Commercial Vehicle Group, Inc.
Form PRE 14A
April 06, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material under §240.14a-12

COMMERCIAL VEHICLE GROUP, INC.

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

COMMERCIAL VEHICLE GROUP, INC.

7800 Walton Parkway

New Albany, Ohio 43054

Telephone: (614) 289-5360

April , 2015

Dear Stockholder:

You are cordially invited to attend our 2015 Annual Meeting of Stockholders, which will be held on Friday, May 15, 2015, at 1:00 p.m. (Eastern Time) at the Courtyard by Marriott Columbus-New Albany, located at 5211 Forest Drive, New Albany, OH 43054. With this letter, we have enclosed a copy of our 2014 Annual Report on Form 10-K, notice of annual meeting of stockholders, proxy statement and proxy card. These materials provide additional information concerning the annual meeting. If you would like another copy of the 2014 Annual Report, please contact Brent A. Walters, Senior Vice President, General Counsel, Chief Compliance Officer and Secretary, and one will be mailed to you.

As indicated in our 2014 Annual Report on Form 10-K and this proxy statement, 2014 was another year of transition for Commercial Vehicle Group. In the third quarter ended September 30, 2014, we concluded our long-term strategic planning process known as CVG 2020. CVG 2020 is a roadmap by product, geographic region, and end market to guide resource allocation and other decision making to achieve our 2020 goals. The overarching financial goal of CVG 2020 is to deliver top quartile total shareholder return.

At this year s annual meeting, the agenda includes:

1. Approval of an amendment to the Company s Amended and Restated Certificate of Incorporation to declassify our Board of Directors and provide for the annual election of directors;

2. If Proposal 1 is approved by the Company s stockholders, election of two Class II directors to hold office until the 2016 Annual Meeting of Stockholders; or if Proposal 1 is not approved by the Company s stockholders, election of two Class II directors to hold office until the 2018 Annual Meeting of Stockholders;

3. Approval of an amendment to the Company s Amended and Restated By-Laws to add a provision to designate Delaware Chancery Court as the exclusive forum for certain legal actions;

4. A vote on a non-binding advisory proposal on the compensation of our named executive officers; and

5. A proposal to ratify the appointment of our independent registered public accounting firm.

The Board of Directors recommends that you vote FOR each of these proposals. Members of the Board of Directors and our executive officers will be present to discuss the affairs of the Company and to answer any questions you may have.

It is important that your shares be represented and voted at the annual meeting, regardless of the size of your holdings. Accordingly, please complete, sign and date the enclosed proxy card and return it promptly in the enclosed envelope to ensure your shares will be represented. If you do attend the annual meeting, you may, of course, withdraw your proxy and vote in person.

As we turn to 2015, we are focused on executing our strategic plan. CVG remains well positioned to take advantage of long term growth opportunities in key markets. I look forward to seeing you at the annual meeting and sharing the results of our efforts with you throughout the coming year.

Sincerely,

Richard P. Lavin

President and Chief Executive Officer

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COMMERCIAL VEHICLE GROUP, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held on May 15, 2015

1:00 p.m. ET

The 2015 Annual Meeting of Stockholders of Commercial Vehicle Group, Inc. will be held on Friday, May 15, 2015, at 1:00 p.m. ET, at the Courtyard by Marriott Columbus-New Albany located at 5211 Forest Drive, New Albany, OH 43054.

The annual meeting is being held for the following purposes:

1. To adopt and approve an amendment to the Company s Amended and Restated Certificate of Incorporation to declassify our Board of Directors and provide for the annual election of directors;

2. If Proposal 1 is approved by the Company s stockholders, to elect two Class II directors to hold office until the 2016 Annual Meeting of Stockholders; or if Proposal 1 is not approved by the Company s stockholders, to elect two Class II directors to hold office until the 2018 Annual Meeting of Stockholders;

3. To adopt and approve an amendment to the Company s Amended and Restated By-Laws to add a provision to designate Delaware Chancery Court as the exclusive forum for certain legal actions;

4. To vote on a non-binding advisory proposal on the compensation of the named executive officers as disclosed in the proxy statement;

5. To ratify the appointment of KPMG LLP as the independent registered public accounting firm of Commercial Vehicle Group, Inc. for the fiscal year ending December 31, 2015; and

6. To consider any other matters or transact such other business as may properly come before the annual meeting or any adjournment(s) or postponement(s) thereof.

These items are fully discussed in the following pages. Only stockholders of record at the close of business on March 26, 2015, will be entitled to vote at the annual meeting.

Enclosed with this Notice of Annual Meeting of Stockholders is a proxy statement, related proxy card with a return envelope and our 2014 Annual Report on Form 10-K. The 2014 Annual Report on Form 10-K contains financial and other information that is not incorporated into the proxy statement and is not deemed to be a part of the proxy soliciting material.

By Order of the Board of Directors

Brent A. Walters

Senior Vice President, General Counsel, *Chief Compliance Officer and Secretary*

April   , 2015

Even if you expect to attend the Annual Meeting, please promptly complete, sign, date and mail the enclosed proxy card. A self-addressed envelope is enclosed for your convenience. No postage is required if mailed in the United States. Stockholders who attend the annual meeting may revoke their proxies and vote in person if they so desire.

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QUESTIONS AND ANSWERS ABOUT VOTING

Q: Why did you send me this proxy statement?

A: This proxy statement is being sent to you because our Board of Directors is soliciting your proxy to vote at the 2015 Annual Meeting of Stockholders. This proxy statement includes information required to be disclosed to you in connection with our solicitation of proxies in connection with the annual meeting. Stockholders of record as of the close of business on March 26, 2015 (the record date) are entitled to vote. This proxy statement and the related proxy card are first being sent on or about April , 2015 to those persons who are entitled to vote at the annual meeting.

Q: How many votes do I have?

A: Each share of our common stock that you own entitles you to one vote on each matter to come before the annual meeting.

Q: How do I vote?

A: You can vote on matters presented at the annual meeting in four ways:

1) You can vote by filling out, signing and dating your proxy card and returning it in the enclosed envelope, OR

2) You can vote over the internet, OR

3) By telephone, OR

4) You can attend the annual meeting and vote in person.

Q: How do I vote by proxy?

A: If you properly fill out your proxy card and send it to us in time to vote, your shares will be voted as you have directed. If you do not specify a choice on your proxy card, the shares represented by your proxy card will be voted FOR the amendment to our Amended and Restated Certificate of Incorporation to declassify our Board of Directors, FOR the election of all nominees named in this proxy statement, FOR the amendment to our Amended and Restated By-Laws to add a provision to designate Delaware Chancery Court as the exclusive forum for certain legal actions, FOR the approval of the compensation of our named executive officers as disclosed in this proxy statement, and FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2015.

Whether or not you plan to attend the annual meeting, we urge you to complete, sign, date and return your proxy card in the enclosed envelope. Returning the proxy card will not affect your right to attend the annual meeting and vote in person.

Q: How do I vote by Internet?

A: By logging onto www.investorvote.com/cvgi and following the instructions.

Q: How do I vote by telephone?

A: By dialing 1-800-652-VOTE(8683) and following the instructions.

Q: How do I vote in person?

A: If you attend the annual meeting, we will give you a ballot when you arrive.

Q: Who can attend the meeting?

A: All stockholders as of the record date, or their duly appointed proxies, may attend the meeting upon presentation of proper identification. Registration and seating will begin at 12:30 p.m., Eastern Time. Cameras, recording devices and other electronic devices will not be permitted at the meeting. You may obtain directions to the meeting place by calling our corporate offices at (614) 289-5360.

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Please note that if you hold your shares in street name (that is, through a broker or other nominee), you will need to bring a copy of your voting instruction card or a brokerage statement reflecting your stock ownership as of the record date and check in at the registration desk at the meeting.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Your broker will vote your shares only if you provide instructions on how to vote. You should follow the directions provided by your broker regarding instructions to vote your shares.

Q: Can I change my vote or revoke my proxy after I have mailed my proxy card?

A: You can change your vote at any time before your proxy is voted at the annual meeting. You can do this in one of three ways. First, you can send a written notice to the General Counsel and Secretary at our headquarters stating that you would like to revoke your proxy. Second, you can complete and submit a new proxy card.

Third, you can attend the annual meeting and vote in person.

Simply attending a meeting, however, will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow the directions you received from your broker to change your vote.

Q: What items of business will be voted on at the Annual Meeting?

A: We are holding the Annual Meeting in order to: (1) adopt and approve an amendment to our Amended and Restated Certificate of Incorporation to declassify our Board and provide for the annual election of directors; (2) if Proposal 1 is approved by our stockholders, elect two directors for the ensuing year, or if Proposal 1 is not approved by our stockholders, elect two directors for the ensuing three years; (3) adopt and approve an amendment to the Company s Amended and Restated By-Laws to add a provision to designate Delaware Chancery Court as the exclusive forum for certain legal actions; (4) hold an advisory (non-binding) vote concerning our executive compensation program; and (5) ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2015.

Q: Will there be any matters voted upon at the annual meeting other than those specified in the Notice of Annual Meeting?

A: Our Board of Directors does not know of any matters other than those discussed in this proxy statement that will be presented at the annual meeting. If other matters are properly brought before the meeting and we do not have notice of these matters within a reasonable time prior to the annual meeting, all proxies will be voted in accordance with the recommendations of our Board of Directors. If for any reason any of the nominees is not available as a candidate for director, the person named as proxy holder will have the discretion to vote for such other candidate or candidates as may be nominated by the Board of Directors.

Q: How are votes counted?

A: Stockholders of record of our common stock as of the close of business on March 26, 2015 are entitled to vote at the annual meeting. As of March 26, 2015, there were 30,026,360 shares of common stock outstanding. The presence in person or by proxy of a majority of the outstanding shares of common stock will constitute a quorum for the transaction of business. Each share of common stock is entitled to one vote on each matter to come before the annual meeting. Under Delaware law, if you have returned a valid proxy or attend the meeting in person, but abstain from voting, your stock will nevertheless be treated as present and entitled to vote. Your stock, therefore, will be counted in determining the existence of a quorum and, even though you have abstained from voting, will have the effect of a vote against any matter requiring the affirmative vote of a majority of the shares present and entitled to vote at the annual meeting, such as amending the Amended and Restated Certificate of Incorporation, approval of the compensation of our named executive officers, and the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the 2015 fiscal year. Under Delaware law, broker non-votes are also

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counted for purposes of determining whether a quorum is present, but are not counted in determining whether a matter requiring a majority of the shares present and entitled to vote has been approved or whether a plurality of the vote of the shares present and entitled to vote has been cast.

Q: How are proxies being solicited and who pays for the solicitation of proxies?

A: Initially, we will solicit proxies by mail. Our directors, officers and employees may also solicit proxies in person or by telephone without additional compensation. We will pay all expenses of solicitation of proxies.

Q: Can I access this proxy statement and CVG s 2014 Annual Report on Form 10-K electronically?

A: The proxy statement and our 2014 Annual Report on Form 10-K are available through the investor page on our website at www.cvgrp.com/proxy and through our transfer agent s website at www.edocumentview.com/ cvgi.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2015 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON FRIDAY, MAY 15, 2015.

This proxy statement and our 2014 Annual Report are available at www.cvgrp.com/proxy and at www.edocumentview.com/cvgi.

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PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (the Board) of Commercial Vehicle Group, Inc., a Delaware corporation (CVG), of proxies for use in voting at the Annual Meeting of Stockholders scheduled to be held on May 15, 2015 and at any postponement(s) or adjournment(s) thereof (the Annual Meeting). This Proxy Statement and the related proxy card are being mailed to holders of our common stock, commencing on or about April __, 2015. References in this Proxy Statement to Company, we, our, or us refer to CVG, unless otherwise noted.

Special Procedures at the Annual Meeting Regarding Board Declassification

At the Annual Meeting, our stockholders will be asked to vote on a proposal to adopt and approve an amendment to our Amended and Restated Certificate of Incorporation to declassify the Board and provide for the annual election of directors (which we refer to as Proposal 1 or the Board Declassification Proposal). Our Board is currently divided into three classes, with each class of directors serving a staggered term, so that the term of only one class expires at each annual meeting of stockholders and each class is elected to a three-year term. In order to commence the transition to a declassified Board at the Annual Meeting, we intend to present and vote upon Proposal 1 (the Board Declassification Proposal) prior to voting on Proposal 2 (the election of directors). If our stockholders approve the Board Declassification Proposal, immediately after the vote on the Board Declassification Proposal, the Annual Meeting will be recessed briefly so that a Certificate of Amendment to the Company s Amended and Restated Certificate of Incorporation (the Certificate of Amendment), reflecting the amendments that the stockholders have approved at the Annual Meeting, may be filed with the Secretary of State of the State of Delaware. After the Certificate of Amendment is accepted for record by the Secretary of State of the State of Delaware, the Annual Meeting will be reconvened and the directors standing for re-election at the Annual Meeting will be elected for one-year terms.

Voting and Revocability of Proxies

When proxies are properly dated, executed and returned, the shares they represent will be voted as directed by the stockholder on all matters properly coming before the Annual Meeting.

Where specific choices are not indicated on a valid proxy, the shares represented by such proxies received will be voted:

1. FOR the amendment to the Company s Amended and Restated Certificate of Incorporation to declassify the Board of Directors and provide for the annual election of directors;

2. FOR the nominees for directors named in this proxy statement;

3. FOR the amendment to the Company s Amended and Restated By-Laws to add a provision to designate Delaware Chancery Court as the exclusive forum for certain legal actions;

4. FOR the approval of the compensation of our named executive officers as disclosed in this proxy statement; and

5. FOR the ratification of the appointment of KPMG LLP as independent registered public accounting firm for 2015.

In addition, if other matters come before the Annual Meeting and we do not have notice of these matters within a reasonable time prior to the Annual Meeting, the persons named in the accompanying form of proxy will determine how to vote on those matters in their discretion.

Returning your completed proxy will not prevent you from voting in person at the Annual Meeting should you be present and desire to do so; provided that if you have instructed a broker to vote your shares, you must follow the directions you received from your broker to change your vote. In addition, the proxy may be revoked at any time prior to its exercise either by giving written notice to our General Counsel and Secretary prior to the Annual Meeting, by submission of a later-dated proxy or attending the Annual Meeting and voting in person.

At the Annual Meeting, inspectors of election shall determine the presence of a quorum and shall tabulate the results of the stockholders voting. The presence of a quorum is required to transact the business proposed to

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be transacted at the Annual Meeting. The presence in person or by proxy of holders of a majority of the outstanding shares of common stock entitled to vote will constitute the necessary quorum for any business to be transacted at the Annual Meeting. In accordance with the General Corporation Law of the State of Delaware (the DGCL), properly executed proxies marked abstain as well as proxies held in street name by brokers that are not voted on all proposals to come before the Annual Meeting (broker non-votes), will be considered present for the purposes of determining whether a quorum has been achieved at the Annual Meeting.

The two nominees for director receiving the greatest number of votes cast at the Annual Meeting in person or by proxy shall be elected. Consequently, any shares of common stock present in person or by proxy at the Annual Meeting but not voted for any reason, including abstentions and broker non-votes, have no impact in the election of directors, except to the extent that the failure to vote for an individual may result in another individual receiving a larger number of votes. Stockholders have no right to cumulative voting as to any matter, including the election of directors.

The proposal to amend the Company s Amended and Restated Certificate of Incorporation and the proposal to amend the Company s Amended and Restated By-Laws both require the favorable vote of at least 66-2/3% of the shares of our common stock outstanding on the record date entitled to vote at the Annual Meeting. All other matters to be considered at the Annual Meeting require the favorable vote of a majority of the shares present either in person or by proxy at the Annual Meeting. If any proposal at the Annual Meeting must receive a specific percentage of favorable votes for approval, abstentions in respect of such proposal are treated as present and entitled to vote under the DGCL and, therefore, have the effect of a vote against such proposal. Broker non-votes in respect of any proposal are not counted for purposes of determining whether such proposal has received the requisite approval under the DGCL.

Record Date and Share Ownership

Only stockholders of record of the common stock on our books at the close of business on March 26, 2015 will be entitled to vote at the Annual Meeting. On that date, we had 30,026,360 shares of common stock outstanding. A list of our stockholders will be open to the examination of any stockholders, for any purpose germane to the meeting, at our headquarters, located at 7800 Walton Parkway, New Albany, OH 43054, for a period of ten (10) days prior to the meeting. Each share of common stock entitles the holder thereof to one vote on all matters submitted to stockholders.

PROPOSAL NO. 1: ADOPTION AND APPROVAL OF AMENDMENTS TO THE COMPANY S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO DECLASSIFY OUR BOARD OF DIRECTORS AND PROVIDE FOR THE ANNUAL ELECTION OF DIRECTORS

Currently, the Company s Amended and Restated Certificate of Incorporation divides Board members into three classes. One class of directors is elected at each annual meeting of stockholders, with each director in that class to hold office for a term ending on the third annual meeting of stockholders following the annual meeting of stockholders at which that director was elected.

After careful consideration, the Board, upon the recommendation of the Nominating and Corporate Governance Committee, has determined that it is advisable and in the best interests of the Company s stockholders to amend the Company s Amended and Restated Certificate of Incorporation to declassify the Board to allow stockholders, following the completion of the declassification, to vote on the election of the entire Board each year, rather than on a staggered basis. The proposed amendments to the Certificate are set forth in Appendix A to this Proxy Statement.

If Proposal 1 is approved by the stockholders, a Certificate of Amendment to the Company s Amended and Restated Certificate of Incorporation (the Certificate of Amendment), reflecting the amendments that the stockholders have approved at the Annual Meeting, will be filed with the Secretary of State of the State of Delaware, and the directors elected at this year s Annual Meeting, will each serve for a one-year term expiring at the 2016 annual meeting of stockholders. To comply with Delaware law, the amendments to our Amended and Restated Certificate of Incorporation would not change the unexpired three-year terms of directors elected prior to the effectiveness of the Certificate of Amendment. Accordingly, all directors elected at or prior to the 2014

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Annual Meeting will serve the remainder of their current terms, but that class of directors will become subject to election on an annual basis for a one-year term following the expiration of their current terms. Vacancies which may occur in between annual meetings as a result of the death, resignation, removal or disqualification of any director may be filled by the Board and each director so appointed shall serve for the remainder of the term of his or her predecessor in office. The Board may fill any vacancy resulting from an increase in the total number of directors comprising the Board, and any director so appointed should serve for a term expiring at the next annual meeting following such appointment.

If the stockholders do not approve Proposal 1, then the Board will remain classified, with directors of each class serving a term of three years, and the term of the directors standing for election at this year s Annual Meeting, if elected, will expire at the 2018 annual meeting of stockholders.

Notwithstanding the foregoing, in all cases, each director will hold office until his or her successor is duly elected and qualified, or until his or her earlier death, resignation, removal or disqualification.

Considerations of the Board

The Board recognizes that a classified structure may offer several advantages, such as promoting board continuity and stability, encouraging directors to take a long-term perspective, and ensuring that a majority of the Board will always have prior experience with the Company. Additionally, classified boards may motivate potential acquirors seeking control of the Company to initiate arms-length discussions with the Board, rather than engaging in unsolicited or coercive takeover tactics.

While the Board continues to believe these are important considerations, the Board also recognizes that a classified structure may reduce directors accountability to stockholders because such a structure does not enable stockholders to evaluate directors performances annually. Moreover, many stockholders believe that the annual election of directors is important for them to influence corporate governance policies and ensure that directors hold management accountable.

In determining whether to support declassification of the Board, the Board considered the arguments in favor of and against continuation of the classified board structure and determined that it would be advisable and in the best interests of the Company and its stockholders to amend the Certificate to declassify the Board.

This description of the proposed amendment to our Certificate is qualified in its entirety by reference to, and should be read in conjunction with, the full text of our Certificate, as amended by the attached proposed amendment to this proxy statement as Appendix A, and the Certificate attached has been marked to show the proposed changes to declassify the Board.

Recommendation of the Board

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR ADOPTION AND APPROVAL OF AMENDMENTS TO OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO DECLASSIFY OUR BOARD OF DIRECTORS AND PROVIDE FOR THE ANNUAL ELECTION OF DIRECTORS.

Vote Required

The proposal to amend the Company s Amended and Restated Certificate of Incorporation requires the favorable vote of at least 66-2/3% of the shares of our common stock outstanding on the record date entitled to vote at the meeting.

PROPOSAL NO. 2 ELECTION OF DIRECTORS

The Board currently consists of seven directors and is divided into three classes, with two directors in Class I, two directors in Class II and three directors in Class III, and the term of each class expires in a different year. Our Class I directors are David R. Bovee and Richard P. Lavin, with a term of office expiring at our 2017 annual meeting of stockholders, our Class II directors are Harold C. Bevis and Roger L. Fix, with a term of office expiring at the Annual Meeting, and our Class III directors are Scott C. Arves, Robert C. Griffin and Richard A. Snell, with a term of office expiring at our 2016 annual meeting of stockholders.

As explained in further detail in Proposal 1, we are proposing an amendment to the Company s Amended and Restated Certificate of Incorporation to declassify the Board and provide for the annual election of directors.

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If our stockholders approve the Board Declassification Proposal, immediately after the vote to declassify the Board, the Annual Meeting will be recessed briefly so that the Certificate of Amendment, reflecting the amendments that the stockholders approved at the Annual Meeting, may be filed with the Secretary of State of the State of Delaware. After the Certificate of Amendment is accepted for record by the Secretary of State of the State of Delaware, the Annual Meeting will be reconvened and the directors standing for re-election at the Annual Meeting will be elected for one-year terms.

If Proposal 1 is approved by the Company s stockholders, Harold C. Bevis and Roger L. Fix, the nominees standing for election at the Annual Meeting, will, if elected, serve for a term expiring at the annual meeting in 2016. If Proposal 1 is not approved by the Company s stockholders, the Company s Amended and Restated Certificate of Incorporation will not be amended, and the nominees will, if elected, serve for a term expiring at the annual meeting in 2018 and until their successors are elected and qualified or until their earlier death, removal, disqualification or resignation.

The Board has nominated two nominees set forth below, each of whom has agreed to be named in this proxy statement and to serve as a director if elected and each of whom has been nominated by a non-management director of the Nominating and Corporate Governance Committee. The nominees currently serve as directors of CVG. In the event any nominee is unable or unwilling to serve as a director at the time of the Annual Meeting (which events are not anticipated), the persons named on the enclosed proxy card may substitute another person as a nominee or may add or reduce the number of nominees to such extent as they shall deem advisable.

Subject to rights of holders of any series of preferred stock to fill newly created directorships or vacancies, any newly created directorships resulting from an increase in the authorized number of directors or any vacancies on the Board resulting from death, resignation, disqualification or removal for cause shall be filled by the Board provided that a quorum is then in office and present, or by a majority of the directors then in office, if less than a quorum is then in office, or by the sole remaining director.

Information regarding our director nominees and our directors not subject to reelection at the Annual Meeting is set forth below:

Name	Age	Position
Richard A. Snell(4)	73	Chairman and Director
Richard P. Lavin	62	President, Chief Executive Officer and Director
Scott C. Arves(1)(3)(4)	58	Director
Harold C. Bevis(1)(2)(4)	55	Director
David R. Bovee(2)(3)(4)	65	Director
Roger L. Fix(1)(3)(4)	61	Director
Robert C. Griffin(1)(2)(4)	67	Director

(1) Member of the Compensation Committee.

(2) Member of the Audit Committee.

(3) Member of the Nominating and Corporate Governance Committee.

(4) Independent Director as defined in Rule 5605(a)(2) of the NASDAQ marketplace rules.

There are no family relationships between or among any of our directors or executive officers. Stock ownership information is shown under the heading Security Ownership of Certain Beneficial Owners and Management and is based upon information furnished by the respective individuals.

Our directors draw on their leadership experience from a wide variety of industries and their expertise in manufacturing, operations, financial and compliance matters to serve our company and our stockholders. The directors also serve as counselors and critics to management.

Class II Directors Director Nominees

Harold C. Bevis has served as a Director since June 2014. He has 30 years of experience including 20 years of experience as a business leader with leadership assignments at GE and Emerson Electric; and 14 years of experience as a CEO, President and Director of global manufacturing companies. He has worked in public companies for 15 years and private companies for 15 years. Mr. Bevis is currently President, Chief Executive Officer and Director of Xerium Technologies, Inc. (NYSE:XRM) since August 2012. Prior to that from August 2010 to April 2012, he served as the Chairman and Chief Executive Officer of Prolamina Corporation. Prior to that from October 2003 to December 2009, he served as Chief Executive Officer, President and director of Pliant Corporation. He has led three successful multi-year operational turnarounds and has started one company. He has led 114 manufacturing plants and operating teams in 21 countries. He has extensive experience in global mergers, acquisitions and divestiture transactions, as well as many types of capital market transactions. He has received many personal leadership awards including the Illinois Community Service Award for his work with the Special Olympics. Mr. Bevis also serves on the State of North Carolina Chamber of Commerce Manufacturing Council, and the City of Raleigh, North Carolina Chamber of Commerce Board of Advisors. Mr. Bevis earned a BS degree in engineering from Iowa State University and an MBA degree from Columbia University.

Roger L. Fix has served as a Director since June 2014. Mr. Fix currently serves as the non-executive chairman of the board of directors of Standex International Corporation. Mr. Fix was previously President and Chief Executive Officer of Standex from 2003 to 2014. He was Standex s President and Chief Operating Officer from 2001 to 2003. Mr. Fix has served as a director of Flowserve Corporation since 2006 and serves as the Chairman of the Corporate Nominating and Governance Committee and a member of the Audit Committee. In his role as CEO, Mr. Fix has extensive experience in P&L management, international business, M&A transactions, restructuring programs and operational improvement programs. Mr. Fix has a BS in Mechanical Engineering from the University of Nebraska and a MS in Mechanical Engineering from the University of Texas.

Directors Continuing in Office

Class I Directors

David R. Bovee has served as a Director since October 2004. Mr. Bovee served as Vice President and Chief Financial Officer of Dura Automotive Systems, Inc. (Dura) from January 2001 to March 2005 and from November 1990 to May 1997. In October 2006, subsequent to Mr. Bovee s 2005 retirement, Dura filed a voluntary petition for reorganization under the federal bankruptcy laws. From May 1997 until January 2001, Mr. Bovee served as Vice President of Business Development for Dura. Mr. Bovee also served as Assistant Secretary for Dura. Prior to joining Dura, Mr. Bovee served as Vice President at Wickes in its Automotive Group from 1987 to 1990. Mr. Bovee s relevant experience includes more than 10 years as a Chief Financial Officer and 15 years as an executive officer of a major automotive supplier, and nearly 10 years of experience in a publicly traded company. Mr. Bovee s career spans 32 years in the manufacturing and transportation sectors, servicing a footprint similar to CVG. Mr. Bovee has spent his entire career in finance roles, which suits him well to his position on our Board.

Richard P. Lavin has served as director since August 2013 and as President and Chief Executive Officer since May 2013. Prior to joining us in May 2013, Mr. Lavin was the Group President of Construction Industries and Growth Markets at Caterpillar Inc. from December 2007 to December 2012. Mr. Lavin served as Vice President of Human Resources for Caterpillar Inc. from 2001 to 2004 and served as its Vice President of Operations for Asia Pacific Division from July 2004 to December 2007. From 1984 to 2001, Mr. Lavin served in a number of key leadership roles at Caterpillar including Product Manager, Director of Corporate Human and Labor Relations, Director of Compensation and Benefits and Attorney. Mr. Lavin has been a Director for USG Corporation since November 2009 and ITT Corporation since May 2013. Mr. Lavin served as a Director of the US-China Business Council, the US-India Business Council and the US-Korea Business Council. Mr. Lavin also was a member of The Conference Board and the Chicago Council on Global Affairs. Mr. Lavin served on the International Advisory Council of Guanghua School of Management at Peking University and serves on the Board of Trustees at Bradley University.

Class III Directors

Scott C. Arves has served as a Director since July 2005. Since January 2007, Mr. Arves has served as President and Chief Executive Officer of Transport America, a truckload, intermodal and logistics provider. Prior to joining Transport America, Mr. Arves was President of Transportation for Schneider National, Inc., a provider

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of transportation, logistics and related services, from May 2000 to July 2006. Mr. Arves brings nearly 33 years of transportation experience to his role as Director, including 20 years of profit and loss responsibility and 16 years as a Division President or Chief Executive Officer.

Robert C. Griffin has served as a Director since July 2005. His career spanned over 25 years in the financial sector, including Head of Investment Banking Americas and Management Committee Member for Barclay s Capital from 2000 to 2002. Prior to that, Mr. Griffin served as the Global Head of Financial Sponsor Coverage for Banc of America Securities LLC and a member of its Montgomery Securities Subsidiary Management Committee from 1998 to 2000 and as Group Executive Vice President of Bank of America and a member of its Senior Management Committee from 1997 to 1998. Mr. Griffin served as a Director of Sunair Services Corporation from February 2008 until its sale in December 2009 and as a member of their Audit Committee and Chairman of their Special Committee. Mr. Griffin served as a Director of GSE Holding, Inc., from December 2011 to August 2014 where he was Chairman of the Board and a member of the Compensation Committee and the Nominating and Corporate Governance Committee. Mr. Griffin currently serves as a Director of Builders FirstSource, Inc., where he is Chairman of the Audit Committee, a member of the Nominating Committee and was Chairman of their Special Committee in 2009, and as a Director of The J. G. Wentworth Company where he is currently Chairman of the Audit Committee. Mr. Griffin brings strong financial and management expertise to our Board through his experience as an officer and director of a public company, service on other boards and his senior leadership tenure within the financial industry.

Richard A. Snell has served as a Director since August 2004 and as Chairman since March 2010. He has served as Chairman and Chief Executive Officer of Qualitor, Inc. since May 2005 and as an Operating Partner at HCI Partners since 2003. Mr. Snell served as Chairman and Chief Executive Officer of Federal-Mogul Corporation, an automotive parts manufacturer, where he served from 1996 to 2000, and as Chief Executive Officer at Tenneco Automotive, also an automotive parts manufacturer, where he was employed from 1987 to 1996. Mr. Snell served as a Director of Schneider National, Inc., a multi-national trucking company, and as a member of their Compensation and Governance Committees from 1996 to 2011.

Resignation of a Director

On February 5, 2014, Arnold B. Siemer, 76 years old, a Class II director of the Board of Directors of the Company since November 2011, informed the Company that he is resigning from the Board of the Company effective immediately. Mr. Siemer s resignation from the Board was not the result of any disagreement with the Company on any matter relating to the Company s operations, policies or practices. Mr. Siemer was of the opinion that his other business endeavors were beginning to take time away from his ability to serve on the Board of the Company. Prior to Mr. Siemer s resignation, Mr. Siemer served on our Compensation Committee and Nominating and Corporate Governance Committee.

Passing of a Director

S.A. (Tony) Johnson, a Class II director of the Board of Directors of the Company since 2000, passed away on November 16, 2014 at the age of 74. Prior to Mr. Johnson s passing, Mr. Johnson served on our Compensation Committee and Nominating and Corporate Governance Committee.

Corporate Governance

Independent Directors and Leadership Structure

The Board has determined that Messrs. Arves, Bevis, Bovee, Fix, Griffin, and Snell are independent directors, as independence is defined in Rule 5605(a)(2) of the NASDAQ Stock Market LLC (NASDAQ) marketplace rules. In determining that Mr. Snell is independent, the board of directors considered that Mr. Snell is an operating partner of HCI Equity Partners, the controlling shareholder of Roadrunner Transportation Systems, Inc. (RRTS), to which we made payments (net of pass through payments to other third party freight service providers) for the year ended December 31, 2014, and concluded that these transactions did not impair Mr. Snell s independence. The Board has not adopted categorical standards in making its determination of independence and instead relies on standards set forth in the NASDAQ marketplace rules. In making this determination, the Board considered all provisions of the definition in the standards set forth in the NASDAQ marketplace rules. Each member of the Audit Committee of the Board meets the heightened independence standards required for audit committee members under the NASDAQ marketplace rules and Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act).

Our Board structure provides for an independent, non-executive chairman whose principal responsibility for our Company is leading the Board, thereby allowing our President and CEO to focus on running our Company. We are confident that this structure is optimal at this time as it allows the President and CEO to devote his full attention and energy to the challenges of managing the business while the chairman facilitates board activities and the flow of information between management and directors.

Our Board currently has six independent members and only one non-independent member, the President and CEO. Collectively, these individuals offer decades of relevant industry expertise, executive management experience and governance expertise. A number of our independent board members also serve, or have served, as members of senior management or as directors of other public companies. We have three board committees consisting entirely of independent directors, each of which is chaired by a different director. We believe the independence of all but the President and CEO and background of the individuals who comprise our Board, along with the oversight of a non-executive chairman, offers our Company and our stockholders diverse leadership and governance experience across various business sectors, including manufacturing, transportation, logistics, and finance.

Our independent directors hold regularly scheduled meetings in executive session, at which only independent directors are present. As provided in our Nominating and Corporate Governance Committee charter, the Chairman of the Nominating and Corporate Governance Committee serves as chairman of the meetings of the independent directors in executive session. Stockholders and third parties may communicate with our independent directors through the Chairman of the Nominating and Corporate Governance Committee, c/o Brent A. Walters, General Counsel and Secretary, Commercial Vehicle Group, Inc., 7800 Walton Parkway, New Albany, Ohio 43054. During 2014, our independent directors met in executive session four times. Since fiscal year end, our independent directors have met in executive session one time.

Corporate Governance Guidelines

The Board adopted corporate governance guidelines on March 8, 2011, upon the recommendation of the Nominating and Corporate Governance Committee, which guidelines were amended on March 19, 2013. The guidelines are posted on our website at www.cvgrp.com.

We will continue to review and examine our corporate governance policies and leadership structure on an annual basis in light of our changing needs.

The Role of the Board in Risk Oversight

As provided in our Audit Committee Charter, the Audit Committee is primarily responsible for overseeing our risk management processes on behalf of the full Board. The Audit Committee reviews and evaluates our risk management policies with respect to our business strategy, capital strength and overall risk tolerance. On a periodic basis, the Audit Committee evaluates and discusses with management our risk assessment and risk management policies, including the internal system to review operational risks, procedures for investment and trading and safeguards to ensure compliance with procedures. The Audit Committee reports regularly to the full Board about these matters. The Audit Committee and the full Board consider our risk profile and focus on the most significant risk factors facing us to ensure that all material risks are identified and appropriate risk mitigation measures are implemented. The Audit Committee and the full Board work with management to oversee the day-to-day application of risk management policies and protocols, including controls over cash and investments, currency exposures and interest rate and commodities risks.

Meetings of the Board and its Committees

The Board held four regular quarterly meetings during fiscal year 2014. The Board currently has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. Each director is expected to attend each meeting of the Board and those committees on

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which he serves. In addition to meetings, the Board and its committees review and act upon matters through written consent actions. All of the directors who were then serving on the Board attended 75% or more of the total number of meetings of the Board and committees for which they served, except for Mr. Johnson, who passed away in November 2014.

The Board has a policy that members of the Board are encouraged to attend the annual meetings of stockholders. All of the directors who were then serving on the Board attended the 2014 Annual Meeting of Stockholders, except for Mr. Johnson who passed away in November 2014.

Audit Committee

Our Audit Committee is comprised of Messrs. Bevis, Bovee and Griffin (Chairman), all of whom are independent under the heightened independence standard required for audit committee members by the NASDAQ marketplace rules and Rule 10A-3 under the Exchange Act. Mr. Griffin has been named as our audit committee financial expert as such term is defined in Item 407(d)(5) of Regulation S-K. The Audit Committee is responsible for:

- The appointment, compensation, retention and oversight of the work of the independent registered public accounting firm engaged for the purpose of preparing and issuing an audit report;
- Reviewing the independence of the independent registered public accounting firm and taking, or recommending that our Board take, appropriate action to oversee their independence;
- Approving, in advance, all audit and non-audit services to be performed by the independent registered public accounting firm;
- Overseeing our accounting and financial reporting processes and the audits of our financial statements;
- Establishing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal control or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- Engaging independent counsel and other advisors as the Audit Committee deems necessary;
- Determining compensation of the independent registered public accounting firm, compensation of advisors hired by the Audit Committee and ordinary administrative expenses;
- Reviewing and assessing the adequacy of our formal written charter on an annual basis; and
- Such other matters that are designated by the Committee charter or our Board.

Our Board adopted a written charter for our Audit Committee, which is posted on our web site at www.cvgrp.com. The Audit Committee met seven times during fiscal 2014.

KPMG LLP currently serves as our independent registered public accounting firm.

Compensation Committee

Our Compensation Committee is comprised of Messrs. Arves (Chairman), Bevis, Fix, and Griffin, all of whom are independent as independence is defined by Rule 5605(a)(2) of the NASDAQ marketplace rules. The Compensation Committee is responsible for:

Reviewing the performance of the President and CEO on an annual basis;

Reviewing and determining the compensation of the President and CEO and all other executive officers;

Reviewing our compensation policies and programs to ensure they are aligned with corporate objectives;

Overseeing the design and administration of our equity-based and incentive compensation plans, including the Commercial Vehicle Group, Inc. 2014 Equity Incentive Plan (the 2014 Plan), the Fourth Amended and Restated Equity Incentive Plan (the Prior Plan) and the Management Stock Option Plan (the 2004 Stock Option Plan);

Reviewing and discussing with management the compensation discussion and analysis and recommending to the Board whether the compensation discussion and analysis should be included in our annual proxy statement;

Reviewing and assessing risks associated with the Company s compensation policies and practices;

Reviewing and considering the results of the most recent say-on-pay vote in evaluating and determining executive compensation; and

Such other matters that are designated by the Committee charter or our Board.

Our Board adopted a written charter for our Compensation Committee, which is posted on our web site at www.cvgrp.com. The Compensation Committee met six times during fiscal year 2014.

Compensation Committee Interaction with Compensation Consultants

During 2014, the Compensation Committee engaged Pearl Meyer & Partners (PM&P), an executive compensation firm, to assist with its review of the compensation programs for our executive officers and various aspects of this proxy statement. The Compensation Committee continues to retain PM&P in an advisory capacity relating to executive compensation, including the review of this proxy statement. Although the Compensation Committee retains PM&P, PM&P interacts directly with our executive officers when necessary and appropriate. PM&P s advisory services included providing industry and Compensation Peer Group benchmark data and presenting compensation plan design alternatives to the Committee for consideration. The Committee considered and assessed all factors specified under Nasdaq Listing Rules with respect to advisor independence and determined that PM&P was an independent executive compensation firm whose scope of work is limited to research and advisory services related to executive compensation, including the review of this proxy statement. Based on this review, we are not aware of any conflict of interest that has been raised by the work performed by PM&P.

Compensation Committee Interaction With Management

Certain of our officers, including but not limited to, the President and CEO, Chief Financial Officer and Chief Human Resources Officer, may from time to time attend Compensation Committee meetings when executive compensation, company performance, team performance and individual performance are discussed and evaluated by Compensation Committee members. The executive officers are asked for their insights, ideas and recommendations on executive compensation matters during these meetings or at other times, and also provide updates on financial performance, mergers and acquisitions, industry status and other factors that the Compensation Committee may consider when making decisions regarding our executive compensation programs.

The Chairman of the Board and the Chairman of the Compensation Committee met with the President and CEO in the first quarter of 2015 to review his performance for 2014 based on a performance appraisal completed in December 2014 by all of the non-management Board members.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee consists of Messrs. Arves, Bovee (Chairman), and Fix, all of whom are independent, as independence is defined by Rule 5605(a)(2) of the NASDAQ marketplace rules. The Nominating and Corporate Governance Committee is responsible for:

Selecting, or recommending to our Board for selection, nominees for election to our Board;

Making recommendations to our Board regarding the size and composition of the Board, committee structure and makeup and retirement procedures affecting Board members;

Monitoring our performance in meeting our obligations of fairness in internal and external matters and our principles of corporate governance; and

Such other matters that are designated by the Committee charter or our Board.

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Our Board adopted a written charter for our Nominating and Corporate Governance Committee, which is posted on our web site at www.cvgrp.com. The Nominating and Corporate Governance Committee met two times during fiscal year 2014.

The Nominating and Corporate Governance Committee will consider as potential nominees individuals for board membership properly recommended by stockholders. Recommendations concerning individuals proposed for consideration should be addressed to the Nominating and Corporate Governance Committee, c/o Brent A. Walters, General Counsel and Secretary, Commercial Vehicle Group, Inc., 7800 Walton Parkway, New Albany, Ohio 43054. Each recommendation should include a personal biography of the suggested nominee, an indication of the background or experience that qualifies the person for consideration, and a statement that the person has agreed to serve if nominated and elected. Stockholders who themselves wish to effectively nominate a person for election to the Board, as contrasted with recommending a potential nominee to the Nominating and Corporate Governance Committee for its consideration, are required to comply with the advance notice and other requirements set forth in our by-laws.

The Nominating and Corporate Governance Committee has used, to date, both an informal process and a formal process to identify potential candidates for nomination as directors. In the informal process, candidates for nomination have been recommended by an executive officer or director, and considered by the Nominating and Corporate Governance Committee and the Board. In the formal process, the Nominating and Corporate Governance Committee has retained an executive search firm to identify potential candidates for consideration by the Nominating and Corporate Governance Committee and the Board. Generally, candidates have significant industry experience and have been known to one or more of the Board members. As noted above, the Nominating and Corporate Governance Committee considers properly submitted stockholder recommendations for candidates for the Board. The Nominating and Corporate Governance Committee has established criteria that identify desirable experience for prospective Board members, including experience as a senior officer in a public or substantial private company, breadth of knowledge about issues affecting CVG or our industry, expertise in finance, logistics, manufacturing, law, human resources or marketing. While the Nominating and Corporate Governance Committee does not have a formal diversity policy with respect to nominees, the Nominating and Corporate Governance Committee shares our commitment to an inclusive culture and endorses equal opportunity principles and practices that support these values. Accordingly, the Nominating and Corporate Governance Committee may consider whether a potential nominee, if elected, assists in achieving a mix of Board members that represent a diversity of background and experience. The Nominating and Corporate Governance Committee believes that the backgrounds and qualifications of its directors, as a group, should provide a broad mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities. The Nominating and Corporate Governance Committee is committed to nondiscrimination in its selection practices and makes decisions solely on the basis of skills, qualifications and experience. Desired personal attributes for prospective Board members include integrity and sound ethical character, absence of legal or regulatory impediments, absence of conflicts of interest, demonstrated track record of achievement, ability to act in an oversight capacity, appreciation for the issues confronting a public company, adequate time to devote to the Board and its committees and willingness to assume broad/fiduciary responsibilities on behalf of all stockholders. The Nominating and Corporate Governance Committee does not evaluate potential nominees for director differently based on whether they are recommended to the Nominating and Corporate Governance Committee by officers or directors of CVG or by a stockholder. The Nominating and Corporate Governance Committee considers a director s past attendance record, participation and contribution to the Board in considering whether to recommend the reelection of such director.

Compensation Policies and Practices

Our philosophy behind our compensation structure for incentive eligible employees does not create risks that are reasonably likely to have a material adverse effect on the Company. The performance goals and objectives on which incentive awards are tied may include product development, revenue growth, cash flow, operating and cost objectives and strategic initiatives to encourage assertiveness and ingenuity, in each case without rewarding excessive or unnecessary risk taking. Incentive eligibility for the 2014 plan year was based solely on consolidated and divisional financial performance goals. Bonus eligibility for 2014 was based on the Company s achievement of net sales, operating profit margin, and return on average invested capital (ROAIC).

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Net sales, and operating profit margin are defined as used on our financial statements. ROAIC equals net income divided by average long-term debt less cash plus equity. The financial performance metrics designated by the Compensation Committee for the 2015 annual incentive plan includes revenue growth, operating profit margin, and Operating Profit After Capital Charge (OPACC); including business unit performance metrics incorporated for business unit participants. OPACC equals operating profit less capital charge (total assets less total liabilities less long-term debt) times cost of capital. The Compensation Committee also sets an upper limit on the incentive award opportunities. The Company has adopted executive stock ownership guidelines and anti-hedging policies to further mitigate against the possibility of unnecessary risk taking.

Communication with the Board

Stockholders and other interested parties may communicate with the Board, including the independent directors, as a group or with individual directors, by sending written communications to the directors c/o Brent A. Walters, General Counsel and Secretary, Commercial Vehicle Group, Inc., 7800 Walton Parkway, New Albany, Ohio 43054. All such communications will be forwarded to the directors.

Company Code of Ethics

The Board has adopted a Code of Ethics that applies to the Company s directors, officers and employees. A copy of the Code of Ethics is posted on our web site at www.cvgrp.com. If we waive any provision of our Code of Ethics or change the Code of Ethics, we will disclose that fact on our website within four business days.

Insider Trading Policy

We adopted a corporate policy regarding insider trading and Section 16 reporting that applies to our directors, executive officers and employees. This policy prohibits trading in our common stock under certain circumstances, including while in possession of material, non-public information about us.

Board Policy on Stockholder Rights Plans

The Board has adopted a policy on stockholder rights plans. Pursuant to the policy, our Board will seek and obtain prior stockholder approval of any new stockholder rights plan, unless a majority of the independent directors, in the exercise of their fiduciary duties, deem it to be in our best interests and in the best interests of our stockholders to adopt a stockholder rights plan without the delay in adoption that would arise from obtaining stockholder approval. If the Board so adopts a stockholder rights plan without obtaining prior stockholder approval, the Board will submit the stockholder rights plan to the stockholders for ratification and approval within one year of the Board s adoption of the plan, or else the stockholder rights plan will automatically expire, without being renewed or replaced, on the first anniversary of the adoption of the stockholder rights plan by the Board. If presented by the Board for stockholder approval at a meeting of the stockholders and not approved by the stockholders, the plan will expire upon the certification of the voting results of such stockholders meeting. A copy of the plan policy is posted on our web site at www.cvgrp.com.

Recommendation of the Board

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF THE NOMINEES NAMED ABOVE.

Vote Required

The two persons receiving the highest number of FOR votes of shares present in person or represented by proxy at the annual meeting will be elected. A vote to WITHHOLD on the election of directors and broker non-votes will have no effect on the vote for the election of directors.

PROPOSAL NO. 3 ADOPTION AND APPROVAL OF AN AMENDMENT TO THE COMPANY S AMENDED AND RESTATED BY-LAWS TO DESIGNATE DELAWARE CHANCERY COURT AS THE EXCLUSIVE FORUM FOR CERTAIN LEGAL ACTIONS

The Board is proposing an amendment to the Company s Amended and Restated By-Laws to add a new Article VII (renumbering the current Article VII as Article VIII) designating the Court of Chancery of the State

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of Delaware as the sole and exclusive forum for specified legal actions unless otherwise consented to by the Company. This designation of the Court of Chancery would apply to (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director or officer or other employee of the Company to the Company or the Company s stockholders, (iii) any action asserting a claim against the Company or any director or officer or other employee of the Company arising pursuant to any provision of the Delaware General Corporation Law or the Company Amended and Restated Certificate of Incorporation or Amended and Restated By-laws (as either may be amended from time to time), or (iv) any action asserting another violation of Delaware decisional law relating to the internal affairs of the Company. This would not include actions in which the Court of Chancery of the State of Delaware concludes that an indispensable party is not subject to the jurisdiction of the Delaware courts and can be subject to the jurisdiction of another court within the United States.

The amendment is intended to avoid subjecting the Company to multiple lawsuits in multiple jurisdictions on matters relating to the corporate law of Delaware, the Company s state of incorporation. The ability to require such actions to be brought in a single forum provides numerous benefits to the Company and its stockholders.

Specifically, the Company and its stockholders benefit from having disputes resolved by the Delaware Court of Chancery, which is widely regarded as the preeminent court for the determination of disputes involving a corporation s internal affairs in terms of precedent, experience and focus. The Delaware Chancery Court has experienced jurists who have a deep understanding of Delaware corporate law and the duties of directors and officers. Delaware s well-developed body of case law provides stockholders with more certainty about the outcome of intra-corporate disputes. By ensuring that intra-corporate disputes are heard in a Delaware court, the Company and its stockholders avoid costly and duplicative litigation, the risk that Delaware law would be misapplied by a court in another jurisdiction and the risk of inconsistent outcomes when two similar cases proceed in different courts. Lastly, Delaware offers a system of specialized Chancery Courts to deal with corporate law questions, with streamlined procedures and processes that help provide relatively quick decisions. This accelerated schedule can limit the time, cost and uncertainty of protracted litigation for all parties.

If Proposal 3 is approved by the stockholders, the amendment to the Company s Amended and Restated By-Laws will be effective immediately. If Proposal 3 is not approved by the stockholders, the amendment will not become effective.

Considerations of the Board

The Board believes that Delaware courts are best suited to address disputes involving such matters given that the Company is incorporated in Delaware and that the Delaware courts have a reputation for expertise in corporate law matters. For these reasons, the Board believes that providing for Delaware as the exclusive forum for the types of disputes listed in the Amendment is in the best interests of the Company and its stockholders. At the same time, the Board believes that the Company should retain the ability to consent to an alternative forum on a case-by-case basis where the Board determines that the Company s interests and those of its stockholders would best be served by permitting such a dispute to proceed in a forum other than the courts designated in the Amendment.

The Board is aware that certain proxy advisors, and even some institutional holders, take the view that they will not support an exclusive forum clause until the company requesting it can show it already has suffered material harm as a result of multiple stockholder suits filed in different jurisdictions regarding the same matter. The Board believes that it is more prudent and in the best interest of stockholders to take preventive measures before the Company and the interests of most of its stockholders are materially harmed by the increasing practice of the plaintiff s bar to file claims in multiple jurisdictions. It is important to note that this action by the Board is not being taken in reaction to any specific litigation confronting the company; rather, this action is being taken on a prospective basis to prevent potential future harm to the Company and its stockholders.

The Board does not believe that the proposed amendment presents any material risk to the Company s stockholders except with respect to the following. One or more stockholders who desire to file lawsuits against the Company, its directors or employees, in multiple jurisdictions in an effort to increase the settlement value of their lawsuits by increasing the Company s costs to defend against multiple lawsuits, might prefer to be able to

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file lawsuits in multiple jurisdictions. Further, one or more stockholders who believe that the relevant law or demographic of a potential jury pool of a jurisdiction other than those specified by the proposed amendment might be more favorable to their claims, might prefer to file elsewhere. Also, one or more stockholders who believe that the relevant law is less settled in another jurisdiction might prefer to file elsewhere in an effort to increase the settlement value of their claims. The proposed amendment may also reduce the likelihood of derivative litigation against directors and employees, even though an action, if successful, might benefit the Company and its stockholders.

Although exclusive jurisdiction provisions such as the one the Board is proposing are becoming increasingly common, and the Board knows of no reason a court in another state would not be willing to enforce its terms, the Board cannot be sure that all state courts would enforce the provision and transfer any covered proceeding to the Delaware courts.

This description of the proposed amendment to the Company s Amended and Restated By-Laws is qualified in its entirety by reference to, and should be read in conjunction with, the full text of the Company s Amended and Restated By-Laws, as amended by the attached proposed amendment to this proxy statement as Appendix B, and the Company s Amended and Restated By-Laws attached has been marked to show the proposed changes.

Recommendation of the Board

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR ADOPTION AND APPROVAL OF AN AMENDMENT TO THE COMPANY S AMENDED AND RESTATED BY-LAWS TO DESIGNATE DELAWARE CHANCERY COURT AS THE EXCLUSIVE FORUM FOR CERTAIN LEGAL ACTIONS.

Vote Required

The proposal to amend the Company s Amended and Restated By-Laws requires the favorable vote of at least 66-2/3% of the shares of our common stock outstanding on the record date entitled to vote at the meeting.

PROPOSAL NO. 4 NON-BINDING, ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

At the meeting, our stockholders will vote on a non-binding, advisory proposal regarding the fiscal 2015 compensation of our named executive officers.

We believe that our compensation policies and procedures are competitive, focused on pay-for-performance and strongly aligned with the long-term interests of our stockholders. This advisory stockholder vote, commonly known as Say-on-Pay, gives you as a stockholder the opportunity to endorse or not endorse the compensation we pay our named executive officers through voting for or against the following resolution:

Resolved, that the compensation paid to the Company s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby approved.

The Compensation Committee remains committed to the compensation philosophy, policies and objectives outlined under the heading Compensation Discussion and Analysis in this proxy statement. As always, the Compensation Committee will continue to review all elements of the executive compensation program and take any steps it deems necessary to continue to fulfill the objectives of the program.

Stockholders are encouraged to carefully review the Compensation Discussion and Analysis section of this proxy statement for a detailed discussion of the Company s executive compensation program.

Because your vote is advisory, it will not be binding upon the Company or the Board. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements.

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Recommendation of the Board

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.

Vote Required

Approval of the advisory proposal on the compensation of our named executive officers as disclosed in the proxy statement requires the affirmative vote of a majority of the shares present in person or represented by proxy at the annual meeting. Abstentions will have the same effect as votes AGAINST this proposal, whereas broker non-votes will not be counted for purposes of determining whether this proposal has been approved.

PROPOSAL NO. 5 RATIFICATION OF APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed KPMG LLP as the independent registered public accounting firm to audit our financial statements for the fiscal year ending December 31, 2015. In making the decision to appoint the independent registered public accounting firm, the Audit Committee has considered whether the provision of the non-audit services rendered by KPMG LLP is incompatible with maintaining that firm s independence.

Stockholder ratification of the selection of KPMG LLP as our independent registered public accounting firm is not required by our by-laws or other applicable legal requirement. However, the Board is submitting the selection of KPMG LLP to the stockholders for ratification as a matter of good corporate practice. If the appointment of KPMG LLP is not ratified, the Audit Committee will evaluate the basis for the stockholders vote when determining whether to continue the firm s engagement, but may ultimately determine to continue the engagement of the firm or another audit firm without re-submitting the matter to stockholders. Even if the appointment of KPMG LLP is ratified, the Audit Committee may in its sole discretion terminate the engagement of the firm and direct the appointment of another independent auditor at any time during the year if it determines that such an appointment would be in the best interests of us and our stockholders. It is expected that a representative of KPMG LLP will be present at the annual meeting, with the opportunity to make a statement if he so desires, and will be available to answer appropriate questions.

Principal Accountant Fees and Services

For fiscal years 2014 and 2013, the following fees were billed to us for the indicated services:

	2014	2013
Audit Fees	$ 980,639	$ 1,118,934
Audit-Related Fees		
Tax Fees	217,564	135,968
All Other Fees		103,794
Total Independent Accountant s Fees	$ 1,198,203	$ 1,358,696

Audit Fees. Consist of fees billed for professional services rendered for the audit of our consolidated financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided in connection with statutory and regulatory filings or engagements.

Audit-Related Fees. Consist of fees billed for services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under Audit Fees. These services include employee benefit plan audits and due diligence in connection with acquisitions, attest services that are not required by statute or regulation and accounting consultations on proposed transactions.

Tax Fees. Consist of fees billed for professional services for tax compliance, tax consultation and tax planning. These services include assistance regarding federal, state and international tax compliance, customs and duties, mergers and acquisitions and international tax planning.

All Other Fees. Consist of fees for products and services other than the services reported above.

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Policy on Audit Committee Pre-Approval and Permissible Non-Audit Services of the Independent Registered Public Accounting Firm

The Audit Committee s policy is to pre-approve all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent registered public accounting firm and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis.

During fiscal year 2014, all services by our independent registered public accounting firm were pre-approved by the Audit Committee in accordance with this policy.

Recommendation of the Board

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF KPMG LLP AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2015.

Vote Requirement

Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for fiscal year 2015 requires the affirmative vote of a majority of the shares present in person or represented by proxy at the annual meeting. Abstentions will have the same effect as votes AGAINST this proposal, whereas broker non-votes will not be counted for purposes of determining whether this proposal has been approved.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Except as otherwise noted, the following table sets forth certain information with respect to the beneficial ownership of our common stock as of March 26, 2015 by: (1) each of the named executive officers in the Summary Compensation Table; (2) each of our directors and director nominees; (3) all directors and executive officers as a group; and (4) each person or entity known to us to be the beneficial owner of more than five percent of our outstanding shares of common stock. All information with respect to beneficial ownership has been furnished to us by the respective director, director nominee, or executive officer, and in the case of five percent beneficial owner, as disclosed in Schedule 13G as filed with the Securities and Exchange Commission. Unless otherwise indicated, each person or entity named below has sole voting and investment power with respect to the number of shares set forth opposite his or its name.

The following table lists the number of shares and percentage of shares beneficially owned based on 30,026,360 shares of common stock outstanding as of March 26, 2015. Beneficial ownership of the common stock listed in the table has been determined in accordance with the applicable rules and regulations promulgated under the Exchange Act. There were no shares of common stock subject to options outstanding within 60 days of March 26, 2015.

	Shares Beneficially Owned	
Name of Beneficial Owner	**Number**	**Percentage**
5% Stockholders:		
Arnold B. Siemer (1)	2,758,708	9.19%
York Capital Management Global Advisors, LLC (2)	2,180,264	7.26%
Royce & Associates, LLC (3)	2,128,740	7.09%
Rutabaga Capital Management, LLC (4)	1,924,554	6.41%
Eagle Boston Investment Management, Inc. (5)	1,626,421	5.42%
Directors and Named Executive Officers:		
Richard P. Lavin (6)	195,411	*
C. Timothy Trenary (7)	82,913	*
Patrick E. Miller (8)	142,577	*
Brent A. Walters (9)	42,468	*
Geoffrey W. Perich (10)		*
Kevin R.L. Frailey (11)		*
Scott C. Arves (12)	78,965	*
Harold C. Bevis (13)	11,095	*
David R. Bovee (14)	70,865	*
Roger L. Fix (15)	18,595	*
Robert C. Griffin (16)	67,463	*
Richard A. Snell (17)	80,465	*
All directors and executive officers as a group (12 persons)	790,817	2.63%

* Denotes less than one percent.

(1) Information reported is based on a Schedule 13G as filed with the Securities and Exchange Commission on January 28, 2015, on which Arnold B. Siemer reported sole voting and dispositive power over 2,758,708 shares of our common stock. The address for Mr. Siemer is 7795 Walton Parkway, Suite 175, New Albany, OH 43054.

(2) Information reported is based on a Schedule 13G/A as filed with the Securities and Exchange Commission on February 17, 2015, on which York Capital Management Global Advisors, LLC reported sole voting and dispositive power over 2,180,264 shares of our common stock. According to the Schedule 13G/A, York Capital Management Global Advisors, LLC, the sole managing member of the general partner of each of York Select, L.P., York Select Master Fund, L.P. and York Select Investors Master Fund, L.P. and the sole managing member of York Managed Holdings, LLC and York UCITS Holdings, LLC, exercises investment discretion over such investment funds and the managed accounts

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managed or advised by York Managed Holdings, LLC or York UCITS Holdings, LLC and accordingly may be deemed to have beneficial ownership over the shares of common stock directly owned by such investment funds and the managed accounts. The address for York Capital Management Global Advisors, LLC is c/o York Capital Management, 767 Fifth Avenue, 17th Floor, New York, NY 10153.

(3) Information reported is based on a Schedule 13G as filed with the Securities and Exchange Commission on January 6, 2015, on which Royce & Associates, LLC reported sole voting and dispositive power over 2,128,740 shares of our common stock. The address for Royce & Associates, LLC is 745 Fifth Avenue, New York, NY 10151.

(4) Information reported is based on a Schedule 13G/A as filed with the Securities and Exchange Commission on February 13, 2015, on which Rutabaga Capital Management, LLC reported sole voting and dispositive power over 1,924,554 shares of our common stock. The address for Rutabaga Capital Management is 64 Broad Street, 3rd Floor, Boston, MA 02109.

(5) Information reported is based on a Schedule 13G as filed with the Securities and Exchange Commission on January 22, 2015, on which Eagle Boston Investment Management, Inc. reported sole voting and dispositive power over 1,626,421 shares of our common stock. The address for Eagle Boston Investment Management, Inc. is 880 Carillon Parkway, St. Petersburg, FL 33716.

(6) Includes 71,044 shares of restricted stock that vest in two equal installments on October 20, 2015 and 2016; 55,473 shares of restricted stock that vest annually in three equal installments commencing on October 20, 2015. Of these shares, 15,625 shares are indirectly held by the Richard P. Lavin Revocable Trust dated July 3, 2002, of which Mr. Lavin is the trustee; and 15,625 shares are indirectly held by MLPF&S Cust FPO Richard Lavin IRA FBO Richard Lavin.

(7) Includes 27,652 shares of restricted stock that vest in two equal installments on October 20, 2015 and 2016; and 31,435 shares of restricted stock that vest annually in three equal installments commencing on October 20, 2015.

(8) Includes 5,489 shares of restricted stock that vest on October 20, 2015; 18,573 shares of restricted stock that vest in two equal annual installments on October 20, 2015 and 2016; and 23,669 shares of restricted stock that vest annually in three equal installments commencing on October 20, 2015.

(9) Includes 14,794 shares of restricted stock that vest in two equal installments on October 20, 2015 and 2016; and 23,299 shares of restricted stock that vest annually in three equal annual installments commencing on October 20, 2015.

(10) With Mr. Perich s separation from the Company effective February 1, 2015, as disclosed elsewhere in this document, all restricted shares were forfeited in accordance with the terms of the Equity Incentive Plan. We are unaware of any shares owned by Mr. Perich.

(11) With Mr. Frailey s separation from the Company effective October 31, 2014, as disclosed elsewhere in this document, all restricted shares were forfeited in accordance with the terms of the Equity Incentive Plan. We are unaware of any shares owned by Mr. Frailey.

(12) Includes 2,635 shares of restricted stock that vest on October 20, 2015; 6,244 shares of restricted stock that vest in two equal annual installments on October 20, 2015 and 2016; and 11,095 shares of restricted stock that vest annually in three equal installments commencing on October 20, 2015.

(13) Includes 11,095 shares of restricted stock that vest annually in three equal installments commencing on October 20, 2015.

(14) Includes 2,635 shares of restricted stock that vest on October 20, 2015; 6,244 shares of restricted stock that vest in two equal annual installments on October 20, 2015 and 2016; and 11,095 shares of restricted stock that vest annually in three equal installments commencing on October 20, 2015.

(15) Includes 11,095 shares of restricted stock that vest annually in three equal installments commencing on October 20, 2015. Of these shares, 7,500 shares are indirectly held by Roger L. Fix Revocable Trust, of which Mr. Fix is the trustee.

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(16) Includes 2,635 shares of restricted stock that vest on October 20, 2015; 6,244 shares of restricted stock that vest in two equal annual installments on October 20, 2015 and 2016; and 11,095 shares of restricted stock that vest annually in three equal installments commencing on October 20, 2015.

(17) Includes 2,635 shares of restricted stock that vest on October 20, 2015; 6,244 shares of restricted stock that vest in two equal annual installments on October 20, 2015 and 2016; and 11,095 shares of restricted stock that vest annually in three equal installments commencing on October 20, 2015. Of these shares, 75,465 shares are held by the Snell Family Limited Partnership, of which Mr. Snell is a general partner, and 5,000 shares are held in a trust for the benefit of Mr. Snell s children.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Summary

This Executive Summary provides an overview of the 2014 compensation program for our named executive officers (the NEOs) and should be read in conjunction with the complete Compensation Discussion and Analysis (CD&A). For 2014, our NEOs included Messrs.:

- Richard P. Lavin, President and Chief Executive Officer (President & CEO)
- C. Timothy Trenary, Executive Vice President and Chief Financial Officer
- Geoffrey W. Perich, former President of Global Construction & Agriculture Markets
- Kevin R. L. Frailey, former President of Global Construction, Agriculture & Military Markets
- Patrick E. Miller, President of Global Truck & Bus Markets
- Brent A. Walters, Senior Vice President and General Counsel, Chief Compliance Officer and Secretary

Our compensation programs are designed to balance annual and long-term organizational goals with the individual performance and contributions of the NEOs to ensure the interests and behaviors of our NEOs are closely aligned with those of our stockholders. Each NEO has a significant portion of total compensation which is at-risk in any given year, and each NEO receives long-term cash and equity awards to encourage retention and further align their interests with those of our stockholders.

Throughout 2014, the Compensation Committee (as used in this section, the Committee) continued to place primary emphasis on long- term and at-risk incentive compensation as follows:

- The Committee did not increase the base salaries of our NEOs for 2014, except for Mr. Miller who received an annualized market adjustment of $20,000 in July 2014 in connection with his assumption of responsibility for our North American Aftermarket and Structures business, and Mr. Perich who received an annualized promotional increase of $50,000 in November 2014 when he assumed increased responsibilities as President of Global Construction & Agricultural Markets.
- On March 3, 2014, the Committee adopted the Commercial Vehicle Group 2014 Bonus Plan (the 2014 Bonus Plan) with the same incentive target award opportunities, expressed as a percent of salary, for the NEOs as the prior year plan, except for an increased target award opportunity for Mr. Perich, pro-rated as of November 1, 2014 to reflect his promotion to President of Global Construction & Agriculture Markets.
- The Committee adopted challenging performance goals for the 2014 Bonus Plan that were purely financial in nature, with a minimum threshold of performance required for the payment of incentive awards.

The Committee approved time-vested restricted stock awards for the NEOs based on values comparable to the 2013 awards, except the 2013 awards for Mr. Lavin and Mr. Trenary reflected their inducement grants of 100,000 and 40,000 shares, respectively, negotiated at hire.

The Committee approved long-term cash incentive opportunities for the NEOs with targets comparable to the 2013 awards except that the mix of performance cash and restricted shares for Messrs. Lavin and Trenary were impacted by the restricted share inducement grants made at hire. Such awards are cliff vested and tied to our total shareholder return (Total Shareholder Return) over a three-year performance period that runs from October 1, 2014 through September 30, 2017. Total Shareholder Return is defined as the change in stock price in addition to any dividends paid, over the three-year performance cycle, divided by the average share price for twenty trading days leading up to the beginning and end of the performance period. The Committee tied the long-term cash incentive opportunities to our Total Shareholder Return relative to the same peer group of eleven companies (the Total Shareholder Return Peer Group) serving as the comparator group for the 2013 grant.

The Committee strengthened the stock ownership guidelines for the President & CEO and the Presidents of Global Truck & Bus Market and Global Construction & Agriculture Market (hereinafter the Presidents of Global Truck & Bus Market and Global Construction & Agriculture Market are collectively referred to

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as Division Presidents) in 2014 to further encourage a long term personal stake in the Company s success. Under these enhanced guidelines, stock ownership requirements were increased from three times base salary to five times base salary for the President & CEO, and from two times base salary to three times base salary for Division Presidents. The ownership guidelines for all other executive officers were maintained at two times base salary, and all designated non-executive officers are required to hold stock equal to their base salary.

At our 2014 Annual Meeting of Stockholders held on May 15, 2014, the compensation of our NEOs was approved, on an advisory basis, by approximately 78% of our stockholders voting on the matter. The Committee considered the results of this vote, which it viewed as an endorsement of our executive compensation programs, but did not take any specific compensation actions in fiscal year 2014 in response to the executive compensation advisory vote. At the 2015 Annual Meeting of Stockholders, we will again hold an advisory vote to approve executive compensation. The Committee will continue to consider the results from 2015 and future advisory votes when contemplating executive compensation decisions.

In 2014, the key measures we used to determine our annual cash compensation were exclusively financial in nature and consisted of revenues, operating profit margin, and return on average invested capital (ROAIC), adjusted for one-time charges primarily associated with manufacturing facility closures.

Compensation Philosophy, Objectives and Process

Compensation Philosophy and Objectives

Our executive compensation program is designed to align total compensation with the Company s financial performance and each NEO s individual contributions to the business, while also supporting our ability to attract and retain NEOs capable of having a significant strategic impact on our success. Each NEO has a significant portion of total compensation which is at-risk in any given year, and each NEO receives long-term cash and equity awards. This multi-year framework of cash and equity awards encourages executive retention and aligns the interests of our executives with those of our stockholders.

The specific objectives of our executive compensation program include:

- Attracting and retaining highly-qualified executives who will contribute to our long-term success;
- Linking executive compensation to the achievement of our short and long term operational, financial and strategic objectives; and
- Aligning executive compensation with each executive s individual performance and level of responsibility.

The Committee has structured executive compensation based on these objectives, while also considering current economic and industry conditions. Our executive compensation program generally includes annual and long-term incentive programs and provides for cash and equity-based awards, as well as salary and benefit programs that are competitive within our industry. In 2014, the Committee continued to employ a long-term executive compensation strategy that places primary emphasis on at-risk variable incentives and equity grants, including a long-term performance cash award tied to our Total Shareholder Return relative to an established peer group over a three year award period. The Committee is committed to paying executives for performance and rewarding the increase in long term shareholder value, while discouraging excessive risk taking. The Committee considers a number of factors when setting total compensation including market conditions, current business challenges, and long term strategic objectives. The Committee intends to continue to implement a compensation philosophy that places the greatest emphasis on at-risk compensation tied to performance.

We typically set performance targets under our annual cash incentive compensation program such that NEOs receive their targeted annual compensation if our pre-determined performance targets are achieved. When performance exceeds the pre-determined targets, total compensation will be above targeted levels; and when performance is below the pre-determined targets, total compensation will be below targeted levels. Historically, payments to our NEOs have demonstrated these outcomes, as overall performance and the corresponding compensation provided to our NEOs in 2010 and 2011 were above target levels, while overall performance and the compensation paid to our NEOs in 2012 and 2013 were below target levels. For 2014, overall performance and compensation paid to our NEOs was at target.

Compensation Process

The Committee considered the following factors, listed in order of importance, as part of the process by which it makes executive compensation determinations:

- Our actual versus targeted performance against operating profit margin, corporate net sales and OPACC;
- Achievement of certain financial metrics and operational outcomes which, in the judgment of the Committee, contributed to our overall success for the particular year in question;
- Evaluations of each individual NEO s performance and contributions; and
- The competitiveness of executive compensation as compared to compensation surveys compiled by PM&P. This analysis is performed on a periodic basis by PM&P, with the last analysis completed in August 2014, based on general manufacturing companies of comparable size. PM&P only provides executive and non-employee director compensation consulting services to the Company, as directed by the Committee, and reports directly to the Committee Chairman. The scope of PM&P s work is limited to consulting services related to executive compensation, including review of this proxy statement.

Leadership Transitions

On October 9, 2014, we announced the separation of Kevin R. L. Frailey as President of Global Construction, Agriculture & Military Markets, effective October 31, 2014. In connection with his separation, the Company entered into a separation agreement that provided for six months of severance through payroll continuation, in an amount not to exceed $159,570. Under the terms of the Agreement, any unvested awards outstanding as of October 31, 2014 were forfeited.

Coincident with Mr. Frailey s departure, we announced the promotion of Geoffrey Perich to President of Global Construction & Agriculture Markets as of October 24, 2014. In connection with Mr. Perich s promotion, his base salary was increased to $300,000 and his annual bonus target under the Company s Bonus Plan was increased from 50% to 75% of base salary. The Company agreed to continue Mr. Perich s international service employee benefits package for the duration of his assignment in Shanghai, valued at approximately $331,051 annually.

Mr. Perich subsequently resigned his position with the Company, effective February 1, 2015. In connection with his separation, the Company entered into a separation agreement that provided for the continuation of Mr. Perich s international service employee benefits package through June 2015, coincident with the conclusion of the school year for his dependent children, and a lump sum payment of $100,000 associated with the estimated cost of repatriating Mr. Perich and his family from China to their home in Australia.

Compensation Structure

Compensation Levels and Benchmarking

The Committee has engaged PM&P to assist with a periodic review and analysis of compensation data for comparable positions in similarly sized general manufacturing companies, as published in executive compensation surveys. The 2014 analysis prepared by PM&P incorporated data from four executive compensation surveys, which included the 2013 Mercer U.S. Executive Benchmark Database and the 2013 Towers Watson Top Management Compensation Survey. The examination and comparison of this data is an important component of the Committee s review but does not serve as the sole basis for compensation decisions.

In addition, PM&P provided, and the Committee examined, executive compensation data for a group of fifteen manufacturing companies considered to be competitors for business and/or executive talent (the Compensation Peer Group), including the eleven companies included in the Total Shareholder Return peer group

in addition to four other companies. The Compensation Peer Group had median net revenues of $949 million, which was slightly above the Company s twelve-month trailing net sales. The Compensation Peer Group consisted of the following 15 companies:

Accuride Corp.	Meritor, Inc.
Altra Industrial Motion Corp.	Modine Manufacturing Company
Core Molding Technologies Inc.	Shiloh Industries, Inc.
Drew Industries Incorporated	Standard Motor Products, Inc.
EnPro Industries, Inc.	Stoneridge, Inc.
Fuel Systems Solutions, Inc.	Titan International, Inc.
Gentherm Incorporated	WABCO Holdings, Inc.
LB Foster Co.	

For 2014, the Committee generally targeted base salaries for our NEOs at or near the market 50th percentile (or median), and performance-based annual incentives, at target, above the market median as compared to similarly situated executive officers in the Compensation Peer Group and as reported within published executive compensation surveys for comparable organizations. In 2014, the base salaries paid to Mr. Lavin and Mr. Trenary were above the market median as a result of the competition for top talent when we recruited for these positions. Target Total Cash Compensation (salary and target annual cash incentives) is at or above the market median for all of our NEOs, consistent with our philosophy to pay above market incentive compensation if aggressive annual performance goals are met.

The Committee believes this pay philosophy, with an emphasis on at-risk compensation, supports the attraction and retention of high caliber executives in a very competitive industry.

Compensation Elements Overview

The three principal compensation components for our NEOs are:

- Base Salary
- Annual Incentive Compensation
- Long-term Incentive Compensation

In addition, Mr. Lavin is party to an employment agreement and our other current NEOs are party to Change-in-Control & Non-Competition Agreements that provide for payments upon certain termination of employment events. We have provided these agreements to encourage retention and continuity in the event of a Change-in-Control. We also provide a limited number of executive perquisites, as described below and in the accompanying tables and narrative disclosures, and retirement benefits as discussed below. The Committee believes the limited use of targeted perquisites provides important attraction and retention elements in a competitive market for executive officers.

Additionally, we paid or reimbursed relocation expenses totaling $193,326 for Mr. Walters, who was hired in October 2013 but did not complete his relocation until 2014.

Compensation Mix

We use the principal components of compensation described above to provide at-risk compensation, retention value, and an equity stake to align NEO and stockholder interests. Our policy for allocating between fixed and incentive compensation and between cash and equity-based awards is based on the following general principles:

We embrace a pay for performance philosophy that ties a substantial portion of executive pay to performance, requires performance at the threshold level in order to qualify for incentive awards, and puts such compensation at risk each year.

Each NEO has a significant proportion of total compensation in the form of long-term incentives (LTI), with multi-year vesting of both equity-based awards and long term cash performance awards.

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We seek an appropriate mix of annual and long-term incentive opportunities.
Our NEOs compensation is weighted towards variable incentives that provide for award opportunities based on our annual and long-term performance. The Committee believes this pay mix motivates NEOs to undertake tasks and achieve results that support the creation of long-term stockholder value without encouraging excessive risk taking.

Pay for Performance

Pay for performance is one of the principal objectives of our compensation philosophy. On average, over 64% of the total compensation opportunity for our NEOs is variable or at risk. In 2014, of the total value of LTI awards, 50% was in the form of time-based restricted stock awards and 50% was in the form of a cash performance award.

The chart below shows base salaries, target annual incentive (AIP) opportunities under the 2014 Bonus Plan and target LTI (including target long-term time-based restricted stock awards and cash performance awards) as a percentage of 2014 target total compensation opportunities for our current NEOs.

Note: AIP reflects target award opportunities as shown in the Target column of the 2014 Grants of Plan-Based Awards Table (100% of salary for Mr. Lavin and 75% of salary for Messrs. Trenary, Walters and Miller). LTI reflects the sum of target cash performance awards, as reported in the 2014 Grants of Plan-Based Awards Table, in addition to the grant date value of restricted stock grants made on November 21, 2014, at a price of $6.76 per share. Restricted stock values are shown in the Stock Awards column in the 2014 Summary Compensation Table and the 2014 Grants of Plan-Based Awards Table for each NEO. Each NEO received LTI awards with a target grant date value equal to 100% of salary, split equally between restricted stock award and long-term performance cash award.

The grant date value of equity-based awards to each NEO in 2014 was comparable to the value of restricted stock awards issued for similarly situated positions in 2013, except the 2013 awards for Mr. Lavin and Mr. Trenary reflected their inducement grants of 100,000 and 40,000 shares, respectively, negotiated at hire, which subsequently impacted the mix of performance cash and restricted shares that comprised their LTI award for the 2013 calendar year. The Committee continued the use of long-term performance cash awards linked to our three-year Total Shareholder Return ranking compared to a group of peer companies. Generally, these awards represent half of the target LTI value. The long-term performance cash awards granted in 2014 will not be payable until 2017 and may range anywhere from 0% to 150% of target based on our performance relative to peers.

The specific relationship of base salary to incentive compensation varies depending upon each NEO s position, prior experience and time in the industry, but consistently reflects the Committee s philosophy of weighting target AIP and LTI opportunities more heavily than base salary.

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Employment Agreements

Mr. Lavin

Under the terms of Mr. Lavin s three-year employment agreement (Mr. Lavin s Employment Agreement), Mr. Lavin receives a base salary of $750,000, subject to annual review and periodic upward adjustment as determined by the Committee, and an annual incentive opportunity under the Company s annual incentive plan as may be in effect from time to time based on a target award opportunity of at least 100% of Mr. Lavin s base salary. Pursuant to the employment agreement, Mr. Lavin will be eligible to receive equity and other LTI awards under any applicable plan adopted by the Company for which employees are generally eligible. Pursuant to the terms of the Company s long-term incentive plan (the Equity Incentive Plan), Mr. Lavin s current target LTI award opportunity is equal to $750,000, with 50% of the award being provided in time-based restricted stock which vest ratably over a period of three years and 50% in the form of a cash-based, performance driven award based on relative total shareholder return versus a defined peer group.

During the term of his employment, Mr. Lavin is entitled to participate in any employee benefit plan the Company has adopted or may adopt for the benefit of its employees generally, including the Commercial Vehicle Group, Inc. Deferred Compensation Plan, subject to satisfying applicable eligibility requirements. Additionally, Mr. Lavin s Employment Agreement provides for certain payments and benefits upon termination, which are detailed in the Payments Upon Termination or Change-in-Control section on page 39.

Mr. Trenary

In connection with his employment as Executive Vice President and Chief Financial Officer, Mr. Trenary receives a base salary of $425,000, subject to annual review and periodic upward adjustment as determined by the Committee, and an annual incentive opportunity under the Company s annual incentive plan as may be in effect from time to time based on a target award opportunity of at least 75% of Mr. Trenary s base salary. Additionally, Mr. Trenary is eligible for equity and other LTI awards under any applicable plan adopted by the Company for which employees are generally eligible.

Mr. Trenary is entitled to participate in any employee benefit plan the Company has adopted or may adopt for the benefit of its employees generally, including the Commercial Vehicle Group, Inc. Deferred Compensation Plan, subject to satisfying applicable eligibility requirements. Additionally, Mr. Trenary may receive certain payments and benefits upon termination, which are detailed in the Payments Upon Termination or Change-in-Control section on page 39.

Mr. Miller, Mr. Walters, and Mr. Perich

In connection with their employment, Messrs. Miller, and Walters are covered by Change-in-Control and Non-Competition Agreements which provide for certain benefits upon termination, as detailed in the Payments Upon Termination or Change-in-Control section on page 39. During the time of their employment, Messrs. Miller and Walters are entitled to participate in any employee benefit plan the Company has adopted or may adopt for the benefit of its employees generally, including the Commercial Vehicle Group, Inc. Deferred Compensation Plan, subject to satisfying applicable eligibility requirements. During 2014, Mr. Perich was also party to a Change-in-Control Agreement that provided benefits upon termination similar to the benefits provided to Messrs. Miller and Walters, but Mr. Perich s Change-in-Control agreement providing for any payment to him in the event of a change-in-control terminated as of the date of his separation from the Company.

Compensation Elements

Salary

We provide a salary to our NEOs to compensate them for their services during the year. Salaries are designed to be competitive with other comparable executive officer salaries in the published compensation survey data described above, and in the case of a new hire, to attract high quality executive talent using the Committee s discretion and judgment. The Committee sets salaries based on market competitiveness, the NEOs roles and responsibilities, experience, expertise and individual performance during their tenure. Salaries are

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reviewed annually by the Committee and periodic adjustments are based on the factors noted above, as well as input from the President & CEO (as relates to his direct reports) and comparator data from the compensation surveys discussed in detail above. However, there is no specific formula applied to the factors noted above.

The NEOs did not receive any base salary increases in 2014, except for Mr. Miller who received a market salary adjustment of $20,000 effective July 21, 2014, in connection with his assumption of responsibility for our North American Aftermarket and Structures business, and Mr. Perich who received a promotional increase of $50,000, effective November 1, 2014, in connection with his promotion to President of Global Construction & Agriculture Markets. These increases were intended to bring the salaries of Mr. Miller and Mr. Perich in line with industry benchmarks and competitive practice, and compensate them for their increased responsibilities, as determined by the Committee.

At its meeting on March 11, 2015, the Committee decided to maintain the current level of salaries for all NEOs for 2015, except for Mr. Miller, whose base salary was considered for adjustment based on competitive benchmarks within the comparator group and in recognition of Mr. Miller s strong individual performance. Effective April 13, 2015, the Committee approved a base salary increase for Mr. Miller from $320,000 to $330,000, consistent with the Company s effective date for enterprise wide merit increase reviews.

The Committee believes the current NEO salaries are consistent with the salaries paid to similarly situated executive officers of companies in the Compensation Peer Group and published survey data, except the initial base salary positioning was aggressive for recruiting for the President & CEO and Chief Financial Officer positions to support the attraction and retention of top talent for these critical assignments.

Annual Incentive Compensation

Annual incentive compensation is designed to reward NEOs for the achievement of financial targets tied to our annual business plan. Target annual incentive award opportunities are determined initially as a percentage of each NEO s salary for the fiscal year, and are tied to the achievement of pre-determined financial performance targets, with the Committee having the discretion to increase or decrease individual awards based on the performance and contributions of each NEO.

As noted above, in March 2014, the Committee adopted the 2014 Bonus Plan and approved financial performance goals for 2014 based on our business plan and strategic objectives. The target award opportunity for Mr. Lavin was set at 100% of base salary. The target award opportunity for Messrs. Trenary, Miller, Frailey, and Walters was set at 75% of their base salary. The target award opportunity for Mr. Perich was set at 50% of base salary, and subsequently increased, on a pro-rated basis, to 75% of base salary in November of 2014 in connection with his promotion to Division President of Global Construction & Agriculture Markets. Expressed as a percentage of salary, these were the same NEO target award opportunities established for 2013, except for Mr. Perich s pro-rated target adjustment.

The Committee adopted objective, financial performance metrics for the 2014 Bonus Plan, including operating profit margin, net sales, and ROAIC. Operating profit margin was selected by the Committee as a plan metric based on the high correlation to Total Shareholder Return. Net sales was selected based on the emphasis the Company s strategic plan places on top-line growth. ROAIC was selected to encourage the efficient and profitable use of capital in business operations. For NEOs with enterprise-wide responsibilities, including Messrs. Lavin, Trenary, and Walters, performance was measured on a consolidated basis. Participants assigned to a specific business unit, including Mr. Frailey, Mr. Miller and Mr. Perich, had a mix of consolidated and line of business metrics to promote both high level collaboration and divisional line of sight performance. As shown below, 60% of the total award opportunity for all NEOs was tied to consolidated profitability, as measured by corporate operating profit margin.

2014 Bonus Plan Metrics and Weighting

	Net Sales		Operating Profit Margin		ROAIC	
	Corporate	Business Unit	Corporate	Business Unit	All	TOTAL
Corporate Executives	20%		60%		20%	100%
Business Unit Executives		15%	60%	10%	15%	100%

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The Committee also approved Threshold, Target, and Superior performance targets and corresponding award opportunities for the 2014 Bonus Plan. The following table summarizes consolidated performance goals for Fiscal Year 2014. Specific financial goals at the business unit level are not disclosed due to concerns of competitive harm.

2014 Bonus Plan Performance Goals

Consolidated Metric	Threshold	Target	Superior
Operating Profit Margin	3.6%	4.6%	5.6%
Net Sales ($ Millions)	$747.7	$808.9	$870.1
ROAIC	2.0%	4.1%	6.2%

Award funding for each component is independent of the other components. For each component, achievement of Threshold performance funds 25% of the applicable portion of the award opportunity, Target performance funds 100%, and Superior performance funds 200%. Straight line interpolation is used to determine award funding for results in between designated performance levels. For each component, achievement of a minimum threshold performance is required in order to receive an award.

The 2014 Bonus Plan included the following baseline formula for Mr. Lavin, Mr. Trenary and Mr. Walters:

BONUS = (2014 Base Salary x BF1x 60% x BF2) + (2014 Base Salary x BF1x 20% x BF3) + (2014 Base Salary X BF1 x 20% x BF4)

Where:

2014 Base Salary is each NEO s salary at fiscal year-end 2014.

BF1 (Bonus Factor 1 or Target Factor) is a percent of each executive s 2014 base salary. Of the NEOs eligible for an incentive payment based on being actively employed on the date of payout, Mr. Lavin s total Target Factor was 100%, and Messrs. Trenary and Walters Target Factor was 75%.

BF2 (Bonus Factor 2) is scored independently as a fraction with a numerator equal to the actual consolidated Operating Profit Margin performance for the plan year divided by the target set for the year. The payment for performance at threshold level was set at 25% of target while payment for performance at or above the maximum level was set at 200% of target.

BF3 (Bonus Factor 3) is scored independently as a fraction with a numerator equal to the actual net sales performance for the year divided by the target set for the year. The payment for performance at threshold level was set at 25% of target, while payment for performance at or above the maximum was set at 200% of target.

BF4 (Bonus Factor 4) is scored independently as a fraction with a numerator equal to the actual consolidated ROAIC performance for the year divided by the target set for the year. The payment for performance at threshold level was set at 25% of target, while payment for performance at or above the maximum level was set at 200% of target.

The 2014 Bonus Plan included the following baseline formula for Mr. Frailey, Mr. Miller and Mr. Perich:

BONUS = (2014 Base Salary x BF1 x 60% x BF2) + (2014 Base Salary x BF1 x 15% x BF3) + (2014 Base Salary x BF1 x 10% x BF4) + (2014 Base Salary x BF1 x 15% x BF5)

Where:

2014 Base Salary is each NEO s salary at fiscal year-end 2014.

BF1 (Bonus Factor 1 or Target Factor) is a percent of each executive s 2014 base salary. Of the NEO s eligible for an incentive payment based on being actively employed on the date of payout, Mr. Miller s Target Factor was 75%. Messrs. Frailey and Perich did not receive a payout of incentive payment because they were not actively employed on the payout date.

BF2 (Bonus Factor 2) is scored independently as a fraction with a numerator equal to the actual Operating Profit Margin performance for the plan year divided by the target set for the year. The payment for performance at threshold level was set at 25% of target while payment for performance at or above the maximum level was set at 200% of target.

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BF3 (Bonus Factor 3) is scored independently as a fraction with a numerator equal to the actual Net Sales performance for the specific business unit the NEO is responsible for, divided by the target set for the year. The payment for performance at threshold level was set at 25% of target, while payment for performance at or above the maximum was set at 200% of target.

BF4 (Bonus Factor 4) is scored independently as a fraction with a numerator equal to the actual operating profit margin performance for the specific business unit the NEO is responsible for, divided by the target set for the year. The payment for performance at threshold level was set at 25% while payment for performance at or above the maximum level was set at 200% of target.

BF5 (Bonus Factor 5) is scored independently as a fraction with a numerator equal to the actual ROAIC performance for the year divided by the target set for the year. The payment for performance at threshold level was set at 25% of target, while payment for performance at or above the maximum level was set at 200% of target.

The Committee reserves the right to review, modify and approve, at its sole discretion, any awards issued under the 2014 Bonus Plan based on their assessment of the competitive environment and/or individual participant performance and contributions during the plan year. With respect to 2014 plan year payouts, the Committee did not exercise any discretion in the scoring of individual payments.

For 2014, we achieved 4.0% operating profit margin or 4.3% adjusted operating profit margin which was above the threshold level of 3.6% but below the target of 4.6%. We achieved $839.7 million in corporate net sales, above the target level of $808.9 million but less than the Superior level of $870.1 million. Adjusted ROAIC achievement was 4.3%, above the target of 4.1%, but below the maximum of 6.2%. Taken together, the annual incentive outcomes for our corporate executives (Messrs. Lavin, Trenary and Walters) totaled 100.3% of target.

For 2014, in addition to the corporate outcomes noted in the paragraph above, the Global Truck & Bus group achieved 9.6% in operating profit margin or 10% adjusted operating profit margin, which exceeded the Superior performance hurdle and achieved $534.1 million in net sales, which was also above the Superior performance hurdle. As a result, the calculated annual incentive payout for Mr. Miller was 114.3% of target.

For 2014, no bonuses were earned by Messrs. Frailey and Perich, as they were not employed by the Company at the time of award payout.

On February 2, 2015, the Committee also approved the Commercial Vehicle Group 2015 Bonus Plan (the 2015 Bonus Plan) with the same performance measures as 2014, except that ROAIC was replaced with OPACC as an efficient use of capital metric that corresponds to the Company s long term strategy. The metrics and weighting approved for the 2015 Bonus Plan, which includes business unit metrics for the Division Presidents, are as follows:

2015 Bonus Plan Metrics and Weighting

	Net Sales		Operating Profit Margin		OPACC	
	Corporate	**Business Unit**	**Corporate**	**Business Unit**	**All**	**TOTAL**
Corporate Executives	20%		60%		20%	100%
Business Unit Executives		15%	60%	10%	15%	100%

Consistent with the target incentives established for 2014, the target incentive for Mr. Lavin was set at 100% of base salary for 2015. The target incentive opportunity for Messrs. Trenary, Miller and Walters was set at 75% of base salary. A 2015 target incentive bonus was not established for Mr. Perich given his resignation, but the Committee established a target incentive opportunity for the position of Division President, Global Construction & Agriculture, at 75% of base salary, pro-rated based on the effective date of the appointment for Mr. Perich s successor. Expressed as a percentage of salary, fiscal 2015 target incentive award opportunities are the same as those in effect for 2014 for each NEO position.

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Long-Term Incentives

The 2014 Equity Incentive Plan is designed to focus and reward executive officers efforts related to the long-term growth and future success of the Company. The Equity Incentive Plan permits grants of various types of equity-based awards, including stock options, stock-settled stock appreciation rights, restricted stock, restricted stock units, performance shares and units, and other equity-based and cash awards, at the discretion of the Committee. The range of available equity awards provides the Committee flexibility to grant appropriate types of awards under different circumstances, depending on our needs and the relative importance of compensation objectives as they may change over time.

Since 2005, we have granted equity-based awards in the form of time-based restricted stock, which vests ratably over three years. The use of restricted stock minimizes the level of dilution from the use of equity incentives. The Committee continues to believe restricted stock is an appropriate form of equity compensation because it serves as a retention incentive for the current management team whose skills and experience are highly sought in the industry. The Committee also believes granting restricted stock aligns the executive officers interests directly with those of stockholders, as the executive officers will realize greater or lesser value based on stock price changes during the vesting period which will parallel those of stockholders over the same time period. On November 21, 2014, the Committee awarded restricted stock to the NEOs with a grant date value comparable to 50% of each NEOs base salary at the time of the grant.

Beginning in 2012, we added a cash component to the LTI award under the Equity Incentive Plan, to help manage equity plan dilution and share reserves. For 2014, the total target LTI award value for each of our NEOs was equal to 100% of base salary, and was equally weighted between time-based restricted stock, as described above, and long-term performance cash awards.

On November 21, 2014, the Committee approved long-term performance cash awards tied to our Total Shareholder Return over the three-year performance period from October 1, 2014 through September 30, 2017, relative to the Total Shareholder Return of the following comparator group of eleven companies (Total Shareholder Return Peer Group):

Accuride Corp.	Meritor, Inc.
Altra Holdings, Inc.	Modine Manufacturing Co.
Core Molding Technologies, Inc.	Stoneridge, Inc.
EnPro Industries, Inc.	Titan International, Inc.
Fuel Systems Solutions, Inc.	WABCO Holdings, Inc.
L.B. Foster Company	

This is the same comparator group used for long-term performance cash awards granted in 2013. All of the companies in the Total Shareholder Return Peer Group are also included in the Compensation Peer Group, as they are viewed as competitors for business, executive talent, and/or investor dollars.

Potential payouts under the cash performance award can range from 0% to 150% of target, based on our relative Total Shareholder Return performance over the three-year performance period relative to the Total Shareholder Return Peer Group, as follows:

Commercial Vehicle Group 3-Year Total Shareholder Return Rank (out of 12 companies)	Percent of Target Award Earned
Top Quartile (rank of 1, 2, or 3)	150%
Second Quartile (rank of 4 through 6)	100%
Third Quartile (rank of 7 through 9)	50%
Bottom Quartile (rank of 10 through 12)	0% (No Payout)

The Committee believes the 2014 cash performance awards are consistent with our philosophy of placing greater emphasis on long-term and at-risk incentive compensation to encourage a long-term view that supports the creation of stockholder value. Under current accounting rules, the Company is able to true up any accounting expense associated with cash-settled awards tied to market-based performance conditions so that final expense recognized matches the actual performance outcome.

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Conclusion

Fiscal 2014 was a positive year for the Company, as we developed and introduced our long term strategic plan, CVG 2020; and strengthened our leadership organization to support the execution of our strategic imperatives. Our fiscal 2014 overall financial performance results under the 2014 Bonus Plan were at target levels, as were pay levels for most of our NEOs, with particularly strong performance from our Global Truck & Bus group. Our executive compensation outcomes as described above, reflect our pay for performance philosophy. Our executive compensation program continues to place considerable emphasis on variable compensation, to align NEO pay with Company performance and long-term shareholder value creation. The Committee believes the current structure of our executive compensation program is appropriate and aligns with the Company s compensation philosophy and program objectives.

Timing of Equity Grants

We did not grant any stock options or stock appreciation rights during 2014. We do not have a program in place at this time related to the timing and pricing of stock options in coordination with the release of material non-public information.

The Committee approved grants of restricted stock on November 21, 2014. For purposes of accounting, the restricted stock grants were valued at the closing share price that day of $6.76. Our President & CEO and the other NEOs did not play a role in the Committee s decision on the timing of the 2014 restricted stock grants. Grants of restricted stock are issued generally at the same time each year with one-third of the shares in each grant vesting on each October 20th following the year of grant until such time as all shares of restricted stock in such grant have vested. Effective as of April 13, 2015, the Committee determined that it is advisable and in the best interests of the Company to grant off-cycle restricted stock awards under the Equity Incentive Plan to Messrs. Trenary and Miller to incentivize continued future performance and to encourage retention of their services. The off-cycle restricted stock award to Mr. Trenary was valued at $75,000 and to Mr. Miller was valued at $100,000. Such off-cycle awards were based on the closing price on April 13, 2015, and vest ratably over a three year period with the first vesting on October 20, 2015. Following Committee approval of the grants, our Human Resources and Finance Departments administered the grants made under the Equity Incentive Plan.

Adjustment or Recovery of Awards

We do not maintain any specific plans or policies that provide for the adjustment or recovery of awards if certain performance levels are restated. We will comply with any future regulatory requirements as mandated under the Dodd Frank Act as they become effective.

Risk Assessment

The Committee mitigates risk related to the Company s compensation programs and policies through periodic market benchmarking, capped incentive award opportunities that are tied to multiple performance metrics measured over multiple timeframes, stock ownership guidelines, anti-hedging policies, and oversight by independent, non-employee directors who meet in executive session and utilize independent external compensation advisors. Potential payouts under the incentive plans are modest as a percentage of revenue and income and NEOs must deliver a minimum threshold performance in order to receive an award. The Committee believes that our compensation philosophy and structure do not create risks that are likely to have a material adverse effect on the Company.

Consideration of Prior Amounts Realized

The Committee does not consider prior stock compensation gains in setting future compensation levels. The Committee believes this practice is consistent with our philosophy of providing future opportunities to executive officers in exchange for our future financial and stockholder return performance.

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Post-Termination Payments

Change-in-Control Agreements

Each of our current NEOs, except for Mr. Lavin who has an employment contract, is party to a Change-in-Control & Non-Competition Agreement (a Change-in-Control Agreement), which specifies severance payments in the event of certain terminations of employment both before and following a Change-in-Control of the Company. Mr. Lavin s Employment Agreement was executed in August 2013; Mr. Trenary s Change-in-Control Agreement was executed in January 2014; and Agreements for Messrs. Walters, Miller, Frailey and Perich were executed in October 2014. Messrs. Frailey s and Perich s Change-in-Control agreement providing for any payment in the event of a change-in-control terminated as of the date of their respective separation from the Company. The Change-in-Control Agreements and Mr. Lavin s Employment Agreement generally provide the following:

Mr. Lavin and Mr. Trenary

Termination without Cause or by the executive for Good Reason in the absence of a Change-in-Control: Any annual incentive earned with respect to the previous calendar year but unpaid as of the employment termination date; a prorated amount of the annual incentive for the calendar year in which the termination occurs; immediate vesting of all outstanding stock options and restricted stock awards; and salary continuation severance pay at the base salary rate for an additional twenty four months for Mr. Lavin and an additional twelve months for Mr. Trenary.

Termination without Cause or by the executive for Good Reason within 13 months of a Change-in-Control: Any annual incentive earned with respect to the previous calendar year but unpaid as of the employment termination date; a prorated amount of the annual incentive for the calendar year in which the termination occurs; the amount of any earned but unpaid portion of any incentive compensation, or any other fringe benefit to which the executive is entitled under the agreement through the date of the termination as a result of the Change-in-Control; an amount equal to two times, in the case of Mr. Lavin, and one times, in the case of Mr. Trenary, the sum of the executive s base salary plus the average annual incentive received over the last three fiscal years, plus any medical, financial and insurance coverage provided under the annual compensation plan; and accelerated vesting of all outstanding stock options and restricted stock awards.

Non-compete and non-solicitation provisions that continue for 24 months in the case of Mr. Lavin and for 12 months in the case of Mr. Trenary, in each case following termination of employment.

The agreements do not provide for any excise tax gross up payments.

Messrs. Walters and Miller

Termination without Cause in the absence of Change-in-Control: Continued payment of base salary in accordance with the Company s payroll practices in effect at the time of the employment separation for 12 months following such termination and a prorated amount of the annual incentive for the calendar year in which the termination occurs.

Termination without Cause or for Good Reason within 13 months of a Change-in-Control: (1) A lump sum amount equal to one times the sum of the executive s base salary, plus three-year average annual incentive, (2) earned but unpaid incentive compensation, (3) accelerated vesting of all outstanding stock options and restricted stock awards, and (4) continued employee benefits (including medical benefits) for a 12-month period.

Non-compete and non-solicitation provisions that continue for 12 months following termination of employment.

These agreements do not provide for any excise tax gross up payments.
Severance payments under these agreements will end immediately if the executive is in violation of any of his obligations under his agreement or if we learn of any facts relating to the executive s job performance or

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conduct that would have given us cause to terminate his employment. Payments under the Change-in-Control Agreements, and Mr. Lavin s Employment Agreement, are subject to applicable delay periods for benefits that constitute nonqualified deferred compensation under Section 409A of the Internal Revenue Code.

As defined in the Change-in-Control Agreements and Mr. Lavin s Employment Agreement,

Cause generally means (1) dishonesty in carrying out company business; (2) engaging in acts injurious to us; (3) willful failure to follow Board directives; (4) illegal conduct or gross misconduct; (5) breach of the Change-in-Control Agreement; (6) violation of code of business ethics; or (7) a felony or certain misdemeanors.

Good Reason means (1) a material change in duties and responsibilities; (2) reduction in base salary or failure to increase salary following a Change-in-Control; (3) relocation outside the Columbus, Ohio metropolitan area; (4) material reduction of incentive opportunities; (5) failure to provide substantially similar benefits following a Change-in-Control; (6) failure of successor to assume the Change-in-Control Agreement; (7) request that executive engage in illegal conduct; or (8) breach of the Change-in-Control Agreement.

Change-in-Control means (1) change in more than 50% of beneficial ownership of the Company; (2) change in more than a majority of voting shares following any transaction; (3) change in more than half of the Board over a two-year period; or (4) sale of substantially all of our assets.

The amounts that result from these various events are set forth below in the section entitled Potential Payments upon Termination or Change-in-Control. The Committee believes the use of these agreements provides an important retention incentive for the NEOs primarily in the context of potential corporate transactions. The Committee also believes, based on their own experiences, that the provisions of the Change-in-Control Agreements and Mr. Lavin s Employment Agreement are comparable to standard provisions of such agreements for executive officers in the competitive market.

Mr. Frailey

In connection with his separation in October 2014, Mr. Frailey received six months of severance through payroll continuation. All unvested restricted stock as of Mr. Frailey s separation date were forfeited in accordance with the terms of the Equity Incentive Plan. In the Separation Agreement, Mr. Frailey agreed to certain non-disparagement covenants, and agreed to cooperate with the Company in support of its business interests on any matter arising out of his employment, and to facilitate an orderly transition of his job duties to a successor employee. Mr. Frailey also agreed to certain confidentiality, noncompetition and non-solicitation covenants. In the Separation Agreement, Mr. Frailey released and waived any and all claims against the Company and its representatives which may exist or have arisen up to and including the date of the Separation Agreement, including claims that arise out of his employment or relationship with the Company or any of its representatives and the cessation of his employment.

Mr. Perich

Mr. Perich succeeded Mr. Frailey as President of Global Construction & Agriculture Markets as of October 27, 2014, but subsequently resigned this position, effective February 1, 2015. In connection with his separation, the Company agreed to continue his international service employee benefits package through June 2015 coincident with the conclusion of the school year for his dependent children, and further agreed to a lump sum payment of $100,000, based on the estimated cost of repatriating his family from China to Australia. All unvested restricted stock as of Mr. Perich s separation date were forfeited in accordance with the terms of the Equity Incentive Plan. In the Separation Agreement, Mr. Perich agreed to certain non-disparagement covenants, and agreed to cooperate with the Company in support of its business interests on any matter arising out of his employment. Mr. Perich also agreed to certain confidentiality, noncompetition and non-solicitation covenants. In the Separation Agreement, Mr. Perich released and waived any and all claims against the Company and its representatives which may exist or have arisen up to and including the date of the Separation Agreement, including claims that arise out of his employment or relationship with the Company or any of its representatives and the cessation of his employment.

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Retirement Plans

We sponsor tax-qualified employee savings and retirement plans, (the 401(k) Plan) that cover most employees who satisfy certain eligibility requirements relating to minimum age and length of service. Under the 401(k) Plan effective at December 31, 2014, eligible employees, including all of the current NEOs, could elect to contribute between 1% and 6% of their annual compensation and receive a Company matching contribution of 50% of the first 6% of employee contributions. The 2014 Company match was discretionary and the employee contributions and the Company match are subject to certain statutory limitations. The matching amounts received by the NEOs in 2014 are set forth below in the All Other Compensation column of the Summary Compensation Table. The 401(k) Plan and the non-qualified Deferred Compensation Plan represent the only sources of retirement income provided by us for the NEOs. As of January 1, 2015, new employees over the age of eighteen years are automatically enrolled in the Company s 401(k) Plan unless they specifically opt out. As of January 1, 2015, the Company matches 100% of the first 3% of participant contributions and 50% of the next 2% of participant contributions. All matching dollars vest immediately under the 401(k) Plan effective as of January 1, 2015.

Deferred Compensation Plan

We implemented the Deferred Compensation Plan (the Deferred Plan) in 2006 for certain executive officers and employees primarily for the purpose of retention and recruitment. The Deferred Plan allows for pre-tax deferrals of compensation and provides for the assets to accumulate on a tax-deferred basis for the purpose of supplementing retirement income. Eligible participants may defer up to 80% of their base salary and/or up to 100% of their eligible annual incentive as well as amounts equal to any refund they receive from the tax-qualified 401(k) Plan due to discrimination testing. Election deferrals must be made annually and before the compensation is earned. Participants make elections on the length of the deferral period at the same time they make the deferral election. Participants make investment choices from a selection of investment options similar to the 401(k) Plan. We match deferrals at the rate of 50% on the first 6% of the participant s total cash compensation. Our match vests based on years of service with 33% vesting after one year, 66% after two years and 100% after three years. Distributions may be made as a lump sum or annual installments over periods of up to 15 years as determined at the time of deferral by the participant. Additional distribution events include termination of employment, disability, death, unforeseeable emergency or a Change-in-Control.

Stock Ownership Guidelines and Hedging Policies

The Board strengthened the stock ownership guidelines for NEOs in 2014, which require executive officers and directors to hold shares of common stock with a value equal to: (a) five times annual base salary for the President & CEO; (b) three times annual base salary for the Division Presidents and (c) two times annual base salary for the Chief Financial Officer and all other executive officers, and (d) five times the annual cash retainer for all members of the Board. Compliance is calculated annually, on the last trading day of each fiscal year in the fifth year after an executive becomes a Covered Person under the guidelines. As of March 2015, all of our NEOs and non-employee directors with at least five years of covered service have met the stock ownership requirements, and all other participants are making progress towards meeting the guidelines within the designated five year timeframe from becoming a Covered Person.

We maintain a policy that prohibits directors, executive officers and employees from engaging in any type of hedging transactions or from holding our securities in a margin account or pledging our securities as collateral for a loan. A director, executive officer or employee may seek prior approval from us to pledge securities as collateral for a loan (but not for margin accounts) if the director, executive officer or employee can clearly demonstrate the financial capacity to repay the loan without resorting to the pledged securities. This policy is posted on our website at www.cvgrp.com.

Impact of Tax and Accounting Considerations

In general, the Committee takes into account the various tax and accounting implications of the components of our compensation program.

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Section 162(m) of the Internal Revenue Code (the Code) generally prohibits any publicly held corporation from taking a federal income tax deduction for compensation paid in excess of $1 million in any taxable year to certain executive officers, including the Chief Executive Officer and each of the next three highest paid executive officers (other than the Chief Financial Officer). Exceptions are made for qualified performance-based compensation, among other things.

The components of compensation, including salaries, annual incentives, exercised stock options and vested restricted stock are tax deductible to the extent that they are less than $1 million for each NEO in a given year. Certain types of awards granted under our 2014 Equity Incentive Plan, including long-term performance cash awards, are generally intended to qualify as performance-based compensation under Section 162(m). For 2014, the Company did not receive a tax deduction for compensation amounts that totaled more than $1 million per NEO employed at year end.

The Committee believes that, in establishing the cash and equity incentive compensation plans and arrangements for our executive officers, the potential deductibility of the compensation payable under those plans and arrangements should be only one of a number of relevant factors taken into consideration and not the sole governing factor. For that reason, the Committee may deem it appropriate to provide one or more executive officers with the opportunity to earn incentive compensation, whether through cash incentive awards or equity incentive awards, which may not be fully deductible by reason of Section 162(m) or other provisions of the Code.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the CD&A required by Item 402(b) of Regulation S-K with management, and based on such review and discussions, the Compensation Committee recommended to the Board that the CD&A be included in the Company s 2014 Annual Report on Form 10-K and this Proxy Statement.

Scott C. Arves (Chairman)

Harold C. Bevis

Robert C. Griffin

Roger L. Fix

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The following table summarizes the compensation of the NEOs for the years ending December 31, 2014, 2013 and 2012. The NEOs are the Company s President and CEO, chief financial officer, three other most highly compensated current officers, and one former highly compensated officer in the table below.

2014 Summary Compensation Table

Name and Principal Position	Year	Salary ($)(2)	Stock Awards ($)(3)	Incentive Plan Compensation ($)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(5)	All Other Compensation ($)	Total ($)
Richard P. Lavin(1)	2014	750,000	374,997	750,220		25,826	1,901,043
President and Chief Executive Officer	2013	757,692	707,000	58,500		50,457	1,573,649
C. Timothy Trenary(1)	2014	424,999	212,501	318,844		7,800	964,144
Chief Financial Officer	2013	239,904	277,600	13,163		3,678	534,345
Patrick E. Miller(1)	2014	320,000	160,002	274,358	855	26,770	781,985
President Global Truck & Bus	2013	293,390	166,000	35,100	7,665	23,469	525,624
Brent A. Walters(1) *SVP, General Counsel, Chief Compliance Officer and Secretary*	2014	315,000	157,501	236,319	27	25,973	734,820
Geoffrey W. Perich(1)(6) *Former President GCAM*	2014	258,333				363,601	621,934

Held-to-maturity investment securities	32,230	—	34,444	—	34,444
Loans, net	586,783	—	—	585,211	585,211
Federal Home Loan Bank stock	4,823	N/A	N/A	N/A	N/A
Accrued interest receivable	5,930	23	3,029	2,878	5,930
Financial liabilities:					
Deposits	1,062,623	913,296	149,045	—	1,062,341
Junior subordinated deferrable interest debentures	5,155	—	—	3,100	3,100
Accrued interest payable	115	—	90	25	115

	December 31, 2014				
(In thousands)	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	$21,316	$21,316	$—	$—	$21,316
Interest-earning deposits in other banks	55,646	55,646	—	—	55,646
Federal funds sold	366	366	—	—	366
Available-for-sale investment securities	432,535	7,585	424,950	—	432,535
Held-to-maturity investment securities	31,964	—	35,096	—	35,096
Loans, net	564,280	—	—	564,667	564,667
Federal Home Loan Bank stock	4,791	N/A	N/A	N/A	N/A
Accrued interest receivable	5,793	25	3,212	2,556	5,793

Financial liabilities:					
Deposits	1,039,152	885,704	153,475	—	1,039,179
Junior subordinated deferrable interest debentures	5,155	—	—	3,119	3,119
Accrued interest payable	114	—	90	24	114

These estimates do not reflect any premium or discount that could result from offering the Company's entire holdings of a particular financial instrument for sale at one time, nor do they attempt to estimate the value of anticipated future business related to the instruments. In addition, the tax ramifications related to the realization of unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of these estimates. These estimates are made at a specific point in time based on relevant market data and information about the financial instruments. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the fair values presented.

The methods and assumptions used to estimate fair values are described as follows:

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

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

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

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

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

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

(g) Short-Term Borrowings — The fair values of the Company's federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings, generally maturing within ninety days, are based on the market rates for similar types of borrowing arrangements resulting in a Level 2 classification.

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

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

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

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

Assets Recorded at Fair Value

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring and non-recurring basis as of June 30, 2015:

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Recurring Basis

The Company is required or permitted to record the following assets at fair value on a recurring basis as of June 30, 2015 (in thousands).

Description	Fair Value	Level 1	Level 2	Level 3
Available-for-sale securities				
Debt Securities:				
U.S. Government agencies	$49,766	$—	$49,766	$—
Obligations of states and political subdivisions	163,005	—	163,005	—
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	205,679	—	205,679	—
Private label residential mortgage backed securities	4,260	—	4,260	—
Other equity securities	7,550	7,550	—	—
Total assets measured at fair value on a recurring basis	$430,260	$7,550	$422,710	$—

Securities in Level 1 are mutual funds and fair values are based on quoted market prices for identical instruments traded in active markets. Fair values for available-for-sale investment securities in Level 2 are based on quoted market prices for similar securities in active markets. For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators. Management evaluates the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets, total liabilities or total earnings. During the six months ended June 30, 2015, no transfers between levels occurred.
There were no Level 3 assets measured at fair value on a recurring basis at or during the six month period ended June 30, 2015. Also there were no liabilities measured at fair value on a recurring basis at June 30, 2015.

Non-recurring Basis

The Company may be required, from time to time, to measure certain assets and liabilities at fair value on a non-recurring basis. These include assets and liabilities that are measured at the lower of cost or fair value that were recognized at fair value which was below cost at June 30, 2015 (in thousands).

Description	Fair Value	Level 1	Level 2	Level 3
Assets:				
Impaired loans:				
Commercial:				
Commercial and industrial	$ 11	$—	$—	$ 11
Total commercial	11	—	—	11
Consumer:				
Equity loans and lines of credit	$ 142	$—	$—	$ 142
Total impaired loans	153	—	—	153
Other real estate owned	—	—	—	—
Total assets measured at fair value on a non-recurring basis	$ 153	$—	$—	$ 153

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The following table presents quantitative information about level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at June 30, 2015 (dollars in thousands):

Description	Fair Value	Valuation Technique(s)	Significant Unobservable Input(s)	Range (Weighted Average)
Commercial and industrial	$11	Management estimates	Management adjustments for depreciation in values depending on property types	100%
Equity loans and lines of credit	$142	Sales comparison	Appraiser adjustments on sales comparable data	9.60%-18.00%
		Management estimates	Management adjustments for depreciation in values depending on property types	15.00%

At the time a loan is considered impaired, it is valued at the lower of cost or fair value. Impaired loans carried at fair value generally receive specific allocations of the allowance for credit losses. For collateral dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower’s financial statements, or aging reports, adjusted or discounted based on management’s historical knowledge, changes in market conditions from the time of the valuation, and management’s expertise and knowledge of the client and client’s business, resulting in a Level 3 fair value classification. The fair value of impaired loans is based on the fair value of the collateral. Impaired loans were determined to be collateral dependent and categorized as Level 3 due to ongoing real estate market conditions resulting in inactive market data, which in turn required the use of unobservable inputs and assumptions in fair value measurements. Impaired loans evaluated under the discounted cash flow method are excluded from the table above. The discounted cash flow methods as prescribed by ASC Topic 310 is not a fair value measurement since the discount rate utilized is the loan’s effective interest rate which is not a market rate. There were no changes in valuation techniques used during the six month period ended June 30, 2015.

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

Impaired loans that are measured for impairment using the fair value of the collateral for collateral dependent loans, had a principal balance of $190,000 with a valuation allowance of $37,000 at June 30, 2015, resulting in fair value of $153,000. The valuation allowance represents specific allocations for the allowance for credit losses for impaired loans.

During the three and six months ended June 30, 2015, there was $76,000 and $241,000 provision for credit losses recorded related to loans carried at fair value. During the three months ended June 30, 2014, there was no provision for credit losses. For the six months ended June 30, 2014, there was $2,000 provision for credit losses recorded related to loans carried at fair value. During the three and six months ended June 30, 2015 and June 30, 2014, there were no charge-offs.

Certain residential real estate properties classified as other real estate owned (OREO) are measured at fair value, less costs to sell. Fair values are based on recent real estate appraisals and/or evaluations. These appraisals and/or evaluations may use a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process to adjust for differences between the comparable sales and income data available.

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

Recurring Basis

The Company is required or permitted to record the following assets at fair value on a recurring basis as of December 31, 2014 (in thousands).

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

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

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

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

Non-recurring Basis

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

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

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The following table presents quantitative information about level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2014 (dollars in thousands):

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

At the time a loan is considered impaired, it is valued at the lower of cost or fair value. Impaired loans carried at fair value generally receive specific allocations of the allowance for credit losses. For collateral dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. The fair value of impaired loans is based on the fair value of the collateral. Impaired loans were determined to be collateral dependent and categorized as Level 3 due to ongoing real estate market conditions resulting in inactive market data, which in turn required the use of unobservable inputs and assumptions in fair value measurements. Impaired loans were determined to be collateral dependent and categorized as Level 3 due to ongoing real estate market conditions resulting in inactive market data, which in turn required the use of unobservable inputs and assumptions in fair value measurements. Impaired loans evaluated under the discounted cash flow method are excluded from the table above. The discounted cash flow method as prescribed by ASC Topic 310 is not a fair value measurement since the discount rate utilized is the loan's effective interest rate which is not a market rate. There were no changes in valuation techniques used during the year ended December 31, 2014.

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

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

During the year ended December 31, 2014, there was $3,921,000 provision for credit losses related to loans carried at fair value. During the year ended December 31, 2014, there was $3,539,000 net charge-offs related to loans carried at fair value.

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

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Note 3. Investments

The investment portfolio consists primarily of U.S. Government sponsored entity and agency securities collateralized by residential mortgage obligations, private label residential mortgage backed securities (PLRMBS), and obligations of states and political subdivisions securities. As of June 30, 2015, $112,265,000 of these securities were held as collateral for borrowing arrangements, public funds, and for other purposes.

The fair value of the available-for-sale investment portfolio reflected a net unrealized gain of $4,168,000 at June 30, 2015 compared to an unrealized gain of $8,896,000 at December 31, 2014. The unrealized gain recorded is net of $1,715,000 and $3,661,000 in tax liabilities as accumulated other comprehensive income within shareholders' equity at June 30, 2015 and December 31, 2014, respectively.

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

	June 30, 2015			
Available-for-Sale Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt securities:				
U.S. Government agencies	$49,663	$314	$(211)	$49,766
Obligations of states and political subdivisions	161,817	3,867	(2,679)	163,005
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	204,476	1,943	(740)	205,679
Private label residential mortgage backed securities	2,636	1,624	—	4,260
Other equity securities	7,500	50	—	7,550
Total available-for-sale	$426,092	$7,798	$(3,630)	$430,260

	June 30, 2015			
Held-to-Maturity Securities	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Estimated Fair Value
Debt securities:				
Obligations of states and political subdivisions	$32,230	$2,233	$(19)	$34,444

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

	December 31, 2014			
Held-to-Maturity Securities	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Estimated Fair Value
Debt securities:				

Obligations of states and political subdivisions	31,964	3,138	(6)	$35,096

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Proceeds and gross realized gains (losses) from the sales or calls of investment securities for the periods ended June 30, 2015 and 2014 are shown below (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
Available-for-Sale Securities	2015	2014	2015	2014
Proceeds from sales or calls	$53,716	$25,525	$92,647	$52,241
Gross realized gains from sales or calls	927	190	1,692	1,152
Gross realized losses from sales or calls	(195)	(126)	(233)	(819)

Losses recognized in 2015 and 2014 were incurred in order to reposition the investment securities portfolio based on the current rate environment. The securities which were sold at a loss were acquired when the rate environment was not as volatile. The securities which were sold were primarily purchased several years ago to serve a purpose in the rate environment in which the securities were purchased. The Company is addressing risks in the security portfolio by selling these securities and using proceeds to purchase securities that fit with the Company's current risk profile.
The provision for income taxes includes $601,000 and $137,000 income tax impact from the reclassification of unrealized net gains on available-for-sale securities to realized net gains on available-for-sale securities for the six months ended June 30, 2015 and 2014, respectively. The provision for income taxes includes $301,000 and $26,000 income tax impact from the reclassification of unrealized net gains on available-for-sale securities to realized net gains on available-for-sale securities for the three months ended June 30, 2015 and 2014, respectively.
Investment securities, aggregated by investment category, with unrealized losses as of the dates indicated are summarized and classified according to the duration of the loss period as follows (in thousands):

	June 30, 2015					
	Less than 12 Months		12 Months or More		Total	
Available-for-Sale Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities:						
U.S. Government agencies	$14,786	$(211)	$—	$—	$14,786	$(211)
Obligations of states and political subdivisions	80,312	(2,679)	—	—	80,312	(2,679)
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	35,966	(382)	24,357	(358)	60,323	(740)
Total available-for-sale	$131,064	$(3,272)	$24,357	$(358)	$155,421	$(3,630)

	June 30, 2015					
	Less than 12 Months		12 Months or More		Total	
Held-to-Maturity Securities	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
Debt securities:						
Obligations of states and political subdivisions	$1,044	$(19)	$—	$—	$1,044	$(19)

	December 31, 2014					
	Less than 12 Months		12 Months or More		Total	
Available-for-Sale Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities:						
U.S. Government agencies	$10,950	$(193)	$1,737	$(50)	$12,687	$(243)
	16,776	(89)	15,290	(225)	32,066	(314)

Obligations of states and political subdivisions						
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	52,905	(420)	31,000	(370)	83,905	(790)
Total available-for-sale	$80,631	$(702)	$48,027	$(645)	$128,658	$(1,347)

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

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

As of June 30, 2015, the Company performed an analysis of the investment portfolio to determine whether any of the investments held in the portfolio had an other-than-temporary impairment (OTTI). Management evaluated all available-for-sale investment securities with an unrealized loss at June 30, 2015 and identified those that had an unrealized loss for at least a consecutive 12 month period, which had an unrealized loss at June 30, 2015 greater than 10% of the recorded book value on that date, or which had an unrealized loss of more than $10,000. Management also analyzed any securities that may have been downgraded by credit rating agencies.

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

U.S. Government Agencies

At June 30, 2015, the Company held 14 U.S. Government agency securities, of which four were in a loss position for less than 12 months and none were in a loss position or had been in a loss position for 12 months or more. The unrealized losses on the Company's investments in direct obligations of U.S. government agencies were caused by interest rate changes. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized costs of the investment. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company has the ability and intent to hold, and it is more likely than not that it will not be required to sell, those investments until a recovery of fair value, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at June 30, 2015.

Obligations of States and Political Subdivisions

At June 30, 2015, the Company held 145 obligations of states and political subdivision securities of which 32 were in a loss position for less than 12 months and none were in a loss position or had been in a loss position for 12 months or more. The unrealized losses on the Company's investments in obligations of states and political subdivision securities were caused by interest rate changes. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company has the ability to hold and does not intend to sell, and it is more likely than not that it will not be required to sell those investments until a recovery of fair value, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at June 30, 2015.

U.S. Government Sponsored Entities and Agencies Collateralized by Residential Mortgage Obligations

At June 30, 2015, the Company held 180 U.S. Government sponsored entity and agency securities collateralized by residential mortgage obligations of which 18 were in a loss position for less than 12 months and 13 have been in a loss position for more than 12 months. The unrealized losses on the Company's investments in U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations were caused by interest rate changes. The contractual cash flows of those investments are guaranteed by an agency or sponsored entity of the U.S. Government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the Company's investment. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company has the ability to hold and does not intend to sell, and it is more likely than not that it will not be required to sell those investments until a recovery of fair value, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at June 30, 2015.

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Private Label Residential Mortgage Backed Securities

At June 30, 2015, the Company had a total of 17 PLRMBS with a remaining principal balance of $2,636,000 and a net unrealized gain of approximately $1,624,000. None of these securities were recorded with an unrealized loss at June 30, 2015. Nine of these PLRMBS with a remaining principal balance of $2,234,000 had credit ratings below investment grade. The Company continues to monitor these securities for indications that declines in value, if any, may be other-than-temporary.

Other Equity Securities

At June 30, 2015, the Company had one mutual fund equity investment. The equity investment was not recorded with an unrealized loss at June 30, 2015.

The following tables provide a roll forward for the three and six month periods ended June 30, 2015 and 2014 of investment securities credit losses recorded in earnings. The beginning balance represents the credit loss component for which OTTI occurred on debt securities in prior periods. Additions represent the first time a debt security was credit impaired or when subsequent credit impairments have occurred on securities for which OTTI credit losses have been previously recognized.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(In thousands)	2015	2014	2015	2014
Beginning balance	$747	$800	$747	$800
Amounts related to credit loss for which an OTTI charge was not previously recognized	—	—	—	—
Increases to the amount related to credit loss for which OTTI was previously recognized	—	—	—	—
Realized losses for securities sold	—	—	—	—
Ending balance	$747	$800	$747	$800

The amortized cost and estimated fair value of available-for-sale and held-to-maturity investment securities at June 30, 2015 by contractual maturity is shown below (in thousands). Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties.

	June 30, 2015	
Available-for-Sale Securities	Amortized Cost	Estimated Fair Value
Within one year	$—	$—
After one year through five years	3,815	4,119
After five years through ten years	26,314	26,607
After ten years	131,688	132,279
	161,817	163,005
Investment securities not due at a single maturity date:		
U.S. Government agencies	49,663	49,766
U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations	204,476	205,679
Private label residential mortgage backed securities	2,636	4,260
Other equity securities	7,500	7,550
Total available-for-sale	$426,092	$430,260

	June 30, 2015	
Held-to-Maturity Securities	Amortized Cost	Estimated Fair Value
After ten years	$32,230	$34,444

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During 2014, to better manage our interest rate risk, the Company transferred from available-for-sale to held-to-maturity selected municipal securities in our portfolio having a book value of approximately $31 million, a market value of approximately $32 million, and a net unrecognized gain of approximately $163,000. This transfer was completed after careful consideration of our intent and ability to hold these securities to maturity. There were no transfers or reclassifications of securities in or out of held-to-maturity during the quarter ended June 30, 2015. At June 30, 2015 and December 31, 2014 the remaining unaccreted balance of these securities included in accumulated other comprehensive income was $140,000 and $142,000, respectively.

Note 4. Loans and Allowance for Credit Losses

Outstanding loans are summarized as follows:

Loan Type (Dollars in thousands)	June 30, 2015	% of Total Loans	December 31, 2014	% of Total Loans
Commercial:				
Commercial and industrial	$91,596	15.4 %	$89,007	15.5 %
Agricultural land and production	46,268	7.8 %	39,140	6.8 %
Total commercial	137,864	23.2 %	128,147	22.3 %
Real estate:				
Owner occupied	172,804	29.0 %	176,804	30.9 %
Real estate construction and other land loans	34,663	5.8 %	38,923	6.8 %
Commercial real estate	122,281	20.5 %	106,788	18.7 %
Agricultural real estate	67,724	11.4 %	57,501	10.0 %
Other real estate	8,258	1.4 %	6,611	1.2 %
Total real estate	405,730	68.1 %	386,627	67.6 %
Consumer:				
Equity loans and lines of credit	44,419	7.5 %	47,575	8.3 %
Consumer and installment	7,294	1.2 %	10,093	1.8 %
Total consumer	51,713	8.7 %	57,668	10.1 %
Net deferred origination costs	190		146	
Total gross loans	595,497	100.0 %	572,588	100.0 %
Allowance for credit losses	(8,714)		(8,308)	
Total loans	$586,783		$564,280	

The table above includes loans acquired at fair value on July 1, 2013 when the Company acquired Visalia Community Bank (VCB), in a combined cash and stock transaction. The acquired VCB assets and liabilities were recorded at fair value at the date of acquisition. Loans acquired in the VCB acquisition had outstanding balances of $71,030,000 and $77,882,000 as of June 30, 2015 and December 31, 2014, respectively.

At June 30, 2015 and December 31, 2014, loans originated under Small Business Administration (SBA) programs totaling $11,497,000 and $8,782,000, respectively, were included in the real estate and commercial categories.

Purchased Credit Impaired Loans

At December 31, 2013, the Company had loans that were acquired in an acquisition, for which there was, at acquisition, evidence of deterioration of credit quality since origination and for which it was probable, at acquisition, that all contractually required payments would not be collected. There were no such loans outstanding at June 30, 2015 or December 31, 2014.

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

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Accretable yield, or income expected to be collected for the three months ended June 30, 2015 and 2014 is as follows (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
Balance at beginning of period	$—	$8	$—	$94
Additions	—	—	—	—
Accretion	—	(129)	—	(907)
Reclassification from non-accretable difference	—	121	—	813
Disposals	—	—	—	—
Balance at end of period	$—	$—	$—	$—

The allowance for credit losses (the "Allowance") is a valuation allowance for probable incurred credit losses in the Company's loan portfolio. The Allowance is established through a provision for credit losses which is charged to expense. Additions to the Allowance are expected to maintain the adequacy of the total Allowance after credit losses and loan growth. Credit exposures determined to be uncollectible are charged against the Allowance. Cash received on previously charged off credits is recorded as a recovery to the Allowance. The overall Allowance consists of two primary components, specific reserves related to impaired loans and general reserves for probable incurred losses related to loans that are not impaired.

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

The following table shows the summary of activities for the Allowance as of and for the three months ended June 30, 2015 and 2014 by portfolio segment (in thousands):

	Commercial	Real Estate	Consumer	Unallocated	Total
Allowance for credit losses:					
Beginning balance, April 1, 2015	$ 3,129	$ 4,457	$ 765	$ 48	$ 8,399
Provision charged to operations	610	(36)	(26)	(48)	500
Losses charged to allowance	(287)	—	(42)	—	(329)
Recoveries	101	8	35	—	144
Ending balance, June 30, 2015	$ 3,553	$ 4,429	$ 732	$ —	$ 8,714
Allowance for credit losses:					
Beginning balance, April 1, 2014	$ 2,012	$ 4,672	$ 1,391	$ 246	$ 8,321
Provision charged to operations	78	(340)	(187)	49	(400)
Losses charged to allowance	(265)	(183)	(325)	—	(773)
Recoveries	49	8	102	—	159
Ending balance, June 30, 2014	$ 1,874	$ 4,157	$ 981	$ 295	$ 7,307

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The following table shows the summary of activities for the allowance for loan losses as of and for the six months ended June 30, 2015 and 2014 by portfolio segment of loans (in thousands):

	Commercial	Real Estate	Consumer	Unallocated	Total
Allowance for credit losses:					
Beginning balance, January 1, 2015	$3,130	$4,058	$1,078	$42	$8,308
Provision charged to operations	917	355	(730)	(42)	500
Losses charged to allowance	(697)	—	(73)	—	(770)
Recoveries	203	16	457	—	676
Ending balance, June 30, 2015	$3,553	$4,429	$732	$—	$8,714
Allowance for credit losses:					
Beginning balance, January 1, 2014	$2,444	$5,174	$1,168	$422	$9,208
Provision charged to operations	526	(850)	51	(127)	(400)
Losses charged to allowance	(1,194)	(183)	(410)	—	(1,787)
Recoveries	98	16	172	—	286
Ending balance, June 30, 2014	$1,874	$4,157	$981	$295	$7,307

The following is a summary of the Allowance by impairment methodology and portfolio segment as of June 30, 2015 and December 31, 2014 (in thousands):

	Commercial	Real Estate	Consumer	Unallocated	Total
Allowance for credit losses:					
Ending balance, June 30, 2015	$3,553	$4,429	732	$—	$8,714
Ending balance: individually evaluated for impairment	$12	$150	40	$—	$202
Ending balance: collectively evaluated for impairment	$3,541	$4,279	692	$—	$8,512
Ending balance, December 31, 2014	$3,130	$4,058	$1,078	$42	$8,308
Ending balance: individually evaluated for impairment	$230	$162	$220	$—	$612
Ending balance: collectively evaluated for impairment	$2,900	$3,896	$858	$42	$7,696

The following table shows the ending balances of loans as of June 30, 2015 and December 31, 2014 by portfolio segment and by impairment methodology (in thousands):

	Commercial	Real Estate	Consumer	Total
Loans:				
Ending balance, June 30, 2015	$ 137,864	$405,730	$51,713	$595,307
Ending balance: individually evaluated for impairment	$ 276	$8,334	$1,982	$10,592
Ending balance: collectively evaluated for impairment	$ 137,588	$397,396	$49,731	$584,715
Loans:				
Ending balance, December 31, 2014	$ 128,147	$386,627	$57,668	$572,442
Ending balance: individually evaluated for impairment	$ 7,268	$8,512	$3,046	$18,826
Ending balance: collectively evaluated for impairment	$ 120,879	$378,115	$54,622	$553,616

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The following table shows the loan portfolio by class allocated by management's internal risk ratings at June 30, 2015 (in thousands):

	Pass	Special Mention	Sub-Standard	Doubtful	Total
Commercial:					
Commercial and industrial	$80,040	$10,691	$ 865	$—	$91,596
Agricultural land and production	46,268	—	—	—	46,268
Real Estate:					
Owner occupied	165,108	5,530	2,166	—	172,804
Real estate construction and other land loans	28,951	1,975	3,737	—	34,663
Commercial real estate	112,198	3,747	6,336	—	122,281
Agricultural real estate	64,806	2,558	360	—	67,724
Other real estate	8,258	—	—	—	8,258
Consumer:					
Equity loans and lines of credit	40,190	464	3,765	—	44,419
Consumer and installment	7,278	—	16	—	7,294
Total	$553,097	$24,965	$ 17,245	$—	$595,307

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

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

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The following table shows an aging analysis of the loan portfolio by class and the time past due at June 30, 2015 (in thousands):

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days Accruing	Non-accrual
Commercial:								
Commercial and industrial	$—	$—	$227	$227	$91,369	$91,596	$—	$ 275
Agricultural land and production	—	—	—	—	46,268	46,268	—	—
Real estate:	—			—	—	—		
Owner occupied	—	—	572	572	172,232	172,804	—	939
Real estate construction and other land loans	—	—	547	547	34,116	34,663	—	547
Commercial real estate	—	—	1,408	1,408	120,873	122,281	—	2,112
Agricultural real estate	360	—	—	360	67,364	67,724	—	360
Other real estate	—	—	—	—	8,258	8,258	—	—
Consumer:				—	—	—		
Equity loans and lines of credit	—	—	1,743	1,743	42,676	44,419	—	1,967
Consumer and installment	57	—	—	57	7,237	7,294	—	16
Total	$417	$—	$4,497	$4,914	$590,393	$595,307	$—	$ 6,216

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

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days Accruing	Non-accrual
Commercial:								
Commercial and industrial	$ 172	$88	$—	$260	$88,747	$89,007	$—	$7,265
Agricultural land and production	—	—	—	—	39,140	39,140	—	—
Real estate:	—							
Owner occupied	164	—	249	413	176,391	176,804	—	1,363
Real estate construction and other land loans	547	—	—	547	38,376	38,923	—	547
Commercial real estate	—	—	—	—	106,788	106,788	—	1,468
Agricultural real estate	—	—	—	—	57,501	57,501	—	360
Other real estate	—	—	—	—	6,611	6,611	—	—

Consumer:								
Equity loans and lines of credit	—	—	227	227	47,348	47,575	—	3,030
Consumer and installment	30	—	—	30	10,063	10,093	—	19
Total	$ 913	$ 88	$ 476	$ 1,477	$ 570,965	$ 572,442	$ —	$ 14,052

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The following table shows information related to impaired loans by class at June 30, 2015 (in thousands):

	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:			
Commercial:			
Commercial and industrial	$211	$213	$—
Real estate:			
Owner occupied	749	820	—
Real estate construction and other land loans	547	799	—
Commercial real estate	2,594	2,774	—
Agricultural real estate	360	360	—
Total real estate	4,250	4,753	—
Consumer:			
Equity loans and lines of credit	1,755	2,435	—
Total with no related allowance recorded	6,216	7,401	—
With an allowance recorded:			
Commercial:			
Commercial and industrial	65	67	12
Real estate:			
Owner occupied	190	215	25
Real estate construction and other land loans	3,190	3,190	1
Commercial real estate	704	713	124
Total real estate	4,084	4,118	150
Consumer:			
Equity loans and lines of credit	211	223	39
Consumer and installment	16	18	1
Total consumer	227	241	40
Total with an allowance recorded	4,376	4,426	202
Total	$10,592	$11,827	$202

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

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

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

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

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The following presents by class, information related to the average recorded investment and interest income recognized on impaired loans for the three months ended June 30, 2015 and 2014.

	Three Months Ended June 30, 2015		Three Months Ended June 30, 2014	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:				
Commercial:				
Commercial and industrial	$4,257	$ —	$155	$ —
Real estate:				
Owner occupied	1,033	—	2,532	20
Real estate construction and other land loans	547	58	1,245	—
Commercial real estate	2,598	—	632	—
Agricultural real estate	360	—	—	—
Total real estate	4,538	58	4,409	20
Consumer:				
Equity loans and lines of credit	2,091	—	1,883	—
Consumer and installment	—	—	23	—
Total consumer	2,091	—	1,906	—
Total with no related allowance recorded	10,886	58	6,470	20
With an allowance recorded:				
Commercial:				
Commercial and industrial	76	—	—	—
Real estate:				
Owner occupied	191	—	—	—
Real estate construction and other land loans	3,250	—	3,832	68
Commercial real estate	708	20	—	—
Total real estate	4,149	20	3,832	68
Consumer:				
Equity loans and lines of credit	229	—	222	—
Consumer and installment	17	—	—	—
Total consumer	246	—	222	—
Total with an allowance recorded	4,471	20	4,054	68
Total	$15,357	$ 78	$10,524	$ 88

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The following presents by class, information related to the average recorded investment and interest income recognized on impaired loans for the six months ended June 30, 2015 and 2014.

	Six Months Ended June 30, 2015		Six Months Ended June 30, 2014	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:				
Commercial:				
Commercial and industrial	$5,362	$ —	$255	$ —
Agricultural land and production	—	—	—	—
Total commercial	5,362	—	255	—
Real estate:				
Owner occupied	1,119	—	2,911	41
Real estate construction and other land loans	553	118	1,349	—
Commercial real estate	2,237	—	554	—
Agricultural real estate	360	—	—	—
Other real estate	—	—	—	—
Total real estate	4,269	118	4,814	41
Consumer:				
Equity loans and lines of credit	2,219	—	1,917	—
Consumer and installment	—	—	12	—
Total consumer	2,219	—	1,929	—
Total with no related allowance recorded	11,850	118	6,998	41
With an allowance recorded:				
Commercial:				
Commercial and industrial	415	—	498	—
Agricultural land and production	—	—	—	—
Total commercial	415	—	498	—
Real estate:				
Owner occupied	195	—	55	—
Real estate construction and other land loans	3,356	—	3,923	138
Commercial real estate	870	39	—	—
Agricultural real estate	—	—	—	—
Other real estate	—	—	—	—
Total real estate	4,421	39	3,978	138
Consumer:				
Equity loans and lines of credit	444	—	224	—
Consumer and installment	18	—	35	—
Total consumer	462	—	259	—
Total with an allowance recorded	5,298	39	4,735	138
Total	$17,148	$ 157	$11,733	$ 179

Foregone interest on nonaccrual loans totaled $355,000 and $185,000 for the six month periods ended June 30, 2015 and 2014, respectively. For the three month periods ended June 30, 2015 and 2014, foregone interest on nonaccrual loans totaled $136,000 and $95,000, respectively.

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Troubled Debt Restructurings:
As of June 30, 2015 and December 31, 2014, the Company has a recorded investment in troubled debt restructurings of $6,251,000 and $6,600,000, respectively. The Company has allocated $2,000 and $132,000 of specific reserves to loans whose terms have been modified in troubled debt restructurings as of June 30, 2015 and December 31, 2014, respectively. The Company has committed to lend no additional amounts as of June 30, 2015 to customers with outstanding loans that are classified as troubled debt restructurings.
During the six month period ended June 30, 2015 two loans were modified as a troubled debt restructuring. The modification of the terms of such loan included one or a combination of the following: a reduction of the stated interest rate of the loan or an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk. During the same period, there were no troubled debt restructurings in which the amount of principal or accrued interest owed from the borrower was forgiven. During the three months ended June 30, 2015, no loans were modified as troubled debt restructurings.
The following table presents loans by class modified as troubled debt restructurings that occurred during the six months ended June 30, 2015 (in thousands):

Troubled Debt Restructurings:	Number of Loans	Pre-Modification Outstanding Recorded Investment (1)	Principal Modification (2)	Post Modification Outstanding Recorded Investment (3)	Outstanding Recorded Investment
Commercial and Industrial	2	$ 42	$—	$42	$38

(1) Amounts represent the recorded investment in loans before recognizing effects of the TDR, if any.
(2) Principal Modification includes principal forgiveness at the time of modification, contingent principal forgiveness granted over the life of the loan based on borrower performance, and principal that has been legally separated and deferred to the end of the loan, with zero percent contractual interest rate.
(3) Balance outstanding after principal modification, if any borrower reduction to recorded investment.

The following table presents loans by class modified as troubled debt restructurings that occurred during the six months ended June 30, 2014 (in thousands):

Troubled Debt Restructurings:	Number of Loans	Pre-Modification Outstanding Recorded Investment (1)	Principal Modification (2)	Post Modification Outstanding Recorded Investment (3)	Outstanding Recorded Investment
Equity loans and lines of credit	1	$ 7	$—	$7	$6

The following table presents loans by class modified as troubled debt restructurings that occurred during the three months ending June 30, 2014 (in thousands):

Troubled Debt Restructurings:	Number of Loans	Pre-Modification Outstanding Recorded Investment (1)	Principal Modification (2)	Post Modification Outstanding Recorded Investment (3)	Outstanding Recorded Investment
Equity loans and lines of credit	1	$ 7	$—	$7	$6

(1) Amounts represent the recorded investment in loans before recognizing effects of the TDR, if any.
(2) Principal Modification includes principal forgiveness at the time of modification, contingent principal forgiveness granted over the life of the loan based on borrower performance, and principal that has been legally separated and

deferred to the end of the loan, with zero percent contractual interest rate.

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

A loan is considered to be in payment default once it is 90 days contractually past due under the modified terms. There were no defaults on troubled debt restructurings, within twelve months following the modification, during the six months ended June 30, 2015 or June 30, 2014.

Note 5. Goodwill and Intangible Assets

Business combinations involving the Company's acquisition of the equity interests or net assets of another enterprise give rise to goodwill. Total goodwill at June 30, 2015 was $29,917,000 consisting of $14,643,000, $8,934,000, and $6,340,000 representing the excess of the cost of Service 1st Bancorp, Bank of Madera County, and Visalia Community Bank, respectively,

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over the net amounts assigned to assets acquired and liabilities assumed in the transactions accounted for under the purchase method of accounting. The value of goodwill is ultimately derived from the Company's ability to generate net earnings after the acquisitions and is not deductible for tax purposes. A decline in net earnings could be indicative of a decline in the fair value of goodwill and result in impairment. For that reason, goodwill is assessed at least annually for impairment.

The Company has selected September 30 as the date to perform the annual impairment test. As of September 30, 2014, management assessed qualitative factors including performance trends and noted no factors indicating goodwill impairment.

Goodwill is also tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the Company below its carrying amount. No such events or circumstances arose during the first six months of 2015.

The intangible assets at June 30, 2015 represent the estimated fair value of the core deposit relationships acquired in the 2013 acquisition of Visalia Community Bank of $1,365,000, and Service 1st Bancorp in 2008 of $1,400,000. Core deposit intangibles are being amortized by the straight-line method (which approximates the effective interest method) over an estimated life of seven to ten years from the date of acquisition. The carrying value of intangible assets at June 30, 2015 was $1,176,000 net of $1,589,000 in accumulated amortization expense. Management evaluates the remaining useful lives quarterly to determine whether events or circumstances warrant a revision to the remaining periods of amortization. Based on the evaluation, no changes to the remaining useful lives was required in the first quarter of 2015. Management performed an annual impairment test on core deposit intangibles as of September 30, 2014 and determined no impairment was necessary. Amortization expense recognized was $168,000 for the six month periods ended June 30, 2015 and 2014. Amortization expense recognized was $84,000 for the three month periods ended June 30, 2015 and 2014.

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

Years Ending	Estimated Core Deposit Intangible Amortization
2015	$152
2016	137
2017	137
2018	137
2019	137
Thereafter	476
	$1,176

Note 6. Borrowing Arrangements

As of June 30, 2015 and December 31, 2014, the Company had no Federal Home Loan Bank (FHLB) of San Francisco advances.

FHLB advances are secured under the standard credit and securities-backed credit programs. Investment securities with amortized costs totaling $864,000 and $1,256,000, and market values totaling $958,000 and $1,364,000 at June 30, 2015 and December 31, 2014, respectively, were pledged under the securities-backed credit program. The Bank's credit limit varies according to the amount and composition of the investment and loan portfolios pledged as collateral.

As of June 30, 2015 and December 31, 2014, the Company had no Federal funds purchased.

Note 7. Income Taxes

The Company files its income taxes on a consolidated basis with its subsidiary. The allocation of income tax expense (benefit) represents each entity's proportionate share of the consolidated provision for income taxes. Deferred tax assets and liabilities are recognized for the tax consequences of temporary differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. On the consolidated balance sheets, net deferred tax assets are included in accrued interest receivable and other assets. The Company establishes a tax valuation allowance when it is more likely than not that a recorded tax benefit is not expected to be fully realized. The expense to create the tax valuation allowance is recorded as an additional income tax expense in the period the tax valuation allowance is created. Based on management's analysis as of June 30, 2015 and December 31, 2014, the Company maintained a deferred tax valuation allowance of $20,000 related to California capital loss carryforwards.

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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. As of June 30, 2015 and December 31, 2014, the reserve for uncertain tax positions attributable to tax credits and deductions related to enterprise zone activities in California was $197,000 and $180,000, respectively. The Company does not expect the total amount of unrecognized tax benefits to significantly increase or decrease in the next twelve months.

Note 8. 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 $205,562,000 and $214,131,000 were outstanding at June 30, 2015 and December 31, 2014, 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 unless waived by the Bank. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee.

Included in commitments to extend credit are undisbursed lines of credit totaling $204,082,000 and $212,501,000 at June 30, 2015 and December 31, 2014, respectively. Undisbursed lines of credit include credits whereby customers can repay principal and request principal advances during the term of the loan at their discretion and most expire between one and 12 months.

Included in undisbursed lines of credit are commitments for the undisbursed portions of construction loans totaling $19,359,000 and $15,977,000 as of June 30, 2015 and December 31, 2014, respectively. These commitments are agreements to lend to customers, subject to meeting certain construction progress requirements established in the contracts. The underlying construction loans have fixed expiration dates.

Standby letters of credit and financial guarantees amounting to $1,480,000 and $1,630,000 were outstanding at June 30, 2015 and December 31, 2014, 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 standby letters of credit and 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 their issuance, was not significant at June 30, 2015 or December 31, 2014. 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. At June 30, 2015 and December 31, 2014, the balance of a contingent allocation for probable loan loss experience on unfunded obligations was $195,000 and $165,000, respectively. The contingent allocation for probable loan loss experience on unfunded obligations is calculated by management using an appropriate, systematic, and consistently applied process. While related to credit losses, this allocation is not a part of the allowance for credit losses and is considered separately as a liability for accounting and regulatory reporting purposes, and is included in Other Liabilities on the Company’s balance sheet.

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.

Note 9. 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. A reconciliation of the numerators and denominators of the basic and diluted EPS computations is as follows:

Basic Earnings Per Share	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(In thousands, except share and per share amounts)	2015	2014	2015	2014
Net income available to common shareholders	$3,078	$2,693	$5,544	$5,309
Weighted average shares outstanding	10,924,437	10,918,065	10,924,015	10,917,010
Basic earnings per share	$0.28	$0.25	$0.51	$0.49

Diluted Earnings Per Share	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(In thousands, except share and per share amounts)	2015	2014	2015	2014
Net income available to common shareholders	$3,078	$2,693	$5,544	$5,309
Weighted average shares outstanding	10,924,437	10,918,065	10,924,015	10,917,010
Effect of dilutive stock options	85,479	81,598	82,036	79,562
Weighted average shares of common stock and common stock equivalents	11,009,916	10,999,663	11,006,051	10,996,572
Diluted earnings per share	$0.28	$0.24	$0.50	$0.48

During the six month periods ended June 30, 2015 and 2014, options to purchase 145,523 and 122,640 shares of common stock, respectively, were not factored into the calculation of dilutive stock options because they were anti-dilutive. During the three month periods ended June 30, 2015 and 2014, options to purchase 113,735 shares of common stock, were not factored into the calculation of dilutive stock options because they were anti-dilutive.

Note 10. Share-Based Compensation

The Company has three share based compensation plans as described below. Share-based compensation cost recognized for those plans was $123,000 and $54,000 for the six months ended June 30, 2015 and 2014, respectively. For the quarters ended June 30, 2015 and 2014, share-based compensation was $62,000 and $28,000, respectively. The recognized tax benefits for the share based compensation expense were $9,000 and $10,000, respectively, for the six month periods ended June 30, 2015 and 2014. For the quarters ended June 30, 2015 and 2014, recognized tax benefits were $8,000 and $3,000, respectively.

The Central Valley Community Bancorp 2000 Stock Option Plan (2000 Plan) expired on November 15, 2010. The Central Valley Community Bancorp 2005 Omnibus Incentive Plan (2005 Plan) was adopted in May 2005 and expired March 16, 2015. While outstanding arrangements to issue shares under these plans, including options, continue in force until their expiration, no new options will be granted under these plans.

The Central Valley Community Bancorp 2015 Omnibus Incentive Plan (2015 Plan) was adopted in May 2015. 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. Outstanding arrangements to issue shares under this plan including options, will continue in force until expiration according to their respective terms.

Stock Option Plan

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

No options to purchase shares of the Company's common stock were granted during the six month periods ended June 30, 2015 and 2014.

A summary of the combined activity of the Company's Stock Option Compensation Plans for the six month period ended June 30, 2015 follows (in thousands, except per share amounts):

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In thousands)
Options outstanding at January 1, 2015	368,360	$8.89		
Options exercised	(5,500)	$6.60		
Options forfeited	(3,260)	$7.15		
Options outstanding at June 30, 2015	359,600	$8.94	3.15	$1,227
Options vested or expected to vest at June 30, 2015	355,839	$8.96	3.11	$1,211
Options exercisable at June 30, 2015	296,220	$9.25	2.37	$955

Information related to the stock option plan is as follows (in thousands):

	For the Six Months Ended June 30,	
	2015	2014
Intrinsic value of options exercised	$25	$24
Cash received from options exercised	$36	$25
Excess tax benefit realized for option exercises	$4	$6

As of June 30, 2015, there was $120,000 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under all plans. The cost is expected to be recognized over a weighted average period of 2.10 years. The total fair value of options vested was $1,000 and $3,000 for the six months ended June 30, 2015 and 2014.

Restricted Common Stock Awards

The 2005 and 2015 Plans provide for the issuance of restricted common stock to directors and officers. Restricted common stock grants typically vest over a five-year period. Restricted common stock (all of which are shares of our common stock) is subject to forfeiture if employment terminates prior to vesting. The cost of these awards is recognized over the vesting period of the awards based on the fair value of our common stock on the date of the grant. The following table summarizes restricted stock activity for the six month period ended June 30, 2015 as follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested outstanding shares at January 1, 2015	56,850	$12.68
Granted	9,268	$10.79
Vested	(1,781)	$11.23
Forfeited	(1,425)	$12.95
Nonvested outstanding shares at June 30, 2015	62,912	$12.44

During the six month period ended June 30, 2015, 9,268 shares of restricted common stock were granted from the 2005 Plan. The restricted common stock had a fair market value of $10.79 per share on the date of grant. These restricted common stock awards vest 20% after Year 1. Thereafter, 20% of the remaining restricted stock will vest on each anniversary of the initial award commencement date and will be fully vested on the fifth such anniversary.

As of June 30, 2015, there were 62,912 shares of restricted stock that are nonvested and expected to vest. As of June 30, 2015, there was $646,000 of total unrecognized compensation cost related to nonvested restricted common stock. Restricted stock compensation expense is recognized on a straight-line basis over the vesting period. This cost is expected to be recognized over a weighted-average remaining period of 4.08 years and will be adjusted for subsequent changes in estimated forfeitures. Restricted common stock awards had an intrinsic value of $765,000 at June 30, 2015.

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

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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," "inten "commit," "believe," and similar expressions, the Company intends to identify forward-looking statements. Such statements are not guarantees of performance and are subject to certain risks, uncertainties and assumptions, including those described in this 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.

The Securities and Exchange Commission (SEC) maintains a web site which contains reports, proxy statements, and other information pertaining to registrants that file electronically with the SEC, including the Company. The Internet address is: www.sec.gov. In addition, our periodic and current reports are available free of charge on our website at www.cvcb.com as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and could potentially result in materially different results under different assumptions and conditions. We believe that the Company's most critical accounting policies are those which the Company's financial condition depends upon, and which involve the most complex or subjective decisions or assessments.

There have been no material changes to the Company's critical accounting policies during 2015. Please refer to the Company's 2014 Annual Report to Shareholders on Form 10-K for a complete listing of critical accounting policies. This discussion should be read in conjunction with our unaudited consolidated financial statements, including the notes thereto, appearing elsewhere in this report.

OVERVIEW

Second Quarter of 2015

In the second quarter of 2015, our consolidated net income was $3,078,000 compared to net income of $2,693,000 for the same period in 2014. Diluted EPS was $0.28 for the second quarter ended June 30, 2015 compared to $0.24 for the same period in 2014. The increase in net income during the second quarter of 2015 compared to the same period in 2014 is due to increases in net interest income, an increase in non-interest income, and a decrease in non-interest expense, offset by an increase in provision for credit losses. The Company recorded $500,000 in provision for credit losses during the second quarter of 2015 compared to a reverse provision of $400,000 recorded in the same period of 2014. Net interest income before the provision for credit losses increased $160,000 or 1.62% comparing the quarter ended June 30, 2015 to the same period in 2014.

Net interest margin (fully tax equivalent basis) was 4.06% for the quarter ended June 30, 2015 compared to 4.09% for the same period in 2014, a 3 basis point decrease. The margin decreased principally due to a decrease in yields on interest-earning assets offset by a decrease in rates on interest-bearing liabilities. The yield on average total interest-earning assets decreased 4 basis points and interest rates on deposits decreased 2 basis points comparing the quarter ended June 30, 2015 to the same period in 2014. The cost of deposits, calculated by dividing annualized interest expense on interest bearing deposits by total deposits, decreased 2 basis points to 0.09% for the quarter ended June 30, 2015 compared to 0.11% for the same period in 2014. This decrease was due to the repricing of interest bearing deposits in the lower current interest rate environment and the continued increase in the ratio of non-interest bearing deposits to total deposits.

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Non-interest income increased $1,052,000 or 51.47% primarily due to an increase in net realized gains on sales and calls of investment securities of $668,000, a $124,000 increase in loan placement fees, a $193,000 increase in Federal Home Loan Bank dividends, and a $178,000 increase in other income, partially offset by a $73,000 decrease in service charge income and a $36,000 decrease in interchange fees. The net gains realized on sales and calls of investment securities reported in 2015 was the result of a partial restructuring of the investment portfolio designed to improve future performance. The second quarter of 2015 included a $345,000 tax-free gain related to the collection of life insurance proceeds which is included in Other non-interest income. Non-interest expense decreased $37,000 or 0.42% for the same periods mainly due to decreases in data processing expenses and occupancy expenses, offset by increases in professional services, Internet banking expenses, and regulatory assessments.
Annualized return on average equity for the second quarter of 2015 was 9.15% compared to 8.27% for the same period in 2014. Total average equity was $134,520,000 for the second quarter 2015 compared to $130,203,000 for the second quarter 2014. The increase in ROE reflects an increase in net income, offset by an increase in capital from the retention of earnings net of dividends paid and decrease in unrealized gains on available-for-sale securities recorded in accumulated other comprehensive income (AOCI).
Our average total assets increased $51,352,000 or 4.46% to $1,203,803,000 at the end of the second quarter 2015 compared to the same period in 2014. Total average interest-earning assets increased $45,009,000 or 4.30% comparing the second quarter of 2015 to the same period of 2014. Average total loans, including nonaccrual loans, increased $59,788,000 or 11.23% comparing the second quarter of 2015 to the same period of 2014. Average total investments and interest-earning deposits decreased $9,015,000 or 1.75% in the three month period ended June 30, 2015 compared to the same period in 2014. Average interest-bearing liabilities increased $20,782,000 or 3.15% over the same period. Average non-interest bearing demand deposits increased 6.65% to $370,686,000 in 2015 compared to $347,575,000 for 2014. The ratio of average non-interest bearing demand deposits to average total deposits was 35.42% in the second quarter of 2015 compared to 34.66% for 2014.

First Six Months of 2015

For the six months ended June 30, 2015, our consolidated net income was $5,544,000 compared to net income of $5,309,000 for the same period in 2014. Diluted EPS was $0.50 for the first six months of 2015 compared to $0.48 for the first six months of 2014. Net income increased 4.43%, primarily driven by an increase in non-interest income, offset by an increase in provision for credit losses in 2015 compared to 2014. During the six month period ended June 30, 2015, our net interest margin (fully tax equivalent basis) decreased 16 basis points to 4.01%. Net interest income before the provision for credit losses decreased $219,000 or 1.09%. Net interest income during the first six months of 2015 and 2014 was benefited by approximately $232,000 and $861,000, respectively, in nonrecurring income from prepayment penalties and payoff of loans previously on nonaccrual status. Excluding these benefits, net interest income for the first six months ended June 30, 2015 increased by $410,000 compared to the six months ended June 30, 2014. Non-interest income increased $1,766,000 or 43.92%, and non-interest expense increased $516,000 or 2.95% in the first six months of 2015 compared to 2014. During the six months ended June 30, 2015, the Company recorded a provision for credit losses of $500,000. During the six months ended June 30, 2014 the Company recorded a reverse provision for credit losses of $400,000.

Annualized return on average equity for the six months ended June 30, 2015 was 8.29% compared to 8.32% for the same period in 2014. Annualized return on average assets was 0.93% and 0.93% for the six months ended June 30, 2015 and 2014, respectively. Total average equity was $133,804,000 for the six months ended June 30, 2015 compared to $127,583,000 for the same period in 2014. The increase in shareholders' equity was driven by the retention of earnings net of dividends paid offset by a decrease in unrealized gains on available-for-sale securities recorded in accumulated other comprehensive income (AOCI).

Our average total assets increased $57,590,000 or 5.05% in the first six months of 2015 compared to the same period in 2014. Total average interest-earning assets increased $45,409,000 or 4.38% comparing the first six months of 2015 to the same period in 2014. Average total loans increased 56,740,000 or 10.84%. Average total investments decreased $5,027,000, or 0.98% in the six month period ended June 30, 2015 compared to the same period in 2014. Average interest-bearing liabilities increased $24,958,000 or 3.83% over the same period.

Our net interest margin (fully tax equivalent basis) for the first six months ended June 30, 2015 was 4.01% compared to 4.17% for the same period in 2014. The decrease in net interest margin in the period-to-period comparison resulted primarily from a decrease in the yield on the loan portfolio and a decrease in the yield on the Company's investment portfolio, offset by a decrease in the Company's cost of funds. The effective yield on interest earning assets decreased 18 basis points to 4.10% for the six month period ended June 30, 2015 compared to 4.28% for the same period in 2014. For the six months ended June 30, 2015, the effective yield on investment securities including Federal funds sold and interest-earning deposits in other banks decreased 7 basis points. The effective yield on loans also decreased 50 basis points. The cost of total interest-bearing liabilities decreased 3 basis points to 0.16% compared to 0.19% for the same period in 2014. The cost of total deposits, including noninterest bearing accounts, decreased 2 basis points to 0.09% for the six months ended 2015 compared to 0.11% for the same period in 2014.

Net interest income before the provision for credit losses for the six months ended June 30, 2015 was $19,785,000 compared to $20,004,000 for the same period in 2014, a decrease of $219,000 or 1.09%. Net interest income decreased as a result of yield changes, asset mix changes, and an increase in average earning assets, partially offset by an increase in interest-bearing liabilities. The Bank recovered $232,000 and $861,000 of foregone interest income and prepaid payment penalties in 2015 and 2014 , respectively. The Bank had non-accrual loans totaling $6,216,000 at June 30, 2015, compared to $14,052,000 at December 31, 2014 and $4,632,000 at June 30, 2014. The Company had no other real estate owned at June 30, 2015, December 31, 2014, or June 30, 2014.

At June 30, 2015, we had total net loans of $586,783,000, total assets of $1,217,102,000, total deposits of $1,062,623,000, and shareholders' equity of $133,308,000.

Central Valley Community Bancorp (Company)

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, Madera, Merced, Sacramento, Stanislaus, San Joaquin, and Tulare Counties of central California. Additionally, we have a private banking office in Sacramento County. As a bank holding company, the Company is subject to supervision, examination and regulation by the Federal Reserve Bank.

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 Business Oversight (DBO). The Bank's deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to the applicable limits thereof, and the Bank is subject to supervision, examination and regulations of the FDIC.
The Bank is a member of the FDIC, which currently insures customer deposits in each member bank to a maximum of $250,000 per depositor. For this protection, the Bank is subject to the rules and regulations of the FDIC, and, as is the case with all insured banks, may be required to pay a quarterly statutory assessment.
The Bank operates 21 branches which serve the communities of Clovis, Exeter, Fresno, Kerman, Lodi, Madera, Merced, Modesto, Oakhurst, Prather, Sacramento, Stockton, Tracy, and Visalia, California. Additionally the Bank operates Real Estate, Agribusiness and SBA departments that originate loans in California. According to the June 30, 2014 FDIC data, the Bank's branches in Fresno, Madera, and Tulare Counties had a 4.81% combined deposit market share of all insured depositories. The Bank's branches in Merced, Sacramento, San Joaquin, and Stanislaus Counties had a 0.44% combined deposit market share of all insured depositories.

Key Factors in Evaluating Financial Condition and Operating Performance

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

- Return to our shareholders;
- Return on average assets;
- Development of revenue streams, including net interest income and non-interest income;
- Asset quality;
- Asset growth;

- Capital adequacy;
- Operating efficiency; and
- Liquidity

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Return to Our Shareholders

Our return to shareholders is determined in a ratio that measures the return on average equity (ROE). Our annualized ROE was 8.29% for the six months ended June 30, 2015 compared to 4.06% for the year ended December 31, 2014 and 8.32% for the annualized six months ended June 30, 2014. Our net income for the six months ended June 30, 2015 increased $235,000 or 4.43% to $5,544,000 compared to $5,309,000 for the six months ended June 30, 2014. Net income increased due to an increase in non-interest income, offset by an increase in provision for credit losses, a decrease in net interest income and an increase in non-interest expenses in 2015 compared to 2014. Net interest margin (NIM) decreased 16 basis points comparing the six month periods ended June 30, 2015 and 2014. Diluted EPS was $0.50 for the six months ended June 30, 2015 and $0.48 for the same period in 2014.

Return on Average Assets

Our return on average assets (ROA) is a ratio that we use to compare our performance with other banks and bank holding companies. Our annualized ROA for the six months ended June 30, 2015 was 0.93% compared to 0.46% for the year ended December 31, 2014 and 0.93% for the annualized six months ended June 30, 2014. The increase in ROA compared to December 2014 is due to the increase in net income, notwithstanding an increase in average assets. Average assets for the six months ended June 30, 2015 were $1,198,192,000 compared to $1,157,483,000 for the year ended December 31, 2014. ROA for our peer group was 1.10% for the year ended December 31, 2014. Our peer group from SNL Financial data includes certain bank holding companies in central California with assets from $600 million to $2.5 billion.

Development of Revenue Streams

Over the past several years, we have focused on not only 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, 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 4.01% for the six months ended June 30, 2015, compared to 4.17% for the same period in 2014. The decrease in net interest margin is principally due to continued growth in earning assets in a low rate and competitive economic environment. The Company's net interest margin was positively impacted by the decrease in our rates on interest-bearing liabilities. More specifically, a decrease in the Company’s cost of funds offset the decrease in the yield on the Company's loan portfolio and the decrease in the yield on the Company’s investment portfolio. Net interest income was positively impacted during the six months ended June 30, 2015 and 2014 by the collection of nonaccrual loans which resulted in a recovery of interest income of $232,000 and $861,000, respectively. In comparing the two periods, the effective yield on total earning assets decreased 18 basis points, while the cost of total interest bearing liabilities decreased 3 basis points and the cost of total deposits decreased 2 basis points. The Company’s total cost of deposits for the six months ended June 30, 2015 was 0.09% compared to 0.11% for the same period in 2014. At June 30, 2015, 35.65% of the Company’s average deposits were non-interest bearing compared to 34.08% for the Company’s peer group as of December 31, 2014. Net interest income before the provision for credit losses for the six month period ended June 30, 2015 was $19,785,000 compared to $20,004,000 for the same period in 2014.

Our non-interest income is generally made up of service charges and fees on deposit accounts, fee income from loan placements and other services, appreciation in cash surrender value of bank owned life insurance, and net gains from sales of investment securities. Non-interest income for the six months ended June 30, 2015 increased $1,766,000 or 43.92%, to $5,787,000 compared to $4,021,000 for the six months ended June 30, 2014. The increase resulted primarily from increases in net realized gains on sales and calls of investment securities, loan placement fees, and Federal Home Loan Bank dividends, offset by decreases in interchange fees service charge income compared to the comparable 2014 period. 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. Nonperforming assets consist of nonperforming loans, other real estate owned (OREO), and repossessed assets. Nonperforming loans are those loans which have (i) been placed on nonaccrual status; (ii) been classified as doubtful under our asset classification system; or (iii) become contractually past due 90 days or more with respect to principal or interest and have not been restructured or otherwise placed on nonaccrual status. A loan is classified as nonaccrual 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.
The Company had non-performing loans totaling $6,216,000 or 1.04% of total loans as of June 30, 2015 and $14,052,000 or 2.45% of total loans at December 31, 2014. Management maintains certain loans that have been brought current by the borrower (less than 30 days delinquent) on nonaccrual status until such time as management has determined that the loans are likely to remain current in future periods and collectability has been reasonably assured. The Company had no other real estate owned (OREO) at June 30, 2015 or December 31, 2014. The Company's ratio of nonperforming assets as a percentage of total assets was 0.51% as of June 30, 2015 and 1.18% at December 31, 2014.

Asset Growth

As revenues from both net interest income and non-interest income are a function of asset size, the growth in assets has a direct impact in increasing net income. 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 by $24,919,000 or 2.09% during the six months ended June 30, 2015 to $1,217,102,000 compared to $1,192,183,000 as of December 31, 2014. Total gross loans increased $22,909,000 to $595,497,000 as of June 30, 2015 compared to $572,588,000 as of December 31, 2014. Total deposits increased 2.26% to $1,062,623,000 as of June 30, 2015 compared to $1,039,152,000 as of December 31, 2014. Our loan to deposit ratio at June 30, 2015 was 56.04% compared to 55.10% at December 31, 2014. The loan to deposit ratio of our peers was 76.07% at December 31, 2014. Further discussion of loans and deposits is below.

Capital Adequacy

Capital serves as a source of funds and helps protect depositors and shareholders against potential losses. The Company has historically maintained substantial levels of capital. The assessment of capital adequacy is dependent on several factors including asset quality, earnings trends, liquidity and economic conditions. Maintenance of adequate capital levels is integral to providing stability to the Company. The Company needs to maintain substantial levels of regulatory capital to give it flexibility in the changing regulatory environment and to respond to changes in the market and economic conditions including acquisition opportunities.
The Company and the Bank are each subject to regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can cause certain mandatory and discretionary actions by regulators that, if undertaken, could have a material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative and qualitative measures. These measures were established by regulation to ensure capital adequacy. As of June 30, 2015, the Company and the Bank were considered "well capitalized" under this regulatory framework. The Company's regulatory capital ratios are presented in the table in the "Capital" section below.

Operating Efficiency

Operating efficiency is the measure of how efficiently earnings before provision for credit losses and taxes are generated as a percentage of revenue. A lower ratio is more favorable. The Company's efficiency ratio (operating expenses, excluding amortization of intangibles and foreclosed property expense, divided by net interest income before provision for credit losses (computed on a tax equivalent basis) plus non-interest income, excluding gains from sales of securities and OREO, and gains related to the collection of life insurance proceeds) was 69.26% for the first six months of 2015 compared to 68.25% for the first six months of 2014. The deterioration in the efficiency ratio is due to the growth in non-interest expense outpacing the growth in revenues. More interest income was recovered on nonaccrual loans in 2014 as compared to 2015. Further discussion of the change in net interest income and increase in operating expenses is below.

The Company's net interest income before provision for credit losses on a non tax-equivalent basis plus non-interest income, net of OREO related gain, investment securities related gains, and gain related to the collection of life insurance proceeds, increased 1.72% to $25,673,000 for the first six months of 2015 compared to $25,240,000 for the same period in

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2014, while operating expenses, net of OREO related expenses, loss on sale of assets and amortization of core deposit intangibles, increased 3.21% to $17,780,000 from $17,227,000 for the same period in 2014.

Liquidity

Liquidity management involves our ability to meet cash flow requirements arising from fluctuations in deposit levels and demands of daily operations, which include providing for customers' credit needs, funding of securities purchases, and ongoing repayment of borrowings. Our liquidity is actively managed on a daily basis and reviewed periodically by our management and Directors' Asset/Liability Committee. This process is intended to ensure the maintenance of sufficient liquidity to meet our funding needs, including adequate cash flow for off-balance sheet commitments. Our primary sources of liquidity are derived from financing activities which include the acceptance of customer and, to a lesser extent, broker deposits, Federal funds facilities and advances from the Federal Home Loan Bank of San Francisco (FHLB). We have available unsecured lines of credit with correspondent banks totaling approximately $40,000,000 and secured borrowing lines of approximately $299,385,000 with the FHLB. These funding sources are augmented by collection of principal and interest on loans, the routine maturities and pay downs of securities from our investment securities portfolio, the stability of our core deposits, and the ability to sell investment securities. Primary uses of funds include origination and purchases of loans, withdrawals of and interest payments on deposits, purchases of investment securities, and payment of operating expenses.

RESULTS OF OPERATIONS

Net Income for the First Six Months Ended June 30, 2015 Compared to the Six Months Ended June 30, 2014:

Net income increased to $5,544,000 for the six months ended June 30, 2015 compared to $5,309,000 for the six months ended June 30, 2014. Basic and diluted earnings per share for June 30, 2015 were $0.51 and $0.50, respectively. Basic and diluted earnings per share for the same period in 2014 were $0.49 and $0.48, respectively. Annualized ROE was 8.29% for the six months ended June 30, 2015 compared to 8.32% for the six months ended June 30, 2014. Annualized ROA for the six month periods ended June 30, 2015 and 2014 was 0.93%.

The increase in net income for the six months ended June 30, 2015 compared to the same period in 2014 can be attributed to an increase in non-interest income, a decrease in interest expense, and a decrease in income tax expense, partially offset by an increase in provision for credit losses, a decrease in interest income and an increase in non-interest expense. The increase in non-interest income was primarily driven by an increase in net realized gains on sales and calls of investment securities, an increase in loan placement fees, and an increase in Federal Home Loan Bank dividends, partially offset by a decrease in interchange fees and a decrease in service charge income, compared to the comparable 2014 period. The Company realized a $345,000 tax-free gain related to the collection of life insurance proceeds in June 2015 which is included in Other non-interest income. Non-interest expense increased for the same periods mainly due to increases in salaries and employee benefits, professional services, Internet banking expenses, regulatory assessments, telephone expenses, license and maintenance contracts, and advertising fees, offset by decreases in occupancy expense, data processing expense, and ATM/Debit card 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 portfolios and the interest paid on deposits and other borrowings. Net interest income depends on the volume of and interest rate earned on interest earning assets and the volume of and interest rate paid on interest bearing liabilities.

The following table sets forth a summary of average balances with corresponding interest income and interest expense as well as average yield and cost information for the periods presented. Average balances are derived from daily balances, and nonaccrual loans are not included as interest earning assets for purposes of this table.

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CENTRAL VALLEY COMMUNITY BANCORP
SCHEDULE OF AVERAGE BALANCES AND AVERAGE YIELDS AND RATES

(Dollars in thousands)	For the Six Months Ended June 30, 2015			For the Six Months Ended June 30, 2014		
	Average Balance	Interest Income/ Expense	Average Interest Rate	Average Balance	Interest Income/ Expense	Average Interest Rate
ASSETS						
Interest-earning deposits in other banks	$63,728	$98	0.31 %	$60,843	$97	0.32 %
Securities						
Taxable securities	272,995	2,243	1.64 %	296,008	2,786	1.88 %
Non-taxable securities (1)	173,454	4,597	5.30 %	158,336	4,296	5.43 %
Total investment securities	446,449	6,840	3.06 %	454,344	7,082	3.12 %
Federal funds sold	239	—	0.25 %	256	—	0.25 %
Total securities and interest-earning deposits	510,416	6,938	2.72 %	515,443	7,179	2.79 %
Loans (2) (3)	567,740	14,930	5.30 %	517,500	14,896	5.80 %
Federal Home Loan Bank stock	4,803	353	14.70 %	4,607	151	6.56 %
Total interest-earning assets	1,082,959	$22,221	4.10 %	1,037,550	$22,226	4.28 %
Allowance for credit losses	(8,744)			(8,787)		
Nonaccrual loans	12,348			5,848		
Other real estate owned	67			73		
Cash and due from banks	25,250			24,096		
Bank premises and equipment	9,843			10,579		
Other non-earning assets	76,469			71,243		
Total average assets	$1,198,192			$1,140,602		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities:						
Savings and NOW accounts	$296,326	$122	0.08 %	$258,281	$127	0.10 %
Money market accounts	223,336	71	0.06 %	221,996	94	0.09 %
Time certificates of deposit, under $100,000	54,150	90	0.34 %	55,771	106	0.38 %
Time certificates of deposit, $100,000 and over	97,019	189	0.39 %	109,827	237	0.44 %
Total interest-bearing deposits	670,831	472	0.14 %	645,875	564	0.18 %
Other borrowed funds	5,157	48	1.85 %	5,155	47	1.84 %
Total interest-bearing liabilities	675,988	$520	0.16 %	651,030	$611	0.19 %
Non-interest bearing demand deposits	371,623			348,061		
Other liabilities	16,777			13,928		
Shareholders' equity	133,804			127,583		
Total average liabilities and shareholders' equity	$1,198,192			$1,140,602		
Interest income and rate earned on average earning assets		$22,221	4.10 %		$22,226	4.28 %
Interest expense and interest cost related to average interest-bearing liabilities		520	0.16 %		611	0.19 %
Net interest income and net interest margin (4)		$21,701	4.01 %		$21,615	4.17 %

(1) Calculated on a fully tax equivalent basis, which includes Federal tax benefits relating to income earned on municipal bonds totaling $1,563 and $1,460 in 2015 and 2014, respectively.
(2) Loan interest income includes loan fees of $151 in 2015 and $172 in 2014
(3) Average loans do not include nonaccrual loans but do include interest income recovered from previously charged off loans.
(4) Net interest margin is computed by dividing net interest income by total average interest-earning assets.

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The following table sets forth a summary of the changes in interest income and interest expense due to changes in average asset and liability balances (volume) and changes in average interest rates for the periods indicated. The change in interest due to both rate and volume has been allocated to the change in rate.

Changes in Volume/Rate	For the Six Months Ended June 30, 2015 and 2014		
(In thousands)	Volume	Rate	Net
Increase (decrease) due to changes in:			
Interest income:			
Interest-earning deposits in other banks	$4	$(3)	$1
Investment securities:			
Taxable	(218)	(325)	(543)
Non-taxable (1)	410	(109)	301
Total investment securities	192	(434)	(242)
Federal funds sold	—	—	—
Loans	1,446	(1,412)	34
FHLB Stock	6	196	202
Total earning assets (1)	1,648	(1,653)	(5)
Interest expense:			
Deposits:			
Savings, NOW and MMA	20	(48)	(28)
Certificates of deposit under $100,000	(3)	(13)	(16)
Certificates of deposit $100,000 and over	(28)	(20)	(48)
Total interest-bearing deposits	(11)	(81)	(92)
Other borrowed funds	—	1	1
Total interest bearing liabilities	(11)	(80)	(91)
Net interest income (1)	$1,659	$(1,573)	$86

(1) Computed on a tax equivalent basis for securities exempt from federal income taxes.

Interest and fee income from loans increased $34,000 or 0.23% for the six months ended June 30, 2015 compared to the same period in 2014. Net interest income during the first six months of 2015 was positively impacted by an increase in average total loans in 2015, increasing by $56,740,000 or 10.84% to $580,088,000 compared to $523,348,000 for the same period in 2014. Net interest income was also positively affected by an increase in the recovery of foregone interest income in 2015 compared to 2014 from the repayment of loans previously identified as non-accrual, and offset by a decrease in the yield on average loans. Net interest income during the first six months of 2015 was positively impacted by approximately $232,000 in nonrecurring income from prepayment penalties and payoff of nonaccrual loans. Net interest income during the first six months of 2014 had been positively impacted by the collection of nonaccrual loans totaling $1,618,000, which resulted in a recovery of interest income of $861,000. The yield on average loans, excluding nonaccrual loans, was 5.30% for the six months ended 2015 as compared to 5.80% for the same period in 2014. We have been successful in implementing interest rate floors on many of our adjustable rate loans to partially offset the effects of the historically low prime interest rate experienced over the last few years. The loan floors will cause net interest margin pressure in certain rising interest rate scenarios. We are committed to providing our customers with competitive pricing without sacrificing strong asset quality and value to our shareholders.

Interest income from total investments on a non tax-equivalent basis (total investments include investment securities, Federal funds sold, interest bearing deposits with other banks, and other securities) decreased $344,000 in the first six months of 2015 to $5,375,000 compared to $5,719,000, for the same period in 2014. The yield on average investments decreased 7 basis points to 2.72% for the six month period ended June 30, 2015 compared to 2.79% for the same period in 2014. Average total securities and interest-earning deposits for the first six months of 2015 decreased $5,027,000 or 0.98% to $510,416,000 compared to $515,443,000 for the same period in 2014. Income from investments represents 27.17% of net interest income for the first six months of 2015 compared to 28.59% for the same period in 2014.

In an effort to increase yields, without accepting unreasonable risk, a significant portion of the investment purchases have been in residential mortgage-backed securities (MBS) and collateralized mortgage obligations (CMOs). At June 30, 2015, we held $209,939,000 or 45.39% of the total fair value of the investment portfolio in MBS and CMOs with an average yield of 1.78%. We invest in CMOs and MBS as part of our overall strategy to increase our net interest margin. CMOs and MBS by their nature react to changes in interest rates. In a normal declining rate environment, prepayments from MBS and CMOs would be expected to increase and the expected life of the investment would be expected to shorten. Conversely, if interest rates increase, prepayments normally would be expected to decline and the average life of the MBS and CMOs would be expected to extend. However, in the current economic environment, prepayments may not behave according to historical norms. Premium amortization and discount accretion of these investments affects our net interest income. Management monitors the prepayment speed of these investments and adjusts premium amortization and discount accretion based on several factors. These factors include the type of investment, the investment structure, interest rates, interest rates on new mortgage loans, expectation of interest rate changes, current economic conditions, the level of principal remaining on the bond, the bond coupon rate, the bond origination date, and volume of available bonds in market. The calculation of premium amortization and discount accretion is by nature inexact, and represents management's best estimate of principal pay downs inherent in the total investment portfolio.

The net-of-tax unrealized gain on the investment portfolio was $2,593,000 at June 30, 2015 and is reflected in the Company's equity. At June 30, 2015, the average life of the investment portfolio was 5.78 years and the fair value of the portfolio reflected a net pre-tax unrealized gain of $4,168,000. Management reviews fair value declines on individual investment securities to determine whether they represent an other-than-temporary impairment (OTTI). Refer to Note 3 of the Notes to Consolidated Financial Statements (unaudited) for more detail. Future deterioration in the market values of our investment securities may require the Company to recognize future OTTI losses.

A component of the Company's strategic plan has been to use its investment portfolio to offset, in part, its interest rate risk relating to variable rate loans. At June 30, 2015, an immediate rate increase of 200 basis points would result in an estimated decrease in the market value of the investment portfolio by approximately $38,218,000. Conversely, with an immediate rate decrease of 200 basis points, the estimated increase in the market value of the investment portfolio would be $30,081,000. The modeling environment assumes management would take no action during an immediate shock of 200 basis points. However, the Company uses those increments to measure its interest rate risk in accordance with regulatory requirements and to measure the possible future risk in the investment portfolio.

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, concentration guidelines, prohibited investments, impairment, and prohibited practices.

Total interest income on a non-tax equivalent basis for the six months ended June 30, 2015 decreased $310,000 or 1.50% to $20,305,000 compared to $20,615,000 for the six months ended June 30, 2014. The yield on interest earning assets decreased 18 basis point to 4.10% on a fully tax equivalent basis for the six months ended June 30, 2015 from 4.28% for the six months ended June 30, 2014, primarily due to the decrease in yields on loans and investment securities. Net interest income during the six months ended June 30, 2015 and 2014 was positively impacted by the collection of nonaccrual loans which resulted in a recovery of interest income of $232,000 and $861,000, respectively. Average interest earning assets increased to $1,082,959,000 for the six months ended June 30, 2015 compared to $1,037,550,000 for the six months ended June 30, 2014. The $45,409,000 increase in average earning assets can be attributed to the $50,240,000 or 9.71% increase in average loans offset by the $5,027,000 decrease in average investments.

Interest expense on deposits for the six months ended June 30, 2015 decreased $92,000 or 16.31% to $472,000 compared to $564,000 for the six months ended June 30, 2014. This decrease in interest expense was primarily due to repricing of interest bearing deposits. The average interest rate on interest bearing deposits decreased 4 basis points to 0.14% for the six months ended June 30, 2015 from 0.18% in 2014 as a result of the ongoing low interest rate environment. Average interest-bearing deposits increased 3.86% or $24,956,000 to $670,831,000 for the six months ended June 30, 2015 compared to $645,875,000 for the same period ended June 30, 2014.

Average other borrowed funds increased $2,000 or 0.04% to $5,157,000 with an effective rate of 1.85% for the six months ended June 30, 2015 compared to $5,155,000 with an effective rate of 1.84% for the six months ended June 30, 2014. Total interest expense on other borrowed funds was $48,000 for the six months ended June 30, 2015 and $47,000 for the six months ended June 30, 2014. Other borrowings include advances from the Federal Home

Loan Bank (FHLB), advances on available unsecured lines of credit with correspondent banks, and junior subordinated deferrable interest debentures. The FHLB advances are fixed rate short-term borrowings. FHLB advances have matured and have not been replaced due to the influx of deposits. The debentures were acquired in the merger with Service 1st and carry a floating rate based on the three month LIBOR plus a margin of 1.60%. The rates were 1.88% and 1.83% at June 30, 2015 and 2014, respectively. See the section on Financial Condition for more detail.

The cost of our interest-bearing liabilities decreased 3 basis points to 0.16% for the six month period ended June 30, 2015 compared to 0.19% for 2014. The cost of total deposits decreased to 0.09% for the six month period ended June 30, 2015 compared to 0.11% for same period in 2014. Average non-interest bearing demand deposits increased 6.77% to $371,623,000 in 2015 compared to $348,061,000 for 2014. The ratio of average non-interest bearing demand deposits to average total deposits increased to 35.65% in the six month period of 2015 compared to 35.02% for the same period in 2014.

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Net Interest Income before Provision for Credit Losses

Net interest income before provision for credit losses for the six months ended June 30, 2015 decreased by $219,000 or 1.09% to $19,785,000 compared to $20,004,000 for the same period in 2014. The decrease was a result of yield changes, an increase in average earning assets, asset mix changes, partially offset by a four basis point decrease in the average interest rate on interest bearing deposits, and an increase in average interest bearing liabilities. Net interest income for the first six months of 2015 was impacted by the collection of nonaccrual loans which resulted in recovery of interest income of approximately $232,000 compared to 2014 when we collected nonaccrual loans of $1,618,000 which resulted in an interest income recovery of $861,000. Average interest earning assets were $1,082,959,000 for the six months ended June 30, 2015 with a net interest margin (fully tax equivalent basis) of 4.01% compared to $1,037,550,000 with a net interest margin (fully tax equivalent basis) of 4.17% for the six months ended June 30, 2014. The $45,409,000 increase in average earning assets can be attributed to the $50,240,000 or 9.71% increase in average loans, offset by the $5,027,000 decrease in total investments. Average interest bearing liabilities increased 3.83% to $675,988,000 for the six months ended June 30, 2015, compared to $651,030,000 for the same period in 2014. For the six months ended June 30, 2015, the effective yield on investment securities including Federal funds sold and interest-earning deposits in other banks decreased seven basis points. The effective yield on loans decreased 50 basis points.

Provision for Credit Losses

We provide for probable incurred credit losses through a charge to operating income based upon the composition of the loan portfolio, delinquency levels, historical losses, nonperforming asset levels, 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 when continuance as an active earning bank asset is not warranted.

The establishment of an adequate credit allowance is based on both an accurate risk rating system and loan portfolio management tools. The Board has established initial responsibility for the accuracy of credit risk grades with the individual credit officer. The grading is then submitted to the Chief Credit Officer (CCO), who reviews the grades for accuracy and gives final approval. The CCO is not involved in loan originations. The risk grading and reserve allocation is analyzed quarterly by the CCO and the Board and at least annually by a third party credit reviewer and by various regulatory agencies.

Quarterly, the CCO sets the specific reserve for all adversely risk-graded 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 impaired based on inherent risk in those loans.

The allowance for credit losses is reviewed at least quarterly by the Board's Audit/Compliance Committee and by the Board of Directors. Reserves are allocated to loan portfolio categories using percentages which are based on both historical risk elements such as delinquencies and losses and predictive risk elements such as economic, competitive and environmental factors. We have adopted the specific reserve approach to allocate reserves to each impaired credit for the purpose of estimating potential loss exposure. Although the allowance for credit losses is allocated to various portfolio categories, it is general in nature and available for the loan portfolio in its entirety. Changes in the allowance for credit losses may be required based on the results of independent loan portfolio examinations, regulatory agency examinations, or our own internal review process. Adjustments are also required when, in management's judgment, the allowance does not properly reflect the portfolio's potential loss exposure. Management believes that all adjustments, if any, to the allowance for credit losses are supported by the timely and consistent application of methodologies and processes resulting in detailed documentation of the allowance calculation and other portfolio trending analysis.

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

Loan Type (dollars in thousands)	June 30, 2015	% of Total Loans		December 31, 2014	% of Total Loans	
Commercial:						
Commercial and industrial	$3,065	15.4	%	$ 2,753	15.5	%
Agricultural land and production	488	7.8	%	377	6.8	%
Total commercial	3,553	23.2	%	3,130	22.3	%
Real estate:						
Owner occupied	1,361	29.0	%	1,380	30.9	%
Real estate construction and other land loans	643	5.8	%	837	6.8	%
Commercial real estate	1,584	20.5	%	1,201	18.7	%
Agricultural real estate	741	11.4	%	564	10.0	%
Other real estate	100	1.4	%	76	1.2	%
Total real estate	4,429	68.1	%	4,058	67.6	%
Consumer:						
Equity loans and lines of credit	608	7.5	%	811	8.3	%
Consumer and installment	124	1.2	%	267	1.8	%
Total consumer	732	8.7	%	1,078	10.1	%
Unallocated reserves	—			42		
Total allowance for credit losses	$8,714	100.0	%	$ 8,308	100.0	%

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

Managing credits identified through the risk evaluation methodology includes developing a business strategy with the customer to mitigate our potential losses. Management continues to monitor these credits with a view to identifying as early as possible when, and to what extent, additional provisions may be necessary.

During the six months ended June 30, 2015, the Company recorded a provision for credit losses of $500,000. The company recorded a reverse provision for credit losses of $400,000 during the six months ended June 30, 2014. The additions and reversal of the provisions is primarily the result of our assessment of the overall adequacy of the allowance for credit losses considering a number of factors as discussed in the “Allowance for Credit Losses” section below.

During the fourth quarter of 2014, the Company recorded a provision for credit losses of approximately $8.4 million in connection with the partial charge-off of a single commercial and agricultural relationship. The Company is actively working to collect the remaining non-accrual loan balance of $2,942,000 that arose from that relationship, and any or all of the charge-off, which is secured by real estate and various business and personal assets. Most of the assets securing these loans were, as of the date of this filing, listed for sale, with any sale now or in the future to be supervised by the Bankruptcy Court. The Company plans to continue to track and identify any expenses, net of recoveries, associated with the collection efforts of this commercial and agricultural relationship. For the six months ended June 30, 2015, collection expenses related to this relationship totaled $212,000.

During the six months ended June 30, 2015, the Company had net charge-offs totaling $94,000 compared to net charge-offs of $1,501,000 for the same period in 2014. The majority of the loans charged off were previously classified and sufficient specific reserves related to these impaired credits were held in the allowance for credit losses in reporting periods prior to the date of charge-off.

Nonperforming loans were $6,216,000 and $14,052,000 at June 30, 2015 and December 31, 2014, respectively, and $4,632,000 at June 30, 2014. Nonperforming loans as a percentage of total loans were 1.04% at June 30, 2015 compared to 2.45% at December 31, 2014 and 0.85% at June 30, 2014. The Company had no other real estate owned (OREO) at June 30, 2015 or December 31, 2014.

The annualized net charge-off ratio, which reflects net charge-offs to average loans was 0.32% for the six months ended June 30, 2015, and 0.57% for the same period in 2014.

Notwithstanding improvements in the economy, we expect some weakness in economic conditions on national, state and local levels to continue. Continued economic pressures may negatively impact the financial condition of borrowers to whom the Company has extended credit and as a result we may be required to make further significant provisions to the allowance for credit losses in the future. Many of the agricultural crops grown by our Central Valley customers have been harvested with results demonstrating that California's drought has harmed crop yields compared to the previous year for certain crops. Many farmers and ranchers have instituted improved farming practices including planting less acreage, as part of the mitigation for the cost of water delivery and the expense of pumping. We closely monitored the water and the related issues affecting our customers in 2014 and first six months of 2015, and we will continue to remain vigilant for signs of deterioration within the loan portfolio in an effort to manage credit quality and work with borrowers where possible to mitigate any further losses.

As of June 30, 2015, we believe, based on all current and available information, the allowance for credit losses is adequate to absorb probable incurred losses within the loan portfolio. However, no assurance can be given that we may not sustain charge-offs which are in excess of the allowance in any given period. Refer to "Allowance for Credit Losses" below for further information.

Net Interest Income after Provision for Credit Losses

Net interest income, after the provision for credit losses, was $19,285,000 for the six months period ended June 30, 2015 and $20,404,000 for the same period in 2014.

Non-Interest Income

Non-interest income is comprised of customer service charges, loan placement fees, net gains on sales and calls of investment securities, appreciation in cash surrender value of bank owned life insurance, Federal Home Loan Bank dividends, and other income. Non-interest income was $5,787,000 for the six months ended June 30, 2015 compared to $4,021,000 for the same period in 2014. The $1,766,000 or 43.92% increase in non-interest income was primarily due to a $1,126,000 increase in net realized gains on sales and calls of investment securities, a $364,000 increase in loan placement fees, a $202,000 increase in Federal Home Loan Bank dividends, and an increase in appreciation in cash surrender value of bank owned life insurance of $5,000, partially offset by a $45,000 decrease in interchange fees and a $9,000 decrease in customer service charges. The Company realized a $345,000 tax-free gain related to the collection of life insurance proceeds in June 2015 which is included in Other non-interest income.

During the six months ended June 30, 2015, we realized a net gain on sales and calls of investment securities of $1,459,000 compared to $333,000 for the same period in 2014. The net gain realized on sales and calls of investment securities in 2015 and 2014 was the result of a partial restructuring of the investment portfolio designed to improve the future performance of the portfolio.

Customer service charges decreased $9,000 or 0.55% to $1,621,000 for the first six months of 2015 compared to $1,630,000 for the same period in 2014. Loan placement fees increased $364,000 or 192.59% to $553,000 for the first six months of 2015 compared to $189,000 for the same period in 2014, primarily due to an increase in mortgage refinances. Interchange fees decreased $45,000 to $584,000 first six months of 2015 compared to $629,000 for the same period in 2014.

The Bank holds stock from the Federal Home Loan Bank in conjunction with our borrowing capacity and generally earns quarterly dividends. We currently hold $4,823,000 in FHLB stock. We received dividends totaling $353,000 in the six months ended June 30, 2015, compared to $151,000 for the same period in 2014.

Non-Interest Expenses

Salaries and employee benefits, occupancy and equipment, regulatory assessments, professional services, license and maintenance contracts, Internet banking, and data processing are the major categories of non-interest expenses. Non-interest expenses increased $516,000 or 2.95% to $17,986,000 for the six months ended June 30, 2015, compared to $17,470,000 for the six months ended June 30, 2014. The net increase in 2015 was a result of increases in professional services of $306,000, salaries and employee benefits of $462,000, Internet banking expenses of $150,000, license and maintenance contracts of $11,000, regulatory assessments of $207,000, and advertising fees of $8,000, offset by a decrease in data processing expenses of $339,000, occupancy and equipment expenses of

$132,000, ATM/Debit card expenses of $45,000,and other non-interest expenses of $112,000. The increase in professional services was driven by $212,000 related to defending and collecting a deteriorated credit.

The Company's efficiency ratio, measured as the percentage of non-interest expenses (exclusive of amortization of core deposit intangible assets and foreclosure expenses) to net interest income before provision for credit losses (calculated on a fully tax equivalent basis) plus non-interest income (exclusive of realized gains on sales and calls of investments, OREO related gains and losses, and gains related to the collection of life insurance proceeds) was 69.26% for the first six months of 2015 compared to 68.25% for the six months ended June 30, 2014. The deterioration in the efficiency ratio is due to the growth in non-interest expense outpacing the growth in revenues.

Salaries and employee benefits increased $462,000 or 4.74% to $10,218,000 for the first six months of 2015 compared to $9,756,000 for the six months ended June 30, 2014. Full time equivalent employees were 270 at June 30, 2015, compared to

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268 at June 30, 2014. The increase in salaries and employee benefits was primarily the result of higher health insurance expenses and increased performance incentives.

Occupancy and equipment expense decreased $132,000 or 5.39% to $2,318,000 for the six months ended June 30, 2015 compared to $2,450,000 for the six months ended June 30, 2014. The Company made no changes in its depreciation expense methodology.

Data processing expense decreased to $574,000 for the six month period ended June 30, 2015 compared to $913,000 for the same period in 2014. The first six months of 2014 included higher expenses which related to final conversion from VCB platforms. Also, the contracts were renegotiated for 2015 which the Company has benefited from tremendously.

Regulatory assessments increased to $598,000 for the six month period ended June 30, 2015 compared to $391,000 for the same period in 2014. The assessment base for calculating the amount owed is average assets minus average tangible equity. The increase in regulatory assessments was a result of a higher assessment rate which was a result of changes in credit quality ratios used in determining the assessment rate along with higher average assets.

Other categories of non-interest expenses decreased $112,000 or 5.14% 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,					
	2015			2014		
(Dollars in thousands)	Other Expense	% Average Assets		Other Expense	% Average Assets	
Stationery/supplies	$136	0.02	%	$131	0.02	%
Director fees and related expenses	135	0.02	%	131	0.02	%
Amortization of software	104	0.02	%	119	0.02	%
Postage	107	0.02	%	119	0.02	%
Risk Management Expense	79	0.01	%	114	0.02	%
Personnel other	112	0.02	%	104	0.02	%
Armored courier fees	109	0.02	%	107	0.02	%
Telephone	129	0.02	%	103	0.02	%
Donations	100	0.02	%	84	0.01	%
Appraisal fees	35	0.01	%	72	0.01	%
Education/training	76	0.01	%	73	0.01	%
General insurance	75	0.01	%	67	0.01	%
Loss on sale or write-down of assets	6	—	%	66	0.01	%
Operating losses	23	—	%	20	—	%
Other	841	0.14	%	869	0.15	%
Total other non-interest expense	$2,067	0.35	%	$2,179	0.38	%

Provision for Income Taxes

Our effective income tax rate was 21.76% for the six months ended June 30, 2015 compared to 23.67% for the six months ended June 30, 2014. The Company reported an income tax provision of $1,542,000 for the six months ended June 30, 2015, compared to $1,646,000 for the six months ended June 30, 2014. Our low effective tax rate is due primarily to federal tax deductions for tax free municipal bond income, solar tax credits, and state hiring tax credits. The decrease in the effective tax rate during 2015 was primarily due to the additional nontaxable gain on collection of life insurance proceeds received in the second quarter of 2015. Permanent tax adjustments in 2015 remained consistent with the 2014 amounts. The Company maintains a reserve for uncertain income taxes where the merits of the position taken or the amount of the position that would be ultimately sustained upon examination do not meet a more-likely-than-not criteria.

The Company establishes a tax valuation allowance when it is more likely than not that a recorded tax benefit is not expected to be fully realized. The expense to create the tax valuation is recorded as an additional income tax expense in the period the tax valuation allowance is created. Based on management's analysis as of June 30, 2015 and December 31, 2014, the Company determined that the deferred tax valuation allowance in the amount of $20,000 for California capital loss carryforwards was appropriate.

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Net Income for the Second Quarter of 2015 Compared to the Second Quarter of 2014:

Net income was $3,078,000 for the quarter ended June 30, 2015 compared to $2,693,000 for the quarter ended June 30, 2014. Basic earnings per share was $0.28 for the quarter ended June 30, 2015 compared to $0.25 for the same period in 2014. Diluted earnings per share was $0.28 for the quarter ended June 30, 2015 compared to $0.24 for the same period in 2014 Annualized ROE was 9.15% for the quarter ended June 30, 2015 compared to 8.27% for the quarter ended June 30, 2014. Annualized ROA for the three months ended June 30, 2015 was 1.02% compared to 0.93% for the quarter ended June 30, 2014.

The increase in net income for the quarter ended June 30, 2015 compared to the same period in the prior year was due to increase in net interest income, an increase in non-interest income, a decrease in non-interest expense, and a decrease in the provision for income taxes, partially offset by an increase in provision for credit losses. The Company recorded $500,000 in provision for credit losses during the second quarter of 2015 compared to a reverse provision of $400,000 during the same period of 2014. Non-interest income increased primarily due to an increase of $668,000 in net realized gains on sales and calls of investment securities, an increase in loan placement fees of $124,000, an increase in Federal Home Loan Bank dividends of $193,000, and an increase in other income of $178,000, partially offset by the decrease in service charges of $73,000, and a decrease in interchange fees of $36,000.

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, 2015 Average Balance	Interest Income/ Expense	Average Interest Rate		For the Three Months Ended June 30, 2014 Average Balance	Interest Income/ Expense	Average Interest Rate	
ASSETS								
Interest-earning deposits in other banks	$66,061	$52	0.31	%	$53,013	$44	0.33	%
Securities								
Taxable securities	268,690	1,136	1.67	%	302,103	1,439	1.91	%
Non-taxable securities (1)	172,046	2,267	5.21	%	160,621	2,173	5.41	%
Total investment securities	440,736	3,403	3.05	%	462,724	3,612	3.12	%
Federal funds sold	198	—	0.25	%	273	—	0.25	%
Total securities and interest-earning deposits	506,995	3,455	2.70	%	516,010	3,656	2.83	%
Loans (2) (3)	581,100	7,644	5.28	%	527,177	7,278	5.54	%
Federal Home Loan Bank stock	4,815	268	22.26	%	4,714	75	6.36	%
Total interest-earning assets	1,092,910	$11,367	4.16	%	1,047,901	$11,009	4.20	%
Allowance for credit losses	(8,543)				(8,356)			
Non-accrual loans	10,918				5,053			
Other real estate owned	4				114			
Cash and due from banks	24,769				23,746			
Bank premises and equipment	9,756				10,624			
Other non-earning assets	73,989				73,369			
Total average assets	$1,203,803				$1,152,451			
LIABILITIES AND SHAREHOLDERS' EQUITY								
Interest-bearing liabilities:								
Savings and NOW accounts	$298,329	$63	0.08	%	$263,370	$56	0.09	%
Money market accounts	226,660	37	0.07	%	227,592	41	0.07	%
Time certificates of deposit, under $100,000	52,223	47	0.36	%	53,182	53	0.40	%
Time certificates of deposit, $100,000 and over	98,720	92	0.37	%	111,006	117	0.42	%
Total interest-bearing deposits	675,932	239	0.14	%	655,150	267	0.16	%
Other borrowed funds	5,155	24	1.84	%	5,155	23	1.79	%
Total interest-bearing liabilities	681,087	$263	0.15	%	660,305	$290	0.18	%
Non-interest bearing demand deposits	370,686				347,575			
Other liabilities	17,510				14,368			
Shareholders' equity	134,520				130,203			
Total average liabilities and shareholders' equity	$1,203,803				$1,152,451			
Interest income and rate earned on average earning assets		$11,367	4.16	%		$11,009	4.20	%
Interest expense and interest cost related to average interest-bearing liabilities		263	0.15	%		290	0.18	%
Net interest income and net interest margin (4)		$11,104	4.06	%		$10,719	4.09	%

(1) Calculated on a fully tax equivalent basis, which includes Federal tax benefits relating to income earned on municipal bonds totaling $771 and $739 in 2015 and 2014, respectively.
(2) Loan interest income includes loan fees of $72 in 2015 and $130 in 2014

(3) Average loans do not include non-accrual loans but do include interest income recovered from previously charged off loans..

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

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The following table sets forth a summary of the changes in interest income and interest expense due to changes in average asset and liability balances (volume) and changes in average interest rates for the periods indicated. The change in interest due to both rate and volume has been allocated to the change in rate.

Changes in Volume/Rate	For the Three Months Ended June 30, 2015 and 2014		
(In thousands)	Volume	Rate	Net
Increase (decrease) due to changes in:			
Interest income:			
Interest-earning deposits in other banks	$11	$(3)	$8
Investment securities:			
Taxable	(161)	(142)	(303)
Non-taxable (1)	154	(60)	94
Total investment securities	(7)	(202)	(209)
Federal funds sold	—	—	—
Loans	744	(378)	366
FHLB Stock	1	192	193
Total earning assets (1)	749	(391)	358
Interest expense:			
Deposits:			
Savings, NOW and MMA	7	(4)	3
Certificates of deposit under $100,000	(1)	(5)	(6)
Certificates of deposit $100,000 and over	(13)	(12)	(25)
Total interest-bearing deposits	(7)	(21)	(28)
Other borrowed funds	—	1	1
Total interest bearing liabilities	(7)	(20)	(27)
Net interest income (1)	$756	$(371)	$385

(1) Computed on a tax equivalent basis for securities exempt from federal income taxes.

Interest and fee income from loans increased $366,000 or 5.03% to $7,644,000 for the second quarter of 2015 compared to $7,278,000 for the same period in 2014. Average total loans, including nonaccrual loans, for the second quarter of 2015 increased $59,788,000 or 11.23% to $592,018,000 compared to $532,230,000 for the same period in 2014. Yield on the loan portfolio was 5.28% and 5.54% for the second quarters ending June 30, 2015 and 2014, respectively. We have been successful in implementing interest rate floors on many of our adjustable rate loans to partially offset the effects of the historically low prime interest rate experienced over the last two years. We are committed to providing our customers with competitive pricing without sacrificing strong asset quality and value to our shareholders.

Income from investments represents 26.67% of net interest income for the second quarter of 2015 compared to 29.45% for the same quarter in 2014. Interest income from total investments on a non tax equivalent basis (total investments include investment securities, Federal funds sold, interest bearing deposits with other banks, and other securities) decreased $233,000 in the second quarter of 2015 to $2,684,000 compared to $2,917,000, for the same period in 2014. The yield on average investments decreased 13 basis points to 2.70% on a fully tax equivalent basis for the second quarter of 2015 compared to 2.83% on a fully tax equivalent basis for the second quarter of 2014. We experienced a decrease in yield in our investment securities in 2015 due to an increase in the rate of prepayments on mortgage backed securities compared to the same period in 2014 as well as purchases at lower yielding bonds with higher purchase premiums. Average total investments for the second quarter of 2015 decreased $9,015,000 or 1.75% to $506,995,000 compared to $516,010,000 for the second quarter of 2014.

Total interest income for the second quarter of 2015 increased $133,000 or 1.30% to $10,328,000 compared to $10,195,000 for the second quarter ended June 30, 2014. The yield on interest earning assets decreased to 4.16% on a fully tax equivalent basis for the second quarter ended June 30, 2015 from 4.20% on a fully tax equivalent basis for the second quarter ended June 30, 2014. Average interest earning assets increased to $1,092,910,000 for the second quarter ended June 30, 2015 compared to $1,047,901,000 for the second quarter ended June 30, 2014. The $45,009,000 increase in average earning assets can be attributed to the $53,923,000 increase in average loans, offset by the $9,015,000 decrease in total investments.

Interest expense on deposits for the quarter ended June 30, 2015 decreased $28,000 or 10.49% to $239,000 compared to $267,000 for the quarter ended June 30, 2014. The cost of deposits, calculated by dividing annualized interest expense on interest bearing deposits by total deposits, decreased 2 basis points to 0.09% for the quarter ended June 30, 2015 compared to 0.11% for the same period in 2014. This decrease was due to the repricing of interest bearing deposits in the lower current interest rate environment. Average interest bearing deposits increased 3.17% or $20,782,000 comparing the second quarter of 2015 to the same period in 2014. Average interest-bearing deposits were $675,932,000 for the quarter ended June 30, 2015, with an effective rate paid of 0.14%, compared to $655,150,000 for the same period in 2014, with an effective rate paid of 0.16%.

Average other borrowed funds totaled $5,155,000 for the quarters ended June 30, 2015 and 2014, with an effective rate of 1.84% for the quarter ended June 30, 2015 compared to 1.79% for the quarter ended June 30, 2014. As a result, interest expense on borrowed funds increased $1,000 to $24,000 for the quarter ended June 30, 2015, from $23,000 for the quarter ended June 30, 2014. Other borrowings include junior subordinated deferrable interest debentures. The debentures were acquired in the merger with Service 1st and carry a floating rate based on the three month Libor plus a margin of 1.60%. The rates were 1.88% and 1.83% at June 30, 2015 and 2014, respectively. See the section on Financial Condition for more detail.

The cost of our interest bearing liabilities decreased 3 basis points to 0.15% for the quarter ended June 30, 2015 compared to 0.18% for the quarter ended June 30, 2014. The decrease is due to the lower current interest rate environment as mentioned above. The cost of total deposits decreased to 0.09% for the quarter ended June 30, 2015 compared to 0.11% for quarter ended June 30, 2014. Average non-interest bearing demand deposits increased 6.65% to $370,686,000 in 2015 compared to $347,575,000 for 2014. The ratio of average non-interest bearing demand deposits to average total deposits was 35.42% in the second quarter of 2015 compared to 34.66% for 2014.

Net Interest Income before Provision for Credit Losses

Net interest income before provision for credit losses for the quarter ended June 30, 2015, increased $160,000 or 1.62% to $10,065,000 compared to $9,905,000 for the quarter ended June 30, 2014. The increase was due to the increase in average interest earning assets, asset mix changes, partially offset by an increase in average interest-bearing liabilities. Our net interest margin decreased 3 basis points. Average interest earning assets were $1,092,910,000 for the three months ended June 30, 2015, with a net interest margin (fully tax equivalent basis) of 4.06% compared to $1,047,901,000 with a net interest margin (fully tax equivalent basis) of 4.09% for the quarter ended June 30, 2014. The $45,009,000 increase in average earning assets can be attributed to a $59,788,000 increase in loans, offset by the $9,015,000 decrease in total investments. Average interest bearing liabilities increased 3.15% to $681,087,000 for the three months ended June 30, 2015 compared to $660,305,000 for the same period in 2014.

Provision for Credit Losses

The Company recorded $500,000 in provision for credit losses during the second quarter of 2015 compared to a reverse provision of $400,000 during the same period of 2014. The decision to record the provision adjustments to the allowance for credit losses in either period is primarily the result of our assessment of the overall adequacy of the allowance for credit losses considering a number of factors as discussed in the “Allowance for Credit Losses” section below. The annualized net charge-off ratio, which reflects net charge-offs to average loans, was 0.12% for the quarter ended June 30, 2015 compared to 0.46% for the quarter ended June 30, 2014. During the quarter ended June 30, 2015, the Company had a net charge-offs totaling $185,000 compared to net charge-offs of $614,000 for the same period in 2014. Recoveries of previously charged off loan balances during the quarters ended June 30, 2015 and 2014 were $144,000 and $159,000, respectively. The majority of the loans charged off were previously classified and sufficient specific reserves related to these impaired credits were held in the allowance for credit losses in reporting periods prior to the date of charge-off.

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, FHLB stock dividends, and other income. Non-interest income was $3,096,000 for the quarter ended June 30, 2015 compared to $2,044,000 for the same period ended June 30, 2014. The $1,052,000 or 51.47% increase in non-interest income for the quarter ended June 30, 2015 was primarily due to a $668,000 increase in net realized gains on sales and calls of investment securities, a $124,000 increase in loan placement fees, a $193,000 increase in Federal Home Loan Bank dividends, partially offset by a $36,000 decrease in interchange fees, and a $73,000 decrease in service

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charge income. The Company realized a $345,000 tax-free gain related to the collection of life insurance proceeds in June 2015 which is included in Other non-interest income.

Customer service charges decreased $73,000 or 8.88% to $749,000 for the second quarter of 2015 compared to $822,000 for the same period in 2014, due primarily to a decrease in overdraft fee income. Other income increased $178,000 or 39.29% to $631,000 for the second quarter of 2015 compared to $453,000 for the same period in 2014.

Non-Interest Expenses

Salaries and employee benefits, occupancy and equipment, regulatory assessments, data processing, Internet banking, license and maintenance contracts, and professional services are the major categories of non-interest expenses. Non-interest expenses decreased $37,000 or 0.42% to $8,697,000 for the quarter ended June 30, 2015 compared to $8,734,000 for the same period in 2014. Consistent with the changes discussed above for the six month periods, the net decrease quarter over quarter was a result of decreases in occupancy and equipment of $152,000, decreases in data processing expenses of $169,000, decreases in ATM/Debit card expenses of $31,000, offset by increases in salaries and employee benefits of $210,000, increases in professional fees of $67,000, increases in regulatory assessments of $70,000, increases in Internet banking of $75,000, and increases in license and maintenance expenses of $3,000. The decrease in occupancy and equipment in 2015 as compared to the same time period in 2014 was a result of a reduction in rent on our premises. The Company incurred a lease buyout expense of $110,000 on a closed location. Contract negotiation aided the data processing expense decrease for the quarter ended June 30, 2015.

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 (calculated on a fully tax equivalent basis) plus non-interest income (excluding net gains from sales of securities and assets and gains on collection of insurance proceeds), improved to 66.02% for the second quarter of 2015 compared to 68.45% for the second quarter of 2014.

Salaries and employee benefits increased $210,000 or 4.33% to $5,055,000 for the second quarter of 2015 compared to $4,845,000 for the second quarter of 2014. The increase in salaries and employee benefits for the second quarter of 2015 can be attributed to a slight increase in the number of full-time equivalent employees. The number of full time equivalent employees as of June 30, 2015, December 31, 2014 and June 30, 2014 were 270, 271, and 268, respectively. The salaries and employee benefits increase can also be attributed to higher commissions paid on a larger volume of loan placements, higher compensation expense related to the restricted common stock awards, and higher 401K match expense, offset by lower incentive expense, lower deferred compensation interest expense, and lower workers compensation expense.

Other non-interest expenses included decreases of $31,000 in risk management expense, $29,000 in appraisal expenses, $2,000 in check printing expense, offset by increases of $9,000 in donations, $6,000 in education/training expenses, $4,000 in net losses on disposal or writedown of premises and equipment, $6,000 in credit card processing expenses, as compared to the same period in 2014.

Provision for Income Taxes

The effective income tax rate was 22.35% for the second quarter of 2015 compared to 25.50% for the same period in 2014. Provision for income taxes totaled $886,000 and $922,000 for the quarters ended June 30, 2015 and 2014, respectively. Our low effective tax rate is due primarily to federal tax deductions for tax free municipal bond income, solar tax credits, and state hiring tax credits. The decrease in the effective tax rate during 2015 was primarily due to the additional nontaxable gain on collection of life insurance proceeds received in the second quarter of 2015 while permanent tax adjustments in 2015 remained consistent with the 2014 amounts.

FINANCIAL CONDITION

Summary of Changes in Consolidated Balance Sheets

June 30, 2015 compared to December 31, 2014.

Total assets were $1,217,102,000 as of June 30, 2015, compared to $1,192,183,000 as of December 31, 2014, an increase of 2.09% or $24,919,000. Total gross loans were $595,497,000 as of June 30, 2015, compared to $572,588,000 as of December 31, 2014, an increase of $22,909,000 or 4.00%. The total investment portfolio (including Federal funds sold and interest-earning deposits in other banks) increased 0.27% or $1,387,000 to $521,898,000. Total deposits increased 2.26% or $23,471,000 to $1,062,623,000 as of June 30, 2015, compared to $1,039,152,000 as of December 31, 2014. Shareholders' equity increased $2,263,000 or 1.73% to $133,308,000 as of June 30, 2015, compared to $131,045,000 as of December 31, 2014, The increase in shareholders' equity was driven by the retention of earnings net of dividends paid offset by a decrease in unrealized gains on available-for-sale securities recorded in accumulated other comprehensive income (AOCI). Accrued interest payable and other liabilities were $16,016,000 as of June 30, 2015, compared to $16,831,000 as of December 31, 2014, an decrease of $815,000.

Fair Value

The Company measures the fair values of its financial instruments utilizing a hierarchical framework associated with the level of observable pricing scenarios utilized in measuring financial instruments at fair value. The degree of judgment utilized in measuring the fair value of financial instruments generally correlates to the level of the observable pricing scenario. Financial instruments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of observable pricing and a lesser degree of judgment utilized in measuring fair value. Conversely, financial instruments rarely traded or not quoted will generally have little or no observable pricing and a higher degree of judgment utilized in measuring fair value. Observable pricing scenarios are impacted by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established and the characteristics specific to the transaction. See Note 2 of the Notes to Consolidated Financial Statements (unaudited) for additional information about the level of pricing transparency associated with financial instruments carried at fair value.

Investments

Our investment portfolio consists primarily of U.S. Government sponsored entities and agencies collateralized by residential mortgage backed obligations and obligations of states and political subdivision securities and are classified at the date of acquisition as available for sale or held to maturity. As of June 30, 2015, investment securities with a fair value of $112,265,000, or 24.27% of our investment securities portfolio, were held as collateral for public funds, short and long-term borrowings, treasury, tax, and for other purposes. Our investment policies are established by the Board of Directors and implemented by our Investment/Asset Liability Committee. They are designed primarily to provide and maintain liquidity, to enable us to meet our pledging requirements for public money and borrowing arrangements, to generate a favorable return on investments without incurring undue interest rate and credit risk, and to complement our lending activities.

The level of our investment portfolio as a percentage of our total earning assets is generally considered higher than our peers due primarily to a comparatively low loan to deposit ratio. Our loan to deposit ratio at June 30, 2015 was 56.04% compared to 55.10% at December 31, 2014. The loan to deposit ratio of our peers was 76.07% at December 31, 2014. The total investment portfolio, including Federal funds sold and interest-earning deposits in other banks, increased 0.27% or $1,387,000 to $521,898,000 at June 30, 2015, from $520,511,000 at December 31, 2014. The fair value of the available-for-sale investment portfolio reflected a net unrealized gain of $4,168,000 at June 30, 2015, compared to an unrealized gain of $8,896,000 at December 31, 2014.

The board and management have had many discussions about their strategy for risk management in dealing with potential losses should interest rates begin to rise. Since June 2013, we have been managing the portfolio with an objective of minimizing the risk of rising interest rates on the fair value of the overall portfolio. We have restructured the portfolio a few times by selling off securities and investing in variable rate securities with shorter duration. In January, 2014 management designated a block of municipal debt securities with a "Held-to-Maturity" (HTM) designation, to further minimize the impact of unrealized losses in the portfolio affecting our tangible net worth. During 2014, the Company transferred from available-for-sale to held-to-maturity selected municipal securities having a book value of $31,346,000, and market value of $31,509,000. The net unrealized gain on the block identified was $163,000. The net unrealized gain as of the transfer will continue to be recorded in accumulated other comprehensive income (AOCI); however, it will be amortized/accreted (depending upon whether or not there was a gain or loss) prospectively over the remaining life of the security from AOCI. The amortization/accretion will be in a manner consistent with the recognition of a premium or discount (e.g., the effective interest method). In addition, the transfer created a net premium of $163,000 to the carrying amount of the security. Typically, this amortization/accretion will have no net impact on the reported yield of the security because the amortization/accretion of the amount in AOCI and the amortization/accretion of the discount/premium will offset each other. The balance of the net premium as of June 30, 2015 and December 31, 2014, was $140,000 and $142,000, respectively.

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

Management evaluated all available-for-sale and held-to-maturity investment securities with an unrealized loss at June 30, 2015 and identified those that had an unrealized loss for at least a consecutive 12 month period, which had an

unrealized loss at June 30, 2015 greater than 10% of the recorded book value on that date, or which had an unrealized loss of more than $10,000. Management also analyzed any securities that may have been downgraded by credit rating agencies.
For those bonds that met the evaluation criteria, management obtained and reviewed the most recently published national credit ratings for those bonds. For those bonds that were municipal debt securities with an investment grade rating by the rating agencies, management also evaluated the financial condition of the municipality and any applicable municipal bond insurance provider and concluded that no credit related impairment existed.
At June 30, 2015, the Company held 14 U.S. Government agency securities, of which four were in a loss position for less than 12 months and none was in a loss position and had been in a loss position for 12 months or more. The unrealized losses on the Company's investments in direct obligations of U.S. government agencies were caused by interest rate changes. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized costs of the investment. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company has the ability and intent to hold, and it is more likely than not that it will not be required to sell, those investments until a recovery of fair value, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at June 30, 2015.
At June 30, 2015, the Company held 145 obligations of states and political subdivision securities of which thirty-two were in a loss position for less than 12 months and none were in a loss position and had been in a loss position for 12 months or more. The unrealized losses on the Company’s investments in obligations of states and political subdivision securities were caused by interest rate changes. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company has the ability to hold and does not intend to sell, and it is more likely than not that it will not be required to sell those investments until a recovery of fair value, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at June 30, 2015.
At June 30, 2015, the Company held 180 U.S. Government sponsored entity and agency securities collateralized by residential mortgage obligations of which 18 were in a loss position for less than 12 months and 13 in a loss position for more than 12 months. The unrealized losses on the Company’s investments in U.S. Government sponsored entities and agencies collateralized by residential mortgage obligations were caused by interest rate changes. The contractual cash flows of those investments are guaranteed by an agency or sponsored entity of the U.S. Government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the Company’s investment. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company has the ability to hold and does not intend to sell, and it is more likely than not that it will not be required to sell those investments until a recovery of fair value, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at June 30, 2015.
At June 30, 2015, the Company had a total of 17 PLRMBS with a remaining principal balance of $2,636,000 and a net unrealized gain of approximately $1,624,000. Nine of these PLRMBS with a remaining principal balance of $2,234,000 had credit ratings below investment grade. There were no PLRMBS in a loss position at June 30, 2015. The Company continues to monitor these securities for indications that declines in value, if any, may be other-than-temporary. No credit related OTTI charges related to PLRMBS were recorded during the six month period ended June 30, 2015.
At June 30, 2015, the Company had one mutual fund equity investment. The equity investment had an unrealized gain at June 30, 2015.
See Note 3 of the Notes to Consolidated Financial Statements (unaudited) included in this report for carrying values and estimated fair values of our investment securities portfolio.

Loans

Total gross loans increased $22,909,000 or 4.00% to $595,497,000 as of June 30, 2015, compared to $572,588,000 as of December 31, 2014. The table below includes loans acquired at fair value on July 1, 2013 with outstanding balances of $71,030,000 and $77,882,000 as of June 30, 2015 and December 31, 2014, respectively.

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

Loan Type (dollars in thousands)	June 30, 2015	% of Total Loans		December 31, 2014	% of Total Loans	
Commercial:						
Commercial and industrial	$91,596	15.4	%	$ 89,007	15.5	%
Agricultural land and production	46,268	7.8	%	39,140	6.8	%
Total commercial	137,864	23.2	%	128,147	22.3	%
Real estate:						
Owner occupied	172,804	29.0	%	176,804	30.9	%
Real estate construction and other land loans	34,663	5.8	%	38,923	6.8	%
Commercial real estate	122,281	20.5	%	106,788	18.7	%
Agricultural real estate	67,724	11.4	%	57,501	10.0	%
Other real estate	8,258	1.4	%	6,611	1.2	%
Total real estate	405,730	68.1	%	386,627	67.6	%
Consumer:						
Equity loans and lines of credit	44,419	7.5	%	47,575	8.3	%
Consumer and installment	7,294	1.2	%	10,093	1.8	%
Total consumer	51,713	8.7	%	57,668	10.1	%
Net deferred origination costs and (fees)	190			146		
Total gross loans	595,497	100.0	%	572,588	100.0	%
Allowance for credit losses	(8,714)			(8,308)		
Total loans	$586,783			$ 564,280		

As of June 30, 2015, in management’s judgment, a concentration of loans existed in commercial loans and loans collateralized by real estate, representing approximately 98.8% of total loans, of which 23.2% were commercial and 75.6% were real-estate-related. This level of concentration is consistent with 98.2% at December 31, 2014. Although management believes the loans within this concentration have no more than the normal risk of collectibility, a substantial further decline in the performance of the economy in general or a further decline in real estate values in our primary market areas, in particular, could have an adverse impact on 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 was not involved in any sub-prime mortgage lending activities at June 30, 2015 or December 31, 2014.

At June 30, 2015, loans acquired in the VCB acquisition had a balance of $71,030,000, of which $2,382,000 were commercial loans, $58,760,000 were real estate loans, and $9,888,000 were consumer loans. At December 31, 2014, loans acquired in the VCB acquisition had a balance of $77,882,000, of which $3,590,000 were commercial loans, $62,792,000 were real estate loans, and $11,500,000 were consumer loans.

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

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

Nonperforming Assets

Nonperforming assets consist of nonperforming loans, other real estate owned (OREO), and repossessed assets. Nonperforming loans are those loans which have (i) been placed on nonaccrual status; (ii) been classified as doubtful under our asset classification system; or (iii) become contractually past due 90 days or more with respect to principal or interest and have not been restructured or otherwise placed on nonaccrual status. A loan is classified as nonaccrual 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, 2015, total nonperforming assets totaled $6,216,000, or 0.51% of total assets, compared to $14,052,000, or 1.18% of total assets at December 31, 2014. Total nonperforming assets at June 30, 2015, included nonaccrual loans totaling $6,216,000, no OREO, and no repossessed assets. Nonperforming assets at December 31, 2014 consisted of $14,052,000 in nonaccrual loans, no OREO, and no repossessed assets. At June 30, 2015, we had five loans considered to be troubled debt

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restructurings ("TDRs") totaling $1,876,000 which are included in nonaccrual loans compared to three TDRs totaling $1,826,000 at December 31, 2014. At June 30, 2015, the Company has not committed to lend additional amounts to customers with outstanding loans that are classified as troubled debt restructurings.
A summary of nonperforming loans at June 30, 2015 and December 31, 2014 is set forth below. The Company had no loans past due more than 90 days and still accruing interest at June 30, 2015 or December 31, 2014. Management can give no assurance that nonaccrual and other nonperforming loans will not increase in the future.

Composition of Nonperforming Loans

(In thousands)	June 30, 2015		December 31, 2014	
Nonaccrual loans:				
Commercial and industrial	$237		$7,265	
Owner occupied	915		1,363	
Real estate construction and other land loans	—		—	
Agricultural real estate	360		360	
Commercial real estate	2,112		1,468	
Equity loans and lines of credit	700		1,751	
Consumer and installment	16		19	
Troubled debt restructured loans (non-accruing):				
Commercial and industrial	38		—	
Owner occupied	24		—	
Real estate construction and other land loans	547		547	
Equity loans and lines of credit	1,267		1,279	
Consumer and installment	—		—	
Total nonaccrual	6,216		14,052	
Accruing loans past due 90 days or more	—		—	
Total nonperforming loans	$6,216		$14,052	
Nonperforming loans to total loans	1.04	%	2.45	%
Ratio of nonperforming loans to allowance for credit losses	71.33	%	169.14	%
Loans considered to be impaired	$10,592		$18,826	
Related allowance for credit losses on impaired loans	$202		$612	

We measure our impaired loans by using the fair value of the collateral if the loan is collateral dependent and the present value of the expected future cash flows discounted at the loan's original contractual interest rate if the loan is not collateral dependent. As of June 30, 2015 and December 31, 2014, we had impaired loans totaling $10,592,000 and $18,826,000, respectively. For collateral dependent loans secured by real estate, we obtain external appraisals which are updated at least annually to determine the fair value of the collateral, and we record a charge off for any material difference between the book value of the loan and the appraised less selling costs value of the collateral. We perform quarterly internal reviews on substandard loans. We place loans on nonaccrual status and classify them as impaired when it becomes probable that we will not receive interest and principal under the original contractual terms, or when loans are delinquent 90 days or more unless the loan is both well secured and in the process of collection. Management maintains certain loans that have been brought current by the borrower (less than 30 days delinquent) on nonaccrual status until such time as management has determined that the loans are likely to remain current in future periods.

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The following table provides a reconciliation of the change in nonaccrual loans for the first six months of 2015.

(In thousands)	Balance, December 31, 2014	Additions to Nonaccrual Loans	Net Pay Downs	Transfers to Foreclosed Collateral - OREO	Returns to Accrual Status	Charge-Offs	Balance, June 30, 2015
Nonaccrual loans:							
Commercial and industrial	$ 7,209	$ 105	$(6,391)	$ —	$ —	$(686)	$237
Real estate	2,831	720	(524)	—	—	—	3,027
Real estate construction and other land loans	—	53	(53)	—	—	—	—
Agricultural real estate	360	—	—	—	—	—	360
Equity loans and lines of credit	1,751	152	(836)	(227)	(111)	(29)	700
Consumer	19	—	(3)	—	—	—	16
Restructured loans (non-accruing):							
Commercial and industrial	56	—	(18)	—	—	—	38
Real estate	—	25	(1)	—	—	—	24
Real estate construction and other land loans	547	—	—	—	—	—	547
Equity loans and lines of credit	1,279	—	(12)	—	—	—	1,267
Total nonaccrual	$ 14,052	$ 1,055	$(7,838)	$ (227)	$ (111)	$(715)	$6,216

The following table provides a summary of the change in the OREO balance for the six months ended June 30, 2015 and June 30, 2014:

	For the Six Months Ended June 30,	
(In thousands)	2015	2014
Beginning balance	$—	$190
Additions	227	235
1st lien assumed	121	—
Dispositions	(359)	(488)
Write-downs	—	—
Net gain on disposition	11	63
Ending balance	$—	$—

OREO represents real property taken either through foreclosure or through a deed in lieu thereof from the borrower. OREO is initially recorded at fair value less costs to sell and thereafter carried at the lower of cost or fair value, less selling costs. The OREO additions reported were higher than reflected in the nonaccrual table above due to the payoff of the 1st mortgage holder after taking title. We had no OREO properties at June 30, 2015.

Allowance for Credit Losses

We have established a methodology for the determination of the adequacy of the allowance for credit losses made up of general and specific allocations. The methodology is set forth in a formal policy and takes into consideration the need for an overall allowance for credit losses as well as specific allowances that are tied to individual loans. The allowance for credit losses is an estimate of probable incurred credit losses in the Company’s loan portfolio. The allowance consists of two primary components, specific reserves related to impaired loans and general reserves for inherent losses related to loans that are not impaired.

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

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sufficient to capture enough data due to the size of the portfolio to produce statistically accurate historical loss calculations. We believe this period is an appropriate look back period.

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

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

The allowance for credit losses is an estimate of the probable incurred losses in our loan and lease portfolio. The allowance is based on: (1) losses accrued for on loans when they are probable of occurring and can be reasonably estimated and (2) losses accrued based on the differences between the value of collateral, present value of future cash flows or values that are observable in the secondary market and the loan balance.

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

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

(Dollars in thousands)	For the Six Months Ended June 30, 2015	For the Year Ended December 31, 2014	For the Six Months Ended June 30, 2014
Balance, beginning of period	$8,308	$9,208	$9,208
Provision charged to operations	500	7,985	(400)
Losses charged to allowance	(770)	(9,834)	(1,787)
Recoveries	676	949	286
Balance, end of period	$8,714	$8,308	$7,307
Allowance for credit losses to total loans at end of period	1.46%	1.45%	1.34%

As of June 30, 2015, the balance in the allowance for credit losses was $8,714,000 compared to $8,308,000 as of December 31, 2014. The increase was due to the provision charged to operations offset by net charge-offs during the six months ended June 30, 2015. The balance of commitments to extend credit on undisbursed construction and other loans and letters of credit was $205,562,000 as of June 30, 2015, compared to $214,131,000 as of December 31, 2014. At June 30, 2015 and December 31, 2014, the balance of a contingent allocation for probable loan loss experience on unfunded obligations was $195,000 and $165,000, respectively. The contingent allocation for probable loan loss experience on unfunded obligations is calculated by management using appropriate, systematic, and consistently applied process. While related to credit losses, this allocation is not a part of ALLL and is considered separately as a liability for accounting and regulatory reporting purposes. Risks and uncertainties exist in all lending transactions and our management and Directors' Loan Committee have established reserve levels based on economic uncertainties and other risks that exist as of each reporting period.

As of June 30, 2015, the allowance for credit losses (ALLL) was 1.46% of total gross loans compared to 1.45% as of December 31, 2014. Total loans included VCB loans that were recorded at fair value in connection with the acquisition, which stood at $71,030,000 at June 30, 2015 and $77,882,000 at December 31, 2014. Excluding these VCB loans from the calculation, the allowance for credit losses to total gross loans was 1.66% and 1.68% as of June 30, 2015 and December 31, 2014, respectively and general reserves associated with non-impaired loans to total non-impaired loans was 1.66% and 1.62%, respectively. The loan portfolio acquired in the VCB merger was booked at fair value and no associated allocation in the ALLL. The size of the fair value discount on the VCB loans remains adequate for all non-impaired acquired loans; therefore, there is no associated ALLL for the remaining loans acquired from VCB.

The Company's loan portfolio balances in 2015 increased through organic growth and necessitated the provision for credit losses. The higher ALLL-to-total loans ratio is supported by the changes in the level and composition of past due loans and the general economic conditions experienced in the central California communities serviced by the Bank, partially offset by changes in the level of nonperforming and classified loans, and recent improvements in real estate collateral values.

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During the fourth quarter of 2014, the Company recorded a provision for credit losses of approximately $8.4 million in connection with the partial charge-off of a single commercial and agricultural relationship. The Company is actively working to collect the remaining non-accrual loan balance of $2,942,000 that arose from that relationship, and any or all of the charge-off, which is secured by real estate and various business and personal assets. Three entities and two individuals involved in this relationship have sought bankruptcy protection. The Company continues to pursue all of its legal rights in connection with the collection of this loan relationship, including the filing of a Notice of Default on February 9, 2015. Most of the assets securing these loans were listed for sale, with any sale now or in the future to be supervised by the Bankruptcy Court. The Company plans to continue to track and identify any expenses, net of recoveries, associated with the collection efforts of this commercial and agricultural relationship.

The determination of the general reserve for loans that are not impaired is based on estimates made by management, including but not limited to, consideration of historical losses by portfolio segment over the most recent 20 quarters, and qualitative factors. Assumptions regarding the collateral value of various under-performing loans may affect the level and allocation of the allowance for credit losses in future periods. The allowance may also be affected by trends in the amount of charge offs experienced or expected trends within different loan portfolios. Historically, the highest annualized rates of net charge-offs experienced by the Company occurred prior to 2011. Under the current ALLL methodology, as periods of high charge-off rates included in the rolling 20 quarter analysis are replaced by lower charge-off rates, the calculated reserve rates may continue to decline. However, the total reserve rates on non-impaired loans may be augmented by changes in qualitative factors. Based on the above considerations and given continued improvement in historical charge-off rates included in the ALLL modeling and the improvement in other factors, management determined that the ALLL was appropriate as of June 30, 2015.

Non-performing loans totaled $6,216,000 as of June 30, 2015, and $14,052,000 as of December 31, 2014. The allowance for credit losses as a percentage of nonperforming loans was 140.19% and 59.12% as of June 30, 2015 and December 31, 2014, respectively. In addition, management believes that the likelihood of recoveries on previously charged-off loans continues to improve based on the collection efforts of management combined with improvements in the value of real estate which serves as the primary source of collateral for loans. Management believes the allowance at June 30, 2015 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. The following table illustrates and sets forth additional analysis which portrays the trends that are occurring in the loan portfolio.

	June 30, 2015			December 31, 2014			June 30, 2014		
(Dollars in thousands)	Balance	% to Total Loans		Balance	% to Total Loans		Balance	% to Total Loans	
Impaired loans with specific reserves	$4,376	0.73	%	$6,478	1.14	%	$4,089	0.75	%
Past due loans	4,914	0.83	%	1,477	0.26	%	591	0.11	%
Nonaccrual loans	6,216	1.04	%	14,052	1.48	%	4,632	0.85	%

The increase in past due loans as of June 30, 2015, is primarily due to the nonperforming loans from the single relationship that had significant partial charge-offs in 2014.

Goodwill and Intangible Assets

Business combinations involving the Company’s acquisition of the equity interests or net assets of another enterprise give rise to goodwill. Total goodwill at June 30, 2015, was $29,917,000 consisting of $14,643,000, $8,934,000 and $6,340,000 representing the excess of the cost of Service 1st, Bank of Madera County, and Visalia Community Bank, respectively, over the net of the amounts assigned to assets acquired and liabilities assumed in the transactions accounted for under the purchase method of accounting. The value of goodwill is ultimately derived from the Bank’s ability to generate net earnings after the acquisitions and is not deductible for tax purposes. A significant decline in net earnings could be indicative of a decline in the fair value of goodwill and result in impairment. For that reason, goodwill is assessed at least annually for impairment.

Management performed an annual impairment test in the third quarter of 2014 utilizing various qualitative factors. Management believes these factors are sufficient and comprehensive and as such, no further factors need to be assessed at this time. Based on management's analysis performed, no impairment was required. Goodwill is also tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the Company below its carrying amount. No such events or circumstances arose during the first six months of 2015.

The intangible assets represent the estimated fair value of the core deposit relationships acquired in the acquisition of Service 1st in 2008 of $1,400,000, and the 2013 acquisition of Visalia Community Bank of $1,365,000. Core deposit intangibles are being amortized using the straight-line method (which approximates the effective interest method) over estimated lives of seven to ten from the date of acquisition. The carrying value of intangible assets at June 30, 2015 was $1,176,000, net of $1,589,000 in accumulated amortization expense. The carrying value at December 31, 2014 was

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$1,344,000, net of $1,421,000 accumulated amortization expense. We evaluate the remaining useful lives quarterly to determine whether events or circumstances warrant a revision to the remaining periods of amortization. Based on the evaluation, no changes to the remaining useful lives was required in the first six months of 2015. Amortization expense recognized was $168,000 for the six month period ended June 30, 2015 and June 30, 2014.
The following table summarizes the Company's estimated core deposit intangible amortization expense for each of the next five years (in thousands):

Years Ended	Estimated Core Deposit Intangible Amortization
2015	$152
2016	137
2017	137
2018	137
2019	137
Thereafter	476
	$1,176

Deposits and Borrowings

The Bank's deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable legal limits. All of a depositors' accounts at an insured depository institution, including all non-interest bearing transactions accounts, are insured by the FDIC up to standard maximum deposit insurance amount of $250,000 for each deposit insurance ownership category.
Total deposits increased $23,471,000 or 2.26% to $1,062,623,000 as of June 30, 2015, compared to $1,039,152,000 as of December 31, 2014, due to recurring seasonal patterns. Interest-bearing deposits increased $10,874,000 or 1.64% to $673,624,000 as of June 30, 2015, compared to $662,750,000 as of December 31, 2014. Non-interest bearing deposits increased $12,597,000 or 3.35% to $388,999,000 as of June 30, 2015, compared to $376,402,000 as of December 31, 2014. Average non-interest bearing deposits to average total deposits was 35.65% for the six months ended June 30, 2015 compared to 35.02% for the same period in 2014.
The composition of the deposits and average interest rates paid at June 30, 2015 and December 31, 2014 is summarized in the table below.

(Dollars in thousands)	June 30, 2015	% of Total Deposits		Average Effective Rate		December 31, 2014	% of Total Deposits		Average Effective Rate	
NOW accounts	$216,466	20.4	%	0.10	%	$ 209,781	20.2	%	0.11	%
MMA accounts	231,476	21.8	%	0.06	%	228,268	22.0	%	0.08	%
Time deposits	149,012	14.0	%	0.37	%	153,320	14.7	%	0.40	%
Savings deposits	76,670	7.2	%	0.04	%	71,381	6.9	%	0.05	%
Total interest-bearing	673,624	63.4	%	0.14	%	662,750	63.8	%	0.16	%
Non-interest bearing	388,999	36.6	%			376,402	36.2	%		
Total deposits	$1,062,623	100.0	%			$ 1,039,152	100.0	%		

Other Borrowings

There were no short term or long term FHLB borrowings as of June 30, 2015 or December 31, 2014. We maintain a line of credit with the FHLB collateralized by government securities and loans. Refer to the Liquidity section below for further discussion of FHLB advances.
The Company holds junior subordinated deferrable interest debentures (trust preferred securities). Under applicable regulatory guidance, the amount of trust preferred securities that is eligible as Tier 1 capital is limited to 25% of the Company's Tier 1 capital on a pro forma basis. At June 30, 2015, all of the trust preferred securities that have been issued qualify as Tier 1 capital. Interest on the trust preferred securities is payable and the rate is adjusted to equal the

three month LIBOR plus 1.60% each January 7, April 7, July 7 or October 7 of each year. The rates were 1.88% and 1.83% at June 30, 2015 and 2014, respectively. Interest expense recognized by the Company for the six months ended June 30, 2015 and 2014 was $48,000 and $47,000 respectively.

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Capital

Our shareholders' equity was $133,308,000 as of June 30, 2015, compared to $131,045,000 as of December 31, 2014. The increase in shareholders' equity is the result of an increase of $162,000 in common stock, an increase of $4,885,000 in retained earnings, and an decrease in accumulated other comprehensive income net of tax of $2,784,000 for the six months ended June 30, 2015.

During the first six months of 2015, the Company declared and paid $659,000 in cash dividends ($0.06 per common share) to holders of common stock. The Company declared and paid a total of $2,350,000 in cash dividends ($0.20 per common share) to holders of common stock during the year ended December 31, 2014. During the first six months of 2015, the Bank declared and paid cash dividends to the Company of $860,000 in connection with the cash dividends approved by the Company's Board of Directors. The Bank would not declare any dividend that, subsequent to payment, would cause it to be deemed not "well capitalized" under applicable banking laws and regulations.

Management considers capital requirements as part of its strategic planning process. The strategic plan calls for continuing increases in assets and liabilities, and the capital required may therefore be in excess of retained earnings. The ability to obtain capital is dependent upon the capital markets as well as our performance. Management regularly evaluates sources of capital and the timing required to meet its strategic objectives. The assessment of capital adequacy is dependent on several factors including asset quality, earnings trends, liquidity and economic conditions. Maintenance of adequate capital levels is integral to providing stability to the Company. The Company needs to maintain substantial levels of regulatory capital to give it maximum flexibility in the changing regulatory environment and to respond to changes in the market and economic conditions including acquisition opportunities.

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

The rules include new risk-based capital and leverage ratios, which will be phased in from 2015 to 2019, and will refine the definition of what constitutes "capital" for purposes of calculating those ratios. The new minimum capital level requirements applicable to the Company and the Bank under the final rules will be: (i) a new common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from current rules); and (iv) a Tier 1 leverage ratio of 4% for all institutions. The final rules also establish a "capital conservation buffer" above the new regulatory minimum capital requirements, which must consist entirely of common equity Tier 1 capital. The capital conservation buffer will be phased-in over four years beginning on January 1, 2016, as follows: the maximum buffer will be 0.625% of risk-weighted assets for 2016, 1.25% for 2017, 1.875% for 2018, and 2.5% for 2019 and thereafter. This will result in the following minimum ratios beginning in 2019: (i) a common equity Tier 1 capital ratio of 7.0%, (ii) a Tier 1 capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. Under the final rules, institutions are subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations establish a maximum percentage of eligible retained income that could be utilized for such actions.

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

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

The final rules set forth certain changes for the calculation of risk-weighted assets, which we were required to utilize beginning January 1, 2015. The standardized approach final rule utilizes an increased number of credit risk exposure categories

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and risk weights, and also addresses: (i) an alternative standard of creditworthiness consistent with Section 939A of the Dodd-Frank Act Act; (ii) revisions to recognition of credit risk mitigation; (iii) rules for risk weighting of equity exposures and past due loans; (iv) revised capital treatment for derivatives and repo-style transactions; and (v) disclosure requirements for top-tier banking organizations with $50 billion or more in total assets that are not subject to the "advance approach rules" that apply to banks with greater than $250 billion in consolidated assets.
The following table presents the Company's and the Bank's Regulatory capital ratios as of June 30, 2015 and December 31, 2014.

	June 30, 2015		December 31, 2014	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio
Tier 1 Leverage Ratio				
Central Valley Community Bancorp and Subsidiary	$101,600	8.72 %	$95,936	8.36 %
Minimum regulatory requirement	$46,584	4.00 %	$45,894	4.00 %
Central Valley Community Bank	$100,620	8.65 %	$95,298	8.31 %
Minimum requirement for "Well-Capitalized" institution	$58,186	5.00 %	$57,341	5.00 %
Minimum regulatory requirement	$46,549	4.00 %	$45,873	4.00 %
Common Equity Tier 1 Ratio				
Central Valley Community Bancorp and Subsidiary	$98,953	13.12 %	N/A	N/A
Minimum regulatory requirement	$34,036	4.50 %	N/A	N/A
Central Valley Community Bank	$100,620	13.36 %	N/A	N/A
Minimum requirement for "Well-Capitalized" institution	$49,102	6.50 %	N/A	N/A
Minimum regulatory requirement	$33,994	4.50 %	N/A	N/A
Tier 1 Risk-Based Capital Ratio				
Central Valley Community Bancorp and Subsidiary	$101,600	13.47 %	$95,936	13.67 %
Minimum regulatory requirement	$45,381	6.00 %	$28,075	4.00 %
Central Valley Community Bank	$100,620	13.36 %	$95,298	13.59 %
Minimum requirement for "Well-Capitalized" institution	$60,433	8.00 %	$42,080	6.00 %
Minimum regulatory requirement	$45,325	6.00 %	$28,053	4.00 %
Total Risk-Based Capital Ratio				
Central Valley Community Bancorp and Subsidiary	$110,531	14.66 %	$104,447	14.88 %
Minimum regulatory requirement	$60,508	8.00 %	$56,150	8.00 %
Central Valley Community Bank	$109,551	14.55 %	$103,809	14.80 %
Minimum requirement for "Well-Capitalized" institution	$75,542	10.00 %	$70,133	10.00 %
Minimum regulatory requirement	$60,433	8.00 %	$56,106	8.00 %

Liquidity

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

Our primary sources of liquidity are derived from financing activities which include the acceptance of customer and, to a lesser extent, broker deposits, Federal funds facilities with correspondent banks, 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. As of June 30, 2015, the Company had unpledged securities totaling \$352,439,000 available as a secondary source of liquidity and total cash and cash equivalents of \$82,332,000. Cash and cash equivalents at June 30, 2015 increased 6.47% compared to December 31, 2014. 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. Due to the negative impact of the slow economic recovery, we have been cautiously managing our asset quality. Consequently, expanding our portfolio or finding appropriate adequate investments to utilize some of our excess liquidity has been difficult in the current economic environment.

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As a means of augmenting our liquidity, we have established federal funds lines with our correspondent banks. At June 30, 2015, our available borrowing capacity includes approximately $40,000,000 in unsecured credit lines with our correspondent banks, $299,385,000 in unused FHLB advances and a $2,376,000 secured credit line at the Federal Reserve Bank. We believe our liquidity sources to be stable and adequate. At June 30, 2015, 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, 2015 and December 31, 2014:

Credit Lines (In thousands)	June 30, 2015	December 31, 2014
Unsecured Credit Lines (interest rate varies with market):		
Credit limit	$40,000	$40,000
Balance outstanding	$—	$—
Federal Home Loan Bank (interest rate at prevailing interest rate):		
Credit limit	$299,385	$290,851
Balance outstanding	$—	$—
Collateral pledged	$199,515	$183,036
Fair value of collateral	$199,628	$183,171
Federal Reserve Bank (interest rate at prevailing discount interest rate):		
Credit limit	$2,376	$2,441
Balance outstanding	$—	$—
Collateral pledged	$2,659	$2,729
Fair value of collateral	$2,714	$2,757

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 an expanded discussion of these financial instruments, refer to Note 8 of the Notes to Consolidated Financial Statements included herein and Note 13 of the Notes to Consolidated Financial Statements in the Company's 2014 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 13 of the Notes to Consolidated Financial Statements in the Company's 2014 Annual Report to Shareholders on Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

None to report

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 the evaluation of the disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer concluded that the 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, 2015 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, 2014, 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.

ITEM 2 CHANGES IN SECURITIES AND USE OF PROCEEDS

None to report.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

No material changes to report.

ITEM 4 MINE SAFETY DISCLOSURES

None to report

ITEM 5 OTHER INFORMATION

None to report.

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ITEM 6 EXHIBITS

31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14(d) / 15d-14(a) of the Securities Exchange Act of 1934.
31.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14(d) / 15d-14(a) of the Securities Exchange Act of 1934.
32.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14(b) / 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350.
32.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14(b) / 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation document
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Link Document

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 5, 2015	/s/ James M. Ford James M. Ford President and Chief Executive Officer
Date: August 5, 2015	/s/ David A. Kinross David A. Kinross Executive Vice President and Chief Financial Officer

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EXHIBIT INDEX

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14(d) / 15d-14(a) of the Securities Exchange Act of 1934. (1)
31.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14(d) / 15d-14(a) of the Securities Exchange Act of 1934. (1)
32.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14(b) / 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350. (2)
32.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14(b) / 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350. (2)
101.INS	XBRL Instance Document (2)
101.SCH	XBRL Taxonomy Extension Schema Document (2)
101.CAL	XBRL Taxonomy Extension Calculation Document (2)
101.DEF	XBRL Taxonomy Extension Definition Linkbase (2)
101.LAB	XBRL Taxonomy Extension labels Linkbase Document (2)
101.PRE	XBRL Taxonomy Extension Presentation Link Document (2)

(1) Filed herewith.

(2) Furnished herewith and not “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.