

CENTRAL VALLEY COMMUNITY BANCORP

Form 10-Q

August 14, 2008

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR
THE QUARTERLY PERIOD ENDED JUNE 30, 2008**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR
THE TRANSITION PERIOD FROM TO**

COMMISSION FILE NUMBER: 000 31977

CENTRAL VALLEY COMMUNITY BANCORP

(Exact name of registrant as specified in its charter)

California

(State or other jurisdiction of incorporation or organization)

77-0539125

(I.R.S. Employer Identification No.)

7100 N. Financial Dr., California

(Address of principal executive offices)

93720

(Zip code)

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Registrant's telephone number (559) 298-1775

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of August 12, 2008 there were 6,006,119 shares of the registrant's common stock outstanding

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CENTRAL VALLEY COMMUNITY BANCORP

2008 QUARTERLY REPORT ON FORM 10-Q

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Table of Contents**PART 1: FINANCIAL INFORMATION****ITEM 1: FINANCIAL STATEMENTS****CENTRAL VALLEY COMMUNITY BANCORP****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In thousands, except share amounts)	June 30, 2008	December 31, 2007
ASSETS		
Cash and due from banks	\$ 21,911	\$ 17,108
Federal funds sold	17,369	14,536
Total cash and cash equivalents	39,280	31,644
Interest bearing deposits in other banks	5,000	
Available-for-sale investment securities, at fair value (Amortized cost of \$99,880 at June 30, 2008 and \$84,139 at December 31, 2007)	96,635	84,373
Loans, less allowance for credit losses of \$4,076 at June 30, 2008 and \$3,887 at December 31, 2007	348,177	337,241
Bank premises and equipment, net	6,043	5,767
Bank owned life insurance	6,847	6,723
Federal Home Loan Bank stock	2,079	2,022
Goodwill	8,934	8,934
Accrued interest receivable, intangibles and other assets	9,515	6,981
Total assets	\$ 522,510	\$ 483,685
LIABILITIES AND SHAREHOLDERS EQUITY		
Deposits:		
Non-interest bearing	\$ 127,499	\$ 128,120
Interest bearing	289,548	274,442
Total deposits	417,047	402,562
Short-term borrowings	19,900	20,000
Long-term debt	19,000	
Accrued interest payable and other liabilities	12,421	6,929
Total liabilities	468,368	429,491
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value: 10,000,000 shares authorized, no shares issued or outstanding		
Common stock, no par value; 80,000,000 authorized; outstanding 6,006,119 at June 30, 2008 and 5,975,316 at December 31, 2007	13,900	13,571
Retained earnings	42,189	40,483
Accumulated other comprehensive (loss) income, net of tax	(1,947)	140
Total shareholders' equity	54,142	54,194
Total liabilities and shareholders' equity	\$ 522,510	\$ 483,685

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See notes to unaudited condensed consolidated financial statements.

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CENTRAL VALLEY COMMUNITY BANCORP

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands except earnings per share amounts)	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2008	2007	2008	2007
INTEREST INCOME:				
Interest and fees on loans	\$ 6,201	\$ 7,005	\$ 12,686	\$ 13,578
Interest on Federal funds sold	57	155	128	299
Interest and dividends on investment securities:				
Taxable	1,013	873	1,917	1,770
Exempt from Federal income taxes	228	209	457	450
Total interest income	7,499	8,242	15,188	16,097
INTEREST EXPENSE:				
Interest on deposits	1,516	2,063	3,192	3,886
Other	257	49	421	113
Total interest expense	1,773	2,112	3,613	3,999
Net interest income before provision for credit losses	5,726	6,130	11,575	12,098
PROVISION FOR CREDIT LOSSES	135	120	270	240
Net interest income after provision for credit losses	5,591	6,010	11,305	11,858
NON-INTEREST INCOME:				
Service charges	843	665	1,646	1,357
Appreciation in cash surrender value of bank owned life insurance	62	56	124	111
Loan placement fees	22	63	55	128
Net realized gains on sales and calls of investment securities				44
Federal Home Loan Bank stock dividends	29	23	56	51
Gain on sale and disposal of equipment				4
Other income	318	309	631	580
Total non-interest income	1,274	1,116	2,512	2,275
NON-INTEREST EXPENSES:				
Salaries and employee benefits	2,847	2,664	5,716	5,372
Occupancy and equipment	675	657	1,310	1,307
Other expense	1,444	1,435	2,912	2,782
Total non-interest expenses	4,966	4,756	9,938	9,461
Income before provision for income taxes	1,899	2,370	3,879	4,672
PROVISION FOR INCOME TAXES	584	751	1,259	1,601
Net income	\$ 1,315	\$ 1,619	\$ 2,620	\$ 3,071
Basic earnings per share	\$ 0.22	\$ 0.27	\$ 0.44	\$ 0.51
Diluted earnings per share	\$ 0.21	\$ 0.25	\$ 0.42	\$ 0.48
Cash dividends per share	\$	\$	\$ 0.10	\$

See notes to unaudited condensed consolidated financial statements.

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CENTRAL VALLEY COMMUNITY BANCORP

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2007

AND THE SIX MONTH PERIOD ENDED JUNE 30, 2008

(Unaudited)

(In thousands except share and per share amounts)	Shares	Amount	Retained Earnings	Accumulated Other Comprehensive (Loss)/ Income (Net of Taxes)	Total Shareholders Equity	Total Comprehensive Income
Balance, January 1, 2007	6,037,656	\$ 14,007	\$ 35,888	\$ (117)	\$ 49,778	
Comprehensive income:						
Net income			6,280		6,280	\$ 6,280
Other comprehensive loss, net of tax:						
Net change in unrealized gain (loss) on available-for-sale investment securities				257	257	257
Total comprehensive income						\$ 6,537
Cash dividend - \$.10 per share			(595)		(595)	
Repurchase and retirement of common stock	(186,800)	(1,617)	(1,090)		(2,707)	
Stock-based compensation expense		221			221	
Stock options exercised and related tax benefit	124,460	960			960	
Balance, December 31, 2007	5,975,316	13,571	40,483	140	54,194	
Comprehensive income:						
Net income			2,620		2,620	\$ 2,620
Other comprehensive loss, net of tax:						
Net change in unrealized gain (loss) on available-for-sale investment securities				(2,087)	(2,087)	(2,087)
Total comprehensive income						\$ 533
Cash dividend - \$.10 per share			(598)		(598)	
Stock options exercised and related tax benefit	30,803	207			207	
Stock-based compensation expense		122			122	
Cumulative effect of adopting EITF 06-4			(316)		(316)	
Balance, June 30, 2008	6,006,119	\$ 13,900	\$ 42,189	\$ (1,947)	\$ 54,142	

See notes to unaudited condensed consolidated financial statements.

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CENTRAL VALLEY COMMUNITY BANCORP

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

(Unaudited)

(In thousands)	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,620	\$ 3,071
Adjustments to reconcile net income to net cash provided by operating activities:		
Net decrease in deferred loan fees	(66)	(69)
Depreciation, accretion and amortization, net	533	551
Stock-based compensation	122	96
Tax benefit from exercise of stock options	(57)	(165)
Provision for credit losses	270	240
Net realized gains on sales and calls of available-for-sale investment securities		(44)
Net gain on sale and disposal of equipment		(4)
Increase in bank owned life insurance, net of expenses	(124)	(112)
FHLB stock dividends	(56)	(51)
Net increase in accrued interest receivable and other assets	(1,172)	(226)
Net increase (decrease) in accrued interest payable and other liabilities	5,176	(176)
Provision for deferred income taxes	(22)	(15)
Net cash provided by operating activities	7,224	3,096
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of available-for-sale investment securities	(30,489)	(2,572)
Proceeds from sales or calls of available-for-sale investment securities		5,699
Proceeds from maturity of available-for-sale investment securities	5,250	2,150
Proceeds from principal repayments of available-for-sale investment securities	9,539	8,458
Net (increase) decrease in interest bearing deposits in other banks	(5,000)	165
Net FHLB stock purchases		(29)
Net increase in loans	(11,140)	(16,939)
Purchases of premises and equipment	(742)	(1,792)
Proceeds from sale of premises and equipment		4
Net cash used in investing activities	(32,582)	(4,856)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in demand, interest bearing and savings deposits	13,827	(28,167)
Net increase in time deposits	658	9,447
Proceeds from borrowings from Federal Home Loan Bank	164,500	57,500
Repayments to Federal Home Loan Bank	(145,600)	(49,500)
Repayments of borrowings from other financial institutions		(625)
Share repurchase and retirement		(2,066)
Proceeds from exercise of stock options	150	273
Tax benefit from exercise of stock options	57	165
Cash paid for dividends	(598)	
Net cash provided by (used in) financing activities	32,994	(12,973)
Increase (decrease) in cash and cash equivalents	7,636	(14,733)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	31,644	48,116
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 39,280	\$ 33,383
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest expense	\$ 3,526	\$ 3,962

FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

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Income taxes	\$	1,965	\$	1,890
Non-Cash Investing Activities:				
Net pre-tax change in unrealized losses on available-for-sale investment securities	\$	(2,087)	\$	(660)
Non-Cash Financing Activities:				
Tax benefit from stock options exercised	\$	57	\$	165

See notes to unaudited condensed consolidated financial statements.

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CENTRAL VALLEY COMMUNITY BANCORP

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Basis of Presentation

The interim unaudited condensed consolidated financial statements of Central Valley Community Bancorp and subsidiary have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). These interim condensed consolidated financial statements include the accounts of Central Valley Community Bancorp and its wholly owned subsidiary Central Valley Community Bank (the Bank) (collectively, the Company). All significant intercompany accounts and transactions have been eliminated in consolidation. Certain information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. The Company believes that the disclosures are adequate to make the information presented not misleading. These interim condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's 2007 Annual Report to Shareholders on Form 10-K. In the opinion of management, all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the Company's financial position and shareholders' equity at June 30, 2008 and December 31, 2007, and the results of its operations for the three and six month interim periods ended June 30, 2008 and June 30, 2007 and its cash flows for the six month interim periods ended June 30, 2008 and June 30, 2007 have been included. Certain reclassifications have been made to prior year amounts to conform to the 2008 presentation. The results of operations for interim periods are not necessarily indicative of results for the full year.

The preparation of these condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Note 2. Stock-Based Compensation

The Company has three stock-based compensation plans which are described as follows:

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

On November 15, 2000, the Company adopted, and subsequently amended on December 20, 2000, the Central Valley Community Bancorp 2000 Stock Option Plan for which 807,081 shares remain reserved for issuance for options already granted to employees and directors under incentive and nonstatutory agreements and 10,936 remain reserved for future grants. The plan requires that the option price may not be less than the fair market value of the stock at the date the option is granted, and that the option price must be paid in full at the time it is exercised. The options under the plan expire on dates determined by the Board of Directors, but not later than ten years from the date of grant. The vesting period is determined by the Board of Directors and is generally over five years.

In May 2005, the Company adopted the Central Valley Community Bancorp 2005 Omnibus Incentive Plan (2005 Plan). The plan provides for awards in the form of incentive stock options, non-statutory stock options, stock appreciation rights, and restricted stock. The plan also allows for performance awards that may be in the form of cash or shares of the Company, including restricted stock. The maximum number of shares that can be issued with respect to all awards under the plan is 476,000. Currently under the 2005 Plan, there are 15,000 shares reserved for issuance for options already granted to employees and 461,000 remain reserved for future grants as of June 30, 2008. The plan requires that the exercise price may not be less than 100% of the fair market value of the stock at the date the option is granted, and that the option price must be paid in full at the time it is exercised. The options and awards under the plan expire on dates determined by the Board of Directors, but not later than 10 years from the date of grant. The vesting period for the options and option related stock appreciation rights is determined by the Board of Directors and is generally over five years.

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For the six month periods ended June 30, 2008 and 2007, the compensation cost recognized for stock option compensation was \$122,000 and \$96,000, respectively. For the quarter ended June 30, 2008 and 2007, compensation cost recognized was \$59,000 for each quarter. The recognized tax benefit for stock option compensation expense was \$57,000 and \$165,000, for the six month periods ended June 30, 2008 and 2007, respectively. For the three month periods ended June 30, 2008 and 2007, recognized tax benefits were \$49,000 and \$131,000, respectively. As of June 30, 2008, there was \$705,000 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 3.3 years.

The Company bases the fair value of the options granted on the date of grant using a Black-Scholes 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 simplified method described in SEC Staff Accounting Bulletin No. 107 was used to determine the expected term of the Company's options in 2007. 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 have been granted in either the 2000 Plan or the 2005 Plan in 2008. In the fourth quarter of 2007, the Board of Directors of the Company approved the cancellation of 15,000 stock options granted on May 1, 2006 and 78,900 stock options granted on April 23, 2007. The Board granted new options to the directors, senior managers and other employees in the same numbers and to the same employees who were holders of the cancelled options. The grant date of the new options was October 17, 2007 and the options were granted with an exercise price equal to the fair market value on the grant date of \$12.00 per share. The modification affected 60 employees and 8 directors and the total incremental compensation cost recognized in 2007 for the modification was \$29,000.

Stock Option Activity

A summary of the combined activity of the plans follows:

	Shares	Weighted Average Exercise Price	Six months ended June 30, 2008 Weighted Average Remaining Contractual Term	Average Intrinsic Value (In thousands)
Options outstanding, beginning of period	861,834	\$ 7.22		\$ 3,712
Options granted				
Options exercised	(30,803)	\$ 4.88		
Options canceled	(8,950)	\$ 13.01		
Options outstanding, end of period	822,081	\$ 7.25	4.36	\$ 2,803
Options vested or expected to vest at June 30, 2008	759,250	\$ 7.20	5.40	\$ 2,615
Options exercisable, end of period	656,331	\$ 5.86	3.45	\$ 2,803

The total intrinsic value of options exercised in the six months ended June 30, 2008 and 2007, was \$142,000 and \$403,000, respectively.

Note 3. Earnings per share

Basic earnings per share (EPS), which excludes dilution, is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as stock options, stock appreciation rights settled in stock or restricted stock awards, result in the issuance of common stock which shares in the earnings of the Company. There was no difference in the net income used in the calculation of basic earnings per share and diluted earnings per share.

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A reconciliation of the numerators and denominators of the basic and diluted EPS computations is as follows:

Basic Earnings Per Share

In thousands (except share and per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net income	\$ 1,315	\$ 1,619	\$ 2,620	\$ 3,071
Weighted average shares outstanding	5,991,101	5,990,140	5,984,025	6,007,534
Net income per share	\$ 0.22	\$ 0.27	\$ 0.44	\$ 0.51

Diluted Earnings Per Share

In thousands (except share and per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net income	\$ 1,315	\$ 1,619	\$ 2,620	\$ 3,071
Weighted average shares outstanding	5,991,101	5,990,140	5,984,025	6,007,534
Effect of dilutive stock options	286,589	401,452	292,990	412,332
Weighted average shares of common stock and common stock equivalents	6,277,690	6,391,592	6,277,015	6,419,866
Net income per diluted share	\$ 0.21	\$ 0.25	\$ 0.42	\$ 0.48

Note 4. Fair Value of Assets and Liabilities

On January 1, 2008, the Company adopted Financial Accounting Standards Board (FASB) Statement No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America (GAAP) and expands disclosures about fair value measurements. There was no cumulative effect adjustment to beginning retained earnings recorded upon adoption and no impact on the financial statements in the six month period ended June 30, 2008.

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring and non recurring basis as of June 30, 2008, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

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(In thousands)	Fair Value Measurements at June 30, 2008, Using			
	Fair Value June 30, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets and liabilities measured on a recurring basis:				
Available-for-sale investment securities	\$ 96,635	\$ 7,356	\$ 81,770	\$ 7,509
Total assets and liabilities measured at fair value on a recurring basis	\$ 96,635	\$ 7,356	\$ 81,770	\$ 7,509
Assets and liabilities measured on a non-recurring basis:				
Impaired loans	\$ 366		\$ 366	
Total assets and liabilities measured at fair value on a non-recurring basis	\$ 366		\$ 366	

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The fair value of available-for-sale investment securities is based on actual market price determinations from third party evaluation vendors. The fair value of impaired loans is based on the fair value of the collateral for all collateral dependent loans and for other impaired loans is estimated using a discounted cash flow model.

Fair Value Measurements Using Significant Unobservable Inputs**(Level 3)**

(In thousands)	Available-for-sale Investment Securities	
Beginning balance	\$	9,011
Total gains or losses (realized/unrealized)		
Included in earnings(or changes in net assets)		(7)
Included in other comprehensive income		33
Purchases, sales and principal payments		(1,528)
Transfers in and/or out of Level 3		
Ending balance	\$	7,509

Note 5. Comprehensive Income

Total comprehensive income is comprised of net earnings and net unrealized gains and losses on available-for-sale securities, which is the Company's only source of other comprehensive income. Total comprehensive income for the three-month periods ended June 30, 2008 and 2007 was \$711,000 and \$1,062,000 and was \$533,000 and \$2,675,000 for the six month periods ended June 30, 2008 and 2007, respectively.

Note 6. Commitments and Contingencies

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. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets. The contract or notional amounts of these instruments reflect the extent of involvement the Company has in particular classes of financial instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for loans.

Commitments to extend credit amounting to \$119,033,000 and \$134,669,000 were outstanding at June 30, 2008 and December 31, 2007, respectively. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee.

Undisbursed lines of credit amounting to \$64,629,000 and \$77,933,000 were outstanding at June 30, 2008 and December 31, 2007, respectively. Undisbursed lines of credit are revolving lines of credit whereby customers can repay principal and advance principal during the term of the loan

at their discretion and most expire between one and twelve months.

The Company has undisbursed portions of construction loans totaling \$11,024,000 and \$15,868,000 as of June 30, 2008 and December 31, 2007, respectively. These commitments are agreements to lend to a customer, subject to meeting certain construction progress requirements. The underlying construction loans have fixed expiration dates.

Standby letters of credit and financial guarantees amounting to \$425,000 and \$969,000 were outstanding at June 30, 2008 and December 31, 2007, respectively. Standby letters of credit and financial guarantees are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support private borrowing arrangements. Most guarantees carry a one year term or less. 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 June 30, 2008 and December 31, 2007. The Company recognizes these fees as revenue over the term of the commitment or when the commitment is used.

The Company generally requires collateral or other security to support financial instruments with credit risk. Management does not anticipate any material loss will result from the outstanding commitments to extend credit, standby letters of credit and financial guarantees.

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.

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The Company files its income taxes on a consolidated basis with its subsidiaries. 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 consolidated balance sheets, net deferred tax assets are included in accrued interest receivable and other assets.

Accounting for uncertainty in income taxes - 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 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. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of tax expense in the consolidated statements of income. There have been no significant changes to unrecognized tax benefits or accrued interest and penalties for the quarter ended June 30, 2008.

Note 8. Stock Repurchase

On November 20, 2007, the Board of Directors approved a stock repurchase plan authorizing the purchase of shares of the Company's common stock up to a total cost of approximately \$1,000,000 during the period from November 21, 2007 to May 21, 2008. Under the plan, the Company repurchased 24,300 shares in 2007 at an average price of \$12.55 for a total cost of \$305,000. No shares have been repurchased under the plan in 2008 and the plan expired May 20, 2008.

Note 9. Borrowing Arrangements

Federal Home Loan Bank Advances: Advances from the Federal Home Loan Bank (FHLB) of San Francisco consisted of the following:

Amount	June 30, 2008 Rate (Dollars in thousands)	Maturity Date	Amount	December 31, 2007 Rate (Dollars in thousands)	Maturity Date
\$ 3,890	2.26%	November 6, 2008	\$ 10,000	4.37%	January 10, 2008
11,110	2.27%	November 6, 2008	10,000	4.49%	January 9, 2008
4,900	2.24%	November 7, 2008			

Note 6. Commitments and Contingencies

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5,000	2.73%	February 5, 2010		
5,000	3.00%	February 7, 2011		
5,000		February 14,		
	3.10%	2011		
4,000		February 13,		
	3.59%	2013		
38,900			20,000	
(19,900)	Less short-		(20,000)	Less short-
	term portion			term portion
\$ 19,000	Long-term		\$	Long-term
	debt			debt

FHLB advances are secured by investment securities with amortized costs totaling \$49,933,000 and \$24,231,000 and market values totaling \$47,998,000 and \$24,203,000 at June 30, 2008 and December 31, 2007, respectively. The Bank's credit limit varies according to the amount and composition of the investment and loan portfolios pledged as collateral.

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Note 9. Pending Acquisition

On May 28, 2008, Central Valley Community Bancorp and Service 1st Bancorp, headquartered in Tracy, California entered into a Reorganization Agreement and Plan of Merger. Under the terms of the agreement, Service 1st Bancorp will merge with and into Central Valley Community Bancorp (the Merger), and the Service 1st Bancorp subsidiary, Service 1st Bank, with branches in Tracy, Stockton and Lodi, will merge with and into Central Valley Community Bancorp's subsidiary, Central Valley Community Bank (the Bank Merger), subject to receipt of required regulatory approvals and approvals by both companies' shareholders.

The California Department of Financial Institutions approved the Bank Merger on August 6, 2008. An application for approval is currently pending with the Federal Deposit Insurance Corporation. Notice to the Board of Governors of the Federal Reserve System is planned to be given in the near future. The dates of shareholder special meetings have not yet been set. The Merger and Bank Merger are currently projected to be completed in the fourth quarter of 2008.

Under the merger agreement, Service 1st Bancorp shareholders will receive in exchange for each share of Bancorp common stock held, cash in the amount of \$2.50 and shares of Central Valley Community Bancorp common stock based on an exchange ratio of 0.681818, representing an aggregate cash amount of \$5,971,848 and an aggregate share amount of 1,628,686, subject to certain adjustments that will be finalized prior to completion of the Merger, and subject to a cash holdback of \$3,500,000, approximately \$1.33 per share, to be deposited into an escrow account pending the outcome of certain litigation matters.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

When the Company uses in this Quarterly Report on Form 10-Q the words anticipate, estimate, expect, project, intend, commit, 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 Quarterly Report on Form 10-Q. 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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

On January 1, 2008, the Company adopted Financial Accounting Standards Board (FASB) issued Statement No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. The Company adopted SFAS 157 on January 1, 2008 and there was no cumulative effect adjustment to beginning retained earnings recorded upon adoption and no impact on the financial statements in the first six months of 2008.

In September 2006, the FASB ratified the consensus reached by the Task Force on Issue No. 06-4 (EITF 06-04), *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements*. A question arose when an employer enters into an endorsement split-dollar life insurance arrangement related to whether the employer should recognize a liability for the future benefits or premiums to be provided to the employee. EITF 06-04 indicates that an employer should recognize a liability for future benefits and that a liability for the benefit obligation has not been settled through the purchase of an endorsement type policy. The Company adopted the provisions of EITF 06-04 on January 1, 2008 and a liability of \$316,000 was recorded with the corresponding reduction as a cumulative-effect adjustment to beginning retained earnings.

There have been no other changes to the Company's critical accounting policies from those discussed in the Company's 2007 Annual Report to Shareholders on Form 10-K.

This discussion should be read in conjunction with our unaudited condensed consolidated financial statements, including the notes thereto, appearing elsewhere in this report.

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OVERVIEW

Second Quarter 2008

In the second quarter of 2008, our consolidated net income was \$1,315,000 compared to net income of \$1,619,000 for the same period in 2007. Diluted EPS was \$0.21 for the second quarter 2008 compared to \$0.25 for the second quarter 2007. The decrease in net income was principally due to decreasing yields on earning assets outpacing the decreases in rates paid on interest bearing liabilities. As a result the net interest margin decreased 65 basis points for the second quarter of 2008 compared to the same period in 2007. Additionally, average total interest bearing liabilities increased 10.8% while average total loans increased 6.0%.

Annualized return on average equity for the second quarter of 2008 was 9.71% compared to 12.67% for the same period in 2007. Total average equity was \$54,136,000 for the second quarter 2008 compared to \$51,079,000 for the second quarter 2007. Equity increased primarily as a result of the net income included in retained earnings and proceeds from exercise of stock options offset by the repurchase of shares of the Company's common stock and an increase in other comprehensive loss.

First Six Months of 2008

For the six months ended June 30, 2008, the Company's consolidated net income was \$2,620,000 compared to \$3,071,000 for same period in 2007. Diluted EPS was \$0.42 for the six months ended June 30, 2008 compared to \$0.48 for the same period in 2007.

Annualized return on average equity for the six months ended June 30, 2008 was 9.63% compared to 12.11% for the same period in 2007. Annualized return on average assets for the six months ended June 30, 2008 was 1.06% compared to 1.29% for the same period in 2007. Total average equity was \$54,400,000 for the six months ended June 30, 2008 compared to \$50,695,000 for the same period in 2007. Equity increased primarily as a result of the net income and proceeds from the exercise of stock options offset by the repurchase of shares of the Company's common stock and an increase in other comprehensive loss.

In comparing the first half of 2008 to the first half of 2007, total loans continued to increase. Average total loans increased \$21,429,000 or 6.6% in the first six months of 2008 compared to the six months ended June 30, 2007 while average interest bearing liabilities increased \$23,239,000 or 8.1% over the same period. While yields on earning assets decreased 70 basis points, the rates paid on interest bearing liabilities decreased at a slower rate by 46 basis points. As a result, net interest margin declined by 46 basis points from June 30, 2007 to June 30, 2008. Asset quality continues to be strong. The Bank had non-accrual loans totaling \$366,000 at June 30, 2008, compared to \$179,000 at December 31, 2007 and \$86,000 at June 30, 2007. The Company had no other real estate owned at June 30, 2008, December 31, 2007, or June 30, 2007.

Central Valley Community Bancorp (Company)

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We are a central California-based bank holding company for a one-bank subsidiary, Central Valley Community Bank (Bank). We provide traditional commercial banking services to small and medium-sized businesses and individuals in the communities along the Highway 99 corridor in the Fresno and Madera Counties of central California. Additionally, we have a private banking office in Sacramento County and a loan production office in Modesto, California. As a bank holding company, the Company is subject to supervision, examination and regulation by the Federal Reserve Bank. We recently entered into a Reorganization Agreement and Plan of Merger with Service 1st Bancorp. Service 1st Bank has branches in Tracy, Stockton and Lodi, California. Applications for prior approval of the merger by the Federal Deposit Insurance Corporation and the California Department of Financial Institutions were mailed on July 2, 2008. On August 6, 2008, the Bank Merger was approved by the California Department of Financial Institutions. The merger application filed with the Federal Deposit Insurance Corporation is still pending. Notice to the Board of Governors of the Federal Reserve System is planned to be given in the near future. The dates of shareholders special meetings have not yet been set. The Merger and Bank Merger are currently projected to be completed in the fourth quarter of 2008.

At June 30, 2008, we had total loans of \$352,253,000, total assets of \$522,510,000, total deposits of \$417,047,000, and shareholders' equity of \$54,142,000.

Central Valley Community Bank (Bank)

The Bank commenced operations in January 1980 as a state-chartered bank. As a state-chartered bank, the Bank is subject to primary supervision, examination and regulation by the Department of Financial Institutions. The Bank's deposits are insured by the Federal Deposit Insurance Corporation up to the applicable limits thereof, and the Bank is subject to supervision, examination and regulations of the FDIC.

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The Bank operates 12 branches which serve the communities of Fresno, Clovis, Kerman, Prather, Oakhurst, Madera, and Sacramento, California; and a loan production office which serves the Modesto, California community. Additionally the Bank operates Real Estate, Agribusiness and SBA departments that originate loans in California. According to the June 30, 2007 FDIC data, the Bank's seven branches in Fresno County (Clovis, Fresno, Kerman, and Prather) had a 4.1% combined deposit market share of all depositories including credit unions, thrifts, and savings banks.

Branch expansions and the anticipated merger with Service 1st Bank provide the Company with opportunities to expand its loan and deposit base. The merger will add three branch offices located in Tracy, Lodi and Stockton, California. During 2007 we opened a new loan production office in Modesto, California. The Bank anticipates additional branch openings in the future to meet the growing service needs of its customers. Management expects that new offices initially will have a negative impact on earnings until the volume of business grows to cover fixed overhead expenses.

Key Factors in Evaluating Financial Condition and Operating Performance

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

- Return to our stockholders;
- Return on average assets;
- Return on average equity;
- Asset quality;
- Asset growth; and
- Operating efficiency.

Return to Our Stockholders

Our return to our stockholders is measured in the form of return on average equity (ROE). Our annualized ROE was 9.63% for the six months ended June 30, 2008 compared to 12.13% for the year ended December 31, 2007 and 12.11% for the six months ended June 30, 2007. Peer ROE, as of March 31, 2008 was 8.72%. Our net income for the six months ended June 30, 2008 decreased \$451,000 or 14.7% to \$2,620,000 compared to \$3,071,000 for the six months ended June 30, 2007. Net income decreased due to decreases in net interest income, and increases in the provision for credit losses and non-interest expenses, offset by an increase in non-interest income. Diluted EPS was \$0.42 for the six months ended June 30, 2008 and \$0.48 for the same period in 2007.

Return on Average Assets

Our return on average assets (ROA) is a measure we use to compare our performance with other banks and bank holding companies. Our annualized ROA for the six months ended June 30, 2008 was 1.06% compared to 1.32% for the year ended December 31, 2007 and 1.29% for the six months ended June 30, 2007. The decrease in ROA compared to December 2007 is due to the decrease in net income relative to our

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increase in average assets. Average assets for the six months ended June 30, 2008 were \$495,944,000 compared to \$477,321,000 for the year ended December 31, 2007. ROA for our peer group was 0.81% at March 31, 2008. Peer group from SNL Financial data includes certain bank holding companies in central California with assets from \$300 million to \$1 billion.

Development of Core Earnings

Over the past several years, we have focused on not only improving net income, but improving the consistency of our revenue streams in order to create more predictable future earnings and reduce the effect of changes in our operating environment on our net income. Specifically, we have focused on net interest income through a variety of processes, including increases in average interest earning assets as a result of loan generation and retention, 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. The Company's net interest margin (fully tax equivalent basis) was 5.22% for the first half of 2008, compared to 5.68% for the same period in 2007. The decrease in net interest margin is principally due to a decrease in the Company's yield on earning assets which was greater than the decrease in our cost of funds. In comparing the two periods, the effective yield on total earning assets decreased 70 basis points while the cost of total interest bearing liabilities decreased 46 basis points and the cost of total deposits decreased 29 basis points. The Company's total cost of deposits for the six months ended June 30, 2008 was 1.57% compared to 1.86% for the same period in 2007. The Company has less exposure than many of its competitors to such interest expense increases, as 31.2% of its average deposits are non-interest bearing. Net interest income for the first half of 2008 was \$11,575,000 compared to \$12,098,000 for the same period in 2007.

Our non-interest income is generally made up of service charges and fees on deposit accounts, fee income from loan placements and other services, FHLB stock dividends, and gains from sales of investment securities. Non-interest income for the first six months of 2008 increased \$237,000 or 10.4% to \$2,512,000 compared to \$2,275,000 for the six months ended June 30, 2007 mainly due to increases in service charge income and other income, partially offset by decreases in loan placement fees and gains from sales of investment securities. Further detail of non-interest income is provided below.

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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. The Company had non-performing loans totaling \$366,000 or 0.10% of total loans as of June 30, 2008, \$179,000 or 0.05% of total loans at December 31, 2007, and \$86,000 or 0.03% of total loans as of June 30, 2007. Management maintains certain loans that have been brought current by the borrower (less than 30 days delinquent) on non-accrual status until such time as management has determined that the loans are likely to remain current in future periods. The Company did not have any other real estate owned at June 30, 2008, December 31, 2007, or June 30, 2007.

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 8.0% during the first six months of 2008 from \$483,685,000 as of December 31, 2007 to \$522,510,000 as of June 30, 2008. Total gross loans increased 3.3% to \$352,253,000 as of June 30, 2008 compared to \$341,128,000 as of December 31, 2007. Total deposits increased 3.6% to \$417,047,000 as of June 30, 2008 compared to \$402,562,000 as of December 31, 2007. We continue to under perform in our loan to deposit ratio compared to our peers. Our loan to deposit ratio at June 30, 2008 remained consistent at 84.5% with the to 84.7% at December 31, 2007. The loan to deposit ratio of our peers was 94.8% at March 31, 2008. Further discussion of loans and deposits is below.

Operating Efficiency

Operating efficiency is the measure of how efficiently earnings before taxes are generated as a percentage of revenue. The Company's efficiency ratio (operating expenses, excluding amortization of intangibles, divided by net interest income plus non-interest income, excluding gains from sales of securities) was 69.8% for the first six months of 2008 compared to 65.3% for the six months ended June 30, 2007. The decline in the efficiency ratio is due to an increase in operating expenses and a decrease in revenues, primarily due to the decrease in interest rates since September of 2007. The Company's net interest income before provision for credit losses plus non-interest income decreased 2.0% to \$14,087,000 for the six months ended June 30, 2008 compared to \$14,373,000 for the same period in 2007, while operating expenses increased 5.0% to \$9,938,000 from \$9,461,000 for the same period in 2007.

RESULTS OF OPERATIONS

Net Income for the First Six Months of 2008 Compared to the Six months ended June 30, 2007:

Net income decreased to \$2,620,000 for the six months ended June 30, 2008 compared to \$3,071,000 for the six months ended June 30, 2007. Basic earnings per share were \$0.44 and \$0.51 for the six months ended June 30, 2008 and 2007, respectively. Diluted earnings per share were \$0.42 for the six months ended June 30, 2008 and \$0.48 for the same period in 2007. Annualized ROE was 9.63% for the six months ended June 30, 2008 compared to 12.11% for the six months ended June 30, 2007. Annualized ROA for the six months ended June 30, 2008 was 1.06% compared to 1.29% for the six months ended June 30, 2007.

Net income for the six months ended June 30, 2008 compared to the same period in the prior year decreased due mainly to decreases in net interest income and increases in non-interest expenses, offset by an increase in non-interest income and a decrease in the provision for income taxes. Net interest income decreased due to a decrease in the yield on interest earning assets and an increase in the level of average interest bearing-liabilities, partially offset by a lesser decrease in our cost of interest-bearing liabilities and an increase in the level of our total average interest earning assets. Non-interest expenses increased primarily due to salaries and benefits and other expenses. Further discussion of non-interest expenses is below.

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 portfolio 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.

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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 non-accrual loans are not included as interest earning assets for purposes of this table.

CENTRAL VALLEY COMMUNITY BANCORP

SCHEDULE OF AVERAGE BALANCES AND AVERAGE YIELDS AND RATES)

(Dollars in thousands)

	FOR THE SIX MONTHS ENDED JUNE 30, 2008			FOR THE SIX MONTHS ENDED JUNE 30, 2007		
	Average Balance	Interest Income/Expense	Average Interest Rate	Average Balance	Interest Income/Expense	Average Interest Rate
ASSETS						
Interest-earning deposits in other banks	\$ 137	\$ 2	2.92%	\$ 239	\$ 4	3.35%
Securities						
Taxable securities	70,968	1,915	5.40%	72,730	1,766	4.86%
Non-taxable securities (1)	24,731	692	5.60%	24,479	682	5.57%
Total investment securities	95,699	2,607	5.45%	97,209	2,448	5.04%
Federal funds sold	10,118	128	2.54%	11,475	299	5.21%
Total	105,954	2,737	5.17%	108,923	2,751	5.05%
Loans (2) (3)	346,831	12,686	7.34%	325,466	13,578	8.34%
Federal Home Loan Bank stock	2,044	56	5.48%	1,931	51	5.28%
Total interest-earning assets	454,829	15,479	6.81%	436,320	16,380	7.51%
Allowance for credit losses	(3,986)			(3,756)		
Non-accrual loans	139			75		
Cash and due from banks	16,183			17,038		
Bank premises and equipment	5,863			5,555		
Other non-earning assets	22,916			21,908		
Total average assets	\$ 495,944			\$ 477,140		
LIABILITIES AND SHAREHOLDERS EQUITY						
Interest-bearing liabilities:						
Savings and NOW accounts	\$ 72,541	125	0.35%	\$ 74,664	261	0.70%
Money market accounts	95,124	1,006	2.12%	99,416	1,307	2.63%
Time certificates of deposit, under \$100,000	59,951	1012	3.39%	50,787	953	3.75%
Time certificates of deposit, \$100,000 and over	52,221	1,049	4.03%	57,222	1,365	4.77%
Total interest-bearing deposits	279,837	3,192	2.29%	282,089	3,886	2.76%
Other borrowed funds	29,358	421	2.88%	3,867	113	5.84%
Total interest-bearing liabilities	309,195	3,613	2.34%	285,956	3,999	2.80%
Non-interest bearing demand deposits	126,897			135,589		
Other liabilities	5,452			4,900		
Shareholders equity	54,400			50,695		
Total average liabilities and shareholders equity	\$ 495,944			\$ 477,140		
		15,479	6.81%		16,380	7.51%

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Interest income and rate earned on average earning assets

Interest expense and interest cost related to average interest-bearing liabilities	3,613	2.34%	3,999	2.80%
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Net interest income and net interest margin (4)

	\$ 11,866	5.22%	\$ 12,381	5.68%
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(1) Calculated on a fully tax equivalent basis, which includes Federal tax benefits relating to income earned on municipal bonds totaling \$235 and \$232 in 2008 and 2007, respectively.

(2) Loan interest income includes loan fees of \$406 in 2008 and \$394 in 2007.

(3) Average loans do not include non-accrual loans.

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

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Interest and fee income from loans decreased \$892,000 or 6.6% in the first six months of 2008 compared to the same period in 2007. Average total loans for the first six months of 2008 increased 6.6% to \$346,970,000 compared to \$325,541,000 for the same period in 2007. While loan growth was positive, the yield on average total loans decreased 100 basis points to 7.34% for the first six months of 2008 compared to 8.34% for the same period in 2007 largely due to the 325 basis points decline in interest rates by the Federal Reserve Bank since September 2007.

Interest income from total investments (total investments include investment securities, Federal funds sold, interest bearing deposits with other banks, and other securities) decreased \$17,000 in the first six months of 2008 compared to the same period in 2007, mainly due to the 2.7% decrease in average balances of total investment partially offset by the increased yields. Income from investments represents 21.6% of net interest income for the six months ended June 30, 2008.

In an effort to increase yields, without accepting unreasonable risk, a significant portion of the investment portfolio is in high quality mortgage-backed securities (MBS) and collateralized mortgage obligations (CMOs). At June 30, 2008, we held \$63,563,000 or 65.8 % of the total market value of the investment portfolio in MBS and CMOs with an average yield of 5.7%. We understand the interest rate risks and prepayment risks associated with MBS and CMOs. In a declining interest rate environment, prepayments from MBS and CMOs could be expected to increase and the expected life of the investment could be expected to shorten. Conversely, if interest rates increase, prepayments could be expected to decline and the average life of the MBS and CMOs could be expected to extend. Additionally, changes in interest rates are reflected in the market value of the investment portfolio. During declining interest rates, the investment portfolio could be expected to have market value gains and in increasing rate environments, the market value could be expected to be negative. The change in market value, net of tax-effect, of the available-for-sale investment portfolio is also reflected in the Company's equity. At June 30, 2008, the average life of the investment portfolio was 4.5 years and the market value reflected a pre-tax unrealized loss of \$3,245,000. The Company reviewed its holdings in MBS and CMOs recently and none are invested in sub-prime mortgage instruments. Lack of liquidity in the current market for certain mortgage backed securities caused market value declines despite decreasing interest rates as illustrated in the table on page 25.

A component of the Company's strategic plan has been to use its investment portfolio to offset, in part, its interest rate risk relating to variable rate loans. At June 30, 2008, an immediate rate increase of 200 basis points would result in an estimated decrease in the market value of the investment portfolio by approximately \$6,383,000. Conversely, with an immediate rate decrease of 200 basis points, the estimated increase in the market value of the investment portfolio is \$6,234,000. The modeling environment assumes management would take no action during an immediate shock of 200 basis points. The likelihood of immediate changes of 200 basis points is contrary to expectation. 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 Item 3 - 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 for the first six months of 2008 decreased \$909,000, to \$15,188,000 compared to \$16,097,000 for the six months ended June 30, 2007. The decrease was due to the 70 basis point decrease in the yield on those assets offset by the 4.2% increase in the average balance of interest earning assets. The yield on interest earning assets decreased to 6.81% for the six months ended June 30, 2008 from 7.51% for the six months ended June 30, 2007. Average interest earning assets increased to \$454,829,000 for the six months ended June 30, 2008 compared to \$436,320,000 for the six months ended June 30, 2007. The \$18,509,000 increase in average earning assets can be attributed to our own organic growth in loans funded by borrowings from the FHLB and from maturities of investment securities.

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Interest expense on deposits for the six months ended June 30, 2008 decreased \$694,000 or 17.9% to \$3,192,000 compared to \$3,886,000 for the six months ended June 30, 2007. This decrease was due to an 47 basis point decrease in deposit rates due to the repricing of deposits in the lower current interest rate environment, coupled with a \$2,252,000 or less than 1% decrease in the volume of average interest bearing deposits. Average interest-bearing deposits were \$279,837,000 for the six months ended June 30, 2008 compared to \$282,089,000 for the same period ended June 30, 2007.

Average other borrowed funds increased to \$29,358,000 with an effective rate of 2.88% for the six months ended June 30, 2008 compared to \$3,867,000 with an effective rate of 5.84% for the six months ended June 30, 2007. As a result interest expense increased \$308,000 to \$421,000 for the six months ended June 30, 2008 from \$113,000 for the six months ended June 30, 2007. Other borrowings are advances from the Federal Home Loan Bank (FHLB). The FHLB advances are fixed rate short-term and long term borrowings. Short-term advances were utilized to provide liquidity during the period and long-term advances were utilized as part of a leveraged strategy in the first quarter of 2008 to purchase investment securities.

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The cost of total deposits, calculated by dividing annualized interest expense on interest bearing deposits by total deposits, was 1.57% for the first half of 2008 compared to 1.86% for the same period in 2007. Average non-interest bearing demand deposits decreased 6.4% to \$126,897,000 for the six months ended June 30, 2008 from \$135,589,000 for the six months ended June 30, 2007. The cost of all of our interest bearing liabilities decreased 46 basis points to 2.34% for the six months ended June 30, 2008 compared to 2.80% for the six months ended June 30, 2007. Average transaction accounts (including interest bearing checking, money market accounts and non interest bearing demand deposits) decreased 4.4% to \$275,806,000 for the six months ended June 30, 2008 compared to \$288,574,000 for the six months ended June 30, 2007. Average time certificates of deposits increased 3.9% to \$112,172,000 for the six months ended June 30, 2008 compared to \$108,009,000 for the six months ended June 30, 2007.

Net Interest Income before Provision for Credit Losses

Net interest income before provision for credit losses for the six months ended June 30, 2008 decreased by \$523,000 or 4.3% to \$11,575,000 compared to \$12,098,000 for the six months ended June 30, 2007. This decrease was primarily due to the 46 basis point decline in the net interest margin partially offset by an increase in average interest earning assets. Average interest earning assets were \$454,829,000 for the six months ended June 30, 2008 with a net interest margin of 5.22% compared to \$436,320,000 with a net interest margin of 5.68% for the six months ended June 30, 2007. For a discussion of the repricing of our assets and liabilities, see Item 3 Quantitative and Qualitative Disclosure about Market Risk.

Provision for Credit Losses

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

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

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

The allowance for credit losses is reviewed at least quarterly by the Board's Audit/Compliance Committee and by the Board of Directors. Reserves are allocated to loan portfolio categories using percentages which are based on both historical risk elements such as delinquencies and losses and predictive risk elements such as economic, competitive and environmental factors. We have adopted the specific reserve approach to allocate reserves to each adversely graded asset, as well as to each impaired asset for the purpose of estimating potential loss exposure.

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Although the allowance for credit losses is allocated to various portfolio categories, it is general in nature and available for the loan portfolio in its entirety. Additions may be required based on the results of independent loan portfolio examinations, regulatory agency examinations, or our own internal review process. Additions are also required when, in management's judgment, the allowance does not properly reflect the portfolio's potential loss exposure.

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

Loan Type (Dollars in Thousands)	June 30, 2008 Amount	Percent of Loans in Each Category to Total Loans	December 31, 2007 Amount	Percent of Loans in Each Category to Total Loans
Commercial & Industrial	\$ 1,266	28.5%	\$ 1,254	27.1%
Agricultural Production	328	7.6%	501	9.4%
Real Estate	1,624	42.7%	1,353	40.3%
Real Estate - construction, land development and other land loans	412	12.1%	312	14.2%
Equity Lines of Credit	188	7.4%	157	7.2%
Consumer & Installment	202	1.6%	236	1.7%
Other	21	0.1%	23	0.1%
Non-specific reserve	35		51	
	\$ 4,076		\$ 3,887	

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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.

Additions to the allowance for credit losses in the first six months of 2008 were \$270,000 compared to \$240,000 for the same period in 2007. The increase in 2008 is due to our assessment of the required level and overall adequacy of the allowance for credit losses and growth in the portfolio. During the six months ended June 30, 2008, the Company had net charge offs totaling \$81,000 compared \$306,000 for the same period in 2007.

The Company had non-performing loans totaling \$366,000 as of June 30, 2008, \$179,000 as of December 31, 2007, and \$86,000 as of June 30, 2007. Non-performing loans as a percentage of loans were 0.10% at June 30, 2008 compared to 0.05% at December 31, 2007, and 0.03% at June 30, 2007. The Company did not have any other real estate owned at June 30, 2008, December 31, 2007 or June 30, 2007.

The net charge off ratio, which reflects net charge-offs to average loans for the six months ended June 30, 2008 was 0.02% compared to 0.09% for the same period in 2007. The annual net charge off ratios for 2007, 2006, and 2005 were 0.12%, 0.11% and 0.22%, respectively.

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

Non-Interest Income

Non-interest income is comprised of customer service charges, loan placement fees, gains on sales of investment securities, appreciation in cash surrender value of bank owned life insurance, Federal Home Loan Bank stock dividends, and other income. Non-interest income was \$2,512,000 for the six months ended June 30, 2008 compared to \$2,275,000 for the same period ended June 30, 2007. The \$237,000 increase in non-interest income was primarily due to increases in customer service charges and other income partially offset by decreases in loan placement fees and gains on sales of investment securities.

Customer service charges increased \$289,000 to \$1,646,000 for the first six months of 2008 compared to \$1,357,000 for the same period in 2007, mainly due to an increase in transaction account service charge income. These increases are mainly due to an increase in the activity level as the average number of transaction accounts has increased and the increase in fees generated by the overdraft protection program.

We earn loan placement fees from the brokerage of single-family residential mortgage loans which is mainly for the convenience of our customers. Loan placement fees decreased \$73,000 in the first six months of 2008 to \$55,000 compared to \$128,000 for the six months ended June 30, 2007. Normal home sales due to moving up or relocating have decreased in Fresno and Madera counties on a period over period basis, as has refinancing activity, which is the major component of our loan placement fees. Commissions paid for personnel involved in generating loan placement fees are reflected as commissions in salary expense.

There were no sales of investment securities in the first six months of 2008 compared to net realized gains on sales of \$44,000 for the same period in 2007. In the first half of 2007, we sold certain municipal securities in order to provide liquidity for our loan growth.

Income from the appreciation in cash surrender value of bank owned life insurance (BOLI) increased \$13,000 comparing the first half of 2008 with the same period in 2007. The average balance in this portfolio increased comparing the two periods while the yield remained relatively unchanged. The Bank's salary continuation, deferred compensation plans and the related BOLI are used as a retention tool for directors and key executives of the Bank.

The Bank holds stock from the Federal Home Loan Bank in relationship with the borrowing capacity and generally earns quarterly dividends. We currently hold \$2,079,000 in FHLB stock. Dividends in the first six months of 2008 increased \$5,000 compared to the same period in 2007.

Other income increased \$51,000 for the first six months of 2008 compared to the same period in 2007. The increase can be attributed primarily to an increase in merchant fees from bankcards.

Non-Interest Expenses

Salaries and employee benefits, occupancy, professional services, and data processing are the major categories of non-interest expenses. Non-interest expenses increased \$477,000 to \$9,938,000 for the six months ended June 30, 2008 compared to \$9,461,000 for the six months ended June 30, 2007.

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The Company's efficiency ratio, measured as the percentage of non-interest expenses (exclusive of amortization of core deposit intangible assets) to net interest income before provision for credit losses plus non-interest income, was 69.8% for the first six months of 2008 compared to 65.3% for the six months ended June 30, 2007. The primary drivers for this change were the decreases in net interest income, increases in salaries and benefits expenses and occupancy expenses partially offset by the increased non-interest income.

Salaries and employee benefits increased \$344,000 or 6.4 % to \$5,716,000 for the first six months of 2008 compared to \$5,372,000 for the six months ended June 30, 2007. The increase in salaries and employee benefits for the 2008 period can be attributed to normal cost increases for salaries and benefits and an increase in the number of full time equivalent employees from 146 at June 30, 2007 to 153 at June 30, 2008.. Commissions paid for loan placements are also in this category and decreased \$38,000 in the periods under review.

Occupancy and equipment expense increased \$3,000 or 0.2% to \$1,310,000 for the first six months of 2008 compared to \$1,307,000 for the six months ended June 30, 2008. Included in occupancy expense for the 2008 period was approximately \$35,000 related to the relocation of our Herndon and Fowler branch from an in-store location to a new traditional branch facility.

Other non-interest expenses increased \$130,000 or 4.7% in the period under review. The following table shows significant components of other non-interest expense as a percentage of average assets.

For the six months ended June 30, (Dollars in thousands)	Other Expense 2008	Annualized % Avg. Assets	Other Expense 2007	Annualized % Avg. Assets
Advertising	\$ 250	0.10%	\$ 252	0.11%
Audit/accounting	193	0.08%	157	0.07%
Data/item processing	418	0.17%	411	0.17%
ATM/debit card expenses	163	0.07%	150	0.06%
Director fees	86	0.03%	86	0.04%
Donations	50	0.02%	56	0.02%
Education/training	76	0.03%	33	0.01%
General Insurance	58	0.02%	58	0.02%
Legal fees	49	0.02%	114	0.05%
Postage	85	0.03%	86	0.04%
Regulatory assessments	135	0.05%	54	0.02%
Stationery/supplies	110	0.04%	110	0.05%
Telephone	97	0.04%	96	0.04%
Operating losses	18	0.01%	24	0.01%
Other	1,124	0.45%	1,095	0.49%
Total other non-interest expense	\$ 2,912		\$ 2,782	

Provision for Income Taxes

The effective income tax rate was 32.5% for the six months ended June 30, 2008 compared to 34.3% for the six months ended June 30, 2007. Provision for income taxes totaled \$1,259,000 and \$1,601,000 for the six months ended June 30, 2008, and 2007, respectively. The decrease in the effective tax rate in the six months ended June 30, 2008 compared to the prior year comparable period is due primarily to an increase in the

state tax deduction for loans and hiring credits generated in designated enterprise zones in California.

Net Income for the Second Quarter of 2008 Compared to the Second Quarter of 2007:

Net income was \$1,315,000 for the second quarter ended June 30, 2008 compared to \$1,619,000 for the second quarter ended June 30, 2007. Basic earnings per share were \$0.22 and \$0.27 for the quarters ended June 30, 2008 and 2007, respectively. Diluted earnings per share were \$0.21 and \$0.25 for the quarters ended June 30, 2008 and 2007, respectively. Annualized ROE was 9.71% for the quarter ended June 30, 2008 compared to 12.67% for the quarter ended June 30, 2007. Annualized ROA for the three months ended June 30, 2008 was 1.04% compared to 1.35% for the quarter ended June 30, 2007.

The decrease in net income for the quarter ended June 30, 2008 compared to the same period in the prior year was mainly due to the decrease in net interest income and an increase in non-interest expenses, offset by an increase in non-interest income and a decrease in the provision for income taxes. Net interest income decreased due to a decrease in the yield on interest earning assets and an increase in the level of average interest-bearing liabilities, particularly other borrowed funds, partially offset by a lesser decrease in our cost of interest-bearing liabilities and an increase in the level of our total average interest earning assets, particularly in loans, provided by our organic growth. Non-interest expenses increased primarily due to salaries and benefits, occupancy expenses and other expenses.

Interest Income and Expense

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 non-accrual loans are not included as interest earning assets for purposes of this table.

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CENTRAL VALLEY COMMUNITY BANCORP

SCHEDULE OF AVERAGE BALANCES AND AVERAGE YIELDS AND RATES

(Dollars in thousands)

	FOR THE THREE MONTHS ENDED JUNE 30, 2008			FOR THE THREE MONTHS ENDED JUNE 30, 2007		
	Average Balance	Interest Income/Expense	Average Interest Rate	Average Balance	Interest Income/Expense	Average Interest Rate
ASSETS						
Interest-earning deposits in other banks	\$ 275	\$ 2	2.91%	\$ 216	\$ 2	3.70%
Securities						
Taxable securities	73,867	1,011	5.47%	69,913	871	4.98%
Non-taxable securities (1)	24,728	345	5.59%	22,892	317	5.53%
Total investment securities	98,595	1,356	5.50%	92,805	1,188	5.12%
Federal funds sold	11,726	57	1.94%	11,835	155	5.24%
Total securities	110,596	1,415	5.12%	104,856	1,345	5.13%
Loans (2) (3)	353,402	6,201	7.02%	333,399	7,005	8.40%
Federal Home Loan Bank stock	2,065	29	5.62%	1,958	23	4.70%
Total interest-earning assets	466,063	\$ 7,645	6.56%	440,213	\$ 8,373	7.61%
Allowance for credit losses	(4,038)			(3,729)		
Non-accrual loans	175			72		
Cash and due from banks	16,737			16,014		
Bank premises & equipment	5,921			5,923		
Other non-earning assets	22,225			22,021		
Total average assets	\$ 507,083			\$ 480,514		
LIABILITIES AND SHAREHOLDERS EQUITY						
Interest-bearing liabilities:						
Savings and NOW accounts	\$ 71,686	\$ 61	0.34%	\$ 72,756	\$ 147	0.81%
Money market accounts	99,411	506	2.04%	102,085	681	2.67%
Time certificates of deposit, under \$100,000	56,029	496	3.54%	46,915	501	4.27%
Time certificates of deposit, \$100,000 and over	56,512	453	3.21%	65,406	734	4.49%
Total interest-bearing deposits	283,638	1,516	2.14%	287,162	2,063	2.87%
Other borrowed funds	38,188	257	2.69%	3,190	49	6.14%
Total interest-bearing liabilities	321,826	\$ 1,773	2.20%	290,352	\$ 2,112	2.91%
Non-interest bearing demand deposits	125,516			134,311		
Other liabilities	5,605			4,772		
Shareholders equity	54,136			51,079		
Total average liabilities and shareholders equity	\$ 507,083			\$ 480,514		
		\$ 7,645	6.56%		\$ 8,373	7.61%

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Interest income and rate
earned on average earning
assets

Interest expense and interest cost related to average interest-bearing liabilities		1,773	2.20%		2,112	2.91%
Net interest income and net interest margin (4)	\$	5,872	5.04%	\$	6,261	5.69%

(1) Calculated on a fully tax equivalent basis, which includes Federal tax benefits relating to income earned on municipal bonds totaling \$117 and \$108 in 2008 and 2007, respectively.

(2) Loan interest income includes loan fees of \$195 in 2008 and \$221 in 2007.

(3) Average loans do not include non-accrual loans.

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

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Interest and fee income from loans decreased \$804,000 or 11.5% to \$6,201,000 for the second quarter of 2008 compared to \$7,005,000 for the same period in 2007. Average total loans for the second quarter of 2008 increased 6.0% to \$353,577,000 compared to \$333,471,000 for the same period in 2007, while the yield on loans decreased by 138 basis points. The decrease in loan yield is primarily due to the 325 basis points decline in interest rates by the Federal Reserve Bank since September 2007 coupled with the competitive loan environment in the Central Valley. Our loan yield for the second quarter of 2008 was 7.02% compared to 8.40% for the same period in 2007.

Interest income from total investments (total investments include investment securities, Federal funds sold, interest bearing deposits with other banks, and other securities) increased \$61,000 in the second quarter of 2008 compared to the same period in 2007, mainly due to an increase in the average investment balance for the second quarter of 2008 compared to the same period in 2007 and only slight changes in the yield. The average balance of investments increased \$5,740,000 or 5.5% to \$110,596,000 for the second quarter of 2008 from \$104,856,000 for the comparable 2007 period. The yield on total investments for the quarter ended June 30, 2008 was 5.12% compared to 5.13% for the quarter ended June 30, 2007. Income from investments represents 22.7% of net interest income for the second quarter of 2008 compared to 20.2% for the same quarter in 2007.

Total interest income for the second quarter of 2008 decreased \$743,000, to \$7,499,000 compared to \$8,242,000 for the quarter ended June 30, 2007. The decrease was due to the 105 basis point decrease in the yield on those assets, offset by the 5.9% increase in the average balance of interest earning assets. The yield on interest earning assets decreased to 6.56% for the quarter ended June 30, 2008 compared to 7.61% for the quarter ended June 30, 2007. Average interest earning assets increased to \$466,063,000 for the quarter ended June 30, 2008 compared to \$440,213,000 for the quarter ended June 30, 2007. The \$25,850,000 increase in average earning assets can be attributed to our own organic growth and to a leverage strategy employed in first quarter of 2008 whereby we purchased investment securities funded by FHLB borrowings.

Interest expense on deposits for the quarter ended June 30, 2008 decreased \$547,000 or 26.5% to \$1,516,000 compared to \$2,063,000 for the quarter ended June 30, 2007. The cost of deposits, calculated by dividing annualized interest expense on interest bearing deposits by total deposits, decreased 48 basis points to 1.48% for the quarter ended June 30, 2008 compared to 1.96% for the same period in 2007. This decrease was due to the repricing of interest bearing deposits in the lower current interest rate environment. Additionally, average interest bearing deposits decreased 1.2% or \$3,524,000 comparing the second quarter of 2008 to the same period in 2007. Average interest-bearing deposits were \$283,638,000 for the quarter ended June 30, 2008, with an effective rate paid of 2.14%, compared to \$287,162,000 for the same period in 2007, with an effective rate paid of 2.87%.

Average other borrowed funds increased \$34,998,000 to \$38,188,000 with an effective rate of 2.69% for the quarter ended June 30, 2008 compared to \$3,190,000 with an effective rate of 6.14% for the quarter ended June 30, 2007. As a result interest expense increased \$208,000 to \$257,000 for the quarter ended June 30, 2008 from \$49,000 for the quarter ended June 30, 2007. Other borrowings are advances from the FHLB. The FHLB advances are fixed rate short-term and long term borrowings. Short-term advances were utilized to provide liquidity during the period and long-term advances were utilized as part of a leveraged strategy in the first quarter of 2008 to purchase investment securities.

The cost of all of our interest bearing liabilities decreased 71 basis points to 2.20% for the quarter ended June 30, 2008 compared to 2.91% for the quarter ended June 30, 2007. The decrease is due to the lower current interest rate environment as mentioned above. Additionally, non-interest bearing demand deposits decreased in the periods under review. Average demand deposits decreased 6.6% to an average \$125,516,000 for the quarter ended June 30, 2008 from \$134,311,000 for the quarter ended June 30, 2007. Average transaction accounts (including interest bearing checking, money market accounts and non-interest bearing demand deposits) decreased 3.5% to \$278,313,000 for the quarter ended June 30, 2008 compared to \$288,473,000 for the quarter ended June 30, 2007. Average time certificates of deposit were consistent on a period over period basis.

Net Interest Income before Provision for Credit Losses

Net interest income before provision for credit losses for the quarter ended June 30, 2008 decreased \$404,000 or 6.6% to \$5,726,000 compared to \$6,130,000 for the quarter ended June 30, 2007. This decrease was primarily due to an increase in average interest-bearing liabilities and a decrease in the net interest margin of 65 basis points, partially offset by an increase in average interest earning assets. Average interest earning assets were \$466,063,000 for the quarter ended June 30, 2008 with a net interest margin of 5.04% compared to \$440,213,000 with a net interest margin of 5.69% for the quarter ended June 30, 2007. For a discussion of the repricing of our assets and liabilities, see Item 3 - Quantitative and Qualitative Disclosure about Market Risk.

Provision for Credit Losses

Additions to the allowance for credit losses in the second quarter of 2008 were \$135,000 compared to \$120,000 for the second quarter of 2007. The increase in 2008 is principally due to the increase in the volume of outstanding loans and our assessment of the overall adequacy of the allowance for credit losses.

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The Company had non-performing loans totaling \$366,000 as of June 30, 2008 compared to \$179,000 as of December 31, 2007 and \$86,000 as of June 30, 2007. The Company did not have any other real estate owned at June 30, 2008, December 31, 2007 or June 30, 2006.

The Company had \$35,000 net loan charge-offs for the second quarter of 2008 compared to \$58,000 for the same quarter in 2007. The net charge-off ratio, which reflects net charge-offs to average loans, was 0.01% for the quarter ended June 30, 2008 compared to 0.02% for the quarter ended June 30, 2007. Refer to the allowance for credit losses section for further discussion of credit quality.

Non-Interest Income

Non-interest income is comprised primarily of customer service charges, loan placement fees and other service fees, net gains on sales of investments and assets, appreciation in cash surrender value of bank owned life insurance, FHLB stock dividends, and other income. Non-interest income was \$1,274,000 for the quarter ended June 30, 2008 compared to \$1,116,000 for the same period ended June 30, 2007. The \$158,000 increase in non-interest income comparing the quarter ended June 30, 2008 to the same period in 2007 was primarily due to increases in service charges, offset by decreases in loan placement fees.

Customer service charges increased \$178,000 to \$843,000 for the second quarter of 2008 compared to \$665,000 for the same period in 2007 due primarily to an increase in analysis service charges on business checking accounts and overdraft fees on consumer checking accounts.

Loan placement fees decreased \$41,000 to \$22,000 for the second quarter of 2008 compared to \$63,000 for the same period in 2007 due to a decrease in normal home sales and refinancing activity as discussed previously. Other income increased \$9,000 to \$318,000 for the second quarter of 2008 compared to \$309,000 for the same period in 2007, primarily due to increases in electronic funds transfer fees and in merchant card fee income.

Non-Interest Expenses

Salaries and employee benefits, occupancy, professional services, and data processing are the major categories of non-interest expenses. Non-interest expenses increased \$210,000 to \$4,966,000 for the quarter ended June 30, 2008 compared to \$4,756,000 for the same period in June 30, 2007.

The Company's efficiency ratio, measured as the percentage of non-interest expenses (exclusive of amortization of core deposit intangible assets) to net interest income before provision for credit losses plus non-interest income (excluding net gains from sales of securities and assets), was 69.8% for the second quarter of 2008 compared to 65.3% for the second quarter of 2007.

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Salaries and employee benefits increased \$183,000 or 6.9% to \$2,847,000 for the second quarter of 2008 compared to \$2,664,000 for the second quarter of 2007. The increase in salaries and employee benefits for the second quarter of 2008 can be attributed to an increase in the number of employees and normal cost increases for salaries and benefits and stock based compensation expense.

Occupancy and equipment expense increased \$18,000 to \$675,000 for the second quarter of 2008 compared to \$657,000 for the second quarter of 2007. The 2.7% increase in occupancy expense for the quarter ended June 30, 2008 was due mainly to normal increases in rent on existing leaseholds, and other occupancy and equipment related expenses mainly associated with relocating our Herndon and Fowler branch from an in-store location to a new traditional branch facility.

Other non-interest expenses increased \$9,000 or 0.6% in the period under review. The increase can be attributed in part to expenses associated with an increase in regulatory assessments as well as expenses for the move of our in-store branch office to a traditional branch facility.

Provision for Income Taxes

The effective income tax rate was 30.8% for the second quarter of 2008 compared to 31.7% for the same period in 2007. Provision for income taxes totaled \$584,000 and \$751,000 for the quarters ended June 30, 2008, and 2007, respectively. The decrease in the effective tax rate in the three months ended June 30, 2008 compared to the prior year comparable period is due primarily to an increase in the state tax deduction for loans and hiring tax credits generated in designated enterprise zones in California.

FINANCIAL CONDITION

Summary of Changes in Consolidated Balance Sheets

June 30, 2008 compared to December 31, 2007

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As of June 30, 2008, total assets were \$522,510,000, an increase of 8.0%, or \$38,825,000, compared to \$483,685,000 as of December 31, 2007. Total gross loans increased 3.3% or \$11,125,000, to \$352,253,000 as of June 30, 2008 compared to \$341,128,000 as of December 31, 2007. Total deposits increased 3.6% or \$14,485,000 to \$417,047,000 as of June 30, 2008 compared to \$402,562,000 as of December 31, 2007. Total borrowings increased 94.5% or \$18,900,000 to \$38,900,000 as of June 30, 2008 compared to \$20,000,000 as of December 31, 2007. Stockholders' equity decreased to \$54,142,000 as of June 30, 2008 compared to \$54,194,000 as of December 31, 2007.

Investments

Our investment portfolio consists primarily of agency securities, mortgage backed securities, municipal securities, and overnight investments in the Federal Funds market and are all classified as available-for-sale. As of June 30, 2008, \$67,074,000 was held as collateral for public funds, treasury, tax, and for other purposes. Our investment policies are established by the Board of Directors and implemented by our Investment/Asset Liability Committee. It is 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 securities, as described in the table below, is generally considered higher than our peers due mostly to our relatively low loan to deposit ratio. The amortized cost of these investment securities increased 18.7% from \$84,139,000 at December 31, 2007 to \$99,880,000 at June 30, 2008. The fair value of the portfolio reflected net unrealized loss of \$3,245,000 at June 30, 2008 compared to an unrealized loss of \$234,000 at December 31, 2007.

The following table sets forth the carrying values and estimated fair values of our investment securities portfolio at the dates indicated:

June 30, 2008						
Investment Type	Amortized		Gross		Gross	Estimated
	Cost		Unrealized		Unrealized	Market
			Gain		(Loss)	Value
U.S. Government agencies	\$ 3,249	\$	5	\$	\$	3,254
Obligations of states and political subdivisions	26,200		215		(394)	26,021
U.S. Government agencies collateralized by mortgage obligations	33,781		227		(596)	33,412
Other securities collateralized by mortgage obligations	32,795		13		(2,657)	30,151
Other securities	3,855				(58)	3,797
	\$ 99,880	\$	460	\$	(3,705)	\$ 96,635

December 31, 2007						
Investment Type	Amortized		Gross		Gross	Estimated
	Cost		Unrealized		Unrealized	Market
			Gain		(Loss)	Value
U.S. Government agencies	\$ 8,496	\$	4	\$	(10)	\$ 8,490
Obligations of states and political subdivisions	25,736		323		(77)	25,982
U.S. Government agencies collateralized by mortgage obligations	33,670		206		(109)	33,767
Other securities collateralized by mortgage obligations	12,418		69		(130)	12,357
Other securities	3,819				(42)	3,777
	\$ 84,139	\$	602	\$	(368)	\$ 84,373

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Management periodically evaluates each investment security for other than temporary impairment, relying primarily on industry analyst reports, observation of market conditions and interest rate fluctuations. Management has the ability and intent to hold securities with established maturity dates until recovery of fair value, which may be maturity, and believes it will be able to collect all amounts due according to the contractual terms for all of the underlying investment securities; therefore, management does not consider these investments to be other-than-temporarily-impaired.

The net unrealized loss for mark to market in the portfolio was \$3,705,000 at June 30, 2008 compared to an unrealized gain of \$234,000 as of December 31, 2007. The change in the market value relates to the illiquidity of certain mortgage backed securities due to the current real estate mortgage environment.

We held \$2,079,000 in Federal Home Loan Bank stock as of June 30, 2008 compared to \$2,022,000 as of December 31, 2007. The increase is the result of stock dividends received.

Table of Contents**Loans**

Total gross loans increased 3.3% or \$11,125,000, to \$352,253,000 as of June 30, 2008 compared to \$341,128,000 as of December 31, 2007. The following table sets forth information concerning the composition of our loan portfolio at the dates indicated:

Loan Type (Dollars in thousands)	June 30, 2008	% of Total loans	December 31, 2007	% of Total loans
Commercial:				
Commercial and industrial	\$ 100,585	28.5%	\$ 92,613	27.1%
Agricultural land and production	26,622	7.6%	32,167	9.4%
Total commercial	127,207	36.1%	124,780	36.5%
Real estate:				
Owner occupied	82,906	23.5%	76,808	22.4%
Real estate-construction and other land loans	42,602	12.1%	48,593	14.2%
Commercial real estate	40,804	11.6%	43,334	12.8%
Other	26,859	7.6%	17,406	5.1%
Total real estate	193,171	54.8%	186,141	54.5%
Consumer:				
Equity loans and lines of credit	26,225	7.4%	24,595	7.2%
Consumer and installment	5,774	1.6%	5,742	1.7%
Other	398	0.1%	458	0.1%
Total consumer	32,397	9.1%	30,795	9.0%
Deferred loan fees, net	(522)		(588)	
Total gross loans	352,253	100.0%	341,128	100.0%
Allowance for credit losses	(4,076)		(3,887)	
Total loans	\$ 348,177		\$ 337,241	

As of June 30, 2008, a concentration of loans existed in loans collateralized by real estate (real estate, real estate construction, land development and other land loans, and equity lines of credit) comprising 62.3% of total loans. This level of concentration is consistent with 61.8% at December 31, 2007. Although management believes the loans within this concentration have no more than the normal risk of collectibility, a substantial decline in the performance of the economy in general or a decline in real estate values in the our primary market areas, in particular, could have an adverse impact on collectibility, increase the level of real estate-related non-performing loans, or have other adverse effects which alone or in the aggregate could have a material adverse effect on our business, financial condition, results of operations and cash flows. The Company is not involved in any sub-prime mortgage lending activities and the loan portfolio does not include any sub prime mortgage loans at June 30, 2008 or December 31, 2007.

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

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

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Non-performing assets. Non-performing assets consist of non-performing loans, other real estate owned (OREO), and repossessed assets. Non-performing loans are those loans which have (i) been placed on non-accrual status, (ii) been subject to troubled debt restructurings, (iii) been classified as doubtful under our asset classification system, or (iv) become contractually past due 90 days or more with respect to principal or interest and have not been restructured or otherwise placed on non-accrual status. A loan is classified as non-accrual when 1) it is maintained on a cash basis because of deterioration in the financial condition of the borrower, 2) payment in full of principal or interest under the original contractual terms is not expected, or 3) principal or interest has been in default for a period of 90 days or more unless the asset is both well secured and in the process of collection.

At June 30, 2008 and December 31, 2007, we had no OREO, repossessed assets or restructured loans. At June 30, 2008 we had non-accrual loans totaling \$366,000 compared to \$179,000 at December 31, 2007. At June 30, 2008, we estimated the potential for any losses from these credits would have a minimal impact on the allowance for credit losses. Management can give no assurance that non-accrual and other non-performing loans will not increase in the future.

We measure our impaired loans by using the fair value of the collateral if the loan is collateral-dependent and the present value of the expected future cash flows discounted at the loan's effective interest rate if the loan is not collateral-dependent. At June 30, 2008, we estimated that the potential for any losses from these credits would not have a significant impact on the allowance for credit losses. Based on our valuation and the government guarantees on these loans, we have established specific reserves of \$59,000 for these loans.

A summary of non-accrual, restructured, and past due loans at June 30, 2008 and December 31, 2007 is set forth below. The Company had no restructured loans and no accruing loans past due more than 90 days at June 30, 2008 and December 31, 2007. Management can give no assurance that non-accrual and other non-performing loans will not increase in the future.

Table of Contents**Composition of Non-accrual, Past Due and Restructured Loans**

(Dollars in Thousands)	June 30, 2008		December 31, 2007	
Non-accrual Loans				
Commercial and Industrial	\$	366	\$	100
Real Estate				79
Total non-accrual		366		179
Accruing loans past due 90 days or more				
Restructured loans				
Total non-performing loans	\$	366	\$	
Nonperforming loans to total loans		0.10%		0.05%
Ratio of non-performing loans to allowance for credit losses		8.98%		4.61%
Loans considered to be impaired	\$	366	\$	179
Related allowance for credit losses on impaired loans	\$	59	\$	

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

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

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

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

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

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

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

(In thousands)	For the Six Month Period Ended June 30, 2008		For the Twelve Month Period Ended December 31, 2007	
Balance, beginning of the year	\$	3,887	\$	3,809
Provision charged to operations		270		480
Losses charged to allowance		(126)		(481)
Recoveries		45		79
Balance, end of period	\$	4,076	\$	3,887
Ratio of non-performing loans to allowance for credit losses		8.98%		4.61%
Allowance for credit losses to total loans		1.16%		1.14%

As of June 30, 2008 the balance in the allowance for credit losses was \$4,076,000 compared to \$3,887,000 as of December 31, 2007. The increase was due to net charge offs during the first half of 2008 being less than the amount of the provision for credit losses. Net charge offs totaled \$81,000 while the provision for credit losses was \$270,000. The balance of commitments to extend credit on undisbursed construction and other loans and letters of credit was \$119,458,000 as of June 30, 2008 compared to \$135,638,000 as of December 31, 2007. Risks and uncertainties exist in all lending transactions, and even though there have historically been no charge offs on construction and other loans that have not been fully disbursed, our management and Directors Loan Committee have established reserve levels based on historical losses as well as economic uncertainties and other risks that exist as of each reporting period.

As of June 30, 2008 the allowance was 1.16% of total gross loans compared to 1.14% as of December 31, 2007. During the six months ended June 30, 2008, there were no major changes in loan concentrations that significantly affected the allowance for credit losses. There have been no significant changes in estimation methods during the periods presented. 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. Non-performing loans totaled \$366,000 as of June 30, 2008, and \$179,000 as of December 31, 2007. Management believes the allowance at June 30, 2008 is adequate based upon its ongoing analysis of the loan portfolio, historical loss trends and other factors. However, no assurance can be given that the Company may not sustain charge-offs which are in excess of the allowance in any given period.

Deposits and Borrowings

Total deposits increased \$14,485,000 or 3.6% to \$417,047,000 as of June 30, 2008 compared to \$402,562,000 as of December 31, 2007. Interest bearing deposits increased \$15,106,000 or 5.5% to \$289,548,000 as of June 30, 2008 compared to \$274,442,000 as of December 31, 2007. Non-interest bearing deposits decreased \$621,000 or 0.5% to \$127,499,000 as of June 30, 2008 compared to \$128,120,000 as of December 31, 2007. Interest bearing deposits include \$5,000,000 in callable brokered CDs, the proceeds from which were used to purchase investment securities.

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By expanding our branching network we anticipate broadening our deposit gathering base. We relocated our Kerman branch to a larger facility the first quarter of 2007 and relocated our Clovis in-store branch to a larger stand alone facility in the second quarter of 2008.

The composition of the deposits and average interest rates paid at June 30, 2008 and December 31, 2007 is summarized in the table below.

(Dollars in thousands)	June 30, 2008	% of Total Deposits	Effective Rate	December 31, 2007	% of Total Deposits	Effective Rate
NOW accounts	\$ 55,569	13.3%	0.34%	\$ 53,114	13.2%	0.66%
MMA accounts	103,388	24.8%	2.12%	90,402	22.5%	2.64%
Time deposits	112,286	26.9%	3.68%	111,628	27.7%	4.39%
Savings deposits	18,305	4.4%	0.35%	19,298	4.8%	0.48%
Total interest-bearing	289,548	69.4%	2.29%	274,442	68.2%	2.79%
Non-interest bearing	127,499	30.6%		128,120	31.8%	
Total deposits	\$ 417,047	100.0%		\$ 402,562	100.0%	

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Short-term borrowings totaled \$19,900,000 as of June 30, 2008 compared to \$20,000,000 as of December 31, 2007. Short-term borrowings at June 30, 2008, represent FHLB advances with weighted average interest rates of 2.26% and coming due within the fourth quarter of 2008. We maintain a line of credit with the FHLB collateralized by government securities. Refer to Liquidity below for further discussion of FHLB advances.

Long-term borrowings of \$19,000,000 at June 30, 2008 represent FHLB advances with weighted average interest of 3.08% and weighted average maturity of 2.9 years. There were no long-term borrowings at December 31, 2007. During the first quarter of 2008, the Bank utilized a leveraged strategy and borrowed from the FHLB to fund investments with similar maturities.

Capital

Our stockholders' equity was \$54,142,000 as of June 30, 2008 compared to \$54,194,000 as of December 31, 2007. The decrease in stockholders' equity is a result of payment of cash dividends of \$598,000, a \$316,000 reduction as a cumulative-effect adjustment related to adoption of the provisions relating to split-dollar life insurance policies and a \$2,087,000 increase in the unrealized loss on available for sale investment securities offset by net income of \$2,620,000 for the six months ended June 30, 2008 combined with the proceeds from the exercise of stock options of \$207,000 and the effect of stock-based compensation expense of \$122,000.

On February 20, 2008, the Board of Directors of Central Valley Community Bancorp declared a \$0.10 per share cash dividend for shareholders of record as of March 11, 2008, payable on March 31, 2008.

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

The following table presents the Company's and the Bank's capital ratios as of June 30, 2008 and December 31, 2007.

(Dollars in thousands)	June 30, 2008		December 31, 2007	
	Amount	Ratio	Amount	Ratio
<u>Tier 1 Leverage Ratio</u>				
Central Valley Community Bancorp and Subsidiary	\$ 46,370	9.32%	\$ 44,238	9.43%
Minimum regulatory requirement	\$ 19,896	4.00%	\$ 18,758	4.00%
Central Valley Community Bank	\$ 44,129	8.89%	\$ 42,202	9.00%
Minimum requirement for Well-Capitalized institution	\$ 24,827	5.00%	\$ 23,438	5.00%
Minimum regulatory requirement	\$ 19,862	4.00%	\$ 18,751	4.00%
<u>Tier 1 Risk-Based Capital Ratio</u>				

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Central Valley Community Bancorp and Subsidiary	\$	46,370	11.61%	\$	44,238	11.65%
Minimum regulatory requirement	\$	15,978	4.00%	\$	15,188	4.00%
Central Valley Community Bank	\$	44,129	11.07%	\$	42,202	11.12%
Minimum requirement for Well-Capitalized institution	\$	23,909	6.00%	\$	22,773	6.00%
Minimum regulatory requirement	\$	15,939	4.00%	\$	15,182	4.00%

Total Risk-Based Capital Ratio

Central Valley Community Bancorp and Subsidiary	\$	50,446	12.63%	\$	48,125	12.67%
Minimum regulatory requirement	\$	31,956	8.00%	\$	30,376	8.00%
Central Valley Community Bank	\$	48,209	12.10%	\$	46,089	12.14%
Minimum requirement for Well-Capitalized institution	\$	39,848	10.00%	\$	37,954	10.00%
Minimum regulatory requirement	\$	31,839	8.00%	\$	30,363	8.00%

Liquidity

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

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

As a means of augmenting our liquidity, we have established federal funds lines with correspondent banks. At June 30, 2008 our available borrowing capacity includes approximately \$17,000,000 in Federal funds lines with our correspondent banks and \$3,804,000 in unused FHLB advances. We believe our liquidity sources to be stable and adequate. At June 30, 2008, 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 June 30, 2008 and December 31, 2007:

Credit Lines (In thousands)	June 30, 2008	December 31, 2007
Unsecured Credit Lines (interest rate varies with market):		
Credit limit	\$ 17,000	\$ 18,000
Balance outstanding	\$	\$
Federal Home Loan Bank (interest rate at prevailing interest rate):		
Credit limit	\$ 42,704	\$ 23,498
Balance outstanding	\$ 38,900	\$ 20,000
Collateral pledged	\$ 49,933	\$ 24,231
Fair value of collateral	\$ 47,998	\$ 24,203
Federal Reserve Bank (interest rate at prevailing discount interest rate):		
Credit limit	\$ 1,957	\$ 1,986
Balance outstanding	\$	\$
Collateral pledged	\$ 1,959	\$ 2,032
Fair value of collateral	\$ 2,010	\$ 2,057

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

OFF-BALANCE SHEET ITEMS

In the ordinary course of business, the Company is a party to financial instruments with off-balance 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. For a fuller discussion of these financial instruments, refer to Note 5 Commitments and Contingencies of the Company's condensed consolidated financial statements included herein and Note 8 Commitments and Contingencies in

the Company's 2007 Annual Report to Shareholders on Form 10-K.

In the ordinary course of business, the Company is party to various operating leases. For a fuller discussion of these financial instruments, refer to Note 8 Commitments and Contingencies in the Company's 2007 Annual Report to Shareholders on Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

We realize income principally from the differential or spread between the interest earned on loans, investments, other interest-earning assets and the interest incurred on deposits and borrowings. The volumes and yields on loans, deposits and borrowings are affected by market interest rates. As of June 30, 2008, approximately 81.9% of our loan portfolio was tied to adjustable rate indices. The majority of these adjustable rate loans are tied to prime and reprice within 90 days. The majority of our time deposits have a fixed rate of interest. As of June 30, 2008, 85.6% of our time deposits mature within one year or less. As of June 30, 2008, \$19,900,000 of our short-term debt reprices within five months.

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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 Director s 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 by, reviewed and approved by the Board of Directors.

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

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

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

Approximately 81.9% of our loan portfolio is tied to adjustable rate indices and 44.4% of our loan portfolio reprices within 90 days. As of June 30, 2008, we had 102 loans totaling \$49,493,000 with floors ranging from 4% to 8% and ceilings ranging from 8% to 25%. In the current rate environment, the number of loans affected by floors and ceilings is minimal.

The following table shows the effects of changes in projected net interest income for the twelve months ending June 30, 2009 under the interest rate shock scenarios stated. The table was prepared as of June 30, 2008, at which time prime interest rate was 5.00%. The amounts identified in the table are not materially different from what we showed at December 31, 2007.

Sensitivity Analysis of Impact on Interest Income of Rate Changes

Hypothetical Change in Rates	Projected Net Interest Income	\$ Change from Rates at June 30, 2008	Percent Change from Rates at
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	(\$000)	(\$000)	June 30, 2008
UP 200 bp	24,590	727	3.05%
UP 100 bp	24,225	362	1.52%
UNCHANGED	23,863		
DOWN 100 bp	23,461	(402)	(1.68)%
DOWN 200 bp	22,885	(978)	(4.10)%

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

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, management, including the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures with respect to the information generated for use in this Quarterly Report. The evaluation was based in part upon reports provided by a number of executives. Based upon, and as of the date of that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the

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disclosure controls and procedures, as so amended, were effective to provide reasonable assurances that information required to be disclosed in the reports the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that information required to be disclosed by the Company in the reports that it files or submits is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

There was no change in the Company's internal controls over financial reporting during the quarter ended June 30, 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

In designing and evaluating disclosure controls and procedures, the Company's management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurances of achieving the desired control objectives and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

PART II OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

None to report.

ITEM 1A RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2007, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

While not a specific risk factor for the Company, the overall decline in residential real estate values in California, and more specifically in our primary market, has continued into 2008. While the Company has not been materially impacted by this trend to the level of some other financial institutions, continuing declines in residential real estate may have a continuing negative impact on the overall economic conditions in the Company's markets and may result in increased credit losses and/or reduced opportunities for future growth thereby adversely affecting the Company's results of operations and financial condition.

ITEM 2 CHANGES IN SECURITIES AND USE OF PROCEEDS

On November 20, 2007, the Board of Directors approved a stock repurchase plan authorizing the purchase of shares of the Company's common stock up to a total cost of approximately \$1,000,000 during the period from November 21, 2007 to May 21, 2008. Under the plan, the Company repurchased 24,300 shares in 2007 at an average price of \$12.55 for a total cost of \$305,000. During the quarter ended June 30, 2008, the Company did not repurchase any shares. The plan expired May 20, 2008.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None to report.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

- a. The Company's 2008 Annual Meeting of Shareholders was held May 21, 2008.
- b. At the 2008 annual meeting the shareholders took the following actions:
 - Elected Directors of the Company to serve until the 2009 Annual Meeting of Shareholders and until their successors are elected and qualified.

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- In the election for directors, no candidates were nominated for election as a director other than the nominees of the Board of Directors whose names were set forth in the Company's proxy statement dated April 2, 2008. Set forth below is a tabulation of the votes cast in the election of Directors with respect to each nominee for office:

Director	Votes Cast for Election	Withheld
Sidney B. Cox	4,705,439	4,494
Daniel N. Cunningham	4,705,439	4,494
Edwin S. Darden, Jr.	4,684,069	25,864
Daniel J. Doyle	4,697,891	12,042
Steven D. McDonald	4,698,327	11,606
Louis McMurray	4,705,439	4,494
Wanda L. Rogers	4,705,295	4,638
William S. Smittcamp	4,703,177	6,756
Joseph B. Weirick	4,705,439	4,494

- The ratification of the appointment of Perry-Smith LLP for the 2008 fiscal year as the Company's independent registered public accounting firm. The appointment was ratified by the following votes:

Votes for: 4,663,924 Votes against: 27,373 Abstentions: 18,636

ITEM 5 OTHER INFORMATION

None to report.

ITEM 6 EXHIBITS

- (a) Exhibits

Exhibit No.	Description
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Central Valley Community Bancorp

Date: August 12, 2008

/s/ Daniel J. Doyle
Daniel J. Doyle
President and Chief Executive Officer

Date: August 12, 2008

/s/ David A. Kinross
David A. Kinross
Senior Vice President and Chief Financial Officer

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EXHIBIT INDEX

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