113,743,000, respectively, on the date of acquisition. See *Note 5* for discussion of purchased credit impaired loans.

Pro Forma Results of Operations

The accompanying consolidated financial statements include the accounts of Visalia Community Bank since July 1, 2013. The following table presents pro forma results of operations information for the periods presented as if the acquisition had occurred on January 1, 2012 after giving effect to certain adjustments. The pro forma results of operations for the years ended December 31, 2013 and 2012 include the historical accounts of the Company and Visalia Community Bank and pro forma adjustments as may be required, including the amortization of intangibles with definite lives and the amortization or accretion of any premiums or discounts arising from fair value adjustments for assets acquired and liabilities assumed. The pro forma information is intended for informational purposes only and is not necessarily indicative of the Company's future operating results or operating results that would have occurred had the acquisition been completed at the beginning of 2012. No assumptions have been applied to the pro forma results of operations regarding possible revenue enhancements, expense efficiencies or asset dispositions. (In thousands, except per share amounts):

	For the Years Ended December 31,	
	2013	2012
Net interest income	$ 36,773	$ 36,964
Provision for credit losses	298	1,534
Non-interest income	8,576	9,394
Non-interest expense	36,917	35,531
Income before provision for income taxes	8,134	9,293
Provision for income taxes	783	1,625
Net income	$ 7,351	$ 7,668
Preferred stock dividends and accretion	350	350
Net income available to common shareholders	$ 7,001	$ 7,318
Basic earnings per common share	$ 0.68	$ 0.67
Diluted earnings per common share	$ 0.68	$ 0.68

3. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In accordance with applicable guidance, the Company groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. Valuations within these levels are based upon:

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

Level 2 - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 - Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the Company's estimates of assumptions that market participants would use on pricing the asset or liability. Valuation techniques include management judgment and estimation which may be significant.

3. FAIR VALUE MEASUREMENTS (Continued)

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

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

	December 31, 2014				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	$ 21,316	$ 21,316	$ -	$ -	$ 21,316
Interest-earning deposits in other banks	55,646	55,646	-	-	55,646
Federal funds sold	366	366	-	-	366
Available-for-sale investment securities	432,535	7,585	424,950	-	432,535
Held-to-maturity investment securities	31,964	-	35,096	-	35,096
Loans, net	564,280	-	-	564,667	564,667
Federal Home Loan Bank stock	4,791	N/A	N/A	N/A	N/A
Accrued interest receivable	5,793	25	3,212	2,556	5,793
Financial liabilities:					
Deposits	1,039,152	885,704	153,475	-	1,039,179
Junior subordinated deferrable interest debentures	5,155	-	-	3,119	3,119
Accrued interest payable	114	-	90	24	114

	December 31, 2013				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	$ 25,878	$ 25,878	$ -	$ -	$ 25,878
Interest-earning deposits in other banks	85,956	85,956	-	-	85,956
Federal funds sold	218	218	-	-	218
Available-for-sale investment securities	443,224	7,514	435,710	-	443,224
Loans, net	503,149	-	-	507,361	507,361
Federal Home Loan Bank stock	4,499	N/A	N/A	N/A	N/A
Accrued interest receivable	5,026	21	2,976	2,029	5,026
Financial liabilities:					
Deposits	1,004,143	834,864	169,065	-	1,003,929
Junior subordinated deferrable interest debentures	5,155	-	-	2,750	2,750
Accrued interest payable	129	-	105	24	129

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.

These estimates are made at a specific point in time based on relevant market data and information about the financial instruments. 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 methods and assumptions used to estimate fair values are described as follows:

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

(b) Investment Securities - Investment securities in Level 1 are mutual funds and fair values are based on quoted market prices for identical instruments traded in active markets. Fair values for investment securities classified in Level 2 are based on quoted market prices for similar securities in active markets. For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators.

(c) Loans - Fair values of loans are estimated as follows: For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values resulting in a Level 3 classification. Purchased credit impaired (PCI) loans are measured at estimated fair value on the date of acquisition. Carrying value is calculated as the present value of expected cash flows and approximates fair value. Fair values for other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality resulting in a Level 3 classification. Impaired loans are initially valued at the lower of cost or fair value. Impaired loans carried at fair value generally receive specific allocations of the allowance for credit losses. For collateral dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly. The methods utilized to estimate the fair value of loans do not necessarily represent an exit price.

(d) FHLB Stock - It is not practicable to determine the fair value of FHLB stock due to restrictions placed on its transferability.

(e) Other real estate owned - OREO is measured at fair value less estimated costs to sell when acquired, establishing a new cost basis. Fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process to adjust for differences between the comparable sales and income data available. The Company records OREO as non-recurring with level 3 measurement inputs.

(f) Deposits - Fair value of demand deposit, savings, and money market accounts are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amount) resulting resulting in a Level 1 classification. Fair value for fixed and variable rate certificates of deposit are estimated using discounted cash flow analyses using interest rates offered at each reporting date by the Company for certificates with similar remaining maturities resulting in a Level 2 classification.

(g) Short-Term Borrowings - The carrying amounts of federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings,

3. FAIR VALUE MEASUREMENTS (Continued)

generally maturing within ninety days, approximate their fair values resulting in a Level 2 classification.

(h) Other Borrowings - The fair values of the Company's long-term borrowings are estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements resulting in a Level 2 classification.

The fair values of the Company's Subordinated Debentures are estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements resulting in a Level 3 classification.

(i) Accrued Interest Receivable/Payable - The fair value of accrued interest receivable and payable is based on the fair value hierarchy of the related asset or liability.

(j) Off-Balance Sheet Instruments - Fair values for off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The fair value of commitments is not material.

Assets Recorded at Fair Value

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring and non-recurring basis as of December 31, 2014:

Recurring Basis

The Company is required or permitted to record the following assets at fair value on a recurring basis under other accounting pronouncements (in thousands):

	Fair Value	Level 1	Level 2	Level 3
Available-for-sale investment securities				
Debt Securities:				
U.S. Government agencies	$ 33,090	$ -	$ 33,090	$ -
Obligations of states and political subdivisions	149,295	-	149,295	-
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	237,872	-	237,872	-
Private label residential mortgage backed securities	4,693	-	4,693	-
Other equity securities	7,585	7,585	-	-
Total assets measured at fair value on a recurring basis	$ 432,535	$ 7,585	$ 424,950	$ -

Securities in Level 1 are mutual funds and fair values are based on quoted market prices for identical instruments traded in active markets. Fair values for available-for-sale investment securities in Level 2 are based on quoted market prices for similar securities in active markets. For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators.

Management evaluates the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets, total liabilities or total earnings. During the year ended December 31, 2014, no transfers between levels occurred.

There were no Level 3 assets measured at fair value on a recurring basis at December 31, 2014. Also there were no liabilities measured at fair value on a recurring basis at December 31, 2014.

Non-recurring Basis

The Company may be required, from time to time, to measure certain assets and liabilities at fair value on a non-recurring basis. These include the following assets and liabilities that are measured at the lower of cost or fair value that were recognized at fair value which was below cost at December 31, 2014 (in thousands):

	Fair Value	Level 1	Level 2	Level 3
Impaired loans:				
Commercial:				
Commercial and industrial	$ 7,019	$ -	$ -	$ 7,019
Total commercial	7,019	-	-	7,019
Consumer:				
Equity loans and lines of credit	777	$ -	-	777
Total consumer	777	-	-	777
Total impaired loans	7,796	-	-	7,796
Total assets measured at fair value on a non-recurring basis	$ 7,796	$ -	$ -	$ 7,796

The following table presents quantitative information about level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31,2014.

Description	Fair Value	Valuation Technique(s)	Significant Unobservable Input(s)	Range (Weighted Average)
Commercial and industrial	$ 7,019	Sales comparison	Appraiser adjustments on sales comparable data	0.00%-6.00%
		Management estimates	Management adjustments for depreciation in values depending on property types	8.00%-25.00%
Equity loans and lines of credit	$ 777	Sales comparison	Appraiser adjustments on sales comparable data	0.00%-3.50%
		Management estimates	Management adjustments for depreciation in values depending on property types	11.00%

At the time a loan is considered impaired, it is valued at the lower of cost or fair value. Impaired loans carried at fair value generally receive specific allocations of the allowance for credit losses. For collateral dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. The fair value of impaired loans is based on the fair value of the collateral. Impaired loans were determined to be collateral dependent and categorized as Level 3 due to ongoing real estate market conditions resulting in inactive market data, which in turn required the use of unobservable inputs and

3. FAIR VALUE MEASUREMENTS (Continued)

assumptions in fair value measurements. Impaired loans evaluated under the discounted cash flow method are excluded from the table above. The discounted cash flow method as prescribed by topic 310 is not a fair value measurement since the discount rate utilized is the loan's effective interest rate which is not a market rate. There were no changes in valuation techniques used during the year ended December 31, 2014.

Appraisals for collateral-dependent impaired loans are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value is compared with independent data sources such as recent market data or industry-wide statistics.

Impaired loans that are measured for impairment using the fair value of the collateral for collateral dependent loans, had a principal balance of $8,239,000 with a valuation allowance of $443,000 at December 31, 2014, down to their fair value of $7,796,000. The valuation allowance represents specific allocations for the allowance for credit losses for impaired loans.

During the year ended December 31, 2014 and December 31, 2013, there was $3,921,000 and $0 provision for credit losses related to loans carried at fair value. During the year ended December 31, 2014 there was $3,539,000 net charge-offs related to loans carried at fair value compared to no charge-offs at December 31, 2013.

There were no liabilities measured at fair value on a non-recurring basis at December 31, 2014.

The following two tables present information about the Company's assets and liabilities measured at fair value on a recurring and nonrecurring basis as of December 31, 2013:

Recurring Basis

The Company is required or permitted to record the following assets at fair value on a recurring basis under other accounting pronouncements (in thousands):

	Fair Value	Level 1	Level 2	Level 3
Available-for-sale securities				
Debt Securities:				
U.S. Government agencies	$ 18,203	$ -	$ 18,203	$ -
Obligations of states and political subdivisions	158,407	-	158,407	-
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	253,709	-	253,709	-
Private label residential mortgage backed securities	5,391	-	5,391	-
Other equity securities	7,514	7,514	-	-
Total assets measured at fair value on a recurring basis	$ 443,224	$ 7,514	$ 435,710	$ -

Securities in Level 1 are mutual funds and fair values are based on quoted market prices for identical instruments traded in active markets. Fair values for available-for-sale investment securities in Level 2 are based on quoted market prices for similar securities in active markets. For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators.

There were no Level 3 assets measured at fair value on a recurring basis at December 31, 2013. Also there were no liabilities measured at fair value on a recurring basis at December 31, 2013.

Non-recurring Basis

The Company may be required, from time to time, to measure certain assets and liabilities at fair value on a non-recurring basis. These include the following assets and liabilities that are measured at the lower of cost or fair value that were recognized at fair value which was below cost at December 31, 2013 (in thousands):

	Fair Value	Level 1	Level 2	Level 3
Impaired loans:				
Consumer:				
Equity loans and lines of credit	$ 133	$ -	$ -	$ 133
Total consumer	133	-	-	133
Total impaired loans	133	-	-	133
Total assets measured at fair value on a non-recurring basis	$ 133	$ -	$ -	$ 133

At the time a loan is considered impaired, it is valued at the lower of cost or fair value. Impaired loans carried at fair value generally receive specific allocations of the allowance for credit losses. For collateral dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. The fair value of impaired loans is based on the fair value of the collateral. Impaired loans were determined to be collateral dependent and categorized as Level 3 due to ongoing real estate market conditions resulting in inactive market data, which in turn required the use of unobservable inputs and assumptions in fair value measurements. Impaired loans evaluated under the discounted cash flow method are excluded from the table above. The discounted cash flow method as prescribed by topic 310 is not a fair value measurement since the discount rate utilized is the loan's effective interest rate which is not a market rate. There were no changes in valuation techniques used during the year ended December 31, 2013.

Appraisals for collateral-dependent impaired loans are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value is compared with independent data sources such as recent market data or industry-wide statistics.

Impaired loans that are measured for impairment using the fair value of the collateral for collateral dependent loans had a principal balance of $194,000 with a valuation allowance of $61,000 at December 31, 2013, down to their fair value of $133,000. The valuation allowance represents specific allocations for the allowance for credit losses for impaired loans.

There were no liabilities measured at fair value on a non-recurring basis at December 31, 2013.

4. INVESTMENT SECURITIES

The fair value of the available-for-sale investment portfolio reflected an unrealized gain of $8,896,000 at December 31, 2014 compared to an unrealized loss of $3,884,000 at December 31, 2013. The unrealized gain or loss recorded is net of $3,661,000 in tax liabilities and $1,598,000 in tax benefits as accumulated other comprehensive income within shareholders' equity at December 31, 2014 and

4. INVESTMENT SECURITIES (Continued)

2013, respectively. The Company did not have any held-to-maturity securities during the year ended December 31, 2013.

The following two tables set forth the carrying values and estimated fair values of our investment securities portfolio at the dates indicated (in thousands):

	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-Sale Securities				
Debt Securities:				
U.S. Government agencies	$ 33,088	$ 245	$ (243)	$ 33,090
Obligations of states and political subdivisions	143,343	6,266	(314)	149,295
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	236,629	2,033	(790)	237,872
Private label residential mortgage backed securities	3,079	1,614	-	4,693
Other equity securities	7,500	85	-	7,585
	$ 423,639	$ 10,243	$ (1,347)	$ 432,535

	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Held-to-Maturity Securities				
Debt Securities:				
Obligations of states and political subdivisions	$ 31,964	$ 3,138	$ (6)	$ 35,096

	December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-Sale Securities				
Debt Securities:				
U.S. Government agencies	$ 18,172	$ 115	$ (84)	$ 18,203
Obligations of states and political subdivisions	162,018	2,906	(6,517)	158,407
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	254,978	1,075	(2,344)	253,709
Private label residential mortgage backed securities	4,344	1,047	-	5,391
Other equity securities	7,596	2	(84)	7,514
	$ 447,108	$ 5,145	$ (9,029)	$ 443,224

During 2014, the Company transferred from available-for-sale to held-to-maturity selected municipal securities having a book value of $31,346,000, and a market value of $31,509,000, including a net unrealized gain of $163,000. During 2014, accretion of this unrealized gain totaling $21,000 was recorded as interest income and the remaining balance of unamortized unrealized gains of $142,000 is included as a component of accumulated other comprehensive income in shareholders' equity.

Proceeds and gross realized gains (losses) on investment securities for the years ended December 31, 2014, 2013, and 2012 are shown below (in thousands):

	Years Ended December 31,		
	2014	2013	2012
Available-for-Sale Securities			
Proceeds from sales or calls	$ 79,757	$ 88,146	$ 39,119
Gross realized gains from sales or calls	$ 1,754	$ 2,728	$ 2,121
Gross realized losses from sales or calls	$ (850)	$ (1,463)	$ (482)

The provision for income taxes includes $372,000, $521,000, and $674,000 income tax impact from the reclassification of unrealized net gains on available-for-sale securities to realized net gains on available-for-sale securities for the years ended December 31, 2014, 2013, and 2012, respectively.

Investment securities with unrealized losses at December 31, 2014 and 2013 are summarized and classified according to the duration of the loss period as follows (in thousands):

	December 31, 2014					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-Sale Securities						
Debt Securities:						
U.S. Government agencies	$ 10,950	$ (193)	$ 1,737	$ (50)	$ 12,687	$ (243)
Obligations of states and political subdivisions	16,776	(89)	15,290	(225)	32,066	(314)
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	52,905	(420)	31,000	(370)	83,905	(790)
	$ 80,631	$ (702)	$ 48,027	$ (645)	$ 128,658	$ (1,347)

	December 31, 2014					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Held-to-Maturity Securities						
Debt Securities:						
Obligations of states and political subdivisions	$ 1,067	$ (6)	$ -	$ -	$ 1,067	$ (6)

4. INVESTMENT SECURITIES (Continued)

	December 31, 2013					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-Sale Securities						
Debt Securities:						
U.S. Government agencies	$ 4,132	$ (75)	$ 968	$ (9)	$ 5,100	$ (84)
Obligations of states and political subdivisions	89,556	(5,007)	15,015	(1,510)	104,571	(6,517)
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	148,853	(2,070)	19,199	(274)	168,052	(2,344)
Other equity securities	7,416	(84)	-	-	7,416	(84)
	$ 249,957	$ (7,236)	$ 35,182	$ (1,793)	$ 285,139	$ (9,029)

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

As of December 31, 2014, the Company performed an analysis of the investment portfolio to determine whether any of the investments held in the portfolio had an other-than-temporary impairment (OTTI). Management evaluated all investment securities with an unrealized loss at December 31, 2014, and identified those that had an unrealized loss for at least a consecutive 12 month period, which had an unrealized loss at December 31, 2014 greater than 10% of the recorded book value on that date, or which had an unrealized loss of more than $10,000. Management also analyzed any securities that may have been downgraded by credit rating agencies.

For those bonds that met the evaluation criteria management obtained and reviewed the most recently published national credit ratings for those bonds. For those bonds that were municipal debt securities with an investment grade rating by the rating agencies, management also evaluated the financial condition of the municipality and any applicable municipal bond insurance provider and concluded that no credit related impairment existed.

U.S. Government Agencies - At December 31, 2014, the Company held 10 U.S. Government agency securities of which two were in a loss position for less than 12 months and one was in a loss position and has been in a loss position for 12 months or more. The unrealized losses on the Company's investments in 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 does not intend to sell, and it is more likely than not that it will not be required to sell 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, 2014.

Obligations of States and Political Subdivisions - At December 31, 2014, the Company held 148 obligations of states and political subdivision securities of which eight were in a loss position for less than 12 months and 10 were in a loss position and have been in a loss position for 12 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 does not intend to sell, and it is more likely than not that it will not be required to sell 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, 2014.

U.S. Government Sponsored Entities and Agencies Collateralized by Residential Mortgage Obligations - At December 31, 2014, the Company held 203 U.S. Government sponsored entity and agency securities collateralized by residential mortgage obligation securities of which 32 were in a loss position for less than 12 months and 15 in a loss position for more than 12 months. The unrealized losses on the Company's investments in U.S. Government sponsored entity and agencies collateralized by residential mortgage obligations were caused by interest rate changes. The contractual cash flows of those investments are guaranteed or supported by an agency or sponsored entity of the U.S. Government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the Company's investment. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell, and it is more likely than not that it will not be required to sell 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, 2014.

Private Label Residential Mortgage Backed Securities - At December 31, 2014, the Company had a total of 20 PLRMBS with a remaining principal balance of $3,079,000 and a gross and net unrealized gain of approximately $1,614,000. None of these securities had an unrealized loss at December 31, 2014. 10 of these PLRMBS with a remaining principal balance of $2,614,000 had credit ratings below investment grade. The Company continues to perform extensive analyses on these securities.

The following table provides a roll forward for the years ended December 31, 2014 and 2013 of investment securities credit losses recorded in earnings (in thousands). The beginning balance represents the credit loss component for which OTTI occurred on debt securities in prior periods. Additions represent the first time a debt security was credit impaired or when subsequent credit impairments have occurred on securities for which OTTI credit losses have been previously recognized.

	Years ended December 31,	
	2014	2013
Beginning balance of credit losses recognized	$ 800	$ 783
Amounts related to credit loss for which an OTTI charge was not previously recognized	-	17
Change in value attributable to other factors	(53)	-
Ending balance of credit losses recognized	$ 747	$ 800

The amortized cost and estimated fair value of investment securities at December 31, 2014 and 2013 by contractual maturity are shown in the two tables below (in thousands). Expected maturities will differ from contractual

4. INVESTMENT SECURITIES (Continued)

maturities because the issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties.

	December 31, 2014	
Available-for-Sale Securities	Amortized Cost	Estimated Fair Value
Within one year	$ -	$ -
After one year through five years	2,904	3,167
After five years through ten years	17,592	18,457
After ten years	122,847	127,671
	143,343	149,295
Investment securities not due at a single maturity date:		
U.S. Government agencies	33,088	33,090
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	236,629	237,872
Private label residential mortgage backed securities	3,079	4,693
Other equity securities	7,500	7,585
	$ 423,639	$ 432,535

	December 31, 2014	
Held-to-Maturity Securities	Amortized Cost	Estimated Fair Value
After ten years	$ 31,964	$ 35,096

Investment securities with amortized costs totaling $96,490,000 and $98,701,000 and fair values totaling $100,747,000 and $99,209,000 were pledged as collateral for borrowing arrangements, public funds and for other purposes at December 31, 2014 and 2013, respectively.

5. LOANS AND ALLOWANCE FOR CREDIT LOSSES

Outstanding loans are summarized as follows (in thousands):

Loan Type	December 31, 2014	% of Total loans	December 31, 2013	% of Total loans
Commercial:				
Commercial and industrial	$ 89,007	15.5%	$ 87,082	17.0%
Agricultural land and production	39,140	6.8%	31,649	6.1%
Total commercial	128,147	22.3%	118,731	23.1%
Real estate:				
Owner occupied	176,804	30.9%	156,781	30.6%
Real estate construction and other land loans	38,923	6.8%	42,329	8.3%
Commercial real estate	106,788	18.7%	86,117	16.8%
Agricultural real estate	57,501	10.0%	44,164	8.6%
Other real estate	6,611	1.2%	4,548	0.9%
Total real estate	386,627	67.6%	333,939	65.2%
Consumer:				
Equity loans and lines of credit	47,575	8.3%	48,594	9.5%
Consumer and installment	10,093	1.8%	11,252	2.2%
Total consumer	57,668	10.1%	59,846	11.7%
Net deferred origination costs (fees)	146		(159)	
Total gross loans	572,588	100.0%	512,357	100.0%
Allowance for credit losses	(8,308)		(9,208)	
Total loans	$ 564,280		$ 503,149	

The table above includes loans acquired at fair value on July 1, 2013 with outstanding balances of $77,882,000 and $99,948,000 as of December 31, 2014 and 2013, respectively.

At December 31, 2014 and 2013, loans originated under Small Business Administration (SBA) programs totaling $8,782,000 and $7,345,000, respectively, were included in the real estate and commercial categories. Approximately $183,036,000 in loans were pledged under a blanket lien as collateral to the FHLB for the Bank's remaining borrowing capacity of $290,851,000 as of December 31, 2014. FHLB advances are secured by investment securities with amortized costs totaling $1,256,000 and $3,985,000 and market values totaling $1,364,000 and $4,084,000 at December 31, 2014 and 2013, respectively. The Bank's credit limit varies according to the amount and composition of the investment and loan portfolios pledged as collateral.

Salaries and employee benefits totaling $1,657,000, $1,373,000, and $754,000 have been deferred as loan origination costs for the years ended December 31, 2014, 2013, and 2012, respectively.

Purchased Credit Impaired Loans

At December 31, 2013, the Company had loans that were acquired in an acquisition, for which there was, at acquisition, evidence of deterioration of credit quality since origination and for which it was probable, at acquisition, that all contractually required payments would not be collected. There were no such loans outstanding at December 31, 2014.

5. LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

These purchased credit impaired (PCI) loans are recorded at the amount paid, such that there is no carryover of the seller's allowance for loan losses. After acquisition, losses are recognized by an increase in the Company's allowance for credit losses. The Company estimates the amount and timing of expected cash flows for each loan and the expected cash flows in excess of amount paid is recorded as interest income over the remaining life of the loan (accretable yield). The excess of the loan's contractual principal and interest over expected cash flows is not recorded (nonaccretable difference). Over the life of the loan, expected cash flows continue to be estimated. If the present value of expected cash flows is less than the carrying amount, a loss is recorded. If the present value of expected cash flows is greater than the carrying amount, it is recognized as part of future interest income.

The carrying amount of PCI loans is included in the balance sheet amounts of loans receivable at December 31, 2014 and 2013. The amounts of PCI loans at December 31, 2014 and 2013 are as follows (in thousands):

	December 31, 2014	December 31, 2013
Real estate	$ -	$ 2,465
Outstanding balance	$ -	$ 2,465
Carrying amount, net of allowance of $0	$ -	$ 2,465

Accretable yield, or income expected to be collected for the year ended December 31, 2014, 2013, and 2012 is as follows (in thousands):

	Years ended December 31, 2014	2013	2012
Balance at beginning of year	$ 94	$ -	$ -
New loans acquired	-	105	-
Accretion of income	(907)	(124)	-
Reclassification from non-accretable difference	813	113	-
Disposals	-	-	-
Balance at end of year	$ -	$ 94	$ -

Loans acquired during each period or year for which it was probable at acquisition that all contractually required payments would not be collected are as follows (in thousands):

	December 31, 2014	December 31, 2013
Contractually required payments receivable on PCI loans at acquisition:		
Real estate	$ -	$ 6,912
Total	$ -	$ 6,912
Cash flows expected to be collected at acquisition	$ -	$ 2,681
Fair value of acquired loans at acquisition	$ -	$ 2,576

Certain of the loans acquired by the Company that are within the scope of Topic ASC 310-30 are not accounted for using the income recognition model of the Topic because the Company cannot reliably estimate cash flows expected to be collected. The carrying amounts of such loans (which are included in the carrying amount, net of allowance, described above) are as follows (in thousands):

	December 31, 2014	December 31, 2013
Loans acquired during the year	$ -	$ 1,324
Loans at the end of the year	$ -	$ 1,324

The allowance for credit losses (the "allowance") is a valuation allowance for probable incurred credit losses in the Company's loan portfolio. The 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. Credit exposures determined to be uncollectible are charged against the allowance. Cash received on previously charged-off credits is recorded as a recovery to the allowance. The overall allowance consists of two primary components, specific reserves related to impaired loans and general reserves for probable incurred losses related to loans that are not impaired.

For all portfolio segments, the determination of the general reserve for loans that are not impaired is based on estimates made by management, including but not limited to, consideration of historical losses by portfolio segment (and in certain cases peer loss data) over the most recent 20 quarters, and qualitative factors including economic trends in the Company's service areas, industry experience and trends, geographic concentrations, estimated collateral values, the Company's underwriting policies, the character of the loan portfolio, and probable losses inherent in the portfolio taken as a whole.

Changes in the allowance for credit losses were as follows (in thousands):

	Years Ended December 31, 2014	2013	2012
Balance, beginning of year	$ 9,208	$ 10,133	$ 11,396
Provision charged to operations	7,985	-	700
Losses charged to allowance	(9,834)	(1,446)	(2,850)
Recoveries	949	521	887
Balance, end of year	$ 8,308	$ 9,208	$ 10,133

5. LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table shows the summary of activities for the allowance for credit losses as of and for the years ended December 31, 2014 and 2013 by portfolio segment (in thousands):

	Commercial	Real Estate	Consumer	Unallocated	Total
Allowance for credit losses:					
Beginning balance, January 1, 2014	$ 2,444	$ 5,174	$ 1,168	$ 422	$ 9,208
Provision charged to operations	9,660	(1,447)	152	(380)	7,985
Losses charged to allowance	(9,145)	(183)	(506)	-	(9,834)
Recoveries	171	514	264	-	949
Ending balance, December 31, 2014	$ 3,130	$ 4,058	$ 1,078	$ 42	$ 8,308
Allowance for credit losses:					
Beginning balance, January 1, 2013	$ 2,676	$ 5,877	$ 1,541	$ 39	$ 10,133
Provision charged to operations	166	(434)	(115)	383	-
Losses charged to allowance	(713)	(285)	(448)	-	(1,446)
Recoveries	315	16	190	-	521
Ending balance, December 31, 2013	$ 2,444	$ 5,174	$ 1,168	$ 422	$ 9,208

The following is a summary of the allowance for credit losses by impairment methodology and portfolio segment as of December 31, 2014 and December 31, 2013 (in thousands):

	Commercial	Real Estate	Consumer	Unallocated	Total
Allowance for credit losses:					
Ending balance, December 31, 2014	$ 3,130	$ 4,058	$ 1,078	$ 42	$ 8,308
Ending balance: individually evaluated for impairment	$ 230	$ 162	$ 220	$ -	$ 612
Ending balance: collectively evaluated for impairment	$ 2,900	$ 3,896	$ 858	$ 42	$ 7,696
Allowance for credit losses:					
Ending balance, December 31, 2013	$ 2,444	$ 5,174	$ 1,168	$ 422	$ 9,208
Ending balance: individually evaluated for impairment	$ 469	$ 465	$ 73	$ -	$ 1,007
Ending balance: collectively evaluated for impairment	$ 1,975	$ 4,709	$ 1,095	$ 422	$ 8,201

The table above excludes the recorded investment in loans acquired with deteriorated quality of $2,465,000 with no allowance at December 31, 2013. There are no such loans at December 31, 2014.

The following table shows the ending balances of loans as of December 31, 2014 and December 31, 2013 by portfolio segment and by impairment methodology (in thousands):

	Commercial	Real Estate	Consumer	Total
Loans:				
Ending balance, December 31, 2014	$ 128,147	$ 386,627	$ 57,668	$ 572,442
Ending balance: individually evaluated for impairment	$ 7,268	$ 8,512	$ 3,046	$ 18,826
Ending balance: collectively evaluated for impairment	$ 120,879	$ 378,115	$ 54,622	$ 553,616
Loans:				
Ending balance, December 31, 2013	$ 118,731	$ 333,939	$ 59,846	$ 512,516
Ending balance: individually evaluated for impairment	$ 1,527	$ 9,540	$ 2,290	$ 13,357
Ending balance: collectively evaluated for impairment	$ 117,204	$ 324,399	$ 57,556	$ 499,159

5. LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table shows the loan portfolio by class allocated by management's internal risk ratings at December 31, 2014 (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
Commercial:					
Commercial and industrial	$ 78,333	$ 2,345	$ 8,329	$ -	$ 89,007
Agricultural land and production	39,140	-	-	-	39,140
Real Estate:					
Owner occupied	170,568	2,778	3,458	-	176,804
Real estate construction and other land loans	32,114	1,130	5,679	-	38,923
Commercial real estate	95,831	215	10,742	-	106,788
Agricultural real estate	55,018	2,123	360	-	57,501
Other real estate	6,611	-	-	-	6,611
Consumer:					
Equity loans and lines of credit	42,334	72	5,169	-	47,575
Consumer and installment	10,072	-	21	-	10,093
Total	$ 530,021	$ 8,663	$ 33,758	$ -	$ 572,442

The following table shows the loan portfolio by class allocated by management's internally assigned risk grade ratings at December 31, 2013 (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
Commercial:					
Commercial and industrial	$ 81,732	$ 2,244	$ 3,106	$ -	$ 87,082
Agricultural land and production	31,649	-	-	-	31,649
Real Estate:					
Owner occupied	144,082	5,229	7,470	-	156,781
Real estate construction and other land loans	31,776	3,959	6,594	-	42,329
Commercial real estate	77,589	3,718	4,810	-	86,117
Agricultural real estate	42,151	2,013	-	-	44,164
Other real estate	4,548	-	-	-	4,548
Consumer:					
Equity loans and lines of credit	41,999	2,400	4,195	-	48,594
Consumer and installment	10,946	46	260	-	11,252
Total	$ 466,472	$ 19,609	$ 26,435	$ -	$ 512,516

The following table shows an aging analysis of the loan portfolio by class and the time past due at December 31, 2014 (in thousands):

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days Accruing	Non-accrual
Commercial:								
Commercial and industrial	$ 172	$ 88	$ -	$ 260	$ 88,747	$ 89,007	$ -	$ 7,265
Agricultural land and production	-	-	-	-	39,140	39,140	-	-
Real estate:	-				-	-		
Owner occupied	164	-	249	413	176,391	176,804	-	1,363
Real estate construction and other land loans	547	-	-	547	38,376	38,923	-	547
Commercial real estate	-	-	-	-	106,788	106,788	-	1,468
Agricultural real estate	-	-	-	-	57,501	57,501	-	360
Other real estate	-	-	-	-	6,611	6,611	-	-
Consumer:					-	-		
Equity loans and lines of credit	-	-	227	227	47,348	47,575	-	3,030
Consumer and installment	30	-	-	30	10,063	10,093	-	19
Total	$ 913	$ 88	$ 476	$ 1,477	$ 570,965	$ 572,442	$ -	$ 14,052

5. **LOANS AND ALLOWANCE FOR CREDIT LOSSES** (Continued)

The following table shows an aging analysis of the loan portfolio by class and the time past due at December 31, 2013 (in thousands):

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days Accruing	Non-accrual
Commercial:								
Commercial and industrial	$ 274	$ 236	$ -	$ 510	$ 86,572	$ 87,082	$ -	$ 1,527
Agricultural land and production	-	-	-	-	31,649	31,649	-	-
Real estate:	-					-		
Owner occupied	1,272	134	418	1,824	154,957	156,781	-	2,161
Real estate construction and other land loans	-	-	-	-	42,329	42,329	-	1,450
Commercial real estate	-	-	-	-	86,117	86,117	-	158
Agricultural real estate	-	-	-	-	44,164	44,164	-	-
Other real estate	-	-	-	-	4,548	4,548	-	-
Consumer:						-		
Equity loans and lines of credit	10	147	252	409	48,185	48,594	-	2,286
Consumer and installment	86	-	-	86	11,166	11,252	-	4
Total	$ 1,642	$ 517	$ 670	$ 2,829	$ 509,687	$ 512,516	$ -	$ 7,586

5. LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table shows information related to impaired loans by class at December 31, 2014 (in thousands):

	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:			
Commercial:			
Commercial and industrial	$ 6,440	$ 9,991	$ -
Agricultural land and production	-	1,722	-
Total commercial	6,440	11,713	-
Real estate:			
Owner occupied	1,188	1,255	-
Real estate construction and other land loans	547	799	-
Commercial real estate	1,794	1,794	-
Agricultural real estate	360	360	-
Other real estate	-	-	-
Total real estate	3,889	4,208	-
Consumer:			
Equity loans and lines of credit	2,019	2,707	-
Consumer and installment	-	-	-
Total consumer	2,019	2,707	-
Total with no related allowance recorded	12,348	18,628	-
With an allowance recorded:			
Commercial:			
Commercial and industrial	828	835	230
Agricultural land and production	-	-	-
Total commercial	828	835	230
Real estate:			
Owner occupied	199	219	30
Real estate construction and other land loans	3,542	3,542	72
Commercial real estate	882	1,022	60
Agricultural real estate	-	-	-
Other real estate	-	-	-
Total real estate	4,623	4,783	162
Consumer:			
Equity loans and lines of credit	1,008	1,026	217
Consumer and installment	19	21	3
Total consumer	1,027	1,047	220
Total with an allowance recorded	6,478	6,665	612
Total	$ 18,826	$ 25,293	$ 612

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

The following table shows information related to impaired loans by class at December 31, 2013 (in thousands):

	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:			
Commercial:			
Commercial and industrial	$ 350	$ 385	$ -
Agricultural land and production	-	-	-
Total commercial	350	385	-
Real estate:			
Owner occupied	3,160	4,159	-
Real estate construction and other land loans	1,449	2,136	-
Commercial real estate	502	891	-
Agricultural real estate	-	-	-
Other real estate	-	-	-
Total real estate	5,111	7,186	-
Consumer:			
Equity loans and lines of credit	2,029	2,826	-
Consumer and installment	4	5	-
Total consumer	2,033	2,831	-
Total with no related allowance recorded	7,494	10,402	-
With an allowance recorded:			
Commercial:			
Commercial and industrial	1,177	1,222	469
Agricultural land and production	-	-	-
Total commercial	1,177	1,222	469
Real estate:			
Owner occupied	385	425	3
Real estate construction and other land loans	4,044	4,044	462
Commercial real estate	-	-	-
Agricultural real estate	-	-	-
Other real estate	-	-	-
Total real estate	4,429	4,469	465
Consumer:			
Equity loans and lines of credit	257	264	73
Consumer and installment	-	-	-
Total consumer	257	264	73
Total with an allowance recorded	5,863	5,955	1,007
Total	$ 13,357	$ 16,357	$ 1,007

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

5. LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following presents by class, information related to the average recorded investment and interest income recognized on impaired loans for the years ended December 31, 2014, 2013, and 2012 (in thousands):

	Year Ended December 31, 2014		Year Ended December 31, 2013		Year Ended December 31, 2012	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:						
Commercial:						
Commercial and industrial	$ 638	$ -	$ 329	$ -	$ 952	$ -
Total commercial	638	-	329	-	952	-
Real estate:						
Owner occupied	2,063	2	2,321	-	1,053	-
Real estate construction and other land loans	1,276	24	2,342	-	4,933	-
Commercial real estate	574	-	279	-	301	-
Agricultural real estate	28	-	-	-	-	-
Total real estate	3,941	26	4,942	-	6,287	-
Consumer:						
Equity loans and lines of credit	1,826	-	1,998	-	1,561	-
Consumer and installment	8	-	9	-	6	-
Total consumer	1,834	-	2,007	-	1,567	-
Total with no related allowance recorded	6,413	26	7,278	-	8,806	-
With an allowance recorded:						
Commercial:						
Commercial and industrial	423	-	1,309	111	1,581	226
Total commercial	423	-	1,309	111	1,581	226
Real estate:		-		-		-
Owner occupied	264	-	997	86	633	-
Real estate construction and other land loans	3,782	267	4,295	329	6,490	375
Commercial real estate	214	55	-	47	145	-
Total real estate	4,260	322	5,292	462	7,268	375
Consumer:						
Equity loans and lines of credit	303	-	489	-	600	-
Consumer and installment	27	-	-	-	37	-
Total consumer	330	-	489	-	637	-
Total with an allowance recorded	5,013	322	7,090	573	9,486	601
Total	$ 11,426	$ 348	$ 14,368	$ 573	$ 18,292	$ 601

Foregone interest on nonaccrual loans totaled $716,000, $661,000, and $693,000 for the years ended December 31, 2014, 2013, and 2012, respectively. Interest income recognized on cash basis during the years presented above was not considered significant for financial reporting purposes.

Troubled Debt Restructurings:

As of December 31, 2014 and 2013, the Company has a recorded investment in troubled debt restructurings of $6,600,000 and, $10,366,000, respectively. The Company has allocated $132,000 and $946,000 of specific reserves for those loans at December 31, 2014 and 2013, respectively. The Company has committed to lend no additional amounts as of December 31, 2014 to customers with outstanding loans that are classified as troubled debt restructurings.

For the years ended December 31, 2014 and 2013 the terms of certain loans were modified as troubled debt restructurings. The modification of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan or an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk. During the same periods, there were no troubled debt restructurings in which the amount of principal or accrued interest owed from the borrower were forgiven.

5. LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table presents loans by class modified as troubled debt restructurings that occurred during the year ended December 31, 2014 (in thousands):

	Number of Loans	Pre-Modification Outstanding Recorded Investment (1)	Principal Modification	Post Modification Outstanding Recorded Investment (2)	Outstanding Recorded Investment
Troubled Debt Restructurings:					
Commercial:					
Commercial and industrial	1	$ 25	$ -	$ 25	$ 25
Consumer:					
Equity loans and line of credit	1	7	-	7	4
Total	2	$ 32	$ -	$ 32	$ 29

(1) Amounts represent the recorded investment in loans before recognizing effects of the TDR, if any.

(2) Balance outstanding after principal modification, if any borrower reduction to recorded investment.

The following table presents loans by class modified as troubled debt restructurings that occurred during the year ended December 31, 2013 (in thousands):

	Number of Loans	Pre-Modification Outstanding Recorded Investment (1)	Principal Modification	Post Modification Outstanding Recorded Investment (2)	Outstanding Recorded Investment
Troubled Debt Restructurings:					
Real Estate:					
Commercial real estate	1	$ 620	$ -	$ 620	$ 344

(1) Amounts represent the recorded investment in loans before recognizing effects of the TDR, if any.

(2) Balance outstanding after principal modification, if any borrower reduction to recorded investment.

A loan is considered to be in payment default once it is 90 days contractually past due under the modified terms. There was no defaults on troubled debt restructurings within twelve months following the modification during the year ended December 31, 2014. There was no default on troubled debt restructurings within twelve months following the modification during the year ended December 31, 2013.

6. BANK PREMISES AND EQUIPMENT

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

	December 31, 2014	December 31, 2013
Land	$ 1,131	$ 1,131
Buildings and improvements	6,545	6,982
Furniture, fixtures and equipment	9,943	8,875
Leasehold improvements	4,055	4,091
	21,674	21,079
Less accumulated depreciation and amortization	(11,725)	(10,538)
	$ 9,949	$ 10,541

Depreciation and amortization included in occupancy and equipment expense totaled $1,355,000, $1,133,000 and $972,000 for the years ended December 31, 2014, 2013, and 2012, respectively.

7. OTHER REAL ESTATE OWNED

The Company had no other real estate owned (OREO) at December 31, 2014 as compared to $190,000 at December 31, 2013. The table below provides a summary of the change in other real estate owned (OREO) balances for the years ended December 31, 2014 and 2013 (in thousands):

	December 31, 2014	December 31, 2013
Balance, beginning of year	$ 190	$ -
Additions	235	453
Dispositions	(488)	(263)
Write-downs	-	-
Net gain on dispositions	63	-
Balance, end of year	$ -	$ 190

As of December 31, 2014 the Bank had no OREO properties. In 2014, the Bank foreclosed on one property collateralized by real estate. Proceeds from OREO sales totaled $488,000 during 2014. The Company realized $63,000 in net gains from the sale of all properties.

As of December 31, 2013 the Bank had $190,000 OREO properties. In 2013, the Bank foreclosed on one property collateralized by real estate. During the year ended December 31, 2013, the Bank acquired two properties through the Visalia Community Bank acquisition which were subsequently sold by year end 2013.

8. GOODWILL AND INTANGIBLE ASSETS

The change in goodwill during the years ended December 31, 2014, 2013, and 2012 is as follows (in thousands):

	2014	2013	2012
Beginning of year	$ 29,917	$ 23,577	$ 23,577
Acquired goodwill	-	6,340	-
Impairment	-	-	-
End of year	$ 29,917	$ 29,917	$ 23,577

Business combinations involving the Company's acquisition of the equity interests or net assets of another enterprise give rise to goodwill. Total goodwill at December 31, 2014 and 2013 was $29,917,000. Total goodwill at December 31, 2014 consisted of $6,340,000, $14,643,000 and $8,934,000 representing the excess of the cost of Visalia Community Bank, Service 1st Bancorp and Bank of Madera County, respectively, over the net of the amounts assigned to assets acquired and liabilities assumed in the transactions accounted for under the purchase method of accounting. The value of goodwill is ultimately derived from the Company's ability to generate net earnings after the acquisitions and is not deductible for tax purposes. A decline in net earnings could be indicative of a decline in the fair value of goodwill and result in impairment. For that reason, goodwill is assessed at least annually for impairment.

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

Goodwill is also tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the Company below its carrying amount. No such events or circumstances arose during the fourth quarter of 2014, so goodwill was not required to be retested.

The intangible assets at December 31, 2014 represent the estimated fair value of the core deposit relationships acquired in the acquisition of Service 1st Bank in 2008 of $1,400,000 and the 2013 acquisition of Visalia Community Bank of $1,365,000. Core deposit intangibles are being amortized using the straight-line method over an estimated life of seven to ten years from the date of acquisition. At December 31, 2014, the weighted average remaining amortization period is five years. The carrying value of intangible assets at December 31, 2014 was $1,344,000, net of $1,421,000 in accumulated amortization expense. The carrying value at December 31, 2013 was $1,680,000, net of $1,085,000 in accumulated amortization expense. Management evaluates the remaining useful lives quarterly to determine whether events or circumstances warrant a revision to the remaining periods of amortization. Based on the evaluation, no changes to the remaining useful lives was required. Management performed an annual impairment test on core deposit intangibles as of September 30, 2014 and determined no impairment was necessary. Amortization expense recognized was $337,000 for 2014, $268,000 for 2013, and $200,000 for 2012.

The following table summarizes the Company's estimated core deposit intangible amortization expense for each of the next five years (in thousands):

Years Ending December 31,	Estimated Core Deposit Intangible Amortization
2015	$ 320
2016	137
2017	137
2018	137
2019	137
Thereafter	476
Total	$ 1,344

9. DEPOSITS

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

	December 31,	
	2014	2013
Savings	$ 71,381	$ 61,918
Money market	228,268	234,515
NOW accounts	209,781	182,364
Time, $250,000 or more	45,792	52,598
Time, under $250,000	107,528	116,356
	$ 662,750	$ 647,751

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

Years Ending December 31,	
2015	$ 125,999
2016	8,586
2017	12,265
2018	4,352
2019	1,760
Thereafter	358
	$ 153,320

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

	Years Ended December 31,		
	2014	2013	2012
Savings	$ 32	$ 40	$ 32
Money market	174	229	392
NOW accounts	209	251	270
Time certificates of deposit	645	750	936
	$ 1,060	$ 1,270	$ 1,630

10. BORROWING ARRANGEMENTS

Federal Home Loan Bank Advances - As of December 31, 2014 and 2013, the Company had no Federal Home Loan Bank (FHLB) of San Francisco advances.

Approximately $183,036,000 in loans were pledged under a blanket lien as collateral to the FHLB for the Bank's remaining borrowing capacity of $290,851,000 as of December 31, 2014. FHLB advances are also secured by investment securities with amortized costs totaling $1,256,000 and $3,985,000 and market values totaling $1,364,000 and $4,084,000 at December 31, 2014 and 2013, respectively. The Bank's credit limit varies according to the amount and composition of the investment and loan portfolios pledged as collateral.

As of December 31, 2014 and 2013, the Company had no Federal funds purchased.

Lines of Credit - The Bank had unsecured lines of credit with its correspondent banks which, in the aggregate, amounted to $40,000,000 at December 31, 2014 and $40,000,000 at December 31, 2013, at interest rates which vary with market conditions. The Bank also had a line of credit in the amount of $2,441,000 and $51,000 with the Federal Reserve Bank of San Francisco at December 31, 2014 and 2013, respectively which bears interest at the prevailing discount rate collateralized by investment securities with amortized costs totaling $2,729,000 and $48,000 and market values totaling $2,757,000 and $52,000, respectively. At December 31, 2014 and 2013, the Bank had no outstanding short-term borrowings under these lines of credit.

11. JUNIOR SUBORDINATED DEFERRABLE INTEREST DEBENTURES

Service 1st Capital Trust I is a Delaware business trust formed by Service 1st. The Company succeeded to all of the rights and obligations of Service 1st in connection with the merger with Service 1st as of November 12, 2008. The Trust was formed on August 17, 2006 for the sole purpose of issuing trust preferred securities fully and unconditionally guaranteed by Service 1st. Under applicable regulatory guidance, the amount of trust preferred securities that is eligible as Tier 1 capital is limited to 25% of the Company's Tier 1 capital on a pro forma basis. At December 31, 2014, all of the trust preferred securities that have been issued qualify as Tier 1 capital. The trust preferred securities mature on October 7, 2036, are redeemable at the Company's option, and require quarterly distributions by the Trust to the holder of the trust preferred securities at a variable interest rate which will adjust quarterly to equal the three month LIBOR plus 1.60%.

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

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

Holders of the trust preferred securities are entitled to a cumulative cash distribution on the liquidation amount of $1,000 per security. For each January 7, April 7, July 7 or October 7 of each year, the rate will be adjusted to equal the three month LIBOR plus 1.60%. As of December 31, 2014, the rate was 1.83%. Interest expense recognized by the Company for the years ended December 31, 2014, 2013, and 2012 was $96,000, $98,000 and $107,000, respectively.

12. INCOME TAXES

The provision for (benefit from) income taxes for the years ended December 31, 2014, 2013, and 2012 consisted of the following (in thousands):

	Federal	State	Total
2014			
Current	$ (125)	$ (37)	$ (162)
Deferred	(397)	(11)	(408)
Benefit from income taxes	$ (522)	$ (48)	$ (570)
2013			
Current	$ 2,217	$ (445)	$ 1,772
Deferred	(645)	220	(425)
Provision for (benefit from) income taxes	$ 1,572	$ (225)	$ 1,347
2012			
Current	$ 1,196	$ 49	$ 1,245
Deferred	249	191	440
Provision for income taxes	$ 1,445	$ 240	$ 1,685

The determination of the amount of deferred income tax assets which are more likely than not to be realized is primarily dependent on projections of future earnings, which are subject to uncertainty and estimates that may change given economic conditions and other factors. The realization of deferred income tax assets is assessed and a valuation allowance is recorded if it is more likely than not that all or a portion of the deferred tax asset will not be realized. More likely than not is defined as greater than a 50% chance. All available evidence, both positive and negative is considered to determine whether, based on the weight of the evidence, a valuation allowance is needed. Based on management's analysis as of December 31, 2014 and 2013, the Company established a deferred tax valuation allowance in the amount of $20,000 and $108,000, respectively, for California capital loss carryforwards.

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

	December 31, 2014	December 31, 2013
Deferred tax assets:		
Allowance for credit losses	$ 3,188	$ 3,492
Deferred compensation	4,979	5,102
Unrealized loss on available-for-sale investment securities	-	1,598
Net operating loss carryovers	698	206
Bank premises and equipment	186	264
Mark to market adjustment	98	154
Other deferred	511	601
Other than temporary impairment	267	289
Loan and investment impairment	887	1,914
State Enterprise Zone credit carry-forward	1,444	981
State capital loss carry-forward	20	108
Alternative minimum tax credit	3,338	2,238
Partnership income	70	70
State taxes	1	32
Other	-	-
Total deferred tax assets	15,687	17,049
Valuation allowance	(20)	(108)
Net deferred tax asset after valuation allowance	15,667	16,941
Deferred tax liabilities:		
Finance leases	(1,871)	(1,963)
Unrealized gain on available-for-sale investment securities	(3,661)	-
Core deposit intangible	(553)	(692)
FHLB stock	(319)	(319)
Loan origination costs	(553)	(406)
Total deferred tax liabilities	(6,957)	(3,380)
Net deferred tax assets	$ 8,710	$ 13,561

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, 2014, 2013, and 2012 consisted of the following:

	2014	2013	2012
Federal income tax, at statutory rate	34.0 %	34.0 %	34.0 %
State taxes, net of Federal tax benefit	(0.7)%	0.4 %	2.8 %
Tax exempt investment security income, net	(42.2)%	(20.5)%	(16.7)%
Bank owned life insurance, net	(3.9)%	(1.8)%	(1.4)%
Solar credits	(2.4)%	(1.4)%	(1.4)%
Change in uncertain tax positions	- %	(1.4)%	0.5 %
Change in prior year estimates	0.1 %	1.4 %	- %
Other	3.1 %	3.4 %	0.5 %
Effective tax rate	(12.0)%	14.1 %	18.3 %

12. INCOME TAXES (Continued)

At December 31, 2014, the Company had Federal net operating loss ("NOL") carry-forwards of approximately $1,694,000. The Federal NOL will begin to expire in 2034. At December 31, 2014, the Company had a Federal Alternative Minimum Tax credit of approximately $3,338,000 which does not expire, and a California NOL of $1,712,000, from prior business combinations that is subject to Internal Revenue Code (IRC) Sec. 382 annual limitations. The California NOL will begin to expire in 2029. The Company had Enterprise Zone Credits of approximately $2,188,000 which begin expiring in 2023. In addition, the Company had a California capital loss carry-forward of $282,000 which will expire at the end of 2015. Management expects to fully utilize the value of all carry-forward amounts with the exception of the California capital loss. Management has established a valuation allowance for this carry-forward as of December 31, 2014.

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. At December 31, 2014, the Company had one state income tax examination in process by the California Franchise Tax Board for the years ended December 31, 2011 and 2012. The outcome of the examination is not settled. There are no pending U.S. federal or local income tax examinations by those taxing authorities. The Company is no longer subject to the examination by U.S. federal taxing authorities for the years ended before December 31, 2011 and by the state and local taxing authorities for the years ended before December 31, 2010.

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

	December 31,	
	2014	2013
Balance, beginning of year	$ 180	$ 316
Additions based on tax positions related to the current year	-	55
Reductions for tax positions of prior years	-	(191)
Balance, end of year	$ 180	$ 180

This represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods. The Company does not expect the total amount of unrecognized tax benefits to significantly increase or decrease in the next twelve months.

During the years ended December 31, 2014, 2013, and 2012, the Company did not recognize any interest or penalties related to uncertain tax positions.

13. 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 $2,391,000, $2,123,000 and $1,947,000 for the years ended December 31, 2014, 2013, and 2012, respectively.

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

Years Ending December 31,	
2015	$ 2,507
2016	1,836
2017	1,589
2018	1,395
2019	1,003
Thereafter	2,923
	$ 11,253

Federal Reserve Requirements - Banks are required to maintain reserves with the Federal Reserve Bank equal to a percentage of their reservable deposits. The Bank had no reserve balances required at December 31, 2014.

Correspondent Banking Agreements - The Bank maintains funds on deposit with other federally insured financial institutions under correspondent banking agreements. Uninsured deposits totaled $20,926,000 at December 31, 2014.

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

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

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

	December 31,	
	2014	2013
Commitments to extend credit	$ 212,501	$ 191,072
Standby letters of credit	$ 1,630	$ 1,595

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 financial obligation or performance of a customer to a third party. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers. The fair value of the liability related to these standby letters of credit, which represents the fees received for issuing the guarantees, was not significant at December 31, 2014 and 2013. The Company recognizes these fees as revenue over the term of the commitment or when the commitment is used.

At December 31, 2014, commercial loan commitments represent 62% of total commitments and are generally secured by collateral other than real estate or unsecured. Real estate loan commitments represent 27% of total commitments and are generally secured by property with a loan-to-value ratio not to exceed 80%. Consumer loan commitments represent the remaining 11% of total commitments and are generally unsecured. In addition, the majority of the Bank's loan commitments have variable interest rates.

At December 31, 2014 and 2013, the balance of a contingent allocation for probable loan loss experience on unfunded obligations was $165,000 and $141,000, respectively. The contingent allocation for probable loan loss experience on unfunded obligations is calculated by management using an appropriate, systematic, and consistently applied process. While related to credit losses, this allocation is not a part of the ALLL and is considered separately as a liability for accounting and regulatory reporting purposes.

Concentrations of Credit Risk - At December 31, 2014, in management's judgment, a concentration of loans existed in commercial loans and real-estate-related loans, representing approximately 98.2% of total loans of which 22.3% were commercial and 75.9% were real-estate-related.

At December 31, 2013, in management's judgment, a concentration of loans existed in commercial loans and real-estate-related loans, representing approximately 97.8% of total loans of which 23.1% were commercial and 74.7% were real-estate-related.

Management believes the loans within these concentrations have no more than the typical risks of collectability. However, in light of the current economic environment, additional declines in the performance of the economy in general,

13. COMMITMENTS AND CONTINGENCIES (Continued)

or a continued decline in real estate values or drought-related decline in agricultural business in the Company's primary market area could have an adverse impact on collectability, increase the level of real-estate-related nonperforming loans, or have other adverse effects which alone or in the aggregate could have a material adverse effect on the financial condition, results of operations and cash flows of the Company.

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

14. SHAREHOLDERS' EQUITY

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

The Company and the Bank each meet specific capital guidelines that involve quantitative measures of their respective assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. These quantitative measures are established by regulation and require that the Company and the Bank maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets and of Tier 1 capital to average assets. Capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

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

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

Management believes that the Company and the Bank met all their capital adequacy requirements as of December 31, 2014 and 2013. There are no conditions or events since those notifications that management believes have changed those categories.

	December 31, 2014		December 31, 2013	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
Tier 1 Leverage Ratio				
Central Valley Community Bancorp and Subsidiary	$ 95,936	8.36%	$ 88,320	8.14%
Minimum regulatory requirement	$ 45,894	4.00%	$ 43,394	4.00%
Central Valley Community Bank	$ 95,298	8.31%	$ 87,674	8.09%
Minimum requirement for "Well-Capitalized" institution	$ 57,341	5.00%	$ 54,218	5.00%
Minimum regulatory requirement	$ 45,873	4.00%	$ 43,375	4.00%
Tier 1 Risk-Based Capital Ratio				
Central Valley Community Bancorp and Subsidiary	$ 95,936	13.67%	$ 88,320	13.88%
Minimum regulatory requirement	$ 28,075	4.00%	$ 25,454	4.00%
Central Valley Community Bank	$ 95,298	13.59%	$ 87,674	13.79%
Minimum requirement for "Well-Capitalized" institution	$ 42,080	6.00%	$ 38,151	6.00%
Minimum regulatory requirement	$ 28,053	4.00%	$ 25,434	4.00%
Total Risk-Based Capital Ratio				
Central Valley Community Bancorp and Subsidiary	$ 104,447	14.88%	$ 96,292	15.13%
Minimum regulatory requirement	$ 56,150	8.00%	$ 50,908	8.00%
Central Valley Community Bank	$ 103,809	14.80%	$ 95,639	15.04%
Minimum requirement for "Well-Capitalized" institution	$ 70,133	10.00%	$ 63,585	10.00%
Minimum regulatory requirement	$ 56,106	8.00%	$ 50,868	8.00%

Dividends - During 2014, the Bank declared and paid cash dividends to the Company in the amount of $2,350,000 in connection with cash dividends to the Company's shareholders approved by the Company's Board of Directors. The Bank may not pay any dividend that would cause it to be deemed not "well capitalized" under applicable banking laws and regulations. The Company declared and paid a total of $2,190,000 or $0.20 per common share cash dividend to shareholders of record during the year ended December 31, 2014.

During 2013, the Bank declared and paid cash dividends to the Company in the amount of $18,000,000, connection with the VCB acquisition, the Series C Preferred redemption, and cash dividends to the Company's shareholders approved by the Company's Board of Directors. The Company declared and paid a total of $2,048,000 or $0.20 per common share cash dividend to shareholders of record during the year ended December 31, 2013.

During 2012, the Bank declared and paid cash dividends to the Company in the amount of $3,000,000, in connection with stock repurchase agreements and cash dividends approved by the Company's Board of Directors. On October 17, 2012, the Company declared a $480,000 or $0.05 per common share cash dividend to shareholders of record at the close of business on November 15, 2012 which was paid on November 30, 2012.

The Company's primary source of income with which to pay cash dividends are dividends from the Bank. The California Financial Code restricts the total amount of dividends payable by a bank at any time without obtaining the prior approval of the California Department of Business Oversight to the lesser of (1) the bank's retained earnings or (2) the Bank's net income for its last three fiscal years, less distributions made to shareholders during the same three-year period. At December 31, 2014, no amounts of the Bank's retained earnings were free of these restrictions.

Share Repurchase Plan - On August 15, 2012, the Board of Directors of the Company approved the adoption of a program to effect repurchases of the Company's common stock. Under the program, the Company was to repurchase up to five percent of the Company's outstanding shares of common stock, or approximately 479,850 shares based on the shares outstanding as of August 15, 2012, for the period beginning on August 15, 2012 and ending February 15, 2013. During 2012, the Company repurchased and retired a total of 58,100 shares at an average price of $8.41 for a total cost of $488,000. The stock repurchase program was suspended after the Company entered into a

14. SHAREHOLDERS' EQUITY (Continued)

Reorganization Agreement and Plan of Merger (the Merger Agreement) with Visalia Community Bank on December 19, 2012.

Capital Purchase Program - Small Business Lending Fund - On August 18, 2011, the Company entered into a Securities Purchase Agreement (SPA) with the Small Business Lending Fund of the United States Department of the Treasury (the Treasury), under which the Company issued 7,000 shares of Senior Non-Cumulative Perpetual Preferred Stock, Series C (Series C Preferred) to the Treasury for an aggregate purchase price of $7,000,000. Simultaneously, the Company agreed with Treasury under a Letter Agreement to redeem, for an aggregate price of $7,000,000, the 7,000 shares of the Company's Series A Fixed Rate Cumulative Preferred Stock (Series A Stock) originally issued pursuant to the Treasury's Capital Purchase Program (CPP) in 2009. The redemption of the Series A Stock resulted in an acceleration of the remaining discount booked at the time of the CPP transaction. In connection with the repurchase of the Series A Stock, the Company also repurchased the warrant (the Warrant) to purchase 79,037 shares of the Company's common stock that was originally issued to Treasury in connection with the CPP transaction for total consideration of $185,000.

On December 31, 2013, the Company redeemed all 7,000 outstanding shares of its Series C Preferred from the Treasury, in exercise of its optional redemption rights pursuant to the terms of the Series C Preferred under the Company's charter and the SPA. The Company paid the Treasury $7,087,500 in connection with the redemption, representing $1,000 per share of the Series C Preferred plus all accrued and unpaid dividends through the date of the redemption. The obligations of the Company under the SPA are terminated as a result of the redemption. No additional shares of Series C Preferred are outstanding.

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

	For the Years Ended December 31,		
	2014	2013	2012
Basic Earnings Per Common Share:			
Net income	$ 5,294	$ 8,250	$ 7,520
Less: Preferred stock dividends and accretion	-	(350)	(350)
Income available to common shareholders	$ 5,294	$ 7,900	$ 7,170
Weighted average shares outstanding	10,919,235	10,245,448	9,587,784
Net income per common share	$ 0.48	$ 0.77	$ 0.75
Diluted Earnings Per Common Share:			
Net income	$ 5,294	$ 8,250	$ 7,520
Less: Preferred stock dividends and accretion	-	(350)	(350)
Income available to common shareholders	$ 5,294	$ 7,900	$ 7,170
Weighted average shares outstanding	10,919,235	10,245,448	9,587,784
Effect of dilutive stock options and warrants	80,703	62,592	28,629
Weighted average shares of common stock and common stock equivalents	10,999,938	10,308,040	9,616,413
Net income per diluted common share	$ 0.48	$ 0.77	$ 0.75

Outstanding options, restricted stock, and warrants of 170,585, 202,355, and 352,319 were not factored into the calculation of dilutive stock options at December 31, 2014, 2013, and 2012, respectively, because they were anti-dilutive.

15. SHARED-BASED COMPENSATION

On December 31, 2014, the Company had two share-based compensation plans, which are described below. The Plans do not provide for the settlement of awards in cash and new shares are issued upon option exercise or restricted share grants.

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 198,830 shares remain reserved for issuance for options already granted to employees and directors under incentive and nonstatutory agreements. The plan expired on November 15, 2010. Outstanding options under this plan are exercisable until their expiration, however, no new options will be granted under this plan. The plan required that the option price may not be less than the fair market value of the stock at the date the option was 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 was determined by the Board of Directors and was generally over 5 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 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, restricted common stock awards and option related stock appreciation rights is determined by the Board of Directors and is generally over five years. 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 226,380 shares reserved for issuance for options and restricted common stock awards already granted to employees and 241,760 remain reserved for future grants as of December 31, 2014. 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.

For the years ended December 31, 2014, 2013, and 2012, the compensation cost recognized for share based compensation was $173,000, $98,000, and $108,000, respectively. The recognized tax benefit for share based compensation expense was $12,000, $28,000, and $16,000 for 2014, 2013, and 2012, respectively.

Stock Option Plan - The Company bases the fair value of the options granted on the date of grant using a Black-Scholes Merton option pricing model that uses assumptions based on expected option life and the level of estimated forfeitures, expected stock volatility, risk free interest rate, and dividend yield. The expected term and level of estimated forfeitures of the Company's options are based on the Company's own historical experience. 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 for the periods within the contractual life of the options in effect at the time of grant. The compensation cost for options granted is based on the weighted average grant date fair value per share.

No options to purchase shares of the Company's common stock were granted during the years ending December 31, 2014 and 2013 from any of the Company's stock based compensation plans. In 2012, options to purchase 92,150 shares of common stock were granted from the 2005 Plan at exercise prices between $8.02 and $8.75. All options were granted with an exercise price equal to the market value on the grant date.

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

	2012
Dividend yield	0.00%
Expected volatility	42%
Risk-free interest rate	0.71%
Expected option term	6.5 years

15. SHARED-BASED COMPENSATION (Continued)

A summary of the combined activity of the Plans for the year ended December 31, 2014 follows (dollars in thousands, except per share amounts):

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2014	380,430	$ 8.83		
Options exercised	(8,910)	$ 6.22		
Options forfeited	(3,160)	$ 8.81		
Options outstanding at December 31, 2014	368,360	$ 8.89	3.68	$ 1,081
Options vested or expected to vest at December 31, 2014	364,495	$ 8.91	3.65	$ 1,067
Options exercisable at December 31, 2014	302,780	$ 9.19	2.90	$ 848

Information related to the stock option plan during each year follows (in thousands, except per share amounts):

	2014	2013	2012
Weighted-average per share grant-date fair value of options granted	$ -	$ -	$ 3.40
Intrinsic value of options exercised	$ 45	$ 82	$ 93
Cash received from options exercised	$ 55	$ 789	$ 385
Excess tax benefit realized for option exercises	$ 7	$ 17	$ 26

As of December 31, 2014, there was $169,000 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 2.36 years. The total fair value of options vested was $99,000 and $102,000 for the years ended December 31, 2014 and 2013, respectively.

Restricted Common Stock Awards - The 2005 Plan provides for the issuance of shares to directors and officers. Restricted common stock grants typically vest over a five-year period. Restricted common stock (all of which are shares of our common stock) is subject to forfeiture if employment terminates prior to vesting. The cost of these awards is recognized over the vesting period of the awards based on the fair value of our common stock on the date of the grant.

The following table summarizes restricted stock activity for the year ended December 31, 2014 as follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested outstanding shares at January 1, 2014	-	$ -
Granted	57,330	$ 12.68
Vested	-	$ -
Forfeited	(480)	$ 12.95
Nonvested outstanding shares at December 31, 2014	56,850	$ 12.68

During the year ended December 31, 2014, 57,330 shares of restricted common stock were granted from the 2005 Plan. The restricted common stock had a weighted average fair value of $12.68 per share on the date of grant. These restricted common stock awards vest 20% after Year 1. Thereafter, 20% of the remaining restricted stock will vest on each anniversary of the initial award commencement date and will be fully vested on the fifth such anniversary.

As of December 31, 2014, there were 56,850 shares of restricted stock that are nonvested and expected to vest. Share-based compensation cost charged against income for restricted stock awards was $82,000 for the year ended December 31, 2014. None was charged to income for the year ended December 31, 2013.

As of December 31, 2014, there was $640,000 of total unrecognized compensation cost related to nonvested restricted common stock. Restricted stock compensation expense is recognized on a straight-line basis over the vesting period. This cost is expected to be recognized over a weighted average remaining period of 4.48 years and will be adjusted for subsequent changes in estimated forfeitures. Restricted common stock awards had an intrinsic value of $630,000 at December 31, 2014.

16. EMPLOYEE BENEFITS

401(k) and Profit Sharing Plan - The Bank has established a 401(k) and profit sharing plan. The 401(k) plan covers substantially all employees who have completed a one-month employment period. Participants in the profit sharing plan are eligible to receive employer contributions after completion of 2 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. There was no contribution by the Bank to the profit sharing plan in 2014. The Bank contributed $225,000 and $210,000 to the profit sharing plan in 2013 and 2012, 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, 2014, 2013, and 2012, 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, 2014, 2013, and 2012, the Bank made matching contributions totaling $499,000, $382,000, and $388,000, respectively.

Deferred Compensation Plan - The Bank has a nonqualified Deferred Compensation Plan which provides directors with an unfunded, deferred compensation program. Under the plan, eligible participants may elect to defer some or all of their current compensation or director fees. Deferred amounts earn interest at an annual rate determined by the Board of Directors (3.92% at December 31, 2014). At December 31, 2014 and 2013, the total net deferrals included in accrued interest payable and other liabilities were $3,154,000 and $2,976,000, respectively.

In connection with the implementation of the above plan, single premium universal life insurance policies on the life of each participant were purchased by the Bank, which is the beneficiary and owner of the policies. The cash surrender value of the policies totaled $3,519,000 and $3,416,000 and at December 31, 2014 and 2013, respectively. Income recognized on these policies, net of related expenses, for the years ended December 31, 2014, 2013, and 2012, was $103,000, $108,000, and $103,000, 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 15 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. The expense recognized under these plans for the years ended December 31, 2014, 2013, and 2012, totaled $537,000, $581,000, and $658,000, respectively. Accrued compensation payable under the salary continuation plans totaled $5,283,000 and $4,834,000 at December 31, 2014 and 2013, respectively.

In connection with these plans, the Bank purchased single premium life insurance policies with cash surrender values totaling $5,870,000 and $4,804,000 at December 31, 2014 and 2013, respectively. Income recognized on these policies, net of related expense, for the years ended December 31, 2014, 2013, and 2012 totaled $166,000, $145,000, and $150,000, respectively.

16. EMPLOYEE BENEFITS (Continued)

In connection with the acquisition of Service 1st Bank, the Bank assumed a liability for the estimated present value of future benefits payable to former key executives of Service 1st. The liability relates to change in control benefits associated with Service 1st's salary continuation plans. The benefits are payable to the individuals when they reach retirement age. At December 31, 2014 and 2013, the total amount of the liability was $1,965,000 and $1,907,000, respectively. Expense recognized by the Bank in 2014, 2013 and 2012 associated with these plans was $153,000, $194,000, and $184,000, respectively. These benefits are substantially equivalent to those available under split-dollar life insurance policies acquired. These single premium life insurance policies had cash surrender values totaling $4,456,000, and $4,326,000 at December 31, 2014 and 2013, respectively. Income recognized on these policies, net of related expenses, for the years ended December 31, 2014, 2013, and 2012, was $130,000, $130,000, and $150,000, respectively.

In connection with the acquisition of Visalia Community Bank (VCB), the Bank assumed a liability for the estimated present value of future benefits payable to former key executives of VCB. The liability relates to change in control benefits associated with VCB's salary continuation plans. The benefits are payable to the individuals when they reach retirement age. At December 31, 2014 and 2013, the total amount of the liability was $933,000 and,863,000 respectively. Expense recognized by the Company in 2014 and 2013 associated with these plans was $80,000 and $8,000, respectively. These benefits are substantially equivalent to those available under split-dollar life insurance policies acquired. These single premium life insurance policies had cash surrender values totaling $7,112,000 and $6,897,000 at December 31, 2014 and 2013, respectively. Income recognized on these policies, net of related expenses, for the years ended December 31, 2014 and 2013 was $215,000 and $111,000, respectively.

The current annual tax-free interest rate on all life insurance policies is 4.01%.

17. LOANS TO RELATED PARTIES

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

Balance, January 1, 2014	$ 807
Disbursements	338
Amounts repaid	(362)
Balance, December 31, 2014	$ 783
Undisbursed commitments to related parties, December 31, 2014	$ 946

18. PARENT ONLY CONDENSED FINANCIAL STATEMENTS

CONDENSED BALANCE SHEETS
December 31, 2014 and 2013
(In thousands)

	2014	2013
ASSETS		
Cash and cash equivalents	$ 368	$ 385
Investment in Bank subsidiary	135,366	124,378
Other assets	589	523
Total assets	$ 136,323	$ 125,286
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Junior subordinated debentures due to subsidiary grantor trust	$ 5,155	$ 5,155
Other liabilities	123	88
Total liabilities	5,278	5,243
Shareholders' equity:		
Preferred stock, Series C	-	-
Common stock	54,216	53,981
Retained earnings	71,452	68,348
Accumulated other comprehensive (loss) income, net of tax	5,377	(2,286)
Total shareholders' equity	131,045	120,043
Total liabilities and shareholders' equity	$ 136,323	$ 125,286

18. PARENT ONLY CONDENSED FINANCIAL STATEMENTS (Continued)

CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
For the Years Ended December 31, 2014, 2013, and 2012
(In thousands)

	2014	2013	2012
Income:			
Dividends declared by Subsidiary - eliminated in consolidation	$ 2,350	$ 18,000	$ 3,000
Other income	3	5	3
Total income	2,353	18,005	3,003
Expenses:			
Interest on junior subordinated deferrable interest debentures	96	98	107
Professional fees	187	102	140
Other expenses	389	424	587
Total expenses	672	624	834
Income before equity in undistributed net income of Subsidiary	1,681	17,381	2,169
Equity in undistributed net income of Subsidiary, net of distributions	3,325	(9,414)	4,993
Income before income tax benefit	5,006	7,967	7,162
Benefit from income taxes	288	283	358
Net income	5,294	8,250	7,520
Preferred stock dividend and accretion of discount	-	350	350
Income available to common shareholders	$ 5,294	$ 7,900	$ 7,170
Comprehensive income (loss)	$ 12,957	$ (1,622)	$ 10,982

18. PARENT ONLY CONDENSED FINANCIAL STATEMENTS (Continued)

CONDENSED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014, 2013, and 2012
(In thousands)

	2014	2013	2012
Cash flows from operating activities:			
Net income	$ 5,294	$ 8,250	$ 7,520
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed net income of subsidiary, net of distributions	(3,325)	9,414	(4,993)
Stock-based compensation	173	98	108
Tax benefit from exercise of stock options	(7)	(17)	(26)
Net (increase) decrease in other assets	(50)	86	(28)
Net increase (decrease)in other liabilities	34	(198)	179
Benefit from deferred income taxes	(8)	(18)	(15)
Net cash provided by operating activities	2,111	17,615	2,745
Cash flows used in investing activities:			
Investment in subsidiary	-	(11,358)	-
Cash flows from financing activities:			
Cash dividend payments on common stock	(2,190)	(2,048)	(480)
Cash dividend payments on preferred stock	-	(437)	(350)
Share repurchase and retirement	-	-	(488)
Proceeds from exercise of stock options	55	789	385
Redemption of preferred stock Series C	-	(7,000)	-
Tax benefit from exercise of stock options	7	17	26
Net cash used in financing activities	(2,128)	(8,679)	(907)
(Decrease) increase in cash and cash equivalents	(17)	(2,422)	1,838
Cash and cash equivalents at beginning of year	385	2,807	969
Cash and cash equivalents at end of year	$ 368	$ 385	$ 2,807
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the year for interest	$ 194	$ 125	$ 109
Non-cash investing and financing activities:			
Common stock issued in Visalia Community Bank acquisition	$ -	$ 12,494	$ -

Supplementary
Financial Information

The following supplementary financial information is not a part of the Company's financial statements.

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

	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Net interest income	$ 10,005	$ 9,876	$ 9,905	$ 10,099	$ 9,192	$ 10,536	$ 6,878	$ 6,845
Provision for credit losses	8,385	-	(400)	-	-	-	-	-
Net interest income after provision for credit losses	1,620	9,876	10,305	10,099	9,192	10,536	6,878	6,845
Total non-interest income	2,083	2,061	2,044	1,977	1,965	1,813	1,828	2,226
Total non-interest expense	8,819	9,051	8,734	8,736	8,538	8,991	7,224	6,933
Provision for (benefit from) income taxes	(2,750)	535	922	724	408	389	195	355
Net income (loss)	$ (2,366)	$ 2,351	$ 2,693	$ 2,616	$ 2,211	$ 2,969	$ 1,287	$ 1,783
Net income (loss) available to common shareholders	$ (2,366)	$ 2,351	$ 2,693	$ 2,616	$ 2,123	$ 2,882	$ 1,199	$ 1,696
Basic earnings (loss) per share	$ (0.22)	$ 0.22	$ 0.25	$ 0.24	$ 0.19	$ 0.26	$ 0.13	$ 0.18
Diluted earnings (loss) per share	$ (0.22)	$ 0.22	$ 0.24	$ 0.24	$ 0.19	$ 0.26	$ 0.12	$ 0.18

Financial Statements and Supplementary Data
Management's Report on Internal Control Over Financial Reporting

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

The management of Central Valley Community Bancorp is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of our Chief Executive Officer and Chief Financial Officer and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles and includes those policies and procedures that:

* Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets:

* Provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

* Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria issued in the 2013 Internal Control-Integrated Framework (Framework) established and updated by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that assessment, the Company's management believes that, as of December 31, 2014, our internal control over financial reporting is effective based on those criteria.

Crowe Horwath LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2014, has issued an audit report on the effectiveness of the Company's internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board that appears on the next page.

Report of
Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Central Valley Community Bancorp and subsidiary (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. We also have audited the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting 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 financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Central Valley Community Bancorp and subsidiary as of December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, Central Valley Community Bancorp and subsidiary maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Crowe Horwath LLP

Sacramento, California
March 16, 2015

Selected
Consolidated Financial Data

Statements of Income	2014	2013	2012	2011	2010
	Years Ended December 31, (In thousands, except per share amounts)				
Total interest income	$ 41,039	$ 34,836	$ 31,820	$ 34,299	$ 34,299
Total interest expense	1,156	1,385	1,883	2,942	4,283
Net interest income before provision for credit losses	39,883	33,451	29,937	31,357	31,730
Provision for credit losses	7,985	-	700	1,050	3,800
Net interest income after provision for credit losses	31,898	33,451	29,237	30,307	27,930
Non-interest income	8,164	7,831	7,242	6,271	3,711
Non-interest expenses	35,338	31,685	27,274	28,240	28,731
Income before provision for (benefit from) income taxes	4,724	9,597	9,205	8,338	2,910
Provision for (benefit from) income taxes	(570)	1,347	1,685	1,861	(369)
Net income	5,294	8,250	7,520	6,477	3,279
Preferred stock dividends and accretion of discount	-	350	350	486	395
Net income available to common shareholders	$ 5,294	$ 7,900	$ 7,170	$ 5,991	$ 2,884
Basic earnings per share	$ 0.48	$ 0.77	$ 0.75	$ 0.63	$ 0.31
Diluted earnings per share	$ 0.48	$ 0.77	$ 0.75	$ 0.63	$ 0.31
Cash dividends declared per common share	$ 0.20	$ 0.20	$ 0.05	$ -	$ -

Balances at end of year:	2014	2013	2012	2011	2010
	December 31, (In thousands)				
Investment securities, Federal funds sold and deposits in other banks	$ 520,511	$ 529,398	$ 424,516	$ 353,808	$ 280,967
Net loans	564,280	503,149	385,185	415,999	420,583
Total deposits	1,039,152	1,004,143	751,432	712,986	650,495
Total assets	1,192,183	1,145,635	890,228	849,023	777,594
Shareholders' equity	131,045	120,043	117,665	107,482	97,391
Earning assets	1,074,942	1,042,552	801,098	762,654	695,410
Average balances:					
Investment securities, Federal funds sold and deposits in other banks	$ 513,866	$ 445,859	$ 368,818	$ 299,935	$ 231,761
Net loans	531,382	444,770	394,675	417,273	444,418
Total deposits	1,006,560	848,493	719,601	677,789	636,166
Total assets	1,157,483	986,924	853,078	800,178	758,852
Shareholders' equity	130,414	119,746	114,561	103,386	96,174
Earning assets	1,052,097	895,330	766,937	715,862	672,804

Data from 2013 reflects the partial year impact of the acquisition of Visalia Community Bank on July 1, 2013.

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

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

Certain matters discussed in this report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained herein that are not historical facts, such as statements regarding the Company's current business strategy and the Company's plans for future development and operations, are based upon current expectations. These statements are forward-looking in nature and involve a number of risks and uncertainties. Such risks and uncertainties include, but are not limited to (1) significant increases in competitive pressure in the banking industry; (2) the impact of changes in interest rates, a decline in economic conditions at the international, national or local level on the Company's results of operations, the Company's ability to continue its internal growth at historical rates, the Company's ability to maintain its net interest margin, and the quality of the Company's earning assets; (3) changes in the regulatory environment; (4) fluctuations in the real estate market; (5) changes in business conditions and inflation; (6) changes in securities markets (7) risks associated with acquisitions, relating to difficulty in integrating combined operations and related negative impact on earnings, and incurrence of substantial expenses. Therefore, the information set forth in such forward-looking statements should be carefully considered when evaluating the business prospects of the Company.

When the Company uses in this Annual Report the words "anticipate," "estimate," "expect," "project," "intend," "commit," "believe" and similar expressions, the Company intends to identify forward-looking statements. Such statements are not guarantees of performance and are subject to certain risks, uncertainties and assumptions, including those described in this Annual Report. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, expected, projected, intended, committed or believed. The future results and shareholder values of the Company may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results and values are beyond the Company's ability to control or predict. For those statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. See also the discussion of risk factors in Item 1A, "Risk Factors."

INTRODUCTION

Central Valley Community Bancorp (NASDAQ: CVCY) (the Company) was incorporated on February 7, 2000. The formation of the holding company offered the Company more flexibility in meeting the long-term needs of customers, shareholders, and the communities it serves. The Company currently has one bank subsidiary, Central Valley Community Bank (the Bank) and one business trust subsidiary, Service 1st Capital Trust 1. The 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. After the close of business on November 12, 2008, Service 1st Bancorp (Service 1st) was merged with and into the Company, and Service 1st Bank was merged with and into the Bank. Service 1st Bank had three branches in Stockton, Tracy, and Lodi which continue to be operated by the Bank. Service 1st Capital Trust 1 (the Trust) is a business trust formed for the purpose of issuing trust preferred securities. The Company succeeded to all the rights and obligations of Service 1st in connection with the acquisition of Service 1st. The Trust is a subsidiary of the Company. Effective July 1, 2013, the Company and Visalia Community Bank (VCB) completed a merger under which Visalia Community Bank, with three full-service offices in Visalia and one in Exeter, merged with and into the Bank. The Company's market area includes the central valley area from Sacramento, California to Bakersfield, California.

During 2014, we focused on asset quality and capital adequacy due to the uncertainty created by the economy. We also focused on assuring that competitive products and services were made available to our clients while adjusting to the many new laws and regulations that affect the banking industry.

The Bank now operates 21 full-service offices. The Bank has a Real Estate Division, an Agribusiness Center and an SBA Lending Division in Fresno. All real estate related transactions are conducted and processed through the Real Estate Division, including interim construction loans for single family residences and commercial buildings. We offer permanent single family residential loans through our mortgage broker services.

ECONOMIC CONDITIONS

The economy in California's Central Valley has been negatively impacted by the recession that began in 2007 and the related real estate market and the slowdown in residential construction. The recession has impacted most industries in our market area. Since 2007, housing values throughout the nation and especially in the Central Valley have decreased dramatically, which in turn has negatively affected the personal net worth of much of the population in our service area. Housing in the Central Valley continues to be relatively more affordable than the major metropolitan areas in California.

Agriculture and agricultural related businesses remain a critical part of the Central Valley's economy. The Valley's agricultural production is widely diversified, producing nuts, vegetables, fruit, cattle, dairy products, and cotton. The continued future success of agriculture related businesses is highly dependent on the availability of water and is subject to fluctuation in worldwide commodity prices and demand. Since the beginning of 2014, California has been experiencing a severe drought. If the drought significantly harms the business of our customers, the credit quality of the loans to those customers could decline as a specific consequence of the drought.

OVERVIEW

Diluted earnings per share (EPS) for the year ended December 31, 2014 was $0.48 compared to $0.77 and $0.75 for the years ended December 31, 2013 and 2012, respectively. Net income for 2014 was $5,294,000 compared to $8,250,000 and $7,520,000 for the years ended December 31, 2013 and 2012, respectively. The decrease in net income and EPS was primarily driven by an increase in provision for credit losses and increases in non-interest expense offset by an increase in net interest income and an increase in non-interest income in 2014 compared to 2013. Total assets at December 31, 2014 were $1,192,183,000 compared to $1,145,635,000 at December 31, 2013.

Return on average equity for 2014 was 4.06% compared to 6.89% and 6.56% for 2013 and 2012, respectively. Return on average assets for 2014 was 0.46% compared to 0.84% and 0.88% for 2013 and 2012, respectively. Total equity was $131,045,000 at December 31, 2014 compared to $120,043,000 at December 31, 2013. The increase in equity in 2014 compared to 2013 was driven by the retention of earnings net of dividends paid and improvement in unrealized gains on available-for-sale securities recorded in accumulated other comprehensive income (AOCI).

Average total loans increased $85,046,000 or 18.71% to $539,529,000 in 2014 compared to $454,483,000 in 2013. In 2014, we recorded $7,985,000 provision for credit losses compared to none in 2013 and $700,000 in 2012. The Company had nonperforming assets, consisting entirely of nonaccrual loans, totaling $14,052,000 at December 31, 2014. At December 31, 2013, nonperforming assets totaled $7,776,000 consisting of $7,586,000 in nonaccrual loans and Other Real Estate Owned (OREO) totaling $190,000. Net charge-offs for 2014 were $8,885,000 compared to $925,000 for 2013 and $1,963,000 for 2012. Refer to "Asset Quality" below for further information.

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

OVERVIEW (Continued)

Return to Our Shareholders

One measure of our return to our shareholders is the return on average equity (ROE). Our ROE was 4.06% for the year ended 2014 compared to 6.89% and 6.56% for the years ended 2013 and 2012, respectively. In 2014, compared to 2013 we experienced a decrease in net income primarily driven by an increase in provision for credit losses. We experienced an increase in capital due to increases in retained earnings and an increase in accumulated other comprehensive income.

Our net income for the year ended December 31, 2014 decreased $2,956,000 compared to 2013 and increased $730,000 in 2013 compared to 2012. During 2014, net income decreased due to an increase in the provision for credit losses, increases in non-interest expenses, partially offset by increases in net interest income, increases in non-interest income, and a decrease in tax expense compared to 2013. Net interest income increased because of increases in loan and investment income and decreases in interest expense on deposits. Net interest income increased as a result of yield changes, asset mix changes, and an increase in average earning assets, partially offset by an increase in interest-bearing liabilities, primarily as a result of the VCB acquisition in 2013. Net interest income during 2014 was positively impacted by the collection of nonaccrual loans totaling $1,870,000 which resulted in a recovery of interest income of approximately $879,000. The recovery was partially offset by reversal of approximately $237,000 in interest income on loans put on nonaccrual during the year. Net interest income during 2013 was positively impacted by the collection in full of a non-accrual loan of $4,731,000 which resulted in a recovery of foregone interest of $1,484,000, partially offset by the reversal of approximately $49,000 in interest income associated with loans placed on nonaccrual status during the year. During the year ended 2014, non-interest income increased primarily driven by a $124,000 increase in service charge income, a $243,000 increase in interchange fees, a $150,000 increase in Federal Home Loan Bank dividends, a $128,000 increase in other income, and an increase of $63,000 in gains on the sale of other real estate owned, partially offset by a $361,000 decrease in net realized gains on sales and calls of investment securities and a decrease in loan placement fees of $133,000 in 2014 compared to 2013.

Non-interest expenses increased in 2014 compared to 2013 primarily due to increases in salary and employee benefit expenses of $2,294,000, occupancy and equipment expenses of $726,000, data processing expenses of $437,000, advertising fees of $113,000, Internet banking expenses of $123,000, ATM/Debit card expenses of $97,000, amortization of core deposit intangibles of $69,000, and regulatory assessments of $66,000, partially offset by decreases in acquisition and integration-related expenses of $976,000, and consulting expenses of $222,000. During 2014, our net interest margin (NIM) increased 2 basis points to 4.11% compared to 2013. Basic EPS was $0.48 for 2014 compared to $0.77 and $0.75 for 2013 and 2012, respectively. Diluted EPS was $0.48 for 2014 compared to $0.77 and $0.75 for 2013 and 2012, respectively. The decrease in EPS in 2014 was due primarily to the decrease in net income and to a lesser extent an increase in the weighted average common shares outstanding.

Return on Average Assets

Our return on average assets (ROA) is a ratio that measures our performance compared with other banks and bank holding companies. Our ROA for the year ended 2014 was 0.46% compared to 0.84% and 0.88% for the years ended December 31, 2013 and 2012, respectively. The 2014 decrease in ROA is primarily due to the decrease in net income. Annualized ROA for our peer group was 1.10% at December 31, 2014. Peer group information from SNL Financial data includes bank holding companies in central California with assets from $600 million to $2.5 billion.

Development of Revenue Streams

Over the past several years, we have focused on not only our net income, but improving the consistency of our revenue streams in order to create more predictable future earnings and reduce the effect of changes in our operating environment on our net income. Specially, we have focused on net interest income through a variety of processes, including increases in average interest earning assets, and minimizing the effects of the recent interest rate decline on our net interest margin by focusing on core deposits and managing the cost of funds. Our net interest margin (fully tax equivalent basis) was 4.11% for the year ended December 31, 2014, compared to 4.09% and 4.21% for the years ended December 31, 2013 and 2012, respectively. While we experienced an increase in 2014 net interest margin compared to 2013, this increase resulted from the decline in our cost of funds being greater than the aggregate decline in loan and investment yields. The effective yield on total earning assets decreased 2 basis points, while the cost of total interest-bearing liabilities decreased 7 basis points and the cost of total deposits decreased 4 basis points. Our cost of total deposits in 2014 was 0.11% compared to 0.15% for the same period in 2013 and 0.23% for the year ended December 31, 2012. Our net interest income before provision for credit losses increased $6,432,000 or 19.23% to $39,883,000 for the year ended 2014 compared to $33,451,000 and $29,937,000 for the years ended 2013 and 2012, respectively.

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 net gains from sales and calls of investment securities. Non-interest income in 2014 increased $333,000 or 4.25% to $8,164,000 compared to $7,831,000 in 2013 and $7,242,000 in 2012. The increase resulted primarily from increases in service charge income, interchange fees, appreciation in cash surrender value of bank owned life insurance, Federal Home Loan Bank dividends, and gain on sale of other real estate owned compared to 2013, partially offset by a decrease in net realized gains on sales and calls of investment securities and loan placement fees. Customer service charges increased $124,000 or 3.93% to $3,280,000 in 2014 compared to $3,156,000 and $2,774,000 in 2013 and 2012, respectively. 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. Total nonperforming assets were $14,052,000 and $7,776,000 at December 31, 2014 and 2013, respectively. Nonperforming assets totaled 2.45% of gross loans as of December 31, 2014 and 1.52% of gross loans as of December 31, 2013. The Company had no other real estate owned (OREO) at December 31, 2014 as compared to $190,000 at December 31, 2013. The OREO property held at December 31, 2013 was sold for book value during January 2014. Management maintains certain loans that have been brought current by the borrower (less than 30 days delinquent) on nonaccrual status until such time as management has determined that the loans are likely to remain current in future periods.

Asset Growth

As revenues from both net interest income and non-interest income are a function of asset size, the continued growth in assets has a direct impact in increasing net income and therefore ROE and ROA. The majority of our assets are loans and investment securities, and the majority of our liabilities are deposits, and therefore the ability to generate deposits as a funding source for loans and investments is fundamental to our asset growth. Total assets increased 4.06% during 2014 to $1,192,183,000 as of December 31, 2014 from $1,145,635,000 as of December 31, 2013. Total gross loans increased 11.76% to $572,588,000 as of December 31, 2014, compared to $512,357,000 at December 31, 2013. Total investment securities and Federal funds sold increased 4.83% to $464,865,000 as of December 31, 2014 compared to $443,442,000 as of December 31, 2013. Total deposits increased 3.49% to $1,039,152,000 as of December 31, 2014 compared to $1,004,143,000 as of December 31, 2013. Our loan to deposit ratio at December 31, 2014 was 55.10% compared to 51.02% at December 31, 2013. The loan to deposit ratio of our peers was 76.07% at December 31, 2014.

Capital Adequacy

At December 31, 2014, we had a total capital to risk-weighted assets ratio of 14.88%, a Tier 1 risk-based capital ratio of 13.67% and a leverage ratio of 8.36%. At December 31, 2013, we had a total capital to risk-weighted assets

OVERVIEW (Continued)

ratio of 15.13%, a Tier 1 risk-based capital ratio of 13.88% and a leverage ratio of 8.14%. At December 31, 2014, on a stand-alone basis, the Bank had a total risk-based capital ratio of 14.80%, a Tier 1 risk based capital ratio of 13.59% and a leverage ratio of 8.31%. At December 31, 2013, the Bank had a total risk-based capital ratio of 15.04%, Tier 1 risk-based capital of 13.79% and a leverage ratio of 8.09%. *Note 14* of the audited Consolidated Financial Statements provides more detailed information concerning the Company's capital amounts and ratios.

Operating Efficiency

Operating efficiency is the measure of how efficiently earnings before taxes are generated as a percentage of revenue. A lower ratio represents greater efficiency. The Company's efficiency ratio (operating expenses, excluding amortization of intangibles and foreclosed property expense, divided by net interest income plus non-interest income, excluding net gains and losses from sale of securities) was 73.85% for 2014 compared to 78.50% for 2013 and 75.99% for 2012. The improvement in the efficiency ratio in 2014 is due to the growth in revenues outpacing the growth in non-interest expense. The increase in the efficiency ratio in 2013 compared to 2012 is due to an increase in net interest income that is less than the increase in operating expenses. The Company's net interest income before provision for credit losses plus non-interest income increased 16.39% to $48,047,000 in 2014 compared to $41,282,000 in 2013 and $37,179,000 in 2012, while operating expenses increased 11.53% in 2014, increased 16.17% in 2013, and decreased 3.42% in 2012.

Liquidity

Liquidity management involves our ability to meet cash flow requirements arising from fluctuations in deposit levels and demands of daily operations, which include providing for customers' credit needs, funding of securities purchases, and ongoing repayment of borrowings. Our liquidity is actively managed on a daily basis and reviewed periodically by our management and Directors' Asset/Liability Committee. This process is intended to ensure the maintenance of sufficient funds to meet our needs, including adequate cash flows for off-balance sheet commitments. Our primary sources of liquidity are derived from financing activities which include the acceptance of customer and, to a lesser extent, broker deposits, Federal funds facilities and advances from the Federal Home Loan Bank of San Francisco. We have available unsecured lines of credit with correspondent banks totaling approximately $40,000,000 and secured borrowing lines of approximately $290,851,000 with the Federal Home Loan Bank. These funding sources are augmented by collection of principal and interest on loans, the routine maturities and pay downs of securities from our investment securities portfolio, the stability of our core deposits, and the ability to sell investment securities. Primary uses of funds include origination and purchases of loans, withdrawals of and interest payments on deposits, purchases of investment securities, and payment of operating expenses.

We had liquid assets (cash and due from banks, interest-earning deposits in other banks, Federal funds sold and available-for-sale securities) totaling $509,863,000 or 42.77% of total assets at December 31, 2014 and $555,276,000 or 48.47% of total assets as of December 31, 2013.

RESULTS OF OPERATIONS

NET INCOME

Net income was $5,294,000 in 2014 compared to $8,250,000 and $7,520,000 in 2013 and 2012, respectively. Basic earnings per share was $0.48, $0.77, and $0.75 for 2014, 2013, and 2012, respectively. Diluted earnings per share was $0.48, $0.77, and $0.75 for 2014, 2013, and 2012, respectively. ROE was 4.06% for 2014 compared to 6.89% for 2013 and 6.56% for 2012. ROA for 2014 was 0.46% compared to 0.84% for 2013 and 0.88% for 2012.

The decrease in net income for 2014 compared to 2013 can be attributed to an increase in the provision for credit losses and an increase in non-interest expense, partially offset by an increase in net interest income, an increase in non-interest income, and a decrease in provision for income taxes. The increase in net income for 2013 compared to 2012 can be attributed to a decrease in the provision for credit losses, an increase in interest income, an increase in non-interest income, and a decrease in provision for income taxes, partially offset by an increase in non-interest income.

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.

INTEREST INCOME AND EXPENSE (Continued)

The following table 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 nonaccrual loans are not included as interest-earning assets for purposes of this table.

SCHEDULE OF AVERAGE BALANCES, AVERAGE YIELDS AND RATES (Dollars in thousands)	Year Ended December 31, 2014			Year Ended December 31, 2013			Year Ended December 31, 2012		
	Average Balance	Interest Income/ Expense	Average Interest Rate	Average Balance	Interest Income/ Expense	Average Interest Rate	Average Balance	Interest Income/ Expense	Average Interest Rate
ASSETS									
Interest-earning deposits in other banks	$ 53,781	$ 175	0.32%	$ 46,672	$ 164	0.35%	$ 36,836	$ 108	0.29%
Securities									
Taxable securities	296,014	5,538	1.87%	235,487	2,375	1.01%	218,325	3,289	1.51%
Non-taxable securities (1)	163,778	8,837	5.40%	163,494	8,755	5.35%	113,039	6,830	6.04%
Total investment securities	459,792	14,375	3.13%	398,981	11,130	2.79%	331,364	10,119	3.05%
Federal funds sold	293	1	0.25%	206	1	0.25%	618	2	0.30%
Total securities and interest-earning deposits	513,866	14,551	2.83%	445,859	11,295	2.53%	368,818	10,229	2.77%
Loans (2) (3)	533,531	29,493	5.53%	445,300	26,519	5.96%	394,575	23,913	6.06%
Federal Home Loan Bank stock	4,700	327	6.96%	4,171	177	4.24%	3,544	36	1.02%
Total interest-earning assets	1,052,097	$ 44,371	4.22%	895,330	$ 37,991	4.24%	766,937	$ 34,178	4.46%
Allowance for credit losses	(8,147)			(9,713)			(10,365)		
Nonaccrual loans	5,998			9,183			10,465		
Other real estate owned	36			50			919		
Cash and due from banks	23,905			21,296			19,525		
Bank premises and equipment	10,511			7,816			6,217		
Other non-earning assets	73,083			62,962			59,380		
Total average assets	$ 1,157,483			$ 986,924			$ 853,078		
LIABILITIES AND SHAREHOLDERS' EQUITY									
Interest-bearing liabilities:									
Savings and NOW accounts	$ 265,751	$ 241	0.09%	$ 215,668	$ 291	0.13%	$ 177,205	$ 302	0.17%
Money market accounts	229,769	174	0.08%	193,833	229	0.12%	178,734	392	0.22%
Time certificates of deposit, under $100,000	60,630	228	0.38%	48,729	219	0.45%	59,838	466	0.78%
Time certificates of deposit, $100,000 and over	101,588	417	0.41%	106,307	531	0.50%	86,295	470	0.54%
Total interest-bearing deposits	657,738	1,060	0.16%	564,537	1,270	0.22%	502,072	1,630	0.32%
Other borrowed funds	5,155	96	1.83%	5,645	116	2.05%	9,156	253	2.76%
Total interest-bearing liabilities	662,893	$ 1,156	0.17%	570,182	$ 1,386	0.24%	511,228	$ 1,883	0.37%
Non-interest bearing demand deposits	348,822			283,956			217,529		
Other liabilities	15,354			13,040			9,760		
Shareholders' equity	130,414			119,746			114,561		
Total average liabilities and shareholders' equity	$ 1,157,483			$ 986,924			$ 853,078		
Interest income and rate earned on average earning assets		$ 44,371	4.22%		$ 37,991	4.24%		$ 34,178	4.46%
Interest expense and interest cost related to average interest-bearing liabilities		1,156	0.17%		1,386	0.24%		1,883	0.37%
Net interest income and net interest margin (4)		$ 43,215	4.11%		$ 36,605	4.09%		$ 32,295	4.21%

(1) Interest income is calculated on a fully tax equivalent basis, which includes Federal tax benefits relating to income earned on municipal bonds totaling $3,005, $2,977, and $2,322 in 2014, 2013, and 2012, respectively.

(2) Loan interest income includes loan fees of $272 in 2014, $320 in 2013, and $646 in 2012.

(3) Average loans do not include nonaccrual loans.

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

INTEREST INCOME AND EXPENSE (Continued)

Interest and fee income from loans increased $2,974,000 or 11.21% in 2014 compared to 2013. Interest and fee income increased $2,606,000 or 10.90% in 2013 compared to 2012. The increase in 2014 is attributable to an increase in average total loans outstanding offset by a 43 basis point decrease in the yield on loans. Interest income during 2014 was positively impacted by the collection of nonaccrual loans totaling $1,870,000 which resulted in a recovery of interest income of approximately $879,000. The recovery was partially offset by reversal of approximately $237,000 in interest income on loans put on nonaccrual status during the year. The increase in 2013 is attributable to a increase in average total loans outstanding offset by a 10 basis point decrease in the yield on loans. Interest and fee income from loans during 2013 was positively impacted by the collection in full of a non-accrual loan of $4,731,000 which resulted in a recovery of foregone interest of $1,484,000, partially offset by the reversal of approximately $49,000 in interest income associated with loans placed on nonaccrual status during the year. Average total loans for 2014 increased $85,046,000 to $539,529,000 compared to $454,483,000 for 2013 and $405,040,000 for 2012. The yield on loans for 2014 was 5.53% compared to 5.96% and 6.06% for 2013 and 2012, respectively.

Interest income from total investments on a non tax-equivalent basis, (total investments include investment securities, Federal funds sold, interest-bearing deposits in other banks, and other securities), increased $3,229,000 or 38.82% in 2014 compared to 2013. The yield on average investments increased 30 basis points to 2.83% for the year ended December 31, 2014 from 2.53% for the year ended December 31, 2013. Average total investments increased $68,007,000 to $513,866,000 in 2014 compared to $445,859,000 in 2013. In 2013, total investment income decreased $410,000 or 5.19% compared to 2012.

A significant portion of the investment portfolio is mortgage-backed securities (MBS) and collateralized mortgage obligations (CMOs). At December 31, 2014, we held $242,565,000 or 52.22% of the total market value of the investment portfolio in MBS and CMOs with an average yield of 1.90%. 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 normal declining rate environment, prepayments from MBS and CMOs would be expected to increase and the expected life of the investment would be expected to shorten. Conversely, if interest rates increase, prepayments normally would be expected to decline and the average life of the MBS and CMOs would be expected to extend. However, in the current economic environment, prepayments may not behave according to historical norms. Premium amortization and discount accretion of these investments affects our net interest income. Our management monitors the prepayment speed of these investments and adjusts premium amortization and discount accretion based on several factors. These factors include the type of investment, the investment structure, interest rates, interest rates on new mortgage loans, expectation of interest rate changes, current economic conditions, the level of principal remaining on the bond, the bond coupon rate, the bond origination date, and volume of available bonds in market. The calculation of premium amortization and discount accretion is by nature inexact, and represents management's best estimate of principal pay downs inherent in the total investment portfolio.

The cumulative net of tax effect of the change in market value of the available-for-sale investment portfolio was a gain of $5,377,000 and is reflected in the Company's equity. At December 31, 2014, the average life of the investment portfolio was 5.59 years and the market value reflected a pre-tax gain of $8,896,000. Management reviews market value declines on individual investment securities to determine whether they represent other-than-temporary impairment (OTTI). For the years ended December 31, 2014 and 2012, no OTTI was recorded. For the year ended December 31, 2013, OTTI was recorded in the amount of $17,000. Future deterioration in the market values of our investment securities may require the Company to recognize additional OTTI losses.

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. Measured at December 31, 2014, an immediate rate increase of 200 basis points would result in an estimated decrease in the market value of the investment portfolio by approximately $34,993,000. Conversely, with an immediate rate decrease of 200 basis points, the estimated increase in the market value of the investment portfolio would be $26,513,000. The modeling environment assumes management would take no action during an immediate shock of 200 basis points. 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 2014 increased $6,203,000 to $41,039,000 compared to $34,836,000 in 2013 and $31,820,000 in 2012. The increase was the result of yield changes, asset mix changes, and an increase in average earning assets, partially offset by an increase in interest-bearing liabilities, primarily as a result of the VCB acquisition. The yield on interest earning assets decreased to 4.22% for the year ended December 31, 2014 from 4.24% for the year ended December 31, 2013. Average interest earning assets increased to $1,052,097,000 for the year ended December 31, 2014 compared to $895,330,000 for the year ended December 31, 2013. Average interest-earning deposits in other banks increased $7,109,000 comparing 2014 to 2013. Average yield on these deposits was 0.32%. Average investments increased $68,007,000 but the tax equivalent yield on average investment securities increased 30 basis points. Average total loans increased $85,046,000 and the yield on average loans decreased 43 basis points.

Impacting the increase in total interest income in 2013 was the collection of $1,435,000 of net foregone interest, asset mix changes, and increase in average earning assets, partially offset by an increase in interest-bearing liabilities. The yield on interest-earning assets decreased to 4.24% for the year ended December 31, 2013 from 4.46% for the year ended December 31, 2012. Average interest-earning assets increased to $895,330,000 for the year ended December 31, 2013 compared to $766,937,000 for the year ended December 31, 2012.

Interest expense on deposits in 2014 decreased $210,000 or 16.54% to $1,060,000 compared to $1,270,000 in 2013 and $1,630,000 in 2012. The decrease in interest expense in 2014 compared to 2013 was primarily due to the repricing of interest-bearing deposits which decreased 6 basis points to 0.16% in 2014 from 0.22% in 2013. The decrease in interest expense in 2013 compared to 2012 was due to repricing of interest-bearing deposits, which decreased 10 basis points to 0.22% in 2013 from 0.32% in 2012. Average interest-bearing deposits were $657,738,000 for 2014 compared to $564,537,000 and $502,072,000 for 2013 and 2012, respectively. The increases in average interest-bearing deposits in 2014 and 2013 was the result of the VCB acquisition and our own organic growth.

Average other borrowings decreased to $5,155,000 with an effective rate of 1.83% for 2014 compared to $5,645,000 with an effective rate of 2.05% for 2013. In 2012, the average other borrowings were $9,156,000 with an effective rate of 2.76%. Included in other borrowings are the junior subordinated deferrable interest debentures acquired from Service 1st, advances on lines of credit and advances from the Federal Home Loan Bank (FHLB). The debentures were acquired in the merger with Service 1st and carry a floating rate based on the three month LIBOR plus a margin 1.60%. The rate was 1.83% for 2014, 1.84% for 2013, and 1.94% for 2012. The FHLB advances are fixed rate short-term and long-term borrowings. Advances were utilized as part of a leveraged strategy in the first quarter of 2008 to purchase investment securities. The FHLB advances have matured and have not been replaced due to the influx of deposits. The effective rate of the FHLB advances was 3.64 for 2013, and 3.59% 2012.

The cost of all of our interest-bearing liabilities decreased 7 basis points to 0.17% for 2014 compared to 0.24% for 2013 and 0.37% for 2012. The cost of total deposits decreased to 0.11% for the year ended December 31, 2014 compared to 0.15% and 0.23% for the years ended December 31, 2013 and 2012, respectively. Average demand deposits increased 22.84% to $348,822,000 in 2014 compared to $283,956,000 for 2013 and $217,529,000 for 2012. The ratio of non-interest demand deposits to total deposits increased to 34.65% for 2014 compared to 33.47% and 30.23% for 2013 and 2012, respectively.

NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES

Net interest income before provision for credit losses for 2014 increased $6,432,000 or 19.23% to $39,883,000 compared to $33,451,000 for 2013 and

NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES
(Continued)

$29,937,000 for 2012. The increase in 2014 was due to the increase in average earning assets and 7 basis point decrease in the average interest rate on interest-bearing deposits, partially offset by the decrease in the average rate on earning assets. Our net interest margin (NIM) increased 2 basis points. Yield on interest earning assets decreased 2 basis points while the effective rate on interest bearing liabilities decreased 7 basis points. The change in the mix of average interest earning assets also affected NIM. Interest-earning deposits in other banks and investment securities, which tend to have lower effective yields, increased. Net interest income before provision for credit losses increased $3,514,000 in 2013 compared to 2012, mainly due to the increase in average earning assets and 9 basis point decrease in the average interest rate on deposits liabilities. Average interest-earning assets were $1,052,097,000 for the year ended December 31, 2014 with a net interest margin (NIM) of 4.11% compared to $895,330,000 with a NIM of 4.09% in 2013, and $766,937,000 with a NIM of 4.21% in 2012. For a discussion of the repricing of our assets and liabilities, refer to Quantitative and Qualitative Disclosure about Market Risk.

PROVISION FOR CREDIT LOSSES

We provide for probable incurred credit losses through a charge to operating income based upon the composition of the loan portfolio, delinquency levels, losses and nonperforming 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 Officer (CCO), who reviews the grades for accuracy and gives final approval. The CCO is not involved in loan originations. The risk grading and reserve allocation is analyzed quarterly by the CCO and the Board and at least annually by a third party credit reviewer and by various regulatory agencies.

Quarterly, the CCO sets the specific reserve for all adversely risk-graded impaired credits. This process includes the utilization of loan delinquency reports, classified asset reports, collateral analysis, and portfolio concentration reports to assist in accurately assessing credit risk and establishing appropriate reserves. Reserves are also allocated to credits that are not impaired based on inherent risk in those loans.

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 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 probable loss exposure.

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

Loan Type (Dollars in thousands)	December 31, 2014	% of Total Loans	December 31, 2013	% of Total Loans
Commercial:				
Commercial and industrial	$ 2,753	15.5%	$ 1,928	17.0%
Agricultural land and production	377	6.8%	516	6.1%
Real estate:				
Owner occupied	1,380	30.9%	1,697	30.6%
Real estate construction and other land loans	837	6.8%	1,289	8.3%
Commercial real estate	1,201	18.7%	1,406	16.8%
Agricultural real estate	564	10.0%	672	8.6%
Other real estate	76	1.2%	110	0.9%
Total real estate	4,058	67.6%	5,174	65.2%
Consumer:				
Equity loans and lines of credit	811	8.3%	874	9.5%
Consumer and installment	267	1.8%	294	2.2%
Unallocated reserves	42		422	
Total allowance for credit losses	$ 8,308		$ 9,208	

Loans are charged to the allowance for credit losses when the loans are deemed uncollectible. It is the policy of management to make additions to the allowance so that it remains adequate to cover all probable incurred credit losses that exist in the portfolio at that time. We assign qualitative and environmental factors (Q factors) to each loan category. Q factors include reserves held for the effects of lending policies, economic trends, and portfolio trends along with other dynamics which may cause additional stress to the portfolio.

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. See further discussion of the impact of the VCB acquisition on the allowance for credit losses in the Results of Operations Allowance for Credit Losses section below.

There were $7,985,000 additions made to the allowance for credit losses in 2014, compared to none and $700,000 for the same period in 2013 and 2012, 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. During the fourth quarter of 2014, the Company recorded a provision for credit losses of approximately $8.4 million in connection with the partial charge-off of a single commercial and agricultural relationship. The total charge-off related to this credit was $7.7 million. The remaining loan balance of $10,226,000, which management believes is adequately secured by real estate and various business assets, was placed on non-accrual status during the fourth quarter of 2014, and resulted in the reversal of unpaid interest and fees of $224,000. The Company believes this reduced loan balance is reasonably collectible, although further credit deterioration is possible. Management of the Company continues to work to minimize any future charge-offs related to this credit. In addition, based on the facts leading to the identification of this impaired loan relationship and the subsequent charge-off, management believes that the risk characteristics of this loan relationship are isolated and not an indication of an increase in the overall risk profile of the loan portfolio as a whole. Absent this loan relationship's impact on the allowance ratios and criticized and non-performing loan totals noted above, management believes that activities during the year ended 2014 resulted in an overall improvement in the risk profile of the Company's loan portfolio as compared to 2013 and 2012.

The decrease in unallocated reserves in the current period is primarily due to an additional risk factor which management is further analyzing related to the recent increase in long-term interest rates and the effects that higher rates may have on certain borrowers' debt service capabilities, particularly those with home equity loans. During the year ended December 31, 2014, the Company had net charge offs totaling $8,885,000 compared to $925,000 and $668,000 for the same periods in 2013 and 2012, respectively. The net charge off ratio, which reflects net charge-offs to average loans, was 1.65%, 0.20% and 0.16% for 2014, 2013, and 2012, respectively.

PROVISION FOR CREDIT LOSSES (Continued)

Nonperforming loans were $14,052,000 and $7,586,000 at December 31, 2014 and 2013, respectively. Nonperforming loans as a percentage of total loans were 2.45% at December 31, 2014 compared to 1.48% at December 31, 2013. The Company had no other real estate owned at December 31, 2014 and December 31, 2012 as compared to $190,000 at December 31, 2013.

We had loans past due, not including non accrual loans, totaling $298,000 at December 31, 2014 compared to $637,000 at December 31, 2013. Losses in the loan portfolio and non-accruing balances remain elevated relative to historical periods and an increase in the level of charge-offs and the number and dollar volume of past due and nonperforming loans may result in further provisions to the allowance for credit losses.

Notwithstanding improvements in the economy, we anticipate weakness in economic conditions on national, state and local levels to continue. Continued economic pressures may negatively impact the financial condition of borrowers to whom the Company has extended credit and as a result we may be required to make further significant provisions to the allowance for credit losses in the future. Many of the agricultural crops grown by our Central Valley customers have been harvested with preliminary results demonstrating that California's drought has definitely had an impact with lower crop yields compared to the previous year for certain crops. Many farmers and ranchers have instituted improved farming practices including planting less acreage, as part of the mitigation for the cost of water delivery and the expense of pumping. By closely monitoring the water and the related issues affecting our customers in 2014, we believe that drought-related risks are being mitigated as we look to 2015 knowing that the need for rain and a significant snow pack in the Sierra Nevada Mountain Range continue to be important factors for the short and long-term economic impact on agribusiness in California's San Joaquin Valley. We have been and will continue to be proactive in looking for signs of deterioration within the loan portfolio in an effort to manage credit quality and work with borrowers where possible to mitigate any further losses.

As of December 31, 2014, we believe, based on all current and available information, the allowance for credit losses is adequate to absorb probable incurred losses within the loan 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 $7,985,000 in 2014, none in 2013, and $700,000 in 2012, was $31,898,000 for 2014 compared to $33,451,000 and $29,237,000 for 2013 and 2012, respectively.

NON-INTEREST INCOME

Non-interest income is comprised of customer service charges, gains on sales and calls of investment securities, income from appreciation in cash surrender value of bank owned life insurance, loan placement fees, Federal Home Loan Bank dividends, and other income. Non-interest income was $8,164,000 in 2014 compared to $7,831,000 and $7,242,000 in 2013 and 2012, respectively. The $333,000 or 4.25% increase in non-interest income was due to increases in service charge income, interchange fees, appreciation in cash surrender value of bank owned life insurance, Federal Home Loan Bank dividends, and gain on sale of other real estate owned compared to the comparable 2013 period, partially offset by a decrease in net realized gains on sales and calls of investment securities and loan placement fees. The $590,000 or 8.15% increases non-interest income comparing 2013 to 2012 was due to increases in service charge income, interchange fees, Federal Home Loan Bank dividends, and loan placement fees partially offset by gains on sales and calls of investment securities.

Customer service charges increased $124,000 to $3,280,000 in 2014 compared to $3,156,000 in 2013 and $2,774,000 in 2012. The increase in 2014 from 2013, and in 2013 from 2012 is mainly due to increases in overdraft and analyzed service charge fee income. The $382,000 increase in 2013 is due to the inclusion of VCB service charges of approximately $510,000 offset by a decrease in the legacy Company service charge income of 128,000.

During the year ended December 31, 2014, we realized net gains on sales and calls of investment securities of $904,000. In 2013, we realized a net gain of $1,265,000 compared to a net gain of $1,639,000 in 2012 from sales and calls of securities. The net gains in 2014 , 2013, and 2012 were the results of partial restructuring of the investment portfolio designed to improve the future performance of the portfolio. See *Footnote 4* to the audited Consolidated Financial Statements for more detail.

Income from the appreciation in cash surrender value of bank owned life insurance (BOLI) totaled $614,000 in 2014 compared to $495,000 and $391,000 in 2013 and 2012, respectively. The Bank's salary continuation and deferred compensation plans and the related BOLI are used as a retention tool for directors and key executives of the Bank.

Interchange fees totaled $1,205,000 in 2014 compared to $962,000 and $767,000 in 2013 and 2012, respectively. Part of the increases in 2014 and 2013 are attributable to the VCB acquisition.

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 $133,000 in 2014 to $544,000 compared to $677,000 in 2013 and $631,000 in 2012. Fees were lower in 2014 compared to 2013 and 2012. Refinancing and new mortgage activity decreased slightly in 2014 and 2013, even though we continue to see the historically low mortgage rates, a decline in housing values and first time home buyer tax incentives.

The Bank holds stock from the Federal Home Loan Bank in relationship with its borrowing capacity and generally receives quarterly dividends. As of December 31, 2014, we held $4,791,000 in FHLB stock compared to $4,499,000 at December 31, 2013. Dividends in 2014 increased to $327,000 compared to $177,000 in 2013 and $36,000 in 2012.

Other income increased to $1,227,000 in 2014 compared to $1,099,000 and $992,000 in 2013 and 2012, respectively. The period-to-period increase in 2014 compared to 2013 was primarily due to increases in electronic funds transfer fee income and non-customer check cashing fees.

NON-INTEREST EXPENSES

Salaries and employee benefits, occupancy and equipment, regulatory assessments, acquisition and integration-related expenses, data processing expenses, ATM/Debit card expenses, license and maintenance contract expenses, and professional services (consisting of audit, accounting, consulting and legal fees) are the major categories of non-interest expenses. Non-interest expenses increased $3,653,000 or 11.53% to $35,338,000 in 2014 compared to $31,685,000 in 2013, and $27,274,000 in 2012.

Our efficiency ratio, measured as the percentage of non-interest expenses (exclusive of amortization of core deposit intangibles and other real estate owned expenses) to net interest income before provision for credit losses plus non-interest income (exclusive of realized gains or losses on sale and calls of investments) was 73.85% for 2014 compared to 78.50% for 2013 and 75.99% for 2012. The improvement in the efficiency ratio in 2014 is due to the growth in revenues outpacing the growth in non-interest expense. The decline in the efficiency ratio in 2013 compared to 2012 is due to an increase in operating expenses partially offset by an increase in net interest income.

Salaries and employee benefits increased $2,294,000 or 13.16% to $19,721,000 in 2014 compared to $17,427,000 in 2013 and $15,597,000 in 2012. Full time equivalents were 271 for the year ended December 31, 2014 compared to 241 for the year ended December 31, 2013.

At December 31, 2014, we had two share based compensation plans under which compensation expense is recognized based on the estimated fair value of the awards at the date of the grant. The Central Valley Community Bancorp 2000 Stock Option Plan (2000 Plan) for which 198,830 shares remain reserved for issuance for options already granted under incentive and nonstatutory agreements. This plan expired in November 2010 and no new options will be granted under this plan. The Central Valley Community Bancorp 2005 Omnibus Incentive Plan (2005 Plan) provides for awards in the form of incentive stock options, non-statutory stock options, stock appreciation rights, and restricted stock. Currently under the 2005 Plan, there are 226,380 shares reserved for issuance for options and restricted stock awards already granted to employees and directors.

The Company bases the fair value of the options previously granted on the date of grant using a Black-Scholes-Merton 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 expected

NON-INTEREST EXPENSES (Continued)

term of the options represents the period that the Company's options are expected to be outstanding.

For the years ended December 31, 2014, 2013, and 2012, the compensation cost recognized for share based compensation was $173,000, $98,000 and $108,000, respectively.

As of December 31, 2014, there was $169,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the two plans. The cost is expected to be recognized over a weighted average period of 2.36 years. See *Notes 1 and 15* to the audited Consolidated Financial Statements for more detail.

No options to purchase shares of the Company's common stock were issued during the years ending December 31, 2014 and 2013. In 2012, options to purchase 92,150 shares of common stock were granted from the 2005 Plan at exercise prices between $8.02 and $8.75. All options were granted with an exercise price equal to the market value on the grant date.

During the year ended December 31, 2014, 57,330 shares of restricted common stock were granted from the 2005 Plan. The restricted common stock had a fair market value of $12.68 per share on the date of grant.

Occupancy and equipment expense increased $726,000 or 17.67% to $4,835,000 in 2014 compared to $4,109,000 in 2013 and $3,578,000 in 2012. The increases in 2014 and 2013 were primarily due to increases in rent and depreciation expense for the premises acquired from VCB. The Company made no changes in depreciation expense methodology.

Regulatory assessments decreased $66,000 or 9.48% to $762,000 in 2014 compared to $696,000 and $652,000 in 2013 and 2012, respectively.

Acquisition and integration-related expenses which were all related to the VCB acquisition decreased $976,000 to none in 2014 compared to 2013. We recorded $284,000 in acquisition and integration expenses in 2012.

Data processing expenses were $1,820,000 in 2014 compared to $1,383,000 in 2013 and $1,125,000 in 2012. The $437,000 or 31.60% increase in 2014, and the $258,000 or 22.93% increase in 2013 compared to 2012 is the result of increased processing charges related to increase of accounts and services provided to our customers and branches.

Amortization of core deposit intangibles was $337,000 for 2014, $268,000 for 2013, and $200,000 for 2012. During 2014, amortization expense related to Service 1st Bank core deposit intangible (CDI) was $200,000, and amortization expense related to VCB CDI was $137,000. During 2013, amortization expense related to Service 1st Bank core deposit intangible (CDI) was $200,000, and amortization expense related to VCB CDI was $68,000. During 2012, CDI amortization expense related solely to Service 1st Bank CDI.

Consulting fees decreased $222,000 to $239,000 for the year ended December 31, 2014 compared to $461,000 and $162,000 in 2013 and 2012, respectively. Higher consulting fees in 2013 related to costs for recruiting qualified candidates for a Bank President position and for support and defense for the Company's tax examination.

ATM/Debit card expenses increased $97,000 to $624,000 for the year ended December 31, 2014 compared to $527,000 in 2013 and 2012. License and maintenance contracts increased $16,000 to $488,000 for the year ended December 31, 2014 compared to $472,000 and $362,000 in 2013 and 2012, respectively. Other non-interest expenses increased $757,000 or 19.01% to $4,739,000 in 2014 compared to $3,982,000 in 2013 and $3,603,000 in 2012, primarily due to the VCB acquisition.

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

	For the years ended December 31,					
	Other Expense 2014	% Average Assets	Other Expense 2013	% Average Assets	Other Expense 2012	% Average Assets
	(Dollars in thousands)					
Legal	$ 273	0.02%	$ 116	0.01%	$ 185	0.02%
Stationery/supplies	266	0.02%	257	0.03%	221	0.03%
Amortization of software	224	0.02%	243	0.02%	196	0.02%
Director fees and related expenses	262	0.02%	233	0.02%	215	0.03%
Telephone	230	0.02%	219	0.02%	169	0.02%
Postage	238	0.02%	202	0.02%	183	0.02%
Armored courier fees	221	0.02%	155	0.02%	88	0.01%
Compliance Expense	207	0.02%	155	0.02%	118	0.01%
Loss (gain) on sale or write-down of assets	201	0.02%	(1)	-%	-	-%
Donations	179	0.02%	160	0.02%	148	0.02%
Personnel other	154	0.01%	122	0.01%	89	0.01%
Education/training	135	0.01%	135	0.01%	155	0.02%
General insurance	141	0.01%	126	0.01%	120	0.01%
Appraisal fees	130	0.01%	89	0.01%	77	0.01%
Operating losses	53	-%	67	0.01%	85	0.01%
Other	1,825	0.16%	1,704	0.17%	1,554	0.18%
Total other non-interest expense	$ 4,739	0.41%	$ 3,982	0.40%	$ 3,603	0.42%

PROVISION FOR INCOME TAXES

Our effective income tax rate was (12.07)% for 2014 compared to 14.04% for 2013 and 18.31% for 2012. The Company reported an income tax provision (benefit) of $(570,000), $1,347,000, and $1,685,000 for the years ended December 31, 2014, 2013, and 2012, respectively. The decrease in the effective tax rate in 2014 compared to 2013 was primarily due to a significant increase in the proportion of nontaxable income, such as interest earned on municipal securities and earnings on Bank owned life insurance, to net income. The decrease in the effective tax rate in 2013 compared to 2012 is due to an increase in interest income on non-taxable investment securities and the reversal of a reserve for prior years' uncertain tax positions. The Company maintains a reserve for uncertain income taxes in accordance with ASC 710-10-25 (formerly FIN 48). During the third quarter of 2013, the California Franchise Tax Board concluded the tax examination of the Company's 2008, 2009, and 2010 tax filings; and we accordingly reversed the remaining reserve for those tax years. The Company has also benefited from tax credits and deductions related to the California enterprise zone program; however, those benefits were reduced beginning January 1, 2014 due to the legislative changes affecting the program. Our low effective tax rate is due primarily to federal tax deductions for tax free municipal bond income, solar tax credits, and state hiring tax credits.

PREFERRED STOCK DIVIDENDS AND ACCRETION

On August 18, 2011, the Company entered into a Securities Purchase Agreement (SPA) with the Small Business Lending Fund of the United States Department of the Treasury (the Treasury), under which the Company issued 7,000 shares of Senior Non-Cumulative Perpetual Preferred Stock, Series C (Series C Preferred) to the Treasury for an aggregate purchase price of $7,000,000. Simultaneously, the Company agreed with Treasury under a Letter Agreement to redeem, for an aggregate price of $7,000,000, the 7,000 shares of the Company's Series A Fixed Rate Cumulative Preferred Stock (Series A Stock) originally issued pursuant to the Treasury's Capital Purchase Program (CPP) in 2009. The redemption of the Series A Stock resulted in an acceleration of the remaining discount booked at the time of the CPP transaction. In connection with the repurchase of the Series A Stock, the Company also repurchased the warrant (the Warrant) to purchase 79,037 shares of the Company's common stock that was originally issued to Treasury in connection with the CPP transaction for total consideration of $185,000.

PREFERRED STOCK DIVIDENDS AND ACCRETION (Continued)

On December 31, 2013, the Company redeemed all 7,000 outstanding shares of its Series C Preferred from the Treasury, in exercise of its optional redemption rights pursuant to the terms of the Series C Preferred under the Company's charter and the SPA. The Company paid the Treasury $7,087,500 in connection with the redemption, representing $1,000 per share of the Series C Preferred plus all accrued and unpaid dividends through the date of the redemption. The obligations of the Company under the SPA are terminated as a result of the redemption. No additional shares of Series C Preferred are outstanding.

We accrued preferred stock dividends to the Treasury and accretion of the issuance discount in the amount of $350,000 during the year ended December 31, 2013.

FINANCIAL CONDITION

SUMMARY OF CHANGES IN CONSOLIDATED BALANCE SHEETS

December 31, 2014 compared to December 31, 2013.

Total assets were $1,192,183,000 as of December 31, 2014, compared to $1,145,635,000 as of December 31, 2013, an increase of 4.06% or $46,548,000. Total gross loans were $572,588,000 as of December 31, 2014, compared to $512,357,000 as of December 31, 2013, an increase of $60,231,000 or 11.76%. The total investment portfolio (including Federal funds sold and interest-earning deposits in other banks) decreased 1.68% or $8,887,000 to $520,511,000. Total deposits increased 3.49% or $35,009,000 to $1,039,152,000 as of December 31, 2014, compared to $1,004,143,000 as of December 31, 2013. Shareholders' equity increased $11,002,000 or 9.17% to $131,045,000 as of December 31, 2014, compared to $120,043,000 as of December 31, 2013. The increase in shareholders' equity was driven by the retention of earnings net of dividends paid and improvement in unrealized gains on available-for-sale investment securities recorded in accumulated other comprehensive income (AOCI). Accrued interest payable and other liabilities were $16,831,000 as of December 31, 2014, compared to $16,294,000 as of December 31, 2013, an increase of $537,000.

FAIR VALUE

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

See *Note 3* of the Notes to Consolidated Financial Statements for additional information about the level of pricing transparency associated with financial instruments carried at fair value.

INVESTMENTS

Our investment portfolio consists primarily of U.S. Government sponsored entities and agencies collateralized by residential mortgage backed obligations and obligations of states and political subdivision securities and are classified at the date of acquisition as available-for-sale or held-to-maturity. As of December 31, 2014, investment securities with a fair value of $100,747,000, or 21.69% of our investment securities portfolio, were held as collateral for public funds, short and long-term borrowings, treasury, tax, and for other purposes. Our investment policies are established by the Board of Directors and implemented by our Investment/Asset Liability Committee. They are designed primarily to provide and maintain liquidity, to enable us to meet our pledging requirements for public money and borrowing arrangements, to generate a favorable return on investments without incurring undue interest rate and credit risk, and to complement our lending activities.

The level of our investment portfolio is generally considered higher than our peers due primarily to a comparatively low loan to deposit ratio. Our loan to deposit ratio at December 31, 2014 was 55.10% compared to 51.02% at December 31, 2013. The loan to deposit ratio of our peers was 74.53% at September 30, 2014. Peer group information from SNL Financial data includes bank holding companies in central California with assets from $600 million to $2.5 billion. The total investment portfolio, including Federal funds sold and interest-earning deposits in other banks, decreased 1.68% or $8,887,000 to $520,511,000 at December 31, 2014, from $529,398,000 at December 31, 2013. The market value of the portfolio reflected an unrealized gain of $8,896,000 at December 31, 2014, compared to an unrealized loss of $3,884,000 at December 31, 2013.

Losses recognized in 2014, 2013, and 2012 were incurred in order to reposition the investment securities portfolio based on the current rate environment. The securities which were sold at a loss were acquired when the rate environment was not as volatile. The securities which were sold were primarily purchased several years ago to serve a purpose in the rate environment in which the securities were purchased. The Company is addressing risks in the security portfolio by selling these securities and using proceeds to purchase securities that fit with the Company's current risk profile.

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

As of December 31, 2014, the Company performed an analysis of the investment portfolio to determine whether any of the investments held in the portfolio had an other-than-temporary impairment (OTTI). Management evaluated all investment securities with an unrealized loss at December 31, 2014, and identified those that had an unrealized loss for at least a consecutive 12 month period, which had an unrealized loss at December 31, 2014 greater than 10% of the recorded book value on that date, or which had an unrealized loss of more than $10,000. Management also analyzed any securities that may have been downgraded by credit rating agencies.

For those bonds that met the evaluation criteria management obtained and reviewed the most recently published national credit ratings for those bonds. For those bonds that were municipal debt securities with an investment grade rating by the rating agencies, management also evaluated the financial condition of the municipality and any applicable municipal bond insurance provider and concluded that no credit related impairment existed.

At December 31, 2014, the Company had a total of 20 PLRMBS with a remaining principal balance of $3,079,000 and a net unrealized gain of approximately $1,614,000. Ten of these PLRMBS with a remaining principal balance of $2,614,000 had credit ratings below investment grade. The Company continues to perform extensive analyses on these securities as well as all whole loan CMOs. No credit related OTTI charges related to PLRMBS were recorded during the year ended December 31, 2014.

See *Note 4* to the audited Consolidated Financial Statements for carrying values and estimated fair values of our investment securities portfolio.

LOANS

Total gross loans increased $60,231,000 or 11.76% to $572,588,000 as of December 31, 2014, compared to $512,357,000 as of December 31, 2013. The following table sets forth information concerning the composition of our loan portfolio as of and for the years ended December 31, 2014, 2013, 2012, 2011, and 2010.

Loan Type (Dollars in thousands)	2014 Amount	2014 % of Total Loans	2013 Amount	2013 % of Total Loans	2012 Amount	2012 % of Total Loans	2011 Amount	2011 % of Total Loans	2010 Amount	2010 % of Total Loans
Commercial:										
Commercial and industrial	$ 89,007	15.5%	$ 87,082	17.0%	$ 77,956	19.7%	$ 78,089	18.3%	$ 81,318	18.8%
Agricultural land and production	39,140	6.8%	31,649	6.1%	26,599	6.7%	29,958	7.0%	20,604	4.8%
Total commercial	128,147	22.3%	118,731	23.1%	104,555	26.4%	108,047	25.3%	101,922	23.6%
Real estate:										
Owner occupied	176,804	30.9%	156,781	30.6%	114,444	28.9%	113,183	26.4%	111,888	25.9%
Real estate-construction and other land loans	38,923	6.8%	42,329	8.3%	33,199	8.4%	33,047	7.7%	32,038	7.4%
Commercial real estate	106,788	18.7%	86,117	16.8%	53,797	13.6%	62,523	14.6%	63,627	14.7%
Agricultural real estate	57,501	10.0%	44,164	8.6%	28,400	7.2%	42,596	9.9%	44,397	10.3%
Other real estate	6,611	1.2%	4,548	0.9%	8,098	2.0%	7,892	1.8%	8,103	1.9%
Total real estate	386,627	67.6%	333,939	65.2%	237,938	60.1%	259,241	60.4%	260,053	60.2%
Consumer:										
Equity loans and lines of credit	47,575	8.3%	48,594	9.5%	42,932	10.9%	51,106	12.0%	58,860	13.6%
Consumer and installment	10,093	1.8%	11,252	2.2%	10,346	2.6%	9,765	2.3%	11,261	2.6%
Total consumer	57,668	10.1%	59,846	11.7%	53,278	13.5%	60,871	14.3%	70,121	16.2%
Deferred loan fees, net	146		(159)		(453)		(764)		(499)	
Total gross loans	572,588	100.0%	512,357	100.0%	395,318	100.0%	427,395	100.0%	431,597	100.0%
Allowance for credit losses	(8,308)		(9,208)		(10,133)		(11,396)		(11,014)	
Total loans	$ 564,280		$ 503,149		$ 385,185		$ 415,999		$ 420,583	

At December 31, 2014, loans acquired in the VCB acquisition had a balance of $77,882,000, of which $3,590,000 were commercial loans, $62,792,000 were real estate loans, and $11,500,000 were consumer loans. At December 31, 2013, loans acquired in the VCB acquisition had a balance of $99,948,000, of which $12,686,000 were commercial loans, $71,833,000 were real estate loans, and $15,429,000 were consumer loans.

At December 31, 2014, in management's judgment, a concentration of loans existed in commercial loans and real-estate-related loans, representing approximately 98.2% of total loans of which 22.3% were commercial and 75.9% were real-estate-related. This level of concentration is consistent with 97.8% at December 31, 2013. Although we believe the loans within this concentration have no more than the normal risk of collectability, a substantial further decline in the performance of the economy in general or a further decline in real estate values in our primary market areas, in particular, could have an adverse impact on collectability, increase the level of real estate-related nonperforming loans, or have other adverse effects which alone or in the aggregate could have a material adverse effect on our business, financial condition, results of operations and cash flows. The Company was not involved in any sub-prime mortgage lending activities at December 31, 2014 and 2013.

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

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

NONPERFORMING ASSETS

Nonperforming assets consist of loans past due 90 days or more that are still accruing interest, loans on nonaccrual status, and foreclosed property classified as Other Real Estate Owned (OREO). We measure all loans placed on nonaccrual status for impairment based on the fair value of the underlying collateral or the net present value of the expected cash flows.

At December 31, 2014, total nonperforming assets totaled $14,052,000, or 1.18% of total assets, compared to $7,776,000, or 0.68% of total assets at December 31, 2013. Total nonperforming assets at December 31, 2014, included nonaccrual loans totaling $14,052,000, no OREO, and no repossessed assets. Nonperforming assets at December 31, 2013 consisted of $7,586,000 in nonaccrual loans, $190,000 in OREO, and no repossessed assets. At December 31, 2014, we had three loans considered troubled debt restructurings ("TDRs") totaling $1,826,000 which are included in nonaccrual loans compared to ten TDRs totaling $4,595,000 at December 31, 2013. We have no outstanding commitments to lend additional funds to any of these borrowers.

A summary of nonaccrual, restructured, and past due loans at December 31, 2014 and 2013 is set forth below. The Company had no loans past due more than 90 days and still accruing interest at December 31, 2014 and 2013. Management is not aware of any potential problem loans, which were current and accruing at December 31, 2014, where serious doubt exists as to the ability of the borrower to comply with the present repayment terms. Management can give no assurance that nonaccrual and other nonperforming loans will not increase in the future.

NONPERFORMING ASSETS (Continued)

Composition of Nonaccrual, Past Due and Restructured Loans

(Dollars in thousands)	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Nonaccrual Loans					
Commercial and industrial	$ 7,265	$ 335	$ -	$ 267	$ 377
Owner occupied	1,363	1,777	213	353	1,407
Real estate construction and other land loans	360	-	-	-	5,634
Commercial real estate	1,468	158	-	2,434	-
Equity loans and line of credit	1,751	721	237	705	488
Consumer and installment	19	-	-	74	-
Restructured loans (non-accruing)					
Commercial and industrial	-	1,192	-	-	1,978
Owner occupied	-	384	1,362	1,019	2,370
Real estate construction and other land loans	547	1,450	6,288	6,823	2,193
Commercial real estate	-	-	-	1,110	1,828
Other real estate	-	-	-	-	2,286
Equity loans and line of credit	1,279	1,565	1,595	1,649	-
Consumer and Installment	-	4	-	-	-
Total nonaccrual	14,052	7,586	9,695	14,434	18,561
Accruing loans past due 90 days or more	-	-	-	-	-
Total nonperforming loans	$ 14,052	$ 7,586	$ 9,695	$ 14,434	$ 18,561
Nonperforming loans to total loans	2.45%	1.48%	2.45%	3.38%	4.30%
Ratio of nonperforming loans to allowance for credit losses	169.14%	82.38%	95.68%	126.66%	168.52%
Loans considered to be impaired	$ 18,826	$ 13,357	$ 17,105	$ 23,644	$ 18,561
Related allowance for credit losses on impaired loans	$ 612	$ 1,007	$ 510	$ 4,368	$ 2,124

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 original contractual interest rate if the loan is not collateral dependent. As of December 31, 2014 and 2013, we had impaired loans totaling $18,826,000 and $13,357,000, respectively. For collateral dependent loans secured by real estate, we obtain external appraisals which are updated at least annually to determine the fair value of the collateral, and we record an immediate charge off for the difference between the book value of the loan and the appraised less selling costs value of the collateral. We perform quarterly internal reviews on substandard loans. We place loans on nonaccrual status and classify them as impaired when it becomes probable that we will not receive interest and principal under the original contractual terms, or when loans are delinquent 90 days or more unless the loan is both well secured and in the process of collection. Management maintains certain loans that have been brought current by the borrower (less than 30 days delinquent) on nonaccrual status until such time as management has determined that the loans are likely to remain current in future periods. Foregone interest on nonaccrual loans totaled $716,000 for the year ended December 31, 2014 of which $139,000 was attributable to troubled debt restructurings. Foregone interest on nonaccrual loans totaled $661,000 and $693,000 for the years ended December 31, 2013 and 2012, respectively of which $279,000 and $669,000 was attributable to troubled debt restructurings, respectively.

NONPERFORMING ASSETS (Continued)

The following table provides a reconciliation of the change in non-accrual loans for the year ended December 31, 2014.

(Dollars in thousands)	Balances December 31, 2013	Additions to Nonaccrual Loans	Net Pay Downs	Transfer to Foreclosed Collateral - OREO	Returns to Accrual Status	Charge Offs	Balances December 31, 2014
Non-accrual loans:							
Commercial and industrial	$ 335	$ 13,651	$ (346)	$ -	$ (20)	$ (6,355)	$ 7,265
Agricultural land and production	-	1,722				(1,722)	-
Real estate	1,935	4,426	(2,925)	(235)	(187)	(183)	2,831
Agricultural real estate	-	360	-	-	-	-	360
Equity loans and lines of credit	751	1,318	(259)	-	-	(59)	1,751
Consumer	-	23	(4)	-	-	-	19
Restructured loans (non-accruing):							
Commercial and industrial	1,192	-	(145)	-	-	(1,047)	-
Real estate	384	-	(384)	-	-	-	-
Real estate construction and land development	1,450	-	(903)	-	-	-	547
Equity loans and lines of credit	1,535	6	(196)	-	(66)	-	1,279
Consumer	4	-	-	-	(4)	-	-
Total non-accrual	$ 7,586	$ 21,506	$ (5,162)	$ (235)	$ (277)	$ (9,366)	$ 14,052

The following table provides a summary of the annual change in the OREO balance:

(Dollars in thousands)	Years Ended December 31, 2014	2013
Balance, Beginning of year	$ 190	$ -
Additions	235	453
Dispositions	(488)	(263)
Write-downs	-	-
Net gain on disposition	63	-
Balance, End of year	$ -	$ 190

OREO represents real property taken either through foreclosure or through a deed in lieu thereof from the borrower. OREO is carried at the lesser of cost or fair market value, less selling costs. As of December 31, 2014, the Company had no OREO properties. As of December 31, 2013 the Company had $190,000 in OREO property which was subsequently sold for book value during January 2014.

ALLOWANCE FOR CREDIT LOSSES

We have established a methodology for the determination of the adequacy of the allowance for credit losses made up of general and specific allocations. 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. The allowance for credit losses is an estimate of probable incurred credit losses in the Company's loan portfolio. The allowance consists of two primary components, specific reserves related to impaired loans and general reserves for inherent losses related to loans that are not impaired.

For all portfolio segments, the determination of the general reserve for loans that are not impaired is based on estimates made by management, including but not limited to, consideration of historical losses by portfolio segment (and in certain cases peer loss data) over the most recent 20 quarters, and qualitative factors including economic trends in the Company's service areas, industry experience and trends, geographic concentrations, estimated collateral values, the Company's underwriting policies, the character of the loan portfolio, and probable losses incurred in the portfolio taken as a whole. Management has determined that the most recent 20 quarters was an appropriate look back period based on several factors including the current global economic uncertainty and various national and local economic indicators, and a time period sufficient to capture enough data due to the size of the portfolio to produce statistically accurate historical loss calculations. We believe this period is an appropriate look back period.

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

The allowance for credit losses is an estimate of the probable incurred losses in our loan and lease portfolio. The allowance is based on principles of accounting: (1) ASC 450-20 which requires losses to be accrued for on loans when they are probable of occurring and can be reasonably estimated and (2) ASC 310-10 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 probable incurred 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. In general, all credit facilities exceeding 90 days of delinquency require classification and are placed on nonaccrual.

ALLOWANCE FOR CREDIT LOSSES (Continued)

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

(Dollars in thousands)	Years Ended December 31, 2014	2013
Balance, beginning of year	$ 9,208	$ 10,133
Provision charged to operations	7,985	-
Losses charged to allowance	(9,834)	(1,446)
Recoveries	949	521
Balance, end of year	$ 8,308	$ 9,208
Allowance for credit losses to total loans	1.45%	1.80%

As of December 31, 2014, the allowance for credit losses (ALLL) stood at $8,308,000, compared to $9,208,000 at December 31, 2013, a net decrease of $900,000 reflecting the net charge-offs, the majority of which related to nonaccrual commercial and agricultural loans charged off. The decrease in the ALLL was due to net charge offs during the year ended December 31, 2014 being greater than the amount of the provision for credit losses and improvement in the historical loss rates by portfolio segment. Net charge offs totaled $8,885,000 while the provision for credit losses was $7,985,000. The balance of commitments to extend credit on undisbursed construction and other loans and letters of credit was $214,131,000 as of December 31, 2014, compared to $192,667,000 as of December 31, 2013. At December 31, 2014 and 2013, the balance of a contingent allocation for probable loan loss experience on unfunded obligations was $165,000 and $141,000, respectively. The contingent allocation for probable loan loss experience on unfunded obligations is calculated by management using an appropriate, systematic, and consistently applied process. While related to credit losses, this allocation is not a part of ALLL and is considered separately as a liability for accounting and regulatory reporting purposes. Risks and uncertainties exist in all lending transactions and our management and Directors' Loan Committee have established reserve levels based on economic uncertainties and other risks that exist as of each reporting period.

The ALLL as a percentage of total loans was 1.45% at December 31, 2014, and 1.80% at December 31, 2013. Total loans include VCB loans that were recorded at fair value in connection with the acquisition of $77,882,000 at December 31, 2014 and $99,948,000 at December 31, 2013. Excluding these VCB loans from the calculation, the ALLL to total gross loans was 1.68% and 2.23% as of December 31, 2014 and 2013, respectively and general reserves associated with non-impaired loans to total non-impaired loans was 1.62% and 2.05%, respectively. The loan portfolio acquired in the VCB merger was booked at fair value with no associated allocation in the ALLL. The size of the fair value discount remains adequate for all non-impaired acquired loans; therefore, there is no associated allocation in the ALLL. The Company's loan portfolio balances also increased through organic growth. The lower allowance for credit losses to total loans ratio is supported by the recent improvements in credit quality and risk factors such as real estate collateral values and the general economic conditions experienced in the central California communities serviced by the Bank and improvement in the historical loss rates by portfolio segment. In addition, during the fourth quarter of 2014, the Company recorded a charge-off of $7.7 million in connection with the impairment identification of a single commercial and agricultural relationship. The remaining loan balance of $10,226,000, which management believes is adequately secured by real estate and various business assets, was placed on non-accrual status during the fourth quarter of 2014. The Company believes this reduced loan balance is reasonably collectible, and management of the Company continues to work to minimize any future charge-offs related to this credit. Based on the facts leading to the identification of this impaired loan relationship and the subsequent charge-off, management believes that the risk characteristics of this loan relationship are isolated and not an indication of an increase in the overall risk profile of the loan portfolio as a whole. Absent this loan relationship's impact on the allowance ratios and criticized and non-performing loan totals noted above, management believes that activities during the year ended 2014 resulted in an overall improvement in the risk profile of the Company's loan portfolio as compared to 2013 and 2012.

The determination of the general reserve for loans that are not impaired is based on estimates made by management, including but not limited to, consideration of historical losses by portfolio segment over the most recent 20 quarters, and qualitative factors. Assumptions regarding the collateral value of various under-performing loans may affect the level and allocation of the allowance for credit losses in future periods. The allowance may also be affected by trends in the amount of charge offs experienced or expected trends within different loan portfolios. Historically, the highest annualized rates of net charge-offs experienced by the Company occurred prior to 2011. Under the current ALLL methodology, as periods of high charge-off rates included in the rolling 20 quarter analysis are replaced by lower charge-off rates, the calculated reserve rates may continue to decline. However, the total reserve rates on non-impaired loans may be augmented by changes in qualitative factors. Based on the above considerations and given continued improvement in historical charge-off rates and other factors such as declines in the level of delinquent and adversely graded loans in the general reserve pools, management determined that the ALLL was appropriate as of December 31, 2014.

Non-performing loans totaled $14,052,000 as of December 31, 2014, and $7,586,000 as of December 31, 2013. The allowance for credit losses as a percentage of nonperforming loans was 59.12% and 121.38% as of December 31, 2014 and December 31, 2013, respectively. In addition, management believes that the likelihood of recoveries on previously charged-off loans continues to improve based on the collection efforts of management combined with improvements in the value of real estate which serves as the primary source of collateral for loans. Management believes the allowance at December 31, 2014 is adequate based upon its ongoing analysis of the loan portfolio, historical loss trends and other factors. However, no assurance can be given that the Company may not sustain charge-offs which are in excess of the allowance in any given period.

GOODWILL AND INTANGIBLE ASSETS

Business combinations involving the Bank's acquisition of the equity interests or net assets of another enterprise give rise to goodwill. Total goodwill at December 31, 2014 was $29,917,000 consisting of $6,340,000, $14,643,000 and $8,934,000 representing the excess of the cost of Visalia Community Bank, Service 1st Bancorp and Bank of Madera County, respectively, over the net of the amounts assigned to assets acquired and liabilities assumed in the transactions accounted for under the purchase method of accounting. The value of goodwill is ultimately derived from the Bank's ability to generate net earnings after the acquisitions and is not deductible for tax purposes. A significant decline in net earnings could be indicative of a decline in the fair value of goodwill and result in impairment. For that reason, goodwill is assessed at least annually for impairment.

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

Goodwill is also tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the Company below its carrying amount. No such events or circumstances arose during the fourth quarter of 2014, so goodwill was not required to be retested.

The intangible assets at December 31, 2014 represent the estimated fair value of the core deposit relationships acquired in the 2008 acquisition of Service 1st Bank of $1,400,000 and the 2013 acquisition of Visalia Community Bank of $1,365,000. Core deposit intangibles are being amortized using the straight-line method over an estimated life of seven to ten years from the date of acquisition. The carrying value of intangible assets at December 31, 2014 was $1,344,000, net of $1,421,000 in accumulated amortization expense. The carrying value at December 31, 2013 was $1,680,000, net of $1,085,000 in accumulated amortization expense. Management evaluates the remaining useful lives quarterly to determine whether events or circumstances warrant a revision to the remaining periods of amortization. Based on the evaluation, no changes to the remaining useful lives was required. Management performed an annual impairment test on core deposit intangibles as of September 30, 2014 and determined no impairment was necessary. Amortization expense recognized was $337,000 for 2014, $268,000 for 2013 and $200,000 2012.

GOODWILL AND INTANGIBLE ASSETS (Continued)

The following table summarizes the Company's estimated core deposit intangible amortization expense for each of the next five years (in thousands):

Years Ending December 31,	Estimated Core Deposit Intangible Amortization
2015	$ 320
2016	137
2017	137
2018	137
2019	137
Thereafter	476
Total	$ 1,344

DEPOSITS AND BORROWINGS

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

Total deposits increased $35,009,000 or 3.49% to $1,039,152,000 as of December 31, 2014, compared to $1,004,143,000 as of December 31, 2013. Interest-bearing deposits increased $14,999,000 or 2.32% to $662,750,000 as of December 31, 2014, compared to $647,751,000 as of December 31, 2013. Non-interest bearing deposits increased $20,010,000 or 5.61% to $376,402,000 as of December 31, 2014, compared to $356,392,000 as of December 31, 2013. Average non-interest bearing deposits to average total deposits was 34.65% for the year ended December 31, 2014 compared to 33.47% for the same period in 2013. Our total market share of deposits in Fresno, Madera, San Joaquin, and Tulare counties was 3.81% in 2014 compared to 2.91% in 2013 based on FDIC deposit market share information published as of June 2014.

The composition of the deposits and average interest rates paid at December 31, 2014 and December 31, 2013 is summarized in the table below.

(Dollars in thousands)	December 31, 2014	% of Total Deposits	Effective Rate	December 31, 2013	% of Total Deposits	Effective Rate
NOW accounts	$ 209,781	20.2%	0.11%	$ 182,364	18.2%	0.15%
MMA accounts	228,268	22.0%	0.08%	234,515	23.3%	0.12%
Time deposits	153,320	14.7%	0.40%	168,954	16.8%	0.48%
Savings deposits	71,381	6.9%	0.05%	61,918	6.2%	0.08%
Total interest-bearing	662,750	63.8%	0.16%	647,751	64.5%	0.22%
Non-interest bearing	376,402	36.2%		356,392	35.5%	
Total deposits	$ 1,039,152	100.0%		$ 1,004,143	100.0%	

There were no short term borrowings as of December 31, 2014 and December 31, 2013. There were no long-term FHLB borrowings outstanding at December 31, 2014 or December 31, 2013. We maintain a line of credit with the FHLB collateralized by government securities and loans. Refer to *Liquidity* section below for further discussion of FHLB advances.

The Company succeeded to all of the rights and obligations of Service 1st Capital Trust I, a Delaware business trust, in connection with the acquisition of Service 1st as of November 12, 2008. The Trust was formed on August 17, 2006 for the sole purpose of issuing trust preferred securities fully and unconditionally guaranteed by Service 1st. Under applicable regulatory guidance, the amount of trust preferred securities that is eligible as Tier 1 capital is limited to 25% of the Company's Tier 1 capital on a pro forma basis. At December 31, 2014, all of the trust preferred securities that have been issued qualify as Tier 1 capital. The trust preferred securities mature on October 7, 2036, are redeemable at the Company's option beginning after five years, and require quarterly distributions by the Trust to the holder of the trust preferred securities at a variable interest rate which will adjust quarterly to equal the three month LIBOR plus 1.60%.

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

The Notes may be declared immediately due and payable at the election of the trustee or holders of 25% of the aggregate principal amount of outstanding Notes in the event that the Company defaults in the payment of any interest following the nonpayment of any such interest for 20 or more consecutive quarterly periods. Holders of the trust preferred securities are entitled to a cumulative cash distribution on the liquidation amount of $1,000 per security. For each January 7, April 7, July 7 or October 7 of each year, the rate will be adjusted to equal the three month LIBOR plus 1.60%. As of December 31, 2014, the rate was 1.83%. Interest expense recognized by the Company for the years ended December 31, 2014, 2013, and 2012 was $96,000, $98,000 and $107,000, respectively.

CAPITAL RESOURCES

Capital serves as a source of funds and helps protect depositors and shareholders against potential losses. Historically, the primary source of capital for the Company has been internally generated capital through retained earnings. In addition to net income, capital increased in 2009 from the issuance of preferred stock and warrants under the Treasury Capital Purchase Program and preferred stock and common stock issued to accredited investors. In 2008, in addition to net income, capital increased from common stock issued for the acquisition of Service 1st Bancorp.

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

Our shareholders' equity was $131,045,000 as of December 31, 2014, compared to $120,043,000 as of December 31, 2013. The increase in shareholders' equity is the result of increase in retained earnings from net income of $5,294,000, exercise of stock options, including the related tax benefit of $62,000, and the effect of share based compensation expense of $173,000, an increase in accumulated other comprehensive income (AOCI) of $7,663,000, offset by common stock cash dividends of $2,190,000.

On August 18, 2011, the Company entered into a Securities Purchase Agreement (SPA) with the Small Business Lending Fund of the United States Department of the Treasury (the Treasury), under which the Company issued 7,000 shares of Senior Non-Cumulative Perpetual Preferred Stock, Series C (the Preferred Shares) to the Treasury for an aggregate purchase price of $7,000,000. Simultaneously, the Company agreed with Treasury under a Letter Agreement to redeem, for an aggregate price of $7,000,000, the 7,000 shares of the Company's Series A Fixed Rate Cumulative Preferred Stock (Series A Stock) originally issued pursuant to the Treasury's Capital Purchase Program (CPP) in 2009. The redemption of the Series A Stock resulted in an acceleration of the remaining discount booked at the time of the CPP transaction. In connection with the repurchase of the Series A Stock, the Company also repurchased the warrant (the Warrant) to purchase 79,037 shares of the Company's common stock that was originally issued to Treasury in connection with the CPP transaction for total consideration of $185,000. See *Note 14* to the audited Consolidated Financial Statements in this report for a more detailed discussion.

On August 15, 2012, the Board of Directors of the Company approved the adoption of a program to effect repurchases of the Company's common stock. Under the program, the Company was to repurchase up to five percent of the Company's outstanding shares of common stock, or approximately 479,850 shares based on the shares outstanding as of August 15, 2012, for the period beginning on August 15, 2012, and ending February 15, 2013. During 2012,

CAPITAL RESOURCES (Continued)

the Company repurchased and retired a total of 58,100 shares at an average price of $8.41 for a total cost of $488,000. The stock repurchase program was suspended after the Company entered into a Reorganization Agreement and Plan of Merger (the Merger Agreement) with Visalia Community Bank on December 19, 2012.

During 2014, the Bank declared and paid cash dividends to the Company in the amount of $2,350,000 in connection with the cash dividends to the Company's shareholders approved by the Company's Board of Directors. The Bank may not pay any dividend that would cause it to be deemed not "well capitalized" under applicable banking laws and regulations. The Company declared and paid a total of $2,190,000 or $0.20 per common share cash dividend to shareholders of record during the year ended December 31, 2014.

During 2013, the Bank declared and paid cash dividends to the Company in the amount of $18,000,000 in connection with the VCB acquisition, the Series C Preferred redemption, and cash dividends to the Company's shareholders approved by the Company's Board of Directors. The Company declared and paid a total of $2,048,000 or $0.20 per common share cash dividend to shareholders of record during the year ended December 31, 2014.

During 2012, the Bank declared and paid cash dividends to the Company of $3,000,000, in connection with stock repurchase agreements and cash dividends approved by the Company's Board of Directors. On October 17, 2012, the Company declared a $0.05 per common share cash dividend to shareholders of record at the close of business on November 15, 2012 which was paid on November 30, 2012. No dividends on common shares were declared in 2012.

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 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 including acquisition opportunities.

On July 2, 2013, the Federal Reserve approved final rules that substantially amend the regulatory risk-based capital rules applicable to the Company and the Bank. The FDIC and the OCC have subsequently approved these rules. The final rules were adopted following the issuance of proposed rules by the Federal Reserve in June 2012, and implement the "Basel III" regulatory capital reforms and changes required by the Dodd-Frank Act. Basel III refers to two consultative documents released by the Basel Committee on Banking Supervision in December 2009, the rules text released in December 2010, and loss absorbency rules issued in January 2011, which include significant changes to bank capital, leverage and liquidity requirements.

The rules include new risk-based capital and leverage ratios, which will be phased in from 2015 to 2019, and will refine the definition of what constitutes "capital" for purposes of calculating those ratios. The new minimum capital level requirements applicable to the Company and the Bank under the final rules will be: (i) a new common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from current rules); and (iv) a Tier 1 leverage ratio of 4% for all institutions.

The final rules also establish a "capital conservation buffer" above the new regulatory minimum capital requirements, which must consist entirely of common equity Tier 1 capital. The capital conservation buffer will be phased-in over four years beginning on January 1, 2016, as follows: the maximum buffer will be 0.625% of risk-weighted assets for 2016, 1.25% for 2017, 1.875% for 2018, and 2.5% for 2019 and thereafter. This will result in the following minimum ratios beginning in 2019: (i) a common equity Tier 1 capital ratio of 7.0%, (ii) a Tier 1 capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. Under the final rules, institutions are subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations establish a maximum percentage of eligible retained income that could be utilized for such actions.

Basel III provided discretion for regulators to impose an additional buffer, the "countercyclical buffer," of up to 2.5% of common equity Tier 1 capital to take into account the macro-financial environment and periods of excessive credit growth. However, the final rules permit the countercyclical buffer to be applied only to "advanced approach banks" (i.e. , banks with $250 billion or more in total assets or $10 billion or more in total foreign exposures), which currently excludes the Company and the Bank. The final rules also implement revisions and clarifications consistent with Basel III regarding the various components of Tier 1 capital, including common equity, unrealized gains and losses, as well as certain instruments that will no longer qualify as Tier 1 capital, some of which will be phased out over time. However, the final rules provide that small depository institution holding companies with less than $15 billion in total assets as of December 31, 2009 (which includes the Company and the Bank) will be able to permanently include non-qualifying instruments that were issued and included in Tier 1 or Tier 2 capital prior to May 19, 2010 in additional Tier 1 or Tier 2 capital until they redeem such instruments or until the instruments mature.

The final rules also contain revisions to the prompt corrective action framework, which is designed to place restrictions on insured depository institutions, including the Bank, if their capital levels begin to show signs of weakness. These revisions take effect January 1, 2015. Under the prompt corrective action requirements, which are designed to complement the capital conservation buffer, insured depository institutions will be required to meet the following increased capital level requirements in order to qualify as "well capitalized:" (i) a new common equity Tier 1 capital ratio of 6.5%; (ii) a Tier 1 capital ratio of 8% (increased from 6%); (iii) a total capital ratio of 10% (unchanged from current rules); and (iv) a Tier 1 leverage ratio of 5% (increased from 4%).

The final rules set forth certain changes for the calculation of risk-weighted assets, which we will be required to utilize beginning January 1, 2015. The standardized approach final rule utilizes an increased number of credit risk exposure categories and risk weights, and also addresses: (i) an alternative standard of creditworthiness consistent with Section 939A of the Dodd-Frank Act Act; (ii) revisions to recognition of credit risk mitigation; (iii) rules for risk weighting of equity exposures and past due loans; (iv) revised capital treatment for derivatives and repo-style transactions; and (v) disclosure requirements for top-tier banking organizations with $50 billion or more in total assets that are not subject to the "advance approach rules" that apply to banks with greater than $250 billion in consolidated assets. Based on our current capital composition and levels, we believe that we would be in compliance with the requirements as set forth in the final rules if they were presently in effect.

CAPITAL RESOURCES (Continued)

The following table presents the Company's and the Bank's Regulatory capital ratios as of December 31, 2014 and December 31, 2013.

	December 31, 2014		December 31, 2013	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
Tier 1 Leverage Ratio				
Central Valley Community Bancorp and Subsidiary	$ 95,936	8.36%	$ 88,320	8.14%
Minimum regulatory requirement	$ 45,894	4.00%	$ 43,394	4.00%
Central Valley Community Bank	$ 95,298	8.31%	$ 87,674	8.09%
Minimum requirement for "Well-Capitalized" institution	$ 57,341	5.00%	$ 54,218	5.00%
Minimum regulatory requirement	$ 45,873	4.00%	$ 43,375	4.00%
Tier 1 Risk-Based Capital Ratio				
Central Valley Community Bancorp and Subsidiary	$ 95,936	13.67%	$ 88,320	13.88%
Minimum regulatory requirement	$ 28,075	4.00%	$ 25,454	4.00%
Central Valley Community Bank	$ 95,298	13.59%	$ 87,674	13.79%
Minimum requirement for "Well-Capitalized" institution	$ 42,080	6.00%	$ 38,151	6.00%
Minimum regulatory requirement	$ 28,053	4.00%	$ 25,434	4.00%
Total Risk-Based Capital Ratio				
Central Valley Community Bancorp and Subsidiary	$ 104,447	14.88%	$ 96,292	15.13%
Minimum regulatory requirement	$ 56,150	8.00%	$ 50,908	8.00%
Central Valley Community Bank	$ 103,809	14.80%	$ 95,639	15.04%
Minimum requirement for "Well-Capitalized" institution	$ 70,133	10.00%	$ 63,585	10.00%
Minimum regulatory requirement	$ 56,106	8.00%	$ 50,868	8.00%

We are required to deduct the disallowed portion of net deferred tax assets from Tier 1 capital in calculating our capital ratios. Generally, disallowed deferred tax assets that are dependent upon future taxable income are limited to the lesser of the amount of deferred tax assets that we expect to realize within one year, based on projected future taxable income, or 10% of the amount of our Tier 1 capital. Disallowed deferred tax assets deducted from Tier 1 capital were $3,613,000 and $7,330,000 at December 31, 2014 and 2013, respectively.

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 flows for off-balance sheet commitments.

Our primary sources of liquidity are derived from financing activities which include the acceptance of customer and, to a lesser extent, broker deposits, Federal funds facilities and advances from the Federal Home Loan Bank of San Francisco (FHLB). These funding sources are augmented by payments of principal and interest on loans, the routine maturities and pay downs of securities from the securities portfolio, the stability of our core deposits and the ability to sell investment securities. As of December 31, 2014, the Company had unpledged securities totaling $366,884,000 available as a secondary source of liquidity and total cash and cash equivalents of $77,328,000. Cash and cash equivalents at December 31, 2014 decreased 30.99% compared to December 31, 2013. 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. Due to the negative impact of the slow economic recovery, we have been cautiously managing our asset quality. Consequently, expanding our loan portfolio or finding adequate investments to utilize some of our excess liquidity has been difficult in the current economic environment.

As a means of augmenting our liquidity, we have established Federal funds lines with various correspondent banks. At December 31, 2014, our available borrowing capacity includes approximately $40,000,000 in Federal funds lines with our correspondent banks and $290,851,000 in unused FHLB advances. At December 31, 2014, 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, 2014 and 2013:

Credit Lines (In thousands)	December 31, 2014	December 31, 2013
Unsecured Credit Lines (interest rate varies with market):		
Credit limit	$ 40,000	$ 40,000
Balance outstanding	$ -	$ -
Federal Home Loan Bank (interest rate at prevailing interest rate):		
Credit limit	$290,851	$272,797
Balance outstanding	$ -	$ -
Collateral pledged	$183,036	$119,539
Fair value of collateral	$183,171	$119,902
Federal Reserve Bank (interest rate at prevailing discount interest rate):		
Credit limit	$ 2,441	$ 51
Balance outstanding	$ -	$ -
Collateral pledged	$ 2,729	$ 48
Fair value of collateral	$ 2,757	$ 52

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

OFF-BALANCE SHEET ITEMS

In the normal 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 $214,131,000 as of December 31, 2014 compared to $192,667,000 as of December 31, 2013. For a more detailed discussion of these financial instruments, see *Note 13* 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 13* to the audited Consolidated Financial Statements in this Annual Report.

CRITICAL ACCOUNTING POLICIES

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

Our accounting policies are integral to understanding the results reported. Our significant accounting policies are described in detail in *Note 1* in the audited Consolidated Financial Statements. Not all of the significant accounting policies presented in *Note 1* of the audited Consolidated Financial Statements in this Annual Report require management to make difficult, subjective or complex judgments or estimates.

Use of Estimates

The preparation of these financial statements requires management to make estimates and judgments that affect the reported amount of assets, liabilities,

CRITICAL ACCOUNTING POLICIES (Continued)

revenues and expenses. On an ongoing basis, management evaluates the estimates used. Estimates are based upon historical experience, current economic conditions and other factors that management considers reasonable under the circumstances.

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

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 an estimate of probable incurred credit losses in the Company's loan portfolio. 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 nonperforming trends, evaluation of specific loss estimates for all significant problem loans, historical charge-off and recovery experience and other pertinent information. See *Note 1* to the audited Consolidated Financial Statements in this Annual Report for more detail regarding our allowance for credit losses.

The calculation of the allowance for credit losses is by nature inexact, as the allowance represents our management's best estimate of the probable 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.

Impairment of Investment Securities

Investment securities are impaired when the amortized cost exceeds fair value. 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 prospect 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 and we do not intend to sell the security or it is more likely than not that we will not be required to sell the security before recovery, only the portion of the impairment loss representing credit exposure is recognized as a charge to earnings, with the balance recognized as a charge to other comprehensive income. If management intends to sell the security or it is more likely than not that we will be required to sell the security before recovering its forecasted cost, the entire impairment loss is recognized as a charge to earnings.

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 or more often if an event occurs or circumstances change that would more likely than not reduce the fair value of the Company below its carrying amount. 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.

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 determination of the amount of deferred income tax assets which are more likely than not to be realized is primarily dependent on projections of future earnings, which are subject to uncertainty and estimates that may change given economic conditions and other factors. The realization of deferred income tax assets is assessed and a valuation allowance is recorded if is "more likely than not" that all or a portion of the deferred tax asset will not be realized. "More likely than not" is defined as greater than a 50% chance. All available evidence, both positive and negative is considered to determine whether, based on the weight of that evidence, a valuation allowance is needed.

Only tax positions that meet the more-likely-than-not recognition threshold are recognized. 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, 2014, 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 portion of our loan portfolio. Refer to Market Risk section for further discussion.

Quantitative and Qualitative Disclosures About Market Risk

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

We realize income principally from the differential or spread between the interest earned on loans, investments, other interest-earning assets and the interest incurred on deposits and borrowings. The volumes and yields on loans, deposits and borrowings are affected by market interest rates. As of December 31, 2014, 79.59% of our loan portfolio was tied to adjustable-rate indices. The majority of our adjustable rate loans are tied to prime and reprice within 90 days. However, in the current low rate environment, several of our loans, tied to prime, are at their floors and will not reprice until prime plus the factor is greater than the floor. The majority of our time deposits have a fixed rate of interest. As of December 31, 2014, 82.17% of our time deposits matures within one year or less.

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

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

The ALCO seeks to stabilize our NII by matching rate-sensitive assets and liabilities through maintaining the maturity and repricing of these assets and liabilities at appropriate levels given the interest rate environment. When the amount of rate-sensitive liabilities exceeds rate-sensitive assets within specified time periods, NII generally will be negatively impacted by an increasing interest rate environment and positively impacted by a decreasing interest rate environment. Conversely, when the amount of rate-sensitive assets exceeds the amount of rate-sensitive liabilities within specified time periods, net interest income will generally be positively impacted by an increasing interest rate environment and negatively impacted by a decreasing interest rate environment. In recent years, we have shifted our mix of assets from consisting primarily of loans to a current mix that is approximately half loans and half securities, none of which are held for trading purposes. The value of these securities is subject to interest rate risk, which we must monitor and manage successfully in order to prevent declines in value of these assets if interest rates rise in the future. The speed and velocity of the repricing of assets and liabilities will also contribute to the effects on our NII, as will the presence or absence of periodic and lifetime interest rate caps and floors.

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

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

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

As a financial institution, the Company's primary component of market risk is interest rate volatility. Fluctuations in interest rates will ultimately impact both the level of interest income and interest expense recorded on a large portion of the Company's assets and liabilities, and the market value of all interest earning assets and interest bearing liabilities, other than those which possess a short term to maturity. Virtually all of the Company's interest earning assets and interest bearing liabilities are located at the Bank level. Thus, virtually all of the Company's interest rate risk exposure lies at the Bank level other than $5.2 million in subordinated debentures issued by the Company's subsidiary Service 1st Capital Trust I. As a result, all significant interest rate risk procedures are performed at the Bank level.

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

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

Management employs asset and liability management software to measure the Company's exposure to future changes in interest rates. The software measures the expected cash flows and re-pricing of each financial asset/liability separately in measuring the Company's interest rate sensitivity. Based on the results of the software's output, management believes the Company's balance sheet is evenly matched over the short term and slightly asset sensitive over the longer term as of December 31, 2014. This means that the Company would expect (all other things being equal) to experience a limited change in its net interest income if rates rise or fall. The level of potential or expected change indicated by the tables below is considered acceptable by management and is compliant with the Company's ALCO policies. Management will continue to perform this analysis each quarter.

The hypothetical impacts of sudden interest rate movements applied to the Company's asset and liability balances are modeled quarterly. The results of these models indicate how much of the Company's net interest income is "at risk" from various rate changes over a one year horizon. This exercise is valuable in identifying risk exposures. Management believes the results for the Company's December 31, 2014 balances indicate that the net interest income at risk over a one year time horizon for a 100 basis points ("bps"), 200 bps, 300 bps, and 400 bps rate increase and a 100 bps decrease is acceptable to management and within policy guidelines at this time. Given the low interest rate environment, 200 bps, 300 bps, and 400 bps decreases are not considered a realistic possibility and are therefore not modeled.

The results in the table below indicate the change in net interest income the Company would expect to see as of December 31, 2015, if interest rates were to change in the amounts set forth:

Sensitivity Analysis of Impact of Rate Changes on Interest Income

Hypothetical Change in Rates (Dollars in thousands)	Projected Net Interest Income	$ Change from Rates at December 31, 2015	% Change from Rates at December 31, 2015
Up 400 bps	$ 51,835	$ 5,370	11.56%
Up 300 bps	50,273	3,808	8.20%
Up 200 bps	48,690	2,225	4.79%
Up 100 bps	47,873	1,408	3.03%
Unchanged	46,465	-	-
Down 100 bps	44,747	(1,718)	(3.70)%

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

The following table shows management's estimates of how the loan portfolio is segregated between variable-daily, variable other than daily and fixed rate loans, and estimates of re-pricing opportunities for the entire loan portfolio at December 31, 2014 and 2013:

Rate Type (Dollars in thousands)	December 31, 2014 Balance	December 31, 2014 Percent of Total	December 31, 2013 Balance	December 31, 2013 Percent of Total
Variable rate	$ 455,735	79.59%	$ 399,338	77.94%
Fixed rate	116,853	20.41%	113,019	22.06%
Total gross loans	$ 572,588	100.00%	$ 512,357	100.00%

Approximately 79.59% of our loan portfolio is tied to adjustable rate indices and 40.38% of our loan portfolio reprices within 90 days. As of December 31, 2014, we had 984 commercial and real estate loans totaling $298,669,000 with floors ranging from 3.25% to 7.50% and ceilings ranging from 7.00% to 30.00%.

The following table shows the repricing categories of the Company's loan portfolio at December 31, 2014 and 2013:

Repricing (Dollars in thousands)	December 31, 2014 Balance	December 31, 2014 Percent of Total	December 31, 2013 Balance	December 31, 2013 Percent of Total
< 1 Year	$ 253,221	44.22%	$ 232,041	45.29%
1-3 Years	115,022	20.09%	107,553	20.99%
3-5 Years	120,065	20.97%	116,206	22.68%
> 5 Years	84,280	14.72%	56,557	11.04%
Total gross loans	$ 572,588	100.00%	$ 512,357	100.00%

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

Stock Price Information

The Company's common stock is listed for trading on the NASDAQ Capital Market under the ticker symbol CVCY. As of March 1, 2015, the Company had approximately 965 shareholders of record.

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

	Sales Prices for the Company's Common Stock	
Quarter Ended	**Low**	**High**
March 31, 2013	$ 7.69	$ 9.00
June 30, 2013	8.00	10.14
September 30, 2013	9.09	10.50
December 31, 2013	9.50	12.82
March 31, 2014	10.67	11.90
June 30, 2014	10.61	13.90
September 30, 2014	10.63	13.46
December 31, 2014	10.45	11.61

The Company paid $0.20 per year in common share cash dividends in 2014 and 2013. The Company's primary source of income with which to pay cash dividends are dividends from the Bank. The Bank would not pay any dividend that would cause it to be deemed not "well capitalized" under applicable banking laws and regulations. See Note 14 in the audited Consolidated Financial Statements in Item 8 of this Annual Report.

MARKET MAKERS

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

Troy Carlson
Keefe Bruyette & Woods
(212) 887-8901

Lisa Gallo
Wedbush Morgan Securities
(866) 491-7228

Richard Levenson
Western Financial Corporation
(800) 488-5990

Joey Warmenhoven
McAdams Wright Ragen, Inc.
(866) 662-0351

John Cavender
Raymond James
(415) 616-8935

Michael Hedri
Fig Partners, LLC
(212) 899-5217

Troy Norlander
Crowell, Weedon & Co.
(800) 288-2811

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 by calling 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.

STRENGTHENING OUR REGION

Central Valley Community Bank is committed to improving the life in the communities it serves by investing not just in the financial sense, but with a team of local banking professionals who have a deep understanding of the marketplace, its unique needs and the people that make up the entire San Joaquin Valley. We are grateful for the many relationships developed over our 35-year history and we remain committed to giving both financially and with the talents of our team to worthwhile organizations that help strengthen our region.

Affinion Group, Inc.
Ag Lenders Society of California
Alzheimer's Foundation of Central California
American Bankers Association
American Cancer Society
American Heart Association
American Institute of Certified Public Accountants
Auberry Intermountain Rotary
Boys & Girls Club of Tracy
Buddhist Church of Stockton
Building Industry Association of Tulare and Kings County
Builders Exchange of Merced and Mariposa
Business Organization of Old Town Clovis
California Association of Mortgage Brokers
California Bankers Association
California Chamber of Commerce
California Cotton Ginners Association
California Department of Consumer Affairs
California Emergency Food Link
California Farm Bureau Federation Young Farmers & Ranchers
California Financial Crimes Investigators Association
California Primary Care Association
California State University, Fresno
California State University, Fresno – Alumni Association
California State University, Fresno – Craig School of Business
California State University, Fresno – Foundation
California State University, Fresno – Gazarian Real Estate Center
California State University, Fresno – Maddy Institute
Central California Child Development Services
Central California Society for Prevention of Cruelty to Animals
Central Sierra Historical Society
Central Valley Business Incubator
Central Valley Recovery Services
Central Valley SCORE
Central Valley Sons of Italy Foundation
Certified Development Corporation of Tulare County
City of Exeter
Clovis Chamber of Commerce
Clovis Hall of Fame
Clovis Rodeo Association
Coarsegold Chamber of Commerce
Community Food Bank
Community Medical Foundation, Community Hospitals of Central California
County of Fresno Emergency Housing
Court Appointed Special Advocates of Fresno and Madera Counties
Court Appointed Special Advocates of Stanislaus County
Court Appointed Special Advocates of Tulare County
Doug McDonald Scholarship
Downtown Visalia Foundation
Eastern Madera County Chamber of Commerce
East Fresno Kiwanis Club
Economic Development Corporation
Economic Development Corporation of Tulare County
El Dorado Park Community Development Corporation
Emergency Food Bank and Family Services
Exceptional Parents Unlimited
Executives Association of Tulare County
Exeter Chamber of Commerce
Exeter Community Service Guild
Exeter Future Farmers of America
Exeter Merchants Association
Exeter Sober Grad, Inc.
Exeter Union High School
Financial Credit Networks, Inc.
Foundation for Clovis Schools
Foundation for Fresno County Public Library
Fresno Area Crime Stoppers
Fresno Area Hispanic Chamber of Commerce
Fresno Area Hispanic Foundation
Fresno Association of REALTORS
Fresno Business Council
Fresno City & County Historical Society
Fresno City College
Fresno County Farm Bureau
Fresno County Office of Education
Fresno County Youth Development Sponsoring Committee
Fresno Metro Black Chamber of Commerce
Fresno Rage Softball League
Fresno River Park Rotary Club
Grand Foundation
Greater Fresno Area Chamber of Commerce
Greater Merced Chamber of Commerce
Greater Stockton Chamber of Commerce
Habitat for Humanity
Hinds Hospice
Holy Cross Center for Women and Children
Holy Trinity Armenian Apostolic Church
Independent Community Bankers of America
International Association of Lions Clubs
Junior League of San Joaquin County
Kaweah Delta Health Care District
Kerman 4-H Club
Kerman Chamber of Commerce
Kerman High School
Kerman Rotary Club
Kerman Senior Advisory Board

Kings County Farm Bureau
Kings & Tulare County Continuum of Care on Homelessness
Kiwanis Club of Exeter Foundation
Leukemia & Lymphoma Society Central California Chapter
Lincoln High School
Lodi Chamber of Commerce
Lodi Police Foundation
Lodi-Tokay Rotary Club
LOEL Center & Gardens
Madera Community Hospital Foundation
Madera County Food Bank
Madera District Chamber of Commerce
Madera Police Officers Association
Marjaree Mason Center
Medical Group Management Association
Merced Boosters Club
Merced County Association of REALTORS
Merced County Chamber of Commerce
Merced County Farm Bureau
Merced County Food Bank
Modesto Chamber of Commerce
Modesto Sunrise Rotary
NAHRO Economic Engine
National Association of Government Guaranteed Lenders
National Notary Association
NeighborWorks HomeOwnership Center Sacramento Region
Oakdale Educational Foundation
Oakdale Golf and Country Club
Oakhurst Area Chamber of Commerce
Oakhurst Sierra Sunrise Rotary
Poverello House
Polly Wilhelmsen Sponsorship
Ponderosa Lions Club
Rancho Cordova Chamber of Commerce
Redwood Assistance Foundation
Regents of the University of California
Restoration for Life Charities - Stockton
Rotary Club of Clovis
Rotary Club of Fig Garden
Rotary Club of Fresno
Rotary Club of Merced
Rotary Club of Sacramento
Rotary International
Ruiz 4 Kids
Sacramento Builders' Exchange
Sacramento Medical Group Management Association
San Joaquin County Farm Bureau
San Joaquin Dental Society
San Joaquin River Parkway Conservation Trust, Inc.
Second Harvest Food Bank
Sequoia Council of the Boy Scouts of America
Shaver Lake Lions Club
Sidekick Taekwondo
Sierra High School
Sierra High School Athletics
Sierra High School Future Farmers of America
Sierra Lions Club
Sierra Women's Service Club
Smittcamp Family Honors College
Society for Human Resource Management
Soroptimist International of Modesto
Soroptimist International of the Sierras
Soroptimist International of Visalia
Southeast Fresno Community Economic Development Association
Spirit of Woman of California
Stanislaus County Farm Bureau
Stockton Athletic Hall of Fame
Stockton Sunrise Rotary Club
Stocktonians Taking Action to Neutralize Drugs Affordable Housing
The Art of Life Cancer Foundation
The Buddhist Church of Stockton
The Bulldog Foundation
The Clovis Community Foundation
The Downtown Fresno Partnership
The Exeter Art Gallery and Museum
The Fresno Restoration Center
The Merced County Fair
The Risk Management Association
The Salvation Army
Tracy Chamber of Commerce
Tracy Sunrise Rotary
Trauma Intervention Programs of Fresno County, Inc.
Traver Joint Elementary District
Tulare County Farm Bureau
Tulare County Symphony Association
Tulare & Kings Counties Builders Exchange
Twilight Haven
United Way California Capital Region
United Way of Fresno County
United Way of Merced County
United Way of San Joaquin County
United Way of Stanislaus County
United Way of Tulare County
Valley Children's Hospital Alegria Guild
Valley Children's Hospital Foundation
Valley Children's Hospital Las Madrinas Guild
Vineyard Christian Middle School
Visalia Breakfast Lions Club
Visalia Chamber of Commerce
Visalia Country Club
Visalia Economic Development Corporation
Visalia Emergency Aid Council
Visalia Pro Youth
Visalia Sunset Rotary Club
West Fresno Family Resource Center
Women's Success Network
YMCA Camp Sequoia Lake
Yosemite Gateway Association of REALTORS

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1795 Herndon Avenue,
Suite 101
Clovis, CA 93611
(559) 323-2200

Exeter
300 East Pine Street
Exeter, CA 93221
(559) 594-9919

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Fig Garden Village
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Suite 100
Lodi, CA 95242
(209) 333-5000

Madera
1919 Howard Road
Madera, CA 93637
(559) 673-0395

Merced
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Suite B
Merced, CA 95340
(209) 725-2820

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2020 Standiford Avenue,
Suite H
Modesto, CA 95350
(209) 576-1402

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