

CENTRAL VALLEY COMMUNITY BANCORP  
Form 10-K  
March 05, 2008

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-K**

**x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2007**

**OR**

**o 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)

**7100 N. Financial Dr. Fresno CA**  
(Address of principal executive offices)

**77-0539125**

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

**93720**  
(Zip Code)

**559-298-1775**

(Registrant's telephone number, including area code)

[None]

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

**None**  
[Common Stock, \$ par value per share]

[EXCHANGE]

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, No Par Value**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes

No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes

No



Edgar Filing: CENTRAL VALLEY COMMUNITY BANCORP - Form 10-K

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 preceding 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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 **June 30, 2007**, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$58,374,000 based on the average bid and asked price.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

**Common Stock, No Par Value** **Outstanding at March 3, 2008**  
[Common Stock, No par value per share] 5,976,816 shares

**DOCUMENTS INCORPORATED BY REFERENCE**

Document	Parts Into Which Incorporated
Proxy Statement for the Annual Meeting of Shareholders to be held May 21, 2008 (Proxy Statement)	Part III

**TABLE OF CONTENTS**

<u>ITEM 1 -</u>	<u>DESCRIPTION OF BUSINESS</u>	1
<u>ITEM 1A -</u>	<u>RISK FACTORS</u>	26
<u>ITEM 2 -</u>	<u>DESCRIPTION OF PROPERTY</u>	28
<u>ITEM 3 -</u>	<u>LEGAL PROCEEDINGS</u>	28
<u>ITEM 4 -</u>	<u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	28
<u>ITEM 5 -</u>	<u>MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</u>	28
<u>ITEM 6 -</u>	<u>SELECTED FINANCIAL DATA</u>	31
<u>ITEM 7-</u>	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION</u>	32
<u>ITEM 7A-</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	51
<u>ITEM 8 -</u>	<u>FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	55
<u>ITEM 9 -</u>	<u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	97
<u>ITEM 9A -</u>	<u>CONTROLS AND PROCEDURES</u>	97
<u>ITEM 9B-</u>	<u>OTHER INFORMATION</u>	98
<u>ITEM 10 -</u>	<u>DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT</u>	98
<u>ITEM 11 -</u>	<u>EXECUTIVE COMPENSATION</u>	98
<u>ITEM 12 -</u>	<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	98
<u>ITEM 13 -</u>	<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	98
<u>ITEM 14 -</u>	<u>PRINCIPAL ACCOUNTING FEES AND SERVICES</u>	98
<u>ITEM 15 -</u>	<u>EXHIBITS</u>	98
<b><u>SIGNATURES</u></b>		<b>99</b>

**ADDITIONAL INFORMATION; INQUIRIES**

Under the Securities Exchange Act of 1934, Sections 13 and 15 (d), periodic and current reports must be filed with the SEC. We electronically file the following reports with the SEC:

- Form 10-K Annual Report
- Form 10-Q - Quarterly Report
- Form 8-K - Report of Unscheduled Material Events
- Form DEF 14A Proxy Statement.

We may file additional forms. The SEC maintains an Internet site, [www.sec.gov](http://www.sec.gov), in which all forms filed electronically may be accessed. Additional shareholder information regarding the Company and our Directors is available on our website: [www.cvcb.com](http://www.cvcb.com). None of the information on or hyperlinked from our website is incorporated into this Report.

**Copies of the annual report on Form 10-K for the year ended December 31, 2007 may be obtained without charge upon written request to Dave Kinross, Chief Financial Officer, at the Company's administrative offices, 7100 N. Financial Dr., Fresno, CA 93720.**

Inquiries regarding Central Valley Community Bancorp's accounting, internal controls or auditing concerns should be directed to Steven D. McDonald, chairman of the Board of Directors' Audit Committee, at [steve.mcdonald@cvcb.com](mailto:steve.mcdonald@cvcb.com) or anonymously at [www.ethicspoint.com](http://www.ethicspoint.com) or EthicsPoint, Inc. at 1-866-294-9588.

General inquiries about the Central Valley Community Bancorp or Central Valley Community Bank should be directed to Cathy Ponte, Assistant Corporate Secretary at 1-800-298-1775.

**PART I**

**ITEM 1 - DESCRIPTION OF BUSINESS**

**General**

Central Valley Community Bancorp (the Company) was incorporated on February 7, 2000 as a California corporation, for the purpose of becoming the holding company for Central Valley Community Bank (the Bank), formerly known as Clovis Community Bank, a California state chartered bank, through a corporate reorganization. In the reorganization, the Bank became the wholly-owned subsidiary of the Company, and the shareholders of the Bank became the shareholders of the Company. The Company is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended (the BHC Act), and is subject to supervision and regulation by the Board of Governors of the Federal Reserve System (the Board of Governors).

At December 31, 2007, we had one banking subsidiary, the Bank. Our principal business is to provide, through our banking subsidiary, financial services in our primary market area in California. We serve Fresno County, Madera County, Sacramento County, and Stanislaus County and their surrounding areas through the Bank. We do not currently conduct any operations other than through the Bank. Unless the context otherwise requires, references to us refer to the Company and the Bank on a consolidated basis. At December 31, 2007, we had consolidated total assets of approximately \$483,685,000. See Items 7 and 8, Management's Discussion and Analysis or Plan of Operation and Financial Statements.

## Edgar Filing: CENTRAL VALLEY COMMUNITY BANCORP - Form 10-K

During 2006, the Board of Directors approved a stock repurchase plan authorizing the purchase of shares of the Company's common stock up to a total cost of approximately \$1,000,000 or approximately 1% of its outstanding shares of common stock during the period from October 23, 2006 to June 30, 2007.

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

On November 20, 2007, the Board of Directors approved a stock repurchase plan authorizing the purchase of shares of the Company's common stock up to a total cost of approximately \$1,000,000 during the period from November 21, 2007 to May 21, 2008.

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

As of February 22, 2008, we had a total of 168 employees and 152 full time equivalent employees, including the employees of the Bank.

### **The Bank**

The Bank was organized in 1979 and commenced business as a California state chartered bank in 1980. The deposits of the Bank are insured by the Federal Deposit Insurance Corporation (the FDIC) up to applicable limits. The Bank is not a member of the Federal Reserve System.

The Bank operates 12 full-service banking offices in Clovis, Fresno, Kerman, Madera, Oakhurst, Sacramento, and Prather, one limited-service banking office in Fresno, and a loan production office in Modesto, California. The Oakhurst and Madera branches were added through the BMC merger. One of the offices is in a Save Mart Supermarket and offers extended banking hours, including Saturday hours, for the convenience of the Bank's customers. The Bank has a Real Estate Division and an SBA Lending Division located at our corporate headquarters in Fresno. All real estate related transactions are conducted and processed through the Real Estate Division, including interim construction loans for single family residences and commercial buildings. All types of permanent single family residential loans are also offered. Our total market share of deposits in Fresno and Madera counties increased to 4.16% in 2007 compared to 3.94% in 2006 based on FDIC deposit market share information published as of June 30, 2007.

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

During 2007, the Bank opened a loan production office in Modesto, California, and relocated our Kerman branch to a new larger facility. The Bank opened full service retail offices in the Fresno downtown area on February 13, 2006 and in the Sunnyside area of Fresno on November 13, 2006. During October 2006, the Company consolidated its administrative offices into a single location on North Financial Drive in Fresno and



opened a limited-service branch there.

Branch expansions provide the Company with opportunities to expand its loan and deposit base; however, based on past experience, management expects these new offices will initially have a negative impact on earnings until the volume of business grows to cover fixed overhead expenses. The Bank anticipates additional branch openings to meet the growing service needs of its customers, although none are planned during 2008.

The Bank established an interest in Central Valley Community Insurance Services, LLC (Insurance Services) at the end of 2006. The purpose of this new entity is to market health, commercial property and casualty insurance products and services primarily to business customers.

The Bank conducts a commercial banking business, which includes accepting demand, savings and time deposits and making commercial, real estate and consumer loans. It also issues cashier's checks, sells traveler's checks and provides safe deposit boxes and other customary banking services. The Bank also has offered Internet Banking since 2000. Internet Banking consists of inquiry, account status, bill paying, account transfers, and cash management. The Bank does not offer trust services or international banking services and does not currently plan to do so in the near future.

## Edgar Filing: CENTRAL VALLEY COMMUNITY BANCORP - Form 10-K

Since August of 1995 the Bank has been a party to an agreement with Investment Centers of America, pursuant to which Investment Centers of America provides Bank customers with access to investment services. In connection with entering into this agreement, the Bank adopted a policy intended to comply with FDIC Regulation Section 337.4, which outlines the guidelines under which an insured non-member bank may be affiliated with a company that directly engages in the sale, distribution, or underwriting of stock, bonds, debentures, notes, or other securities.

The Bank's operating policy since its inception has emphasized serving the banking needs of individuals and the business and professional communities in the central valley area of California. At December 31, 2007, we had total loans of \$341,128,000. Total commercial and industrial loans outstanding were \$92,613,000; total agricultural land and production loans outstanding were \$32,167,000, total real estate construction, land development and other land loans outstanding were \$48,593,000; total other real estate loans outstanding were \$137,548,000, total equity loans and lines of credit were \$24,595,000 and total consumer installment loans outstanding were \$6,200,000. We accept real estate, listed securities, savings and time deposits, automobiles, inventory, machinery and equipment as collateral for loans.

No individual or single group of related accounts is considered material in relation to the Bank's assets or deposits, or in relation to the overall business of the Company. However, at December 31, 2007 approximately 61.8% of our loan portfolio held for investment consisted of real estate-related loans, including construction loans, equity loans and lines of credit and commercial loans secured by real estate and 36.5% consisted of commercial loans. See Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations. We believe that these concentrations are mitigated by the diversification of our loan portfolio among commercial, commercial and residential construction, commercial mortgage, home equity and consumer loans. In addition, our business activities currently are mainly concentrated in Fresno County, California. Consequently, our results of operations and financial condition are dependent upon the general trends in this part of the California economy and, in particular, the residential and commercial real estate markets. In addition, our concentration of operations in this area of California exposes us to greater risk than other banking companies with a wider geographic base in the event of catastrophes, such as earthquakes, fires and floods in this region or as a result of energy shortages in California.

Our deposits are attracted from individual and commercial customers. A material portion of our deposits have not been obtained from a single person or a few persons, the loss of any one or more of which would have a material adverse effect on our business.

In order to attract loan and deposit business from individuals and small businesses, we maintain the following lobby hours at our branches:

Branch	Monday	Thursday	Friday	Saturday
Clovis Main	9:00 a.m. to 4:00 p.m.		9:00 a.m. to 6:00 p.m.	None
Clovis Main Drive Up	8:00 a.m. to 5:30 p.m.		8:00 a.m. to 6:00 p.m.	None
Foothill	9:00 a.m. to 5:00 p.m.		9:00 a.m. to 6:00 p.m.	9:00 a.m. to 1:00 p.m.
Herndon & Fowler	9:00 a.m. to 6:00 p.m.		9:00 a.m. to 6:00 p.m.	9:00 a.m. to 4:00 p.m.
Fig Garden Village	9:00 a.m. to 5:00 p.m.		9:00 a.m. to 6:00 p.m.	10:00 a.m. to 2:00 p.m.
Kerman	9:00 a.m. to 5:00 p.m.		9:00 a.m. to 6:00 p.m.	None
	Drive Up 8:30 a.m. to 5:00 p.m.		Drive Up 8:30 a.m. to 6:00 p.m.	
River Park	9:00 a.m. to 5:00 p.m.		9:00 a.m. to 6:00 p.m.	10:00 a.m. to 2:00 p.m.

Edgar Filing: CENTRAL VALLEY COMMUNITY BANCORP - Form 10-K

	Drive Up 9:00 a.m. to 5:30 p.m.	Drive Up 9:00 a.m. to 6:00 p.m.	Drive Up 10:00 a.m. to 2:00 p.m.
Sacramento Private Banking	9:00 a.m. to 4:00 p.m.	9:00 a.m. to 4:00 p.m.	None
Oakhurst	8:30 a.m. to 5:00 p.m.	8:30 a.m. to 6:00 p.m.	None
Madera	8:30 a.m. to 5:00 p.m.	8:30 a.m. to 6:00 p.m.	None
Sunnyside	9:00 a.m. to 5:00 p.m.	9:00 a.m. to 6:00 p.m.	10:00 a.m. to 2:00 p.m.
	Drive Up 8:00 a.m. to 5:00 p.m.	Drive Up 8:00 a.m. to 6:00 p.m.	Drive Up 10:00 a.m. to 2:00 p.m.
Financial Drive	8:00 a.m. to 5:00 p.m.	8:00 a.m. to 5:00 p.m.	None
Fresno Downtown	9:00 a.m. to 4:00 p.m.	9:00 a.m. to 5:00 p.m.	None
	Walkup window 8:00 a.m. to 9:00 a.m.	Walkup window 8:00 a.m. to 9:00 a.m.	

Automated teller machines operate at 12 branch locations and one non-branch location. All but one operates 24 hours per day, seven days per week. No automated teller machines are currently located at the Sacramento office. Our Real Estate, Small Business Administration (SBA) Departments and Modesto loan-production office maintain business hours of 8:00 A.M. to 5:00 P.M., Monday through Friday, and extended hours are available upon customer request.

To compete effectively, we rely substantially on local promotional activity, personal contacts by our officers, directors and employees, referrals by our shareholders, extended hours, personalized service and our reputation in the communities we serve.

In Fresno and Madera Counties, in addition to our 11 full-service and one limited-service branch locations, serving the Bank's primary service areas, as of December 31, 2007 there were 192 operating banking and credit union offices in our primary service area, which consists of the cities of Clovis, Fresno, Kerman, Oakhurst, Madera, and Prather, California. Prather does not contain any banking offices other than our office. Business activity in our primary service area is oriented toward light industry, small business and agriculture. The June 2007 FDIC Summary of Deposits report indicated the Company had 4.1% of the total deposits held by all depositories in Fresno County and 4.8% in Madera County. In Sacramento County, in addition to our one branch, as of December 31, 2007 there were 246 operating banking and credit union offices in our primary service area.

The banking business in California generally, and our primary service area specifically, is highly competitive with respect to both loans and deposits, and is dominated by a relatively small number of major banks with many offices operating over a wide geographic area. Among the advantages such major banks have over us is their ability to finance wide-ranging advertising campaigns and to allocate their investment assets, including loans, to regions of higher yield and demand. Major banks offer certain services such as international banking and trust services which are not offered directly but which usually can be offered indirectly through correspondent institutions. In addition, by virtue of their greater total capitalization, such banks have substantially higher lending limits than we do. Legal lending limits to an individual customer are limited to a percentage of our total capital accounts. As of December 31, 2007, the Bank's legal loan limits to individual customers were \$6,913,000 for unsecured loans and \$11,522,000 for unsecured and secured loans combined. For borrowers desiring loans in excess of the Bank's lending limits, the Bank makes and may, in the future, make such loans on a participation basis with other community banks taking the amount of loans in excess of the Bank's lending limits. In other cases, the Bank may refer such borrowers to larger banks or other lending institutions.



Other entities, both governmental and in private industry, seeking to raise capital through the issuance and sale of debt or equity securities also provide competition for us in the acquisition of deposits. Banks also compete with money market funds and other money market instruments, which are not subject to interest rate ceilings. In recent years, increased competition has also developed from specialized finance and non-finance companies that offer wholesale finance, credit card, and other consumer finance services, including on-line banking services and personal finance software. Competition for deposit and loan products remains strong, from both banking and non-banking firms, and affects the rates of those products as well as the terms on which they are offered to customers.

Technological innovation continues to contribute to greater competition in domestic and international financial services markets. Technological innovation has, for example, made it possible for non-depository institutions to offer customers automated transfer payment services that previously have been traditional banking products. In addition, customers now expect a choice of several delivery systems and channels, including telephone, mail, home computer, ATMs, remote deposit, self-service branches, and in-store branches.

Mergers between financial institutions have placed additional pressure on banks to streamline their operations, reduce expenses, and increase revenues to remain competitive. In addition, competition has intensified due to federal and state interstate banking laws, which permit banking organizations to expand geographically with fewer restrictions than in the past. Such laws allow banks to merge with other banks across state lines, thereby enabling banks to establish or expand banking operations in our market. The competitive environment also is significantly impacted by federal and state legislation, which may make it easier for non-bank financial institutions to compete with us.

#### **Statistical Disclosure**

The information in the tables set out below should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations, which are included in Items 7 and 8 of this annual report.

#### **Distribution of Average Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential**

Table A sets forth our average consolidated balance sheets for the years ended December 31, 2007, 2006 and 2005 and an analysis of interest rates and the interest rate differential for the years then ended. Table B sets forth the changes in interest income and interest expense in 2007 and 2006 resulting from changes in volume and changes in rates.

#### **Investment Portfolio**

The book value (amortized cost) of investment securities at December 31, 2007, 2006 and 2005 and the book value, maturities and weighted average yield of investment securities at December 31, 2007 are set forth in Table C.

## **Loan Portfolio**

The composition of the loan portfolio at December 31, 2007, 2006, 2005, 2004, and 2003, is summarized in Table D.

Maturities and sensitivity to changes in interest rates in the loan portfolio at December 31, 2007 are summarized in Table E.

Table F shows the composition of non-accrual, past due and restructured loans at December 31, 2007, 2006, 2005, 2004, and 2003. Set forth in the text accompanying Table F is a discussion of the Company's policy for placing loans on non-accrual status.

## **Summary of Loan Loss Experience**

Table G sets forth an analysis of loan loss experience as of and for the years ended December 31, 2007, 2006, 2005, 2004, and 2003.

Set forth in the text accompanying Table G is a description of the factors which influenced management's judgment in determining the amount of the additions to the allowance charged to operating expense in each fiscal year, a table showing the allocation of the allowance for credit losses to the various types of loans in the portfolio, as well as a discussion of management's policy for establishing and maintaining the allowance for credit losses.

**Deposits**

Table H sets forth the average amount of and the average rate paid on major deposit categories for the years ended December 31, 2007, 2006, and 2005.

Table I sets forth the maturity of time certificates of deposit of \$100,000 or more at December 31, 2007.

**Return on Equity and Assets**

Table J sets forth certain financial ratios for the years ended December 31, 2007, 2006, and 2005.

Table A

**DISTRIBUTION OF AVERAGE ASSETS, LIABILITIES AND SHAREHOLDERS EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL**

The following table sets forth consolidated average assets, liabilities and shareholders' equity; interest income earned and interest expense paid; and the average yields earned or rates paid thereon for the years ended December 31, 2007, 2006, and 2005. The average balances reflect daily averages except non-accrual loans, which were computed using quarterly averages.

(Dollars in thousands)	Average Balance	2007 Interest Income/Expense	Average Interest Rate	Average Balance	2006 Interest Income/Expense	Average Interest Rate	Average Balance	2005 Interest Income/Expense	Average Interest Rate
<b>ASSETS:</b>									
Interest-earning deposits in other banks	\$ 168	\$ 5	2.98%	\$ 634	\$ 22	3.47%	\$ 2,136	\$ 59	2.76%
Securities:									
Taxable securities	67,516	3,350	4.96%	74,915	3,191	4.26%	86,857	3,002	3.46%
Non-taxable securities (1)	23,848	1,333	5.59%	26,749	1,556	5.82%	25,096	1,806	7.20%
Total investment securities	91,364	4,683	5.13%	101,664	4,747	4.67%	111,953	4,808	4.29%
Federal funds sold	11,721	583	4.97%	23,404	1,165	4.98%	21,590	702	3.25%
Total	103,253	5,271	5.11%	125,702	5,934	4.72%	135,679	5,569	4.10%
Loans (2)(3)	331,347	27,748	8.37%	303,867	25,527	8.40%	276,957	21,115	7.63%
Federal Home Loan Bank stock	1,964	102	5.19%	1,799	89	4.95%	1,621	68	4.19%
Total interest-earning assets (1)	436,564	\$ 33,121	7.59%	431,368	\$ 31,550	7.31%	414,257	\$ 26,752	6.46%
Allowance for credit losses	(3,794)			(3,483)			(3,507)		
Non-accrual loans	112			207			898		
Cash and due from banks	16,675			17,404			19,365		
Bank premises and equipment	5,747			3,369			3,004		
Other non-earning assets	22,017			21,356			21,663		
Total average assets	\$ 477,321			\$ 470,221			\$ 455,680		



(Dollars in thousands)	Average Balance	2007 Interest Income/ Expense	Average Interest Rate	Average Balance	2006 Interest Income/ Expense	Average Interest Rate	Average Balance	2005 Interest Income/ Expense	Average Interest Rate
<b>LIABILITIES AND SHAREHOLDERS EQUITY:</b>									
Interest-bearing liabilities									
Interest-bearing deposits:									
Savings and NOW									
accounts	\$ 73,072	\$ 445	0.61%	\$ 78,410	\$ 162	0.21%	\$ 83,781	\$ 149	0.18%
Money market accounts (MMA)									