Community West Bancshares

2006 Annual Report

defining *community*

COMMUNITY WEST BANK

IS COMMITTED TO ENHANCING SHAREHOLDER VALUE

BY SERVING A DIVERSE CUSTOMER BASE

WITH EXTRAORDINARY CUSTOMER SERVICE

AND COMPETITIVE BANKING PRODUCTS

THROUGHOUT THE COMMUNITIES WE SERVE.

On the cover *(clockwise from top left):*

Katie Aguilar *and the* Relay for Life Team

Lynda Nahra *and* Bill Peeples *pictured with County Superintendent* Bill Cirone *donating computers to* Computer for Families

Clay Dickens *and* Denise Sloan *volunteering at* The Dream Foundation*'s Flower Empower*

Cheryl Moore *and the* United Way*'s Day of Caring team*

Community West Bank *donated 40 computers to the* Computers for Families *program, a joint project of* Santa Barbara Partners in Education *and the* Santa Barbara County Education Office *which seeks to bridge the digital divide by providing low-income students with refurbished computers, internet access, and training.*

Dear Shareholders, Customers and Friends,

In 2006, we celebrated the milestone of crossing the $500 million asset level due to our consistent focus on core competencies and profitable growth. Our franchise footprint also increased in October 2006 when we opened our fifth branch location in Westlake Village.

Throughout 2006, the Board and Management collaborated with our dedicated staff to execute our strategic plan which resulted in the following accomplishments:

- An increase in deposits of $34.5 million to $368.7 million
- An increase in net loans of $70.1 million to $451.6 million
- An increase in total assets of $72.2 million to $516.6 million
- An increase in shareholder equity to $46.8 million
- Book value per share increased to $8.05
- Net income of $5,328,000
- A 20% increase in quarterly dividends to $.06 per share

As we passed the $500 million asset level during the year, we recognized this also meant future growth would be dependent on our ability to remain competitive, attract and retain talented staff, and to provide scalable and current technology to internal and external customers.

During 2006, we enhanced our product offerings with the addition of gift cards while also becoming locally known as leaders in Health Savings Accounts. Internally, efficiencies were gained as we increased scanning to reduce paper usage, outsourced item processing, implemented efax capabilities and centralized various operations' functions.

One of our core values has been to foster a culture of volunteerism in the Bank. This has been so successful that an unintended benefit has been that the Bank has become well known in our communities not only as a Company whose employees donate their time and energy, but as a Company known for providing education outreach.

As both of these outcomes have contributed to our success, we would like to dedicate this report to our employees, who donated over 2,000 hours of volunteer time in 2006 to our local communities.

Continued thanks go also to our shareholders for your confidence in our abilities. Though 2007 will not be free of challenges, the Board and Management believe we are well positioned to meet them.

Sincerely,

W H Peeples

William Peeples
Chairman of the Board

Lynda Nahra

Lynda Nahra
President & Chief Executive Officer

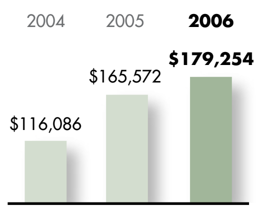
RELATIONSHIP BANKING

Experienced bankers providing personalized guidance throughout the entire customer banking relationship is how Community West Bank's Relationship Banking team defines community.

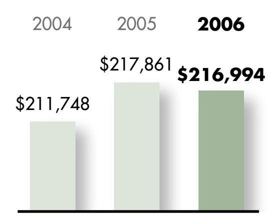
A key strength of Community West Bank and a fundamental difference setting it apart from the competition is the depth of experience of its commercial lending and business development officers. These individuals develop business, structure and underwrite credit and manage the entire customer relationship from within the branch, unlike the competition who often centralizes these functions.

With five branch offices from Santa Maria to Westlake Village, Community West Bank helps a wide variety of businesses to grow and succeed within their communities from retailers to physicians to commercial property developers and beyond. Business clients particularly enjoy the advantages offered through the Bank's highly regarded door-to-door courier service for non-cash transactions as well as on-line banking services, merchant credit card processing, payroll direct deposit, cash management services, lines of credit, construction and equipment loans.

The Bank's relationship bankers also provide an individualized mix of products and services to fit each particular consumer customer's needs from checking and savings accounts to the increasingly popular, tax-advantaged Health Savings Accounts (HSA); Certificates of Deposit Account Registry Service (CDARS®) providing full FDIC insurance up to $30 million; and competitive home equity lines of credit.



YEAR-END LOAN BALANCES
(in thousands)



YEAR END DEPOSIT BALANCES
(in thousands)

Community means long-term customer relationships

How Katie Aguilar defines community:

KATIE AGUILAR
Community West Bank Santa Maria Branch Office
New Accounts/Teller *and* American Cancer Society
Relay For Life team organizer

"This is a very emotional event for me, ranging from excitement and anticipation for the race to begin to a sense of accomplishment and sadness that my sister could not be there with us. I will be organizing a team again next year in my sister's memory."

They say everyone is touched by cancer and Katie Aguilar is no exception. In the last four years she has seen both her sister and mother get diagnosed. Her sister did not win the battle, passing away in October 2004. Her mother is a survivor. With all of this Katie can still be seen and heard most days with a broad smile and contagious laugh. It's no wonder that she had no trouble getting volunteers to form a Relay For Life team for the American Cancer Society.

OUR COMMUNITY COMMITMENT

We salute all of our staff for their volunteer work in the community:

ALICIA ASHBROOK
VP, Branch Manager
Santa Maria

GLORIA AYALA
Loan Assistant
Ventura

PAUL BERGEVIN
Central Operations Representative
Corporate

LISA CALAWAY
Closed Loan Specialist
Mortgage

SERINA CAMACHO
Receptionist
Santa Maria

DAN CAVANAGH
VP, Commercial Lender
Santa Maria

LYNNETTE COVERLY
VP, Marketing
Corporate

MARISOL CRUZ
VP, Business Development
SBA - Santa Maria

LEROY CUBBISON
VP, Commercial Lender
Santa Barbara

ADELE FILIPPIN
Office Manager
Mortgage

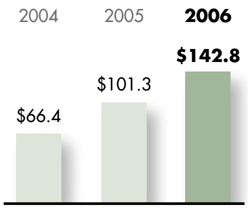
(continued)

MORTGAGE LENDING

Experienced mortgage agents offering competitive and unique programs to help customers buy their first home is how Community West Bank's Mortgage Lending team defines community.

With mortgage lending offices in the Southern California cities of Santa Maria, Santa Barbara, Ventura and Westlake Village; as well as the Northern California areas in and around Sacramento and Lake Tahoe, Community West Bank helps a wide array of clients purchase residential property—from first time home buyers to those seeking vacation or retirement homes to investors. Even with increasing interest rates, the Bank's experienced retail and wholesale mortgage team continues to offer competitive and unique programs to both customers and brokers due in part to its relationships with over 50 national lenders in the secondary market. These relationships provide access to more programs than typically offered by a single lender providing the opportunity to better match a customer's borrowing needs.

First time home buyers and retirees particularly enjoy the advantages offered through the Bank's unique manufactured housing finance program established in 1998. Community West Bank developed this popular program as an affordable housing solution to help fulfill the homeownership dreams of low to moderate-income borrowers who might not otherwise have been able to purchase a home for their family. These loans continually prove to be successful and stable contributors to the Bank's overall loan portfolio.



YEAR-END MANUFACTURED HOUSING BALANCES
(in millions)

Community means neighborhoods full of proud home owners

How Clay Dickens and Denise Sloan define community:

CLAY DICKENS
Community West Bank Vice President, Manufactured Housing *and board member* of The Dream Foundation *since 1994*

DENISE SLOAN
Community West Bank Credit Administration Assistant *and dream captain of* The Dream Foundation *since 2005*

"Flower Empower gives us a chance to let someone know that they are not alone, that someone cares about them and their illness. When we participate we're doing our part to make someone's life a little better, one flower at a time."

Clay Dickens and Denise Sloan are selfless givers of their time and energy. As active volunteers with The Dream Foundation, they ensure that the dreams of terminally ill adults are fulfilled from start to finish. One way that the Dream Foundation brings a touch of cheer is through *Flower Empower*, a volunteer program reminding individuals battling catastrophic illness that their community cares through the delivery of hand-made bouquets, cookies and cards.

JAN FOSTER
VP, Underwriting Manager
SBA - Administration

TONI GENARDINI
Central Operations Supervisor
Corporate

MONIQUE HERNANDEZ
Central Operations Representative
Corporate

CYNTHIA HOOPER
SVP, SBA Administration
Corporate

FRANCES HUMPHREY
Central Operations Representative
Corporate

MARY HUNTER
Sr Administration Coordinator
Santa Maria

MARY LEBEAU
New Accounts Teller
Santa Maria

CHRIS LEM
SVP, Risk Management
Corporate

LARRY LINDSAY
RVP, Commercial Lender
Westlake Village

DAWN LUU
New Accounts Teller
Santa Barbara

DON MACAULAY
SVP, Regional Busines Banking
Westlake Village

CATHARINE MANSET
RVP, Commercial Lender
Goleta

ANN MARKONIS
VP, Compliance Officer
Corporate

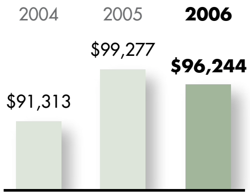
(continued)

SBA LENDING

Experienced business development officers helping entrepreneurs become successful business owners is how Community West Bank's Small Business Administration (SBA) Lending team defines community.

With lending offices in 13 SBA districts covering 10 states—Alabama, California, Colorado, Florida, Georgia, North Carolina, Oregon, South Carolina, Tennessee and Washington, Community West Bank helps a diverse clientele to start, acquire or expand their businesses—from manufacturers to restaurateurs and hoteliers to commercial property owners and more.

Providing government guaranteed loans since 1990, the Bank primarily offers SBA 7(a) and 504 loan programs to qualified businesses. The Bank also offers the United States Department of Agriculture (USDA) Business and Industry (B&I) loan program as well as conventional and investor commercial real estate loans. While the Bank frequently sells some of the guaranteed and unguaranteed portions of the loans into the secondary market it does retain 5% of the gross loan balance, as required by the SBA program, and continues to service the loans.



SBA LOAN ORIGINATIONS
(in thousands)

Community means helping to create tomorrow's business owners – today

How Cheryl Moore defines community:

CHERYL MOORE
Community West Bank Vice President,
SBA Processing Supervisor *and* United Way *Day of Caring volunteer*

"As a first year volunteer for Day of Caring, I find it extremely gratifying to have been part of such a caring team of Bank employees who willingly went above and beyond to complete our project. I learned that volunteering doesn't just benefit the recipients of our efforts, it also benefits me with a sense of pride that I have helped my community."

Cheryl Moore is petite but mighty and she can really wield a power tool! That's what Cheryl's fellow employees and their family members learned as they worked together on behalf of United Way's *Day of Caring* to build a storage shed for a local elementary school that had no place to keep outdoor play equipment. In addition to building the shed the 15-member team cleaned out several closets, washed equipment and generally made the school a better environment for the students.

LYNDA NAHRA
President & CEO
Corporate

MAURICIO ORLANDI
Accounting Supervisor
Corporate

ROXANNA PETTY
Credit Clerk
Goleta

EDWARD PRINZ
VP, Special Assets Manager
Corporate

DEBRA RICHARDS
Loan Funder
Mortgage

MAUREEN SCHUBA
SBA Loan Processor
Corporate

DEBORAH SCOTT
SVP, Information Technology
Corporate

MARCY SHEWMON
SVP, Human Resources
Corporate

KIMBERLY SHIVELY
New Accounts Teller
Westlake Village

SUSAN THOMPSON
SVP, Controller
Corporate

ELANE VEGA
Operations Supervisor
Goleta

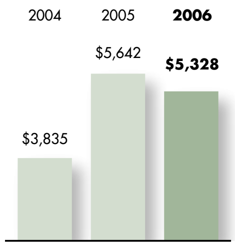
BILL VIANI
EVP, Chief Credit Officer
Corporate

JACQUELINE WALLACE
SBA Loan Processor
Corporate

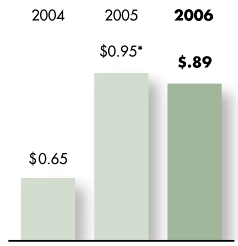
BO ZOUBEIDI
Account Specialist
Corporate

2006

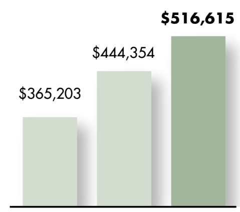
FINANCIAL HIGHLIGHTS



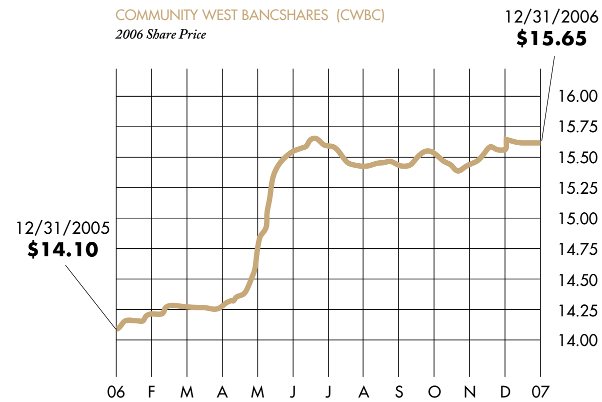
NET INCOME
(in thousands)

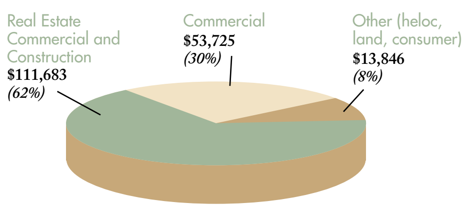


EARNINGS PER SHARE
(diluted)
* includes $.15 per share tax credit

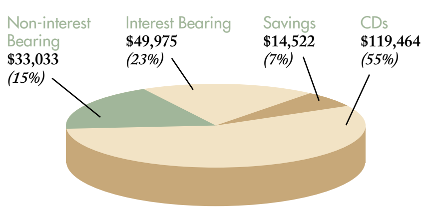


TOTAL ASSETS
(in thousands)

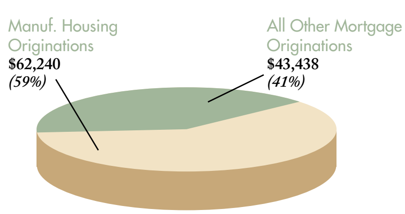




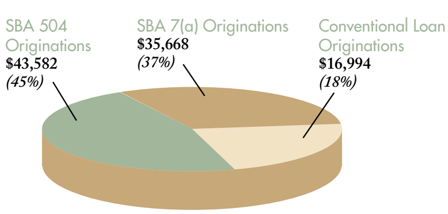
RELATIONSHIP BANKING LOAN BALANCES
(in thousands)
TOTAL **$179,254** *(100%)*



RELATIONSHIP BANKING DEPOSIT BALANCES
(in thousands)
TOTAL **$216,994** *(100%)*



MORTGAGE LOAN ORIGINATIONS
(in thousands)
TOTAL **$105,678** *(100%)*



SBA LOAN ORIGINATIONS
(in thousands)
TOTAL **$96,244** *(100%)*

RELATIONSHIP BANKING

In October 2006, Community West Bank opened its fifth, full-service branch office in Westlake Village, California. This branch is already contributing to the Bank's successful loan portfolio, which demonstrates a commitment to real estate and construction loans within the communities the Bank serves and continues to carve out a larger share of the market in commercial lending.

It was a competitive depository year with banks, credit unions and other financial service companies competing for funds. Community West Bank was able to bring in new money primarily through unique products such as: Health Savings Accounts, CDARS®, and Experience Business Checking, an interest-free business checking account that comes with interest-free personal checking for employees of the business customer.

MORTGAGE LENDING

During 2006, the Mortgage Division continued to provide customers with competitively priced mortgage financing options providing the Bank with income through origination and processing fees and gains through the sale of closed loans in the secondary market.

Manufactured housing loans, also originated by the Mortgage Division, continues to be a source of pride as it provides customers an affordable housing alternative in high cost housing markets. The program recently expanded to include the areas of Los Angeles, Orange and San Diego. In 2006, the Bank financed $62.2 million in manufactured housing loans for 545 families. At the close of 2006, Community West Bank held $142.8 million of manufactured housing loans in their portfolio representing 27.6% of the Bank's total assets.

SBA LENDING

In 2006, the Small Business Administration designated Community West Bank as a "National Preferred Lender" delegating loan approval, closing and most servicing authority to the Bank. Due to Community West Bank's National Preferred Lender status, the Bank has achieved a competitive advantage marketing the SBA 7(a) loan product.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION, HOLDERS AND DIVIDENDS

The Company's common stock is traded on the Nasdaq Global Market ("Nasdaq") under the symbol CWBC. The following table sets forth the high and low sales prices on a per share basis for the Company's common stock as reported by Nasdaq for the period indicated:

	2006 Quarters				2005 Quarters			
	Fourth	Third	Second	First	Fourth	Third	Second	First
Stock Price Range:								
High	$ 15.99	$ 16.00	$ 16.00	$ 14.44	$ 14.40	$ 12.57	$ 13.50	$ 15.30
Low	15.00	15.17	14.05	13.85	12.25	12.20	12.00	11.00
Cash Dividends Declared	$ .06	$ .06	$ .06	$ .05	$ .05	$ .05	$ .05	$ .04

As of March 22, 2007, the year to date high and low stock sales prices were $16.00 and $15.50, respectively. As of March 22, 2007, the last reported sale price per share for the Company's common stock was $15.75.

As of March 22, 2007, the Company had 363 stockholders of record of its common stock.

It is the Company's intention to declare and pay dividends quarterly. The primary source of funds for dividends paid to shareholders is dividends received from the subsidiary bank, Community West Bank ("CWB"). CWB's ability to pay dividends to the Company is limited by California law and federal banking law.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table summarizes the securities authorized for issuance as of December 31, 2006:

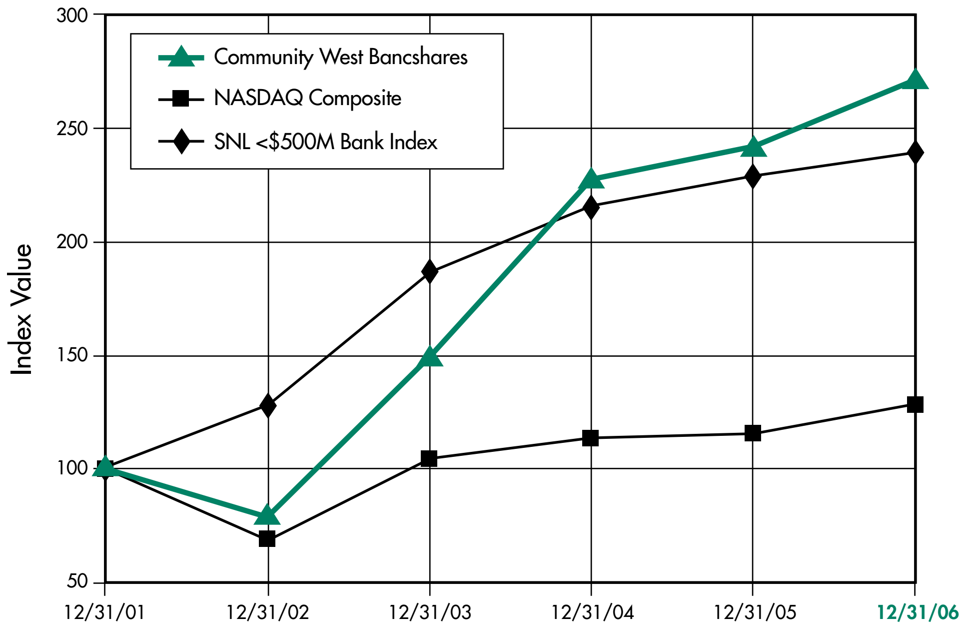
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)
	(a)	(b)	(c)
Plans approved by shareholders	497,207	$7.86	833,851
Plans not approved by shareholders	-	N/A	-
TOTAL	497,207	7.86	833,851

As of January 23, 2007, Community West Bancshares 1997 Stock Option Plan expired. Of the 833,851 options, 349,351 were associated with the 1997 expired plan leaving 484,500 options available for future grants under the Community West Bancshares 2006 Stock Option Plan.

STOCK PERFORMANCE GRAPH

The following graph presents the cumulative, five-year total return for the Company's Common Stock compared with the Nasdaq Total Return Index, a broad market index of stocks traded on the Nasdaq Composite Index and the SNL Securities Index of banks having under $500 million in total assets, which the Company believes is representative of peer issuers. The graph assumes an initial investment of $100 in each of the Company's Common Stock, the securities underlying the Nasdaq Total Return Index and the securities underlying the SNL Index for Banks on December 31, 2001, and that all dividends were reinvested. This graph shall not be deemed incorporated by reference by any general statement incorporating by reference this report into any filing under the Securities Act or under the Exchange Act, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

TOTAL RETURN PERFORMANCE



INDEX	12/31/01	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06
Community West Bancshares	100.00	78.17	150.00	227.32	241.65	**272.30**
NASDAQ Composite	100.00	68.76	103.67	113.16	115.57	**127.58**
SNL <$500M Bank Index	100.00	128.07	186.94	215.79	228.47	**240.01**

SELECTED FINANCIAL DATA

The following selected financial data have been derived from the Company's consolidated financial condition and results of operations, as of and for the years ended December 31, 2006, 2005, 2004, 2003 and 2002, and should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this report.

	Year Ended December 31,				
	2006	2005	2004	2003	2002
INCOME STATEMENT:	(in thousands, except per share data)				
Interest income	$ 39,303	$ 29,778	$ 21,845	$ 20,383	$ 29,976
Interest expense	16,804	10,347	7,845	9,342	13,466
Net interest income	22,499	19,431	14,000	11,041	16,510
Provision for loan losses	489	566	418	1,669	4,899
Net interest income after provision for loan losses	22,010	18,865	13,582	9,372	11,611
Non-interest income	5,972	7,310	10,462	10,675	11,398
Non-interest expenses	18,832	18,160	17,521	16,736	24,931
Income (loss) before income taxes	9,150	8,015	6,523	3,311	(1,922)
Provision (benefit) for income taxes	3,822	2,373	2,688	1,128	(652)
NET INCOME (LOSS)	**$ 5,328**	**$ 5,642**	**$ 3,835**	**$ 2,183**	**$ (1,270)**
PER SHARE DATA:					
Income (loss) per common share – Basic	$ 0.92	$ 0.98	$ 0.67	$ 0.38	$ (0.22)
Weighted average shares used in income (loss) per share calculation – Basic	5,785	5,744	5,718	5,694	5,690
Income (loss) per common share – Diluted	$ .89	$ 0.95	$ 0.65	$ 0.38	$ (0.22)
Weighted average shares used in income (loss) per share calculation – Diluted	6,001	5,931	5,867	5,758	5,690
Book value per share	$ 8.05	$ 7.34	$ 6.56	$ 6.02	$ 5.64
BALANCE SHEET:					
Net loans	$ 451,572	$ 381,517	$ 290,506	$ 244,274	$ 245,856
Total assets	516,615	444,354	365,203	304,250	307,210
Total deposits	368,747	334,238	284,568	224,855	219,083
Total liabilities	469,795	402,119	327,634	269,919	275,123
Total stockholders' equity	46,820	42,235	37,569	34,331	32,087
OPERATING AND CAPITAL RATIOS:					
Return on average equity	11.88%	14.16%	10.60%	6.65%	(3.99)%
Return on average assets	1.12%	1.43%	1.15%	0.73%	(0.42)%
Dividend payout ratio	24.97%	19.39%	17.91%	-	-
Equity to assets ratio	9.06%	9.50%	10.29%	11.28%	10.48%
Tier 1 leverage ratio	9.21%	9.80%	10.41%	11.15%	10.48%
Tier 1 risk-based capital ratio	10.57%	11.21%	12.51%	14.05%	12.66%
Total risk-based capital ratio	11.45%	12.26%	13.76%	15.31%	13.92%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is designed to provide insight into management's assessment of significant trends related to Community West Bancshares ("CWBC" or "Company") and its wholly-owned subsidiary Community West Bank's ("CWB" or "Bank") consolidated financial condition, results of operations, liquidity, capital resources and interest rate risk. Unless otherwise stated, "Company" refers to CWBC and CWB as a consolidated entity. It should be read in conjunction with the consolidated financial statements and notes thereto and the other financial information appearing elsewhere in this report.

FORWARD-LOOKING STATEMENTS

This 2006 Annual Report contains statements that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Those forward-looking statements include statements regarding the intent, belief or current expectations of the Company and its management. Any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those projected in the forward-looking statements.

OVERVIEW OF EARNINGS PERFORMANCE

Net income of the Company was $5.3 million, or $0.92 per basic share, and $0.89 per diluted share, for 2006 compared to $5.6 million, or $0.98 per basic share, and $0.95 per diluted share, for 2005. Income before tax increased $1.1 million, or 14.2%, for fiscal year 2006 compared to 2005. This increase was primarily due to an increase of $3.1 million in net interest income as a result of the growth in interest-earning assets. The overall slight decline of $314,000 in net income for the comparative periods was due to an increase in the provision for income taxes of $1.4 million for 2006 over 2005. Net income for 2005 was positively impacted by the resolution of potential tax issues, which resulted in a $914,000 credit to the provision for income taxes. The Company's earnings performance was also impacted in 2006 by:

- net loan portfolio growth of $71.1 million, or 18.4%, primarily in manufactured housing, commercial real estate, commercial, and SBA loans which contributed to increased net interest income over the comparative periods despite a challenging interest rate environment. Net interest income was $22.5 million, $19.4 million and $14.0 million for the years ended December 31, 2006, 2005 and 2004, respectively.
- despite a 100 basis point increase in the Federal Reserve Board's target federal funds rate from 4.25% to 5.25%, the combination of a flattening, and even inverted, yield curve and intense competition for both loans and deposits continued to compress interest margins, which resulted in a decline in net interest margin to 4.89% from 5.14%.
- continued efforts to control expenses while striving to improve service levels to customers, which resulted in improvement in the Company's efficiency ratio to 66.15% for 2006 from 67.91% and 71.62% for the years ended December 31, 2005 and 2004, respectively.

The impact to the Company from these items, and others of both a positive and negative nature, will be discussed in more detail as they pertain to the Company's overall comparative performance for the year ended December 31, 2006 throughout the analysis sections of this report.

CHANGES IN INTEREST INCOME AND INTEREST EXPENSE

The Company primarily earns income from the management of its financial assets and liabilities and from charging fees for services it provides. The Company's income from managing assets consists of the difference between the interest income received from its loan portfolio and investments and the interest expense paid on its funding sources, primarily interest paid on deposits. This difference or spread is net interest income. The amount by which interest income will exceed interest expense depends on the volume or balance of earning assets compared to the volume or balance of interest-bearing deposits and liabilities and the interest rate earned on those interest-earning assets compared to the interest rate paid on those interest-bearing liabilities.

Net interest income, when expressed as a percentage of average total interest-earning assets, is referred to as net interest margin on interest-earning assets. The Company's net interest income is affected by the change in the level and the mix of interest-earning assets and interest-bearing liabilities, referred to as volume changes. The Company's net yield on interest-earning assets is also affected by changes in the yields earned on assets and rates paid on liabilities, referred to as rate changes. Interest rates charged on the Company's loans are affected principally by the demand for such loans, the supply of money available for lending purposes, competitive factors and general economic conditions such as federal economic policies, legislative tax policies and governmental budgetary matters. To maintain its net interest margin, the Company must manage the relationship between interest earned and paid.

The following table sets forth, for the period indicated, the increase or decrease in dollars and percentages of certain items in the consolidated income statements as compared to the prior periods:

	Year Ended December 31,			
	2006 vs. 2005		2005 vs. 2004	
	Amount of Increase (decrease)	Percent of Increase (decrease)	Amount of Increase (decrease)	Percent of Increase (decrease)
INTEREST INCOME		(dollars in thousands)		
Loans	$ 8,910	31.5%	$ 7,711	37.5%
Investment securities	302	23.7%	295	30.1%
Other	313	137.3%	(73)	(24.3)%
Total interest income	9,525	32.0%	7,933	36.3%
INTEREST EXPENSE				
Deposits	5,524	71.7%	2,685	53.5%
Bonds payable and other borrowings	933	35.3%	(183)	(6.5)%
Total interest expense	6,457	62.4%	2,502	31.9%
NET INTEREST INCOME	3,068	15.8%	5,431	38.8%
Provision for loan losses	(77)	(13.6)%	148	35.4%
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,145	16.7%	5,283	38.9%
NON-INTEREST INCOME				
Other loan fees	(76)	(2.6)%	(870)	(23.0)%
Gains from loan sales, net	(1,000)	(40.0)%	(1,482)	(37.2)%
Document processing fees, net	(7)	(0.9)%	6	0.7%
Loan servicing fees, net	(316)	(55.0)%	(841)	(59.4)%
Service charges	46	14.5%	(63)	(16.5)%
Other	15	7.9%	98	107.7%
Total non-interest income	(1,338)	(18.3)%	(3,152)	(30.1)%
NON-INTEREST EXPENSES				
Salaries and employee benefits	1,018	8.5%	142	1.2%
Occupancy and equipment expenses	15	0.8%	244	15.3%
Professional services	(69)	(6.8)%	82	8.7%
Depreciation	(44)	(8.1)%	11	2.1%
Other	(248)	(9.0)%	160	18.8%
Total non-interest expenses	672	3.7%	639	3.6%
Income before provision for income taxes	1,135		1,492	
Provision for income taxes	1,449		(315)	
NET INCOME	$ (314)		$ 1,807	

Comparison of 2006 to 2005

Net interest income increased by $3.1 million, or 15.8%, for 2006 compared to 2005. Total interest income increased by $9.5 million, or 32.0%, from $29.8 million in 2005 to $39.3 million in 2006. Of this increase, $6.8 million was due to interest-earning asset growth, primarily loans, and $2.7 million resulted from rate increases. Total interest expense increased by $6.5 million, or 62.4%, in 2006 compared to 2005. Interest expense on deposits increased $5.5 million while the interest expense on other borrowings increased $933,000. Of the increase in interest expense on deposits, $3.1 million was due to deposit growth, including broker deposits, and $2.4 million resulted from higher rates. The increase in interest expense is primarily due to increased competition for core deposits which resulted in higher deposit rates and increased use of wholesale funding sources to fund loan growth and will likely continue for the foreseeable future.

Interest income from loans increased primarily due to overall net growth in the loan portfolio. The manufactured housing, commercial real estate, commercial and SBA loan portfolios increased by $41.5 million, $27.5 million, $8.8 million and $2.7 million, respectively, during 2006. This loan growth contributed to increased interest income from manufactured housing of $3.4 million, or 44.6%, commercial real estate of $3.3 million, or 45.2%, commercial of $1.8 million, or 54.0%, and SBA of $1.3 million, or 21.2%, for 2006 compared to 2005. These increases to loan interest income were partially offset by a decrease in interest income from the securitized loan portfolio of $916,000, or 37.1%, for 2006 compared to 2005. The decreased interest income is primarily a result of the $4.8 million, or 32.0%, decline in the securitized loan portfolio balance during 2006. Interest income from investments and federal funds sold increased by $302,000 and $320,000, respectively for 2006 compared to 2005. Investment interest income increased primarily due to increased rates while interest income received from federal funds sold increased primarily due to increased volume. Interest income from interest earning deposits in other institutions declined slightly for 2006 compared to 2005.

While the overall increase in net interest income was driven by loan growth, net interest income related to rate change experienced a decline. This is reflected in the decline in margin by 25 basis points from 5.14% in 2005 to 4.89% in 2006. The decline was due to an increase in the cost of the Company's interest-bearing liabilities, which was driven by continual increases in the short-term interest rates from June 2004 through the first half of 2006, and the ensuing higher competitive deposit pricing environment. While the Federal Reserve has not raised the target federal funds rate since June of 2006, continuing intense competition for both loans and deposits may contribute to margin compression going forward.

Comparison of 2005 to 2004

Total interest income increased by $7.9 million, or 36.3%, from $21.8 million in 2004 to $29.7 million in 2005. Of this increase, $4.6 million was due to interest-earning asset growth, primarily loans, and $3.3 million resulted from rate increases. Total interest expense increased by $2.5 million, or 31.9%, from $7.8 million in 2004 to $10.3 million in 2005. Interest expense on deposits increased $2.7 million while the interest expense on bonds and other borrowings declined $183,000.

The following table sets forth the changes in interest income and expense attributable to changes in rate and volume:

	Year Ended December 31,					
	2006 versus 2005			2005 versus 2004		
	Total change	Change due to Rate	Change due to Volume	Total change	Change due to Rate	Change due to Volume
	(in thousands)					
Interest earning deposits in other financial institutions (including time deposits)	$ (8)	$ 13	$ (21)	$ (151)	$ 25	$ (176)
Federal funds sold	321	91	230	78	169	(91)
Investment securities	302	183	119	295	46	249
Loans, net	9,827	2,541	7,286	8,823	2,758	6,065
Securitized loans	(917)	(90)	(827)	(1,112)	300	(1,412)
Total interest-earning assets	9,525	2,738	6,787	7,933	3,298	4,635
Interest-bearing demand	(447)	443	(890)	1,422	480	942
Savings	110	149	(39)	104	132	(28)
Time certificates of deposit	5,861	1,786	4,075	1,159	804	355
Bonds payable	-	-	-	(1,351)	(392)	(959)
Other borrowings	933	664	269	1,168	375	793
Total interest-bearing liabilities	6,457	3,042	3,415	2,502	1,399	1,103
NET INTEREST INCOME	$ 3,068	$ (304)	$ 3,372	$ 5,431	$ 1,899	$ 3,532

The following table presents the net interest income and net interest margin for the three years indicated:

	Year Ended December 31,		
	2006	2005	2004
	(dollars in thousands)		
Interest income	$ 39,303	$ 29,778	$ 21,845
Interest expense	16,804	10,347	7,845
NET INTEREST INCOME	$ 22,499	$ 19,431	$ 14,000
NET INTEREST MARGIN	4.89%	5.14%	4.41%

NON-INTEREST INCOME

The following table summarizes the Company's non-interest income for the three years indicated:

	Year Ended December 31,		
	2006	2005	2004
		(in thousands)	
Other loan fees	$ 2,830	$ 2,906	$ 3,776
Gains from loan sales, net:	1,499	2,499	3,981
Document processing fees, net:	816	823	817
Loan servicing fees, net	259	575	1,416
Service charges	364	318	381
Other	204	189	91
TOTAL NON-INTEREST INCOME	**$ 5,972**	**$ 7,310**	**$ 10,462**

Comparison of 2006 to 2005

Total non-interest income for the Company declined by $1.3 million, or 18.3%, in 2006 compared to 2005. The decline is primarily due to the Company's continued plan to grow the Bank's SBA loan portfolio and sell fewer SBA loans which impacted gains from loan sales and loan servicing fees.

The following table summarizes this change:

	Year Ended December 31,		
	2006	2005	Change
Gains from loan sales, net		(in thousands)	
SBA	$ 1,361	$ 2,190	$ (829)
Mortgage	138	309	(171)
TOTAL	**$ 1,499**	**$ 2,499**	**$ (1,000)**

Management's strategic shift gradually to sell fewer SBA loans and grow the portfolio, which began in 2004, combined with market declines in loan sale pricing during 2006, contributed to the comparative decrease in net gains from SBA loans sales of $829,000, or 37.8%, for 2006 compared to 2005. The Company sold $15.8 million in SBA 7(a) loans in 2006 compared to $22.2 million in 2005. This also impacted net loan servicing fees which decreased by $316,000, or 55.0%, in 2006 compared to 2005. Net gains from mortgage loan sales decreased by $171,000, or 55.3% in 2006 compared to 2005, primarily related to a decline in mortgage loan originations of $54.8 million or 55.8%, from $98.2 million in 2005 to $43.4 million in 2006. Total other loan and document processing fees decreased slightly from 2006 compared to 2005. This decline was partially offset by slight increases in total service charges and other non-interest income for 2006 compared to 2005.

Comparison of 2005 to 2004

The Company sold $22.2 million of SBA loans in 2005 compared to $34.1 million in 2004, which contributed to a decline in gains from SBA loans sales of $1.3 million or 37.1%, for 2005 compared to 2004. The decrease in SBA loan sales in both years contributed to the $841,000, or 59.4%, decline in loan servicing fees from 2004 to 2005. In addition, gains from mortgage loan sales declined in 2005 compared to 2004, primarily related to decreased mortgage loan refinancing activity. The decline in mortgage loan activity also resulted in an $807,000 or 35.7%, decline in other mortgage loan fees for 2005 compared to 2004.

NON-INTEREST EXPENSES

The following table summarizes the Company's non-interest expenses for the three years indicated:

	Year Ended December 31,		
	2006	2005	2004
		(in thousands)	
Salaries and employee benefits	$ 13,011	$ 11,993	$ 11,851
Occupancy and equipment expenses	1,855	1,840	1,596
Professional services	953	1,022	940
Depreciation	499	543	532
Other	2,514	2,762	2,602
TOTAL NON-INTEREST EXPENSES	**$ 18,832**	**$ 18,160**	**$ 17,521**

Comparison of 2006 to 2005

Total non-interest expenses increased $672,000, or 3.7%, in 2006 compared to 2005. This increase was primarily due to an increase in salaries and employee benefits of $1.0 million, or 8.5%, in 2006 compared to 2005. The Company continued to grow in 2006 and opened a new full-service branch in Westlake Village, California. Also contributing to the increase were the additional months of expense for the two full-service-branches added in May and October 2005 and the recognition of $163,000 in stock option expense as a result of the 2006 adoption of FAS 123R. This increase was partially offset by decreases in other non-interest expenses, professional services and depreciation expense, which declined by $248,000, $69,000 and $44,000, respectively.

Comparison of 2005 to 2004

Non-interest expenses increased $639,000, or 3.6%, in 2005 compared to 2004. The Company opened two full-service branches in 2005. The slight increase in other non-interest expenses included $399,000 in bond-related costs as the result of the securitized bond call and payoff.

The following table compares the various elements of non-interest expenses as a percentage of average assets:

Year Ended December 31,	Average Assets	Total Non-Interest Expenses	Salaries and Employee Benefits	Occupancy and Depreciation Expenses
		(dollars in thousands)		
2006	**$ 474,465**	**3.97%**	**2.74%**	**0.50%**
2005	$ 393,210	4.62%	3.05%	0.61%
2004	$ 333,230	5.26%	3.56%	0.64%

INCOME TAXES

Income tax expense was $3.8 million in 2006, $2.4 million in 2005 and $2.7 million in 2004. The effective income tax rate was 41.8%, 29.6% and 41.2% for 2006, 2005 and 2004, respectively. The effective income tax rate for 2005 is generally less than the effective income tax rate in other periods presented as a tax reserve of $914,000, or $.16 per share (basic), related to the resolution of tax issues. See footnote 10, “Income Taxes”, in the notes to the Consolidated Financial Statements.

SCHEDULE OF AVERAGE ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY

As of the dates indicated below, the following schedule shows the average balances of the Company's assets, liabilities and stockholders' equity accounts as a percentage of average total assets:

	December 31,					
	2006		2005		2004	
	Amount	%	Amount	%	Amount	%
ASSETS			(dollars in thousands)			
Cash and due from banks	$ 5,264	1.1%	$ 5,428	1.4%	$ 5,364	1.6%
Time and interest-earning deposits in other financial institutions	567	0.1%	1,057	0.3%	7,496	2.3%
Federal funds sold	10,661	2.3%	5,923	1.5%	8,684	2.6%
Investment securities available-for-sale	22,655	4.8%	22,474	5.7%	21,220	6.4%
Investment securities held-to-maturity	8,759	1.9%	7,703	2.0%	3,493	1.0%
Federal Reserve Bank & Federal Home Loan Bank stock	4,342	0.9%	2,882	0.7%	1,902	0.6%
Interest only strips, at fair value	1,597	0.3%	2,261	0.6%	3,214	1.0%
Loans held for sale, net	64,785	13.6%	50,106	12.7%	44,037	13.2%
Loans held for investment, net	332,315	70.0%	265,799	67.6%	197,622	59.3%
Securitized loans, net	11,913	2.5%	18,241	4.6%	28,661	8.6%
Servicing rights	2,410	0.5%	3,118	0.8%	3,002	0.9%
Other real estate owned, net	45	-	43	-	88	-
Premises and equipment, net	2,287	0.5%	2,011	0.5%	1,655	0.5%
Other assets	6,865	1.5%	6,164	1.6%	6,792	2.0%
TOTAL ASSETS	$474,465	100.0%	$393,210	100.0%	$333,230	100.0%
LIABILITIES						
Deposits:						
Non-interest-bearing demand	$ 34,555	7.3%	$ 34,758	8.8%	$ 38,761	11.6%
Interest-bearing demand	58,569	12.3%	87,587	22.3%	50,785	15.2%
Savings	15,184	3.2%	16,479	4.2%	17,810	5.3%
Time certificates of $100,000 or more	138,897	29.2%	62,545	15.9%	31,851	9.6%
Other time certificates	102,604	21.7%	89,304	22.7%	109,456	32.9%
Total deposits	349,809	73.7%	290,673	73.9%	248,663	74.6%
Other borrowings	74,597	15.8%	46,285	11.8%	22,699	6.8%
Bonds payable in connection with securitized loans	-	-	10,469	2.7%	19,676	5.9%
Other liabilities	5,210	1.1%	5,948	1.5%	5,992	1.8%
Total liabilities	429,616	90.6%	353,375	89.9%	297,030	89.1%
STOCKHOLDERS' EQUITY						
Common stock	34,588	7.3%	30,127	7.6%	29,940	9.0%
Retained earnings	14,523	3.1%	9,783	2.5%	6,275	1.9%
Accumulated other comprehensive (loss)	(4,262)	(1.0)%	(75)	-	(15)	-
Total stockholders' equity	44,849	9.4%	39,835	10.1%	36,200	10.9%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$474,465	100.0%	$393,210	100.0%	$333,230	100.0%

INTEREST RATES AND DIFFERENTIALS

The following table illustrates average yields on interest-earning assets and average rates on interest-bearing liabilities for the years indicated. These average yields and rates are derived by dividing interest income by the average balances of interest-earning assets and by dividing interest expense by the average balances of interest-bearing liabilities for the years indicated. Amounts outstanding are averages of daily balances during the period.

	Year Ended December 31,		
Interest-earning assets:	2006	2005	2004
		(dollars in thousands)	
Time and interest earning deposits in other financial institutions:			
Average outstanding	$ 567	$ 1,057	$ 7,496
Interest income	25	32	183
Average yield	4.31%	3.03%	2.44%
Federal funds sold:			
Average outstanding	$ 10,661	$ 5,923	$ 8,684
Interest income	516	196	118
Average yield	4.84%	3.31%	1.36%
Investment securities:			
Average outstanding	$ 35,756	$ 33,059	$ 26,615
Interest income	1,576	1,274	979
Average yield	4.41%	3.85%	3.68%
Gross loans, excluding securitized:			
Average outstanding	$ 400,540	$ 319,008	$ 244,492
Interest income	35,631	25,804	16,982
Average yield	8.90%	8.09%	6.95%
Securitized loans:			
Average outstanding	$ 12,407	$ 19,147	$ 30,098
Interest income	1,555	2,472	3,583
Average yield	12.54%	12.91%	11.91%
Total interest-earning assets:			
Average outstanding	$ 459,931	$ 378,194	$ 317,385
Interest income	39,303	29,778	21,845
Average yield	8.55%	7.87%	6.88%

INTEREST-BEARING LIABILITIES:	Year Ended December 31, 2006	2005	2004
		(dollars in thousands)	
Interest-bearing demand deposits:			
Average outstanding	$ 58,569	$ 87,587	$ 50,785
Interest expense	1,796	2,242	820
Average effective rate	3.07%	2.56%	1.61%
Savings deposits:			
Average outstanding	$ 15,184	$ 16,479	$ 17,810
Interest expense	455	344	241
Average effective rate	2.99%	2.09%	1.35%
Time certificates of deposit:			
Average outstanding	$ 241,502	$ 151,849	$ 141,308
Interest expense	10,974	5,115	3,955
Average effective rate	4.54%	3.37%	2.80%
Bonds payable:			
Average outstanding	-	$ 10,469	$ 19,676
Interest expense	-	1,090	2,441
Average effective rate	-	10.42%	12.41%
Other borrowings:			
Average outstanding	$ 74,602	$ 46,285	$ 22,699
Interest expense	3,579	1,556	388
Average effective rate	4.80%	3.36%	1.71%
Total interest-bearing liabilities:			
Average outstanding	$ 389,857	$ 312,669	$ 252,278
Interest expense	16,804	10,347	7,845
Average effective rate	4.31%	3.31%	3.11%
NET INTEREST INCOME	$ 22,499	**$ 19,431**	**$ 14,000**
NET INTEREST SPREAD	4.24%	**4.56%**	**3.77%**
AVERAGE NET MARGIN	4.89%	**5.14%**	**4.41%**

Nonaccrual loans are included in the average balance of loans outstanding.

LOAN PORTFOLIO

The Company's largest categories of loans held in the portfolio are commercial, commercial real estate and construction, SBA, and manufactured housing loans. Loans are carried at face amount, net of payments collected, the allowance for loan loss and deferred loan fees/costs. Interest on all loans is accrued daily, primarily on a simple interest basis. It is the Company's policy to place a loan on nonaccrual status when the loan is 90 days past due. Thereafter, previously recorded interest is reversed and interest income is typically recognized on a cash basis.

The rates charged on variable rate loans are set at specific increments. These increments vary in relation to the Company's published prime lending rate or other appropriate indices. At December 31, 2006 and 2005, approximately 60% and 62%, respectively, of the Company's loan portfolio was comprised of variable interest rate loans. Management monitors the maturity of loans and the sensitivity of loans to changes in interest rates.

The following table sets forth, as of the dates indicated, the amount of gross loans outstanding based on the remaining scheduled repayments of principal, which could either be repriced or remain fixed until maturity, classified by years until maturity:

	December 31,									
	2006		2005		2004		2003		2002	
In Years					(in thousands)					
	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable
Less than One	$ 16,442	$ 76,509	$ 19,797	$ 49,796	$ 3,877	$ 44,896	$ 2,382	$ 34,108	$ 2,604	$ 8,188
One to Five	65,083	50,931	39,081	50,708	12,922	29,567	4,128	13,645	3,615	16,224
Over Five	103,242	144,136	88,086	139,570	94,568	110,215	85,390	110,914	105,491	116,322
TOTAL	**$ 184,767**	**$271,576**	**$146,964**	**$240,074**	**$111,367**	**$184,678**	**$ 91,900**	**$158,667**	**$111,710**	**$140,734**

DISTRIBUTION OF LOANS

The distribution of total loans by type of loan, as of the dates indicated, is shown in the following table:

	December 31,				
	2006	2005	2004	2003	2002
			(dollars in thousands)		
	Loan Balance	Loan Balance	Loan Balance	Loan Balance	Loan Balance
Commercial	$ 53,725	$ 44,957	$ 30,893	$ 24,592	$ 19,302
Real estate	135,902	116,938	85,357	71,010	47,456
SBA	29,712	37,088	35,265	30,698	40,961
Manufactured housing	142,804	101,336	66,423	39,073	28,199
Other installment	8,301	11,355	8,645	5,770	7,047
Securitized	10,104	14,858	23,474	37,386	66,195
Held for sale	75,795	60,506	45,988	42,038	43,284
Gross Loans	456,343	387,038	296,045	250,567	252,444
Less:					
Allowance for loan losses	3,926	3,954	3,894	4,675	5,950
Deferred fees/costs	43	181	(103)	69	(318)
Discount on SBA loans	802	1,386	1,748	1,549	956
NET LOANS	**$451,572**	**$381,517**	**$290,506**	**$244,274**	**$245,856**
Percentage to Gross Loans:					
Commercial	11.8%	11.6%	10.5%	9.8%	7.6%
Real estate	29.8%	30.2%	28.8%	28.3%	18.8%
SBA	6.5%	9.6%	11.9%	12.3%	16.3%
Manufactured housing	31.3%	26.2%	22.5%	15.6%	11.2%
Other installment	1.8%	2.9%	2.9%	2.3%	2.8%
Securitized	2.2%	3.9%	7.9%	14.9%	26.2%
Held for sale	16.6%	15.6%	15.5%	16.8%	17.1%
	100.0%	100.0%	100.0%	100.0%	100.0%

Commercial Loans

In addition to traditional term commercial loans made to business customers, CWB grants revolving business lines of credit. Under the terms of the revolving lines of credit, CWB grants a maximum loan amount, which remains available to the business during the loan term. Generally, as part of the loan requirements, the business agrees to maintain its primary banking relationship with CWB. CWB does not extend material loans of this type in excess of two years.

Commercial Real Estate and Construction Loans

Commercial real estate and construction loans are primarily made for the purpose of purchasing, improving or constructing single-family residences, commercial or industrial properties.

A substantial portion of CWB's real estate construction loans are first and second trust deeds on the construction of owner-occupied single family dwellings. CWB also makes real estate construction loans on commercial properties. These consist of first and second trust deeds collateralized by the related real property. Construction loans are generally written with terms of six to eighteen months and usually do not exceed a loan to appraised value of 80%.

Commercial and industrial real estate loans are secured by nonresidential property. Office buildings or other commercial property primarily secure these loans. Loan to appraised value ratios on nonresidential real estate loans are generally restricted to 80% of appraised value of the underlying real property if occupied by the owner or owner's business; otherwise, these loans are generally restricted to 75% of appraised value of the underlying real property.

SBA Loans

The SBA loans consist of 7(a), 504, conventional, investor and Business and Industry ("B&I") loans. The 7(a) loan proceeds are used for working capital, machinery and equipment purchases, land and building purposes, leasehold improvements and debt refinancing. The SBA guarantees up to 85% of the loan amount depending on loan size. Under the SBA 7(a) loan program, the Company is required to retain a minimum of 5% of the principal balance of each loan it sells into the secondary market

The 504 loans are made in conjunction with Certified Development Companies. These loans are granted to purchase or construct real estate or acquire machinery and equipment. The loan is structured with a conventional first trust deed provided by a private lender and a second trust deed which is funded through the sale of debentures. The predominant structure is terms of 10% down payment, 50% conventional first loan and 40% debenture. Conventional and investor loans are funded by our secondary-market partners and CWB receives a premium for these transactions.

B&I loans are guaranteed by the U.S. Department of Agriculture. The guaranteed amount is generally 80%. B&I loans are similar to the 7(a) loans but are made to businesses in designated rural areas. These loans can also be sold into the secondary market.

Real Estate Loans

The mortgage loans consist of first and second mortgage loans secured by trust deeds on one to four family homes. These loans are made to borrowers for purposes such as purchasing a home, refinancing an existing home, interest rate reduction, home improvement, or debt consolidation. These loans are underwritten to specific investor guidelines and are committed for sale to that investor. A majority of these loans are sold servicing released into the secondary market.

Manufactured Housing Loans

The mortgage loan division originates loans secured by manufactured homes located in mobile home parks along the California coast and in the Sacramento area. The loans are serviced internally and are generally fixed rate written for terms of 5 to 30 years with balloon payments ranging from 5 to 15 years.

Other Installment Loans

Installment loans consist of automobile, small home equity lines of credit and general-purpose loans made to individuals. These loans are primarily fixed rate.

Second Mortgage Loans

Prior to 2000, the Company originated and purchased second mortgage loans that allowed borrowers to borrow up to 125% of their home's appraised value, when combined with the balance of the first mortgage loan, up to a maximum loan of $100,000. In 1998 and 1999, the Company transferred $81 million and $122 million, respectively, of these loans to two special purpose trusts. The trusts then sold bonds to third party investors that were secured by the transferred loans. In November 2005, the Company paid off the bonds and the trusts were dissolved. The Company continues to have the loans serviced by a third party ("Servicer"), who receives a stated servicing fee. The securitized loans are classified as held for investment.

Loan Commitments Outstanding

Total loan commitments outstanding at the dates indicated are summarized below:

	December 31,				
	2006	**2005**	**2004**	**2003**	**2002**
			(in thousands)		
Commercial	**$ 24,431**	$ 22,327	$ 19,010	$ 13,867	$ 11,370
Real estate	**18,839**	19,323	7,618	11,676	7,664
SBA	**5,508**	3,408	6,107	9,531	8,675
Installment loans	**9,662**	9,330	8,966	5,112	2,402
Standby letters of credit	**847**	1,499	403	522	380
TOTAL COMMITMENTS	**$ 59,287**	**$ 55,887**	**$ 42,104**	**$ 40,708**	**$ 30,491**

The Company makes loans to borrowers in a number of different industries. Other than Manufactured Housing, no single concentration comprises 10% or more of the Company's loan portfolio. Commercial, commercial real estate, construction and SBA loans comprised over 10% of the Company's loan portfolio as of December 31, 2006 and 2005, but consisted of diverse borrowers.

Allowance for Loan Losses

The following table summarizes the activity in the allowance for loan losses for the periods indicated:

	Year Ended December 31,				
	2006	2005	2004	2003	2002
			(in thousands)		
Average gross loans, held for investment,	$ 348,161	$ 288,049	$ 230,533	$ 202,563	$ 218,317
Gross loans at end of year, held for investment	379,703	324,965	248,412	206,912	208,522
Allowance for loan losses, beginning of year	$ 3,954	$ 3,894	$ 4,676	$ 5,950	$ 8,275
Loans charged off:					
Commercial	459	228	185	445	1
Real estate	-	8	274	471	2,474
Installment	-	-	-	3	-
Short-term consumer	-	-	-	902	3,162
Securitized	341	831	1,356	2,512	4,012
Total	800	1,067	1,815	4,333	9,649
Recoveries of loans previously charged off					
Commercial	93	20	31	88	71
Real estate	-	89	44	42	396
Short-term consumer	-	-	-	672	1,392
Securitized	190	452	540	588	566
Total	283	561	615	1,390	2,425
Net loans charged off	517	506	1,200	2,943	7,224
Provision for loan losses	489	566	418	1,669	4,899
ALLOWANCE FOR LOAN LOSSES, END OF YEAR	**$ 3,926**	**$ 3,954**	**$ 3,894**	**$ 4,676**	**$ 5,950**
Ratios:					
Net loan charge-offs to average loans	0.1%	0.2%	0.5%	1.5%	3.3%
Net loan charge-offs to loans at end of period	0.1%	0.2%	0.5%	1.4%	3.5%
Allowance for loan losses to loans held for investment at end of period	1.0%	1.2%	1.6%	2.3%	2.9%
Net loan charge-offs to allowance for loan losses at beginning of period	13.1%	13.0%	25.7%	49.5%	87.3%
Net loan charge-offs to provision for loan losses	105.7%	89.4%	287.1%	176.3%	147.5%

The following table summarizes the allowance for loan losses:

	December 31,									
	2006		2005		2004		2003		2002	
					(dollars in thousands)					
Balance at end of period applicable to:	Amount	Percent of loans in each category to total loans	Amount	Percent of loans in each category to total loans	Amount	Percent of loans in each category to total loans	Amount	Percent of loans in each category to total loans	Amount	Percent of loans in each category to total loans
SBA	$ 1,365	22.6%	$ 1,409	24.6%	$ 1,388	24.6%	$ 1,550	27.0%	$ 1,874	26.6%
Manufactured housing	786	31.3%	563	26.2%	465	22.5%	372	15.6%	272	11.2%
Securitized	351	2.2%	628	3.9%	1,109	7.9%	2,024	14.9%	2,571	26.2%
All other loans	1,424	43.9%	1,354	45.3%	932	45.0%	730	42.5%	1,233	36.0%
TOTAL	**$ 3,926**	**100%**	**$ 3,954**	**100%**	**$ 3,894**	**100%**	**$ 4,676**	**100%**	**$ 5,950**	**100%**

Total allowance for loan losses ("ALL") decreased slightly by $28,000 from December 31, 2005 to December 31, 2006. The decrease was primarily due to the net effect of a decrease in ALL for the securitized loans of $277,000 partially offset by an increase in allowance for the manufactured housing portfolio of $223,000 due to portfolio growth. Net loans charged-offs were $517,000 in 2006, $506,000 in 2005 and $1.2 million in 2004.

The Company recorded $489,000 as a provision for loan losses in 2006, $566,000 in 2005 and $418,000 in 2004. The decline is primarily due to the continued decrease in the balance of the securitized loan portfolio.

In management's opinion, the balance of the allowance for loan losses was sufficient to absorb known and inherent probable losses in the loan portfolio as of December 31, 2006.

Nonaccrual, Past Due and Restructured Loans

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest under the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments. Loans that experience insignificant payment delays or payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis. When determining the possibility of impairment, management considers the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. For collateral-dependent loans, the Company uses the fair value of collateral method to measure impairment. All other loans, except for securitized, are measured for impairment based on the present value of future cash flows. Impairment is measured on a loan-by-loan basis for all loans in the portfolio except for the securitized loans, which are evaluated for impairment on a collective basis.

The recorded investment in loans that are considered to be impaired is as follows:

	Year Ended December 31,				
	2006	2005	2004	2003	2002
			(in thousands)		
Impaired loans without specific valuation allowances	$ 63	$ 77	$ 49	$ 235	$ 422
Impaired loans with specific valuation allowances	5,145	3,406	3,926	6,843	7,971
Specific valuation allowance related to impaired loans	(641)	(473)	(425)	(640)	(1,127)
IMPAIRED LOANS, NET	**$ 4,567**	**$ 3,010**	**$ 3,550**	**$ 6,438**	**$ 7,266**
AVERAGE INVESTMENT IN IMPAIRED LOANS	**$ 4,074**	**$ 3,716**	**$ 5,137**	**$ 6,584**	**$ 7,565**

The following schedule reflects recorded investment at the dates indicated in certain types of loans:

	Year Ended December 31,				
	2006	2005	2004	2003	2002
			(in thousands)		
Nonaccrual loans	$ 7,417	$ 6,797	$ 8,350	$ 7,174	$ 13,965
SBA guaranteed portion of loans included above	(4,256)	(4,332)	(5,287)	(4,106)	(8,143)
NONACCRUAL LOANS, NET	**$ 3,161**	**$ 2,465**	**$ 3,063**	**$ 3,068**	**$ 5,822**
Troubled debt restructured loans	$ 68	$ 75	$ 124	$ 193	$ 829
Loans 30 through 90 days past due with interest accruing	2,463	1,792	1,804	3,907	5,122
Interest income recognized on impaired loans	$ 242	$ 141	$ 103	$ 277	$ 190
Interest foregone on nonaccrual loans and troubled debt restructured loans outstanding	488	253	208	216	1,263
GROSS INTEREST INCOME ON IMPAIRED LOANS	**$ 730**	**$ 394**	**$ 311**	**$ 493**	**$ 1,453**

The accrual of interest is discontinued when substantial doubt exists as to collectibility of the loan; generally at the time the loan is 90 days delinquent. Any unpaid but accrued interest is reversed at that time. Thereafter, interest income is no longer recognized on the loan. Interest income may be recognized on impaired loans to the extent they are not past due by 90 days. Interest on nonaccrual loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all of the principal and interest amounts contractually due are brought current and future payments are reasonably assured. All of the nonaccrual loans are impaired. Total net nonaccrual loans increased by $696,000, or 28.2%, from 2005 to 2006.

Total net impaired loans increased by $1.6 million, or 51.7%, as of December 31, 2006 compared to December 31, 2005. This net increase included additions of $2.8 million, impaired loans transferred to other real estate owned ("OREO") of $472,000, charge-offs of $290,000 and payments received from borrowers.

Financial difficulties encountered by certain borrowers may cause the Company to restructure the terms of their loan to facilitate loan repayment. A troubled debt restructured loan ("TDR") would generally be considered impaired. The balance of impaired loans disclosed above includes all TDRs that, as of December 31, 2006, 2005 and 2004, are considered impaired. Total TDRs decreased slightly from $75,000 as of December 31, 2005 to $68,000 as of December 31, 2006.

INVESTMENT PORTFOLIO

The following table summarizes the carrying values of the Company's investment securities for the years indicated:

	Year Ended December 31,		
	2006	2005	2004
Available-for-sale securities		(in thousands)	
U.S. Government and agency	$ 13,184	$ 15,148	$ 15,221
Other (1)	8,913	7,471	7,037
TOTAL AVAILABLE-FOR-SALE SECURITIES	$ 22,097	$ 22,619	$ 22,258

	Year Ended December 31,		
	2006	2005	2004
Held-to-maturity securities		(in thousands)	
U.S. Government and agency	$ 200	$ 200	$ 200
Other (1)	10,335	8,477	5,894
TOTAL HELD-TO-MATURITY SECURITIES	$ 10,535	$ 8,677	$ 6,094

At December 31, 2006, $200,000 at carrying value of held-to-maturity securities were pledged as collateral to the U.S. Treasury for CWB's treasury, tax and loan account and $32.4 million at carrying value were pledged to the Federal Home Loan Bank, San Francisco, as collateral for current and future advances.

The following tables summarize the maturity periods and weighted average yields of the Company's investment securities at December 31, 2006:

	Total Amount		Less than One Year		One to Five Years		Five to Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
				(dollars in thousands)				
Available-for-sale securities								
U. S. Government and agency	$ 13,184	4.2%	$ 1,987	4.50%	$ 11,197	4.1%	$ -	-
Other (1)	8,913	4.4%	-	-	8,913	4.4%	-	-
TOTAL	$ 22,097	4.3%	$ 1,987	4.50%	$ 20,110	4.2%	$ -	-
Held-to-maturity securities								
U.S. Government and agency	$ 200	3.6%	$ 200	3.6%	$ -	-	$ -	-
Other (1)	10,335	4.7%	-	-	6,062	4.3%	4,273	5.4%
TOTAL	$ 10,535	4.7%	$ 200	3.6%	$ 6,062	4.3%	$ 4,273	5.4%

(1) Consists of pass-through mortgage backed securities and collateralized mortgage obligations.

Mortgage-backed securities and collateralized mortgage obligations are distributed in total based on average expected maturities.

Interest-Only Strips and Servicing Rights

As of December 31, 2006 and 2005, the Company held interest-only strips ("I/O") in the amount of $1.3 million and $1.9 million, respectively. There have been no additions to the I/O's since 2002. These I/O's represent the present value of the right to the estimated net cash flows generated by SBA loans sold. Net cash flows consist of the difference between (a) interest at the stated rate paid by borrowers and (b) the sum of (i) pass-through interest paid to third-party investors and (ii) contractual servicing fees. The Company also held servicing rights related to SBA loan sales of $2.0 million and

$2.8 million at December 31, 2006 and 2005, respectively. The servicing right balances are subsequently amortized over the estimated life of the loans using industry prepayment statistics and the Company's own experience. Quarterly, the servicing right and I/O strip assets are analyzed for impairment. The I/O's are accounted for as investments in debt securities classified as trading securities. Accordingly, the Company marks them to fair value with the resulting increase or decrease recorded through operations in the current period. At December 31, 2006 and 2005, all of the servicing rights were related to SBA loan sales.

LIQUIDITY MANAGEMENT

The Company has established policies as well as analytical tools to manage liquidity. Proper liquidity management ensures that sufficient funds are available to meet normal operating demands in addition to unexpected customer demand for funds, such as high levels of deposit withdrawals or increased loan demand, in a timely and cost effective manner. The most important factor in the preservation of liquidity is maintaining public confidence that facilitates the retention and growth of core deposits. Ultimately, public confidence is gained through profitable operations, sound credit quality and a strong capital position. The Company's liquidity management is viewed from a long-term and short-term perspective, as well as from an asset and liability perspective. Management monitors liquidity through regular reviews of maturity profiles, funding sources and loan and deposit forecasts to minimize funding risk. The Company has asset/liability committees ("ALCO") at the Board and Bank management level to review asset/liability management and liquidity issues. The Company maintains strategic liquidity and contingency plans. Periodically, the Company has used short-term time certificates from other financial institutions to meet projected liquidity needs.

CWB has a credit line with the Federal Home Loan Bank ("FHLB"). Advances are collateralized in the aggregate by CWB's eligible mortgage loans and securities of the U.S Government and its agencies. The outstanding advances at December 31, 2006 include $44.5 million borrowed at variable rates which adjust to the current LIBOR rate either monthly or quarterly and $50.5 million borrowed at fixed rates. At December 31, 2006, CWB had pledged to FHLB, securities of $32.4 million at carrying value and loans of $160.2 million, and had $19 million available for additional borrowing. At December 31, 2005, CWB had $62.8 million of loans and $31.1 million of securities pledged as collateral and outstanding advances of $63.5 million.

CWB also maintains three federal funds purchased lines for a total borrowing capacity of $18.5 million.

The Company, through the Bank, also has the ability as a member of the Federal Reserve System, to borrow at the discount window up to 50% of what is pledged at the Federal Reserve Bank.

The Company has not experienced disintermediation and does not believe this is a potentially probable occurrence. However, in a highly competitive marketplace, CWB's core deposits (excluding certificates of deposit) declined by $23.6 million in 2006 and the Company utilized more wholesale funding sources to help fund loan growth. The liquidity ratio of the Company was 21% at December 31, 2006 compared to 22% at December 31, 2005. The Company's liquidity ratio fluctuates in conjunction with loan funding demands. The liquidity ratio consists of cash and due from banks, deposits in other financial institutions, available for sale investments, federal funds sold and loans held for sale, divided by total assets.

CWBC's routine funding requirements primarily consist of certain operating expenses. Normally, CWBC obtains funding to meet its obligations from dividends collected from its subsidiary and has the capability to issue debt securities. Federal banking laws regulate the amount of dividends that may be paid by banking subsidiaries without prior approval.

INTEREST RATE RISK

The Company is exposed to different types of interest rate risks. These risks include: lag, repricing, basis and prepayment risk.

- *Lag Risk* – lag risk results from the inherent timing difference between the repricing of the Company's adjustable rate assets and liabilities. For instance, certain loans tied to the prime rate index may only reprice on a quarterly basis. However, at a community bank such as CWB, when rates are rising, funding sources tend to reprice more slowly than the loans. Therefore, for CWB, the effect of this timing difference is generally favorable during a period of rising interest rates and unfavorable during a period of declining interest rates. This lag can produce some short-term volatility, particularly in times of numerous prime rate changes.
- *Repricing Risk* – repricing risk is caused by the mismatch in the maturities / repricing periods between interest-earning assets and interest-bearing liabilities. If CWB was perfectly matched, the net interest margin would expand during rising rate periods and contract during falling rate periods. This is so since loans tend to reprice more quickly than do funding sources. Typically, since CWB is somewhat asset sensitive, this would also tend to expand the net interest margin during times of interest rate increases.
- *Basis Risk* – item pricing tied to different indices may tend to react differently, however, all CWB's variable products are priced off the prime rate.
- *Prepayment Risk* – prepayment risk results from borrowers paying down / off their loans prior to maturity. Prepayments on fixed-rate products increase in falling interest rate environments and decrease in rising interest rate environments. Since a majority of CWB's loan originations are adjustable rate and set based on prime, and there is little lag time on the reset, CWB does not experience significant prepayments. However, CWB does have more prepayment risk on its securitized and manufactured housing loans and its mortgage-backed investment securities.

Management of Interest Rate Risk

To mitigate the impact of changes in market interest rates on the Company's interest-earning assets and interest-bearing liabilities, the amounts and maturities are actively managed. Short-term, adjustable-rate assets are generally retained as they have similar repricing characteristics as our funding sources. CWB sells mortgage products and a portion of its SBA loan originations. While the Company has some interest rate exposure in excess of five years, it has internal policy limits designed to minimize risk should interest rates rise. Currently, the Company does not use derivative instruments to help manage risk, but will consider such instruments in the future if the perceived need should arise.

Loan sales

The Company's ability to originate, purchase and sell loans is also significantly impacted by changes in interest rates. Increases in interest rates may also reduce the amount of loan and commitment fees received by CWB. A significant decline in interest rates could also decrease the size of CWB's servicing portfolio and the related servicing income by increasing the level of prepayments.

DEPOSITS

The following table shows the Company's average deposits for each of the periods indicated below:

	Year Ended December 31,					
	2006		2005		2004	
	Average Balance	Percent of Total	Average Balance	Percent of Total	Average Balance	Percent of Total
	(dollars in thousands)					
Noninterest-bearing demand	$ 34,555	9.9%	$ 34,758	12.0%	$ 38,760	15.6%
Interest-bearing demand	58,569	16.7%	87,587	30.1%	50,785	20.4%
Savings	15,184	4.3%	16,479	5.7%	17,810	7.2%
TCD's of $100,000 or more	138,897	39.7%	62,545	21.5%	31,851	12.8%
Other TCD's	102,604	29.4%	89,304	30.7%	109,457	44.0%
TOTAL DEPOSITS	**$ 349,809**	**100.0%**	**$ 290,673**	**100.0%**	**$ 248,663**	**100.0%**

The maturities of time certificates of deposit ("TCD's") were as follows:

	December 31,			
	2006		2005	
	TCD's over $100,000	Other TCD's	TCD's over $100,000	Other TCD's
	(in thousands)			
Less than three months	$ 46,037	$ 31,347	$ 14,968	$ 18,872
Over three months through six months	35,161	21,497	17,947	19,395
Over six months through twelve months	44,666	28,516	48,575	38,822
Over twelve months through five years	48,802	15,191	28,045	26,451
TOTAL	**$ 174,666**	**$ 96,551**	**$ 109,535**	**$ 103,540**

The deposits of the Company may fluctuate up and down with local and national economic conditions. However, management does not believe that deposit levels are significantly influenced by seasonal factors.

The Company manages its money desk and obtains brokered deposits in accordance with its liquidity and strategic planning. Such deposits increased by $33.6 million during 2006 as the Company's general funding needs increased due to the growth in the loan portfolio. The Company can use the money desk or obtain broker deposits when necessary in a short timeframe; however, these funds are more expensive as there is substantial competition for these deposits.

CONTRACTUAL OBLIGATIONS

The Company has contractual obligations that include long-term debt, deposits, operating leases and purchase obligations for service providers.

The following table is a summary of those obligations at December 31, 2006:

	Total	< 1 Year	1-3 Years	3-5 Years	Over 5 Years
	(in thousands)				
FHLB Borrowing	$ 95,000	$ 34,000	$53,000	$8,000	$ -
Time certificates of deposits	271,217	207,223	60,261	3,733	-
Operating lease obligations	4,172	1,004	1,592	1,451	125
Purchase obligations for service providers	1,597	574	876	147	-
TOTAL	**$ 371,986**	**$242,801**	**$ 115,729**	**$ 13,331**	**$ 125**

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company's primary market risk is interest rate risk ("IRR"). To minimize the volatility of net interest income at risk ("NII") and the impact on economic value of equity ("EVE"), the Company manages its exposure to changes in interest rates through asset and liability management activities within guidelines established by the Board's ALCO. ALCO has the responsibility for approving and ensuring compliance with asset/liability management policies, including IRR exposure.

To mitigate the impact of changes in interest rates on the Company's interest-earning assets and interest-bearing liabilities, the Company actively manages the amounts and maturities. The Company generally retains short-term, adjustable-rate assets as they have similar re-pricing characteristics as funding sources. The Company sells substantially all of its mortgage products and a portion of its SBA loan originations. While the Company has some assets and liabilities in excess of five years, it has internal policy limits designed to minimize risk should interest rates rise. Currently, the Company does not use derivative instruments to help manage risk, but will consider such instruments in the future if the perceived need should arise.

The Company uses software, combined with download detailed information from various application programs, and assumptions regarding interest rates, lending and deposit trends and other key factors to forecast/simulate the effects of both higher and lower interest rates. The results detailed below indicate the impact, in dollars and percentages, on NII and EVE of an increase in interest rates of 200 basis points and a decline of 200 basis points compared to a flat interest rate scenario.

INTEREST RATE SENSITIVITY	**200 bp increase**		**200 bp decrease**	
	2006	**2005**	**2006**	**2005**
	(dollars in thousands)			
Anticipated impact over the next twelve months:				
NET INTEREST INCOME (NII)	$ 1,495	$ 1,869	$ (1,542)	$ (1,933)
	6.5%	9.4%	(6.7%)	(9.7%)
ECONOMIC VALUE OF EQUITY (EVE)	$ (6,573)	$ (1,916)	$ 5,656	$ 239
	(13.3%)	(3.7%)	11.4%	.5%

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Community West Bancshares

We have audited the accompanying consolidated balance sheets of Community West Bancshares (the Company) as of December 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Community West Bancshares at December 31, 2006 and 2005, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

Los Angeles, CA
March 16, 2007

CONSOLIDATED BALANCE SHEETS

	December 31, 2006	December 31, 2005
	(dollars in thousands)	
ASSETS		
Cash and due from banks	$ 4,190	$ 4,830
Federal funds sold	7,153	8,902
Cash and cash equivalents	11,343	13,732
Time deposits in other financial institutions	536	532
Investment securities available-for-sale, at fair value; amortized cost of $22,340 December 31, 2006 and $22,833 December 31, 2005	22,097	22,619
Investment securities held-to-maturity, at amortized cost; fair value of $10,437 at December 31, 2006 and $8,619 at December 31, 2005	10,535	8,677
Federal Home Loan Bank stock, at cost	4,465	2,985
Federal Reserve Bank stock, at cost	812	812
Interest only strips, at fair value	1,314	1,888
Loans:		
Held for sale, at lower of cost or fair value	75,795	60,506
Held for investment, net of allowance for loan losses of $3,926 at December 31, 2006 and $3,954 at December 31, 2005	375,777	321,011
Total loans	451,572	381,517
Servicing rights	1,968	2,845
Other real estate owned, net	356	7
Premises and equipment, net	2,802	2,146
Other assets	8,815	6,594
TOTAL ASSETS	$ 516,615	**$ 444,354**
LIABILITIES		
Deposits:		
Non-interest-bearing demand	$ 33,033	$ 34,251
Interest-bearing demand	49,975	70,453
Savings	14,522	16,459
Time certificates of $100,000 or more	174,666	109,535
Other time certificates	96,551	103,540
Total deposits	368,747	334,238
Federal Home Loan Bank advances	95,000	63,500
Other liabilities	6,048	4,381
Total liabilities	469,795	402,119
Commitments and contingencies-See Note 15		
STOCKHOLDERS' EQUITY		
Common stock, no par value; 10,000,000 shares authorized; 5,814,568 shares issued and outstanding at December 31, 2006 and 5,751,313 at December 31, 2005	30,794	30,190
Retained earnings	16,169	12,171
Accumulated other comprehensive loss	(143)	(126)
Total stockholders' equity	46,820	42,235
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 516,615	**$ 444,354**

See accompanying notes.

CONSOLIDATED INCOME STATEMENTS

	Year Ended December 31,		
	2006	**2005**	**2004**
	(in thousands, except per share data)		
INTEREST INCOME			
Loans	**$ 37,186**	$ 28,276	$ 20,565
Investment securities	**1,576**	1,274	979
Other	**541**	228	301
Total interest income	**39,303**	29,778	21,845
INTEREST EXPENSE			
Deposits	**13,225**	7,701	5,016
Bonds payable and other borrowings	**3,579**	2,646	2,829
Total interest expense	**16,804**	10,347	7,845
NET INTEREST INCOME	**22,499**	19,431	14,000
Provision for loan losses	**489**	566	418
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	**22,010**	18,865	13,582
NON-INTEREST INCOME			
Other loan fees	**2,830**	2,906	3,776
Gains from loan sales, net	**1,499**	2,499	3,981
Document processing fees, net	**816**	823	817
Loan servicing fees, net	**259**	575	1,416
Service charges	**364**	318	381
Other	**204**	189	91
Total non-interest income	**5,972**	7,310	10,462
NON-INTEREST EXPENSES			
Salaries and employee benefits	**13,011**	11,993	11,851
Occupancy and equipment expenses	**1,855**	1,840	1,596
Professional services	**953**	1,022	940
Depreciation	**499**	543	532
Other	**2,514**	2,762	2,602
Total non-interest expenses	**18,832**	18,160	17,521
Income before provision for income taxes	**9,150**	8,015	6,523
Provision for income taxes	**3,822**	2,373	2,688
NET INCOME	**$ 5,328**	**$ 5,642**	**$ 3,835**
INCOME PER SHARE – BASIC	**$ 0.92**	**$ 0.98**	**$ 0.67**
INCOME PER SHARE – DILUTED	**$ 0.89**	**$ 0.95**	**$ 0.65**
Basic weighted average number of common shares outstanding	**5,785**	5,744	5,718
Diluted weighted average number of common shares outstanding	**6,001**	5,931	5,867

See accompanying notes.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
			(in thousands)		
BALANCES AT DECEMBER 31, 2003	5,707	$ 29,874	$ 4,472	$ (15)	$ 34,331
Exercise of stock options	23	146	-	-	146
Comprehensive income:					
Net income			3,835	-	3,835
Change in unrealized loss on securities available-for-sale, net				(57)	(57)
Comprehensive income					3,778
Cash dividends paid ($0.12 per share)			(686)		(686)
BALANCES AT DECEMBER 31, 2004	5,730	30,020	7,621	(72)	37,569
Exercise of stock options	21	119			119
Tax benefit from stock options		40			40
Comprehensive income:					
Net income			5,642		5,642
Change in unrealized loss on securities available-for-sale, net				(54)	(54)
Comprehensive income					5,588
Cash dividends paid ($0.19 per share)			(1,092)		(1,092)
Other		11			11
BALANCES AT DECEMBER 31, 2005	5,751	30,190	12,171	(126)	42,235
Exercise of stock options	**64**	**387**			**387**
Stock option expense		**163**			**163**
Tax benefit from stock options		**54**			**54**
Comprehensive income:					
Net income			**5,328**		**5,328**
Change in unrealized loss on securities available-for-sale, net				**(17)**	**(17)**
Comprehensive income					**5,311**
Cash dividends paid ($0.23 per share)			**(1,330)**		**(1,330)**
BALANCES AT DECEMBER 31, 2006	**5,815**	**$ 30,794**	**$ 16,169**	**$ (143)**	**$ 46,820**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2006	2005	2004
		(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 5,328	$ 5,642	$ 3,835
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	489	566	418
Depreciation and amortization	499	746	1,270
Deferred income taxes	(177)	(220)	(278)
Stock-based compensation	163	-	-
Net amortization of discounts and premiums for investment securities	(5)	12	19
Gains on:			
Sale of other real estate owned	19	49	(2)
Sale of loans held for sale	(1,499)	(1,610)	(3,981)
Loan originated for sale and principal collections, net	369	306	3,198
Changes in:			
Fair value of interest only strips, net of accretion	574	827	833
Servicing rights, net of amortization	877	413	(759)
Other assets	(2,193)	(862)	1,562
Other liabilities	1,881	(360)	1,059
Net cash provided by operating activities	6,325	5,509	7,174
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of held-to-maturity securities	(3,953)	(4,545)	(3,179)
Purchase of available-for-sale securities	(3,976)	(2,113)	(10,232)
Purchase of Federal Home Loan Bank stock	(1,319)	(1,712)	(1,200)
Federal Home Loan Bank stock dividend	(161)	(73)	-
Principal pay downs and maturities of available-for-sale securities	4,474	1,763	3,413
Principal pay downs and maturities of held-to-maturity securities	2,096	1,939	2,095
Loan originations and principal collections, net	(69,886)	(90,536)	(45,956)
Proceeds from sale of other real estate owned	104	194	529
Net (increase) decrease in time deposits in other financial institutions	(4)	115	145
Purchase of premises and equipment, net	(1,155)	(926)	(663)
Net cash used in investing activities	(73,780)	(95,894)	(55,048)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Exercise of stock options	387	119	146
Cash dividends paid on common stock	(1,330)	(1,092)	(686)
Net (decrease) increase in demand deposits and savings accounts	(23,633)	(30,986)	56,058
Net increase in time certificates of deposit	58,142	80,656	3,655
Proceeds from securities sold under agreements to repurchase	-	-	13,672
Repayments of securities sold under agreements to repurchase	-	(13,672)	(14,394)
Proceeds from Federal Home Loan Bank advances	41,500	56,500	14,000
Repayment of Federal Home Loan Bank advances	(10,000)	(3,500)	(3,500)
Repayments of bonds payable in connection with securitized loans	-	(14,113)	(12,928)
Net cash provided by financing activities	65,066	73,912	56,023
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,389)	(16,473)	8,149
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,732	30,205	22,056
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 11,343	$ 13,732	$ 30,205

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Community West Bancshares, a California Corporation ("Company or CWBC"), and its wholly-owned subsidiary, Community West Bank National Association ("CWB") are in accordance with accounting principles generally accepted in the United States ("GAAP") and general practices within the financial services industry. All material intercompany transactions and accounts have been eliminated. The following are descriptions of the most significant of those policies:

Nature of Operations – The Company's primary operations are related to commercial banking and financial services through CWB which include the acceptance of deposits and the lending and investing of money. The Company also engages in electronic banking services. The Company's customers consist of small to mid-sized businesses, including Small Business Administration borrowers, as well as individuals.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as well as disclosures of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period. Although management believes these estimates to be reasonably accurate, actual results may differ.

Certain amounts in the 2004 and 2005 financial statements have been reclassified to be comparable with classifications in 2006.

Business Segments – Reportable business segments are determined using the "management approach" and are intended to present reportable segments consistent with how the chief operating decision maker organizes segments within the company for making operating decisions and assessing performance. As of December 31, 2006 and 2005, the Company had only one reportable business segment.

Reserve Requirements – All depository institutions are required by law to maintain reserves on transaction accounts and non-personal time deposits in the form of cash balances at the Federal Reserve Bank ("FRB"). These reserve requirements can be offset by cash balances held at CWB. At December 31, 2006 and 2005, CWB's cash balance was sufficient to offset the FRB requirement.

Investment Securities – The Company currently holds securities classified as both available-for-sale ("AFS") and held-to-maturity ("HTM"). Securities classified as HTM are accounted for at amortized cost as the Company has the positive intent and ability to hold them to maturity. Securities not classified as HTM are considered AFS and are carried at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive income (loss), net of any applicable income taxes. Realized gains or losses on the sale of AFS securities, if any, are determined on a specific identification basis. Purchase premiums and discounts are recognized in interest income using the effective interest method over the terms of the related securities, or to earlier call dates, if appropriate. Declines in the fair value of AFS or HTM securities below their cost that are deemed to be other than temporary, if any, are reflected in earnings as realized losses. There is no recognition of unrealized gains or losses for HTM securities.

Interest Only Strips and Servicing Rights – The guaranteed portion of certain SBA loans can be sold into the secondary market. Servicing rights are recognized as separate assets when loans are sold with servicing retained. Servicing rights are amortized in proportion to, and over the period of, estimated future net servicing income. The Company uses industry prepayment statistics and its own prepayment experience in estimating the expected life of the loans. Management periodically evaluates servicing rights for impairment. Servicing rights are evaluated for impairment based upon the fair value of the rights as compared to amortized cost on a loan-by-loan basis. Fair value is determined using discounted future cash flows calculated on a loan-by-loan basis and aggregated to the total asset level. The initial servicing rights and resulting gain on sale are calculated based on the difference between the best actual par and premium bids on an individual loan basis. Additionally, on certain SBA loan sales that occurred prior to 2003, the Company retained interest only strips ("I/O strips"), which represent the present value of excess net cash flows generated by the difference between (a) interest at the stated rate paid by borrowers and (b) the sum of (i) pass-through interest paid to third-party investors and (ii) contractual servicing fees. The Company has not created any new I/O strips since 2002.

The I/O strips are classified as trading securities. Accordingly, the Company records the I/O strips at fair value with the resulting increase or decrease in fair value being recorded through operations in the current period. Quarterly, the Company verifies the reasonableness of its valuation estimates by comparison to the results of an independent third party valuation analysis.

Loans Held for Sale – Loans which are originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value determined on an aggregate basis. Valuation adjustments, if any, are recognized through a valuation allowance by charges to lower of cost or market provision. Loans held for sale are primarily comprised of SBA loans and residential first and second mortgage loans. The Company did not incur a lower of cost or market valuation provision in the years ended December 31, 2006, 2005 and 2004.

Loans Held for Investment – Loans are recognized at the principal amount outstanding, net of unearned income, loan participations and amounts charged off. Unearned income includes deferred loan origination fees reduced by loan origination costs. Unearned income on loans is amortized to interest income over the life of the related loan using the level yield method.

Interest Income on Loans – Interest on loans is accrued daily on a simple-interest basis. The accrual of interest is discontinued when substantial doubt exists as to collectibility of the loan, generally at the time the loan is 90 days delinquent, unless the credit is well secured and in process of collection. Any unpaid but accrued interest is reversed at that time. Thereafter, interest income is no longer recognized on the loan. Interest on non-accrual loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all of the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Impaired loans are identified as impaired when it is probable that interest and principal will not be collected according to the contractual terms of the loan agreement. All of the Company's nonaccrual loans were also classified as impaired at December 31, 2006 and 2005.

Securitized Loans and Bond Deferred Costs – Purchased loan premiums, deferred debt issuance costs and bond discount related to the loan and bonds are amortized on a method that approximates the level yield method over the estimated life of the loans and bonds, respectively.

Provision and Allowance for Loan Losses – The Company maintains a detailed, systematic analysis and procedural discipline to determine the amount of the allowance for loan losses ("ALL"). The ALL is based on estimates and is intended to be adequate to provide for probable losses inherent in the loan portfolio. This process involves deriving probable loss estimates that are based on individual loan loss estimation, migration analysis/historical loss rates and management's judgment.

The Company employs several methodologies for estimating probable losses. Methodologies are determined based on a number of factors, including type of asset, risk rating, concentrations, collateral value and the input of the Special Assets group, functioning as a workout unit.

The ALL calculation for the different major loan types is as follows:

- SBA – All loans are reviewed and classified loans are assigned a specific allowance. Those not classified are assigned a pass rating. A migration analysis and various portfolio specific factors are used to calculate the required allowance on those pass loans.
- Relationship Banking – Includes commercial, commercial real estate and consumer loans. Classified loans are assigned a specific allowance. A migration analysis and various portfolio specific factors are used to calculate the required allowance on the remaining pass loans.
- Manufactured Housing – An allowance is calculated on the basis of risk rating, which is a combination of delinquency, value of collateral on classified loans and perceived risk in the product line.
- Securitized Loans – The Company considers this a homogeneous portfolio and calculates the allowance based on statistical information provided by the servicer. Charge-off history is calculated based on two methodologies; a 12-month historical trend analysis and by delinquency information. The highest requirement of the two methods is used.

The Company calculates the required ALL on a monthly basis. Any difference between estimated and actual observed losses from the prior month are reflected in the current period required ALL calculation and adjusted as deemed necessary. The review of the adequacy of the allowance takes into consideration such factors as concentrations of credit, changes in the growth, size and composition of the loan portfolio, overall and individual portfolio quality, review of specific problem loans, collateral, guarantees and economic conditions that may affect the borrowers' ability to pay and/or the value of the underlying collateral. Additional factors considered include: geographic location of borrowers, changes in the Company's product-specific credit policy and lending staff experience. These estimates depend on the outcome of future events and, therefore, contain inherent uncertainties.

The Company's ALL is maintained at a level believed adequate by management to absorb known and inherent probable losses on existing loans. A provision for loan losses is charged to expense. The allowance is charged for losses when management believes that full recovery on the loan is unlikely. Generally, the Company charges off any loan classified as a "loss"; portions of loans which are deemed to be uncollectible; overdrafts which have been outstanding for more than 30 days; and, all other unsecured loans past due 120 or more days. Subsequent recoveries, if any, are credited to the ALL.

Other Real Estate Owned – Other real estate owned ("OREO") is real estate acquired through foreclosure on the collateral property and is recorded at fair value at the time of foreclosure less estimated costs to sell. Any excess of loan balance over the fair value of the OREO is charged-off against the allowance for loan losses. Subsequent to foreclosure, management periodically performs a new valuation and the asset is carried at the lower of carrying amount or fair value. Operating expenses or income, and gains or losses on disposition of such properties, are recorded in current operations.

Premises and Equipment – Premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the terms of the leases or the estimated useful lives of the improvements, whichever is shorter. Generally, the estimated useful lives of other items of premises and equipment are as follows:

Building and improvements	31.5 years
Furniture and equipment	5 – 10 years
Electronic equipment and software	3 – 5 years

Income Taxes – The Company uses the accrual method of accounting for financial reporting purposes as well as for tax reporting. Due to tax regulations, certain items of income and expense are recognized in different periods for tax return purposes than for financial statement reporting. These items represent "temporary differences." Deferred income taxes are recognized for the tax effect of temporary differences between the tax basis of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance is established for deferred tax assets if, based on weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets may not be realized.

Income Per Share – Basic income per share is computed based on the weighted average number of shares outstanding during each year divided into net income. Diluted income per share is computed based on the weighted average number of shares outstanding during each year plus the dilutive effect, if any, of outstanding options divided into net income.

Statement of Cash Flows – For purposes of reporting cash flows, cash and cash equivalents include cash, due from banks, interest-earning deposits in other financial institutions and federal funds sold. Federal funds sold are one-day transactions with CWB's funds being returned the following business day.

Stock-Based Compensation – On January 1, 2006, the Company changed its accounting policy related to stock-based compensation in connection with the adoption of Statement of Financial Accounting Standards (SFAS) No. 123, "Share-Based Payment (Revised 2004) ("SFAS No. 123(R)"). See Note 8 – Stock-Based Compensation for additional information.

Recent Accounting Pronouncements – In March 2006, the Financial Accounting Standards Board (FASB) issued Statement No. 156, "Accounting for Servicing of Financial Assets, an amendment of Statement No. 140" ("SFAS No. 156"). SFAS No. 156 amends SFAS No. 140 with respect to the accounting for separately recognized servicing assets and liabilities. SFAS No. 156 primarily requires companies to initially record separately recognized servicing rights at fair value, allows companies to choose between two measurement methods and provides additional disclosure requirements. SFAS No. 156 will be effective as of January 1, 2007 and the Company is currently assessing the impact that SFAS No. 156 may have on its financial statements.

In June 2006, FASB issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes." This interpretation applies to all tax positions accounted for in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 clarifies the application of SFAS No. 109 by defining the criteria that an individual tax position must meet for the position to be recognized within the financial statements and provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition for tax positions. The Company must adopt the interpretation by January 1, 2007. Management does not expect the adoption of this new interpretation will have a material impact on the Company's financial position, results of operations or cash flows.

In September 2006, FASB issued Statement No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 will be effective for fiscal years ending after November 15, 2007. The Company has not started to assess the impact of SFAS No. 157.

In October 2006, FASB issued Statement No. 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of Statements No. 87, 88, 106, and 132(R)" ("SFAS No. 158"). SFAS No. 158 amends SFAS Nos. 87, 88 and 123(R) with respect to the accounting for defined benefit pension and other postretirement plans. SFAS No. 158 primarily requires companies to (a) recognize in its statement of financial position an asset for the defined benefit postretirement plan's overfunded status or a liability for a plan's underfunded status, (b) measure a defined benefit postretirement plan's assets and obligations that determine its funded status as of the end of the employer's fiscal year, and, (c) recognize changes in the funded status of a defined benefit postretirement plan in comprehensive income in the year in which the changes occur. The disclosure requirements of SFAS No. 158 will be effective for fiscal years ending after December 15, 2006. The requirement to measure plan assets and benefit obligations will be effective for fiscal years ending after December 15, 2008. The adoption of SFAS No. 158 is not anticipated to have a material impact on the Company's financial position or results of operations.

2. INVESTMENT SECURITIES

The amortized cost and estimated fair value of investment securities is as follows:

December 31, 2006	(in thousands)			
Available-for-sale securities	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. Government and agency	$ 13,320	$ -	$ (136)	$ 13,184
Other securities (1)	9,020	-	(107)	8,913
TOTAL AVAILABLE-FOR-SALE SECURITIES	**$ 22,340**	**$ -**	**$ (243)**	**$ 22,097**
Held-to-maturity securities				
U.S. Government and agency	$ 200	$ -	$ (4)	$ 196
Other securities (1)	10,335	-	(94)	10,241
TOTAL HELD-TO-MATURITY SECURITIES	**$ 10,535**	**$ -**	**$ (98)**	**$ 10,437**

December 31, 2005	(in thousands)			
Available-for-sale securities	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. Government and agency	$ 15,320	$ -	$ (172)	$ 15,148
Other securities (1)	7,513	-	(42)	7,471
TOTAL AVAILABLE-FOR-SALE SECURITIES	**$ 22,833**	**$ -**	**$ (214)**	**$ 22,619**
Held-to-maturity securities				
U.S. Government and agency	$ 200	$ -	$ (4)	$ 196
Other securities (1)	8,477	-	(54)	8,423
TOTAL HELD-TO-MATURITY SECURITIES	**$ 8,677**	**$ -**	**$ (58)**	**$ 8,619**

(1) Consists of pass-through mortgage backed securities and collateralized mortgage obligations.

At December 31, 2006, $200,000 at carrying value of the above securities was pledged as collateral to the United States Treasury for CWB's treasury, tax and loan account and $32,432,000 at carrying value was pledged to the Federal Home Loan Bank, San Francisco, as collateral for current and future advances.

The maturity periods and weighted average yields of investment securities at December 31, 2006 are as follows:

	Total Amount		Less than One Year		One to Five Years		Five to Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(dollars in thousands)							
Available-for-sale securities								
U. S. Government and agency	$ 13,184	4.2%	$ 1,987	4.50%	$ 11,197	4.1%	$ -	-
Other (1)	8,913	4.4%	-	-	8,913	4.4%	-	-
TOTAL AFS	$ 22,097	4.3%	$ 1,987	4.50%	$ 20,110	4.2%	$ -	-
Held-to-maturity securities								
U.S. Government and agency	$ 200	3.6%	$ 200	3.6%	$ -	-	$ -	-
Other (1)	10,335	4.7%	-	-	6,062	4.3%	4,273	5.4%
TOTAL HTM	$ 10,535	4.7%	$ 200	3.6%	$ 6,062	4.3%	$ 4,273	5.4%

The following tables show all securities that are in an unrealized loss position and temporarily impaired as of:

December 31, 2006	Less than 12 months		More than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(in thousands)			
Available-for-sale securities						
U.S. Government and agency	$ -	$ -	$ 13,184	$ 136	$ 13,184	$ 136
Other securities	1,203	15	4,493	102	5,696	117
TOTAL AVAILABLE-FOR-SALE SECURITIES	**$ 1,203**	**$ 15**	**$ 17,677**	**$ 238**	**$ 18,880**	**$ 253**
Held-to-maturity securities						
U.S. Government and agency	$ -	$ -	$ 196	$ 4	$ 196	$ 4
Other securities	2,602	25	5,357	88	7,959	113
TOTAL HELD-TO-MATURITY SECURITIES	**$ 2,602**	**$ 25**	**$ 5,553**	**$ 92**	**$ 8,155**	**$ 117**

December 31, 2005	Less than 12 months		More than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(in thousands)			
Available-for-sale securities						
U.S. Government and agency	$ -	$ -	$ 15,148	$ 172	$ 15,148	$ 172
Other securities	3,078	21	2,865	27	5,943	48
TOTAL AVAILABLE-FOR-SALE SECURITIES	**$ 3,078**	**$ 21**	**$ 18,013**	**$ 199**	**$ 21,091**	**$ 220**
Held-to-maturity securities						
U.S. Government and agency	$ -	$ -	$ 196	$ 4	$ 196	$ 4
Other securities	8,210	57	-	-	8,210	57
TOTAL HELD-TO-MATURITY SECURITIES	**$ 8,210**	**$ 57**	**$ 196**	**$ 4**	**$ 8,406**	**$ 61**

Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers, among other things, (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, and (iii) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Management has the ability and intent to hold the securities classified as held-to-maturity until they mature, at which time the Company will receive full value for the securities. Furthermore, as of December 31, 2006 and 2005, also had the ability and intent to hold the securities classified as available-for-sale for a period of time sufficient for a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of December 31, 2006 and 2005, management believes the impairments detailed in the table above are temporary and no other-than-temporary impairment loss has been realized in the Company's consolidated statements of income.

3. LOAN SALES AND SERVICING

SBA Loan Sales

The Company occasionally sells the guaranteed portion of selected SBA loans into the secondary market, on a servicing-retained basis. The Company retains the unguaranteed portion of these loans and services the loans as required under the SBA programs to retain specified yield amounts. The SBA program stipulates that the Company retains a minimum of 5% of the loan balance, which is unguaranteed. The percentage of each unguaranteed loan in excess of 5% may be periodically sold to a third party, typically for a cash premium. The Company records servicing liabilities for the unguaranteed loans sold calculated based on the present value of the estimated future servicing costs associated with each loan. The balance of all servicing rights and obligations is subsequently amortized over the estimated life of the loans using an estimated prepayment rate of 25-30%. Quarterly, the servicing and I/O strips are analyzed for impairment.

The Company also periodically sells certain SBA loans into the secondary market, on a servicing-released basis, typically for a cash premium.

As of December 31, 2006 and December 31, 2005, the Company had approximately $73.6 million and $58.1 million, respectively, in SBA loans held for sale.

The following is a summary of activity in I/O Strips:

	Year Ended December 31,		
	2006	2005	2004
		(in thousands)	
Balance, beginning of year	$ 1,888	$ 2,715	$ 3,548
Valuation adjustment, net	(574)	(827)	(833)
BALANCE, END OF YEAR	**$ 1,314**	**$ 1,888**	**$ 2,715**

The following is a summary of activity in Servicing Rights:

	Year Ended December 31,		
	2006	2005	2004
		(in thousands)	
Balance, beginning of year	$ 2,845	$ 3,258	$ 2,499
Additions through loan sales	158	524	1,259
Amortization	(1,035)	(937)	(500)
BALANCE, END OF YEAR	**$ 1,968**	**$ 2,845**	**$ 3,258**

Mortgage Loan Sales – From time to time, the Company enters into mortgage loan rate lock commitments (normally for 30 days) with potential borrowers. In conjunction therewith, the Company enters into a forward sale commitment to sell the locked loan to a third party investor. This forward sale agreement requires delivery of the loan on a "best efforts" basis but does not obligate the Company to deliver if the mortgage loan does not fund.

The mortgage rate lock agreement and the forward sale agreement qualify as derivatives under SFAS No. 133, as amended. The value of these derivatives is generally equal to the fee, if any, charged to the borrower at inception but may fluctuate in the event of changes in interest rates. These derivative financial instruments are recorded at fair value if material. Although the Company does not attempt to qualify these transactions for the special hedge accounting afforded by SFAS No. 133, management believes that changes in the fair value of the two commitments generally offset and create an economic hedge. At December 31, 2006 and December 31, 2005, the Company had $4.7 million and $8.1 million, respectively, in outstanding mortgage loan rate lock and forward sale commitments, the impact of which was not material to the Company's financial position or results of operations.

4. LOANS HELD FOR INVESTMENT

The composition of the Company's loans held for investment portfolio is as follows:

	December 31,	
	2006	2005
	(in thousands)	
Commercial	$ 53,725	$ 44,957
Real estate	135,902	116,938
SBA	29,712	37,088
Manufactured housing	142,804	101,336
Securitized	9,950	14,590
Other installment	8,301	11,355
	380,394	326,264
Less:		
Allowance for loan losses	3,926	3,954
Deferred fees, net of costs	17	137
Purchased premiums	(128)	(224)
Discount on unguaranteed portion of SBA loans	802	1,386
LOANS HELD FOR INVESTMENT, NET	**$ 375,777**	**$ 321,011**

An analysis of the allowance for credit losses on loans held for investment is as follows:

	Year Ended December 31,		
	2006	2005	2004
		(in thousands)	
Balance, beginning of year	$ 3,954	$ 3,894	$ 4,676
Loans charged off	(800)	(1,068)	(1,815)
Recoveries on loans previously charged off	283	562	615
Net charge-offs	(517)	(506)	(1,200)
Provision for loan losses	489	566	418
BALANCE, END OF YEAR	**$ 3,926**	**$ 3,954**	**$ 3,894**

As of December 31, 2006, the Company also had a $117,000 reserve for credit losses on undisbursed loans.

The recorded investment in loans that are considered to be impaired is as follows:

	Year Ended December 31,		
	2006	2005	2004
		(in thousands)	
Impaired loans without specific valuation allowances	$ 63	$ 77	$ 49
Impaired loans with specific valuation allowances	5,145	3,406	3,926
Specific valuation allowance related to impaired loans	(641)	(473)	(425)
IMPAIRED LOANS, NET	**$ 4,567**	**$ 3,010**	**$ 3,550**
Average investment in impaired loans	$ 4,074	$ 3,716	$ 5,137

The following schedule reflects recorded investment at the dates indicated in certain types of loans:

	Year Ended December 31,		
	2006	2005	2004
		(in thousands)	
Nonaccrual loans	$ 7,417	$ 6,797	$ 8,350
SBA guaranteed portion of loans included above	(4,256)	(4,332)	(5,287)
NONACCRUAL LOANS, NET	**$ 3,161**	**$ 2,465**	**$ 3,063**
Troubled debt restructured loans	$ 68	$ 75	$ 124
Loans 30 through 90 days past due with interest accruing	$ 2,463	$ 1,792	$ 1,804
Interest income recognized on impaired loans	$ 242	$ 141	$ 103
Interest foregone on nonaccrual loans and troubled debt restructured loans outstanding	488	253	208
GROSS INTEREST INCOME ON IMPAIRED LOANS	**$ 730**	**$ 394**	**$ 311**

The Company makes loans to borrowers in a number of different industries. Other than Manufactured Housing, no single concentration comprises 10% or more of the Company's loan portfolio. Commercial, commercial real estate, construction and SBA loans comprised over 10% of the Company's loan portfolio as of December 31, 2006 and 2005, but consisted of diverse borrowers.

5. PREMISES AND EQUIPMENT

	December 31, 2006	December 31, 2005
	(in thousands)	
Furniture, fixtures and equipment	$ 7,864	$ 7,045
Building and land	993	927
Leasehold improvements	1,424	1,219
Construction in progress	51	8
	10,332	9,199
Less: accumulated depreciation and amortization	(7,530)	(7,053)
PREMISES AND EQUIPMENT, NET	$ 2,802	$ 2,146

The Company leases office facilities under various operating lease agreements with terms that expire at various dates between January 2006 and December 2011, plus options to extend certain lease terms for periods of up to ten years.

The minimum lease commitments as of December 31, 2006 under all operating lease agreements are as follows:

(in thousands)

2007	2008	2009	2010	2011	Thereafter	TOTAL
$ 1,004	804	788	767	684	125	$ 4,172

Rent expense for the years ended December 31, 2006, 2005 and 2004, included in occupancy expense was $928,000, $820,000 and $724,000, respectively.

6. DEPOSITS

At December 31, 2006, the maturities of time certificates of deposits are as follows:

(in thousands)

2007	2008	2009	2010	2011	TOTAL
$ 207,223	47,239	13,022	1,725	2,008	$ 271,217

7. BORROWINGS

Federal Home Loan Bank Advances

The Company has a blanket lien credit line with the Federal Home Loan Bank ("FHLB"). Advances are collateralized in the aggregate by CWB's eligible mortgage loans and securities of the U.S Government and its agencies. The outstanding advances at December 31, 2006 include $44.5 million borrowed at variable rates which adjust to the current LIBOR rate either monthly or quarterly. At December 31, 2006, CWB had pledged to FHLB, securities of $32.4 million at carrying value and loans of $160.2 million, and had $19 million available for additional borrowing. At December 31, 2005, the CWB had $62.8 million of loans and $31.1 million of securities pledged as collateral and outstanding advances of $63.5 million.

Information related to advances from FHLB:

	December 31, 2006				
		Fixed		Variable	
	Total	Amount	Interest Rates	Amount	Interest Rates
	(dollars in thousands)				
Due within one year	$ 34,000	$ 3,000	3.28%	$ 31,000	5.30%–5.32%
After one year but within three years	53,000	39,500	4.02%–5.32%	13,500	5.30%–5.34%
After three years but within five years	8,000	8,000	4.28%–4.85%	-	-
TOTAL ADVANCES FROM FHLB	$ 95,000	$ 50,500		$ 44,500	

	December 31, 2005				
		Fixed		Variable	
	Total	Amount	Interest Rates	Amount	Interest Rates
			(dollars in thousands)		
Due within one year	$ 4,000	$ 4,000	2.59%–2.88%	$ -	-%
After one year but within three years	51,500	13,000	3.28%–4.68%	38,500	3.70%–4.44%
After three years but within five years	8,000	8,000	4.28%–4.85%	-	
TOTAL ADVANCES FROM FHLB	**$ 63,500**	**$ 25,000**		**$ 38,500**	

Financial information pertaining to advances from FHLB:

	2006	2005
	(dollars in thousands)	
Weighted average interest rate, end of the year	**4.98%**	4.14%
Weighted average interest rate during the year	**4.80%**	3.48%
Average balance of advances from FHLB	**$ 74,603**	$ 42,081
Maximum amount outstanding at any month end	**95,000**	63,500

The total interest expense on advances from FHLB was $3,579,000 for 2006 and $1,464,000 for 2005.

Federal Funds Purchased

The Company maintains three federal funds purchased lines with a total borrowing capacity of $18.5 million. There was no amount outstanding as of December 31, 2006 and 2005.

8. STOCK-BASED COMPENSATION

Prior to January 1, 2006, employee compensation expense under stock option plans was reported only if options were granted below market price at grant date in accordance with the intrinsic value method of accounting. Because the exercise price of the Company's employee stock options always equaled the market price of the underlying stock on the date of grant, no compensation expense was recognized on options granted. As stated in Note 1 – Significant Accounting Policies, the Company adopted the provisions of SFAS No. 123R ("123R") on January 1, 2006. 123R eliminated the ability to account for stock-based compensation using the intrinsic value method and requires that such transactions be recognized as compensation cost in the income statement based on their fair values on the measurement date, which is generally the date of the grant. The Company transitioned to the fair-value based accounting for stock-based compensation using a modified version of prospective application (MPA). Under MPA, as it is applicable to the Company, 123R applies to new awards modified, repurchased or cancelled after January 1, 2006. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered (generally referring to non-vested awards) that were outstanding as of January 1, 2006 is recognized as the remaining requisite service is rendered during the period of and/or the periods after the adoption of 123R. The attribution of compensation cost for those earlier awards is based on the same method and on the same grant-date fair values previously determined for the pro forma disclosures required for companies that did not previously adopt the fair value accounting method for stock-based employee compensation.

The fair value of the Company's employee stock options granted is estimated at the date of grant using the Black-Scholes option-pricing model. This model requires the input of highly subjective assumptions, changes to which can materially affect the fair value estimate. One such assumption, expected volatility, can have a significant impact on stock option valuation. In developing this assumption, the Company relied on historical volatility using both company specific and industry information. Additionally, there may be other factors that would otherwise have a significant effect on the value of employee stock options granted but are not considered by the model. Accordingly, management believes that the Black-Scholes option-pricing model provides a reasonable estimate of fair value.

As a result of applying the provisions of 123R for the year ended December 31, 2006, the Company recognized stock-based compensation expense of $163,000.

For the year ended December 31, 2006, 30,500 stock options were granted at a weighted-average fair value of $5.53 per share. Stock-based compensation, net of forfeitures, is recognized ratably over the requisite service period for all awards. As of December 31, 2006, estimated future stock-based compensation expense related to unvested stock options totaled $435,000. The weighted-average period over which this unrecognized expense is expected to be recognized is 1.67 years.

The following pro forma information presents the net income and earnings per share for the years ended December 31, 2005 and 2004 as if the fair value method of 123R had been used to measure compensation cost for stock-based compensation plans. For purposes of these pro forma disclosures, the estimated fair value of stock options and non-vested stock awards is amortized to expense over the related vesting periods.

	Year Ended December 31,	
	2005	2004
	(dollars in thousands, except per share amounts)	
Income:		
As reported	$ **5,642**	$ 3,835
Pro forma	**5,537**	3,664
Income per share - basic		
As reported	**.98**	.67
Pro forma	**.96**	.64
Income per share - diluted		
As reported	**.95**	.65
Pro forma	**.93**	.62

The fair value of each stock option grant under the Company's stock option plan during 2006, 2005 and 2004 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Year Ended December 31,		
	2006	2005	2004
Annual dividend yield	**1.6%**	1.6%	1.7%
Expected volatility	**31.7%**	33.8%	35.7%
Risk free interest rate	**4.7%**	4.2%	4.2%
Expected life (in years)	**6.8**	6.8	6.8

9. STOCKHOLDERS' EQUITY

Common Stock

Earnings per share-Calculation of Weighted Average Shares Outstanding

	Year Ended December 31,		
	2006	2005	2004
		(in thousands)	
Basic weighted average shares outstanding	**5,785**	5,744	5,718
Dilutive effect of stock options	**216**	187	149
Diluted weighted average shares outstanding	**6,001**	5,931	5,867

Stock Option Plans

As of December 31, 2006, the Company had two stock options plans, the Community West Bancshares 1997 Stock Option Plan and the Community West Bancshares 2006 Stock Option Plan. The 1997 plan expired on January 23, 2007. As of December 31, 2006, 833,851 options were available for future grant. Of the total options available for future grant, 349,351 are associated with the 1997 plan and 484,500 with the 2006 plan. As of December 31, 2006, options were outstanding at prices ranging from $3.63 to $15.99 per share with 315,787 options fully vested. As of December 31, 2005, options were outstanding at prices ranging from $3.63 to $14.25 per share with 317,062 options vested and 351,151 options available for future grant. The average life of the outstanding options was approximately 6.8 years as of December 31, 2006.

Stock option activity is as follows:

	Year Ended December 31,					
	2006 Option Shares	2006 Weighted Average Exercise Price	2005 Option Shares	2005 Weighted Average Exercise Price	2004 Option Shares	2004 Weighted Average Exercise Price
			(in thousands, except per share data)			
Total options as of January 1,	**543**	**$ 7.27**	**547**	$ 6.75	467	$ 6.02
Granted	**30**	**15.58**	**38**	13.30	151	9.10
Canceled	**(13)**	**9.41**	**(21)**	6.64	(48)	7.22
Exercised	**(63)**	**6.11**	**(21)**	5.55	(23)	6.31
Total options at December 31,	**497**	**$ 7.86**	**543**	$ 7.27	547	$ 6.75
Total vested options as of December 31,	**316**	**$ 6.90**	**317**	$ 6.61	278	$ 6.37

Additional information of stock option activity is presented in the following table:

	Year Ended December 31,		
	2006	2005	2004
	(in thousands, except per share data)		
Intrinsic value of options exercised	$ 559	$ 153	$ 73
Cash received from the exercise of options	387	119	146
Weighted-average grant-date fair value of options	5.53	4.60	3.50

A summary of the change in unvested stock option shares during the year is as follows:

Unvested Stock Option Shares	Number of Option Shares	Weighted-Average Grant-Date Fair Value
	(in thousands, except per share data)	
Unvested stock options at January 1, 2006	226	$ 3.20
Granted	30	5.53
Vested	(66)	3.01
Forfeited	(9)	4.26
TOTAL UNVESTED STOCK OPTIONS AT DECEMBER 31, 2006	**181**	**$ 3.61**

10. INCOME TAXES

The provision (benefit) for income taxes consists of the following:

	Year Ended December 31,		
	2006	2005	2004
Current:		(in thousands)	
Federal	$ 3,021	$ 1,815	$ 2,423
State	978	778	543
	3,999	2,593	2,966
Deferred:			
Federal	(214)	(308)	(441)
State	37	88	163
	(177)	(220)	(278)
TOTAL PROVISION FOR INCOME TAXES	**$ 3,822**	**$ 2,373**	**$ 2,688**

The federal income tax provision differs from the applicable statutory rate as follows:

	Year Ended December 31,		
	2006	2005	2004
Federal income tax at statutory rate	34.0%	34.0%	34.0%
State franchise tax, net of federal benefit	7.2%	7.2%	7.2%
Other	0.6%	(0.2)%	2.0%
Reserve change	-	(11.4)%	(2.0)%
	41.8%	**29.6%**	**41.2%**

Significant components of the Company's net deferred taxes as of December 31 are as follows:

	2006	2005
Deferred tax assets:	(in thousands)	
Depreciation	$ 363	$ 370
Other	660	830
	1,023	1,200
Deferred tax liabilities:		
Deferred loan fees	(635)	(952)
Allowance for loan losses	(651)	(734)
Deferred loan costs	(53)	(92)
Other	(288)	(203)
	(1,627)	(1,981)
NET DEFERRED TAXES	**$ (604)**	**$ (781)**

The effective income tax rate for 2005 is less than the effective income tax rate in other periods presented due to a tax benefit of $914,000, or $.16 per share (basic), related to the resolution of tax issues.

11. SUPPLEMENTAL DISCLOSURE TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

Listed below are the supplemental disclosures to the Consolidated Statement of Cash Flows:

	Year Ended December 31,		
	2006	2005	2004
		(in thousands)	
Supplemental Disclosure of Cash Flow Information:			
Cash paid for interest	$ 15,485	$ 9,373	$ 6,600
Cash paid for income taxes	4,260	3,512	2,497
Supplemental Disclosure of Noncash Investing Activity:			
Transfers to other real estate owned	472	263	89
Transfers from loans held for sale to loans held for investment	-	-	-

12. EMPLOYEE BENEFIT PLAN

The Company has established a 401(k) plan for the benefit of its employees. Employees are eligible to participate in the plan after three months of consecutive service. Employees may make contributions to the plan and the Company may make discretionary profit sharing contributions, subject to certain limitations. The Company's contributions were determined by the Board of Directors and amounted to $169,000, $147,000 and $137,000, in 2006, 2005 and 2004, respectively.

13. FAIR VALUES OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The following table represents the estimated fair values:

	December 31,			
	2006		2005	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
ASSETS:		(in thousands)		
Cash and cash equivalents	$ 11,343	$ 11,343	$ 13,732	$ 13,732
Time deposits in other financial institutions	536	536	532	532
Federal Reserve and Federal Home Loan Bank stock	5,277	5,277	3,797	3,797
Investment securities	32,632	32,534	31,296	31,238
Interest-only strips	1,314	1,314	1,888	1,962
Net loans	451,572	451,265	381,517	384,704
Servicing rights	1,968	1,968	2,845	2,853
LIABILITIES:				
Deposits (other than time deposits)	97,530	97,530	121,163	121,163
Time deposits	271,217	270,571	213,075	212,025
Federal Home Loan Bank advances	95,000	94,748	63,500	63,264

The methods and assumptions used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value are explained below:

Cash and cash equivalents - The carrying amounts approximate fair value because of the short-term nature of these instruments.

Time deposits in other financial institutions - The carrying amounts approximate fair value because of the relative short-term nature of these instruments.

Federal Reserve Stock - The carrying value approximates the fair value because the stock can be sold back to the Federal Reserve at any time.

Federal Home Loan Bank Stock - The carrying value approximates the fair value because the stock can be sold back to the Federal Home Loan Bank at any time.

Investment securities - The fair value is based on quoted market prices from security brokers or dealers.

Interest Only Strips - Fair value is determined using discounted future cash flows calculated on a loan-by-loan basis, using market discount and prepayment rates and aggregated to the total asset level.

Loans – For most loan categories, the fair value is estimated using discounted cash flows utilizing a discount rate approximating that which the Company is currently offering for each type of loan and taking into consideration historical prepayment speeds. Certain adjustable loans that reprice on a frequent basis are valued at book value.

Servicing rights – Fair value is determined using discounted future cash flows calculated on a loan-by-loan basis, using market discount and prepayment rates and aggregated to the total asset level.

Deposits – The amount payable at demand at report date is used to estimate the fair value of demand and savings deposits. The estimated fair values of fixed-rate time deposits are determined by discounting the cash flows of segments of deposits that have similar maturities and rates, utilizing a discount rate that approximates the prevailing rates offered to depositors as of the measurement date.

FHLB Advances – The fair value is estimated using discounted cash flow analysis based on rates for similar types of borrowing arrangements.

Bonds Payable – The fair value is estimated using discounted cash flow analysis based on rates for similar types of borrowing arrangements.

Commitments to Extend Credit, Commercial and Standby Letters of Credit – Due to the proximity of the pricing of these commitments to the period end, the fair values of commitments are immaterial to the financial statements.

The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2006 and 2005. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since those dates and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

14. REGULATORY MATTERS

The Company (on a consolidated basis) and CWB are subject to various regulatory capital requirements administered by the Federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Company's and CWB's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and CWB must meet specific capital guidelines that involve quantitative measures of the Company's and CWB's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's and CWB's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

The Federal Deposit Insurance Corporation Improvement Act ("FDICIA") contains rules as to the legal and regulatory environment for insured depository institutions, including reductions in insurance coverage for certain kinds of deposits, increased supervision by the federal regulatory agencies, increased reporting requirements for insured institutions and new regulations concerning internal controls, accounting and operations. The prompt corrective action regulations of FDICIA define specific capital categories based on the institutions' capital ratios. The capital categories, in declining order, are "well capitalized", "adequately capitalized", "undercapitalized", "significantly undercapitalized" and "critically undercapitalized". To be considered "well capitalized", an institution must have a core capital ratio of at least 5% and a total risk-based capital ratio of at least 10%. Additionally, FDICIA imposes Tier I risk-based capital ratio of at least 6% to be considered "well capitalized". Tier I risk-based capital is, primarily, common stock and retained earnings, net of goodwill and other intangible assets.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined).

The Company's and CWB's actual capital amounts and ratios as of December 31, 2006 and 2005 are also presented in the table below:

	Total Capital	Tier 1 Capital	Risk-Weighted Assets	Adjusted Average Assets	Total Capital Ratio	Tier 1 Capital Ratio	Tier 1 Leverage Ratio
December 31, 2006			(dollars in thousands)				
CWBC (Consolidated)	**$ 50,692**	**$ 46,766**	**$ 442,571**	**$ 507,718**	**11.45%**	**10.57%**	**9.21%**
CWB	**46,842**	**42,916**	**442,624**	**503,800**	**10.58%**	**9.70%**	**8.52%**
December 31, 2005							
CWBC (Consolidated)	$ 46,031	$ 42,077	$ 375,487	$ 429,378	12.26%	11.21%	9.80%
CWB	42,501	38,577	375,474	425,768	11.32%	10.27%	9.06%
Well capitalized ratios					10.00	6.00	5.00
Minimum capital ratios					8.00	4.00	4.00

As of December 31, 2006 and 2005, management believed that CWB met all applicable capital adequacy requirements and is correctly categorized as "well capitalized" under the regulatory framework for prompt corrective action.

15. COMMITMENTS AND CONTINGENCIES

Commitments

In the normal course of business, the Company is a party to financial instruments with off-balance-sheet risk to meet the financing needs of its customers. 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 sheet. The Company's exposure to credit loss in the event of nonperformance by the other party to commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. As of December 31, 2006 and 2005, the Company had commitments to extend credit of approximately $59.3 million and $55.9 million, respectively, including obligations to extend standby letters of credit of approximately $847,000 and $1.5 million, respectively.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Standby letters of credit are 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. All guarantees are short-term and expire within one year.

The Company uses the same credit policies in making commitments and conditional obligations as it does for extending loan facilities to customers. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment and income-producing commercial properties.

Loans Sold

The Company has sold loans that are guaranteed or insured by government agencies for which the Company retains all servicing rights and responsibilities. The Company is required to perform certain monitoring functions in connection with these loans to preserve the guarantee by the government agency and prevent loss to the Company in the event of nonperformance by the borrower. Management believes that the Company is in compliance with these requirements. The outstanding balance of the sold portion of such loans was approximately $112.8 million and $148.2 million at December 31, 2006 and 2005, respectively.

The Company retains a certain level of risk relating to the servicing activities and retained interest in sold SBA loans. In addition, during the period of time that the loans are held for sale, the Company is subject to various business risks associated with the lending business, including borrower default, foreclosure and the risk that a rapid increase in interest rates would result in a decline of the value of loans held for sale to potential purchasers. In connection with its loan sales, the Company enters agreements which generally require the Company to repurchase or substitute loans in the event of a breach of a representation or warranty made by the Company to the loan purchaser, any misrepresentation during the mortgage loan origination process or, in some cases, upon any fraud or early default on such mortgage loans.

Executive Salary Continuation

The Company has an agreement with a former officer/director, which provides for a monthly cash payment to the officer or beneficiaries in the event of death, disability or retirement, beginning in December 2003 and extending for a period of fifteen years. In connection with the agreement, the Company purchased a life insurance policy as an investment. The cash surrender value of the policy was $771,000 and $752,000 at December 31, 2006 and 2005, respectively, and is included in other assets. The present value of the Company's liability under the agreement was calculated using a discount rate of 6% and is included in accrued interest payable and other liabilities in the accompanying consolidated balance sheets. In 2006 and 2005, the Company paid $50,000 to the former officer/director under the terms of this agreement. The accrued executive salary continuation liability was $427,000 and $451,000 at December 31, 2006 and 2005, respectively.

The Company also has certain Key Man life insurance policies related to a former officer/director. The combined cash surrender value of the policies was $196,000 and $192,000 at December 31, 2006 and 2005, respectively.

Litigation

The Company is involved in litigation of a routine nature that is handled and defended in the ordinary course of the Company's business. In the opinion of management, based in part on consultation with legal counsel, the resolution of these other litigation matters will not have a material impact on the Company's financial position or results of operations.

16. COMMUNITY WEST BANCSHARES FINANCIAL STATEMENTS (PARENT COMPANY ONLY)

	December 31,	
BALANCE SHEETS	**2006**	**2005**
Assets	(in thousands)	
Cash and equivalents	$ 3,599	$ 3,555
Investment in subsidiary	43,112	38,861
Other assets	384	9
TOTAL ASSETS	**$ 47,095**	**$ 42,425**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Other liabilities	$ 132	$ 64
Common stock	30,794	30,190
Retained earnings	16,169	12,171
TOTAL STOCKHOLDERS EQUITY	**46,963**	**42,361**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 47,095**	**$ 42,425**

	Year Ended December 31,		
INCOME STATEMENTS	**2006**	**2005**	**2004**
		(in thousands)	
Total income	$ 10	$ 82	$ 12
Total expense	346	220	188
Equity in undistributed subsidiaries: Net income from subsidiaries	5,581	4,809	3,933
Income before income tax provision	5,245	4,671	3,757
Income tax (benefit)	(83)	(971)	(78)
NET INCOME	**$ 5,328**	**$ 5,642**	**$ 3,835**

	Year Ended December 31,		
STATEMENTS OF CASH FLOWS	**2006**	**2005**	**2004**
Cash flows from operating activities:		(in thousands)	
Net income	$ 5,328	$ 5,642	$ 3,835
Adjustments to reconcile net income to cash used in operating activities:			
Equity in undistributed (income) from subsidiaries	(5,581)	(4,809)	(3,933)
Stock-based compensation	163	-	-
Net change in other liabilities	123	(818)	(270)
Net change in other assets	(376)	198	321
Net cash provided by (used in) operating activities	(343)	213	(47)
Cash flows from investing activities:			
Net decrease in time deposits in other financial institutions	-	99	198
Net dividends from and investments in subsidiaries	1,330	1,092	686
Net cash provided by investing activities	1,330	1,191	884
Cash flows from financing activities:			
Proceeds from issuance of common stock	387	170	146
Cash dividend payments to shareholders	(1,330)	(1,092)	(686)
Net cash (used in) provided by financing activities	(943)	(922)	(540)
Net increase in cash and cash equivalents	44	482	297
Cash and cash equivalents at beginning of year	3,555	3,073	2,776
CASH AND CASH EQUIVALENTS, AT END OF YEAR	**$ 3,599**	**$ 3,555**	**$ 3,073**

17. QUARTERLY FINANCIAL DATA (unaudited)

Income statement results on a quarterly basis were as follows:

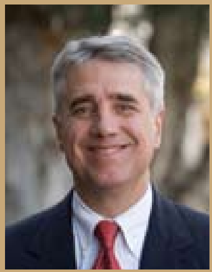
	Year Ended December 31, 2006				
	Q4	Q3	Q2	Q1	Totals
	(in thousands, except share data)				
Interest income	$ 10,601	$ 10,276	$ 9,377	$ 9,049	$ 39,303
Interest expense	4,891	4,489	3,908	3,516	16,804
Net interest income	5,710	5,787	5,469	5,533	22,499
Provision for loan losses	152	12	144	181	489
Net interest income after provision for loan losses	5,558	5,775	5,325	5,352	22,010
Non-interest income	1,613	1,453	1,579	1,327	5,972
Non-interest expenses	4,941	4,694	4,687	4,510	18,832
Income before income taxes	2,230	2,534	2,217	2,169	9,150
Provision for income taxes	941	1,043	928	910	3,822
NET INCOME	$ 1,289	$ 1,491	$ 1,289	$ 1,259	$ 5,328
Earnings per share – basic	$ 0.22	$ 0.26	$ 0.22	$ 0.22	$ 0.92
Earnings per share – diluted	0.21	0.25	0.21	0.21	0.89
Cash dividends per common share	$ 0.06	$ 0.06	$ 0.06	$ 0.05	$ 0.23
Weighted average shares:					
Basic	5,805	5,787	5,781	5,767	5,785
Diluted	6,018	6,008	6,000	5,976	6,001

	Year Ended December 31, 2005				
	Q4	Q3	Q2	Q1	Totals
	(in thousands, except per share data)				
Interest income	$ 8,682	$ 7,651	$ 7,117	$ 6,328	$ 29,778
Interest expense	3,090	2,786	2,411	2,060	10,347
Net interest income	5,592	4,865	4,706	4,268	19,431
Provision for loan losses	171	(39)	264	170	566
Net interest income after provision for loan losses	5,421	4,904	4,442	4,098	18,865
Non-interest income	1,628	1,996	1,861	1,825	7,310
Non-interest expenses	4,698	4,799	4,406	4,257	18,160
Income before income taxes	2,351	2,101	1,897	1,666	8,015
Provision (benefit) for income taxes	957	(50)	778	688	2,373
NET INCOME	$ 1,394	$ 2,151	$ 1,119	$ 978	$ 5,642
Earnings per share – basic	$ 0.24	$ 0.37	$ 0.19	$ 0.17	$ 0.98
Earnings per share – diluted	0.23	0.36	0.19	0.16	0.95
Cash dividends per common share	$ 0.05	$ 0.05	$ 0.05	$ 0.04	$ 0.19
Weighted average shares:					
Basic	5,746	5,745	5,745	5,741	5,744
Diluted	5,946	5,931	5,945	5,955	5,931

BOARD OF DIRECTORS

WILLIAM R. PEEPLES
Chairman of the Board,
Community West Bancshares
Private Investor

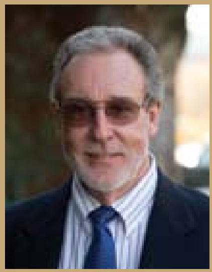
LYNDA J. NAHRA
President and
Chief Executive Officer



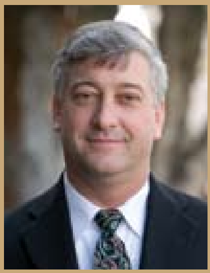
ROBERT H. BARTLEIN
Chairman of the Board,
Community West Bank
President and CEO,
Bartlein & Company

JEAN W. BLOIS
Independent Consultant
Mayor, City of Goleta

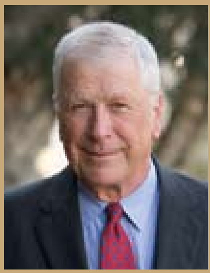
JOHN D. ILLGEN
Vice President and Director,
Simulation Technologies/
Northrop Grumman



JAMES R. SIMS JR.
Real Estate Broker



KIRK B. STOVESAND
Partner, Walpole & Co.



C. RICHARD WHISTON
Attorney (retired)/
Business Consultant

SENIOR MANAGEMENT TEAM

LYNDA J. NAHRA
President and CEO

CHARLES G. BALTUSKONIS
Executive Vice President
Chief Financial Officer

WILLIAM C. VIANI
Executive Vice President
Chief Credit Officer

JAMES K. BATTAGLIA
Senior Vice President
Sales Manager SBA Western Region

DAVID A. DICKINSON
Senior Vice President
Commercial Real Estate Lending

CYNTHIA M. HOOPER
Senior Vice President
SBA Lending

DAVID B. HOPPENWORTH
Senior Vice President
Sales Manager SBA Eastern Region

CHRIS LEM
Senior Vice President
Compliance/Risk Management

DON W. MACAULAY
Senior Vice President
Regional Business Banking Manager

BERNARD R. MERRY
Senior Vice President
Mortgage Division

DEBORAH L. SCOTT
Senior Vice President
Information Technology

MARCY L. SHEWMON
Senior Vice President
Human Resources

CARLYN SMITH
Senior Vice President
Operations

SUSAN C. THOMPSON
Senior Vice President
Controller

CORPORATE INFORMATION

INVESTOR RELATIONS CONTACT
Charles G. Baltuskonis

ANNUAL MEETING
The Annual Meeting of Shareholders of Community West Bancshares will be held on May 24, 2007 at 6:00pm, PDT, at the La Cumbre Country Club, 4015 Via Laguna, Santa Barbara, CA 93110

TRANSFER AGENT & REGISTRAR
U.S. Stock Transfer
Corporation
1745 Gardena Avenue
Glendale, CA 91204

INDEPENDENT AUDITORS
Ernst & Young LLP
725 South Figueroa Street
Los Angeles, CA 90017

CORPORATE COUNSEL
Horgan, Rosen, Beckham
& Coren LLP
23975 Park Sorrento, Ste 200
Calabasas, CA 92302

CORPORATE HEADQUARTERS
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Fax (805) 692-5835
www.communitywest.com

BRANCH LOCATIONS

Goleta
5827 Hollister Avenue
Goleta, CA 93117

Santa Barbara
1600 State Street
Santa Barbara, Ca 93101

Santa Maria
2615 South Miller Street
Santa Maria, Ca 93455

Ventura
1463 S. Victoria Avenue
Ventura, CA 93003

Westlake Village
951 Westlake Blvd
Westlake Village, California 91361

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