



# COMMUNITY WEST BANCSHARES

2010 ANNUAL REPORT

## To Our Shareholders,

**2010** was a year of challenges and achievements for Community West Bancshares and Community West Bank. The challenges came in the form of troubled loans and a difficult capital-raising environment while achievements included generating \$2.1 million in net income for the year and completing a public offering of \$8,085,000 of 9% convertible subordinated debentures. Proceeds from the offering further strengthened the capital position of the Company and supported our strategic growth opportunities.

Key financial indicators improved throughout the year, resulting in the following 2010 highlights:

- Profit of \$2.1 million for 2010.
- Net interest margin of 4.50%, a 59 basis point increase over 2009.
- Core deposits increased by 22.9% over a year ago.
- Loan loss provision in 2010 was \$8.7 million compared to \$18.7 million in 2009.
- Community West Bank's Total risk-based capital ratio was 12.87%, Tier 1 risk-based capital ratio was 11.61% and Tier 1 leverage ratio was 9.24% at December 31, 2010.
- Book value per common share improved to \$7.92.

The improved operating performance reflected in the numbers is an indication of the Company's ability to adapt to changing times, as well as providing a platform for future growth. We will continue to focus on credit quality as we generate new customer business relationships, increase fee-based income and deposit market share while enhancing the Bank's brand awareness.

The accomplishments of 2010 can be attributed to the hardworking team at Community West Bank who focus daily on the fundamentals that will ultimately increase our franchise value.

Once again, thank you, our loyal shareholders, for your continued confidence in Community West Bancshares.

Sincerely,



**WILLIAM PEEPLES**  
CHAIRMAN OF THE BOARD



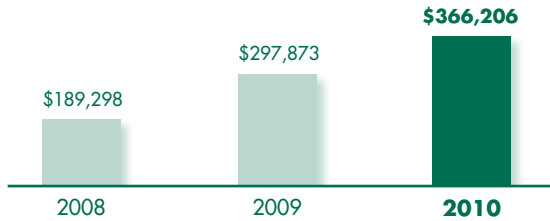
**LYNDA NAHRA**  
PRESIDENT/CEO

# 2010 YEAR AT A GLANCE

## Relationship Banking

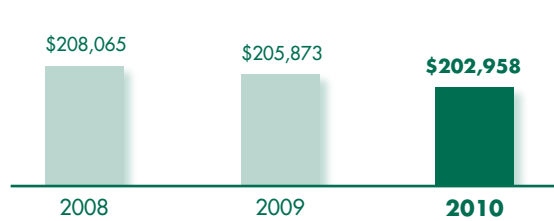
### RELATIONSHIP BANKING YEAR END DEPOSIT BALANCES

(in thousands)



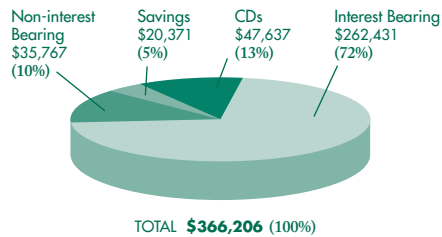
### RELATIONSHIP BANKING YEAR END LOAN BALANCES

(in thousands)



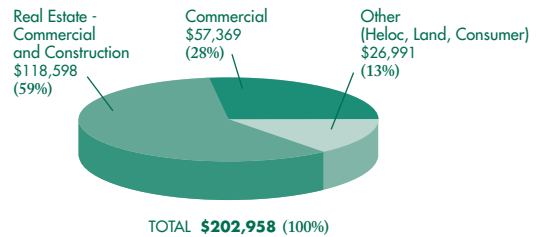
### 2010 RELATIONSHIP BANKING, DEPOSIT BALANCES

(in thousands)



### 2010 RELATIONSHIP BANKING, LOAN BALANCES

(in thousands)



## Mortgage Lending

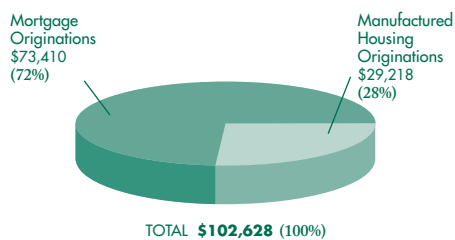
### MANUFACTURED HOUSING BALANCES

(in thousands)



### 2010 MORTGAGE LOAN ORIGINATIONS

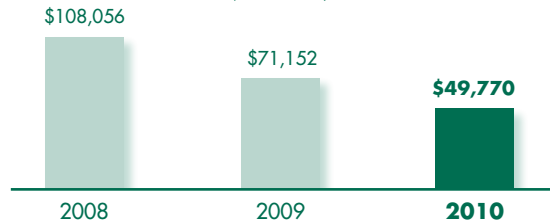
(in thousands)



## SBA Lending

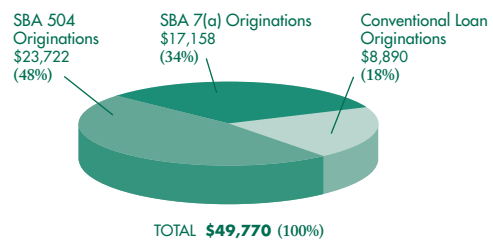
### SBA LOAN ORIGINATIONS

(in thousands)



### 2010 SBA LOAN ORIGINATIONS

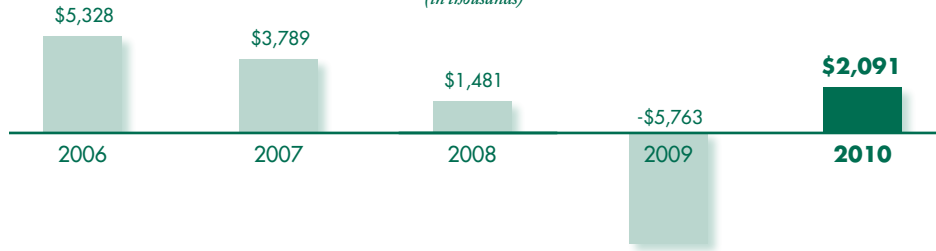
(in thousands)



# 2010 FINANCIAL HIGHLIGHTS

## Net Income

(in thousands)



## Earnings per Share

(diluted)



## Total Assets

(in thousands)



## Community West Bancshares (CWBC)

2006–2010 share price



## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

<b>Market for the Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.....</b>	<b>8</b>
<b>Selected Financial Data .....</b>	<b>9</b>
<b>Management’s Discussion and Analysis of Financial Condition and Results of Operations .....</b>	<b>10</b>
<b>Quantitative and Qualitative Disclosure about Market Risk.....</b>	<b>26</b>
<b>Report of Independent Registered Public Accounting Firm .....</b>	<b>27</b>
<b>Consolidated Balance Sheets.....</b>	<b>28</b>
<b>Consolidated Income Statements.....</b>	<b>29</b>
<b>Consolidated Statements of Stockholders’ Equity .....</b>	<b>30</b>
<b>Consolidated Statements of Cash Flows .....</b>	<b>31</b>
<b>Notes to Consolidated Financial Statements.....</b>	<b>32</b>

**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:*

	2010 Quarters				2009 Quarters			
	Fourth	Third	Second	First	Fourth	Third	Second	First
<b>Stock Price Range:</b>								
<b>High</b>	\$ 3.80	\$ 3.70	\$ 3.65	\$ 3.15	\$ 3.25	\$ 2.83	\$ 3.15	\$ 4.02
<b>Low</b>	2.87	2.34	2.36	2.75	2.26	1.49	2.00	1.59

**Common Dividends**

<b>Declared</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
-----------------	---------	---------	---------	---------	---------	---------	---------	---------

As of March 23, 2011 the year to date high and low stock sales prices were \$4.95 and \$3.59, respectively. As of March 23, 2011, the last reported sale price per share for the Company's common stock was \$4.40.

As of March 23, 2011, the Company had 314 stockholders of record of its common stock.

*Preferred Stock Dividends*

On December 19, 2008, as part of TARP-CPP, in exchange for an aggregate purchase price of \$15,600,000, the Company issued 15,600 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A, no par value, with a liquidation preference of \$1,000 per share which pays cumulative dividends at a rate of 5% per year for the first five years and 9% per year thereafter. The Series A Preferred Stock has no maturity date and ranks senior to the common stock with respect to the payment of dividends and distributions. Preferred dividends are paid quarterly in accordance with the terms of The Series A Preferred Stock. During 2010, the Company recorded \$780,000 for dividends and \$267,000 in amortization of the discount on preferred stock, for a total of \$1,047,000 preferred stock dividends. Actual preferred stock dividends paid was \$780,000 in 2010 and \$706,000 in 2009. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Resources – TARP-CPP."

*Common Stock Dividends*

It is the Company's intention to review its dividend policy on a quarterly basis. The Company's last declared dividend was in April 2008. The sources of funds for dividends paid to shareholders are the Company's capital and dividends received from its subsidiary bank, CWB. CWB's ability to pay dividends to the Company is limited by California law and federal banking law. In addition, as a result of the Company's participation in the TARP-CPP, the Company's ability to declare or pay dividends on its common stock will be limited. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Resources – TARP-CPP".

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

*The following table summarizes the securities authorized for issuance as of December 31, 2010:*

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
	(a)	(b)	(c)
Plans approved by shareholders	428,685	\$7.15	297,850
Plans not approved by shareholders			
<b>Total</b>	428,685	\$7.15	297,850

## 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, 2010, 2009, 2008, 2007 and 2006, and should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this report.

	Year Ended December 31,				
	2010	2009	2008	2007	2006
<b>INCOME STATEMENT:</b>					
	(in thousands, except per share data and ratios)				
Interest income	\$ 39,234	\$ 40,903	\$ 45,532	\$ 46,841	\$ 39,303
Interest expense	9,957	14,945	22,223	22,834	16,804
Net interest income	29,277	25,958	23,309	24,007	22,499
Provision for loan losses	8,743	18,678	5,264	1,297	489
Net interest income after provision for loan losses	20,534	7,280	18,045	22,710	22,010
Non-interest income	4,015	4,418	5,081	4,845	5,972
Non-interest expenses	20,991	21,479	20,516	21,000	18,832
Income (loss) before income taxes	3,558	(9,781)	2,610	6,555	9,150
Provision (benefit) for income taxes	1,467	(4,018)	1,129	2,766	3,822
<b>NET INCOME (LOSS)</b>	<b>\$ 2,091</b>	<b>\$ (5,763)</b>	<b>\$ 1,481</b>	<b>\$ 3,789</b>	<b>\$ 5,328</b>
Preferred stock dividends	1,047	1,046	35	-	-
<b>NET INCOME (LOSS) APPLICABLE TO COMMON STOCKHOLDERS</b>	<b>\$ 1,044</b>	<b>\$ (6,809)</b>	<b>\$ 1,446</b>	<b>\$ 3,789</b>	<b>\$ 5,328</b>
<b>PER COMMON SHARE DATA:</b>					
Income (loss) per share – Basic	\$ 0.18	\$ (1.15)	\$ 0.24	\$ 0.65	\$ 0.92
Weighted average shares used in income per share calculation – Basic	5,915	5,915	5,913	5,862	5,785
Income (loss) per share – Diluted	\$ 0.18	\$ (1.15)	\$ 0.24	\$ 0.63	\$ .89
Weighted average shares used in income per share calculation – Diluted	6,833	5,915	5,941	6,022	6,001
Book value per share	\$ 7.92	\$ 7.74	\$ 8.84	\$ 8.51	\$ 8.05
<b>BALANCE SHEET:</b>					
Net loans	\$ 580,632	\$ 603,440	\$ 581,075	\$ 539,165	\$ 451,572
Total assets	667,604	684,216	656,981	609,850	516,615
Total deposits	529,893	531,392	475,439	433,739	368,747
Total liabilities	605,962	623,909	590,363	559,691	469,795
Total stockholders' equity	61,642	60,307	66,618	50,159	46,820
<b>OPERATING AND CAPITAL RATIOS:</b>					
Return on average equity	3.42%	(9.24)%	2.85%	7.72%	11.88%
Return on average assets	0.31	(0.85)	0.23	0.67	1.12
Dividend payout ratio	-	-	49.07	36.92	24.97
Equity to assets ratio	9.23	8.81	10.14	8.22	9.06
Tier 1 leverage ratio	9.08	8.81	10.28	8.39	9.21
Tier 1 risk-based capital ratio	11.40	10.93	12.45	9.87	10.57
Total risk-based capital ratio	14.16	12.20	13.70	10.74	11.45

## 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 the consolidated financial condition, results of operations, liquidity, capital resources and interest rate risk for Community West Bancshares ("CWBC") and its wholly-owned subsidiary, Community West Bank ("CWB" or "Bank"). Unless otherwise stated, "Company" refers to CWBC and CWB as a consolidated entity. The following discussion should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto and the other financial information appearing elsewhere in this 2010 Annual Report on Form 10-K.

### FORWARD-LOOKING STATEMENTS

This 2010 Annual Report on Form 10-K 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 applicable to common shareholders of the Company was \$1.0 million, or \$0.18 per basic and diluted common share, for 2010 compared to net loss applicable to common shareholders of \$6.8 million, or \$(1.15) per basic and diluted common share for 2009. The Company's earnings performance was impacted in 2010 by:

- The provision for loan losses declined to \$8.7 million for 2010 compared to \$18.7 million for 2009. Net charge-offs declined from \$12.3 million to \$9.2 million.
- An increase in net interest income of \$3.3 million, or 12.8%, from \$26.0 million for 2009 to \$29.3 million for 2010.
- The increase in net interest income primarily resulted from an improvement in the margin from 3.91% for 2009 to 4.5% for 2010.
- A slight decline in yields on interest-earning assets was more than offset by the reduction in rates paid on deposits and other borrowings which were 1.73% for 2010 compared to 2.60% for 2009.
- Cost of deposits declined from 2.24% for 2009 to 1.41% for 2010.
- Non-interest expense declined slightly to \$21.0 million for 2010 from \$21.5 million for 2009.

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, 2010 throughout the analysis sections of this Annual Report.

### CHANGES IN INTEREST INCOME AND INTEREST EXPENSE

The Company primarily earns income from the management of its financial assets 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 interest-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:

	<b>Year Ended December 31,</b>			
	<b>2010 vs. 2009</b>		<b>2009 vs. 2008</b>	
	<b>Amount of Increase (decrease)</b>	<b>Percent of Increase (decrease)</b>	<b>Amount of Increase (decrease)</b>	<b>Percent of Increase (decrease)</b>
<b>INTEREST INCOME</b>				
(dollars in thousands)				
Loans	\$ (1,285)	(3.3)%	\$ (3,987)	(9.3)%
Investment securities	(338)	(19.4)%	(439)	(20.1)%
Other	(46)	(66.7)%	(203)	(74.6)%
<b>Total interest income</b>	<b>(1,669)</b>	<b>(4.1)%</b>	<b>(4,629)</b>	<b>(10.2)%</b>
<b>INTEREST EXPENSE</b>				
Deposits	(3,643)	(32.4)%	(5,985)	(34.7)%
Other borrowings and convertible debentures	(1,345)	(36.3)%	(1,293)	(25.9)%
<b>Total interest expense</b>	<b>(4,988)</b>	<b>(33.4)%</b>	<b>(7,278)</b>	<b>(32.7)%</b>
<b>NET INTEREST INCOME</b>	<b>3,319</b>	<b>12.8%</b>	<b>2,649</b>	<b>11.4%</b>
Provision for loan losses	(9,935)	(53.2)%	13,414	254.8%
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>13,254</b>	<b>182.1%</b>	<b>(10,765)</b>	<b>(59.7)%</b>
<b>NON-INTEREST INCOME</b>				
Other loan fees	72	3.8%	(211)	(10.0)%
Gains from loan sales, net	104	28.7%	(655)	(64.3)%
Document processing fees, net	(259)	(32.3)%	85	11.8%
Loan servicing fees, net	(445)	(57.6)%	285	58.4%
Service charges	75	16.4%	22	5.1%
Other	50	38.5%	(189)	(59.2)%
<b>Total non-interest income</b>	<b>(403)</b>	<b>(9.1)%</b>	<b>(663)</b>	<b>(13.0)%</b>
<b>NON-INTEREST EXPENSES</b>				
Salaries and employee benefits	(73)	(0.6)%	(1,494)	(11.2)%
Occupancy and equipment expenses	(107)	(5.1)%	(229)	(9.8)%
FDIC Assessment	(386)	(24.2)%	1,227	332.5%
Professional services	(84)	(9.3)%	113	14.3%
Advertising and marketing	(43)	(12.5)%	(77)	(18.3)%
Depreciation	(66)	(13.4)%	(27)	(5.2)%
Loss on sale and write-down of foreclosed real estate and repossess assets	536	87.2%	615	-
Data processing	(83)	(13.4)%	79	14.6%
Other	(182)	(6.3)%	756	35.2%
<b>Total non-interest expenses</b>	<b>(488)</b>	<b>(2.3)%</b>	<b>963</b>	<b>4.7%</b>
Income (loss) before provision for income taxes	13,339		(12,391)	
Provision (benefit) for income taxes	5,485		(5,147)	
<b>NET INCOME (LOSS)</b>	<b>\$ 7,854</b>		<b>\$ (7,244)</b>	
Preferred stock dividends	1		1,011	
<b>NET INCOME (LOSS) APPLICABLE TO COMMON STOCKHOLDERS</b>	<b>\$ 7,853</b>		<b>\$ (8,255)</b>	

#### Comparison of 2010 to 2009

Net interest income increased by \$3.3 million, or 12.8%, for 2010 compared to 2009.

Total interest income declined by \$1.7 million, or 4.1%, from \$40.9 million in 2009 to \$39.2 million in 2010. Of this decline, \$1.3 million was due to a decline in yields on interest-earning assets, which declined from 6.17% for 2009 to 6.03% for 2010. The remaining decline resulted from the decline in the average balance of interest-earning assets from \$663.2 million for 2009 to \$650.4 million for 2010.

The decline in interest income was more than offset by the reduction of interest expense from \$14.9 million for 2009 to \$10.0 million for 2010. Of this decline, \$4.2 million resulted from lower rates paid on deposits and borrowings. Rates on interest-bearing deposits declined from 2.42% for 2009 to 1.52% for 2010. Overall, rates on deposits and borrowings were 1.73% for 2010 compared to 2.60% for 2009.

The combination of the decline in rates paid on deposits and borrowings and the decline in yields on interest-earning assets resulted in a margin improvement of 0.59% from 3.91% for 2009 to 4.50% for 2010.

#### Comparison of 2009 to 2008

Net interest income increased by \$2.6 million, or 11.4%, for 2009 compared to 2008.

Total interest income declined by \$4.6 million, or 10.2%, from \$45.5 million in 2008 to \$40.9 million in 2009. Of this decline, \$6.7 million was due to changes in rates and is reflective of the targeted fed funds rate range of 0.00% to 0.25% following 400 to 425 basis point reduction in the targeted Fed funds rate between December 2007 and December 2008. The \$6.7 million decline was offset by \$2.0 million increase in interest income due to the growth of interest-earning assets. Average loan balances increased by \$36.9 million for 2009 compared to 2008. Yields on interest-earning assets declined to 6.17% for 2009 compared to 7.27% for 2008.

Total interest expense decreased by \$7.3 million, or 32.7%, in 2009 compared to 2008. Resulting from lower rates paid on deposits and borrowings, interest expense on deposits declined \$6.0 million while the interest expense on other borrowings declined \$1.3 million. Rates paid on interest-bearing liabilities declined to 2.60% for 2009 from 4.05% for 2008.

The combination of the decline in rates paid on deposits and borrowings and the decline in yields on interest-bearing assets resulted in a margin improvement of 0.19% from 3.72% for 2008 to 3.91% for 2009.

### Comparison of 2009 to 2008

Net interest income increased by \$2.6 million, or 11.4%, for 2009 compared to 2008.

Total interest income declined by \$4.6 million, or 10.2%, from \$45.5 million in 2008 to \$40.9 million in 2009. Of this decline, \$6.7 million was due to changes in rates and is reflective of the targeted fed funds rate range of 0.00% to 0.25% following 400 to 425 basis point reduction in the targeted Fed funds rate between December 2007 and December 2008. The \$6.7 million decline was offset by \$2.0 million increase in interest income due to the growth of interest-earning assets. Average loan balances increased by \$36.9 million for 2009 compared to 2008. Yields on interest-earning assets declined to 6.17% for 2009 compared to 7.27% for 2008.

Total interest expense decreased by \$7.3 million, or 32.7%, in 2009 compared to 2008. Resulting from lower rates paid on deposits and borrowings, interest expense on deposits declined \$6.0 million while the interest expense on other borrowings declined \$1.3 million. Rates paid on interest-bearing liabilities declined to 2.60% for 2009 from 4.05% for 2008.

The combination of the decline in rates paid on deposits and borrowings and the decline in yields on interest-earning assets resulted in a margin improvement of 0.19% from 3.72% for 2008 to 3.91% for 2009.

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

	Year Ended December 31,					
	2010 versus 2009			2009 versus 2008		
	Total change	Change due to		Total change	Change due to	
	Rate	Volume		Rate	Volume	
	(in thousands)					
Interest-earning deposits in other financial institutions (including time deposits)	\$ (14)	\$ -	\$ (14)	\$ (4)	\$ (7)	\$ 3
Federal funds sold	(32)	(4)	(28)	(199)	(196)	(3)
Investment securities	(338)	(318)	(20)	(439)	(467)	28
Loans, net	(1,285)	(1,012)	(273)	(3,987)	(6,001)	2,014
<b>Total interest-earning assets</b>	<b>(1,669)</b>	<b>(1,334)</b>	<b>(335)</b>	<b>(4,629)</b>	<b>(6,671)</b>	<b>2,042</b>
Interest-bearing demand	1,000	(515)	1,515	976	(108)	1,084
Savings	(4)	(65)	61	(56)	(105)	49
Time certificates of deposit	(4,639)	(3,308)	(1,331)	(6,905)	(5,879)	(1,026)
Other borrowings	(1,345)	(303)	(1,042)	(1,293)	(1,348)	55
<b>Total interest-bearing liabilities</b>	<b>(4,988)</b>	<b>(4,191)</b>	<b>(797)</b>	<b>(7,278)</b>	<b>(7,440)</b>	<b>162</b>
<b>NET INTEREST INCOME</b>	<b>\$ 3,319</b>	<b>\$ 2,857</b>	<b>\$ 462</b>	<b>\$ 2,649</b>	<b>\$ 769</b>	<b>\$ 1,880</b>

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

	Year Ended December 31,		
	2010	2009	2008
	(dollars in thousands)		
Interest income	\$ 39,234	\$ 40,903	\$ 45,532
Interest expense	9,957	14,945	22,223
<b>NET INTEREST INCOME</b>	<b>\$ 29,277</b>	<b>\$ 25,958</b>	<b>\$ 23,309</b>
<b>NET INTEREST MARGIN</b>	<b>4.50%</b>	<b>3.91%</b>	<b>3.72%</b>

## PROVISION FOR LOAN LOSSES

The provision for loan losses declined \$9.9 million to \$8.7 million for 2010 compared to \$18.7 million for 2009.

The following schedule summarizes the provision, charge-offs and recoveries by loan segment for the year ended December 31, 2010:

	Allowance 12/31/09	Provision	Charge-offs (in thousands)	Recoveries	Net Charge-offs	Allowance 12/31/10
Commercial real estate	\$ 2,843	\$ 873	\$ (1,192)	\$ 8	\$ (1,184)	\$ 2,532
Manufactured housing	2,255	4,072	(2,202)	43	(2,159)	4,168
Commercial	3,448	(398)	(1,055)	99	(956)	2,094
SBA	4,837	3,184	(4,628)	360	(4,268)	3,753
Single family real estate	143	172	(186)	6	(180)	135
HELOC	124	873	(458)	8	(450)	547
Consumer	83	(33)	(1)	24	23	73
<b>Total</b>	<b>\$ 13,733</b>	<b>\$ 8,743</b>	<b>\$ (9,722)</b>	<b>\$ 548</b>	<b>\$ (9,174)</b>	<b>\$ 13,302</b>

The following schedule summarizes the provision, charge-offs and recoveries for the year ended December 31, 2009 by loan category:

	Allowance 12/31/08	Provision	Charge-offs (in thousands)	Recoveries	Net Charge-offs	Allowance 12/31/09
Commercial real estate	\$ 1,470	\$ 3,345	\$ (1,972)	\$ -	\$ (1,972)	\$ 2,843
Manufactured housing	1,659	2,170	(1,574)	-	(1,574)	2,255
Commercial	1,428	5,584	(3,609)	45	(3,564)	3,448
SBA	2,556	7,189	(5,004)	96	(4,908)	4,837
Single family real estate	113	184	(161)	7	(154)	143
HELOC	104	20	-	-	-	124
Consumer	11	186	(117)	3	(114)	83
<b>Total</b>	<b>\$ 7,341</b>	<b>\$ 18,678</b>	<b>\$ (12,437)</b>	<b>\$ 151</b>	<b>\$ (12,286)</b>	<b>\$ 13,733</b>

The commercial and commercial real estate portfolios have relatively stabilized and seen declines in net charge-offs of \$2.6 million and \$788,000, respectively. The SBA portfolio continues to face challenges, but, has also seen a decline in net charge-offs of \$640,000. Charge-offs in manufactured housing increased from \$1.6 million for 2009 to \$2.2 million for 2010, which is approximately 1.1% of the year-end loan balance of \$194.7 million.

Included in the Company's held-to-maturity portfolio are home equity lines of credit, "HELOC", which guidance issued by the SEC characterize as higher-risk loans. The HELOC portfolio of \$20.3 million consists of credits secured by residential real estate in Santa Barbara and Ventura counties. In 2010, the net charge-offs in this portfolio were \$450,000. As of December 31, 2010, \$2,000 of the portfolio is past due and \$31,000 is on nonaccrual status. The allowance for loan losses for this portfolio is \$547,000, or 2.7%. The Company believes that, overall, this portfolio is adequately supported by real estate collateral.

The percentage of net nonaccrual loans to the total loan portfolio has declined to 2.13% as of December 31, 2010 from 2.62% at December 31, 2009. The allowance for loan losses compared to net nonaccrual loans has increased to 105% as of December 31, 2010 from 85% as of December 31, 2009.

## NON-INTEREST INCOME

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

	Year Ended December 31,		
	2010	2009	2008
	(in thousands)		
Other loan fees	\$ 1,965	\$ 1,893	\$ 2,104
Gains from loan sales, net	467	363	1,018
Document processing fees, net	544	803	718
Loan servicing fees, net	328	773	488
Service charges	531	456	434
Other	180	130	319
<b>TOTAL NON-INTEREST INCOME</b>	<b>\$ 4,015</b>	<b>\$ 4,418</b>	<b>\$ 5,081</b>

## Comparison of 2010 to 2009

Non-interest income declined by \$403,000 to \$4.0 million for 2010 compared to \$4.4 million for 2009, primarily due to the decline in loan servicing fees. No SBA loans were sold in 2010 and servicing income has declined as the principal balance of loans on which servicing is earned pay down. The amortization of the servicing asset and adjustments to the valuation of the IO strip were higher in 2010 by \$250,000, also contributing to a reduction in servicing income.

### Comparison of 2009 to 2008

Non-interest income declined by \$663,000 to \$4.4 million for 2009 compared to \$5.1 million for 2008. Gain on loan sales declined \$655,000 for 2009 compared to 2008. No SBA loans were sold in 2009 compared to \$19.7 million guaranteed loans sold in 2008. Other loan fees have declined \$211,000, primarily related to lower referral fees received on SBA 504 loans. Partly offsetting these declines was an increase of \$285,000 in loan servicing.

### NON-INTEREST EXPENSES

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

	<b>Year Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	(in thousands)		
Salaries and employee benefits	\$ 11,823	\$ 11,896	\$ 13,390
Occupancy and equipment expenses	2,005	2,112	2,341
FDIC assessment	1,210	1,596	369
Professional services	817	901	788
Advertising and marketing	301	344	421
Depreciation	425	491	518
Loss on sale and write-down of foreclosed real estate and repossessed assets	1,151	615	-
Data processing	537	620	541
Other	2,722	2,904	2,148
<b>TOTAL NON-INTEREST EXPENSES</b>	<b>\$ 20,991</b>	<b>\$ 21,479</b>	<b>\$ 20,516</b>

### Comparison of 2010 to 2009

Non-interest expenses declined \$488,000, to \$21.0 million for 2010 from \$21.5 million for 2009. Expenses declined in all categories except for the loss on sale and write-down of foreclosed real estate and repossessed assets. The FDIC assessment declined in 2010 by \$386,000 in comparison to 2009 which was subject to a special assessment in June 2009 of \$306,000. The loss on sale and write-down of foreclosed real estate and repossessed assets increased \$536,000 primarily due to losses and write-downs of manufactured housing properties.

### Comparison of 2009 to 2008

Non-interest expenses increased \$963,000, from \$20.5 million for 2008 to \$21.5 million for 2009. The FDIC assessment increased \$1.2 million due to higher rates and a special assessment in June 2009 of \$306,000 and loss on the sale of foreclosed real estate and repossessed assets increased \$615,000. Other expenses increased \$756,000, primarily due to an increase in the reserve on undisbursed loans of \$380,000, and higher collection and foreclosed asset related expenses of \$346,000. Partly offsetting these increases was a reduction in salaries and employee benefits of \$1.5 million, primarily resulting from the discontinuation of SBA lending east of the Rocky Mountains as of April 1, 2009. Occupancy expense also declined \$229,000 for 2009 compared to 2008.

The following table compares the various elements of non-interest expenses as a percentage of average assets and the efficiency ratio which is the ratio of non-interest expense to the total of net interest income and non-interest income:

<b>Year Ended December 31,</b>	<b>Average Assets</b>	<b>Total Non-Interest Expenses</b>	<b>Salaries and Employee Benefits</b>	<b>Occupancy and Depreciation Expenses</b>	<b>Efficiency Ratio</b>
(dollars in thousands)					
<b>2010</b>	\$ 676,776	3.10%	1.75%	0.36%	63%
<b>2009</b>	\$ 675,672	3.18%	1.76%	0.39%	71%
<b>2008</b>	\$ 640,993	3.20%	2.09%	0.45%	72%

### INCOME TAXES

The provision for income taxes was \$1.5 million for 2010 compared to benefit for income tax of \$4.0 million in 2009 and a provision of \$1.1 million in 2008. The effective income tax rate was 41.2%, 41.1%, and 43.3% for 2010, 2009 and 2008, respectively. See Note 12, "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 and, for each balance, the percentage of average total assets:

	December 31,					
	2010		2009		2008	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>	(dollars in thousands)					
Cash and due from banks	\$ 11,748	1.7%	\$ 4,949	0.7%	\$ 4,419	0.7%
Time and interest-earning deposits in other financial institutions	607	0.1%	1,081	0.2%	997	0.2%
Federal funds sold	1,748	0.3%	10,751	1.6%	11,488	1.8%
Investment securities available-for-sale	19,776	2.9%	14,178	2.1%	6,889	1.1%
Investment securities held-to-maturity	18,435	2.7%	24,619	3.6%	31,319	4.9%
Federal Reserve Bank & Federal Home Loan Bank stock	6,741	1.0%	6,781	1.0%	6,634	1.0%
Loans held for sale, net	90,560	13.4%	100,823	14.9%	120,339	18.7%
Loans held for investment, net	499,018	73.7%	493,016	73.0%	442,908	69.1%
Servicing rights	875	0.1%	1,086	0.2%	1,161	0.2%
Foreclosed real estate and repossessed assets	4,745	0.7%	2,496	0.4%	540	0.1%
Premises and equipment, net	3,103	0.5%	3,506	0.5%	3,814	0.6%
Other assets	19,420	2.9%	12,386	1.8%	10,485	1.6%
<b>TOTAL ASSETS</b>	<b>\$ 676,776</b>	<b>100.0%</b>	<b>\$ 675,672</b>	<b>100.0%</b>	<b>\$ 640,993</b>	<b>100.0%</b>
<b>LIABILITIES</b>						
Deposits:						
Non-interest-bearing demand	\$ 39,025	5.8%	\$ 37,408	5.5%	\$ 35,618	5.5%
Interest-bearing demand	232,540	34.3%	119,923	17.8%	58,893	9.2%
Savings	19,452	2.9%	16,807	2.5%	14,989	2.3%
Time certificates of \$100,000 or more	173,860	25.7%	149,291	22.1%	88,385	13.8%
Other time certificates	72,576	10.7%	178,744	26.4%	278,510	43.5%
Total deposits	537,453	79.4%	502,173	74.3%	476,395	74.3%
Other borrowings	76,138	11.3%	109,767	16.3%	108,141	16.9%
Other liabilities	2,053	0.3%	1,379	0.2%	4,562	0.7%
Total liabilities	615,644	91.0%	613,319	90.8%	589,098	91.9%
<b>STOCKHOLDERS' EQUITY</b>						
Preferred stock	14,668	2.2%	14,407	2.1%	464	0.1%
Common stock	33,121	4.9%	33,097	4.9%	31,808	4.9%
Retained earnings	13,161	1.9%	14,763	2.2%	19,630	3.1%
Accumulated other comprehensive income (loss)	182	-	86	-	(7)	-
Total stockholders' equity	61,132	9.0%	62,353	9.2%	51,895	8.1%
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 676,776</b>	<b>100.0%</b>	<b>\$ 675,672</b>	<b>100.0%</b>	<b>\$ 640,993</b>	<b>100.0%</b>

## INTEREST RATES AND DIFFERENTIALS

The following table illustrates average yields on interest-earning assets and average rates paid 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.

INTEREST-EARNING ASSETS:	Year Ended December 31,		
	2010	2009	2008
	(dollars in thousands)		
Time and interest-earning deposits in other financial institutions:			
Average outstanding	\$ 607	\$ 1,081	\$ 997
Interest income	18	32	36
Average yield	3.00%	2.95%	3.66%
Federal funds sold:			
Average outstanding	\$ 1,748	\$ 10,751	\$ 11,488
Interest income	5	37	236
Average yield	0.31%	0.34%	2.05%
Investment securities:			
Average outstanding	\$ 44,952	\$ 45,578	\$ 44,841
Interest income	1,402	1,740	2,179
Average yield	3.12%	3.82%	4.86%
Gross loans:			
Average outstanding	\$ 603,141	\$ 605,741	\$ 568,861
Interest income	37,809	39,094	43,081
Average yield	6.27%	6.45%	7.57%
Total interest-earning assets:			
Average outstanding	\$ 650,448	\$ 663,151	\$ 626,187
Interest income	39,234	40,903	45,532
Average yield	6.03%	6.17%	7.27%
<b>INTEREST-BEARING LIABILITIES:</b>			
Interest-bearing demand deposits:			
Average outstanding	\$ 232,540	\$ 119,923	\$ 58,893
Interest expense	3,130	2,130	1,153
Average effective rate	1.35%	1.78%	1.96%
Savings deposits:			
Average outstanding	\$ 19,452	\$ 16,807	\$ 14,989
Interest expense	447	451	507
Average effective rate	2.30%	2.68%	3.39%
Time certificates of deposit:			
Average outstanding	\$ 246,436	\$ 328,035	\$ 366,895
Interest expense	4,020	8,659	15,565
Average effective rate	1.63%	2.64%	4.24%
Other borrowings:			
Average outstanding	\$ 72,926	\$ 109,767	\$ 108,141
Interest expense	2,071	3,705	4,998
Average effective rate	2.84%	3.38%	4.62%
Convertible debentures:			
Average outstanding	\$ 3,212	-	-
Interest expense	289	-	-
Average effective rate	9.00%	-	-
Total interest-bearing liabilities:			
Average outstanding	\$ 574,566	\$ 574,532	\$ 548,918
Interest expense	9,957	14,945	22,223
Average effective rate	1.73%	2.60%	4.05%
<b>Net interest income</b>	\$ 29,277	\$ 25,958	\$ 23,309
<b>Net interest spread</b>	4.30%	3.57%	3.22%
<b>Average net margin</b>	4.50%	3.91%	3.72%

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. For all loan segments, the accrual of interest is discontinued when substantial doubt exists as to collectability 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 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.

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, 2010 and 2009, approximately 68.4% and 64.6%, 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 scheduled principal payments:*

In Years	December 31,									
	2010		2009		2008		2007		2006	
	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable
	(in thousands)									
Less than One	\$ 20,542	\$ 62,708	\$ 20,571	\$ 81,132	\$ 16,405	\$ 78,005	\$ 16,445	\$ 83,356	\$ 16,442	\$ 76,509
One to Five	85,103	121,569	87,062	130,364	87,034	82,298	79,549	67,549	65,083	50,931
Over Five	81,915	222,363	111,243	187,200	137,632	187,525	129,335	167,878	103,242	144,136
Total	\$ 187,560	\$ 406,640	\$ 218,876	\$ 398,696	\$ 241,071	\$ 347,828	\$ 225,329	\$ 318,783	\$ 184,767	\$ 271,576
	31.6%	68.4%	35.4%	64.6%	40.9%	59.1%	41.4%	58.6%	40.5%	59.5%

## 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,				
	2010	2009	2008	2007	2006
	(dollars in thousands)				
	Loan Balance	Loan Balance	Loan Balance	Loan Balance	Loan Balance
Commercial	\$ 57,369	\$ 61,810	\$ 74,895	\$ 72,470	\$ 53,725
Commercial real estate	173,906	180,688	160,540	158,670	152,113
SBA	129,004	139,541	132,707	116,963	84,911
Manufactured housing	194,682	195,656	190,838	172,938	142,804
Single family real estate	13,722	14,793	9,765	11,482	12,343
HELOC	20,273	17,902	15,191	8,969	7,247
Consumer	379	286	602	1,058	1,054
Mortgage loans held for sale	4,865	6,896	4,361	1,562	2,146
Gross Loans	594,200	617,572	588,899	544,112	456,343
Less:					
Allowance for loan losses	13,302	13,733	7,341	4,412	3,926
Deferred fees/costs	(195)	(228)	(326)	(48)	43
Discount on SBA loans	461	627	809	583	802
Net Loans	\$ 580,632	\$ 603,440	\$ 581,075	\$ 539,165	\$ 451,572
Percentage to Gross Loans:					
Commercial	9.6%	10.0%	12.7%	13.3%	11.8%
Commercial real estate	29.3%	29.2%	27.3%	29.1%	33.3%
SBA	21.7%	22.6%	22.5%	21.5%	18.6%
Manufactured housing	32.8%	31.7%	32.4%	31.8%	31.3%
Single family real estate	2.3%	2.4%	1.7%	2.1%	2.7%
HELOC	3.4%	2.9%	2.6%	1.7%	1.6%
Consumer	0.1%	0.1%	0.1%	0.2%	0.2%
Mortgage loans held for sale	0.8%	1.1%	0.7%	0.3%	0.5%
	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. This loan segment also includes SBA 504 loans and loans made on land.

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 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 loans are 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 are 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.

### ***SBA Loans***

The SBA loans consist of 7(a) and Business and Industry loans ("B&I"). The 7(a) loan proceeds are used for working capital, machinery and equipment purchases, land and building purposes, leasehold improvements and debt refinancing. In general, 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.

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.

CWB made the decision to discontinue as of April 1, 2009 SBA lending east of the Rocky Mountains.

### ***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. Generally, these loans are underwritten to specific investor guidelines and are committed for sale to that investor. Although the majority of these loans are sold servicing released into the secondary market, a relatively small percentage is held as part of the Bank's portfolio.

### ***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 originated under one of two programs: fixed rate loans written for terms of 7 to 15 years with balloon payments ranging from 7 to 15 years; adjustable rate loans written for a term of 30 years with the initial interest rates fixed for the first five years and then adjusting annually subject to caps and floors.

### ***HELOC***

The Bank provides lines of credit collateralized by residential real estate, home equity lines of credit ("HELOC"), for consumer related purposes. Typically, HELOCs will be collateralized by a second deed of trust.

### ***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.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Bank has various "off-balance sheet" arrangements that might have an impact on its financial condition, liquidity or result of operations. The Bank's primary source of funds for its lending is its deposits. If necessary to meet the demand of deposit withdrawals or loan fundings, the Bank could obtain funding through federal funds lines of credit, advances from the Federal Home Loan Bank ("FHLB"), Fed discount window borrowing or issuance of deposits through brokers. The Bank has continuous lines of credit with correspondent banks providing for federal funds lines of credit up to a maximum of \$23.5 million. Of the \$23.5 million in borrowing capacity, two of the lines for a total of \$10.0 million require the Company to furnish acceptable collateral. The Bank has availability under agreements with the Fed discount window and the FHLB for additional borrowing capacity of \$119.0 million and \$56.8 million, respectively, at December 31, 2010. There were no borrowings outstanding on the federal funds facilities at December 31, 2010 or from the Fed discount window. As of December 31, 2010, the Bank had advances from the FHLB in the amount of \$64.0 million.

At December 31, 2010, the Bank had outstanding commitments to fund existing loans of approximately \$27.2 million pursuant to credit availability terms in the loan agreements, including standby letters of credit of \$552,000. Because these commitments generally have fixed expiration dates and many will expire without being drawn upon, the total commitment level does not necessarily represent future cash



requirements. If needed to fund these outstanding commitments, the Bank has the ability to liquidate federal funds sold or securities available-for-sale or, on a short-term basis, to borrow and purchase federal funds from other financial institutions, to obtain advances from the FHLB or the Fed discount window and to issue new certificates of deposit through the money desk or brokers.

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

	<b>December 31,</b>				
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	(in thousands)				
Commercial	\$ 14,956	\$ 16,065	\$ 17,940	\$ 21,612	\$ 24,431
Commercial real estate	3,420	6,595	4,376	8,649	18,839
SBA	815	1,133	6,526	9,453	5,508
HELOC	7,383	7,992	8,333	10,503	9,658
Consumer	40	4	-	-	4
Standby letters of credit	552	543	552	518	847
Total commitments	<u>\$ 27,166</u>	<u>\$ 32,332</u>	<u>\$ 37,727</u>	<u>\$ 50,735</u>	<u>\$ 59,287</u>

## LOAN CONCENTRATIONS

The Company makes loans to borrowers in a number of different industries. Loans collateralized by manufactured housing comprise over 10% of the Company's loan portfolio. This concentration is somewhat mitigated by the fact that the portfolio consists of over 1,900 individual borrowers with diverse income sources. Commercial, commercial real estate, construction and SBA loans also comprised over 10% of the Company's loan portfolio as of December 31, 2010 and 2009. The Bank analyzes these concentrations on a quarterly basis and reports the risk related to concentrations to the Board of Directors. Management believes the systems in place coupled with the diversity of the portfolios are adequate to mitigate concentration risk.

## ALLOWANCE FOR LOAN LOSSES

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

	<b>Year Ended December 31,</b>				
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	(in thousands)				
Average gross loans, held for investment,	\$ 512,581	\$ 504,918	\$ 448,522	\$ 401,036	\$ 348,161
Gross loans at end of year, held for investment	511,614	514,599	456,630	433,162	379,703
Allowance for loan losses, beginning of year	\$ 13,733	\$ 7,341	\$ 4,412	\$ 3,926	\$ 3,954
Loans charged off:					
Commercial (including SBA)	5,683	8,613	1,499	775	459
Commercial real estate	1,192	1,972	263	-	-
Manufactured housing	2,202	1,574	298	-	-
HELOC	458	-	-	-	-
Consumer	1	117	27	-	-
Single family real estate	186	161	372	142	341
Total	<u>9,722</u>	<u>12,437</u>	<u>2,459</u>	<u>917</u>	<u>800</u>
Recoveries of loans previously charged off					
Commercial (including SBA)	459	141	106	45	93
Commercial real estate	8	-	-	-	-
Manufactured housing	43	-	2	-	-
HELOC	8	-	-	-	-
Consumer	24	3	-	-	-
Single family real estate	6	7	16	61	190
Total	<u>548</u>	<u>151</u>	<u>124</u>	<u>106</u>	<u>283</u>
Net loans charged off	9,174	12,286	2,335	811	517
Provision for loan losses	8,743	18,678	5,264	1,297	489
Allowance for loan losses, end of year	<u>\$ 13,302</u>	<u>\$ 13,733</u>	<u>\$ 7,341</u>	<u>\$ 4,412</u>	<u>\$ 3,926</u>
Ratios:					
Net loan charge-offs to average loans	1.79%	2.43%	0.52%	0.20%	0.15%
Net loan charge-offs to loans at end of period	1.79%	2.39%	0.51%	0.19%	0.14%
Allowance for loan losses to loans held for investment at end of period	2.60%	2.67%	1.61%	1.02%	1.03%
Net loan charge-offs to allowance for loan losses at beginning of period	66.80%	167.36%	52.92%	20.66%	13.08%
Net loan charge-offs to provision for loan losses	104.92%	65.78%	44.36%	62.53%	105.73%

The following table summarizes the allowance for loan losses:

	December 31,									
	2010		2009		2008		2007		2006	
	(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	\$ 3,753	21.7%	\$ 4,837	22.6%	\$ 2,556	28.4%	\$ 1,810	26.3%	\$ 1,365	22.6%
Manufactured housing	4,168	32.8%	2,255	31.7%	1,659	32.4%	610	31.8%	786	31.3%
All other loans	5,381	45.5%	6,641	45.7%	3,126	39.2%	1,992	41.9%	1,775	46.1%
Total	<u>\$ 13,302</u>	<u>100.0%</u>	<u>\$ 13,733</u>	<u>100.0%</u>	<u>\$ 7,341</u>	<u>100.0%</u>	<u>\$ 4,412</u>	<u>100.0%</u>	<u>\$ 3,926</u>	<u>100.0%</u>

Total allowance for loan losses ("ALL") declined by \$431,000 from December 31, 2009 to December 31, 2010.

In management's opinion, the balance of the allowance for loan losses was sufficient to absorb known and inherent probable losses in the portfolio as of December 31, 2010.

#### Nonaccrual, Past Due and Restructured Loans

A loan is considered impaired when, based on current information and events, it is determined 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 are measured for impairment based on the present value of future cash flows.

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

	Year Ended December 31,				
	2010	2009	2008	2007	2006
	(in thousands)				
Impaired loans without specific valuation allowances	\$ 13,285	\$ 13,699	\$ 8,043	\$ 7,509	\$ 754
Impaired loans with specific valuation allowances	1,703	716	523	8,992	4,454
Specific valuation allowance related to impaired loans	(362)	(622)	(151)	(966)	(641)
<b>IMPAIRED LOANS, NET</b>	<u><b>\$ 14,626</b></u>	<u><b>\$ 13,793</b></u>	<u><b>\$ 8,415</b></u>	<u><b>\$ 15,535</b></u>	<u><b>\$ 4,567</b></u>
<b>AVERAGE INVESTMENT IN IMPAIRED LOANS</b>	<u><b>\$ 15,591</b></u>	<u><b>\$ 9,058</b></u>	<u><b>\$ 9,612</b></u>	<u><b>\$ 9,386</b></u>	<u><b>\$ 4,074</b></u>

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

	Year Ended December 31,				
	2010	2009	2008	2007	2006
	(in thousands)				
Nonaccrual loans	\$ 34,950	\$ 40,265	\$ 28,821	\$ 15,341	\$ 7,417
SBA guaranteed portion of loans included above	(22,279)	(24,088)	(11,918)	(5,695)	(4,256)
Nonaccrual loans, net	<u>\$ 12,671</u>	<u>\$ 16,177</u>	<u>\$ 16,903</u>	<u>\$ 9,646</u>	<u>\$ 3,161</u>
Troubled debt restructured loans	<u>\$ 11,088</u>	<u>\$ 7,013</u>	<u>\$ 5,408</u>	<u>\$ 7,255</u>	<u>\$ 68</u>
Loans 30 through 90 days past due with interest accruing	<u>\$ 2,586</u>	<u>\$ 17,686</u>	<u>\$ 11,974</u>	<u>\$ 18,898</u>	<u>\$ 2,463</u>
Interest income recognized on impaired loans	\$ 381	\$ 426	\$ 12	\$ 691	\$ 242
Interest foregone on nonaccrual loans and troubled debt restructured loans outstanding	2,344	2,109	1,707	904	488
Gross interest income on impaired and nonaccrual loans	<u>\$ 2,725</u>	<u>\$ 2,535</u>	<u>\$ 1,719</u>	<u>\$ 1,595</u>	<u>\$ 730</u>

The accrual of interest is discontinued when substantial doubt exists as to collectability 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. Total net nonaccrual loans declined by \$3.5 million from 2009 to 2010.

Total net impaired loans increased by \$833,000 as of December 31, 2010 compared to December 31, 2009.

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.

#### FORECLOSED REAL ESTATE AND REPOSSESSED ASSETS

The following is a summary of activity in foreclosed real estate and repossessed assets:

	Year Ended December 31,		
	2010	2009	2008
	(in thousands)		
Balance, beginning of year	\$ 1,822	\$ 1,146	\$ 150
Transfers to foreclosed real estate and repossessed assets	11,438	5,107	1,886
Proceeds from sale of foreclosed real estate and repossessed assets	(3,631)	(3,816)	(1,095)
(Losses) gains on sale of foreclosed real estate and repossessed assets	(1,151)	(615)	205
<b>Balance, end of year</b>	<b>\$ 8,478</b>	<b>\$ 1,822</b>	<b>\$ 1,146</b>

#### INVESTMENT PORTFOLIO

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

	December 31,		
	2010	2009	2008
	(in thousands)		
<b>Available-for-sale securities</b>			
U.S. Government agency: MBS	\$ 5,678	\$ 10,461	\$ 5,284
U.S. Government agency: CMO	17,664	7,209	1,499
<b>TOTAL AVAILABLE-FOR-SALE SECURITIES</b>	<b>\$ 23,342</b>	<b>\$ 17,670</b>	<b>\$ 6,783</b>

	December 31,		
	2010	2009	2008
	(in thousands)		
<b>Held-to-maturity securities</b>			
U.S. Government agency: MBS	\$ 16,893	\$ 22,678	\$ 25,750
U.S. Government agency: CMO	-	-	5,442
<b>TOTAL HELD-TO-MATURITY SECURITIES</b>	<b>\$ 16,893</b>	<b>\$ 22,678</b>	<b>\$ 31,192</b>

At December 31, 2010, \$40.2 million 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, 2010 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)							
<b>Available-for-sale securities</b>								
U. S. Government:								
Agency: MBS	\$ 5,678	2.4%	\$ -	-	\$ 4,731	2.4%	\$ 947	2.3%
Agency: CMO	17,664	0.8%	1,718	0.9%	14,015	0.8%	1,931	0.8%
<b>TOTAL</b>	<b>\$ 23,342</b>	<b>1.2%</b>	<b>\$ 1,718</b>	<b>0.9%</b>	<b>\$ 18,746</b>	<b>1.2%</b>	<b>\$ 2,878</b>	<b>1.3%</b>
<b>Held-to-maturity securities</b>								
U.S. Government:								
Agency: MBS	\$ 16,893	4.4%	\$ 62	5.0%	\$ 9,603	4.7%	\$ 7,228	4.0%
Agency: CMO	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 16,893</b>	<b>4.4%</b>	<b>\$ 62</b>	<b>5.0%</b>	<b>\$ 9,603</b>	<b>4.7%</b>	<b>\$ 7,228</b>	<b>4.0%</b>

## CAPITAL RESOURCES

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 imposed in 1994 a new Tier I risk-based capital ratio of at least 6% to be considered "well capitalized". Tier I risk-based capital is, primarily, preferred stock, common stock and retained earnings, net of goodwill and other intangible assets.

*To be categorized as "adequately capitalized" or "well capitalized", CWB must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios and values as set forth in the tables below:*

	<u>Total Capital</u>	<u>Tier 1 Capital</u>	<u>Risk-Weighted Assets</u>	<u>Adjusted Average Assets</u>	<u>Total Risk-Based Capital Ratio</u>	<u>Tier 1 Risk-Based Capital Ratio</u>	<u>Tier 1 Leverage Ratio</u>
(dollars in thousands)							
<b>December 31, 2010</b>							
CWBC (Consolidated)	\$ 76,283	\$ 61,385	\$ 538,685	\$ 676,397	14.16%	11.40%	9.08%
Capital in excess of well capitalized					\$ 22,415	\$ 29,064	\$ 27,565
CWB	\$ 69,308	\$ 62,494	\$ 538,463	\$ 676,127	12.87%	11.61%	9.24%
Capital in excess of well capitalized					\$ 15,462	\$ 30,186	\$ 28,688
<b>December 31, 2009</b>							
CWBC (Consolidated)	\$ 66,984	\$ 60,029	\$ 549,207	\$ 681,101	12.20%	10.93%	8.81%
Capital in excess of well capitalized					\$ 12,063	\$ 27,077	\$ 25,974
CWB	\$ 66,175	\$ 59,219	\$ 549,240	\$ 681,129	12.05%	10.78%	8.69%
Capital in excess of well capitalized					\$ 11,251	\$ 26,265	\$ 25,163
Well capitalized ratios					10.00%	6.00%	5.00%
Minimum capital ratios					8.00%	4.00%	4.00%

### *Convertible Debentures*

On August 9, 2010, the Company announced the completion of its previously announced offering of \$8,085,000 convertible subordinated debentures. The debentures pay interest at 9% until conversion, redemption or maturity and will mature on August 9, 2020. The debentures may be redeemed by the Company after January 1, 2014. Prior to maturity or redemption, the debentures can be converted into common stock at the election of the holder at \$3.50 per share if converted on or prior to July 1, 2013, \$4.50 per share between July 2, 2013 and July 1, 2016 and \$6.00 per share from July 2, 2016 until maturity or redemption. At December 31, 2010, the balance of the convertible debentures was \$8,081,000.

### *TARP-CPP*

On December 19, 2008, as part of the United States Department of the Treasury's (Treasury) Troubled Asset Relief Program - Capital Purchase Program (TARP CPP), the Company entered into a Letter Agreement with the Treasury, pursuant to which the Company issued to the Treasury, in exchange for an aggregate purchase price of \$15.6 million in cash: (i) 15,600 shares of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series A, no par value, having a liquidation preference of \$1,000 per share (Series A Preferred Stock), and (ii) a warrant (Warrant) to purchase up to 521,158 shares of the Company's common stock, no par value, at an exercise price of \$4.49 per share.

Series A Preferred Stock pays cumulative dividends at a rate of 5% per year for the first five years and at a rate of 9% per year thereafter, but will be paid only if, as and when declared by the Company's Board of Directors. The Series A Preferred Stock has no maturity date and ranks senior to the common stock with respect to the payment of dividends and distributions and amounts payable upon liquidation, dissolution and winding up of the Company. The Series A Preferred Stock is generally non-voting, other than class voting on certain matters that could adversely affect the Series A Preferred Stock. In the event that dividends payable on the Series A Preferred Stock have not been paid for the equivalent of six or more quarters, whether or not consecutive, the Company's authorized number of Directors will be automatically increased by two and the holders of the Series A Preferred Stock, voting together with holders of any then outstanding voting parity stock, will have the right to elect those Directors at the Company's next annual meeting of shareholders or at a special meeting of shareholders called for that purpose. These Directors will be elected annually and will serve until all accrued and unpaid dividends on the Series A Preferred Stock have been paid.

The Company may redeem the Series A Preferred Stock after February 15, 2012 for \$1,000 per share plus accrued and unpaid dividends. Prior to this date, the Company may redeem the Series A Preferred Stock for \$1,000 per share plus accrued and unpaid dividends if: (i) the Company has raised aggregate gross proceeds in one or more "qualified equity offerings" (as defined in the Securities Purchase Agreement entered into between the Company and the Treasury) in excess of \$15.6 million, and (ii) the aggregate redemption price does not exceed the aggregate net cash proceeds from such qualified equity offerings. Any redemption is subject to the prior approval of the Company's primary banking regulator.

## **LIQUIDITY MANAGEMENT**

The Company has established policies as well as analytical tools to manage liquidity. Recent disruptions in the credit and capital markets have exposed weaknesses in many banks' liquidity risk measurement and management systems. 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. The contingency funding plan outlines practical and realistic funding alternatives that can be readily implemented as access to regular funding is reduced. Such plan incorporates events that could rapidly affect the bank's liquidity, including a tightening of collateral requirements or other restrictive terms associated with secured borrowings or the loss of certain deposit or funding relationship. Periodically, the Company has used short-term time certificates from other financial institutions to meet projected liquidity needs.

The Company has a blanket lien credit line with the FHLB. Advances are collateralized in the aggregate by CWB's eligible mortgage loans, securities of the U.S Government and its agencies and certain other loans. The outstanding advances at December 31, 2010 were \$64.0 million borrowed at fixed rates. At December 31, 2010, CWB had pledged to FHLB, securities of \$40.2 million at carrying value and loans of \$76.6 million, and had \$56.8 million available for additional borrowing. At December 31, 2009, CWB had \$92.3 million of loans and \$40.3 million of securities pledged as collateral and outstanding advances of \$68.0 million.

CWB also has established a credit line with the FRB. Advances are collateralized in the aggregate by eligible loans. There were no advances outstanding as of December 31, 2010 and unused borrowing capacity was \$119 million.

CWB also maintains four federal funds purchased lines for a total borrowing capacity of \$23.5 million. Of the \$23.5 million in borrowing capacity, two of the lines for a total of \$10.0 million require the Company to furnish acceptable collateral.

The Company has not experienced disintermediation and does not believe this is a likely occurrence, although there is significant competition for core deposits. The liquidity ratio of the Company was 17% at December 31, 2010 compared to 18% at December 31, 2009. 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, TARP preferred dividends and, beginning in the fourth quarter of 2010, interest payments on the recently completed debenture offering. 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. CWBC anticipates that for the foreseeable future, it will fund its expenses, TARP preferred dividends and interest payments on the debenture from proceeds of the offering and will not receive dividends from its bank subsidiary.

## **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, 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. However, the margin relationship is somewhat dependent on the shape of the yield curve.
- *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 can sell 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,					
	2010		2009		2008	
	<u>Average Balance</u>	<u>Percent of Total</u>	<u>Average Balance</u>	<u>Percent of Total</u>	<u>Average Balance</u>	<u>Percent of Total</u>
	(dollars in thousands)					
Noninterest-bearing demand	\$ 39,025	7.3%	\$ 37,408	7.5%	\$ 35,618	7.5%
Interest-bearing demand	232,540	43.3%	119,923	23.9%	58,893	12.4%
Savings	19,452	3.6%	16,807	3.3%	14,989	3.1%
TCD's of \$100,000 or more	173,860	32.3%	174,786	34.8%	88,385	18.5%
Other TCD's	72,576	13.5%	153,249	30.5%	278,510	58.5%
<b>TOTAL DEPOSITS</b>	<b>\$ 537,453</b>	<b>100.0%</b>	<b>\$ 502,173</b>	<b>100.0%</b>	<b>\$ 476,395</b>	<b>100.0%</b>

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

	December 31,			
	2010		2009	
	<u>TCD's over \$100,000</u>	<u>Other TCD's</u>	<u>TCD's over \$100,000</u>	<u>Other TCD's</u>
	(in thousands)			
Less than three months	\$ 40,958	\$ 17,469	\$ 44,736	\$ 53,639
Over three months through six months	20,098	9,003	30,569	29,392
Over six months through twelve months	29,248	9,191	36,042	13,042
Over twelve months through five years	72,813	12,544	62,247	15,721
<b>TOTAL</b>	<b>\$ 163,117</b>	<b>\$ 48,207</b>	<b>\$ 173,594</b>	<b>\$ 111,794</b>

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. The Company can use the money desk or obtain broker deposits when necessary in a short time frame.

## 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, 2010:*

	<u>Total</u>	<u>&lt; 1 Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>	<u>Over 5 Years</u>
	(in thousands)				
FHLB Borrowing	\$ 72,081	\$ 8,000	\$ 22,000	\$ 34,000	\$ 8,081
Time certificates of deposits	211,324	125,967	60,019	25,338	-
Operating lease obligations	2,706	1,104	858	512	232
Purchase obligations for service providers	1,996	540	900	556	-
<b>TOTAL</b>	<b><u>\$ 288,107</u></b>	<b><u>\$ 135,611</u></b>	<b><u>\$ 83,777</u></b>	<b><u>\$ 60,406</u></b>	<b><u>\$ 8,313</u></b>

## 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 Asset Liability Committee ("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 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. The model assumes that the rate change shock occurs immediately.

INTEREST RATE SENSITIVITY	200 bp increase		200 bp decrease	
	2010	2009	2010	2009
	(dollars in thousands)			
Anticipated impact over the next twelve months:				
<b>NET INTEREST INCOME (NII)</b>	\$ 693	\$ 263	\$ -	\$ -
	2.3%	0.9%	-	-
<b>ECONOMIC VALUE OF EQUITY (EVE)</b>	\$ (7,172)	\$ (12,744)	\$ -	\$ -
	(11.5%)	(19.1%)	-	-

As of December 31, 2010, the Fed Funds target rate was between 0.0% and 0.25% and the prime rate was 3.25%. In the present rate environment, a 200 basis point decrease was not considered in the December 31, 2010 and December 31, 2009 interest rate sensitivity analysis.

For further discussion of interest rate risk, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity Management - Interest Rate Risk."



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### The Board of Directors and Shareholders of Community West Bancshares

We have audited the accompanying consolidated balance sheets of Community West Bancshares and subsidiary (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 and subsidiary at December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

The image shows the handwritten signature of Ernst & Young LLP in black ink. The signature is written in a cursive, flowing style. The words "Ernst & Young" are written in a larger, more prominent script, with "LLP" in a smaller, simpler font to the right.

Los Angeles, California  
March 25, 2011

**CONSOLIDATED BALANCE SHEETS**

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(dollars in thousands)</b>	
<b>ASSETS</b>		
Cash and due from banks	\$ 6,201	\$ 4,906
Federal funds sold	25	605
Cash and cash equivalents	6,226	5,511
Time deposits in other financial institutions	290	640
Investment securities available-for-sale, at fair value; amortized cost of \$23,038 at December 31, 2010 and \$17,367 at December 31, 2009	23,342	17,670
Investment securities held-to-maturity, at amortized cost; fair value of \$17,514 at December 31, 2010 and \$23,538 at December 31, 2009	16,893	22,678
Federal Home Loan Bank stock, at cost	5,031	5,660
Federal Reserve Bank stock, at cost	1,322	1,322
Loans:		
Held for sale, at lower of cost or fair value	82,320	102,574
Held for investment, net of allowance for loan losses of \$13,302 at December 31, 2010 and \$13,733 at December 31, 2009	498,312	500,866
Total loans	580,632	603,440
Servicing rights	782	998
Foreclosed real estate and repossessed assets	8,478	1,822
Premises and equipment, net	2,915	3,279
Other assets	21,693	21,196
<b>TOTAL ASSETS</b>	<b>\$ 667,604</b>	<b>\$ 684,216</b>
<b>LIABILITIES</b>		
Deposits:		
Non-interest-bearing demand	\$ 35,767	\$ 37,703
Interest-bearing demand	262,431	191,905
Savings	20,371	16,396
Time certificates	211,324	285,388
Total deposits	529,893	531,392
Federal Home Loan Bank advances	64,000	89,000
Convertible debentures	8,081	-
Other liabilities	3,988	3,517
Total liabilities	605,962	623,909
Commitments and contingencies-See Note 17		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, no par value; 10,000,000 shares authorized; 15,600 shares issued and outstanding	14,807	14,540
Common stock, no par value; 10,000,000 shares authorized; 5,916,272 shares issued and outstanding at December 31, 2010 and 5,915,130 at December 31, 2009	33,133	33,110
Retained earnings	13,523	12,479
Accumulated other comprehensive income	179	178
Total stockholders' equity	61,642	60,307
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 667,604</b>	<b>\$ 684,216</b>

See accompanying notes.

**CONSOLIDATED INCOME STATEMENTS**

	<b>Year Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>(in thousands, except per share data)</b>		
<b>INTEREST INCOME</b>			
Loans	\$ 37,809	\$ 39,094	\$ 43,081
Investment securities	1,402	1,740	2,179
Other	23	69	272
Total interest income	<u>39,234</u>	<u>40,903</u>	<u>45,532</u>
<b>INTEREST EXPENSE</b>			
Deposits	7,597	11,240	17,225
Other borrowings and convertible debentures	<u>2,360</u>	<u>3,705</u>	<u>4,998</u>
Total interest expense	<u>9,957</u>	<u>14,945</u>	<u>22,223</u>
<b>NET INTEREST INCOME</b>	29,277	25,958	23,309
Provision for loan losses	<u>8,743</u>	<u>18,678</u>	<u>5,264</u>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	20,534	7,280	18,045
<b>NON-INTEREST INCOME</b>			
Other loan fees	1,965	1,893	2,104
Gains from loan sales, net	467	363	1,018
Document processing fees, net	544	803	718
Service charges	531	456	434
Loan servicing fees, net	328	773	488
Other	<u>180</u>	<u>130</u>	<u>319</u>
Total non-interest income	<u>4,015</u>	<u>4,418</u>	<u>5,081</u>
<b>NON-INTEREST EXPENSES</b>			
Salaries and employee benefits	11,823	11,896	13,390
Occupancy and equipment expenses	2,005	2,112	2,341
FDIC assessment	1,210	1,596	369
Professional services	817	901	788
Advertising and marketing	301	344	421
Depreciation and amortization	425	491	518
Loss on sale and write-down of foreclosed real estate and repossessed assets	1,151	615	-
Data processing	537	620	541
Other	<u>2,722</u>	<u>2,904</u>	<u>2,148</u>
Total non-interest expenses	<u>20,991</u>	<u>21,479</u>	<u>20,516</u>
Income (loss) before provision for income taxes	3,558	(9,781)	2,610
Provision (benefit) for income taxes	<u>1,467</u>	<u>(4,018)</u>	<u>1,129</u>
<b>NET INCOME (LOSS)</b>	<u><b>\$ 2,091</b></u>	<u><b>\$ (5,763)</b></u>	<u><b>\$ 1,481</b></u>
Preferred stock dividends	1,047	1,046	35
<b>NET INCOME (LOSS) APPLICABLE TO COMMON STOCKHOLDERS</b>	<u><b>\$ 1,044</b></u>	<u><b>\$ (6,809)</b></u>	<u><b>\$ 1,446</b></u>
Earnings (loss) per common share:			
Basic	\$ 0.18	\$ (1.15)	\$ 0.24
Diluted	\$ 0.18	\$ (1.15)	\$ 0.24
Basic weighted average number of common shares outstanding	5,915	5,915	5,913
Diluted weighted average number of common shares outstanding	6,833	5,915	5,941

See accompanying notes.

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

	Preferred Stock	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
		(in thousands)				
<b>BALANCES AT JANUARY 1, 2008</b>	\$ -	5,895	\$ 31,636	\$ 18,551	\$ (28)	\$ 50,159
Issuance of preferred stock	14,291					14,291
Issuance of common stock warrants			1,159			1,159
Exercise of stock options		20	105			105
Stock option expense, recognized in earnings			181			181
Comprehensive income:						
Net income				1,481		1,481
Change in unrealized loss on securities available-for-sale, net					(23)	(23)
Comprehensive income						1,458
Dividends paid:						
Common (\$0.12 per share)				(709)		(709)
Preferred	9			(35)		(26)
<b>BALANCES AT DECEMBER 31, 2008</b>	<u>14,300</u>	<u>5,915</u>	<u>33,081</u>	<u>19,288</u>	<u>(51)</u>	<u>66,618</u>
Preferred stock related costs	(26)					(26)
Stock option expense, recognized in earnings			29			29
Comprehensive income:						
Net loss				(5,763)		(5,763)
Change in unrealized gain on securities available-for-sale, net					229	229
Comprehensive loss						(5,534)
Dividends on preferred	266			(1,046)		(780)
<b>BALANCES AT DECEMBER 31, 2009</b>	<u>14,540</u>	<u>5,915</u>	<u>33,110</u>	<u>12,479</u>	<u>178</u>	<u>60,307</u>
Conversion of debentures into common stock		1	4			4
Stock option expense, recognized in earnings			19			19
Comprehensive income:						
Net income				2,091		2,091
Change in unrealized gain on securities available-for-sale, net					1	1
Comprehensive loss						2,092
Dividends on preferred	267			(1,047)		(780)
<b>BALANCES AT DECEMBER 31, 2010</b>	<u>\$ 14,807</u>	<u>5,916</u>	<u>\$ 33,133</u>	<u>\$ 13,523</u>	<u>\$ 179</u>	<u>\$ 61,642</u>

See accompanying notes.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Year Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	(in thousands)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income (loss)	\$ 2,091	\$ (5,763)	\$ 1,481
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Provision for loan losses	8,743	18,678	5,264
Depreciation and amortization	425	491	518
Deferred income taxes	(1,071)	(3,222)	(1,668)
Stock-based compensation	19	29	181
Net amortization of discounts and premiums for investment securities	(146)	(56)	(85)
Loss (gain) on:			
Sale and write-down of foreclosed real estate and repossessed assets	1,151	615	(205)
Sale of loans held for sale	(467)	(363)	(1,018)
Loans originated for sale and principal collections, net	2,332	(2,251)	(2,682)
Changes in:			
Servicing rights, net of amortization	216	163	45
Other assets	574	(6,077)	552
Other liabilities	471	(1,177)	(22)
Net cash provided by operating activities	<u>14,338</u>	<u>1,067</u>	<u>2,361</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of held-to-maturity securities	(1,521)	(2,872)	(12,899)
Purchase of available-for-sale securities	(17,402)	(13,433)	(2,002)
Redemptions of Federal Home Loan Bank stock	629	-	375
Purchase of Federal Reserve stock	-	(420)	(90)
Federal Home Loan Bank stock dividend	-	-	(301)
Principal pay downs and maturities of available-for-sale securities	11,881	2,973	7,844
Principal pay downs and maturities of held-to-maturity securities	7,302	11,405	7,407
Loan originations and principal collections, net	762	(43,545)	(45,360)
Proceeds from sale of foreclosed real estate and repossessed assets	3,631	3,816	1,095
Net increase (decrease) in time deposits in other financial institutions	350	172	(34)
Purchase of premises and equipment, net	(61)	(52)	(952)
Net cash provided by (used in) investing activities	<u>5,571</u>	<u>(41,956)</u>	<u>(44,917)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issuance of preferred stock and warrants on common stock	-	-	15,450
Preferred stock dividends	(1,047)	(1,046)	(35)
Amortization of discount on preferred stock, net of additional costs	267	240	9
Exercise of stock options	-	-	105
Cash dividends paid on common stock	-	-	(709)
Net increase (decrease) in demand deposits and savings accounts	72,565	138,732	(15,889)
Net (decrease) increase in time certificates of deposit	(74,064)	(82,779)	57,589
Proceeds from Federal Home Loan Bank and FRB advances	39,000	130,000	33,000
Repayment of Federal Home Loan Bank and FRB advances	(64,000)	(151,000)	(44,000)
Proceeds from issuance of convertible debentures	8,085	-	-
Net cash (used in) provided by financing activities	<u>(19,194)</u>	<u>34,147</u>	<u>45,520</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	715	(6,742)	2,964
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>5,511</u>	<u>12,253</u>	<u>9,289</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 6,226</u>	<u>\$ 5,511</u>	<u>\$ 12,253</u>

See accompanying notes.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**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 (“U.S. 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 U. S. GAAP 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.

**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, 2010 and 2009, 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.

**Investment Securities** – The Company currently holds debt securities, primarily mortgage-backed securities (“MBS”) and collateralized mortgage obligations (“CMO”), 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. Credit losses relating to AFS or HTM securities below their cost that are deemed to be other than temporarily impaired, if any, are reflected in earnings as realized losses. There is no recognition of unrealized gains or losses for HTM securities unless losses are deemed other than temporary. All investment securities are direct or indirect agencies of the U. S. Government.

**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 evaluates its servicing rights for impairment quarterly. Servicing rights are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Fair value is determined using discounted future cash flows calculated on a loan-by-loan basis and aggregated by predominate risk characteristics. 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.

**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, 2010, 2009 and 2008.

**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. The following is a description of the loan segments held for investment.

**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**

Commercial real estate and construction loans are primarily made for the purpose of purchasing, improving or constructing single-family residences, commercial or industrial properties. This loan segment also includes SBA 504 loans and loans made on land.

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 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.

#### SBA Loans

The SBA loans consist of 7(a) and Business and Industry loans ("B&I"). The 7(a) loan proceeds are used for working capital, machinery and equipment purchases, land and building purposes, leasehold improvements and debt refinancing. In general, 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.

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.

#### Single Family 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. Generally, these loans are underwritten to specific investor guidelines and are committed for sale to that investor. Although the majority of these loans are sold servicing released into the secondary market, a relatively small percentage is held as part of the Bank's portfolio.

#### Manufactured Housing Loans

The Bank 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 originated under one of two programs: fixed rate loans written for terms of 7 to 15 years with balloon payments ranging from 7 to 15 years; adjustable rate loans written for a term of 30 years with the initial interest rates fixed for the first five years and then adjusting annually subject to caps and floors.

#### HELOC

The Bank provides lines of credit collateralized by residential real estate, home equity lines of credit (HELOC), for consumer related purposes. Typically, HELOCs are collateralized by a second deed of trust.

#### Other Installment Loans

Installment loans consist of automobile and general-purpose loans made to individuals. These loans are primarily fixed rate.

**Interest Income on Loans** – Interest on loans is accrued daily on a simple-interest basis. For all loan segments, the accrual of interest is discontinued when substantial doubt exists as to collectability 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 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. Loans are considered past due at the point two monthly scheduled payments are due and have not been paid. 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.

**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 migration analysis/historical loss rates and qualitative factors that are based on management's judgment. The migration analysis and historical loss rate calculations are based upon the annualized loss rates utilizing a twelve quarter loss history. Migration analysis is utilized for the Commercial Real Estate, Commercial and SBA loan portfolio segments. The historical loss rate method is utilized for the homogeneous loan segments which include Manufactured Housing, HELOC's, Single Family Residential and Consumer loans. The migration analysis takes into account the risk rating of loans that are charged off in each loan segment. In loan segments that historic loss rates are utilized, management increases the reserve requirement for Special Mention and Substandard loans. Loans that are considered Doubtful are typically charged off. The following is a description of the characteristics of loans graded Pass, Special Mention, Substandard, Doubtful and Loss. Loan ratings are reviewed as part of our normal loan monitoring process, but, at a minimum, updated on an annual basis.

#### Pass

Loans rated in this category are acceptable loans, underwritten well, bearing an ordinary risk of loss to the Bank. Loans in this category are loans to quality borrowers with financial statements presenting a good primary source as well as an adequate secondary source of repayment. In the case of individuals, borrowers deserving of this rating are quality borrowers demonstrating a reasonable level of secure income, a net worth adequate to support the loan and presenting a good primary source as well as an adequate secondary source of repayment.

#### Special Mention

A Special Mention loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the institution's credit position at some future date.

#### Substandard

A Substandard loan is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard loans does not have to exist in individual loans classified Substandard.

## Doubtful

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

## Loss

Loans classified Loss are considered uncollectible and of such little value that their continuance as bankable loans is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this loan even though partial recovery may be affected in the future. Losses are taken in the period in which they surface as uncollectible. The following is the Bank's policy regarding charging off loans by loan segment.

### Commercial, Commercial Real Estate and SBA Loans

Charge-offs on these loan segments are taken as soon as all or a portion of any loan balance is deemed to be uncollectible. A loan is considered uncollectible when the debtor is delinquent in principal or interest repayment 90 days or more and, in the opinion of the Bank, improvement in the debtor's ability to repay the debt in a timely manner is doubtful. Also, collateral value is insufficient to cover the outstanding indebtedness and outside guarantors do not provide adequate support. Loans secured by real estate on which principal or interest is due and unpaid for 90 days are evaluated for possible charge-down. Loan balances are charged-down to the fair value of the property, if, based on a current appraisal, an apparent deficiency exists. In the event there is no perceived equity, the loan is charged off in full like any other unsecured loan, which is not secured and over 90 days.

### Single Family Real Estate, HELOC's and Manufactured Housing Loans

Consumer loans and residential mortgages secured by one to four family residential properties, HELOC and manufactured housing loans in which principal or interest is due and unpaid for 90 days, are evaluated for possible charge-down. Loan balances are charged-down to the fair value of the property if, based on a current appraisal, an apparent deficiency exists. In the event there is no perceived equity, the loan is charged-off in full like any other consumer loan, which is not secured and unpaid over 90-120 days.

### Consumer Loans

All consumer loans (excluding real estate mortgages, home equity loans and savings secured loans) are charged off or charged down to net recoverable value before becoming 120 days or 5 payments delinquent. Consumer losses are identified well before the 120 day limit whenever possible. Net recoverable value can only be determined if the collateral is in the Bank's possession, and its liquidation value can be verified and realized in the near term.

The second component of the ALL covers qualitative factors related to non-impaired loans. The qualitative allowance on each of the loan pools is based on the following factors:

- Concentrations of credit
- Trends in volume, maturity, composition
- Volume and Trend in Delinquency
- Economic Conditions
- Outside Exams
- Geographic Distance
- Policy and Procedures
- Staff experience and ability

The ALL calculation for the different loan portfolio segments is as follows:

- Commercial Real Estate, Commercial and SBA – Migration analysis combined with risk rating is used to determine the required allowance for all non-impaired loans. In addition, the migration results are adjusted based upon the qualitative factors previously discussed that affect this specific portfolio segment. Reserves on impaired loans are assigned based upon the individual characteristics of the loan.
- Manufactured Housing, Single Family Residential, HELOC and Consumer – The allowance is calculated on the basis of loss history and risk rating, which is primarily a function of delinquency. In addition, the migration results are adjusted based upon the qualitative factors previously discussed that affect this specific portfolio segment.

The Company evaluates and individually assesses impairment on loans greater than \$100,000 classified as substandard or doubtful that are either non-performing or considered a trouble debt restructure. Measured impairment is determined on a loan-by-loan basis and in total establishes a specific reserve for impaired loans. The amount of impairment is determined by comparing the recorded investment in each loan with its value measured by one of three methods.

- The expected future cash flows are estimated and then discounted at the effective interest rate.
- The loan's observable market price, if it is of a kind for which there is a secondary market.
- The value of the underlying collateral net of selling costs. Selling costs are estimated based on industry standards, the Bank's actual experience, or based on actual costs incurred as appropriate. When evaluating real estate collateral, the Bank typically uses appraisals or valuations, no more than twelve months old at time of evaluation. When evaluating non-real estate collateral securing the loan, the Bank will use audited financial statements or appraisals no more than twelve months old. Additionally for both real estate and non-real estate collateral, the Bank may use other sources to determine value as deemed appropriate.

Interest income is not recognized on impaired loans except for limited circumstances in which a loan, although impaired, continues to perform per contract.

The Company determines the required ALL on a monthly basis. Any differences between estimated and actual observed losses from the prior month are reflected in the current period required ALL determination 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.

The Bank has a centralized appraisal management process that tracks and monitors appraisals, appraisal reviews and other valuations. The centralization focus is to ensure the use of qualified and independent appraisers capable of providing reliable real estate values in the context of ever changing market conditions. The review process is monitored to ensure application of the appropriate appraisal methodology, agreement with the interpretation of market data and the resultant real estate value. The process also provides the means of tracking the performance quality of the appraisers on the Bank's approved appraiser list. Any loan evaluation that results in the Bank determining that elevated credit risk and/or default risk exists and also exhibits a lack of a timely valuation of the collateral or apparent collateral value deterioration is reappraised and reevaluated to determine the current extent of any change in collateral value and credit risk. A similar review process is conducted quarterly on all classified and criticized real estate credits to determine the timeliness and adequacy of the real estate collateral value. A detection of non-compliance is then addressed through a new appraisal or reappraisal and review.

#### ***Off Balance Sheet Credit Exposure***

The Company also has established reserves for credit losses on undisbursed loans. The exposure is included in other liabilities in the consolidated balance sheet. The provision related to off balance sheet exposure is calculated in the same manner as the general ALL for each loan segment. Depending on the loan segment, either migration analysis or historical loss rates are utilized. These results are then adjusted by the qualitative factors previously discussed.

***Foreclosed Real Estate and Repossessed Assets*** – Foreclosed real estate and repossessed assets includes real estate and other repossessed assets and the collateral property is recorded at fair value at the time of foreclosure less estimated costs to sell. Any excess of loan balance over the fair value less costs to sell of the other assets is charged-off against the allowance for loan losses. Subsequent to the legal ownership date, 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 asset and liability method, which recognizes a liability or asset representing the tax effects of future deductible or taxable amounts that have been recognized in the consolidated financial statements. 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.

The Company is subject to the provisions of ASC 740, Income Taxes (ASC 740). ASC 740 prescribes a more-likely-than-not threshold for the financial statement recognition of uncertain tax positions. ASC 740 clarifies the accounting for income taxes by prescribing a minimum recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. On a quarterly basis the Company evaluates income tax accruals in accordance with ASC 740 guidance on uncertain tax positions.

***Earnings Per Share*** – Basic earnings per common share is computed using the weighted average number of common shares outstanding for the period divided into the net income (loss) applicable to common shareholders. Diluted earnings per share include the effect of all dilutive potential common shares for the period. Potentially dilutive common shares include stock options, warrants and shares that could result from the conversion of debenture bonds.

***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.

***Preferred Stock and Warrants*** – The receipt of proceeds from the TARP Capital Purchase Program (as more fully discussed in Note 11) and the issuance of preferred stock and Common Stock warrants required a valuation of these two instruments. The Company engaged outside experts to assist management in this valuation and allocation of the funds received between the preferred stock and related warrants. A binomial option pricing model was used in arriving at the valuation.

***Recent Accounting Pronouncements*** – In June 2009, ASC 860 “Transfers and Servicing” was amended. ASC 860 eliminates the concept of a qualifying special purpose entity, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies other sale-accounting criteria, and changes the initial measurement of a transferor's interest in transferred financial assets. ASC 860 applies to transfers of government-guaranteed portions of loans, such as those guaranteed by the Small Business Administration

("SBA"). In this regard, if the Bank transfers the guaranteed portion of an SBA loan at a premium, it is obligated by the SBA to refund the premium to the purchaser if the loan is repaid within ninety days of the transfer. Under ASC 860, this premium refund obligation is a form of recourse, which means that the transferred guarantee portion of the loan does not meet the definition of a participating interest for the ninety day period that the premium refund obligation exists. As a result, the transfer must be accounted for as a secured borrowing during this period. After the ninety day period, assuming the transferred guaranteed portion and the retained unguaranteed portion of the SBA loan now meet the definition of a participating interest, the transfer of the guaranteed portion can be accounted for as a sale if all of the conditions for sale accounting in ASC 860 are met. Essentially, ASC 860 delays recognition of the sale and the gain on the sale of an SBA loan at a premium for ninety days and precludes recognition of gain on loans sold at par. This amendment is effective for annual reporting periods beginning after November 15, 2009, and for interim periods therein. Adoption of ASC 860 did not have a material impact on the Company's financial condition, results of operations or cash flows.

In January 2010, FASB issued a final Accounting Standards Update, ASU 2010-06, that requires entities to provide new disclosures about fair value measurements including transfers between Level 1 and Level 2, reasons for transfers out of Level 3 and a reconciliation of Level 3 including purchases, sales, issuances and settlements on a gross basis. The update also amends ASC 820 to clarify certain existing disclosure requirements pertaining to each class of assets and liabilities. This amendment is effective for annual reporting periods beginning after December 15, 2009, and for interim periods therein. Adoption of ASU 2010-06 did not have a material impact on the Company's financial condition, results of operations or cash flows.

In July 2010, FASB issued a final Accounting Standards Update, ASU 2010-20, that requires entities to provide extensive new disclosures in their financial statements about their financial receivables, including credit risk exposures and allowance for credit losses. The ASU requires new qualitative and quantitative disclosures on the allowance for credit losses, credit quality, impaired loans, modifications and nonaccrual and past due financing receivables. Generally, the update is effective for interim or annual reporting periods ending after December 15, 2010. Certain elements of the ASU regarding disclosures for troubled debt restructuring have been deferred and will be effective for periods ending on or after June 15, 2011. Adoption of ASU 2010-20 did not have a material impact on the Company's financial condition, results of operations or cash flows.

## 2. INVESTMENT SECURITIES

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

### December 31, 2010

	(in thousands)			
	Amortized	Gross	Gross	Fair
	Cost	Unrealized	Unrealized	Value
		Gains	Losses	
<b><u>Available-for-sale securities</u></b>				
U.S. Government agency: MBS	\$ 5,472	\$ 206	\$ -	\$ 5,678
U.S. Government agency: CMO	17,566	102	(4)	17,664
<b>TOTAL AVAILABLE-FOR-SALE SECURITIES</b>	<b>\$ 23,038</b>	<b>\$ 308</b>	<b>\$ (4)</b>	<b>\$ 23,342</b>
<b><u>Held-to-maturity securities</u></b>				
U.S. Government agency: MBS	\$ 16,893	\$ 698	\$ (77)	\$ 17,514
U.S. Government agency: CMO	-	-	-	-
<b>TOTAL HELD-TO-MATURITY SECURITIES</b>	<b>\$ 16,893</b>	<b>\$ 698</b>	<b>\$ (77)</b>	<b>\$ 17,514</b>

### December 31, 2009

	(in thousands)			
	Amortized	Gross	Gross	Fair
	Cost	Unrealized	Unrealized	Value
		Gains	Losses	
<b><u>Available-for-sale securities</u></b>				
U.S. Government agency: MBS	\$ 10,175	\$ 286	\$ -	\$ 10,461
U.S. Government agency: CMO	7,192	37	(20)	7,209
<b>TOTAL AVAILABLE-FOR-SALE SECURITIES</b>	<b>\$ 17,367</b>	<b>\$ 323</b>	<b>\$ (20)</b>	<b>\$ 17,670</b>
<b><u>Held-to-maturity securities</u></b>				
U.S. Government agency notes	\$ 22,678	\$ 891	\$ (31)	\$ 23,538
U.S. Government agency: MBS	-	-	-	-
<b>TOTAL HELD-TO-MATURITY SECURITIES</b>	<b>\$ 22,678</b>	<b>\$ 891</b>	<b>\$ (31)</b>	<b>\$ 23,538</b>

At December 31, 2010, \$40.2 million 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, 2010 are as follows:

	<u>Total Amount</u>		<u>Less than One Year</u>		<u>One to Five Years</u>		<u>Five to Ten Years</u>	
	<u>Amount</u>	<u>Yield</u>	<u>Amount</u>	<u>Yield</u>	<u>Amount</u>	<u>Yield</u>	<u>Amount</u>	<u>Yield</u>
(dollars in thousands)								
<b><u>Available-for-sale securities</u></b>								
U. S. Government:								
Agency: MBS	\$ 5,678	2.4%	\$ -	-	\$ 4,731	2.4%	\$ 947	2.3%
Agency: CMO	17,664	0.8%	1,718	0.9%	14,015	0.8%	1,931	0.8%
<b>TOTAL AFS</b>	<b>\$ 23,342</b>	<b>1.2%</b>	<b>\$ 1,718</b>	<b>0.9%</b>	<b>\$ 18,746</b>	<b>1.2%</b>	<b>\$ 2,878</b>	<b>1.3%</b>
<b><u>Held-to-maturity securities</u></b>								
U.S. Government:								
Agency: MBS	\$ 16,893	4.4%	\$ 62	5.0%	\$ 9,603	4.7%	\$ 7,228	4.0%
Agency: CMO	-	-	-	-	-	-	-	-
<b>TOTAL HTM</b>	<b>\$ 16,893</b>	<b>4.4%</b>	<b>\$ 62</b>	<b>5.0%</b>	<b>\$ 9,603</b>	<b>4.7%</b>	<b>\$ 7,228</b>	<b>4.0%</b>

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

December 31, 2010	Less than 12 months		More than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in thousands)					
<b>Available-for-sale securities</b>						
U.S. Government agency: MBS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government agency: CMO	3,118	4	-	-	3,118	4
<b>TOTAL AFS</b>	<b>\$ 3,118</b>	<b>\$ 4</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,118</b>	<b>\$ 4</b>

December 31, 2010	Less than 12 months		More than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in thousands)					
<b>Held-to-maturity securities</b>						
U.S. Government agency: MBS	\$ 1,444	\$ 77	\$ -	\$ -	\$ 1,444	\$ 77
U.S. Government agency: CMO	-	-	-	-	-	-
<b>TOTAL HTM</b>	<b>\$ 1,444</b>	<b>\$ 77</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,444</b>	<b>\$ 77</b>

December 31, 2009	Less than 12 months		More than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in thousands)					
<b>Available-for-sale securities</b>						
U.S. Government agency: MBS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government agency: CMO	1,816	20	-	-	1,816	20
<b>TOTAL AFS</b>	<b>\$ 1,816</b>	<b>\$ 20</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,816</b>	<b>\$ 20</b>

December 31, 2009	Less than 12 months		More than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in thousands)					
<b>Held-to-maturity securities</b>						
U.S. Government and agency	\$ 2,854	\$ 31	\$ -	\$ -	\$ 2,854	\$ 31
U.S. Government agency: MBS	-	-	-	-	-	-
<b>TOTAL HTM</b>	<b>\$ 2,854</b>	<b>\$ 31</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,854</b>	<b>\$ 31</b>

For December 31, 2010 and December 31, 2009, three securities were in an unrealized loss position.

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 Company's intent to sell an impaired security and if it is not more likely than not it will be required to sell the security before the recovery of its amortized basis.

The unrealized losses are primarily 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, as all are direct or indirect agencies of the U. S. Government. Accordingly, as of December 31, 2010 and December 31, 2009, 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 income statements.

### 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 retain 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 5-25%. The servicing asset is analyzed for impairment quarterly.

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, 2010 and December 31, 2009, the Company had approximately \$77.5 million and \$95.7 million, respectively, in SBA loans held for sale.

The following is a summary of activity in Servicing Rights:

	<b>Year Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	(in thousands)		
Balance, beginning of year	\$ 998	\$ 1,161	\$ 1,206
Additions through loan sales	-	-	273
Amortization	(216)	(163)	(318)
<b>BALANCE, END OF YEAR</b>	<b>\$ 782</b>	<b>\$ 998</b>	<b>\$ 1,161</b>

As of December 31, 2010, the balance of loans sold subject to servicing was \$37.1 million.

**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. 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, management believes that changes in the fair value of the two commitments generally offset and create an economic hedge. At December 31, 2010 and December 31, 2009, the Company had \$10.9 million and \$13.6 million, respectively, in outstanding mortgage loan interest rate lock and forward sale commitments, the value of related derivative instruments were 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:

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
	(in thousands)	
Commercial	\$ 57,369	\$ 61,810
Commercial real estate	173,906	180,688
SBA	51,549	43,863
Manufactured housing	194,682	195,656
Single family real estate	13,722	14,793
HELOC	20,273	17,902
Consumer	379	286
	511,880	514,998
Less:		
Allowance for loan losses	13,302	13,733
Deferred fees, net of costs	(181)	(204)
Purchased premiums	(14)	(24)
Discount on unguaranteed portion of SBA loans	461	627
<b>Loans held for investment, net</b>	<b>\$ 498,312</b>	<b>\$ 500,866</b>

The Company makes loans to borrowers in a number of different industries. Loans collateralized by manufactured housing comprise over 10% of the Company’s loan portfolio. This concentration is somewhat mitigated by the fact that the portfolio consists of over 1,900 individual borrowers. Commercial, commercial real estate, construction and SBA loans also comprised over 10% of the Company’s loan portfolio as of December 31, 2010 and 2009. The Bank analyzes these concentrations on a quarterly basis and reports the risk related to concentrations to the Board of Directors. Management believes the systems in place coupled with the diversity of the portfolios are adequate to mitigate concentration risk.

**Related parties** – In the ordinary course of business, the Company has extended credit to Directors of the Company. These related party loans totaled \$3.9 million and \$4.4 million at December 31, 2010 and 2009, respectively. At December 31, 2010, the maturities of the related party loans ranged from approximately three years to eight years. Such loans are subject to ratification by the Board of Directors, exclusive of the borrowing Director. Federal banking regulations require that any such extensions of credit not be offered on terms more favorable than would be offered to non-related party borrowers of similar credit worthiness.

At December 31, 2010, the aging of the Company's loans held for investment is as follows:

2010	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Financing Receivables	Recorded Investment > 90 Days and Accruing
(in thousands)							
Single family real estate	\$ 40	\$ 504	\$ 143	\$ 687	\$ 13,035	\$ 13,722	\$ 143
Commercial real estate:							
Commercial real estate	331	-	981	1,312	103,118	104,430	-
SBA 504 1st TD	-	-	1,100	1,100	38,267	39,367	-
Land	195	-	571	766	5,970	6,736	-
Construction	-	-	49	49	23,324	23,373	-
Commercial loans	739	-	174	913	56,456	57,369	34
SBA loans	2,098	910	17,129	20,137	31,412	51,549	-
Manufactured housing	914	318	894	2,126	192,556	194,682	-
HELOC	-	-	2	2	20,271	20,273	-
Consumer	-	-	21	21	358	379	-
<b>Total</b>	<b>\$ 4,317</b>	<b>\$ 1,732</b>	<b>\$ 21,064</b>	<b>\$ 27,113</b>	<b>\$ 484,767</b>	<b>\$ 511,880</b>	<b>\$ 177</b>

Of the \$20.1 million SBA past due, \$17.3 million is guaranteed.

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

	Year Ended December 31,		
	2010	2009	2008
	(in thousands)		
Balance, beginning of year	\$ 13,733	\$ 7,341	\$ 4,412
Loans charged off	(9,722)	(12,437)	(2,459)
Recoveries on loans previously charged off	548	151	124
Net charge-offs	(9,174)	(12,286)	(2,335)
Provision for loan losses	8,743	18,678	5,264
<b>BALANCE, END OF YEAR</b>	<b>\$ 13,302</b>	<b>\$ 13,733</b>	<b>\$ 7,341</b>

As of December 31, 2010 and 2009, the Company also had established reserves for credit losses on undisbursed loans of \$194,000 and \$501,000, respectively, which are included in other liabilities in the consolidated balance sheet.

The following schedule summarizes the provision, charge-offs and recoveries by loan segment for the year ended December 31, 2010:

	Allowance 12/31/09	Provision	Charge-offs	Recoveries	Net Charge-offs	Allowance 12/31/10
	(in thousands)					
Commercial real estate	\$ 2,843	\$ 873	\$ (1,192)	\$ 8	\$ (1,184)	\$ 2,532
Manufactured housing	2,255	4,072	(2,202)	43	(2,159)	4,168
Commercial	3,448	(398)	(1,055)	99	(956)	2,094
SBA	4,837	3,184	(4,628)	360	(4,268)	3,753
Single family real estate	143	172	(186)	6	(180)	135
HELOC	124	873	(458)	8	(450)	547
Consumer	83	(33)	(1)	24	23	73
<b>Total</b>	<b>\$ 13,733</b>	<b>\$ 8,743</b>	<b>\$ (9,722)</b>	<b>\$ 548</b>	<b>\$ (9,174)</b>	<b>\$ 13,302</b>

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

	Year Ended December 31,		
	2010	2009	2008
	(in thousands)		
Impaired loans without specific valuation allowances	\$ 13,285	\$ 13,699	\$ 8,043
Impaired loans with specific valuation allowances	1,703	716	523
Specific valuation allowance related to impaired loans	(362)	(622)	(151)
<b>IMPAIRED LOANS, NET</b>	<b>\$ 14,626</b>	<b>\$ 13,793</b>	<b>\$ 8,415</b>
Average investment in impaired loans	\$ 15,591	\$ 9,058	\$ 9,612

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

	Year Ended December 31,		
	2010	2009	2008
	(in thousands)		
Nonaccrual loans	\$ 34,950	\$ 40,265	\$ 28,821
SBA guaranteed portion of loans included above	(22,279)	(24,088)	(11,918)
<b>NONACCRUAL LOANS, NET</b>	<b>\$ 12,671</b>	<b>\$ 16,177</b>	<b>\$ 16,903</b>
Troubled debt restructured loans	\$ 11,088	\$ 7,013	\$ 5,408
Loans 30 through 90 days past due with interest accruing	\$ 2,586	\$ 17,686	\$ 11,974
Interest income recognized on impaired loans	\$ 381	\$ 426	\$ 12
Interest foregone on nonaccrual loans and troubled debt restructured loans outstanding	2,344	2,109	1,707
<b>GROSS INTEREST INCOME ON IMPAIRED AND NONACCRUAL LOANS</b>	<b>\$ 2,725</b>	<b>\$ 2,535</b>	<b>\$ 1,719</b>

At December 31, 2010, the composition of the Company's net nonaccrual loans is as follows:

	(in thousands)
Commercial	\$ 602
Commercial real estate:	
Commercial real estate	3,226
SBA 504 1st	1,612
Land	571
Construction	49
SBA	4,181
Manufactured housing	1,917
Single family real estate	461
HELOC	31
Consumer	21
<b>Nonaccrual loans, net</b>	<b>\$ 12,671</b>

At December 31, 2010, the recorded investment in loans by rating is as follows:

	Pass	Special Mention	Substandard	Doubtful	Total
	(in thousands)				
Single family real estate	\$ 13,261	\$ -	\$ 461	\$ -	\$ 13,722
Commercial real estate:					
Commercial real estate	82,058	9,520	12,852	-	104,430
SBA 504 1st	35,645	891	2,831	-	39,367
Land	4,592	1,073	1,071	-	6,736
Construction	10,665	10,546	2,162	-	23,373
Commercial	46,825	6,961	3,494	89	57,369
SBA	21,724	511	4,898	82	27,215
Manufactured housing	192,490	60	2,132	-	194,682
HELOC	19,664	463	144	2	20,273
Consumer	339	-	40	-	379
Total	\$ 427,263	\$ 30,025	\$ 30,085	\$ 173	\$ 487,546
SBA guarantee	-	-	17,109	7,225	24,334
<b>Total</b>	<b>\$ 427,263</b>	<b>\$ 30,025</b>	<b>\$ 47,194</b>	<b>\$ 7,398</b>	<b>\$ 511,880</b>

## 5. FAIR VALUE MEASUREMENT

Fair value is the exchange price that would be received for an asset or the price that would be paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Generally accepted accounting principles establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Three levels of inputs may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets and liabilities

Level 2 – Observable inputs other than quoted market prices in active markets for identical assets and liabilities

Level 3 – Unobservable inputs

The following summarizes the fair value measurements of assets measured on a recurring basis as of December 31, 2010 and 2009 and the relative levels of inputs from which such amounts were derived:

<u>Description</u>	<b>Fair value measurements at December 31, 2010 using</b>			
	Total	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
		(Level 1)	(Level 2)	(Level 3)
	(in thousands)			
Investment securities available-for-sale	\$ 23,342	\$ -	\$ 23,342	\$ -
Interest only strips (included in other assets)	492	-	-	492
Total	<u>\$ 23,834</u>	<u>\$ -</u>	<u>\$ 23,342</u>	<u>\$ 492</u>

<u>Description</u>	<b>Fair value measurements at December 31, 2009 using</b>			
	Total	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
		(Level 1)	(Level 2)	(Level 3)
	(in thousands)			
Investment securities available-for-sale	\$17,670	\$ -	\$ 17,670	\$ -
Interest only strips (included in other assets)	623	-	-	623
Total	<u>\$18,293</u>	<u>\$ -</u>	<u>\$ 17,670</u>	<u>\$ 623</u>

Market valuations of our investment securities which are classified as level 2 are provided by an independent third party. The fair values are determined by using several sources for valuing fixed income securities. Their techniques include pricing models that vary based on the type of asset being valued and incorporate available trade, bid and other market information. In accordance with the fair value hierarchy, the market valuation sources include observable market inputs and are therefore considered Level 2 inputs for purposes of determining the fair values.



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. I/O strips are classified as level 3 in the fair value hierarchy. The fair value is determined on a quarterly basis through a discounted cash flow analysis prepared by an independent third party using industry prepayment speeds. The I/O strips were valued at \$623,000 as of December 31, 2009 and a valuation adjustment of \$131,000 was recorded against income for 2010. No other changes in the balance have occurred related to the I/O strips and such valuation adjustments are included as additions or offsets to loan servicing income.

The Company also has assets that under certain conditions are subject to measurement at fair value on a non-recurring basis. These assets are loans that are considered impaired per generally accepted accounting principles. A loan is considered impaired when, based on current information or events, it is probable that not all amounts due will be collected according to the contractual terms of the loan agreement. Impairment is measured based on the fair value of the underlying collateral. The collateral value is determined based on appraisals and other market valuations for similar assets.

The following summarizes the fair value measurements of assets measured on a non-recurring basis as of December 31, 2010 and 2009 and the relative levels of inputs from which such amounts were derived:

<u>Description</u>	<b>Fair value measurements at December 31, 2010 using</b>			
	Total	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
		(Level 1)	(Level 2)	(Level 3)
	(in thousands)			
Impaired loans	\$ 14,626	\$ -	\$ 13,527	\$ 1,099

<u>Description</u>	<b>Fair value measurements at December 31, 2009 using</b>			
	Total	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
		(Level 1)	(Level 2)	(Level 3)
	(in thousands)			
Impaired loans	\$ 13,793	\$ -	\$ 13,562	\$ 231

Also see “Note 15 – Fair Values of Financial Instruments”.

## 6. PREMISES AND EQUIPMENT

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
	(in thousands)	
Furniture, fixtures and equipment	\$ 8,162	\$ 8,225
Building and land	1,407	1,407
Leasehold improvements	2,461	2,436
	12,030	12,068
Less: accumulated depreciation and amortization	(9,115)	(8,789)
<b>PREMISES AND EQUIPMENT, NET</b>	<b>\$ 2,915</b>	<b>\$ 3,279</b>

The Company leases office facilities under various operating lease agreements with terms that expire at various dates between January 2011 and May 2017, plus options to extend certain lease terms for periods of up to ten years.

The minimum lease commitments as of December 31, 2010 under all operating lease agreements are as follows:

	(in thousands)
2011	\$ 1,104
2012	507
2013	352
2014	280
2015	231
Thereafter	232
<b>Total</b>	<b>\$ 2,706</b>

Rent expense for the years ended December 31, 2010, 2009 and 2008, included in occupancy expense was \$1,114,000, \$1,116,000 and \$1,199,000, respectively.

## 7. DEPOSITS

At December 31, 2010, the maturities of time certificates of deposit are as follows:

	(in thousands)
2011	\$ 125,967
2012	36,703
2013	23,316
2014	8,092
2015	17,246
<b>Total</b>	<b><u>\$ 211,324</u></b>

## 8. BORROWINGS

### *Federal Home Loan Bank Advances*

The Company has a blanket lien credit line with the FHLB. Advances are collateralized in the aggregate by CWB's eligible mortgage loans, securities of the U.S Government and its agencies and certain other loans. The outstanding advances at December 31, 2010 were \$64.0 million borrowed at fixed rates. At December 31, 2010, CWB had pledged to FHLB, securities of \$40.2 million at carrying value and loans of \$76.6 million, and had \$56.8 million available for additional borrowing. At December 31, 2009, CWB had \$92.3 million of loans and \$40.3 million of securities pledged as collateral and outstanding advances of \$68.0 million borrowed at fixed rates.

Information related to advances from FHLB:

	<u>December 31, 2010</u>	
	<u>Amount</u>	<u>Interest Rates</u>
	(dollars in thousands)	
Due within one year	\$ 8,000	3.31%-3.48%
After one year but within three years	22,000	1.08%-3.81%
After three years but within five years	34,000	2.68%-2.88%
<b>Total</b>	<b><u>\$ 64,000</u></b>	-

	<u>December 31, 2009</u>	
	<u>Amount</u>	<u>Interest Rates</u>
	(dollars in thousands)	
Due within one year	\$ 24,000	4.28%-5.18%
After one year but within three years	12,000	1.85%-3.48%
After three years but within five years	32,000	2.68%-3.81%
<b>Total</b>	<b><u>\$ 68,000</u></b>	-

Financial information pertaining to advances from FHLB:

	<u>2010</u>	<u>2009</u>
	(dollars in thousands)	
Weighted average interest rate, end of the year	2.61%	3.57%
Weighted average interest rate during the year	2.93%	4.04%
Average balance of advances from FHLB	\$ 70,000	\$ 89,077
Maximum amount outstanding at any month end	\$ 77,000	\$ 106,000

The total interest expense on advances from FHLB was \$2,054,000 for 2010 and \$3,602,000 for 2009.

### *Federal Reserve Bank*

CWB also has established a credit line with the FRB. Advances are collateralized in the aggregate by eligible loans. There were no advances outstanding as of December 31, 2010 and unused borrowing capacity was \$119 million.

### **Convertible Debentures**

On August 9, 2010, the Company announced the completion of its previously announced offering of \$8,085,000 convertible subordinated debentures. The debentures pay interest at 9% until conversion, redemption or maturity and will mature on August 9, 2020. The debentures may be redeemed by the Company after January 1, 2014. Prior to maturity or redemption, the debentures can be converted into common stock at the election of the holder at \$3.50 per share if converted on or prior to July 1, 2013, \$4.50 per share between July 2, 2013 and July 1, 2016 and \$6.00 per share from July 2, 2016 until maturity or redemption. At December 31, 2010, the balance of the convertible debentures was \$8,081,000.

### **Federal Funds Purchased**

The Company maintains four federal funds purchased lines with a total borrowing capacity of \$23.5 million. Of the \$23.5 million in borrowing capacity, two of the lines for a total of \$10.0 million require the Company to furnish acceptable collateral. There was no amount outstanding as of December 31, 2010 and 2009.

## **9. EARNINGS PER SHARE**

*The following table presents a reconciliation of basic earnings per share and diluted earnings per share:*

	Year Ended December 31,		
	2010	2009	2008
	(in thousands, except per share data)		
Net income (loss)	\$ 2,091	\$ (5,763)	\$ 1,481
Less: Preferred stock dividends	1,047	1,046	35
Net income (loss) applicable to common shareholders	<u>\$ 1,044</u>	<u>\$(6,809)</u>	<u>\$ 1,446</u>
Add: Debenture interest expense and costs, net of income taxes	\$ 176	\$ -	\$ -
Net income for diluted calculation of earnings (loss) per common share	<u>\$ 1,220</u>	<u>\$(6,809)</u>	<u>\$ 1,446</u>
Basic weighted average number of common shares outstanding	<u>5,915</u>	<u>5,915</u>	<u>5,913</u>
Dilutive weighted average number of common shares outstanding	<u>6,833</u>	<u>5,915</u>	<u>5,941</u>
Earnings (loss) per common share:			
Basic	\$ 0.18	\$ (1.15)	\$ 0.24
Diluted	\$ 0.18	\$ (1.15)	\$ 0.24

## **10. STOCK-BASED COMPENSATION**

The Company adopted the provisions of FASB ASC 718 – “Stock Compensation” (“ASC 718”); on January 1, 2006. ASC 718 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, ASC 718 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 ASC 718. 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 ASC 718 for the years ended December 31, 2010, 2009, and 2008, the Company recognized stock-based compensation expense of \$19,000, \$29,000 and \$182,000, respectively.

For the year ended December 31, 2010, 23,750 stock options were granted at a weighted-average fair value of \$1.99 per share. Stock-based compensation, net of forfeitures, is recognized ratably over the requisite service period for all awards. As of December 31, 2010, estimated future stock-based compensation expense related to unvested stock options totaled \$79,000. The weighted-average period over which this unrecognized expense is expected to be recognized is 2.9 years.

For the year ended December 31, 2009, 44,300 stock options were granted at a weighted-average fair value of \$1.27 per share. Stock-based compensation, net of forfeitures, is recognized ratably over the requisite service period for all awards. As of December 31, 2009,

estimated future stock-based compensation expense related to unvested stock options totaled \$104,000. The weighted-average period over which this unrecognized expense is expected to be recognized is 2.9 years.

For the year ended December 31, 2008, 86,750 stock options were granted at a weighted-average fair value of \$1.70 per share. Stock-based compensation, net of forfeitures, is recognized ratably over the requisite service period for all awards. As of December 31, 2008, estimated future stock-based compensation expense related to unvested stock options totaled \$270,000. The weighted-average period over which this unrecognized expense is expected to be recognized is 1.7 years.

*The fair value of each stock option grant under the Company's stock option plan during 2010, 2009 and 2008 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:*

	<b>Year Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Annual dividend yield	-	1.0%	0.9%
Expected volatility	61.4%	48.0%	29.6%
Risk free interest rate	2.7%	2.9%	3.1%
Expected life (in years)	6.3	6.8	6.4

## **11. STOCKHOLDERS' EQUITY**

### ***Preferred Stock***

On December 19, 2008, as part of the United States Department of the Treasury's (the "Treasury") Troubled Asset Relief Program - Capital Purchase Program (the "TARP Program"), the Company entered into a Letter Agreement with the Treasury, pursuant to which the Company issued to the Treasury, in exchange for an aggregate purchase price of \$15.6 million in cash: (i) 15,600 shares of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series A, no par value, having a liquidation preference of \$1,000 per share (the "Series A Preferred Stock"), and (ii) a warrant (the "Warrant") to purchase up to 521,158 shares of the Company's common stock, no par value (the "Common Stock"), at an exercise price of \$4.49 per share.

Series A Preferred Stock pays cumulative dividends at a rate of 5% per year for the first five years and at a rate of 9% per year thereafter, but will be paid only if, as and when declared by the Company's Board of Directors. The Series A Preferred Stock has no maturity date and ranks senior to the common stock with respect to the payment of dividends and distributions and amounts payable upon liquidation, dissolution and winding up of the Company. The Series A Preferred Stock is generally non-voting, other than class voting on certain matters that could adversely affect the Series A Preferred Stock. In the event that dividends payable on the Series A Preferred Stock have not been paid for the equivalent of six or more quarters, whether or not consecutive, the Company's authorized number of Directors will be automatically increased by two and the holders of the Series A Preferred Stock, voting together with holders of any then outstanding voting parity stock, will have the right to elect those Directors at the Company's next annual meeting of shareholders or at a special meeting of shareholders called for that purpose. These Directors will be elected annually and will serve until all accrued and unpaid dividends on the Series A Preferred Stock have been paid.

The Company may redeem the Series A Preferred Stock after February 15, 2012 for \$1,000 per share plus accrued and unpaid dividends. Prior to this date, the Company may redeem the Series A Preferred Stock for \$1,000 per share plus accrued and unpaid dividends if: (i) the Company has raised aggregate gross proceeds in one or more "qualified equity offerings" (as defined in the Securities Purchase Agreement entered into between the Company and the Treasury) in excess of \$15.6 million, and (ii) the aggregate redemption price does not exceed the aggregate net cash proceeds from such qualified equity offerings. Any redemption is subject to the prior approval of the Company's primary banking regulator.

### ***Common Stock***

#### ***Common Stock Warrants***

The Warrant issued as part of the TARP provide for the purchase of up to 521,158 shares of the common stock, at an exercise price of \$4.49 per share (the "Warrant Shares"). The Warrant is immediately exercisable and has a 10-year term. The exercise price and the ultimate number of shares of common stock that may be issued under the Warrant are subject to certain anti-dilution adjustments, such as upon stock splits or distributions of securities or other assets to holders of the common stock, and upon certain issuances of the common stock at or below a specified price relative to the then current market price of the common stock. If, on or prior to December 31, 2009, the Company receives aggregate gross cash proceeds of not less than \$15.6 million from "qualified equity offerings", the number of shares of common stock issuable pursuant to the Treasury's exercise of the Warrant will be reduced by one-half of the original number of Warrant Shares, taking into account all adjustments, underlying the Warrant. Pursuant to the Securities Purchase Agreement, the Treasury has agreed not to exercise voting power with respect to any Warrant Shares.

### ***Stock Option Plans***

The Company has one stock option plan, the Community West Bancshares 2006 Stock Option Plan. As of December 31, 2010, 297,850 options were available for future grant and 428,685 options were outstanding at prices ranging from \$2.30 to \$15.75 per share with 338,365 options fully vested. As of December 31, 2009, 459,863 options were outstanding at prices ranging from \$2.30 to \$15.75 per share with 362,193 options vested and 306,400 options available for future grant. The average life of the outstanding options was approximately 6.3 years as of December 31, 2010.

Stock option activity is as follows:

	Year Ended December 31,					
	2010 Option Shares	2010 Weighted Average Exercise Price	2009 Option Shares	2009 Weighted Average Exercise Price	2008 Option Shares	2008 Weighted Average Exercise Price
	(in thousands, except per share data)					
Total options as of January 1,	460	\$ 7.29	460	\$ 8.14	462	\$ 8.63
Granted	24	3.33	44	2.70	87	5.58
Canceled	(55)	6.69	(44)	11.46	(69)	9.15
Exercised	-	-	-	-	(20)	5.12
<b>Total options at December 31,</b>	<b>429</b>	<b>\$ 7.15</b>	<b>460</b>	<b>\$ 7.30</b>	<b>460</b>	<b>\$ 8.14</b>
<b>Total vested options as of December 31,</b>	<b>338</b>	<b>\$ 7.50</b>	<b>355</b>	<b>\$ 7.35</b>	<b>343</b>	<b>\$ 7.36</b>

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

	Year Ended December 31,		
	2010	2009	2008
	(in thousands, except per share data)		
Intrinsic value of options exercised	\$ -	\$ -	\$ 72
Cash received from the exercise of options	-	-	105
Weighted-average grant-date fair value of options	-	-	2.44

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

Unvested Stock Option Shares	Weighted-Average Grant-Date Fair Value	
	Number of Option Shares	
	(in thousands, except per share data)	
Unvested stock options at January 1, 2010	105	\$ 2.44
Granted	24	1.99
Vested	(29)	2.94
Forfeited	(9)	2.12
<b>TOTAL UNVESTED STOCK OPTIONS AT DECEMBER 31, 2010</b>	<b>91</b>	<b>\$ 2.20</b>

## 12. INCOME TAXES

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

	Year Ended December 31,		
	2010	2009	2008
	(in thousands)		
Current:			
Federal	\$ 1,873	\$ (830)	\$ 2,017
State	665	34	780
	2,538	(796)	2,797
Deferred:			
Federal	(792)	(2,130)	(1,186)
State	(279)	(1,092)	(482)
	(1,071)	(3,222)	(1,668)
<b>TOTAL PROVISION (BENEFIT) FOR INCOME TAXES</b>	<b>\$ 1,467</b>	<b>\$ (4,018)</b>	<b>\$ 1,129</b>

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

	Year Ended December 31,		
	2010	2009	2008
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	-	(0.1)%	2.1%
	<b>41.2%</b>	<b>41.1%</b>	<b>43.3%</b>

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

	2010	2009
	(in thousands)	
Deferred tax assets:		
Allowance for loan losses	\$ 5,802	\$ 4,892
Depreciation	82	78
Other	903	967
	<u>6,787</u>	<u>5,937</u>
Deferred tax liabilities:		
Deferred state taxes	(347)	(8)
Other	(508)	(1,069)
	<u>(855)</u>	<u>(1,077)</u>
<b>NET DEFERRED TAXES</b>	<b>\$ 5,932</b>	<b>\$ 4,860</b>

The Company evaluates its deferred tax assets on a quarterly basis to determine whether a valuation allowance is required. In accordance with ASC 740, the Company assesses whether a valuation allowance should be established based on its determination of whether it is more likely than not that some portion of the deferred tax assets will not be realized.

The Company believes that the realization of the recognized deferred tax asset of \$5.9 million is more likely than not based on existing carryback ability and expectations as to future taxable income.

ASC 740 provides guidance for accounting and disclosure for uncertainty in tax positions and for the recognition and measurement related to the accounting for income taxes. Management concluded that there are no significant uncertain tax positions requiring recognition in our financial statements.

The Company may from time to time be assessed interest or penalties by major tax jurisdictions, although any such assessments have historically been minimal and immaterial to financial results.

### 13. 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,		
	2010	2009	2008
	(in thousands)		
Supplemental Disclosure of Cash Flow Information:			
Cash paid for interest	\$ 10,079	\$ 16,218	\$ 20,325
Cash paid for income taxes	841	86	2,573
Supplemental Disclosure of Noncash Investing Activity:			
Transfers to other assets acquired through foreclosure	11,438	5,107	1,886

### 14. 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 \$173,000, \$190,000 and \$260,000 in 2010, 2009 and 2008, respectively.

### 15. 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,			
	2010		2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(in thousands)			
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 6,226	\$ 6,226	\$ 5,511	\$ 5,511
Time deposits in other financial institutions	290	290	640	640
Federal Reserve and Federal Home Loan Bank stock	6,353	6,353	6,982	6,982
Investment securities	40,235	40,856	40,348	41,208
Loans	580,632	562,508	603,440	576,125
<b>LIABILITIES:</b>				
Deposits (other than time deposits)	318,569	318,569	246,004	246,004
Time deposits	211,324	214,473	285,388	287,806
Federal Home Loan Bank advances	72,081	71,676	89,000	89,751

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. The FHLB is rated AAA by Moody's and S&P as of December 31, 2010 and no impairment was recognized.

**Investment securities** - Market valuations of our investment securities are provided by an independent third party. The fair values are determined by using several sources for valuing fixed income securities. Their techniques include pricing models that vary based on the type of asset being valued and incorporate available trade, bid and other market information. In accordance with the fair value hierarchy, the market valuation sources include observable market inputs and are therefore considered Level 2 inputs for purposes of determining the fair values.

**Loans** - For most loan categories, the fair value is estimated using discounted cash flows utilizing an appropriate discount rate and historical prepayment speeds. For certain adjustable loans that reprice on a frequent basis carrying value approximates fair value.

**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.

**Other borrowings** - The fair value is estimated using a discounted cash flow analysis based on rates for similar types of borrowing arrangements. The carrying value of FRB advances approximates the fair value due to the short term nature of these borrowings.

**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, 2010 and December 31, 2009. 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.

## 16. 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 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 or leverage capital ratio of at least 5%, a Tier I risk-based capital ratio of at least 6%, and a total risk-based capital ratio of at least 10%. 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 leverage capital (as defined) to adjusted average assets (as defined). The Company's and CWB's actual capital amounts and ratios as of December 31, 2010 and 2009 are also presented in the table below:*

	<b>Total Capital</b>	<b>Tier 1 Capital</b>	<b>Risk- Weighted Assets</b>	<b>Adjusted Average Assets</b>	<b>Total Risk- Based Capital Ratio</b>	<b>Tier 1 Risk- Based Capital Ratio</b>	<b>Tier 1 Leverage Ratio</b>
<b>(dollars in thousands)</b>							
<b>December 31, 2010</b>							
CWBC (Consolidated)	\$ 76,283	\$ 61,385	\$ 538,685	\$ 676,397	14.16%	11.40%	9.08%
Capital in excess of well capitalized					\$ 22,415	\$ 29,064	\$ 27,565
CWB	\$ 69,308	\$ 62,494	\$ 538,463	\$ 676,127	12.87%	11.61%	9.24%
Capital in excess of well capitalized					\$ 15,462	\$ 30,186	\$ 28,688
<b>December 31, 2009</b>							
CWBC (Consolidated)	\$ 66,984	\$ 60,029	\$ 549,207	\$ 681,101	12.20%	10.93%	8.81%
Capital in excess of well capitalized					\$ 12,063	\$ 27,077	\$ 25,974
CWB	\$ 66,175	\$ 59,219	\$ 549,240	\$ 681,129	12.05%	10.78%	8.69%
Capital in excess of well capitalized					\$ 11,251	\$ 26,265	\$ 25,163
Well capitalized ratios					10.00%	6.00%	5.00%
Minimum capital ratios					8.00%	4.00%	4.00%

The Company and CWB each met the minimum ratios required to be classified as “well capitalized” under generally applicable regulatory guidelines.

## 17. 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, 2010 and 2009, the Company had commitments to extend credit of approximately \$27.2 million and \$32.3 million, respectively, including obligations to extend standby letters of credit of approximately \$552,000 and \$543,000 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 \$55.3 million and \$68.0 million at December 31, 2010 and 2009, 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 \$855,000 and \$834,000 at December 31, 2010 and 2009, 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 2010 and 2009, the Company paid \$50,000 to the former officer/director under the terms of this agreement. The accrued executive salary continuation liability was \$316,000 and \$346,000 at December 31, 2010 and 2009, 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 \$212,000 and \$209,000 at December 31, 2010 and 2009, 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. There are no pending legal proceedings to which the Company or any of its directors, officers, employees or affiliates, or any principal security holder of the Company or any associate of any of the foregoing, is a party or has an interest adverse to the Company, or of which any of the Company's properties are subject.

**18. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the date the financial statements were issued.

## 19. COMMUNITY WEST BANCSHARES FINANCIAL STATEMENTS – CONSOLIDATION

### BALANCE SHEET

December 31, 2010

	CWB	CWBC	Eliminations	Consolidated
	(in thousands)			
<b>Assets</b>				
Cash, due from banks and interest-earning deposits	\$ 6,516	\$ 6,899	\$ (6,899) <sup>a</sup>	\$ 6,516
FHLB and FRB stock	6,353	-	-	6,353
Investments	40,235	-	-	40,235
Total loans	580,632	-	-	580,632
Foreclosed real estate and repossessed assets	8,478	-	-	8,478
Premises and equipment, net	2,915	-	-	2,915
Other assets	22,000	475	-	22,475
Investment in subsidiary	-	62,572	(62,572) <sup>b</sup>	-
Due from parent/sub	82	-	(82) <sup>c</sup>	-
<b>Total assets</b>	<b>\$ 667,211</b>	<b>\$ 69,946</b>	<b>\$ (69,553)</b>	<b>\$ 667,604</b>
<b>Liabilities</b>				
Deposits	\$ 536,792	\$ -	\$ (6,899) <sup>a</sup>	\$ 529,893
Other borrowings	64,000	8,081	-	72,081
Other liabilities	3,668	320	-	3,988
Due to parent/sub	-	82	(82) <sup>c</sup>	-
<b>Total liabilities</b>	<b>604,460</b>	<b>8,483</b>	<b>(6,981)</b>	<b>605,962</b>
<b>Stockholders' equity</b>				
Preferred Stock	-	14,807	-	14,807
Common Stock	44,769	33,134	(44,769) <sup>b</sup>	33,134
Accumulated other comprehensive income	179	-	-	179
Retained earnings	17,803	13,522	(17,803) <sup>b</sup>	13,522
<b>Total stockholders' equity</b>	<b>62,751</b>	<b>61,463</b>	<b>(62,572)</b>	<b>61,642</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 667,211</b>	<b>\$ 69,946</b>	<b>\$ (69,553)</b>	<b>\$ 667,604</b>

### INCOME STATEMENT

Year ended December 31, 2010

	CWB	CWBC	Eliminations	Consolidated
	(in thousands)			
Interest income	\$ 39,234	\$ 40	\$ (40) <sup>d</sup>	\$ 39,234
Interest expense	9,708	289	(40) <sup>d</sup>	9,957
Net interest income (loss)	29,526	(249)	-	29,277
Provision for loan losses	8,743	-	-	8,743
Net interest income (loss) after provision for loan losses	20,783	(249)	-	20,534
Equity in undistributed subsidiary net income	-	2,553	(2,553) <sup>e</sup>	-
Non-interest income	4,015	-	-	4,015
Non-interest expenses	20,468	523	-	20,991
Income before income taxes	4,330	1,781	(2,553)	3,558
Provision (benefit) for income taxes	1,777	(310)	-	1,467
<b>Net income</b>	<b>\$ 2,553</b>	<b>\$ 2,091</b>	<b>\$ (2,553)</b>	<b>\$ 2,091</b>

<sup>a</sup> Elimination of CWBC cash held as deposit at CWB

<sup>b</sup> Elimination of investment in CWB and elimination of CWB equity

<sup>c</sup> Elimination of CWBC payable to CWB

<sup>d</sup> Elimination of interest on deposits paid by CWB to CWBC

<sup>e</sup> Elimination of undistributed subsidiary net income

## 20. COMMUNITY WEST BANCSHARES FINANCIAL STATEMENTS (PARENT COMPANY ONLY)

	<b>December 31,</b>		
	<b>2010</b>	<b>2009</b>	
<b>Balance Sheets</b>			
(in thousands)			
Assets			
Cash and equivalents	\$ 6,899	\$ 977	
Investment in subsidiary	62,572	59,319	
Other assets	475	2	
Total assets	<u>\$ 69,946</u>	<u>\$ 60,298</u>	
Liabilities and stockholders' equity			
Convertible debentures	\$ 8,081	\$ -	
Other liabilities	402	169	
Total liabilities	8,483	169	
Preferred stock	14,807	14,540	
Common stock	33,133	33,110	
Retained earnings	13,523	12,479	
Total stockholders' equity	61,463	60,129	
Total liabilities and stockholders' equity	<u>\$ 69,946</u>	<u>\$ 60,298</u>	
<b>Income Statements</b>			
(in thousands)			
Total income	\$ 40	\$ 39	\$ -
Total expense	812	124	432
Equity in undistributed subsidiaries: Net income (loss) from subsidiaries	2,553	(5,701)	1,791
Income (loss) before income tax provision	1,781	(5,786)	1,359
Benefit for income taxes	(310)	(23)	(122)
<b>NET INCOME (LOSS)</b>	<u>\$ 2,091</u>	<u>\$ (5,763)</u>	<u>\$ 1,481</u>
<b>PREFERRED STOCK DIVIDENDS</b>	<u>1,047</u>	<u>1,046</u>	<u>35</u>
<b>NET INCOME (LOSS) APPLICABLE TO COMMON STOCKHOLDERS</b>	<u>\$ 1,044</u>	<u>\$ (6,809)</u>	<u>\$ 1,446</u>
<b>Statements of Cash Flows</b>			
(in thousands)			
Cash flows from operating activities:			
Net income (loss)	\$ 2,091	\$ (5,763)	\$ 1,481
Adjustments to reconcile net income to cash used in operating activities:			
Equity in undistributed (income) loss from subsidiaries	(2,553)	5,701	(1,791)
Stock-based compensation	19	29	181
Net change in other liabilities	233	(49)	90
Net change in other assets	(473)	119	91
Net cash (used in) provided by operating activities	(683)	37	52
Cash flows from investing activities:			
Investments in subsidiaries	(700)	(11,000)	(5,000)
Net cash used in investing activities	(700)	(11,000)	(5,000)
Cash flows from financing activities:			
Proceeds from issuance of preferred stock	-	-	15,450
Preferred stock dividend	(1,047)	(1,046)	(35)
Amortization of discount on preferred stock	267	240	9
Proceeds from issuance of convertible debentures	8,085	-	-
Proceeds from issuance of common stock	-	-	105
Cash dividend payments to shareholders	-	-	(709)
Net cash provided by (used in) financing activities	7,305	(806)	14,820
Net increase (decrease) in cash and cash equivalents	5,922	(11,769)	9,872
Cash and cash equivalents at beginning of year	977	12,746	2,874
Cash and cash equivalents, at end of year	<u>\$ 6,899</u>	<u>\$ 977</u>	<u>\$ 12,746</u>

## 21. QUARTERLY FINANCIAL DATA (unaudited)

Income statement results on a quarterly basis were as follows:

	Year Ended December 31, 2010				
	Q4	Q3	Q2	Q1	Totals
	(in thousands, except share data)				
Interest income	\$ 9,862	\$ 9,727	\$ 9,703	\$ 9,942	\$ 39,234
Interest expense	2,419	2,419	2,472	2,647	9,957
Net interest income	7,443	7,308	7,231	7,295	29,277
Provision for loan losses	1,279	1,518	2,872	3,074	8,743
Net interest income after provision for loan losses	6,164	5,790	4,359	4,221	20,534
Non-interest income	1,220	1,023	933	839	4,015
Non-interest expenses	5,588	5,035	5,397	4,971	20,991
Income (loss) before income taxes	1,796	1,778	(105)	89	3,558
Provision (benefit) for income taxes	739	733	(43)	38	1,467
<b>NET INCOME (LOSS)</b>	<b>1,057</b>	<b>1,045</b>	<b>(62)</b>	<b>51</b>	<b>2,091</b>
Preferred stock dividends	262	261	262	262	1,047
<b>NET INCOME (LOSS) APPLICABLE TO COMMON STOCKHOLDERS</b>	<b>\$ 795</b>	<b>\$ 784</b>	<b>\$ (324)</b>	<b>\$ (211)</b>	<b>\$ 1,044</b>
Earnings (loss) per common share:					
Basic	\$ 0.13	\$ 0.13	\$ (0.05)	\$ (0.04)	\$ 0.18
Diluted	0.11	0.12	(0.05)	(0.04)	0.18
Cash dividends per common share	-	-	-	-	-
Weighted average shares:					
Basic	5,915	5,915	5,915	5,915	5,915
Diluted	8,226	7,246	5,915	5,915	6,833
	Year Ended December 31, 2009				
	Q4	Q3	Q2	Q1	Totals
	(in thousands, except per share data)				
Interest income	\$ 10,108	\$ 10,378	\$ 10,200	\$ 10,217	\$ 40,903
Interest expense	3,058	3,467	3,966	4,454	14,945
Net interest income	7,050	6,911	6,234	5,763	25,958
Provision for loan losses	2,788	2,592	743	12,555	18,678
Net interest income (loss) after provision for loan losses	4,262	4,319	5,491	(6,792)	7,280
Non-interest income	1,029	966	1,255	1,168	4,418
Non-interest expenses	5,124	5,165	5,383	5,807	21,479
Income (loss) before income taxes	167	120	1,363	(11,431)	(9,781)
Provision (benefit) for income taxes	70	51	563	(4,702)	(4,018)
<b>NET INCOME (LOSS)</b>	<b>\$ 97</b>	<b>\$ 69</b>	<b>\$ 800</b>	<b>\$ (6,729)</b>	<b>\$ (5,763)</b>
Preferred stock dividends	262	261	262	261	1,046
<b>NET (LOSS) INCOME APPLICABLE TO COMMON STOCKHOLDERS</b>	<b>\$ (165)</b>	<b>\$ (192)</b>	<b>\$ 538</b>	<b>\$ (6,990)</b>	<b>\$ (6,809)</b>
(Loss) earnings per common share:					
Basic	\$ (0.03)	\$ (0.03)	\$ 0.09	\$ (1.18)	\$ (1.15)
Diluted	(0.03)	(0.03)	0.09	(1.18)	(1.15)
Cash dividends per common share	-	-	-	-	-
Weighted average shares:					
Basic	5,915	5,915	5,915	5,915	5,915
Diluted	5,915	5,915	5,915	5,915	5,915

## BOARD OF DIRECTORS

### **WILLIAM R. PEEPLES**

Chairman of the Board,  
Community West Bancshares  
Private Investor

### **ROBERT H. BARTLEIN**

Chairman of the Board,  
Community West Bank  
President and CEO, Bartlein & Company

### **LYNDA J. NAHRA**

President and Chief Executive Officer

### **JEAN W. BLOIS**

Independent Consultant

### **JOHN D. ILLGEN**

Vice President and Director,  
Simulation Technologies/  
Northrop Grumman

### **JAMES R. SIMS, JR.**

Real Estate Broker

### **KIRK B. STOVESAND, CPA**

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 and  
Chief Financial Officer

### **RICHARD M. FAVOR**

Executive Vice President and  
Chief Credit Officer

### **JAMES K. BATTAGLIA**

Senior Vice President  
SBA Division

### **SHARON K. BROWN**

Senior Vice President  
Human Resources

### **JAMES D. GRAY**

Senior Vice President  
Mortgage Division

### **CYNTHIA M. HOOPER**

Senior Vice President  
Note/SBA Loan Services

### **CHRIS LEM**

Senior Vice President  
Compliance/Risk Management

### **MARK MEDIATE**

Senior Vice President  
Special Assets

### **GREGORY S. MORRISEY**

Senior Vice President and Controller  
Finance

### **DEBORAH L. SCOTT**

Senior Vice President  
Director of Information Technology

### **CARLYN SMITH**

Senior Vice President  
Director of Operations

## CORPORATE INFORMATION

### **INVESTOR RELATIONS CONTACTS**

Charles G. Baltuskonis  
445 Pine Avenue  
Goleta, CA 93117

The Cereghino Group  
1809 7th Avenue, Suite 1414  
Seattle, WA 98101

### **ANNUAL MEETING**

The Annual Meeting of Shareholders of  
Community West Bancshares will be held  
on May 26, 2011 at 6:00pm, PDT, at the La  
Cumbre Country Club, 4015 Via Laguna,  
Santa Barbara, CA 93110

### **TRANSFER AGENT & REGISTRAR**

Computershare Trust Co., NA  
250 Royall Street  
Canton, MA 02021

### **INDEPENDENT AUDITORS**

Ernst & Young LLP  
725 South Figueroa Street, Suite 200  
Los Angeles, CA 92302

### **CORPORATE COUNSEL**

Horgan, Rosen, Beckham & Coren LLP  
23975 Park Sorrento, Suite 200  
Calabasas, CA 91302-4001

### **CORPORATE HEADQUARTERS**

445 Pine Avenue  
Goleta, CA 93117  
(805) 692-5821  
Fax (805) 679-6459  
[www.communitywest.com](http://www.communitywest.com)

### **BRANCH LOCATIONS**

Goleta  
5827 Hollister Avenue  
Goleta, CA 93117

Santa Barbara  
1501 State Street  
Santa Barbara, CA 93101

Santa Maria  
2615 South Miller Street  
Santa Maria, CA 93455

Ventura  
1463 South Victoria Avenue  
Ventura, CA 93003

Westlake Village  
951 Westlake Boulevard  
Westlake Village, CA 91361



## COMMUNITY WEST BANCSHARES

445 Pine Avenue  
Goleta, CA 93117  
(805) 692-5821  
Fax (805) 679-6459  
[www.communitywest.com](http://www.communitywest.com)