COMMUNITY WEST BANCSHARES /
Form 10-K
March 04, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015
Commission File Number: 000-23575

COMMUNITY WEST BANCSHARES
(Exact name of registrant as specified in its charter)

California	77-0446957
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
445 Pine Avenue, Goleta, California	93117
(Address of principal executive offices)	(Zip code)

(805) 692-5821
(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act:

Title of each class	Name of each exchange on which registered
Common Stock, No Par Value	Nasdaq Global Market

Securities registered under Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of common stock, held by non-affiliates of the registrant was $34,342,433 based on the June 30, 2015 closing price of $6.60 per common share, as reported on the Nasdaq Global Market. For purposes of the foregoing computation, all executive officers, directors and five percent beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed to be an admission that such executive officers, directors or five percent beneficial owners are, in fact, affiliates of the registrant.

As of March 1, 2016, 8,156,105 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the 2016 Annual Meeting of Shareholders to be held on or about May 26, 2016 are incorporated by reference into Part III of this Report. The proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the registrant's fiscal year ended December 31, 2015.

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PART I

Forward-Looking Statements

Certain statements contained in this Annual Report on Form 10-K ("Form 10-K") are "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. The Company intends such forward-looking statements be covered by the safe harbor provisions for forward-looking statements. All statements other than statements of historical fact are "forward-looking statements" for purposes of Federal and State securities laws, including statements that are related to or are dependent on estimates or assumptions relating to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts.

The forward-looking statements contained in this Form 10-K reflect our current views about future events and financial performance and involve certain risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from historical results and those expressed in any forward-looking statement, including those risks discussed under the heading "Risk Factors" in this Form 10-K. Risks and uncertainties include those set forth in our filings with the Securities and Exchange Commission and the following factors that could cause actual results to differ materially from those presented: 1) reserve for loan losses may not be adequate to cover actual loan losses; 2) all of our lending involves underwriting risks; 3) dependency on real estate and events that negatively impact real estate; 4) future regulatory reforms from legislation will continue to have an impact on our business; 5) curtailment of government guaranteed loan programs could affect a segment of our business; 6) dependence on low-cost deposits; 7) ability to borrow from Federal Home Loan Bank ("FHLB") or Federal Reserve Bank ("FRB"); 8) risk associated with changes in internal controls and processes; 9) our ability to compete in a highly competitive market; 10) our ability to recruit and retain qualified employees, especially seasoned relationship bankers; 11) the effects of terrorist attacks or threats of war; 12) perpetration of internal fraud; 13) risk of operating in a highly regulated industry and our ability to remain in compliance; 14) the effects of interest rates and interest rate policy; 15) exposure to environmental liabilities related to the properties we acquire title; 16) cyber security risks; and 17) risks related to ownership of our common stock and ability to raise capital.

For more information regarding risks that may cause our actual results to differ materially from any forward-looking statements, see "Risk Factors" beginning on page 5. Forward-looking statements speak only as of the date they are made, the Company does not undertake any obligations to update forward-looking statements to reflect circumstances and or events that occur after the date the forward-looking statements are made.

Purpose

The following discussion is designed to provide insight on the financial condition and results of operations of Community West Bancshares and its wholly owned subsidiary Community West Bank N.A. Unless otherwise stated, "the Company" refers to this consolidated entity. This discussion should be read in conjunction with the Company's Consolidated Financial Statements and notes to the Consolidated Financial Statements for the years ended December 31, 2015 and 2014, herein referred to as the "Consolidated Financial Statements". These Consolidated Financial Statements are presented beginning on page 54 of this Form 10-K.

ITEM 1. BUSINESS

GENERAL

Community West Bancshares ("CWBC"), incorporated under the laws of the state of California, is a bank holding company providing full service banking through its wholly-owned subsidiary Community West Bank, N.A. ("CWB" or the "Bank"). These entities are collectively referred to herein as the "Company".

PRODUCTS AND SERVICES

Through its wholly owned bank, the Company provides a variety of financial products and services to customers including lending and deposit products. The Company has primarily focused on meeting the needs of professionals, small to mid-sized businesses and individual households.

Relationship Banking

Relationship banking is conducted at the community level through five full-service branch offices in the cities of Goleta, Santa Barbara, Santa Maria, Ventura and Westlake Village, California and one loan production office in San Luis Obispo. The primary customers are small to mid-sized businesses in these communities and their owners and managers.

Through CWB the Company provides a variety of financial products and services to customers. These products and services include deposit products such as checking accounts, savings accounts, money market accounts and fixed rate, fixed maturity certificates of deposits and lending products including; commercial, commercial real estate and consumer loans.

The competition in our markets is strong. The Company has historically been successful due to its focus on high quality customer service and our experienced relationship bankers who have strong relationships within the communities we serve.

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Manufactured Housing

The Company has a financing program for manufactured housing to provide affordable home ownership. These loans are offered in approved mobile home parks throughout California primarily on or near the coast. The parks must meet specific criteria. The manufactured housing loans are secured by the manufactured home and are retained in the Company's loan portfolio.

Agricultural Loans for Real Estate and Operating Lines

The Company has an agricultural lending program for agricultural land, agricultural operational lines, and agricultural term loans for crops, equipment and livestock. The primary product is supported by guarantees issued from the U.S. Department of Agriculture ("USDA"), Farm Service Agency ("FSA"), and the USDA Business and Industry loan program. The FSA loans typically issue a 90% guarantee up to $1,392,000 (amount adjusted annually based on inflation) for up to 40 years.

CWB is an approved Federal Agricultural Mortgage Corporation ("Farmer Mac") lender under the Farmer Mac I and Farmer Mac II Programs. Under the Farmer Mac I Program, loans are sourced by CWB, underwritten, funded and serviced by Farmer Mac. CWB receives an origination fee and an ongoing field servicing fee for maintaining the relationship with the borrower and performing certain loan compliance monitoring, and other duties as directed by the Central Servicer. The Farmer Mac II Program was authorized by Congress in 1991 to establish a uniform national secondary market for originators and investors using the USDA guaranteed loan programs. Under this program, CWB will sell the guaranteed portions of USDA loans directly to Farmer Mac's subsidiary, Farmer Mac II LLC, services the loans, and retains the unguaranteed portions of those loans in accordance with the terms of the existing USDA guaranteed loan programs. Eligible loans include FSA and Business and Industrial loans. To participate in the program, CWB was subject to the requirement of purchasing 2,000 shares of Farmer Mac Class A Stock ("AGM").

Small Business Administration Lending

CWB has been a preferred lender/servicer of loans guaranteed by the Small Business Administration ("SBA") since 1990. The Company originates SBA loans which can be sold into the secondary market. The Company continues to service these loans after sale and is required under the SBA programs to retain specified amounts. The two primary SBA loan programs that CWB offers are the basic 7(a) Loan Guaranty ("SBA 7(a)") and the Certified Development Company ("CDC"), a Section 504 ("504") program.

The SBA 7(a) serves as the SBA's primary business loan program to help qualified small businesses obtain financing when they might not be eligible for business loans through normal lending channels. Loan proceeds under this program can be used for most business purposes including working capital, machinery and equipment, furniture and fixtures, land and building (including purchase, renovation and new construction), leasehold improvements and debt refinancing. Loan maturity is generally up to 10 years for working capital and up to 25 years for fixed assets. The 7(a) loan is approved and funded by a qualified lender, guaranteed by the SBA and subject to applicable regulations. In general, the SBA guarantees up to 85% of the loan amount depending on loan size. The Company is required by the SBA to retain a contractual minimum of 5% on all SBA 7(a) loans. The SBA 7(a) loans are typically variable interest rate loans.

The 504 program is an economic development-financing program providing long-term, low down payment loans to expanding businesses. Typically, a 504 project includes a loan secured from a private-sector lender with a senior lien, a loan secured from a CDC (funded by a 100% SBA-guaranteed debenture) with a junior lien covering up to 40% of the total cost, and a contribution of at least 10% equity from the borrower. Debenture limits are $5.0 million for regular 504 loans and $5.5 million for those 504 loans that meet a public policy goal.

CWB also offers Business & Industry ("B & I") loans. These loans are similar to the SBA product, except they are guaranteed by the U.S. Department of Agriculture. The maximum guaranteed amount is 80%. B&I loans are made to businesses in designated rural areas and are generally larger loans to larger businesses than the 7(a) loans. Similar to the SBA 7(a) product, they can be sold into the secondary market.

As a Preferred Lender, CWB has been delegated the loan approval, closing and most servicing and liquidation responsibility from the SBA.

Mortgage Lending

The Company originated residential real estate loans primarily in the Central Coast of California until the third quarter of 2015. The Company exited the lending market for conforming residential real estate loans sold into the secondary market to focus on the manufactured housing sector.

Loans to One Borrower

State banking law generally limits the amount of funds that a bank may lend to a single borrower. Under federal law, the unsecured obligations of any one borrower to a national bank generally may not exceed 15% of the sum of the bank’s unimpaired capital and unimpaired surplus; and the secured and unsecured obligations of any one borrower to a bank generally may not exceed 25% of the unimpaired capital and unimpaired surplus.

Foreign Operations

The Company has no foreign operations. The Bank provides loans, letters of credit and other trade-related services to commercial enterprises that conduct business outside the United States.

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Customer Concentration

The Company does not have any customer relationships that individually account for 10% of consolidated or segment revenues, respectively.

COMPETITION

The financial services industry is highly competitive. Many of our competitors are much larger in total assets and capitalization, have greater access to capital markets, and offer a broader range of financial services than we can offer and may have lower cost structures.

This increasingly competitive environment is primarily a result of long term changes in regulation that made mergers and geographic expansion easier; changes in technology and product delivery systems and web-based tools; the accelerating pace of consolidation among financial services providers; and the flight of deposit customers to perceived increased safety. We compete for loans, deposits and customers with other banks, credit unions, securities and brokerage companies, mortgage companies, insurance companies, finance companies, and other non-bank financial services providers. This strong competition for deposit and loan products directly affects the rates of those products and the terms on which they are offered to consumers.

Technological innovation continues to contribute to greater competition in domestic and international financial services markets.

Mergers between financial institutions have placed additional pressure on banks to consolidate their operations, reduce expenses and increase revenues to remain competitive. The competitive environment is also significantly impacted by federal and state legislation that makes it easier for non-bank financial institutions to compete with the Company.

EMPLOYEES

As of December 31, 2015, the Company had 107 full-time equivalent team members. The Company's employees are not represented by a union or covered by a collective bargaining agreement. Management believes that its employee relations are good.

GOVERNMENT POLICIES

The Company’s operations are affected by various state and federal legislative changes and by regulations and policies of various regulatory authorities, including those of the states in which it operates and the U.S. government. These laws, regulations and policies include, for example, statutory maximum legal lending rates, domestic monetary policies by the Board of Governors of the Federal Reserve System which impact interest rates, U.S. fiscal policy, anti-terrorism and money laundering legislation and capital adequacy and liquidity constraints imposed by bank regulatory agencies. Changes in these laws, regulations and policies may greatly affect our operations. See “Item 1A Risk Factors – Curtailment of government guaranteed loan programs could affect a segment of our business” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Supervision and Regulation.”

Additional Available Information

The Company maintains an Internet website at http://www.communitywest.com. The Company makes available its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended. Other information related to the Company is available free of charge, through this website as soon as reasonably practicable after it has been electronically filed or furnished to the Securities Exchange Commission (“SEC”). The SEC maintains an Internet site, http://www.sec.gov, in which all forms filed electronically may be accessed. The Company's internet website and the information contained therein are not intended to be incorporated in this Form 10-K. In addition, copies of the Company's annual report will be made available, free of charge, upon written request.

ITEM 1A. RISK FACTORS

Investing in our common stock involves various risks which are specific to the Company. Several of these risks and uncertainties, are discussed below and elsewhere in this report. This listing should not be considered as all-inclusive. These factors represent risks and uncertainties that could have a material adverse effect on our business, results of operations and financial condition. Other risks that we do not know about now, or that we do not believe are significant, could negatively impact our business or the trading price of our securities. In addition to common business risks such as theft, loss of market share and disasters, the Company is subject to special types of risk due to the nature of its business. See additional discussions about credit, interest rate, market and litigation risks in "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this report beginning on page 16 and additional information regarding legislative and regulatory risks in the "Supervision and Regulation" section beginning on page 39.

Difficult economic and market conditions have adversely affected our industry.

The financial performance of CWBC and CWB generally, and the ability of borrowers to pay interest on and repay the principal of outstanding loans and the value of the collateral securing those loans, are highly dependent upon the business and economic conditions in the market in which they operate and in the United States as a whole. Although the U.S. and local economy continue to show signs of improvement, certain sectors remain soft, and unemployment remains higher in general and in the markets in which they operate. Local governments and many businesses are still experiencing difficulties. In addition, concerns about the performance of international economies, including potential impact of China and the European debt, can impact the economy in the United States. These economic pressures on consumers and businesses may adversely affect their business, financial condition, results of operations and stock prices.

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U.S. financial markets and economic conditions could adversely affect liquidity, results of operations and financial condition.

The adverse economic events of the most recent economic recession were particularly acute in the financial sector. Although CWBC and CWB are deemed to be “well-capitalized” and have not suffered any meaningful liquidity issues as a result of these events, the cost and availability of funds may be adversely impacted, and the demand for their products and services may decline, if the recovery from the recession does not continue or reverses. In view of the concentration of their operations and the collateral securing their loan portfolio in California, CWBC and CWB may be particularly susceptible to adverse economic conditions in the State of California.

Reserve for loan losses may not be adequate to cover actual loan losses.

The risk of nonpayment of loans is inherent in all lending activities, and nonpayment, if it occurs, may have an adverse effect on our financial condition and/or results of operations. We maintain a reserve for loan losses to absorb estimated probable losses inherent in the loan and commitment portfolios as of the balance sheet date. Provisions are taken from earnings and applied to the loan loss reserves as the risk of loss in the loan and commitment portfolios increase. Conversely, credits to the Bank’s earnings from the loan loss reserves are made when asset qualities improve resulting in a decrease in the risk of loss in the loan and commitment portfolios. After a provision (credit) for loan losses of ($2.3million) for the year, as of December 31, 2015, our allowance for loan losses was $6.9 million, or 1.44% of loans held for investment. In addition, as of December 31, 2015, we had $7.0 million in loans on nonaccrual, $1.9 million of which are government guaranteed. In determining the level of the reserve for loan losses, Management makes various assumptions and judgments about the loan portfolio. We rely on an analysis of the loan portfolio based on historical loss experience, volume and types of loans, trends in classifications, volume and trends in delinquencies and non-accruals, national and local economic conditions and other pertinent information known to Management at the time of the analysis. If Management’s assumptions are incorrect, the reserve for loan losses may not be sufficient to cover losses, which could have a material adverse effect on our financial condition and/or results of operations. While the allowance for loan losses was determined to be adequate at December 31, 2015, based on the information available to us at the time, there can be no assurance that the allowance will be adequate in the future.

All of our lending involves underwriting risks.

Lending, even when secured by the assets of a business, involves considerable risk of loss in the event of failure of the business. To reduce such risk, the Company typically takes additional security interests in other collateral of the borrower, such as real property, certificates of deposit, life insurance, and/or obtains personal guarantees. Despite efforts to reduce risk of loss, additional measures may not prove sufficient as the value of the additional collateral or personal guarantees may be significantly reduced. There can be no assurances that collateral values will be sufficient to repay loans should borrowers become unable to repay loans in accordance with their original terms and, if not, the cumulative effect may have an adverse effect on our financial condition and/or results of operations.

The Company is dependent on real estate concentrated in the State of California.

As of December 31, 2015, approximately $312.0 million, or 57%, of our loan portfolio is secured by various forms of real estate, including residential and commercial real estate. A decline in current economic conditions or rising interest rates could have an adverse effect on the demand for new loans, the ability of borrowers to repay outstanding loans and the value of real estate and other collateral securing loans. The real estate securing our loan portfolio is concentrated in California. A decline in the real estate market could materially and adversely affect the business of CWB because a significant portion of its loans are secured by real estate. The ability to recover on defaulted loans by selling the real estate collateral would then be diminished and CWB would be more likely to suffer losses on loans. Substantially all of the real property collateral is located in California. If there is an additional decline in real estate values, especially in California, the collateral for their loans would provide less security. Real estate values could be affected by, among other things, a worsening of economic conditions, an increase in foreclosures, a decline in home sale volumes, an increase in interest rates, continued high levels of unemployment, drought, earthquakes, brush fires and other natural disasters particular to California.

California's current drought may impact the economy.

At December 31, 2015, California was experiencing a severe drought in all areas of the state. At December 31, 2015, CWB had $50.5 million of agricultural loans which would be most impacted by the drought. The overall economy of California may be negatively impacted by this drought as the cost of water and availability of water may increase the operating costs for businesses which could negatively affect their operating results, loan quality and collateral.

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We operate in a highly regulated industry and the laws and regulations that govern our operations, corporate governance, executive compensation and financial accounting or reporting, including changes in them, or our failure to comply with them, may adversely affect us.

We are subject to extensive regulation and supervision that govern almost all aspects of our operations. Intended to protect customers, depositors, consumers, deposit insurance funds and the stability of the U.S. financial system, these laws and regulations, among other matters, prescribe minimum capital requirements, impose limitations on our business activities, limit the dividend or distributions that we can pay, restrict the ability of institutions to guarantee our debt and impose certain specific accounting requirements that may be more restrictive and may result in greater or earlier charges to earnings or reductions in our capital than accounting principles generally accepted in the United States (“GAAP”). Compliance with laws and regulations can be difficult and costly and changes to laws and regulations often impose additional compliance costs. We are currently facing increased regulation and supervision of our industry. Such additional regulation and supervision may increase our costs and limit our ability to pursue business opportunities. Further, our failure to comply with these laws and regulations, even if the failure was inadvertent or reflects a difference in interpretation, could subject us to restrictions on our business activities, fines and other penalties, any of which could adversely affect our results of operations, capital base and the price of our securities. Further, any new laws, rules and regulations could make compliance more difficult or expensive or otherwise adversely affect our business and financial condition.

We are periodically subject to examination and scrutiny by a number of banking agencies and, depending upon the findings and determinations of these agencies, we may be required to make adjustments to our business that could adversely affect us.

Federal and state banking agencies periodically conduct examinations of our business, including compliance with applicable laws and regulations. If, as a result of an examination, a federal banking agency were to determine that the financial condition, capital resources, asset quality, asset concentration, earnings prospects, management, liquidity sensitivity to market risk or other aspects of any of our operations has become unsatisfactory, or that we or our management is in violation of any law or regulation, it could take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin “unsafe or unsound” practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to change the asset composition of our portfolio or balance sheet, to assess civil monetary penalties against our officers or directors, to remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate our deposit insurance. If we become subject to such regulatory actions, our business, results of operations and reputation may be negatively impacted.

Additional requirements imposed by the Dodd-Frank Act and related regulation could have an adverse effect on the Company.

Government efforts to strengthen the U.S. financial system have resulted in the imposition of additional regulatory requirements. The Dodd-Frank Act provided for sweeping regulatory changes, including the following:

- the establishment of strengthened capital and liquidity requirements for banks and bank holding companies, including minimum leverage and risk-based capital requirements no less than the strictest requirements in effect for depository institutions as of the date of enactment;
- the requirement by statute that bank holding companies serve as a source of financial strength for their depository institution subsidiaries;
- enhanced regulation of financial markets, including the derivative and securitization markets, and the elimination of certain proprietary trading activities by banks;
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additional corporate governance and executive compensation requirements; enhanced financial institution safety and soundness regulations,

- revisions in FDIC insurance assessment fees and a permanent increase in FDIC deposit insurance coverage to $250,000;
- authorization for financial institutions to pay interest on business checking accounts; and
- the establishment of new regulatory bodies, such as the Consumer Financial Protection Bureau and the Financial Services Oversight Counsel, to identify emerging systemic risks and improve interagency cooperation.

Current and future legal and regulatory requirements, restrictions, and regulations, including those imposed under Dodd-Frank, may adversely impact profitability of CWBC and CWB and may have a material and adverse effect on their respective businesses, financial condition, and results of operations. They may also be required to invest significant management attention and resources to evaluate and make changes required by the legislation and related regulations and may make it more difficult for them to attract and retain qualified executive officers and employees.

The short-term and long-term impact of the new regulatory capital standards and the new capital rules is uncertain.

The federal banking agencies revised capital guidelines to reflect the requirements of the Dodd-Frank Act and to effect the implementation of the Basel III Accords. The quantitative measures, established by the regulators to ensure capital adequacy, require that a bank holding company maintain minimum ratios of capital to risk-weighted assets. Various provisions of the Dodd-Frank Act increase the capital requirements of bank holding companies, such as the Company, and non-bank financial companies that are supervised by the Federal Reserve. For a further discussion of the capital rules, see “SUPERVISION AND REGULATION” herein.

Curtailment of government guaranteed loan programs could affect a segment of the Company’s business.

A segment of our business consists of originating and periodically selling government guaranteed loans, in particular those guaranteed by the USDA and the SBA. From time to time, the government agencies that guarantee these loans reach their internal limits and cease to guarantee loans. In addition, these agencies may change their rules for loans or Congress may adopt legislation that would have the effect of discontinuing or changing the loan programs. Non-governmental programs could replace government programs for some borrowers, but the terms might not be equally acceptable. Therefore, if these changes occur, the volume of loans to small business, industrial and agricultural borrowers of the types that now qualify for government guaranteed loans could decline. Also, the profitability of these loans could decline.

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Small business customers may lack the resources to weather a downturn in the economy.

One of the primary focal points of our business development and marketing strategy is serving the banking and financial services needs of small to medium-sized businesses and professional organizations. Small businesses generally have fewer financial resources in terms of capital or borrowing capacity than do larger entities. If economic conditions are generally unfavorable in our service areas, the businesses of our lending clients and their ability to repay outstanding loans may be negatively affected. As a consequence, our results of operations and financial condition may be adversely affected.

If the Company lost a significant portion of its low-cost deposits, it could negatively impact our liquidity and profitability.

The Company's profitability depends in part on successfully attracting and retaining a stable base of low-cost deposits. While we generally do not believe these core deposits are sensitive to interest rate fluctuations, the competition for these deposits in our markets is strong and customers are increasingly seeking investments that are safe, including the purchase of U.S. Treasury securities and other government-guaranteed obligations, as well as the establishment of accounts at the largest, most-well capitalized banks. If the Company were to lose a significant portion of its low-cost deposits, it would negatively impact its liquidity and profitability.

From time to time, the Company has been dependent on borrowings from the FHLB and the FRB, and there can be no assurance these programs will be available as needed.

As of December 31, 2015, the Company has borrowings from the FHLB of San Francisco of $5.0 million and no borrowings from the FRB. The Company in the recent past has been reliant on such borrowings to satisfy its liquidity needs. The Company's borrowing capacity is generally dependent on the value of the Company's collateral pledged to these entities. These lenders could reduce the borrowing capacity of the Company or eliminate certain types of collateral and could otherwise modify or even terminate its loan programs. Any change or termination could have an adverse effect on the Company's liquidity and profitability.

The Company is exposed to risk of environmental liabilities with respect to properties to which we obtain title

Approximately 33% of the Company's loan portfolio at December 31, 2015 was secured by commercial real estate. In the course of our business, the Company may foreclose and take title to real estate, and could be subject to environmental liabilities with respect to these properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to investigate or clean up hazardous or toxic substances, or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. These costs and claims could adversely affect our business and prospects.

Changes in interest rates could adversely affect our profitability, business and prospects

Most of the Company's assets and liabilities are monetary in nature, which subjects us to significant risks from changes in interest rates and can impact our net income and the valuation of our assets and liabilities. Increases or decreases in prevailing interest rates could have an adverse effect on our business, asset quality and prospects. The Company's operating income and net income depend to a great extent on our net interest margin. Net interest margin is the difference between the interest yields we receive on loans, securities and other earning assets and the interest rates we pay on interest-bearing deposits, borrowings and other liabilities. These rates are highly sensitive to many factors beyond our control, including competition, general economic conditions and monetary and fiscal policies of various governmental and regulatory authorities, including the Federal Reserve. If the rate of interest we pay on our interest-bearing deposits, borrowings and other liabilities increases more than the rate of interest we receive on loans, securities and other earning assets increases, our net interest income, and therefore our earnings, would be adversely affected. The Company's earnings also could be adversely affected if the rates on our loans and other investments fall more quickly than those on our deposits and other liabilities.

In addition, loan volumes are affected by market interest rates on loans. Rising interest rates generally are associated with a lower volume of loan originations while lower interest rates are usually associated with higher loan originations. Conversely, in rising interest rate environments, loan repayment rates will decline and in falling interest rate environments, loan repayment rates will increase. The Company cannot guarantee that it will be able to minimize interest rate risk. In addition, an increase in the general level of interest rates may adversely affect the ability of certain borrowers to pay the interest on and principal of their debt obligations.

Interest rates also affect how much money the Company can lend. When interest rates rise, the cost of borrowing increases. Accordingly, changes in market interest rates could materially and adversely affect our net interest spread, asset quality, loan origination volume, business, financial condition, results of operations and cash flows.

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CWBC and CWB have liquidity risk.

Liquidity risk is the risk that CWBC and CWB will have insufficient cash or access to cash to satisfy current and future financial obligations, including demands for loans and deposit withdrawals, funding operating costs, and for other corporate purposes. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a material adverse effect on their liquidity. Their access to funding sources in amounts adequate to finance their activities could be impaired by factors that affect them specifically or the financial services industry in general. Factors that could detrimentally impact their access to liquidity sources include a decrease in the level of their business activity due to a market downturn or adverse regulatory action against them. The ability of CWB to acquire deposits or borrow could also be impaired by factors that are not specific to CWB, such as a severe disruption of the financial markets or negative views and expectations about the prospects for the financial services industry as a whole. CWB mitigates liquidity risk by establishing and accessing lines of credit with various financial institutions and having back-up access to the brokered Certificate of Deposits "CD's" markets. Results of operations could be adversely affected if they were unable to satisfy current or future financial obligations.

Because of the geographic concentration of our assets, our business is highly susceptible to local economic conditions

Our business is primarily concentrated in Santa Barbara and Ventura counties in the State of California. As a result of this geographic concentration, our financial condition and results of operations depend largely upon economic conditions in these market areas. Deterioration in economic conditions in the markets we serve could result in one or more of the following: an increase in loan delinquencies; an increase in problem assets and foreclosures; a decrease in the demand for our products and services; and a decrease in the value of collateral for loans, especially real estate, in turn reducing customers' borrowing power, the value of assets associated with problem loans and collateral coverage.

The Company's future success will depend on our ability to compete effectively in a highly competitive market

The Company faces substantial competition in all phases of our operations from a variety of different competitors. Our competitors, including commercial banks, community banks, savings and loan associations, mutual savings banks, credit unions, consumer finance companies, insurance companies, securities dealers, brokers, mortgage bankers, investment advisors, money market mutual funds and other financial institutions, compete with lending and deposit-gathering services offered by us. Increased competition in our markets may result in reduced loans and deposits.

There is very strong competition for financial services in the market areas in which we conduct our businesses from many local commercial banks as well as numerous national and commercial banks and regionally based commercial banks. Many of these competing institutions have much greater financial and marketing resources than we have. Due to their size, many competitors can achieve larger economies of scale and may offer a broader range of products and services than us. If we are unable to offer competitive products and services, our business may be negatively affected.

Some of the financial services organizations with which we compete are not subject to the same degree of regulation as is imposed on bank holding companies and federally insured depository institutions. As a result, these non-bank competitors have certain advantages over us in accessing funding and in providing various services. The banking business in our primary market areas is very competitive, and the level of competition facing us may increase further, which may limit our asset growth and financial results.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired, which could result in a loss of investor confidence in our financial reports and have an adverse effect on our stock price.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles, or GAAP. If we are unable to maintain adequate internal control over financial reporting, we might be unable to report our financial information on a timely basis and might suffer adverse regulatory consequences or violate listing standards. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. We have in the past and may in the future discover areas of our internal financial and accounting controls and procedures that need improvement. Our internal control conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company will be detected. If we are unable to maintain proper and effective internal controls, we may not be able to produce accurate financial statements on a timely basis, which could adversely affect our ability to operate our business and could result in regulatory action, and could require us to restate, our financial statements. Any such restatement could result in a loss of public confidence in the reliability of our financial statements and sanctions imposed on us by the SEC.

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Changes in accounting standards or inaccurate estimates or assumptions in the application of accounting policies could adversely affect our financial condition and results of operations.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the reported value of our assets or liabilities and results of operations and are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain. If those assumptions, estimates or judgments were incorrectly made, we could be required to correct and restate prior period financial statements. Accounting standard-setters and those who interpret the accounting standards (such as the Financial Accounting Standards Board, the SEC, banking regulators and our independent registered public accounting firm) may also amend or even reverse their previous interpretations or positions on how various standards should be applied. These changes can be difficult to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new revised standard retroactively, resulting in the need to revise and republish prior period financial statements.

Terrorist attacks and threats of war or actual war may impact all aspects of our operations, revenues, costs and stock price in unpredictable ways

Terrorist attacks in the United States, as well as future events occurring in response or in connection to them including, without limitation, future terrorist attacks against United States targets, rumors or threats of war, actual conflicts involving the United States or its allies or military or trade disruptions, may impact our operations. Any of these events could cause consumer confidence and savings to decrease or result in increased volatility in the United States and worldwide financial markets and economy. Any of these occurrences could have an adverse impact on the Company's operating results, revenues and costs and may result in the volatility of the market price for our securities, including our common stock, and impair their future price.

The business may be adversely affected by internet fraud.

The Company is inherently exposed to many types of operational risk, including those caused by the use of computer, internet and telecommunications systems. These risks may manifest themselves in the form of fraud by employees, by customers, other outside entities targeting us and/or our customers that use our internet banking, electronic banking or some other form of our telecommunications systems. Given the growing level of use of electronic, internet-based, and networked systems to conduct business directly or indirectly with our clients, certain fraud losses may not be avoidable regardless of the preventative and detection systems in place.

We may experience interruptions or breaches in our information system security.

We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in the security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of these information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions or security breaches of these information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations.

A failure in or breach of our operational or security systems or infrastructure, or those of our third party vendors and other service providers, including as a result of cyber attacks, could disrupt our businesses, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses

As a financial institution, we are susceptible to fraudulent activity that may be committed against us or our clients, which may result in financial losses to us or our clients, privacy breaches against our clients, or damage to our reputation. Such fraudulent activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, and other dishonest acts. In recent periods, there has been a rise in electronic fraudulent activity within the financial services industry, especially in the commercial banking sector, due to cyber criminals targeting commercial bank accounts. Consistent with industry trends, we have also experienced an increase in attempted electronic fraudulent activity in recent periods.

In addition, our operations rely on the secure processing, storage and transmission of confidential and other information on our computer systems and networks. Although we take numerous protective measures to maintain the confidentiality, integrity and availability of the Company’s and our clients’ information across all geographic and product lines, and endeavor to modify these protective measures as circumstances warrant, the nature of the threats continues to evolve. As a result, our computer systems, software and networks and those of our customers may be vulnerable to unauthorized access, loss or destruction of data (including confidential client information), account takeovers, unavailability of service, computer viruses or other malicious code, cyber attacks and other events that could have an adverse security impact and result in significant losses by us and/or our customers. Despite the defensive measures we take to manage our internal technological and operational infrastructure, these threats may originate externally from third parties, such as foreign governments, organized crime and other hackers, and outsource or infrastructure-support providers and application developers, or the threats may originate from within our organization. Given the increasingly high volume of our transactions, certain errors may be repeated or compounded before they can be discovered and rectified.

We also face the risk of operational disruption, failure, termination or capacity constraints of any of the third parties that facilitate our business activities, including exchanges, clearing agents, clearing houses or other financial intermediaries. Such parties could also be the source of an attack on, or breach of, our operational systems, data or infrastructure. In addition, as interconnectivity with our clients grows, we increasingly face the risk of operational failure with respect to our clients’ systems.

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Although to date we have not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that we will not suffer such losses in the future. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, the outsourcing of some of our business operations, and the continued uncertain global economic environment. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

We maintain an insurance policy which we believe provides sufficient coverage at a manageable expense for an institution of our size and scope with similar technological systems. However, we cannot assure that this policy will afford coverage for all possible losses or would be sufficient to cover all financial losses, damages, penalties, including lost revenues, should we experience any one or more of our or a third party's systems failing or experiencing attack.

The success of the Company is dependent upon its ability to recruit and retain qualified employees especially seasoned relationship bankers.

The Company's business plan includes and is dependent upon hiring and retaining highly qualified and motivated executives and employees at every level. In particular, our relative success to date has been partly the result of our management's ability to identify and retain highly qualified relationship bankers that have long-standing relationships in their communities. These professionals bring with them valuable customer relationships and have been integral in our ability to attract deposits and to expand our market share. From time to time, the Company recruits or utilizes the services of employees who are subject to limitations on their ability to use confidential information of a prior employer, to freely compete with that employer, or to solicit customers of that employer. If the Company is unable to hire or retain qualified employees it may not be able to successfully execute its business strategy. If the Company or its employee is found to have violated any nonsolicitation or other restrictions applicable to it or its employees, the Company or its employee could become subject to litigation or other proceedings.

Litigation risks may have a material impact on our assets or results of operations.

We are involved in various matters of litigation in the ordinary course of business which, historically, have not been material to our assets or results of operations. No assurances can be given that future litigation may not have a material impact on our assets or results of operations.

We may be required to raise capital in the future, but that capital may not be available or may not be on acceptable terms when it is needed.

We are required by federal regulatory authorities to maintain adequate capital levels to support operations. Our ability to raise additional capital is dependent on capital market conditions at that time and on our financial performance and outlook. Regulatory changes, such as regulations to implement Basel III and the Dodd-Frank Act, may require us to have more capital than was previously required. If we cannot raise additional capital when needed, we may not be able to meet these requirements, and our ability to further expand our operations through organic growth or through acquisitions may be adversely affected.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

The Company is headquartered at 445 Pine Avenue in Goleta, California. This facility houses the Company's corporate offices and the manufactured housing loan division. The Company operates five domestic branches one of which is owned and one loan production office. Subsequent to year end, the Company was approved to open a full service domestic branch in San Luis Obispo, California. All other properties are leased by the Company, including the corporate headquarters.

The Company continually evaluates the suitability and adequacy of its offices. Management believes that the existing facilities are adequate for its present and anticipated future use.

ITEM 3. LEGAL PROCEEDINGS

On or about December 16, 2013, CWB was served with the Summons and Complaint in the action entitled Residential Funding Company, LLC v. Community West Bank, N.A., United States District Court of Minnesota, Case No. 0:13-CV-03468-JRT-JJK. The Summons was issued and Complaint filed on December 13, 2013 (the “Action”). Generally, Residential Funding Company, LLC (“RFC”) sought damages for breach of contract and indemnification for certain unspecified residential mortgage loans originated by CWB and sold to RFC in accordance with an agreement. RFC alleged that some $22 million in loans were sold over the course of the agreement. RFC further alleged that CWB made certain representations and warranties with respect to the loans and that CWB failed to comply with such representations and warranties.

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RFC alleged it placed the loans from CWB into residential mortgage backed securitizations trusts ("Trusts") and issued certificates in the Trusts to outside investors. The loans CWB sold to RFC were eventually included along with numerous other third party lender loans in approximately 30 different Trusts. RFC alleged that, over time, the loans defaulted or became delinquent and, from 2008 until May 14, 2012, RFC faced numerous claims and lawsuits stemming from the loans. RFC alleged that it had to file for bankruptcy protection to defend the claims. RFC alleged that CWB was responsible for the problems with the loans in the Action and that numerous other lenders were responsible in the other actions RFC has filed. RFC alleged that under its agreement with CWB, CWB agreed to indemnify RFC for losses or repurchase the loans at RFC's option. CWB denied any liability in the Action. The status of the Action has been disclosed in quarterly filings commencing with the Annual Report on Form 10-K for the year ended December 31, 2013.

On June 8, 2015, CWB reached a settlement with RFC. The settlement resolved the Action and any further litigation between RFC and CWB concerning residential mortgage loans sold to RFC.

Under the settlement, CWB agreed to pay RFC $7.5 million and received a dismissal with prejudice in the Action.

The Action was just one of many filed by RFC against various banks still pending in courts in New York and Minnesota.

The Company is involved in various other litigation matters of a routine nature that are being 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 litigation matters will not have a material impact on the Company's financial position or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

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:

	2015 Quarters				2014 Quarters			
	Fourth	Third	Second	First	Fourth	Third	Second	First
Range of stock prices:								
High	$7.30	$7.05	$ 6.88	$6.98	$6.90	$7.00	$ 7.20	$8.30
Low	6.85	6.59	6.46	6.52	6.00	6.00	6.50	6.28
Cash Dividends Declared:	$0.03	$0.03	$ 0.03	$0.02	$0.02	$0.02	$ -	$-

There were no common dividends declared in the first and second quarters of 2014.

Holders

As of February 29, 2016 the closing price of our common stock on NASDAQ was $7.10 per share. As of that date, based on the records of our transfer agent, the Company had approximately 237 stockholders of record of its common stock.

Preferred Stock Dividends

The Company's Series A Preferred Stock paid cumulative dividends at a rate of 5% per year until February 15, 2014 then increased to a rate of 9% per year. The Series A Preferred Stock had no maturity date and ranked 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.

Common Stock Dividends

It is the Company's intention to review its dividend policy on a quarterly basis. The Company's resumed paying cash dividends in the third quarter of 2014. As a holding company with limited significant assets other than the capital stock of our subsidiary bank, CWBC's ability to pay dividends depends primarily on the receipt of dividends from its subsidiary bank, CWB. CWB's ability to pay dividends to the Company is limited by California law and federal banking law. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Supervision and Regulation – CWBC – Limitations on Dividend Payments."

Repurchases of Securities

Preferred

As of November 2, 2015, the Company completed the redemption of all remaining 45% of the Series A Preferred Stock. In 2015, the Company redeemed 7,014 shares of preferred stock for $6.9 million and recognized a discount on the partial redemption of $0.1 million. None of the shares of Series A Preferred Stock have been registered by the

Company pursuant to Section 12 of the Exchange Act.

Common

The Company has authorized a $3.0 million common stock repurchase program. The repurchase program is expected to be executed over no more than a two-year period. During 2015, the Company repurchased 4,000 common stock shares for an average price of $6.8738 per share under the common stock repurchase program.

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The following is a summary of the Company's repurchase of its common stock during the three months ended December 31, 2015.

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs (b)
October 1 – 31	N/A	N/A	N/A	N/A
November 1 – 30	N/A	N/A	N/A	N/A
December 1 – 31	N/A	6.985	1,000	$ 2,972,505
Total	N/A	6.985	1,000	$ 2,972,505

(a) Shares purchased other than through a publicly announced plan or program and the nature of the transaction.

(b) On August 27, 2015, the Board of Directors of the Company authorized the repurchase of up to $3.0 million of the outstanding common stock of the Company. The repurchase program is expected to be executed over no more than a two-year period. Stock repurchases may be made from time to time on the open market or through privately negotiated transactions. As of December 31, 2015, approximately $3.0 million remains authorized for repurchase.

Securities Authorized for Issuance under Equity Compensation Plans

The following table summarizes the securities authorized for issuance as of December 31, 2015:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Plans approved by shareholders	665,275	$ 6.03	304,925
Plans not approved by shareholders	-	-	-
Total	665,275	$ 6.03	304,925

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ITEM 6. SELECTED FINANCIAL DATA

The following summary presents selected financial data as of and for the periods indicated. You should read the selected financial data presented below in conjunction with "Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" and our consolidated financial statements and the related notes appearing elsewhere in this Form 10-K.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except per share amounts)				
Results of Operations:					
Interest income	$30,222	$28,004	$27,866	$31,368	$36,542
Interest expense	2,516	3,275	4,332	5,949	8,250
Net interest income	27,706	24,729	23,534	25,419	28,292
Provision (credit) for loan losses	(2,274)	(5,135)	(1,944)	4,281	14,591
Net interest income after provision for loan losses	29,980	29,864	25,478	21,138	13,701
Non-interest income	2,309	2,197	2,831	4,281	3,211
Non-interest expenses	27,281	20,081	22,135	22,246	23,320
Income (loss) before income taxes	5,008	11,980	6,174	3,173	(6,408)
Provision (benefit) for income taxes	2,138	4,934	(2,812)	-	4,077
Net income (loss)	2,870	7,046	8,986	3,173	(10,485)
Dividends and accretion on preferred stock	445	937	1,039	1,046	1,047
Discount on partial redemption of preferred stock	(129)	(159)	-	-	-
Net income (loss) available to common stockholders	$2,554	$6,268	$7,947	$2,127	$(11,532)
Per Share Data:					
Income (loss) per common share - basic	$0.31	$0.77	$1.13	$0.36	$(1.93)
Income (loss) per common share - diluted	$0.30	$0.75	$0.98	$0.31	$(1.93)
Weighted average shares outstanding - basic	8,203	8,141	7,017	5,990	5,980
Weighted average shares outstanding - diluted	8,491	8,505	8,390	8,233	5,980
Shares outstanding at period end	8,206	8,203	7,867	5,995	5,990
Dividends declared per common share	$0.11	$0.04	-	-	-
Book value per common share	$7.55	$7.31	$6.60	$6.29	$5.94
Selected Balance Sheet Data:					
Net loans	536,546	487,256	462,005	449,201	532,716
Allowance for loan losses	6,916	7,887	12,208	14,464	15,270
Total assets	621,213	557,318	539,000	532,101	633,348
Total deposits	544,338	477,084	436,135	434,220	511,262
Total liabilities	559,269	490,311	471,444	479,052	582,722
Total stockholders' equity	61,944	67,007	67,556	53,049	50,626
Selected Financial and Liquidity Ratios:					
Net interest margin	4.80 %	4.50 %	4.51 %	4.49 %	4.47 %
Return on average assets	0.49 %	1.25 %	1.69 %	0.55 %	-1.60 %
Return on average stockholders' equity	4.34 %	10.42 %	15.15 %	6.22 %	-16.98 %
Equity to assets ratio	9.97 %	12.02 %	12.53 %	9.97 %	7.99 %
Loan to deposit ratio	99.84 %	103.79 %	108.73 %	106.78 %	107.18 %
Capital Ratios:					
Tier 1 leverage ratio (1)	10.11 %	11.86 %	12.68 %	9.72 %	7.91 %
Common Equity Tier 1 ratio (1)	12.12 %	-	-	-	-
Tier 1 risk-based capital ratio (1)	12.12 %	14.94 %	15.65 %	12.81 %	10.08 %
Total risk-based capital ratio (1)	13.37 %	16.19 %	17.26 %	15.98 %	12.92 %

Selected Asset Quality Ratios:										
Net charge-offs (recoveries) to average loans	-0.26	%	-0.16	%	0.70	%	1.02	%	2.21	%
Allowance for loan losses to total loans	1.27	%	1.59	%	2.57	%	3.12	%	2.83	%
Allowance for loan losses to nonaccrual loans	99.42	%	71.52	%	72.51	%	64.50	%	53.26	%
Nonaccrual loans to gross loans	1.28	%	2.23	%	3.55	%	4.84	%	5.23	%
Nonaccrual loans and repossessed assets to total loans	0.04	%	2.25	%	4.35	%	5.24	%	6.45	%
Loans past due 90 days or more and still accruing interest to total loans	-		-		0.01	%	-		0.11	%

(1) Effective 2015, CWB was subject to Basel III regulatory capital guidelines. CWBC as a small bank holding company is not subject to the Basel III capital reporting requirements. The 2015 ratios were the estimated consolidated capital ratios under Basel III.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with "Item 8–Financial Statements and Supplementary Data." This discussion and analysis contains forward-looking statements that involve risk, uncertainties and assumptions. Certain risks, uncertainties and other factors, including but not limited to those set forth under " Forward-Looking Statements," on page 3 of this Form 10-K, may cause actual results to differ materially from those projected in the forward-looking statements.

Financial Overview and Highlights

Community West Bancshares is a financial services company headquartered in Goleta, California that provides full service banking and lending through its wholly-owned subsidiary Community West Bank ("CWB"), which has five California branch banking offices located in Goleta, Santa Barbara, Santa Maria, Ventura and Westlake Village and a loan production office in San Luis Obispo.

Financial Result Highlights of 2015

Net income available to common stockholders for the Company of $2.6 million, or $0.30 per diluted share for 2015, compared to $6.3 million, or $0.75 per diluted share for 2014 and $7.9 million or $0.98 per diluted share for 2013.

The significant factors impacting the Company during 2015 were:

- Net income of $2.9 million for 2015 compared to a net income of $7.0 million for 2014 and $9.0 million for 2013.
- Net interest margin for the year ended December 31, 2015 increased to 4.80% compared to 4.50% for the year ended 2014.
- The provision (credit) for loan losses was ($2.3 million) for 2015 compared to ($5.1 million) in 2014 and ($1.9 million) in 2013, resulting from reduced loss factors and net charge-offs along with continued improvement in credit quality. Net charge-offs (recoveries) were ($1.3 million) for 2015 compared to ($0.8 million) in 2014 and $0.3 million in 2013.
- Net nonaccrual loans decreased to $5.0 million at December 31, 2015, compared to $11.0 million at December 31, 2014.
- Allowance for loan losses was $6.9 million at December 31, 2015, or 1.44% of total loans held for investment compared to 1.84% at December 31, 2014.
- Total deposits increased 14.1% to 544.3 million at December 31, 2015, compared to $477.1 million a year ago.
- Total loans increased 9.8% to $543.5 million at December 31, 2015 compared to $495.1 million at December 31, 2014.
- During 2015, the Company redeemed 7,014 shares of Series A Preferred Stock for $6.9 million and recognized discount on the partial redemption of $0.1 million.
- Loan litigation settlement of $7.1 million in the second quarter of 2015.
- Loan production office opened in San Luis Obispo, California.

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, 2015 throughout the analysis sections of this report.

A summary of our results of operations and financial condition and select metrics is included in the following table:

	Year Ended December 31,		
	2015	2014	2013

	(in thousands, except per share amounts)		
Net income available to common stockholders	$2,554	$6,268	$7,947
Basic earnings per share	0.31	0.77	1.13
Diluted earnings per share	0.30	0.75	0.98
Total assets	621,213	557,318	539,000
Gross loans	543,462	495,143	474,213
Total deposits	544,338	477,084	436,135
Net interest margin	4.80 %	4.50 %	4.51 %
Return on average assets	0.49 %	1.25 %	1.69 %
Return on average stockholders' equity	4.34 %	10.42 %	15.15 %

Asset Quality

For all banks and bank holding companies, asset quality plays a significant role in the overall financial condition of the institution and results of operations. The Company measures asset quality in terms of nonaccrual loans as a percentage of gross loans, and net charge-offs as a percentage of average loans. Net charge-offs are calculated as the difference between charged-off loans and recovery payments received on previously charged-off loans. The following table summarizes these asset quality metrics:

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	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Non-accrual loans (net of guaranteed portion)	$5,013	$11,027	$16,837
Non-accrual loans to gross loans	0.92 %	2.23 %	3.55 %
Net charge-offs (recoveries) to average loans	(0.26)%	(0.16)%	0.07 %

Asset and Deposit Growth

The ability to originate new loans and attract new deposits is fundamental to the Company's asset growth. The Company's assets and liabilities are comprised primarily of loans and deposits. Total assets increased to $621.2 million at December 31, 2015 from $557.3 million at December 31, 2014. Total loans including net deferred fees and unearned income increased by $48.4 million, or 9.8%, to $543.5 million as of December 31, 2015 compared to December 31, 2014. Total deposits increased to $544.3 million as of December 31, 2015 from $477.1 million as of December 31, 2014.

RESULTS OF OPERATIONS

The following table sets forth a summary financial overview for the comparable years:

	Year Ended December 31,		Increase	Year Ended December 31,		Increase
	2015	2014	(Decrease)	2014	2013	(Decrease)
	(in thousands, except per share amounts)					
Consolidated Income Statement Data:						
Interest income	$30,222	$28,004	$ 2,218	$28,004	$27,866	$ 138
Interest expense	2,516	3,275	(759)	3,275	4,332	(1,057)
Net interest income	27,706	24,729	2,977	24,729	23,534	1,195
Provision (credit) for losses	(2,274)	(5,135)	2,861	(5,135)	(1,944)	(3,191)
Net interest income after provision for loan losses	29,980	29,864	116	29,864	25,478	4,386
Non-interest income	2,309	2,197	112	2,197	2,831	(634)
Non-interest expenses	27,281	20,081	7,200	20,081	22,135	(2,054)
Income before provision for income taxes	5,008	11,980	(6,972)	11,980	6,174	5,806
Provision (benefit) for income taxes	2,138	4,934	(2,796)	4,934	(2,812)	7,746
Net income	$2,870	$7,046	$ (4,176)	$7,046	$8,986	$ (1,940)
Dividends and accretion on preferred stock	445	937	(492)	937	1,039	(102)
Discount on partial redemption of preferred stock	(129)	(159)	30	(159)	-	(159)
Net income available to common stockholders	$2,554	$6,268	$ (3,714)	$6,268	$7,947	$ (1,679)
Earnings per share - basic	$0.31	$0.77	$ (0.46)	$0.77	$1.13	$ (0.36)
Earnings per share - diluted	$0.30	$0.75	$ (0.45)	$0.75	$0.98	$ (0.23)

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Interest Rates and Differentials

The following table illustrates average yields on interest-earning assets and average rates on interest-bearing liabilities for the periods indicated:

	Year Ended December 31,							
	2015				2014			
	Average Balance	Interest	Average Yield/Cost		Average Balance	Interest	Average Yield/Cost	
Interest-Earning Assets	(in thousands)							
Federal funds sold and interest-earning deposits	$29,612	$93	0.31	%	$26,296	$76	0.29	%
Investment securities	34,317	990	2.88	%	33,242	762	2.29	%
Loans (1)	513,826	29,139	5.67	%	489,598	27,166	5.55	%
Total earnings assets	577,755	30,222	5.23	%	549,136	28,004	5.10	%
Nonearning Assets								
Cash and due from banks	1,763				1,642			
Allowance for loan losses	(7,459)				(10,778)			
Other assets	16,310				22,474			
Total assets	$588,369				$562,474			
Interest-Bearing Liabilities								
Interest-bearing demand deposits	257,785	902	0.35	%	271,744	1,064	0.39	%
Savings deposits	14,479	123	0.85	%	15,923	202	1.27	%
Time deposits	165,894	1,358	0.82	%	123,354	1,397	1.13	%
Total interest-bearing deposits	438,158	2,383	0.54	%	411,021	2,663	0.65	%
Convertible debentures	-	-	0.00	%	241	30	12.45	%
Other borrowings	9,415	133	1.41	%	21,235	582	2.74	%
Total interest-bearing liabilities	447,573	2,516	0.56	%	432,497	3,275	0.76	%
Noninterest-Bearing Liabilities								
Noninterest-bearing demand deposits	70,864				58,456			
Other liabilities	3,856				3,921			
Stockholders' equity	66,076				67,600			
Total Liabilities and Stockholders' Equity	$588,369				$562,474			
Net interest income and margin (2)		$27,706	4.80	%		$24,729	4.50	%
Net interest spread (3)			4.67	%			4.34	%

(1) Includes nonaccrual loans.
(2) Net interest margin is computed by dividing net interest income by total average earning assets.
(3) Net interest spread represents average yield earned on interest-earning assets less the average rate paid on interest-bearing liabilities.

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	Year Ended December 31, 2014				2013			
	Average Balance	Interest	Average Yield/Cost		Average Balance	Interest	Average Yield/Cost	
Interest-Earning Assets	(in thousands)							
Federal funds sold and interest-earning deposits	$26,296	$76	0.29	%	$34,810	$81	0.23	%
Investment securities	33,242	762	2.29	%	29,213	714	2.44	%
Loans (1)	489,598	27,166	5.55	%	457,847	27,071	5.91	%
Total earnings assets	549,136	28,004	5.10	%	521,870	27,866	5.34	%
Nonearning Assets								
Cash and due from banks	1,642				1,122			
Allowance for loan losses	(10,778)				(13,240)			
Other assets	22,474				21,586			
Total assets	$562,474				$531,338			
Interest-Bearing Liabilities								
Interest-bearing demand deposits	271,744	1,064	0.39	%	258,345	1,185	0.46	%
Savings deposits	15,923	202	1.27	%	16,334	290	1.78	%
Time deposits	123,354	1,397	1.13	%	102,495	1,441	1.41	%
Total interest-bearing deposits	411,021	2,663	0.65	%	377,174	2,916	0.77	%
Convertible debentures	241	30	12.45	%	4,354	442	10.15	%
Other borrowings	21,235	582	2.74	%	33,474	974	2.91	%
Total interest-bearing liabilities	432,497	3,275	0.76	%	415,002	4,332	1.04	%
Noninterest-Bearing Liabilities								
Noninterest-bearing demand deposits	58,456				53,278			
Other liabilities	3,921				3,755			
Stockholders' equity	67,600				59,303			
Total Liabilities and Stockholders' Equity	$562,474				$531,338			
Net interest income and margin (2)		$24,729	4.50	%		$23,534	4.51	%
Net interest spread (3)			4.34	%			4.30	%

(1) Includes nonaccrual loans.
(2) Net interest margin is computed by dividing net interest income by total average earning assets.
(3) Net interest spread represents average yield earned on interest-earning assets less the average rate paid on interest-bearing liabilities.

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The table below sets forth the relative impact on net interest income of changes in the volume of earning assets and interest-bearing liabilities and changes in rates earned and paid by the Company on such assets and liabilities. For purposes of this table, nonaccrual loans have been included in the average loan balances.

	Year Ended December 31, 2015 versus 2014 Increase (Decrease) Due to Changes in (1)			Year Ended December 31, 2014 versus 2013 Increase (Decrease) Due to Changes in (1)		
	Volume	Rate	Total	Volume	Rate	Total
	(in thousands)			(in thousands)		
Interest income:						
Investment securities	$32	$196	$228	$92	$(44)	$48
Federal funds sold and other	12	5	17	(26)	21	(5)
Loans, net	1,385	588	1,973	1,743	(1,648)	95
Total interest income	1,429	789	2,218	1,809	(1,671)	138
Interest expense:						
Interest checking	(49)	(113)	(162)	52	(173)	(121)
Savings	(12)	(67)	(79)	(5)	(83)	(88)
Time deposits	349	(388)	(39)	236	(280)	(44)
Other borrowings	(167)	(282)	(449)	(335)	(57)	(392)
Convertible debentures	-	(30)	(30)	(512)	100	(412)
Total interest expense	121	(880)	(759)	(564)	(493)	(1,057)
Net increase	$1,308	$1,669	$2,977	$2,373	$(1,178)	$1,195

(1) Changes due to both volume and rate have been allocated to volume changes.

Comparison of interest income, interest expense and net interest margin

The Company's primary source of revenue is interest income. Interest income for the year ended December 31, 2015 was $30.2 million, an increase from $28.0 million and $27.9 million, respectively, for the years ended December 31, 2014 and 2013. The interest income was positively impacted by increased yields on earning assets in 2015 which increased to 5.23% compared to 5.10% for 2014 and declined from 5.34% for 2013. The average yield on loans increased to 5.67% for 2015 compared to 5.55% for 2014 as the Company benefited from loan interest recoveries on nonaccrual loans during the year. Competition for new quality loans continued to further compress the margin as evidenced by the loan yield decrease from 5.91% for 2013.

Interest expense for the year ended December 31, 2015 compared to 2014 and 2013 decreased by $0.8 million and $1.8 million, respectively, to $2.5 million. This decline was primarily due to decreased total cost of funds which include non-interest bearing deposits from 67 basis points for 2014 to 49 basis points for 2015.

The net impact of the changes in yields on interest-earning assets and the rates paid on interest-bearing liabilities was to increase the margin. The net interest margin was 4.80% for 2015 compared to 4.50% for 2014 and 4.51% in 2013.

Net interest income increased by $3.0 million for 2015 compared to 2014 and $4.2 million, compared to 2013.

Total interest income increased slightly to $28.0 million in 2014 compared to 2013. The interest income was impacted by decreased yields on earning assets in 2014 which declined to 5.1% compared to 5.34% for 2013. An increase in average earning assets to $549.1 million for 2014 compared to 2013 helped partially offset the declined yield. The largest decrease was in yields on loans which declined to 5.55% for 2014 compared to 5.91% for 2013. Strong competition for quality new loans continued in 2014 which resulted in further margin compression. Total interest expense decreased by $1.0 million in 2014 compared to 2013. This decline was primarily due to decreased average cost of deposits and repayment and conversion of debt. Average cost of deposits declined 11 basis points to 57 basis points in 2014 compared to the same period in 2013.

Provision for loan losses

The provision for loan losses in each period is reflected as a charge against earnings in that period. The provision for loan losses is equal to the amount required to maintain the allowance for loan losses at a level that is adequate to absorb probable losses inherent in the loan portfolio. The provision (credit) for loan losses was ($2.3 million) in 2015 compared to ($5.1 million) in 2014 and ($1.9 million) in 2013. The credit to provision for 2015 resulted from $2.0 million from reduced historical loss factors, $1.3 million net recoveries, and $0.3 million reduction in impaired loan reserve and grade change improvements partially offset by provision of $1.4 million for loan growth and qualitative factor changes. The credit to provision for 2014 resulted from $3.2 million from reduced historical loss factors, $0.8 million net recoveries, $0.7 million reduced credit qualitative factors and $0.6 million from improvements in impaired loans partially offset by $0.2 million provision due to loan growth and grade changes. The result of the improvements in credit quality, historical loss rates and net recoveries was the ratio of the allowance for loan losses to loans held for investment decreased from 1.84% at December 31, 2014 to 1.44% at December 31, 2015.

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The following table summarizes the provision (credit), charge-offs (recoveries) by loan category for the year ended December 31, 2015, 2014 and 2013:

	For the Year Ended December 31,							
	Manufactured Housing	Commercial Real Estate	Commercial	SBA	HELOC	Single Family Real Estate	Consumer	Total
2015	(in thousands)							
Beginning balance	$4,032	$ 1,459	$ 986	$1,066	$ 140	$ 192	$ 2	$7,877
Charge-offs	(297)	-	-	-	-	(29)	-	(326)
Recoveries	205	545	422	454	10	3	-	1,639
Net (charge-offs) recoveries	(92)	545	422	454	10	(26)	-	1,313
Provision (credit)	(415)	(151)	(469)	(1,069)	(107)	(63)	-	(2,274)
Ending balance	$3,525	$ 1,853	$ 939	$451	$ 43	$ 103	$ 2	$6,916
2014								
Beginning balance	$5,114	$ 2,552	$ 2,064	$1,951	$ 280	$ 245	$ 2	$12,208
Charge-offs	(543)	(16)	-	(171)	-	(36)	-	(766)
Recoveries	143	857	149	393	24	4	-	1,570
Net (charge-offs) recoveries	(400)	841	149	222	24	(32)	-	804
Provision (credit)	(682)	(1,934)	(1,227)	(1,107)	(164)	(21)	-	(5,135)
Ending balance	$4,032	$ 1,459	$ 986	$1,066	$ 140	$ 192	$ 2	$7,877
2013								
Beginning balance	$5,945	$ 2,627	$ 2,325	$2,733	$ 634	$ 198	$ 2	$14,464
Charge-offs	(1,294)	(349)	(149)	(547)	(39)	(179)	(37)	(2,594)
Recoveries	257	1,243	212	559	3	8	-	2,282
Net (charge-offs) recoveries	(1,037)	894	63	12	(36)	(171)	(37)	(312)
Provision (credit)	206	(969)	(324)	(794)	(318)	218	37	(1,944)
Ending balance	$5,114	$ 2,552	$ 2,064	$1,951	$ 280	$ 245	$ 2	$12,208

The percentage of net non-accrual loans to the total loan portfolio has decreased to 0.92% as of December 31, 2015 from 2.23% at December 31, 2014.

The allowance for loan losses compared to net non-accrual loans has increased to 138% as of December 31, 2015 from 71.4% as of December 31, 2014. Total past due loans increased to $1.9 million as of December 31, 2015 from $1.4 million as of December 31, 2014.

Non-interest Income

The Company earned non-interest income primarily through fees related to services provided to loan and deposit customers.

The following tables present a summary of non-interest income for the periods presented:

	Year Ended December 31, 2015	2014	Increase (Decrease)	Year Ended December 31, 2014	2013	Increase (Decrease)
	(in thousands)					
Other loan fees	$1,014	$904	$ 110	$904	$1,033	$ (129)
Document processing fees	466	394	72	394	463	(69)
Service charges	351	284	67	284	318	(34)
Gains from loan sales, net	132	186	(54)	186	361	(175)
Loan servicing, net	166	127	39	127	198	(71)
Other	180	302	(122)	302	458	(156)
Total non-interest income	$2,309	$2,197	$ 112	$2,197	$2,831	$ (634)

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Total non-interest income increased by $0.1 million, or 5.1 %, for 2015 compared to 2014. This increase was primarily from other loan fees and document processing fees which increased by $0.2 million for 2015 compared to 2014 as a result of increased loan volumes in 2015 compared to 2014. Service charges income increased slightly for 2015 compared to 2014 mostly from account analysis charges and ATM fees. These increases were partially offset by declined gains from loan sales and other non-interest income in 2015 compared to 2014 of $0.1 million. Other non-interest income was impacted by lower deficiency judgement gains in 2015 compared to 2014 and gains on loan sales was impacted negatively due to the exit of the Company from originating mortgage loans for sale towards the end of 2015.

Total non-interest income declined by $0.6 million, or 22.4%, for 2014 compared to 2013. The decline in 2014 of other loan fees, gains from loan sales, net and document processing fees is mostly due to decreased mortgage and manufactured housing loan originations. Loan servicing continued to decline as the related SBA loans had payments and prepayments during the year. The Company had no SBA loan sales in 2014 or 2013. Service charges declined slightly for 2014 compared to 2013, primarily from decreased fees received for insufficient fund checks. Other income declined in 2014 compared to 2013 due to decreased deficiency judgment gains and one-time income at the holding company in 2013 for a sale of an equity investment.

Non-Interest Expenses

The following tables present a summary of non-interest expenses for the periods presented:

	Year Ended December 31,		Increase	Year Ended December 31,		Increase
	2015	2014	(Decrease)	2014	2013	(Decrease)
	(in thousands)					
Salaries and employee benefits	$12,904	$12,154	$ 750	$12,154	$12,783	$ (629)
Occupancy expense, net	1,958	1,852	106	1,852	1,814	38
Professional services	993	1,551	(558)	1,551	1,219	332
Data processing	533	570	(37)	570	549	21
Advertising and marketing	466	608	(142)	608	512	96
Stock compensation expense	412	308	104	308	59	249
Depreciation	399	324	75	324	300	24
Loan servicing and collection	395	845	(450)	845	1,444	(599)
FDIC assessment	342	338	4	338	1,046	(708)
Net (gain) loss on sales/write-downs of foreclosed real estate and repossessed assets	10	(435)	445	(435)	388	(823)
Loan litigation settlement, net	7,095	-	7,095	-	-	-
Other	1,774	1,966	(192)	1,966	2,021	(55)
Total non-interest expenses	$27,281	$20,081	$ 7,200	$20,081	$22,135	$ (2,054)

Total non-interest expenses for the year ended December 31, 2015 compared to 2014 increased by $7.2 million primarily due to the loan litigation settlement, net of $7.1 million related to certain residential mortgage loan sales. Salaries and employee benefits increased by $0.8 million for 2015 compared to 2014 mostly due to the addition of the loan production office in San Luis Obispo and other strategic loan production positions. Net (gain) loss on sales/write-downs of foreclosed real estate and repossessed assets increased by $0.4 million in 2015 compared to 2014 as the sales in 2014 resulted in a net gain primarily from one large OREO property versus a smaller number of sales in 2015 primarily manufactured houses resulting in a small net loss. Partially offsetting these increases were decreased professional services expense of $0.6 million and loan servicing and collection expenses of $0.5 million for 2015 compared to 2014. Professional services decreased for the comparable twelve month periods mostly due to decreased legal and accounting and audit fees. Legal fees for 2015 compared to 2014 declined mostly due to one corporate legal matter. Accounting and audit fees declined for 2015 compared to 2014 primarily from increased credit quality which resulted in changes to the frequency of external loan review. Loan servicing and collection expenses decreased for 2015 compared to 2014 due to improved credit quality and fewer foreclosures.

Total non-interest expenses for the year ended December 31, 2014 compared to 2013 decreased by $2.1 million, or 9.3% primarily due to decreased loan collection and related costs as a result of improved credit quality. Net (gain) loss on sales/write-downs of foreclosed real estate and repossessed assets improved by $0.8 million in 2014 compared to 2013 due to improved asset values. The FDIC insurance assessment was reduced by $0.7 million in 2014 compared to 2013 due to the improvement in the Company and release from regulatory agreements. Loan servicing and collection expenses declined by $0.6 million in 2014 compared to 2013 as the volume of loans in collection and foreclosure declined. Salaries and benefits were $0.6 million lower in 2014 compared to 2013 mostly due to severance and commissions paid in 2013 when the Roseville office was closed. Partially offsetting these declined expenses were increased costs associated with professional services of $0.3 million mostly from increased legal and consulting expenses. Stock compensation expense also increased by $0.2 million as director options which vest immediately were granted in 2014 but not in 2013. Advertising and marketing increased by $0.1 million in 2014 compared to 2013 as the Company shifted more resources to business development and customer focused events.

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Income Taxes

The income tax provision for 2015 was $2.1 million compared to $4.9 million in 2014 and a tax benefit of $2.8 million in 2013. The effective income tax rate was 42.7%, 41.2% and (45.5)%, respectively for 2015, 2014 and 2013.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and their respective tax bases including operating losses and tax credit carryforwards. Net deferred tax assets are reported in the consolidated balance sheet as a component of total assets.

Accounting standards Codification Topic 740, Income Taxes, requires that companies assess whether a valuation allowance should be established against their deferred tax assets based on the consideration of all available evidence using a more likely than not standard.

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. Management evaluates the Company's deferred tax assets for recoverability using a consistent approach which considers the relative impact of negative and positive evidence, including the Company's historical profitability and projections of future taxable income. The Company is required to establish a valuation allowance for deferred tax assets and record a charge to income if management determines, based on available evidence at the time the determination is made, that it is more likely than not that some portion or all of the deferred tax assets may not be realized.

There was no valuation allowance on deferred tax assets at December 31, 2015 and 2014. At December 31, 2013, the Company reversed $2.8 million of valuation allowance on its net deferred tax assets.

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 undergoes a process to evaluate whether income tax accruals are in accordance with ASC 740 guidance on uncertain tax positions.

Additional information regarding income taxes, including a reconciliation of the differences between the recorded income tax provision and the amount of tax computed by applying statutory federal and state income tax rates before income taxes, can be found in Note 7 "Income Taxes" to the consolidated financial statements of this annual report on Form 10-K beginning on page 80.

BALANCE SHEET ANALYSIS

Total assets increased $63.9 million to $621.2 million at December 31, 2015 compared to $557.3 million at December 31, 2014. The majority of the increase was in total loans of $48.4 million, or 9.8%, to $543.5 million. Cash and cash equivalents increased by $16.6 million to $35.5 million at December 31 2015 compared to December 31, 2014.

Total liabilities increased $69.0 million, or 14.1% to $559.3 million at December 31, 2015 from $490.3 million at December 31, 2014. Total deposits increased by $67.2 million to $544.3 million at December 31, 2015 from $477.1 million at December 31, 2014. The majority of this increase was due to deposit growth. Non-interest bearing demand deposits increased by $19.1 million to $76.5 million at December 31, 2015 from $57.4 million at December 31, 2014. Certificates of deposit increased by $74.8 million to $203.7 million at December 31, 2015 compared to $128.8 million at December 31, 2014. Partially offsetting these increases was a decrease in interest-bearing demand deposits of $25.1 million to $250.5 million at December 31, 2015 from $275.6 million at December 31, 2014 and a decrease in savings deposits of $1.6 million to $13.7 million at December 31, 2015 compared to $15.3 million at December 31, 2014.

Other borrowings and other liabilities increased slightly to $14.9 million at December 31, 2015 compared to $13.2 million at December 31, 2014.

Total stockholders' equity declined to $61.9 million at December 31, 2015 from $67.0 million at December 31, 2014. This decrease was mostly from the redemption of $7.0 million of the preferred stock offset by net income for the year of $2.9 million. In addition, the Company paid $0.9 million of quarterly dividends to common stockholders in 2015.

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The following tables present the Company's average balances as of the dates indicated:

	December 31,					
	2015		2014		2013	
	Amount	Percent	Amount	Percent	Amount	Percent
ASSETS:	(dollars in thousands)					
Cash and due from banks	$1,763	0.3 %	$1,642	0.3 %	$1,122	0.2 %
Interest-earning deposits in other institutions	29,590	5.0 %	26,273	4.7 %	34,786	6.5 %
Federal funds sold	22	0.0 %	23	0.0 %	24	0.0 %
Investment securities available-for-sale	23,516	4.0 %	21,118	3.8 %	14,339	2.7 %
Investment securities held-to-maturity	7,595	1.3 %	9,008	1.6 %	10,862	2.0 %
FRB and FHLB stock	3,206	0.5 %	3,116	0.6 %	4,012	0.8 %
Loans - held for sale, net	65,266	11.1 %	67,361	12.0 %	64,259	12.1 %
Loans - held for investment, net	441,101	75.0 %	422,237	75.0 %	380,348	71.6 %
Servicing assets	349	0.1 %	479	0.1 %	654	0.1 %
Other assets acquired through foreclosure, net	236	0.0 %	1,961	0.3 %	3,821	0.7 %
Premises and equipment, net	2,994	0.5 %	2,977	0.5 %	3,013	0.6 %
Other assets	12,731	2.2 %	6,279	1.1 %	14,098	2.7 %
TOTAL ASSETS	$588,369	100.0 %	$562,474	100.0 %	$531,338	100.0 %
LIABILITIES:						
Deposits:						
Non-interest bearing demand	$70,864	12.0 %	$58,456	10.4 %	$53,278	10.0 %
Interest-bearing demand	257,785	43.8 %	271,744	48.3 %	258,345	48.6 %
Savings	14,479	2.5 %	15,923	2.8 %	16,334	3.1 %
Time certificates of $100,000 or more	153,388	26.1 %	103,633	18.4 %	86,810	16.3 %
Other time certificates	12,506	2.1 %	19,721	3.5 %	15,685	3.0 %
Total deposits	509,022	86.5 %	469,477	83.5 %	430,452	81.0 %
Other borrowings	9,415	1.6 %	21,476	3.8 %	37,828	7.1 %
Other liabilities	3,856	0.7 %	3,921	0.7 %	3,755	0.7 %
Total liabilities	522,293	88.8 %	494,874	88.0 %	472,035	88.8 %
STOCKHOLDERS' EQUITY						
Preferred stock	4,936	0.8 %	11,287	2.0 %	15,466	2.9 %
Common stock	42,162	7.2 %	41,590	7.4 %	37,159	7.0 %
Retained earnings	19,006	3.2 %	14,840	2.6 %	6,759	1.3 %
Accumulated other comprehensive (loss) income	(28)	(0.0)%	(117)	0.0 %	(81)	0.0 %
Total stockholders' equity	66,076	11.2 %	67,600	12.0 %	59,303	11.2 %
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$588,369	100.0 %	$562,474	100.0 %	$531,338	100.0 %

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Loan Portfolio

The table below summarizes the distribution of the Company's loans (including loans held for sale) at the year-end:

	December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Manufactured housing	$177,891	$169,662	$172,055	$177,391	$189,331
Commercial real estate	179,491	159,432	142,678	126,677	168,812
Commercial	107,510	74,792	62,420	37,266	42,058
SBA	48,071	62,201	71,692	86,389	112,012
HELOC	10,934	13,481	15,418	17,852	20,719
Single family real estate	19,073	14,957	10,150	9,939	11,779
Consumer	123	178	184	232	312
Mortgage loans held for sale	-	785	-	8,223	3,179
Total loans	543,093	495,488	474,597	463,969	548,202
Less:					
Allowance for loan losses	6,916	7,877	12,208	14,464	15,270
Deferred costs, net	(560)	118	45	(128)	(109)
Discount on SBA loans	191	237	339	432	325
Total loans, net	$536,546	$487,256	$462,005	$449,201	$532,716
Percentage to Total Loans:					
Manufactured housing	32.8 %	34.2 %	36.3 %	38.2 %	34.5 %
Commercial real estate	33.0 %	32.2 %	30.1 %	27.3 %	30.8 %
Commercial	19.8 %	15.1 %	13.2 %	8.0 %	7.7 %
SBA	8.9 %	12.6 %	15.1 %	18.6 %	20.4 %
HELOC	2.0 %	2.7 %	3.2 %	3.8 %	3.8 %
Single family real estate	3.5 %	3.0 %	2.1 %	2.2 %	2.1 %
Consumer	0.0 %	0.0 %	0.0 %	0.1 %	0.1 %
Mortgage loans held for sale	0.0 %	0.2 %	0.0 %	1.8 %	0.6 %
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Commercial Loans

Commercial loans consist of term loans and revolving business lines of credit. Under the terms of the revolving lines of credit, the Company grants a maximum loan amount, which remains available to the business during the loan term. The collateral for these loans typically are secured by Uniform Commercial Code ("UCC-1") lien filings, real estate and personal guarantees. The Company 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, commercial and industrial properties or single-family residences. This loan category also includes SBA 504 loans and land loans.

Commercial and industrial real estate loans are primarily secured by nonresidential property. Office buildings or other commercial property primarily secure these types of loans. Loan to appraised value ratios on nonresidential real estate loans are generally restricted to 75% of appraised value of the underlying real property if occupied by the owner or owner's business; otherwise, these loans are generally restricted to 70% of appraised value of the underlying real property.

The Company makes real estate construction loans on commercial properties and single family dwellings. These loans are collateralized by first and second trust deeds on 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%.

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. Construction loans of this type must provide additional collateral to reduce the loan-to-value to approximately 75%. Conventional and investor loans are sometimes funded by our secondary-market partners and CWB receives a premium for these transactions.

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SBA Loans

SBA loans consist of SBA 7(a) and Business and Industry loans ("B&I"). The SBA 7(a) loan proceeds are used for working capital, machinery and equipment purchases, land and building purposes, leasehold improvements and debt refinancing. At present, the SBA guarantees as much as 85% on loans up to $150,000 and 75% on loans more than $150,000. The SBA's maximum exposure amount is $3,750,000. The Company may sell a portion of the loans, however, 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 maximum guaranteed amount is 80% for loans of $5 million or less. B&I loans are similar to the SBA 7(a) loans but are made to businesses in designated rural areas. These loans can also be sold into the secondary market.

Agricultural Loans for real estate and operating lines

The Company has an agricultural lending program for agricultural land, agricultural operational lines, and agricultural term loans for crops, equipment and livestock. The primary product is supported by guarantees issued from the U.S. Department of Agriculture ("USDA"), Farm Service Agency ("FSA"), and the USDA B&I loan program. The FSA loans typically issue a 90% guarantee up to $1,392,000 (amount adjusted annually based on inflation) for up to 40 years. The Company had $50.5 million of these loans at December 31, 2015.

CWB is an approved Federal Agricultural Mortgage Corporation ("Farmer Mac") lender under the Farmer Mac I and Farmer Mac II Programs. Under the Farmer Mac I program, loans are sourced by CWB, underwritten, funded and serviced by Farmer Mac. CWB receives an origination fee and an ongoing field servicing fee for maintaining the relationship with the borrower and performing certain loan compliance monitoring, and other duties as directed by the Central Servicer. The Farmer Mac II program was authorized by Congress in 1991 to establish a uniform national secondary market for originators and investors using the USDA guaranteed loan programs. Under this program, CWB will sell the guaranteed portions of USDA loans directly to Farmer Mac's subsidiary, Farmer Mac II LLC, service the loans, and retain the unguaranteed portions of those loans in accordance with the terms of the existing USDA guaranteed loan programs. Eligible loans include FSA and B&I loans.

Single Family Real Estate Loans

Until the third quarter of 2015, the Company originated loans that consisted of first and second mortgage loans secured by trust deeds on one-to-four family homes. These loans were made to borrowers for purposes such as purchasing a home, refinancing an existing home, interest rate reduction or home improvement.

Manufactured Housing Loans

CWB originates loans secured by manufactured homes located in approved mobile home parks along the California coast from San Diego to San Francisco. The loans are serviced internally and are originated under one of two programs: fixed rate loans written for terms of 10 to 25 years; and adjustable rate loans written for a terms of 25 to 30 years with the initial interest rates fixed for the first 5 or 10 years and then adjusting annually subject to caps and floors.

HELOC

The Bank holds a portfolio of 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. The combined loan-to-value, first trust deed and second trust deed, are not to exceed 75% on all HELOCs. The Bank is not actively originating new HELOCs.

Other Installment Loans

Installment loans consist of automobile and general-purpose loans made to individuals.

The following table sets forth the amount of loans outstanding by type of loan as of December 31, 2015 that were contractually due in one year or less, more than one year and less than five years, and more than five years based on remaining scheduled repayments of principal. Lines of credit or other loans having no stated final maturity and no stated schedule of repayments are reported as due in one year or less. The tables also present an analysis of the rate structure for loans within the same maturity time periods. Actual cash flows from these loans may differ materially from contractual maturities due to prepayment, refinancing or other factors.

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	Due in one year or less	Due after one year to five years	Due after five years	Total
	(in thousands)			
Manufactured housing				
Floating rate	$3,155	$14,610	$101,435	$119,200
Fixed rate	9,265	25,766	23,660	58,691
Commercial real estate				
Floating rate	16,103	44,248	111,769	172,120
Fixed rate	3,012	2,462	1,897	7,371
Commercial				
Floating rate	18,298	18,702	59,913	96,913
Fixed rate	3,045	7,009	543	10,597
SBA				
Floating rate	3,854	12,954	31,263	48,071
Fixed rate	-	-	-	-
HELOC				
Floating rate	260	1,605	9,069	10,934
Fixed rate	-	-	-	-
Single family real estate				
Floating rate	604	3,366	12,168	16,138
Fixed rate	179	809	1,947	2,935
Consumer				
Floating rate	-	-	-	-
Fixed rate	63	60	-	123
Total	$57,838	$131,591	$353,664	$543,093

At December 31, 2015, total loans consisted of 85.3% with floating rates and 14.7% with fixed rates. Manufactured housing loans which are generally fixed rate for the first five years are included in floating rate loans during the fixed period.

The following table presents total gross loans based on remaining scheduled contractual repayments of principal as of the periods indicated:

	December 31, 2015 (in thousands)		2014		2013		2012		2011	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate	Fixed Rate	V R
Less than one year	$15,564	$42,274	$14,791	$36,900	$14,625	$40,840	$19,274	$31,754	$19,822	$
One to five years	36,106	95,485	46,432	92,232	59,842	78,197	73,550	100,061	85,870	
Over five years	28,047	325,617	33,525	271,608	30,675	250,418	40,027	199,303	56,085	
Total	$79,717	$463,376	$94,748	$400,740	$105,142	$369,455	$132,851	$331,118	$161,777	$
Percentage of total	14.7 %	85.3 %	19.1 %	80.9 %	22.2 %	77.8 %	28.6 %	71.4 %	29.5 %	

Concentrations of Lending Activities

The Company's lending activities are primarily driven by the customers served in the market areas where the Company has branch offices in the Central Coast of California. The Company monitors concentrations within selected categories such as geography and product. The Company makes manufactured housing, commercial, SBA, construction, real estate and consumer loans to customers through branch offices located in the Company's primary markets. The Company's business is concentrated in these areas and the loan portfolio includes significant credit exposure to the manufactured housing and commercial real estate markets of these areas. As of December 31, 2015 and 2014, manufactured housing loans comprised 32.7% and 34.3%, respectively of total loans. As of December 31, 2015 and 2014, commercial real estate loans accounted for approximately 33.0% and 32.2% of total loans, respectively. Approximately 53.7% and 48.3% of these commercial real estate loans were owner occupied at December 31, 2015 and 2014, respectively. Substantially all of these loans are secured by first liens with an average loan to value ratios of 50.3% and 48.9% at December 31, 2015 and 2014, respectively. The Company was within established policy limits at December 31, 2015 and 2014.

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Interest Reserves

Interest reserves are generally established at the time of the loan origination as an expense item in the budget for a construction and land development loan. The Company's practice is to monitor the construction, sales and/or leasing progress to determine the feasibility of ongoing construction and development projects. If, at any time during the life of the loan, the project is determined not to be viable, the Company discontinues the use of the interest reserve and may take appropriate action to protect its collateral position via renegotiation and/or legal action as deemed appropriate. At December 31, 2015, the Company had nine loans with an outstanding balance of $6.0 million with available interest reserves of $0.7 million. Total construction and land loans are approximately 3% of the Company's loan portfolio and December 31, 2015 and 2014.

Impaired loans

A loan is considered impaired when, based on current information; it is probable that the Company will be unable to collect the scheduled payments of principal and/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/or interest payments. Loans that experience insignificant payment delays or payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays or 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. Impairment is measured on a loan-by-loan basis for all loans in the portfolio.

A loan is considered a troubled debt restructured loan ("TDR") when concessions have been made to the borrower and the borrower is in financial difficulty. These concessions include but are not limited to term extensions, rate reductions and principal reductions. Forgiveness of principal is rarely granted and modifications for all classes of loans are predominantly term extensions. TDR loans are also considered impaired.

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

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Impaired loans without specific valuation allowances	$7,591	$3,821	$4,980	$17,484	$31,678
Impaired loans with specific valuation allowances	11,940	20,108	15,140	12,163	8,226
Specific valuation allowance related to impaired loans	(573)	(854)	(1,439)	(1,794)	(248)
Impaired loans, net	$18,958	$23,075	$18,681	$27,853	$39,656
Average investment in impaired loans	$16,302	$17,741	$24,435	$42,555	$34,852

The following schedule summarizes impaired loans and specific reserves by loan class as of the periods indicated:

	Manufactured Housing	Commercial Real Estate	Commercial	SBA	HELOC	Single Family Real Estate	Consumer	Total Loans
Impaired Loans as of December 31, 2015:	(in thousands)							

Recorded Investment:								
Impaired loans with an allowance recorded	$4,914	$ 376	$ 2,966	$1,695	$ 19	$1,970	$ -	$11,940
Impaired loans with no allowance recorded	3,672	2,247	44	1,052	294	282	-	7,591
Total loans individually evaluated for impairment	8,586	2,623	3,010	2,747	313	2,252	-	19,531
Related Allowance for Credit Losses								
Impaired loans with an allowance recorded	483	3	45	25	-	17	-	573
Impaired loans with no allowance recorded	-	-	-	-	-	-	-	-
Total loans individually evaluated for impairment	483	3	45	25	-	17	-	573
Total impaired loans, net	$8,103	$ 2,620	$ 2,965	$2,722	$ 313	$2,235	$ -	$18,958

$2.4 million of the above impaired loans are government guaranteed.

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	Manufactured Housing	Commercial Real Estate	Commercial	SBA	HELOC	Single Family Real Estate	Consumer	Total Loans
Impaired Loans as of December 31, 2014:	(in thousands)							
Recorded Investment:								
Impaired loans with an allowance recorded	$4,717	$ 2,783	$ 4,224	$7,707	$ 86	$ 591	$ -	$20,108
Impaired loans with no allowance recorded	2,734	831	44	122	-	90	-	3,821
Total loans individually evaluated for impairment	7,451	3,614	4,268	7,829	86	681	-	23,929
Related Allowance for Credit Losses								
Impaired loans with an allowance recorded	399	77	241	104	1	32	-	854
Impaired loans with no allowance recorded	-	-	-	-	-	-	-	-
Total loans individually evaluated for impairment	399	77	241	104	1	32	-	854
Total impaired loans, net	$7,052	$ 3,537	$ 4,027	$7,725	$ 85	$ 649	$ -	$23,075

$7.1 million of the above impaired loans are government guaranteed.

Total impaired loans decreased by $4.4 million at December 31, 2015 compared to December 31, 2014. Impaired loans in the consumer product portfolios also increased in 2015 compared to 2014. Single family real estate impaired loans, manufactured housing impaired loans and HELOC impaired loans increased by $1.6 million, $1.1million and $0.2 million, respectively at December 31, 2015 compared to December 31, 2014. Impaired single family real estate loans increased due to the addition of one large loan for $1.9 million partially offset by $0.2 million of upgrades and $0.1 million transferred to OREO. The number of impaired manufactured housing loans increased, with approximately 136 impaired manufactured housing loans at December 31, 2015 compared to 122 at December 31, 2014. The Company added 33 newly impaired manufactured housing loans in 2015 and decreased by 19 impaired manufactured housing loans mostly due to payoffs. The increase in impaired HELOC loans was due to one newly impaired loan in 2015 compared to 2014. These increases were offset by decreased impaired loans in the SBA, commercial and commercial real estate portfolios of $5.0 million, $1.3 million and $1.0 million, respectively for 2015 compared to 2014 mostly the result of several large loan payoffs.

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

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Total nonaccrual loans	$6,956	$17,883	$23,263	$29,643	$42,343
Government guaranteed portion of loans included above	(1,943)	(6,856)	(6,426)	(7,218)	(13,673)
Total nonaccrual loans without government guarantees	$5,013	$11,027	$16,837	$22,425	$28,670
TDR loans, gross	$13,741	$9,685	$12,308	$19,931	$17,885
Loans 30 through 89 days past due with interest accruing	$-	$-	$161	$521	$3,114
Allowance for loan losses to gross loans held for investment	1.44 %	1.84 %	2.98 %	3.66 %	3.24 %

Interest income recognized on impaired loans	$933	$825	$876	$1,406	$1,643
Interest income that would have been recorded under the original terms of nonaccrual loans	$761	$1,276	$1,754	$2,692	$2,920

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 usually 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.

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The following table summarizes the composite of nonaccrual loans:

	At Decmber 31, 2015				At December 31, 2014			
	Nonaccrual Balance	%		Percent of Total Loans	Nonaccrual Balance	%		Percent of Total Loans
	(dollars in thousands)							
Manufactured housing	$1,615	23.22 %		0.30 %	$1,480	8.28 %		0.30 %
Commercial real estate	2,356	33.87 %		0.43 %	3,972	22.21 %		0.80 %
Commercial	44	0.63 %		0.01 %	4,269	23.87 %		0.86 %
SBA	2,346	33.73 %		0.43 %	7,467	41.75 %		1.51 %
HELOC	313	4.50 %		0.06 %	86	0.48 %		0.02 %
Single family real estate	282	4.05 %		0.05 %	609	3.41 %		0.12 %
Consumer	-	-		-	-	-		-
Total nonaccrual loans	$6,956	100.00 %		1.28 %	$17,883	100.00 %		3.61 %

Nonaccrual balances include $1.9 million and $6.9 million, respectively of loans that are government guaranteed at December 31, 2015 and 2014, respectively. Nonaccrual loans net of government guarantees decreased $6.0 million or 54.5%, from $11.0 million at December 31, 2014 to $5.0 million at December 31, 2015. The percentage of nonaccrual loans to the total loan portfolio has decreased to 1.28% as of December 31, 2015 from 3.61% at December 31, 2014.

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Allowance for Loan Losses

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

	Year Ended December 31,				
	2015	2014	2013	2012	2011
Allowance for loan losses:	(dollars in thousands)				
Balance at beginning of period	$7,877	$12,208	$14,464	$15,270	$13,302
Provisions charged to operating expenses:					
Manufactured housing	(415)	(682)	206	4,824	3,384
Commercial real estate	(151)	(1,934)	(969)	30	5,215
Commercial	(469)	(1,227)	(324)	116	2,718
SBA	(1,069)	(1,107)	(794)	(1,358)	2,755
HELOC	(107)	(164)	(318)	311	(197)
Single family real estate	(63)	(21)	218	356	786
Consumer	-	-	37	2	(70)
Total Provision (credit)	(2,274)	(5,135)	(1,944)	4,281	14,591
Recoveries of loans previously charged-off:					
Manufactured housing	205	143	257	144	73
Commercial real estate	545	857	1,243	756	5
Commercial	422	149	212	131	75
SBA	454	393	559	837	299
HELOC	10	24	3	50	-
Single family real estate	3	4	8	6	17
Consumer	-	-	-	5	-
Total recoveries	1,639	1,570	2,282	1,929	469
Loans charged-off:					
Manufactured housing	297	543	1,294	3,652	2,996
Commercial real estate	-	16	349	1,687	4,224
Commercial	-	-	149	656	2,153
SBA	-	171	547	623	2,930
HELOC	-	-	39	76	1
Single family real estate	29	36	179	314	788
Consumer	-	-	37	8	-
Total charged-off	326	766	2,594	7,016	13,092
Net charge-offs (recoveries)	(1,313)	(804)	312	5,087	12,623
Balance at end of period	$6,916	$7,877	$12,208	$14,464	$15,270
Net charge-offs (recoveries) to average loans outstanding	(0.26)%	(0.16)%	0.07%	1.02%	2.21%
Allowance for loan losses to gross loans includcing held for sale loans	1.27%	1.59%	2.57%	3.12%	2.83%

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The following table summarizes the allocation of allowance for loan losses by loan type. However allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories:

	December 31, 2015		2014		2013		2012		2011	
	(dollars in thousands)									
	Amount	% of Loans in Each Category to Gross Loans	Amount	% of Loans in Each Category to Gross Loans	Amount	% of Loans in Each Category to Gross Loans	Amount	% of Loans in Each Category to Gross Loans	Amount	% of Loans in Each Category to Gross Loans
Manufactured housing	$3,525	51.0 %	$4,032	51.2 %	$5,114	41.9 %	$5,945	38.2 %	$4,629	34.5 %
Commercial real estate	1,853	26.8 %	1,459	18.5 %	2,552	20.9 %	2,627	27.3 %	3,528	30.8 %
Commercial	939	13.6 %	986	12.5 %	2,064	16.9 %	2,325	8.0 %	2,734	7.7 %
SBA	451	6.5 %	1,066	13.6 %	1,951	16.0 %	2,733	18.6 %	3,877	20.4 %
HELOC	43	0.6 %	140	1.8 %	280	2.3 %	634	3.8 %	349	3.8 %
Single family real estate	103	1.5 %	192	2.4 %	245	2.0 %	198	4.0 %	150	2.7 %
Consumer	2	0.0 %	2	0.0 %	2	0.0 %	2	0.1 %	3	0.1 %
Total	$6,916	100.0 %	$7,877	100.0 %	$12,208	100.0 %	$14,464	100.0 %	$15,270	100.0 %

Total ALL decreased by $1.0 million from $7.9 million at December 31, 2014 to $6.9 million at December 31, 2015 mostly the result of improvement in historical loss factors and reduced specific impairment reserves. In addition, the Company had net recoveries of $1.3 million in 2015 compared to net recoveries of $0.8 million in 2014.

Potential Problem Loans

The Company classifies loans consistent with federal banking regulations. These loan grades are described in further detail in “Item 8. Note 1, “Summary of Significant Accounting Policies” of this Form 10-K. The following table presents information regarding potential problem loans consisting of loans graded watch or worse, but still performing:

	December 31, 2015			
	Number of Loans	Loan Balance (1)	Percent	Percent of Total Loans
	(dollars in thousands)			
Manufactured housing	24	$1,044	6.05 %	0.19 %
Commercial real estate	9	7,519	43.55 %	1.38 %
Commercial	10	7,551	43.74 %	1.39 %
SBA	14	464	2.69 %	0.09 %
HELOC	3	573	3.32 %	0.11 %
Single family real estate	2	113	0.65 %	0.02 %

Consumer	-	-	0.00 %	0.00 %
Total	62	$17,264	100.00%	3.18 %

(1) Of the $17.3 million of potential problem loans, $3.2 million are guaranteed by the U.S. government.

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	December 31, 2014			
	Number of Loans	Loan Balance (1)	Percent	Percent of Total Loans
	(dollars in thousands)			
Manufactured housing	93	$5,513	22.29 %	1.11 %
Commercial real estate	12	17,285	69.88 %	3.49 %
Commercial	9	484	1.96 %	0.10 %
SBA	26	632	2.56 %	0.13 %
HELOC	7	577	2.33 %	0.12 %
Single family real estate	4	243	0.98 %	0.05 %
Consumer	-	-	0.00 %	0.00 %
Total	151	$24,734	100.00 %	5.00 %

(1) Loan balance includes $4.4 million guaranteed by government agencies

Investment Securities

Investment securities are classified at the time of acquisition as either held-to-maturity or available-for-sale based upon various factors, including asset/liability management strategies, liquidity and profitability objectives, and regulatory requirements. Held-to-maturity securities are carried at amortized cost, adjusted for amortization of premiums or accretion of discounts. Available-for-sale securities are securities that may be sold prior to maturity based upon asset/liability management decisions. Investment securities identified as available-for-sale are carried at fair value. Unrealized gains or losses on available-for-sale securities are recorded as accumulated other comprehensive income in stockholders' equity. Amortization of premiums or accretion of discounts on mortgage-backed securities is periodically adjusted for estimated prepayments.

The investment securities portfolio of the Company is utilized as collateral for borrowings, required collateral for public deposits and to manage liquidity, capital, and interest rate risk.

The carrying value of investment securities for the years indicated was as follows:

	December 31,		
	2015	2014	2013
	(in thousands)		
U.S. government agency notes	$11,147	$7,862	$7,478
U.S. government agency mortgage backed securities ("MBS")	7,025	8,447	9,752
U.S. government agency collateralized mortgage obligations ("CMO")	12,231	14,271	10,861
Equity securities: Farmer Mac class A stock	63	61	69
	$30,466	$30,641	$28,160

The weighted average yields of investment securities by maturity period were as follows at December 31, 2015:

	December 31, 2015									
	Less than One Year		One to Five Years		Five to Ten Years		Over Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield

Securities available-for-sale	(dollars in thousands)									
U.S. government agency notes	$8,957	2.9 %	$-	-	$2,190	0.9 %	$-	-	$11,147	2.5 %
U.S. government agency CMO	-	-	4,337	1.3 %	4,527	0.7 %	3,367	1.2 %	12,231	1.0 %
Farmer Mac class A stock	-	-	-	-	-	-	-	-	63	-
Total	$8,957	2.9 %	$4,337	1.3 %	$6,717	0.8 %	$3,367	1.2 %	$23,441	1.7 %
Securities held-to-maturity										
U.S. government agency MBS	$-	-	$1,746	3.6 %	$5,279	3.1 %	$-	-	$7,025	3.2 %
Total	$-	-	$1,746	3.6 %	$5,279	3.1 %	$-	-	$7,025	3.2 %

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Expected maturities may differ from contractual maturities because borrowers or issuers have the right to call or prepay certain investment securities. Changes in interest rates may also impact prepayment or call options.

The Company does not own any subprime mortgage backed securities ("MBS") in its investment portfolio. Gross unrealized losses at December 31, 2015 are primarily caused by interest rate fluctuations, credit spread widening and reduced liquidity in applicable markets. The Company has reviewed all securities on which there was an unrealized loss in accordance with its accounting policy for other than temporary impaired ("OTTI") described in "Item 8. Note 2 in this Form 10-K, "Investment Securities" and determined no impairment was required. At December 31, 2015, the Company had the intent and the ability to retain its investments for a period of time sufficient to allow for any anticipated recovery in fair value.

Other Assets Acquired Through Foreclosure

The following table represents the changes in other assets acquired through foreclosure:

	December 31,		
	2015	2014	2013
	(in thousands)		
Balance, beginning of period	$137	$3,811	$1,889
Additions	609	1,879	6,084
Proceeds from dispositions	(538)	(5,988)	(3,774)
Gains (losses) on sales, net	(10)	435	(388)
Balance, end of period	$198	$137	$3,811

Other assets acquired through foreclosure consist primarily of properties acquired as a result of, or in-lieu-of, foreclosure. Properties or other assets (primarily manufactured housing) are classified as other real estate owned and other repossessed assets and are reported at fair value at the time of foreclosure less estimated costs to sell. Costs relating to development or improvement of the assets are capitalized and costs related to holding the assets are charged to expense. At December 31, 2015, the Company had a valuation allowance on foreclosed assets of $35,000 and no valuation allowance on foreclosed assets at December 31, 2014.

Deposits

The average balances by deposit type for the years ended December 31, 2015, 2014 and 2013 are presented below:

	Year Ended December 31,					
	2015		2014		2013	
	Average Balance	Percent of Total	Average Balance	Percent of Total	Average Balance	Percent of Total
	(dollars in thousands)					
Non-interest bearing demand deposits	$70,864	13.9 %	$58,456	12.5 %	$53,278	12.4 %
Interest-bearing demand deposits	257,785	50.7 %	271,744	57.8 %	258,345	60.0 %
Savings	14,479	2.8 %	15,923	3.4 %	16,334	3.8 %
Time deposits of $100,000 or more	153,388	30.1 %	103,633	22.1 %	86,810	20.2 %
Other time deposits	12,506	2.5 %	19,721	4.2 %	15,685	3.6 %
Total deposits	$509,022	100.0 %	$469,477	100.0 %	$430,452	100.0 %

Total deposits increased to $544.3 million at December 31, 2015 from $477.1 million at December 31, 2014, an increase of $67.2 million. This increase was primarily from certificates of deposit and non-interest bearing demand deposits. Deposits have historically been the primary source of funding the Company's asset growth. In addition the bank is a member of Certificate of Deposit Account Registry Service ("CDARS"). CDARS provides a mechanism for obtaining FDIC insurance for large deposits. At December 31, 2015 and 2014, the Company had $24.3 million and $14.5 million, respectively of CDARS deposits.

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Time Certificates of Deposits

The following table presents TCD maturities:

	December 31			
	2015		2014	
	TCDs Over $ 100,000	Other TCDs	TCDs Over $ 100,000	Other TCDs
Less than three months	$23,509	$1,651	$15,792	$3,364
Three to six months	63,724	11,263	10,404	2,338
Six to twelve months	29,957	1,374	21,973	807
Over twelve months	65,292	6,900	67,419	6,727
Total deposits	$182,482	$21,188	$115,588	$13,236

The Company's deposits may fluctuate as a result of local and national economic conditions. Management does not believe that deposit levels are influenced by seasonal factors.

The Company utilizes money desk and brokered deposits in accordance with strategic and liquidity planning.

Other Borrowings

The following table sets forth certain information regarding FHLB advances and other borrowings.

	December 31,		
	2015	2014	2013
FHLB Advances	(in thousands)		
Maximum month-end balance	$20,000	$30,000	$34,000
Balance at year end	5,000	10,000	30,000
Average balance	8,466	21,235	33,474
Other Borrowings			
Maximum month-end balance	5,500	1,442	7,852
Balance at year end	5,500	-	1,442
Average balance	949	241	4,354
Total borrowed funds	$10,500	$10,000	$31,442
Weighted average interest rate at end of year	2.35 %	2.74 %	3.06 %
Weighted average interest rate during the year	1.34 %	2.85 %	3.74 %

FHLB and FRB Advances

The Company utilizes borrowed funds to support liquidity needs. The Company's borrowing capacity at FHLB and FRB is determined based on collateral pledged, generally consisting of securities and loans. At December 31, 2015, no advances were outstanding from the FRB.

Line of Credit

As of October 29, 2015, the Company entered into a one year revolving line of credit agreement for up to $10.0 million. At December 31, 2015, the balance was $5.5 million at a rate of one month libor + 3.76% (3.993%). The

Company must maintain a compensating deposit with the lender of 25% of the outstanding principal balance in a non-interest bearing deposit account which was $1.4 million at December 31, 2015. In addition, the Company must maintain a minimum debt service coverage ratio of 1.65, a minimum Tier 1 leverage ratio of 7.0% and a minimum total risked based capital ratio of 10.0%. The Company incurs a quarterly unused commitment fee of 50 basis points per annum on the average available balance. The outstanding balance of the revolving line of credit converts to a term loan at maturity with quarterly payments of 5% and maturity date of October 31, 2021.

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Convertible Debentures

In 2010, the Company completed an offering of $8.1 million convertible subordinated debentures. The debentures were a general unsecured obligation and were subordinated in right of payment to all present and future senior indebtedness. The debentures paid interest at 9% until March 10, 2014, when the Company exercised its early redemption rights and called the outstanding debentures. For the year ended December 31, 2014, $1.4 million debentures were converted to 317,550 shares of common stock and $34,000 in cash. At December 31, 2013, $6.4 million of principal and $0.1 million of accrued interest had been converted to equity.

Preferred Stock

The Company's Series A Preferred Stock paid cumulative dividends at a rate of 5% per year until February 15, 2014 then increased to a rate of 9% per year. 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.

In 2012, the United States Department of the Treasury sold all of the Series A Preferred Stock to third party purchasers unaffiliated with the Company. The Company did not receive any proceeds from this auction, nor were any of the terms modified in connection with the sales.

In 2013, four members of the Board of Directors purchased 1,100 shares of the Company's Series A Preferred stock from private investors.

In 2014, the Company redeemed 8,586 shares of the Series A Preferred Stock for $8.5 million and recognized a discount on the partial redemption of $0.2 million.

In 2015, the Company redeemed the remaining 7,014 shares of Series A Preferred Stock for $6.9 million and recognized a discount on the redemption of $0.1 million.

During the years ended December 31, 2015 and 2014, the Company recorded $0.4 million and $0.9 million, respectively of dividends and accretion of the discount on preferred stock.

The Company had paid all the quarterly dividends on such Series A Preferred Stock through February 15, 2012. While the Company declared and accrued for the subsequent seven quarters of dividends, the Company's request to the FRB was denied until the fourth quarter 2013. The accrued but unpaid dividends of $1.4 million were paid on February 18, 2014. The deferral of the dividends on the Series A Preferred Stock was permitted under its terms and did not constitute an event of default.

Capital Resources

The Company and CWB are subject to various regulatory capital adequacy 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 business and 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 their assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The 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.

Effective January 1, 2015, CWB was subject to the new guidelines for determining regulatory capital known as "Basel III." These capital rules among other things implement capital reforms and introduce a minimum Common Equity Tier 1 (CET1) ratio of 4.5% and a capital conservation buffer of 2.5%. Phase-in of the capital conservation buffer requirements will begin on January 1, 2016.

Effective March 31, 2015, CWBC met the requirements under the final rule changes to the Federal Reserve's Small Bank Holding Company Policy Statement for institutions with $500 million to $1 billion in total consolidated assets. Under the revised policy, CWBC is no longer subject to certain consolidated regulatory financial reporting requirements and is not subject to Basel III capital rules and reporting requirements.

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The Company's and CWB's actual capital amounts and ratios as of December 31, 2015 and 2014 are presented in the table below:

	Total Capital	Tier 1 Capital	Common Equity Tier 1 Capital	Risk-Weighted Assets	Adjusted Average Assets	Total Risk-Based Capital Ratio	Tier 1 Risk-Based Capital Ratio	Common Equity Tier 1 Ratio	Tier 1 Leverage Ratio
December 31, 2015	(dollars in thousands)								
CWB	$70,199	$63,788	$63,788	$512,364	$614,331	13.70 %	12.45 %	12.45 %	10.38 %
Well-capitalized ratios						10.00 %	8.00 %	6.50 %	5.00 %
Minimum capital ratios						8.00 %	6.00 %	4.50 %	4.00 %
December 31, 2014 (Under previous requirements)									
CWBC (Consolidated)	$72,569	$66,939	N/A	$448,199	$564,630	16.19 %	14.94 %	N/A	11.86 %
CWB	$71,303	$65,673	N/A	$448,118	$564,331	15.91 %	14.66 %	N/A	11.64 %
Well-capitalized ratios						10.00 %	6.00 %	N/A	5.00 %
Minimum capital ratios						8.00 %	4.00 %	N/A	4.00 %

Contractual Obligations and Off-Balance Sheet Arrangements

The Company enters into contracts for services in the ordinary course of business that may require payment for services to be provided in the future and may contain penalty clauses for early termination of the contracts. To meet the financing needs of customers, the Company has financial instruments with off-balance sheet risk, including commitments to extend credit and standby letters of credit. The Company does not believe that these off-balance sheet arrangements have or are reasonably likely to have a material effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources. However, there can be no assurance that such arrangements will not have a future effect.

The following table sets forth our significant contractual obligations as of December 31, 2015.

	Payments Due by Period				
	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	After 5 Years
	(dollars in thousands)				
Time deposit maturities	$203,670	$131,628	$54,245	$17,797	$ -
FHLB advances	5,000	5,000	-	-	-
Other borrowings	5,500	5,500	-	-	-
Purchase obligations	3,665	878	1,000	914	872

Operating lease obligations	1,581	907	482	192	-
Total	$219,416	$143,913	$55,727	$18,903	$ 872

Purchase obligations primarily related to contracts for software licensing and maintenance and outsourced service providers. Off-balance sheet commitments associated with outstanding letters of credit, commitments to extend credit, and overdraft lines as of December 31, 2015 are summarized below. Since commitments associated with letters of credit and commitments to extend credit may expire unused, the amounts shown do not necessarily reflect the actual future cash funding requirements.

		Amount of Commitment By Period of Expiration			
	Total Commitments	Less Than 1 Year	1 to 3 Years	3 to 5 Years	After 5 Years
	(dollars in thousands)				
Commitments to extend credit	$46,855	$21,278	$17,904	$ 270	$7,403
Standby letters of credit	64	64	-	-	-
Total	$46,919	$21,342	$17,904	$ 270	$7,403

<u>Critical Accounting Policies</u>

The Notes to Consolidated Financial Statements contain a discussion of our significant accounting policies, including information regarding recently issued accounting pronouncements, our adoption of such policies and the related impact of their adoption. We believe that certain of these policies, along with various estimates that we are required to make in recording our financial transactions, are important to have a complete understanding of our financial position. In addition, these estimates require us to make complex and subjective judgments, many of which include matters with a high degree of uncertainty. See “Item 8. Financial Statements and Supplementary Data - Note 1. Summary of Significant Accounting Policies for a discussion of these critical accounting policies and significant estimates.

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Liquidity

Liquidity is the ongoing ability to fund asset growth and business operations, to accommodate liability maturities and deposit withdrawals and meet contractual obligations through unconstrained access to funding at reasonable market rates. Liquidity management involves forecasting funding requirements and maintaining sufficient capacity to meet the needs and accommodate fluctuations in asset and liability levels due to changes in our business operations or unanticipated events.

The ability to have readily available funds sufficient to repay fully maturing liabilities is of primary importance to depositors, creditors and regulators. Our liquidity, represented by cash and amounts due from banks, federal funds sold and non-pledged marketable securities, is a result of our operating, investing and financing activities and related cash flows. In order to ensure funds are available when necessary, on at least a quarterly basis, we project the amount of funds that will be required, and we strive to maintain relationships with a diversified customer base. Liquidity requirements can also be met through short-term borrowings or the disposition of short-term assets. The Company has federal funds borrowing lines at correspondent banks totaling $20.0 million. In addition, loans and securities are pledged to the FHLB providing $67.8 million in available borrowing capacity as of December 31, 2015. Loans and securities pledged to the FRB discount window provided $94.0 million in borrowing capacity. As of December 31, 2015, there were no outstanding borrowings from the FRB.

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

The Company through CWB has a blanket lien credit line with the FHLB. FHLB advances are collateralized in the aggregate by the Company's eligible loans and securities. Total FHLB advances were $5.0 million and $10.0 million at December 31, 2015 and 2014, respectively, borrowed at fixed rates. At December 31, 2015, CWB had pledged to FHLB, securities of $30.5 million at carrying value and loans of $140.0 million and had $67.8 million available for additional borrowing. At December 31, 2014, the Company had pledged to FHLB, securities of $30.6 million at carrying value and loans of $67.3 million, and had $106.2 million available for additional borrowing.

The Company 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, 2015 and unused borrowing capacity was $94.0 million.

The Company also maintains federal funds purchased lines with a total borrowing capacity of $20.0 million. There was no amount outstanding as of December 31, 2015 and 2014.

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 20% and 19%, at December 31, 2015 and December 31, 2014, respectively. The Company's liquidity ratio fluctuates in conjunction with loan funding demands. The liquidity ratio consists of the sum 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 consisted of certain operating expenses, preferred and common stock dividends and interest payments on the other borrowings. CWBC obtains funding to meet its obligations from dividends collected from CWB and has the capability to issue debt securities. Federal banking laws regulate the amount of dividends that may be paid by a banking subsidiary without prior approval.

Interest Rate Risk

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

Lag risk 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 is caused by the mismatch in the maturities or repricing periods between interest-earning assets and interest-bearing liabilities. If CWB was perfectly matched, the net interest margin would expand during rising rate periods and contract during falling rate periods. This happens because loans tend to reprice more quickly than funding sources.

Basis risk is due to item pricing tied to different indices which tend to react differently, however, most of CWB's variable products are priced off the prime rate.

Prepayment risk results from borrowers paying down or paying off their loans prior to maturity. Prepayments on fixed-rate products increase in falling interest rate environments and decrease in rising interest rate environments. A majority of CWB's loans have adjustable rates and are reset based on changes in the prime rate resulting in little lag time on the reset. CWB generally has not experienced significant loan prepayments.

The Company's ability to originate, purchase and sell loans is also significantly impacted by changes in interest rates. In addition, increases in interest rates may reduce the amount of loan and commitment fees received by CWB.

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 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. The Company has not used derivative instruments to help manage risk, but will consider such instruments in the future if the perceived need should arise.

For further discussion regarding the impact to the Company of interest rate changes, see "Item 7A. Quantitative and Qualitative Disclosure about Market Risk."

Litigation

See "Part 1. Item 3: Legal Proceedings" beginning on page 11 of this Form 10-K.

SUPERVISION AND REGULATION

Introduction

Banking is a complex, highly regulated industry. The primary goals of the rules and regulations are to maintain a safe and sound banking system, protect depositors and the Federal Deposition Insurance Corporation's insurance fund, and facilitate the conduct of sound monetary policy. In furtherance of these goals, Congress and the states have created several largely autonomous regulatory agencies and enacted numerous laws that govern banks, bank holding companies and the financial services industry. Consequently, the growth and earnings performance of the Company can be affected not only by Management decisions and general economic conditions, but also by the requirements of applicable state and federal statues, regulations and the policies of various governmental regulatory authorities, including the Board of Governors of the Federal Reserve System (FRB), the Office of the Comptroller of the Currency (OCC), and Federal Deposit Insurance Corporation (FDIC).

The system of supervision and regulation applicable to financial services businesses governs most aspects of the business of CWBC and CWB, including: (i) the scope of permissible business; (ii) investments; (iii) reserves that must be maintained against deposits; (iv) capital levels that must be maintained; (v) the nature and amount of collateral that may be taken to secure loans; (vi) the establishment of new branches; (vii) mergers and consolidations with other financial institutions; and (viii) the payment of dividends.

From time to time laws or regulations are enacted which have the effect of increasing the cost of doing business, limiting or expanding the scope of permissible activities, or changing the competitive balance between banks and other financial and non-financial institutions. Proposals to change the laws and regulations governing the operations of banks and bank holding companies are frequently made in Congress and by various bank and other regulatory agencies. Future changes in the laws, regulations or polices that impact CWBC and CWB cannot necessarily be predicted, but they may have a material effect on the business and earnings of CWBC and CWB.

Securities Registration and Listing

CWBC's common stock is registered with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and, therefore, is subject to the information, proxy solicitation, insider trading, corporate governance, and other disclosure requirements and restrictions of the Exchange Act, as well as the Securities Act of 1933 (the "Securities Act"), both administered by the SEC. CWBC is required to file annual, quarterly and other current reports with the SEC. The SEC maintains an Internet site, http://www.sec.gov, at which CWBC's filings with the SEC may be accessed. CWBC's SEC filings are also available on its website at www.communitywest.com.

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CWBC's securities are listed on the NASDAQ Capital Market and trade under the symbol "CWBC." As a company listed on the NASDAQ Capital Market, CWBC is subject to NASDAQ standards for listed companies. CWBC is also subject to certain provisions of the Sarbanes-Oxley Act of 2002 (the "SOX Act"), the Federal Deposit Insurance Corporation Improvement Act ("FDICIA"), provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), and other federal and state laws and regulations that govern financial presentations, corporate governance requirements for board audit and compensation committees and their members, and disclosure of controls and procedures and internal control over financial reporting, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. NASDAQ has also adopted corporate governance rules, which are intended to allow shareholders and investors to more easily and efficiently monitor the performance of companies and their directors.

Dodd-Frank Wall Street Reform and Consumer Protection Act

On July 21, 2010, the Dodd-Frank Act was signed into law to effect a fundamental restructuring of federal banking regulation. Among other things, the Dodd-Frank Act creates a new Financial Stability Oversight Council to identify systemic risks in the financial system and gives federal regulators new authority to take control of and liquidate financial firms. The Dodd-Frank Act additionally creates a new independent federal regulator to administer federal consumer protection laws. The Dodd-Frank Act is expected to have a significant impact on our business operations as its provisions take effect. Among the provisions that may affect the Company are the following:

Holding Company Capital Requirements. The Dodd-Frank Act requires the FRB to apply consolidated capital requirements to depository institution holding companies that are no less stringent than those currently applied to depository institutions. Under these standards, trust preferred securities are excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010 by a bank holding company with less than $15 billion in assets. The Dodd-Frank Act additionally requires capital requirements to be countercyclical so that the required amount of capital increases in times of economic expansion and decreases in times of economic contraction, consistent with safety and soundness.

Deposit Insurance. The Dodd-Frank Act permanently increases the maximum deposit insurance amount for banks, savings institutions and credit unions to $250,000 per depositor, retroactive to January 1, 2009. The Dodd-Frank Act also broadens the base for FDIC insurance assessments. Assessments are now based on the average consolidated total assets less tangible equity capital of a financial institution. The Dodd-Frank Act requires the FDIC to increase the reserve ratio of the Deposit Insurance Fund from 1.15% to 1.35% of insured deposits by 2020 and eliminates the requirement that the FDIC pay dividends to insured depository institutions when the reserve ratio exceeds certain thresholds. Effective July 21, 2011, the Dodd-Frank Act eliminated the federal statutory prohibition against the payment of interest on business checking accounts.

Corporate Governance. The Dodd-Frank Act requires publicly traded companies to give stockholders a non-binding vote on executive compensation at their first annual meeting taking place six months after the date of enactment and at least every three years thereafter and on so-called "golden parachute" payments in connection with approvals of mergers and acquisitions unless previously voted on by shareholders. The new legislation also authorizes the SEC to promulgate rules that would allow stockholders to nominate their own candidates using a company's proxy materials. Additionally, the Dodd-Frank Act directs the federal banking regulators to promulgate rules prohibiting excessive compensation paid to executives of depository institutions and their holding companies with assets in excess of $1.0 billion, regardless of whether the company is publicly traded or not. The Dodd-Frank Act gives the SEC authority to prohibit broker discretionary voting on elections of directors and executive compensation matters.

Prohibition Against Charter Conversions of Troubled Institutions. The Dodd-Frank Act prohibits a depository institution from converting from a state to federal charter or vice versa while it is the subject of a cease and desist order or other formal enforcement action or a memorandum of understanding with respect to a significant supervisory matter unless the appropriate federal banking agency gives notice of the conversion to the federal or state authority that issued the enforcement action and that agency does not object within 30 days. The notice must include a plan to address the significant supervisory matter. The converting institution must also file a copy of the conversion application with its current federal regulator which must notify the resulting federal regulator of any ongoing supervisory or investigative proceedings that are likely to result in an enforcement action and provide access to all supervisory and investigative information relating hereto.

Interstate Branching. The Dodd-Frank Act authorizes national and state banks to establish branches in other states to the same extent as a bank chartered by that state would be permitted to branch. Previously, banks could only establish branches in other states if the host state expressly permitted out-of-state banks to establish branches in that state. Accordingly, banks will be able to enter new markets more freely.

Limits on Derivatives. The Dodd-Frank Act prohibits state-chartered banks from engaging in derivatives transactions unless the loans to one borrower limits of the state in which the bank is chartered takes into consideration credit exposure to derivatives transactions. For this purpose, derivative transaction includes any contract, agreement, swap, warrant, note or option that is based in whole or in part on the value of any interest in, or any quantitative measure or the occurrence of any event relating to, one or more commodities securities, currencies, interest or other rates, indices or other assets.

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Transactions with Affiliates and Insiders. The Dodd-Frank Act expands the definition of “affiliate” for purposes of quantitative and qualitative limitations of Section 23A of the Federal Reserve Act to include mutual funds advised by a depository institution or its affiliates. The Dodd-Frank Act will apply Section 23A and Section 22(h) of the Federal Reserve Act (governing transactions with insiders) to derivative transactions, repurchase agreements and securities lending and borrowing transaction that create credit exposure to an affiliate or an insider. Any such transactions with affiliates must be fully secured. The current exemption from Section 23A for transactions with financial subsidiaries will be eliminated. The Dodd-Frank Act also prohibits an insured depository institution from purchasing an asset from or selling an asset to an insider unless the transaction is on market terms and, if representing more than 10% of capital, is approved in advance by the disinterested directors.

Debit Card Interchange Fees. The Dodd-Frank Act requires that the amount of any interchange fee charged by a debit card issuer with respect to a debit card transaction must be reasonable and proportional to the cost incurred by the issuer. Within nine months of enactment, the FRB is required to establish standards for reasonable and proportional fees which may take into account the costs of preventing fraud. The restrictions on interchange fees, however, do not apply to banks that, together with their affiliates, have assets of less than $10 billion.

Consumer Financial Protection Bureau. The Dodd-Frank Act creates a new, independent federal agency called the Consumer Financial Protection Bureau (“CFPB”), which has been granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws, including the Equal Credit Opportunity Act, Truth in Lending Act, Real Estate Settlement Procedures Act, Fair Credit Reporting Act, Fair Debt Collection Practices Act, the Consumer Financial Privacy provisions of the Gramm-Leach-Bliley Act and certain other statutes. The CFPB has examination and primary enforcement authority with respect to depository institutions with $10 billion or more in assets. Smaller institutions are subject to rules promulgated by the CFPB but are still examined and supervised by their federal banking regulators for consumer compliance purposes. The CFPB has authority to prevent unfair, deceptive or abusive practices in connection with the offering of consumer financial products. The Dodd-Frank Act authorizes the CFPB to establish certain minimum standards for the origination of residential mortgages including a determination of the borrower’s ability to repay. In addition, the Dodd-Frank Act will allow borrowers to raise certain defenses to foreclosure if they receive any loan other than a “qualified mortgage” as defined by the CFPB. The Dodd-Frank Act permits states to adopt consumer protection laws and standards that are more stringent than those adopted at the federal level and, in certain circumstances, permits state attorneys general to enforce compliance with both the state and federal laws and regulations.

Financial Institutions Capital Rules

In addition to the Dodd-Frank Act, the international oversight body of the Basel Committee on Banking Supervision, or Basel III, reached agreements that introduced a minimum common equity tier 1 capital requirement of 4.50 percent, along with a capital conservation buffer of 2.50 percent to bring total common equity capital requirements to 7.00 percent. The federal banking agencies issued final rules that implemented Basel III and certain other revisions to the Basel capital framework, as well as the minimum leverage and risk-based capital requirements of the Dodd Frank Act. Federal regulators periodically propose amendments to the risk-based capital guidelines and the related regulatory framework and consider changes to the capital standards that could significantly increase the amount of capital needed to meet applicable standards. The timing of adoption, ultimate form and effect of any such proposed amendments cannot be determined at this time.

The following are among the requirements that were phased in beginning January 1, 2015:

- An increase in the minimum Tier 1 capital ratio from 4.00% to 6.00% of risk-weighted assets;

- A new category and a required 4.50% of risk-weighted assets ratio is established for “common equity Tier 1” as a subset of Tier 1 capital limited to common equity;

- A minimum non-risk-based leverage ratio is set at 4.00% eliminating a 3.00% exception for higher rated banks;

- Changes in the permitted composition of Tier 1 capital to exclude trust preferred securities, mortgage servicing rights and certain deferred tax assets and include unrealized gains and losses on available for sale debt and equity securities;

- A new additional capital conservation buffer of 2.5% of risk-weighted assets over each of the required capital ratios will be phased in beginning January 2016 at 0.625% of risk-weighted assets until fully implemented in January 2019. This conservation buffer level must be met to avoid limitations on the ability to pay dividends, repurchase shares or pay discretionary bonuses;

- The risk weights of certain assets for purposes of calculating the risk-based capital ratios are changed for high volatility commercial real estate acquisition, development and construction loans, certain past due non-residential mortgage loans and certain mortgage-backed and other securities exposures; and

- An additional “countercyclical capital buffer” is required for larger and more complex institutions.

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Including the capital conservation buffer of 2.5% above, the regulatory minimum capital ratios established under the final capital rule resulted in the following minimum ratios: (i) a common equity Tier 1 capital ratio of 7.0%, (ii) a Tier 1 capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. The countercyclical capital buffer is not applicable to CWB or CWBC.

The final rules also revised the prompt corrective action framework, effective on January 1, 2015. Under the new prompt corrective action requirements, which are designed to complement the capital conservation buffer, insured depository institutions will be required to meet the following increased capital level requirements in order to qualify as "well capitalized:" (i) a new common equity Tier 1 capital ratio of 6.5%; (ii) a Tier 1 capital ratio of 8% (increased from 6%); (iii) a total capital ratio of 10% (unchanged from current rules); and (iv) a Tier 1 leverage ratio of 5% (increased from 4%).

Under the Dodd Frank Act, trust preferred securities will be excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010 by a bank holding company with less than $15 billion in assets.

While the final capital rule sets higher regulatory capital standards for CWBC and CWB, bank regulators may also continue their past policies of expecting banks to maintain additional capital beyond the new minimum requirements. The implementation of the capital rules or more stringent requirements to maintain higher levels of capital or to maintain higher levels of liquid assets could adversely impact their net income and return on equity, restrict the ability to pay dividends and require the raising of additional capital.

Final Volcker Rule

In December 2013, the federal bank regulatory agencies adopted final rules that implement a part of the Dodd-Frank Act commonly referred to as the "Volcker Rule." Under these rules and subject to certain exceptions, banking entities, including CWBC and CWB, will be restricted from engaging in activities that are considered proprietary trading and from sponsoring or investing in certain entities, including hedge or private equity funds that are considered "covered funds." These rules were originally scheduled to become effective on April 1, 2014; however, the FRB granted banking institutions two additional one-year extensions to conform their ownership interests in and sponsorship of these covered funds. Certain collateralized loan obligations ("CLO") securities backed by trust preferred securities were initially defined as covered funds subject to the investment prohibitions of the final rule. Action taken by the FRB in January 2014 exempted many such securities to address the concern that many community banks holding such CLO securities may have been required to recognize losses on those securities.

At December 31, 2015, neither CWBC nor CWB held any investment positions which were subject to the Volcker Rule. Therefore, while these new rules may require CWBC and CWB to conduct certain internal analyses and reporting, we believe that the rules will not require any material changes in their respective operations or business.

CWBC

General. As a bank holding company, CWBC is registered under the Bank Holding Company Act of 1956, as amended ("BHCA"), and is subject to regulation by the FRB. According to FRB Policy, CWBC is expected to act as a source of financial strength for CWB, to commit resources to support it in circumstances where CWBC might not otherwise do so. Under the BHCA, CWBC is subject to periodic examination by the FRB. CWBC is also required to file periodic reports of its operations and any additional information regarding its activities and those of its subsidiaries as may be required by the FRB.

Bank Holding Company Liquidity. CWBC is a legal entity, separate and distinct from CWB. CWBC has the ability to raise capital on its own behalf or borrow from external sources, CWBC may also obtain additional funds from dividends paid by, and fees charged for services provided to, CWB. However, regulatory constraints on CWB may restrict or totally preclude the payment of dividends by CWB to CWBC.

Transactions with Affiliates and Insiders. CWBC and any subsidiaries it may purchase or organize are deemed to be affiliates of CWB within the meaning of Sections 23A and 23B of the Federal Reserve Act, and the FRB's Regulation W. Under Sections 23A and 23B and Regulation W, loans by CWB to affiliates, investments by them in affiliates' stock, and taking affiliates' stock as collateral for loans to any borrower is limited to 10% of CWB's capital, in the case of any one affiliate, and is limited to 20% of CWB's capital, in the case of all affiliates. In addition, transactions between CWB and other affiliates must be on terms and conditions that are consistent with safe and sound banking practices, in particular, a bank and its subsidiaries generally may not purchase from an affiliate a low-quality asset, as defined in the Federal Reserve Act. These restrictions also prevent a bank holding company and its other affiliates from borrowing from a banking subsidiary of the bank holding company unless the loans are secured by marketable collateral of designated amounts. CWBC and CWB are also subject to certain restrictions with respect to engaging in the underwriting, public sale and distribution of securities.

The Federal Reserve Act and FRB Regulation O place limitations and conditions on loans or extensions of credit to a bank or bank holding company's executive officers, directors and principal shareholders; any company controlled by any such executive officer, director or shareholder; or any political or campaign committee controlled by such executive officer, director or principal shareholder. Additionally, such loans or extensions of credit must comply with loan-to-one-borrower limits; require prior full board approval when aggregate extensions of credit to the person exceed specified amounts; must be made on substantially the same and follow credit-underwriting procedures no less stringent than those prevailing at the time for comparable transactions with non-insiders; must not involve more than the normal risk of repayment or present other unfavorable features; and must not exceed the bank's unimpaired capital and unimpaired surplus in the aggregate.

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Limitations on Business and Investment Activities. Under the BHCA, a bank holding company must obtain the FRB's approval before: (i) directly or indirectly acquiring more than 5% ownership or control of any voting shares of another bank or bank holding company; (ii) acquiring all or substantially all of the assets of another bank; (iii) or merging or consolidating with another bank holding company.

The FRB may allow a bank holding company to acquire banks located in any state of the United States without regard to whether the acquisition is prohibited by the law of the state in which the target bank is located. In approving interstate acquisitions, however, the FRB must give effect to applicable state laws limiting the aggregate amount of deposits that may be held by the acquiring bank holding company and its insured depository institutions in the state in which the target bank is located, provided that those limits do not discriminate against out-of-state depository institutions or their holding companies, and state laws which require that the target bank have been in existence for a minimum period of time, not to exceed five years, before being acquired by an out-of-state bank holding company.

In addition to owning or managing banks, bank holding companies may own subsidiaries engaged in certain businesses that the FRB has determined to be "so closely related to banking as to be a proper incident thereto." CWBC, therefore, is permitted to engage in a variety of banking-related businesses. Some of the activities that the FRB has determined, pursuant to its Regulation Y, to be related to banking are:

§ making or acquiring loans or other extensions of credit for its own account or for the account of others;
§ servicing loans and other extensions of credit;
§ performing functions or activities that may be performed by a trust company in the manner authorized by federal or state law under certain circumstances;
§ leasing personal and real property or acting as agent, broker, or adviser in leasing such property in accordance with various restrictions imposed by FRB regulations;
§ acting as investment or financial advisor;
§ providing management consulting advise under certain circumstances;
§ providing support services, including courier services and printing and selling MICR-encoded items;
§ acting as a principal, agent or broker for insurance under certain circumstances;
§ making equity and debt investments in corporations or projects designed primarily to promote community welfare or jobs for residents;
§ providing financial, banking or economic data processing and data transmission services;
§ owning, controlling or operating a savings association under certain circumstances;
§ selling money orders, travelers' checks and U.S. Savings Bonds;
§ providing securities brokerage services, related securities credit activities pursuant to Regulation T and other incidental activities;
§ underwriting and dealing in obligations of the U.S., general obligations of states and their political subdivisions and other obligations authorized for state member banks under federal law.

Additionally, qualifying bank holding companies making an appropriate election to the FRB may engage in a full range of financial activities, including insurance, securities and merchant banking. CWBC has not elected to qualify for these financial services.

Federal law prohibits a bank holding company and any subsidiary banks from engaging in certain tie-in arrangements in connection with the extension of credit. Thus, for example, CWB may not extend credit, lease or sell property, or furnish any services, or fix or vary the consideration for any of the foregoing on the condition that:

- the customer must obtain or provide some additional credit, property or services from or to CWB other than a loan, discount, deposit or trust services;
- the customer must obtain or provide some additional credit, property or service from or to CWBC or any subsidiaries; or

- the customer must not obtain some other credit, property or services from competitors, except reasonable requirements to assure soundness of credit extended.

Capital Adequacy. Bank holding companies must maintain minimum levels of capital under the FRB's risk-based capital adequacy guidelines. If capital falls below minimum guideline levels, a bank holding company, among other things, may be denied approval to acquire or establish additional banks or non-bank businesses.

The FRB's risk-based capital adequacy guidelines, discussed in more detail below in the section entitled "Supervision and Regulation – CWB – Regulatory Capital Guidelines," assign various risk percentages to different categories of assets and capital is measured as a percentage of risk assets. Under the terms of the guidelines, bank holding companies are expected to meet capital adequacy guidelines based both on total risk assets and on total assets, without regard to risk weights.

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The risk-based guidelines are minimum requirements. Higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual organizations. For example, the FRB's capital guidelines contemplate that additional capital may be required to take adequate account of, among other things, interest rate risk, or the risks posed by concentrations of credit, nontraditional activities or securities trading activities. Moreover, any banking organization experiencing or anticipating significant growth or expansion into new activities, particularly under the expanded powers under the Gramm-Leach-Bliley Act, would be expected to maintain capital ratios, including tangible capital positions, well above the minimum levels.

Limitations on Dividend Payments. California Corporations Code Section 500 allows CWBC to pay a dividend to its shareholders only to the extent that CWBC has retained earnings and, after the dividend, CWBC's:

§ assets (exclusive of goodwill and other intangible assets) would be 1.25 times its liabilities (exclusive of deferred taxes, deferred income and other deferred credits); and
§ current assets would be at least equal to current liabilities.

Additionally, the FRB's policy regarding dividends provides that a bank holding company should not pay cash dividends exceeding its net income or which can only be funded in ways that weaken the bank holding company's financial health, such as by borrowing. The FRB also possesses enforcement powers over bank holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations.

The Sarbanes-Oxley Act of 2002 ("SOX"). The SOX Act became effective on July 30, 2002, and represents the most far reaching corporate and accounting reform legislation since the enactment of the Securities Act of 1933 and the Exchange Act of 1934. The SOX Act is intended to provide a permanent framework that improves the quality of independent audits and accounting services, improves the quality of financial reporting, strengthens the independence of accounting firms and increases the responsibility of management for corporate disclosures and financial statements. It is intended that by addressing these weaknesses, public companies will be able to avoid the problems encountered by several companies in 2001-2002.

The SOX Act provisions are significant to all companies that have a class of securities registered under Section 12 of the Exchange Act, or are otherwise reporting to the SEC (or the appropriate federal banking agency) pursuant to Section 15(d) of the Exchange Act, including CWBC (collectively, "public companies"). In addition to SEC rulemaking to implement the SOX Act, NASDAQ has adopted corporate governance rules intended to allow shareholders to more easily and effectively monitor the performance of companies and directors. The principal provisions of the SOX Act, many of which have been interpreted through regulations released in 2003, provide for and include, among other things:

- the creation of an independent accounting oversight board;
- auditor independence provisions that restrict non-audit services that accountants may provide to their audit clients;
- additional corporate governance and responsibility measures, including the requirement that the chief executive officer and chief financial officer of a public company certify financial statements;
- the forfeiture of bonuses or other incentive-based compensation and profits from the sale of an issuer's securities by directors and senior officers in the twelve month period following initial publication of any financial statements that later require restatement;
- an increase in the oversight of, and enhancement of certain requirements relating to, audit committees of public companies and how they interact with CWBC's independent auditors;
- requirements that audit committee members must be independent and are barred from accepting consulting, advisory or other compensatory fees from the issuer;
- requirements that companies disclose whether at least one member of the audit committee is a "financial expert' (as such term is defined by the SEC) and if not discussed, why the audit committee does not have a financial expert;

- expanded disclosure requirements for corporate insiders, including accelerated reporting of stock transactions by insiders and a prohibition on insider trading during pension blackout periods;
- a prohibition on personal loans to directors and officers, except certain loans made by insured financial institutions on non-preferential terms and in compliance with other bank regulatory requirements;
- disclosure of a code of ethics and filing a Form 8-K for a change or waiver of such code;
- a range of enhanced penalties for fraud and other violations; and
- expanded disclosure and certification relating to an issuer's disclosure controls and procedures and internal controls over financial reporting.

As a result of the SOX Act, and its regulations, CWBC has incurred substantial cost to interpret and ensure compliance with the law and its regulations including, without limitation, increased expenditures by CWBC in auditors' fees, attorneys' fees, outside advisors fees, and increased errors and omissions insurance premium costs. CWBC believes that the foregoing legislation will have minimal further effect on the business of CWBC although there will be increased external audit costs of compliance. Future changes in the laws, regulation, or policies that impact CWBC cannot necessarily be predicted and may have a material effect on the business and earnings of CWBC.

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Stock Redemptions and Repurchases. The risk-based capital rule directs bank holding companies to consult with the FRB before redeeming any equity or other capital instrument included in Tier 1 or Tier 2 capital prior to stated maturity, if such redemption could have a material effect on the level or composition of the organization's capital base. Bank holding companies experiencing financial weaknesses, or that are at significant risk of developing financial weaknesses, must consult with the appropriate FRB supervisory staff before redeeming or repurchasing common stock or other regulatory capital instruments for cash or other valuable consideration. Similarly, any bank holding company considering expansion, either through acquisitions or through new activities, also generally must consult with the appropriate FRB supervisory staff before redeeming or repurchasing common stock or other regulatory capital instruments for cash or other valuable consideration. In evaluating the appropriateness of a bank holding company's proposed redemption or repurchase of capital instruments, the FRB will consider the potential losses that the holding company may suffer from the prospective need to increase reserves and write down assets from continued asset deterioration and the holding company's ability to raise additional common stock and other Tier 1 capital to replace capital instruments that are redeemed or repurchased. A bank holding company must inform the FRB of a redemption or repurchase of common stock or perpetual preferred stock for cash or other value resulting in a net reduction of the bank holding company's outstanding amount of common stock or perpetual preferred stock below the amount of such capital instrument outstanding at the beginning of the quarter in which the redemption or repurchase occurs. In addition, a bank holding company must advise the FRB sufficiently in advance of such redemptions and repurchases to provide reasonable opportunity for supervisory review and possible objection should the FRB determine a transaction raises safety and soundness concerns.

Regulation Y requires that a bank holding company that is not well capitalized or well managed, or that is subject to any unresolved supervisory issues, provide prior notice to the FRB for any repurchase or redemption of its equity securities for cash or other value that would reduce by 10% or more the holding company's consolidated net worth aggregated over the preceding 12-month period.

Annual Reporting; Examinations. Bank holding companies, like CWBC, are required to file an annual report with the FRB, and such additional information as the FRB may require. The FRB may examine a bank holding company and any of its subsidiaries, and charge the company for the cost of such an examination.

CWB

General. CWB, as a national banking association which is a member of the Federal Reserve System, is subject to regulation, supervision and regular examination by the OCC and FDIC. CWB's deposits are insured by the FDIC up to the maximum extent provided by law. The regulations of these agencies govern most aspects of CWB's business and establish a comprehensive framework governing its operations.

Regulatory Capital Guidelines. The federal banking agencies have established minimum capital standards known as risk-based capital guidelines. These guidelines are intended to provide a measure of capital that reflects the degree of risk associated with a bank's operations. The risk-based capital guidelines include both a definition of capital and a framework for calculating the amount of capital that must be maintained against a bank's assets and off-balance sheet items. The amount of capital required to be maintained is based upon the credit risks associated with the various types of a bank's assets and off-balance sheet items. A bank's assets and off-balance sheet items are classified under several risk categories, with each category assigned a particular risk weighting from 0% to 100%.

The following table sets forth the regulatory capital for CWB and CWBC (on a consolidated basis) at December 31, 2015.

	Adequately Capitalized	Well Capitalized	CWB	CWBC (consolidated)

Total risk-based capital	8.00%	10.00%	13.70%	13.37%
Tier 1 risk-based capital ratio	6.00%	8.00%	12.45%	12.12%
Common Equity Tier 1	4.50%	6.50%	12.45%	12.12%
Tier 1 leverage capital ratio	4.00%	5.00%	10.38%	10.11%

Prompt Corrective Action Authority. The federal banking agencies possess broad powers to take prompt corrective action to resolve the problems of insured banks. Each federal banking agency has issued regulations defining five capital categories: “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized,” and “critically undercapitalized.” Under the regulations, a bank shall be deemed to be:

§ “well capitalized” if it has a total risk-based capital ratio of 10% or more, has a Tier 1 risk-based capital ratio of 6% or more, has a leverage capital ratio of 5% or more and is not subject to specified requirements to meet and maintain a specific capital level for any capital measure;

§ “adequately capitalized” if it has a total risk-based capital ratio of 8% or more, a Tier 1 risk-based capital ratio of 4% or more and a leverage capital ratio of 4% or more (3% under certain circumstances) and does not meet the definition of “well capitalized”;

§ “undercapitalized” if it has a total risk-based capital ratio that is less than 8%, a Tier 1 risk-based capital ratio that is less than 4%, or a leverage capital ratio that is less than 4% (3% under certain circumstances)

§ “significantly undercapitalized” if it has a total risk-based capital ratio that is less than 6%, a Tier 1 risk-based capital ratio that is less than 3% or a leverage capital ratio that is less than 3%; and

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§ "critically undercapitalized" if it has a ratio of tangible equity to total assets that is equal to or less than 2%

While these benchmarks have not changed, due to market turbulence, the regulators have strongly encouraged and, in many instances, required, banks and bank holding companies to achieve and maintain higher ratios as a matter of safety and soundness.

Banks are prohibited from paying dividends or management fees to controlling persons or entities if, after making the payment, the bank would be "undercapitalized," that is, the bank fails to meet the required minimum level for any relevant capital measure. Asset growth and branching restrictions apply to "undercapitalized" banks. Banks classified as "undercapitalized" are required to submit acceptable capital plans guaranteed by its holding company, if any. Broad regulatory authority was granted with respect to "significantly undercapitalized" banks, including forced mergers, growth restrictions, ordering new elections for directors, forcing divestiture by its holding company, if any, requiring management changes and prohibiting the payment of bonuses to senior management. Even more severe restrictions are applicable to "critically undercapitalized" banks. Restrictions for these banks include the appointment of a receiver or conservator. All of the federal banking agencies have promulgated substantially similar regulations to implement this system of prompt corrective action.

A bank, based upon its capital levels, that is classified as "well capitalized," "adequately capitalized" or "undercapitalized" may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for a hearing, determines that an unsafe or unsound condition, or an unsafe or unsound practice, warrants such treatment. Further, a bank that otherwise meets the capital levels to be categorized as "well capitalized," will be deemed to be "adequately capitalized," if the bank is subject to a written agreement requiring that the bank maintain specific capital levels. Despite the Bank meeting the capital levels to be deemed "well capitalized" under prompt corrective action regulations, the Bank is deemed to be "adequately capitalized" as a result of the OCC Agreement's requirement to achieve and maintain specific capital levels. At each successive lower capital category, an insured bank is subject to more restrictions. The federal banking agencies, however, may not treat an institution as "critically undercapitalized" unless its capital ratios actually warrant such treatment.

In addition to measures taken under the prompt corrective action provisions, insured banks may be subject to potential enforcement actions by the federal banking agencies for unsafe or unsound practices in conducting their businesses or for violations of any law, rule, regulation or any condition imposed in writing by the agency or any written agreement with the agency. Enforcement actions may include the imposition of a conservator or receiver, the issuance of a cease-and-desist order that can be judicially enforced, the termination of insurance of deposits (in the case of a depository institution), the imposition of civil money penalties, the issuance of directives to increase capital, the issuance of formal and informal agreements, the issuance of removal and prohibition orders against institution-affiliated parties. The enforcement of such actions through injunctions or restraining orders may be based upon a judicial determination that the agency would be harmed if such equitable relief was not granted.

The OCC, as the primary regulator for national banks, also has a broad range of enforcement measures, from cease and desist powers and the imposition of monetary penalties to the ability to take possession of a bank, including causing its liquidation.

Brokered Deposit Restrictions. Well-capitalized banks are not subject to limitations on brokered deposits, while an adequately capitalized bank is able to accept, renew or roll over brokered deposits only with a waiver from the FDIC and subject to certain restrictions on the yield paid on such deposits. Undercapitalized banks are generally not permitted to accept, renew, or roll over brokered deposits. As of December, 2015, both CWBC and CWB are deemed to be "well-capitalized" and, therefore, are eligible to accept brokered deposits.

FDIC Insurance and Insurance Assessments. The FDIC utilizes a risk-based assessment system to set quarterly insurance premium assessments which categorizes banks into four risk categories based on capital levels and supervisory “CAMELS” ratings and names them Risk Categories I, II, III and IV. The CAMELS rating system is based upon an evaluation of the six critical elements of an institution’s operations: Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to risk. This rating system is designed to take into account and reflect all significant financial and operational factors financial institution examiners assess in their evaluation of an institution’s performance. The following table sets forth these four Risk Categories:

Capital Group	Supervisory Subgroup		
	A	B	C
1. Well Capitalized	I		
2. Adequately Capitalized		II	III
3. Undercapitalized	III		IV

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Within Risk Category I, the assessment system combines supervisory ratings with other risk measures to differentiate risk. For most institutions, the assessment system combines CAMELS component ratings with financial ratios to determine an institution's assessment rate. The base assessment rates as of April 1, 2011 are as follows (expressed in terms of cents per $100 in insured deposits):

Initial Base Assessment Rates

Annual Rates (in basis points)	Risk Category I*					
	Minimum	Maximum	II	III	IV	Large & Highly Complex Institutions
	5	9	14	23	35	5-35

*Initial base rates that were not the minimum or maximum rates will vary between these rates.

After applying all possible adjustments, minimum and maximum total base assessment rates for each Risk Category are as follows:

Total Base Assessment Rates*

	Risk Category I	Risk Category II	Risk Category III	Risk Category IV	Large & Highly Complex Institutions
Initial base assessment rate	5 – 9	14	23	35	5 - 35
Unsecured debt adjustment**	-4.5 – 0	-5 – 0	-5 – 0	-5 – 0	-5 – 0
Brokered deposit adjustment	N/A	0 – 10	0 – 10	0 – 10	0 – 10
Total base assessment rate	2.5 – 9	9 – 24	18 – 33	30 – 45	2.5 – 45

* Total base assessment rates do not include the depository institution debt adjustment.
** The unsecured debt adjustment cannot exceed the lesser of 5 basis points or 50% of an insured depository institution's initial base assessment rate.

The Dodd-Frank Act requires the FDIC to take such steps as necessary to increase the reserve ratio of the Deposit Insurance Fund from 1.15% to 1.35% of insured deposits by 2020. In setting the assessments, the FDIC is required to offset the effect of the higher reserve ratio against insured depository institutions with total consolidated assets of less than $10 billion. The Dodd-Frank Act also broadens the base for FDIC insurance assessments so that assessments will be based on the average consolidated total assets less average tangible equity capital of a financial institution rather than on its insured deposits. The FDIC has adopted a new restoration plan to increase the reserve ratio to 1.35% by September 30, 2020 and will issue additional rules regarding the method to be used to achieve a 1.35% reserve ratio by that date and offset the effect on institutions with assets less than $10 billion in assets.

The FDIC may terminate its insurance of deposits if it finds that a bank has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

Depositor Preference. The Federal Deposit Insurance Act provides that, in the event of the "liquidation or other resolution" of an insured depository institution, the claims of depositors of the institutions, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured non-deposit creditors, with respect to any extensions of credit they have made to such insured depository institution.

Audit Requirements. CWB is required to have an annual independent audit, alone or as a part of its bank holding company's audit, and to prepare all financial statements in accordance with U.S. generally accepted accounting principles. As required by NASDAQ, CWBC has certified that its audit committee has adopted a formal written charter and meets the requisite number of directors, independence, and qualification standards. The combined Audit Committee meets NASDAQ and bank regulatory agency requirements. Under the SOX Act and FDICIA, management of CWBC is required to assess the effectiveness of the company's internal control over financial reporting as of the end of CWBC's fiscal year.

Anti-Money Laundering and OFAC Regulation

A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The Bank Secrecy Act of 1970 ("BSA") and subsequent laws and regulations requires CWB to take steps to prevent the use of it or its systems from facilitating the flow of illegal or illicit money and to file suspicious activity reports. Those requirements include ensuring effective Board and management oversight, establishing policies and procedures, developing effective monitoring and reporting capabilities, ensuring adequate training and establishing a comprehensive internal audit of BSA compliance activities. The USA Patriot Act of 2001 ("Patriot Act") significantly expanded the anti-money laundering ("AML") and financial transparency laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. Regulations promulgated under the Patriot Act impose various requirements on financial institutions, such as standards for verifying client identification at account opening and maintaining expanded records (including "Know Your Customer" and "Enhanced Due Diligence" practices) and other obligations to maintain appropriate policies, procedures and controls to aid the process of preventing, detecting, and reporting money laundering and terrorist financing.

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CWB must provide AML training to employees, designate an AML compliance officer and annually audit the AML program to assess its effectiveness. The federal regulatory agencies continue to issue regulations and new guidance with respect to the application and requirements of BSA and AML. The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. Based on their administration by Treasury's Office of Foreign Assets Control ("OFAC"), these are typically known as the "OFAC" rules. The OFAC-administered sanctions targeting countries take many different forms. Generally, however, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on "U.S. persons" engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (e.g., property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC.

Failure of CWB to maintain and implement adequate BSA, AML and OFAC programs, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution. CWB has augmented its systems and procedures to accomplish this. CWB believes that the ongoing cost of compliance with the BSA, AML and OFAC programs is not likely to be material to CWB

Community Reinvestment Act. The Community Reinvestment Act ("CRA") is intended to encourage insured depository institutions, while operating safely and soundly, to help meet the credit needs of their communities. The CRA specifically directs the federal bank regulatory agencies, in examining insured depository institutions, to assess their record of helping to meet the credit needs of their entire community, including low- and moderate-income neighborhoods, consistent with safe and sound banking practices. The CRA further requires the agencies to take a financial institution's record of meeting its community credit needs into account when evaluating applications for, among other things, domestic branches, consummating mergers or acquisitions or holding company formations.

The federal banking agencies have adopted regulations which measure a bank's compliance with its CRA obligations on a performance-based evaluation system. This system bases CRA ratings on an institution's actual lending service and investment performance rather than the extent to which the institution conducts needs assessments, documents community outreach or complies with other procedural requirements. The ratings range from "outstanding" to a low of "substantial noncompliance."

CWB had a CRA rating of "Satisfactory" as of its most recent regulatory examination.

Environmental Regulation. Federal, state and local laws and regulations regarding the discharge of harmful materials into the environment may have an impact on CWB. Since CWB is not involved in any business that manufactures, uses or transports chemicals, waste, pollutants or toxins that might have a material adverse effect on the environment, CWB's primary exposure to environmental laws is through its lending activities and through properties or businesses CWB may own, lease or acquire. Based on a general survey of CWB's loan portfolio, conversations with local appraisers and the type of lending currently and historically done by CWB, Management is not aware of any potential liability for hazardous waste contamination that would be reasonably likely to have a material adverse effect on CWBC as of December 31, 2015.

Safeguarding of Customer Information and Privacy. The FRB and other bank regulatory agencies have adopted guidelines for safeguarding confidential, personal customer information. These guidelines require financial institutions to create, implement and maintain a comprehensive written information security program designed to ensure the security and confidentiality of customer information, protect against any anticipated threats or hazard to the security or integrity of such information and protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer. CWB has adopted a customer information security program to comply with such requirements.

Financial institutions are also required to implement policies and procedures regarding the disclosure of nonpublic personal information about consumers to non-affiliated third parties. In general, financial institutions must provide explanations to consumers on policies and procedures regarding the disclosure of such nonpublic personal information, and, except as otherwise required by law, prohibits disclosing such information except as provided in CWB's policies and procedures. CWB has implemented privacy policies addressing these restrictions which are distributed regularly to all existing and new customers of CWB.

Consumer Compliance and Fair Lending Laws. CWB is subject to a number of federal and state laws designed to protect borrowers and promote lending to various sectors of the economy and population. These laws include the Patriot Act, the BSA, the Foreign Account Tax Compliance Act (effective 2013), the CRA, the Fair Credit Reporting Act, as amended by the Fair and Accurate Credit Transactions Act, the Equal Credit Opportunity Act, the Truth in Lending Act, the Fair Housing Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the National Flood Insurance Act, various state law counterparts, and the Consumer Financial Protection Act of 2010, which constitutes part of the Dodd-Frank Act. The enforcement of Fair Lending laws has been an increasing area of focus for regulators, including the FDIC and CFPB.

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In addition, federal law and certain state laws (including California) currently contain client privacy protection provisions. These provisions limit the ability of banks and other financial institutions to disclose non-public information about consumers to affiliated companies and non-affiliated third parties. These rules require disclosure of privacy policies to clients and, in some circumstance, allow consumers to prevent disclosure of certain personal information to affiliates or non-affiliated third parties by means of "opt out" or "opt in" authorizations. Pursuant to the GLB Act and certain state laws (including California) companies are required to notify clients of security breaches resulting in unauthorized access to their personal information.

Federal Banking Agencies Compensation Guidelines. Guidelines adopted by the federal banking agencies prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. In June 2010, the federal bank regulatory agencies jointly issued additional comprehensive guidance on incentive compensation policies (the "Incentive Compensation Guidance") intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The Incentive Compensation Guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors. Any deficiencies in compensation practices that are identified may be incorporated into the organization's supervisory ratings, which can affect its ability to make acquisitions or perform other actions. The Incentive Compensation Guidance provides that enforcement actions may be taken against a banking organization if its incentive compensation arrangements or related risk-management control or governance processes pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

On February 7, 2011, the Board of Directors of the FDIC approved a joint proposed rulemaking to implement Section 956 of the Dodd-Frank Act for banks with $1 billion or more in assets. Section 956 prohibits incentive-based compensation arrangements which encourage inappropriate risk taking by covered financial institutions and are deemed to be excessive, or that may lead to material losses. The rule would move the U.S. closer to aspects of international compensation standards by 1) requiring deferral of a substantial portion of incentive compensation for executive officers of particularly large institutions described above; 2) prohibiting incentive-based compensation arrangements for covered persons that would encourage inappropriate risks by providing excessive compensation; 3) prohibiting incentive-based compensation arrangements for covered persons that would expose the institution to inappropriate risks by providing compensation that could lead to a material financial loss; 4) requiring policies and procedures for incentive-based compensation arrangements that are commensurate with the size and complexity of the institution; and 5) requiring annual reports on incentive compensation structures to the institution's appropriate Federal regulator.

The scope, content and application of the U.S. banking regulators' policies on incentive compensation continue to evolve in the aftermath of the economic downturn. CWB cannot determine at this time whether compliance with such policies will adversely affect their ability to hire, retain and motivate their respective key employees.

Other Aspects of Banking Law. CWB is also subject to federal-statutory and regulatory provisions covering, among other things, security procedures, insider and affiliated party transactions, management interlocks, electronic funds transfers, funds availability, and truth-in-savings. There are also a variety of federal statutes which regulate acquisitions of control and the formation of bank holding companies.

ITEM 7A. 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. 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 a simulation model, combined with downloaded 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 compared to a flat interest rate scenario. The prior rate environment precluded a decrease in rates for the analysis. The model assumes that the rate change shock occurs immediately.

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The following table presents the impact of that analysis in dollars and percentages at December 31, 2015.

Sensitivity of Net Interest Income

	Interest Rate Scenario (change in basis point from Base)						
	Down 100	Base	Up 100	Up 200	Up 300	Up 400	Up 500
	(dollars in thousands)						
Interest income	$27,872	$29,712	$31,722	$33,703	$35,753	$37,810	$39,285
Interest expense	1,636	2,673	3,959	5,245	6,531	7,817	9,103
Net interest income	$26,236	$27,039	$27,763	$28,458	$29,222	$29,993	$30,182
% change	-3.0 %		2.7 %	5.3 %	8.1 %	10.9 %	11.6 %

At December 31, 2014, the following table presents the impact of that analysis in dollars and percentages:

Sensitivity of Net Interest Income

	Interest Rate Scenario (change in basis point from Base)					
	Down 100	Base	Up 100	Up 200	Up 300	Up 400
	(dollars in thousands)					
Interest income	$-	$26,355	$27,845	$29,290	$30,698	$32,099
Interest expense	-	2,524	4,465	6,406	8,347	10,288
Net interest income	$-	$23,831	$23,380	$22,884	$22,351	$21,811
% change	-		-1.9 %	-4.0 %	-6.2 %	-8.5 %

As of December 31, 2015 the Fed Funds target rate was a range of 0.25% to 0.50% and the prime rate was 3.50%. As of December 31, 2014, the Fed Funds target rate was a range of 0.0% to 0.25% and the prime rate was 3.25%.

Economic Value of Equity. We measure the impact of market interest rate changes on the net present value of estimated cash flows from our assets, liabilities and off-balance sheet items, defined as economic value of equity, using a simulation model. This simulation model assesses the changes in the market value of interest rate sensitive financial instruments that would occur in response to an instantaneous and sustained increase or decrease (shock) in market interest rates.

At December 31, 2015, our economic value of equity exposure related to these hypothetical changes in market interest rates was within the current guidelines established by us. The following table shows projected change in economic value of equity for this set of rate shocks.

Economic Value of Equity

	Interest Rate Scenario (change in basis point from Base)						
	Down 100	Base	Up 100	Up 200	Up 300	Up 400	Up 500
	(dollars in thousands)						
Assets	$637,662	$621,530	$605,770	$591,246	$580,664	$570,127	$547,419
Liabilities	554,205	534,882	516,046	497,410	481,266	467,106	442,500
Net present value	$83,457	$86,648	$89,724	$93,836	$99,398	$103,021	$104,919
% change	-3.7 %		3.5 %	8.3 %	14.7 %	18.9 %	21.1 %

At December 31, 2014, our economic value of equity exposure related to these hypothetical changes in market interest rates was within the current guidelines established by us. The following table shows projected change in economic value of equity for this set of rate shocks.

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Economic Value of Equity

	Interest Rate Scenario (change in basis point from Base)					
	Down 100	Base	Up 100	Up 200	Up 300	Up 400
	(dollars in thousands)					
Assets	$-	$566,144	$551,183	$537,691	$527,367	$518,602
Liabilities	-	484,877	475,514	467,080	459,410	452,380
Net present value	$-	$81,267	$75,669	$70,611	$67,957	$66,222
% change	-		-6.9 %	-13.1 %	-16.4 %	-18.5 %

For further discussion of interest rate risk, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity Management - Interest Rate Risk.”

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements and supplementary data included in this Form 10-K begin on page 54 immediately following the index to consolidated financial statements page to this Form 10-K.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Community West Bancshares

We have audited the accompanying consolidated balance sheet of Community West Bancshares (the Company) as of December 31, 2015, and the related consolidated income statement and statements of comprehensive income, stockholders' equity, and cash flows for the year ended December 31, 2015. 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 audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Community West Bancshares at December 31, 2015, and the consolidated results of its operations and its cash flows for the year ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

/s/RSM US LLP

Los Angeles, California
March 4, 2016

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Report of Independent Registered Public Accounting Firm – Ernst & Young LLP

The Board of Directors and Stockholders of Community West Bancshares

We have audited the accompanying consolidated balance sheet of Community West Bancshares (the Company) as of December 31, 2014, and the related consolidated income statements and statements of comprehensive income, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2014. 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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Community West Bancshares at December 31, 2014, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

/s/Ernst & Young LLP

Los Angeles, California
March 6, 2015

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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COMMUNITY WEST BANCSHARES
CONSOLIDATED BALANCE SHEETS

	December 31, 2015	December 31, 2014
	(in thousands, except share amounts)	
Assets:		
Cash and due from banks	$2,768	$1,609
Federal funds sold	21	22
Interest-earning demand in other financial institutions	32,730	17,328
Cash and cash equivalents	35,519	18,959
Money market investments	99	99
Investment securities - available-for-sale, at fair value; amortized cost of $23,558 at December 31, 2015 and $22,141 at December 31, 2014	23,441	22,194
Investment securities - held-to-maturity, at amortized cost; fair value of $7,399 at December 31, 2015 and $8,894 at December 31, 2014	7,025	8,447
Federal Home Loan Bank stock, at cost	1,886	1,716
Federal Reserve Bank stock, at cost	1,373	1,373
Loans:		
Held for sale, at lower of cost or fair value	64,488	66,759
Held for investment, net of allowance for loan losses of $6,916 at December 31, 2015 and $7,877 at December 31, 2014	472,058	420,497
Total loans	536,546	487,256
Other assets acquired through foreclosure, net	198	137
Premises and equipment, net	2,993	3,053
Other assets	12,133	14,084
Total assets	$621,213	$557,318
Liabilities:		
Deposits:		
Non-interest-bearing demand	$76,469	$57,364
Interest-bearing demand	250,509	275,631
Savings	13,690	15,265
Certificates of deposit	203,670	128,824
Total deposits	544,338	477,084
Other borrowings	10,500	10,000
Other liabilities	4,431	3,227
Total liabilities	559,269	490,311
Stockholders' equity:		
Preferred stock — no par value, 10,000,000 shares authorized; no shares issued and outstanding at December 31, 2015 and 7,014 at December 31, 2014	—	7,014
Common stock — no par value, 20,000,000 shares authorized; 8,205,858 shares issued and outstanding at December 31, 2015 and 8,203,033 at December 31, 2014	42,355	41,957
Retained earnings	19,657	18,005
Accumulated other comprehensive income (loss)	(68)	31
Total stockholders' equity	61,944	67,007
Total liabilities and stockholders' equity	$621,213	$557,318

See the accompanying notes.

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COMMUNITY WEST BANCSHARES
CONSOLIDATED INCOME STATEMENTS

	Year Ended December 31,		
	2015	2014	2013
	(in thousands, except per share amounts)		
Interest income:			
Loans, including fees	$29,139	$27,166	$27,071
Investment securities and other	1,083	838	795
Total interest income	30,222	28,004	27,866
Interest expense:			
Deposits	2,383	2,663	2,916
Other borrowings	133	612	1,416
Total interest expense	2,516	3,275	4,332
Net interest income	27,706	24,729	23,534
Provision (credit) for loan losses	(2,274)	(5,135)	(1,944)
Net interest income after provision for loan losses	29,980	29,864	25,478
Non-interest income:			
Other loan fees	1,014	904	1,033
Document processing fees	466	394	463
Service charges	351	284	318
Gains from loan sales, net	132	186	361
Other	346	429	656
Total non-interest income	2,309	2,197	2,831
Non-interest expenses:			
Salaries and employee benefits	12,904	12,154	12,783
Occupancy, net	1,958	1,852	1,814
Professional services	993	1,551	1,219
Data processing	533	570	549
Advertising and marketing	466	608	512
Stock based compensation	412	308	59
Depreciation	399	324	300
Loan servicing and collection	395	845	1,444
FDIC assessment	342	338	1,046
Net (gain) loss on sales/write-downs of foreclosed real estate and repossessed assets	10	(435)	388
Loan litigation settlement, net	7,095	—	—
Other	1,774	1,966	2,021
Total non-interest expenses	27,281	20,081	22,135
Income before provision for income taxes	5,008	11,980	6,174
Provision (benefit) for income taxes	2,138	4,934	(2,812)
Net income	2,870	7,046	8,986
Dividends and accretion on preferred stock	445	937	1,039
Discount on partial redemption of preferred stock	(129)	(159)	—
Net income available to common stockholders	$2,554	$6,268	$7,947
Earnings per share:			
Basic	$0.31	$0.77	$1.13
Diluted	$0.30	$0.75	$0.98
Weighted average number of common shares outstanding:			
Basic	8,203	8,141	7,017
Diluted	8,491	8,505	8,390

Dividends declared per common share	$0.11	$0.04	$—

See the accompanying notes.

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COMMUNITY WEST BANCSHARES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Net income	$2,870	$7,046	$8,986
Other comprehensive income (loss), net:			
Unrealized income (loss) on securities available-for-sale (AFS), net (tax effect of $69, ($212), $216 for each respective period presented)	(99)	305	(309)
Net other comprehensive income (loss)	(99)	305	(309)
Comprehensive income	$2,771	$7,351	$8,677

See the accompanying notes.

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COMMUNITY WEST BANCSHARES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Preferred Stock		Common Stock		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
	(in thousands)						
Balance, December 31, 2012:	16	$15,341	5,995	$33,555	$ 35	$4,118	$ 53,049
Net income	—	—	—	—	—	8,986	8,986
Exercise of stock options	—	—	7	24	—	—	24
Conversion of debentures	—	—	1,865	6,527	—	—	6,527
Stock based compensation	—	—	—	59	—	—	59
Dividends on preferred stock	—	—	—	—	—	(780)	(780)
Accretion on preferred stock	—	259	—	—	—	(259)	—
Other comprehensive loss, net	—	—	—	—	(309)	—	(309)
Balance, December 31, 2013:	16	15,600	7,867	40,165	(274)	12,065	67,556
Net income	—	—	—	—	—	7,046	7,046
Exercise of stock options	—	—	18	54	—	—	54
Conversion of debentures	—	—	318	1,430	—	—	1,430
Stock based compensation	—	—	—	308	—	—	308
Preferred stock redemption and discount	(9)	(8,586)	—	—	—	159	(8,427)
Dividends on preferred stock	—	—	—	—	—	(937)	(937)
Dividends on common stock	—	—	—	—	—	(328)	(328)
Other comprehensive income, net	—	—	—	—	305	—	305
Balance, December 31, 2014:	7	7,014	8,203	41,957	31	18,005	67,007
Net income	—	—	—	—	—	2,870	2,870
Exercise of stock options	—	—	7	14	—	—	14
Stock based compensation	—	—	—	412	—	—	412
Preferred stock redemption and discount	(7)	(7,014)	—	—	—	129	(6,885)
Common stock repurchase	—	—	(4)	(28)	—	—	(28)
Dividends on preferred stock	—	—	—	—	—	(445)	(445)
Dividends on common stock	—	—	—	—	—	(902)	(902)
Other comprehensive loss, net	—	—	—	—	(99)	—	(99)
Balance, December 31, 2015	—	$-	8,206	$42,355	$ (68)	$19,657	$ 61,944

See the accompanying notes.

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COMMUNITY WEST BANCSHARES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Cash flows from operating activities:			
Net income	$2,870	$7,046	$8,986
Adjustments to reconcile net income to cash provided by operating activities:			
Provision for loan losses	(2,274)	(5,135)	(1,944)
Depreciation	399	324	300
Stock-based compensation	412	308	59
Deferred income taxes	(21)	1,222	1,123
Net accretion of discounts and premiums for investment securities	(12)	51	(8)
(Gains)/Losses on:			
Sale of repossessed assets, net	10	(435)	388
Sale of loans, net	(132)	(186)	(361)
Sale of assets, net	32	—	—
Loans originated for sale and principal collections, net	2,403	(2,174)	4,656
Changes in:			
Other assets	1,986	4,407	(2,588)
Other liabilities	1,283	814	224
Servicing assets, net	56	197	163
Net cash provided by operating activities	7,012	6,439	10,998
Cash flows from investing activities:			
Principal pay downs and maturities of available-for-sale securities	9,981	3,927	4,890
Purchase of available-for-sale securities	(11,370)	(7,132)	(11,854)
Proceeds from principal pay downs and maturities of securities held-to-maturity	1,407	1,190	2,327
Loan originations and principal collections, net	(49,896)	(19,740)	(27,454)
(Purchase) liquidation of restricted stock, net	(170)	154	1,413
Net increase in interest-bearing deposits in other financial institutions	—	—	3,554
Proceeds from held for investment loan sales	—	—	6,215
Purchase of premises and equipment, net	(371)	(394)	(215)
Proceeds from sale of other real estate owned and repossessed assets, net	538	5,213	3,774
Net cash used in investing activities	(49,881)	(16,782)	(17,350)
Cash flows from financing activities:			
Net increase in deposits	67,254	40,949	1,915
Net increase (decrease) in borrowings	500	(20,034)	(4,000)
Exercise of stock options	14	54	24
Cash dividends paid on common stock	(902)	(328)	—
Common stock repurchase	(28)	—	—
Redemption of preferred stock	(6,885)	(8,427)	—
Cash dividends paid on preferred stock	(524)	(2,390)	—
Net cash provided by (used in) financing activities	59,429	9,824	(2,061)
Net (decrease) increase in cash and cash equivalents	16,560	(519)	(8,413)
Cash and cash equivalents at beginning of year	18,959	19,478	27,891
Cash and cash equivalents at end of period	$35,519	$18,959	$19,478
Supplemental disclosure:			
Cash paid during the period for:			
Interest	$2,436	$3,323	$4,567

Income taxes	675	3,101	1,181
Non-cash investing and financing activity:			
Transfers to other assets acquired through foreclosure, net	609	1,984	6,084
Preferred stock dividends declared, not paid	—	—	780
Conversion of debentures	—	1,408	6,410

See the accompanying notes.

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COMMUNITY WEST BANCSHARES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Community West Bancshares (“CWBC”), incorporated under the laws of the state of California, is a bank holding company providing full service banking through its wholly-owned subsidiary Community West Bank, N.A. (“CWB” or the “Bank”). These entities are collectively referred to herein as the “Company”.

Basis of Presentation

The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States (“GAAP”) and conform to practices within the financial services industry. The accounts of the Company and its consolidated subsidiary are included in these Consolidated Financial Statements. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes in the near term relate to the determination of the allowance for loan losses and fair value of investment securities. Although Management believes these estimates to be reasonably accurate, actual amounts may differ. In the opinion of Management, all adjustments considered necessary have been reflected in the financial statements during their preparation.

Reclassifications

Certain amounts in the consolidated financial statements as of and for the years ended December 31, 2014 and 2013 have been reclassified to conform to the current presentation. The reclassifications have no effect on net income or stockholders’ equity as previously reported.

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, 2015 and 2014, the Company had only one reportable business segment.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks (including cash items in process of clearing), and federal funds sold. Cash flows from loans originated by the Company and deposits are reported net.

The Company maintains amounts due from banks, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Cash Reserve Requirement

Depository institutions are required by law to maintain reserves against their transaction deposits. The reserves must be held in cash or with the Federal Reserve Bank ("FRB"). The amount of the reserve varies by bank as the bank is permitted to meet this requirement by maintaining the specified amount as an average balance over a two-week period. The total reserve balance requirement was approximately $1.0 million and $0.7 million as of December 31, 2015 and 2014.

Investment Securities

Investment securities may be classified as held-to-maturity ("HTM"), available-for-sale ("AFS") or trading. The appropriate classification is initially decided at the time of purchase. Securities classified as held-to-maturity are those debt securities the Company has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or general economic conditions. These securities are carried at amortized cost. The sale of a security within three months of its maturity date or after the majority of the principal outstanding has been collected is considered a maturity for purposes of classification and disclosure.

Securities classified as AFS or trading are reported as an asset on the Consolidated Balance Sheets at their estimated fair value. As the fair value of AFS securities changes, the changes are reported net of income tax as an element of other comprehensive income ("OCI"), except for impaired securities. When AFS securities are sold, the unrealized gain or loss is reclassified from OCI to non-interest income. The changes in the fair values of trading securities are reported in non-interest income. Securities classified as AFS are debt securities the Company intends to hold for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as AFS would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Company's assets and liabilities, liquidity needs, decline in credit quality, and regulatory capital considerations. The Company does not currently have any investment securities classified as trading.

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Interest income is recognized based on the coupon rate and increased by accretion of discounts earned or decreased by the amortization of premiums paid over the contractual life of the security using the interest method. For mortgage-backed securities, estimates of prepayments are considered in the constant yield calculations.

In estimating whether there are any other than temporary impairment losses, management considers 1) the length of time and the extent to which the fair value has been less than amortized cost, 2) the financial condition and near term prospects of the issuer, 3) the impact of changes in market interest rates, and 4) the intent and ability of the Company to retain its investment for a period of time sufficient to allow for any anticipated recovery in fair value and it is not more likely than not the Company would be required to sell the security.

Declines in the fair value of individual debt securities available for sale that are deemed to be other than temporary are reflected in earnings when identified. The fair value of the debt security then becomes the new cost basis. For individual debt securities where the Company does not intend to sell the security and it is not more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis, the other than temporary decline in fair value of the debt security related to 1) credit loss is recognized in earnings, and 2) market or other factors is recognized in other comprehensive income or loss. Credit loss is recorded if the present value of cash flows is less than amortized cost.

For individual debt securities where the Company intends to sell the security or more likely than not will not recover all of its amortized cost, the other than temporary impairment is recognized in earnings equal to the entire difference between the securities cost basis and its fair value at the balance sheet date. For individual debt securities for which a credit loss has been recognized in earnings, interest accruals and amortization and accretion of premiums and discounts are suspended when the credit loss is recognized. Interest received after accruals have been suspended is recognized on a cash basis.

Federal Home Loan Bank (“FHLB”) and Federal Reserve Bank (“FRB”) Stock

The Company’s subsidiary bank is a member of the Federal Home Loan Bank (“FHLB”) system and maintains an investment in capital stock of the FHLB. The bank also maintains an investment in FRB stock. These investments are considered equity securities with no actively traded market. These investments are carried at cost, which is equal to the value at which they may be redeemed. The dividend income received from the stock is reported in interest income. We conduct a periodic review and evaluation of our FHLB stock to determine if any impairment exists.

Servicing Assets

The guaranteed portion of certain Small Business Administration (“SBA”) loans can be sold into the secondary market. Servicing assets are recognized as separate assets when loans are sold with servicing retained. Servicing assets 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 assets for impairment quarterly. Servicing assets 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 asset 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 fair value provision. Loans held for sale are mostly comprised of SBA and commercial agriculture. On August 14, 2015, the Company announced its exit from originating single family residential loans for sale. The Company did not incur any lower of cost or fair value provision in the years ended December 31, 2015, 2014 and 2013.

Loans Held for Investment and Interest and Fees from Loans

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

Interest income on loans is accrued daily using the effective interest method and recognized over the terms of the loans. Loan fees collected for the origination of loans less direct loan origination costs (net deferred loan fees) are amortized over the contractual life of the loan through interest income. If the loan has scheduled payments, the amortization of the net deferred loan fee is calculated using the interest method over the contractual life of the loan. If the loan does not have scheduled payments, such as a line of credit, the net deferred loan fee is recognized as interest income on a straight-line basis over the contractual life of the loan commitment. Commitment fees based on a percentage of a customer's unused line of credit and fees related to standby letters of credit are recognized over the commitment period.

When loans are repaid, any remaining unamortized balances of unearned fees, deferred fees and costs and premiums and discounts paid on purchased loans are accounted for though interest income.

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Nonaccrual loans: For all loan types, when a borrower discontinues making payments as contractually required by the note, the Company must determine whether it is appropriate to continue to accrue interest. Generally, the Company places loans in a nonaccrual status and ceases recognizing interest income when the loan has become delinquent by more than 90 days or when Management determines that the full repayment of principal and collection of interest is unlikely. The Company may decide to continue to accrue interest on certain loans more than 90 days delinquent if they are well secured by collateral and in the process of collection. Other personal loans are typically charged off no later than 180 days delinquent.

For all loan types, when a loan is placed on nonaccrual status, all interest accrued but uncollected is reversed against interest income in the period in which the status is changed. Subsequent payments received from the customer are applied to principal and no further interest income is recognized until the principal has been paid in full or until circumstances have changed such that payments are again consistently received as contractually required. The Company occasionally recognizes income on a cash basis for non-accrual loans in which the collection of the remaining principal balance is not in doubt.

Impaired loans: A loan is considered impaired when, based on current information; it is probable that the Company will be unable to collect the scheduled payments of principal and/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/or interest payments. Loans that experience insignificant payment delays or payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays or 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. The collateral-dependent loans that recognize impairment are charged down to the fair value less costs to sell. All other loans are measured for impairment either based on the present value of future cash flows or the loan’s observable market price.

Troubled debt restructured loan (“TDR”): A TDR is a loan on which the Company, for reasons related to the borrower’s financial difficulties, grants a concession to the borrower that the Company would not otherwise consider. These concessions included but are not limited to term extensions, rate reductions and principal reductions. Forgiveness of principal is rarely granted and modifications for all classes of loans are predominately term extensions. A TDR loan is also considered impaired. Generally, a loan that is modified at an effective market rate of interest may no longer be disclosed as a troubled debt restructuring in years subsequent to the restructuring if it is not impaired based on the terms specified by the restructuring agreement.

Allowance for Loan Losses and Provision 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 appropriate to provide for probable losses inherent in the loan portfolio. This process involves deriving probable loss estimates that are based on migration analysis and historical loss rates, in addition to qualitative factors that are based on management’s judgment. The migration analysis and historical loss rate calculations are based on the annualized loss rates utilizing a twelve-quarter loss history. Migration analysis is utilized for the Commercial Real Estate (“CRE”), Commercial, Commercial Agriculture, Small Business Administration (“SBA”), Home Equity Line of Credit (“HELOC”), Single Family Residential, and Consumer portfolios. The historical loss rate method is utilized primarily for the Manufactured Housing portfolio. The migration analysis takes into account the risk rating of loans that are charged off in each loan category. Loans that are considered Doubtful are typically charged off. The following is a description of the characteristics of loan ratings. Loan ratings are reviewed as part of our normal loan monitoring process, but, at a minimum, updated on an annual basis.

Outstanding – This is the highest quality rating that is assigned to any loan in the portfolio. These loans are made to the highest quality borrowers with strong financial statements and unquestionable repayment sources. Collateral securing these types of credits are generally cash deposits in the bank or marketable securities held in custody.

Good – Loans rated in this category are strong loans, underwritten well, that bear little risk of loss to the Company. Loans in this category are loans to quality borrowers with very good financial statements that present an identifiable strong primary source and good secondary source of repayment. Generally, these credits are well collateralized by good quality and liquid assets or low loan to value market real estate.

Pass - Loans rated in this category are acceptable loans, appropriately underwritten, bearing an ordinary risk of loss to the Company. 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 with 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.

Watch – Acceptable credit that requires a temporary increase in attention by management. This can be caused by declines in sales, margins, liquidity or working capital. Generally the primary weakness is lack of current financial statements and industry issues.

Special Mention - A Special Mention loan has potential weaknesses that require 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. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

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Substandard - A Substandard loan is inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. These loans have a well-defined weakness or weaknesses that jeopardize full collection of amounts due. They are characterized by the distinct possibility that the Company will sustain some loss if the borrower's deficiencies are not corrected.

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 realized in the future. Losses are taken in the period in which they are considered uncollectible.

The Company's ALL is maintained at a level believed appropriate by management to absorb known and inherent probable losses on existing loans. The allowance is charged for losses when management believes that full recovery on the loan is unlikely. The following is the Company's policy regarding charging off loans.

Commercial, CRE and SBA Loans

Charge-offs on these loan categories are taken as soon as all or a portion of any loan balance is deemed to be uncollectible. A loan is considered impaired when, based on current information, it is probable that the Company will be unable to collect the scheduled payments of principal and/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/or interest payments. Loans that experience insignificant payment delays or payment shortfalls generally are not classified as impaired. Generally, loan balances are charged-down to the fair value of the collateral, if, based on a current assessment of the value, an apparent deficiency exists. In the event there is no perceived equity, the loan is charged-off in full. Unsecured loans which are delinquent over 90 days are also charged-off in full.

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 impairment. Loan balances are charged-off to the fair value of the property, less estimated selling costs, if, based on a current appraisal, an apparent deficiency exists. In the event there is no perceived equity, the loan is generally fully charged-off.

Consumer Loans

All consumer loans (excluding real estate mortgages, HELOCs and savings secured loans) are charged-off or charged-down to net recoverable value before becoming 120 days or five payments delinquent.

The ALL calculation for the different loan portfolios is as follows:

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- Commercial Real Estate, Commercial, Commercial Agriculture, SBA, HELOC, Single Family Residential, and Consumer – Migration analysis combined with risk rating is used to determine the required ALL for all non-impaired loans. In addition, the migration results are adjusted based upon qualitative factors that affect this specific portfolio category. Reserves on impaired loans are determined based upon the individual characteristics of the loan.

- Manufactured Housing – The ALL is calculated on the basis of loss history and risk rating, which is primarily a function of delinquency. In addition, the loss results are adjusted based upon qualitative factors that affect this specific portfolio.

The Company evaluates and individually assesses for impairment loans generally greater than $500,000, classified as substandard or doubtful in addition to loans either on nonaccrual, considered a TDR or when other conditions exist which lead management to review for possible impairment. Measurement of impairment on impaired loans 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 value of the underlying collateral net of selling costs. Selling costs are estimated based on industry standards, the Company's actual experience or actual costs incurred as appropriate. When evaluating real estate collateral, the Company 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 Company will use audited financial statements or appraisals no more than twelve months old at time of evaluation. Additionally, for both real estate and non-real estate collateral, the Company may use other sources to determine value as deemed appropriate.

- The loan's observable market price.

Interest income is not recognized on impaired loans except for limited circumstances in which a loan, although impaired, continues to perform in accordance with the loan contract and the borrower provides financial information to support maintaining the loan on accrual.

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The Company determines the appropriate ALL on a monthly basis. Any differences between estimated and actual observed losses from the prior month are reflected in the current period in determining the appropriate ALL determination and adjusted as deemed necessary. The review of the appropriateness 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 and environmental 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.

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

- Concentrations of credit
- International risk
- Trends in volume, maturity, and composition
- Volume and trend in delinquency
- Economic conditions
- Outside exams
- Geographic distance
- Policy and changes
- Staff experience and ability

Off Balance Sheet and Credit Exposure

In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they are funded. They involve, to varying degrees, elements of credit risk in excess of amounts recognized in the consolidated balance sheets. Losses would be experienced when the Company is contractually obligated to make a payment under these instruments and must seek repayment from the borrower, which may not be as financially sound in the current period as they were when the commitment was originally made. 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. The Company enters into credit arrangements that generally provide for the termination of advances in the event of a covenant violation or other event of default. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. 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 party. The commitments are collateralized by the same types of assets used as loan collateral.

As with outstanding loans, the Company applies qualitative factors and utilization rates to its off-balance sheet obligations in determining an estimate of losses inherent in these contractual obligations. The estimate for loan losses on off-balance sheet instruments is included within other liabilities and the charge to income that establishes this liability is included in non-interest expense.

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:

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

Foreclosed Real Estate and Repossessed Assets

Foreclosed real estate and other repossessed assets are recorded at fair value at the time of foreclosure less estimated costs to sell. Any excess of loan balance over the fair value less estimated costs to sell of the other assets is charged-off against the allowance for loan losses. Any excess of the fair value less estimated costs to sell over the loan balance is recorded as a loan loss recovery to the extent of the loan loss previously charged-off against the allowance for loan losses; and, if greater, recorded as a gain on foreclosed assets. Subsequent to the legal ownership date, the Company periodically performs a new valuation and the asset is carried at the lower of carrying amount or fair value less estimated costs to sell. Operating expenses or income, and gains or losses on disposition of such properties, are recorded in current operations.

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Income Taxes

The Company uses the asset and liability method, which recognizes an asset or liability 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. Any interest or penalties assessed by the taxing authorities is classified in the financial statements as income tax expense. Deferred tax assets are included in other assets on the consolidated balance sheets.

Management evaluates the Company’s deferred tax asset for recoverability using a consistent approach which considers the relative impact of negative and positive evidence, including the Company’s historical profitability and projections of future taxable income. The Company is required to establish a valuation allowance for deferred tax assets and record a charge to income if management determines, based on available evidence at the time the determination is made, that 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.

Bank Owned Life Insurance

Bank owned life insurance is stated at its cash surrender value with changes recorded in other non-interest income in the consolidated income statements. The cash surrender value of the underlying policies was $3.3 million and $3.2 million as of December 31, 2015 and 2014, respectively. There are no loans offset against cash surrender values, and there are no restrictions as to the use of proceeds.

Preferred Stock

The Company’s Series A Preferred Stock paid cumulative dividends at a rate of 5% per year until February 15, 2014 then increased to a rate of 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 and amounts payable upon liquidation, dissolution and winding up of the Company.

Fair Value of Financial Instruments

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities. FASB ASC 820, Fair Value Measurements and Disclosures (“ASC 820”) established a framework for measuring fair value using a three-level valuation hierarchy for disclosure of fair value measurement. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset as of the measurement date. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors market participants would consider in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs, as follows:

- Level 1— Observable quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2— Observable quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, matrix pricing or model-based valuation techniques where all significant assumptions are observable, either directly or indirectly in the market.
- Level 3— Model-based techniques where all significant assumptions are not observable, either directly or indirectly, in the market. These unobservable assumptions reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques may include use of discounted cash flow models and similar techniques.

The availability of observable inputs varies based on the nature of the specific financial instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant who holds the asset or owes the liability rather than an entity-specific measure. When market assumptions are available, ASC 820 requires the Company to make assumptions regarding the assumptions that market participants would use to estimate the fair value of the financial instrument at the measurement date.

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FASB ASC 825, Financial Instruments (“ASC 825”) requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value.

Management uses its best judgment in estimating the fair value of the Company’s financial instruments; however, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented herein are not necessarily indicative of the amounts the Company could have realized in a sales transaction at December 31, 2015 or 2014. The estimated fair value amounts for December 31, 2015 and 2014 have been measured as of period-end, and have not been reevaluated or updated for purposes of these consolidated financial statements subsequent to those dates. As such, the estimated fair values of these financial instruments subsequent to the reporting date may be different than the amounts reported at the period-end.

The information presented in Note 15, “Fair Value Measurement,” should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only required for a limited portion of the Company’s assets and liabilities.

Due to the wide range of valuation techniques and the degree of subjectivity used in making the estimate, comparisons between the Company’s disclosures and those of other companies or banks may not be meaningful.

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments:

Cash and cash equivalents

The carrying amounts reported in the consolidated balance sheets for cash and due from banks approximate their fair value.

Money market investments

The carrying amounts reported in the consolidated balance sheets for money market investments approximate their fair value.

Investment securities

The fair value of Farmer Mac class A stock is based on quoted market prices and are categorized as Level 1 of the fair value hierarchy.
The fair value of other investment securities were determined based on matrix pricing. Matrix pricing is a mathematical technique that utilizes observable market inputs including, for example, yield curves, credit ratings and prepayment speeds. Fair values determined using matrix pricing are generally categorized as Level 2 in the fair value hierarchy.

FRB and FHLB stock

CWB is a member of the FHLB system and maintains an investment in capital stock of the FHLB. CWB also maintain an investment in FRB stock. These investments are carried at cost since no ready market exists for them, and they have no quoted market value. The Company conducts a periodic review and evaluation of our FHLB stock to determine if any impairment exists. The fair values have been categorized as Level 2 in the fair value hierarchy.

Loans

Fair value for loans is estimated based on discounted cash flows using interest rates currently being offered for loans with similar terms to borrowers with similar credit quality with adjustments that the Company believes a market participant would consider in determining fair value based on a third party independent valuation. As a result, the fair value for loans is categorized as Level 2 in the fair value hierarchy. Fair values of impaired loans using a discounted cash flow method to measure impairment have been categorized as Level 3.

Deposit liabilities

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. The fair value measurement of deposit liabilities is categorized as Level 2 in the fair value hierarchy.

Federal Home Loan Bank advances and other borrowings

The fair values of the Company's borrowings are estimated using discounted cash flow analyses, based on the market rates for similar types of borrowing arrangements. The other borrowings have been categorized as Level 3 in the fair value hierarchy. The FHLB advances have been categorized as Level 2 in the fair value hierarchy.

Off-balance sheet instruments

Fair values for the Company's off-balance sheet instruments (lending commitments and standby letters of credit) are based on quoted fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

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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) available 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 and warrants.

Recent Accounting Pronouncements

In January 2014, the FASB issued guidance within ASU 2014-04, "Receivables - Troubled Debt Restructurings by Creditors: Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure." The amendments in ASU 2014-04, Subtopic 310-40, Receivables -Troubled Debt Restructurings by Creditors, clarify that an in-substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure, or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. ASU 2014-04 was effective for the Company using either a modified retrospective transition method or a prospective transition method for reporting periods beginning after December 15, 2014. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued guidance codified within ASU 2014-09, "Revenue Recognition - Revenue from Contracts with Customers," which amends the guidance in former Topic 605, Revenue Recognition. The new revenue recognition standard will supersede virtually all revenue guidance in U.S. GAAP, including industry specific guidance. The guidance in this Update affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets, unless those contracts are within the scope of other standards. ASU 2014-09 is effective for the Company for annual reporting periods beginning after December 15, 2016. In July 2015, this effective date was extended for the Company to December 18, 2017. The Company may elect to apply the amendments of this Update using one of the following two methods: 1) retrospectively to each prior reporting period presented or 2) retrospectively with the cumulative effect of initially applying this Update recognized at the date of initial application. The Company is currently evaluating the impact of the provisions in this standard on the Company's consolidated financial statements.

In January 2016, the FASB issued guidance codified within ASU 2016-01, "Financial Instruments – Overall, Subtopic 825-10: Recognition and Measurement of Financial Assets and Financial Liabilities," which amends certain guidance on classification and measurement of financial instruments. The update is intended to enhance the reporting model for financial instruments to provide users of financial instruments with more decision-useful information and addresses certain aspects of the recognition, measurement, presentation, and disclosure of financial instruments. ASU 2016-01 is effective for the Company for annual reporting periods beginning after December 15, 2017. The Company is currently evaluating the impact of the provisions in this standard on the Company's consolidated financial statements.

In February 2016, the FASB amended its standards with respect to the accounting for leases. The amended guidance serves to replace all current U.S. GAAP guidance on this topic and requires that an operating lease be recognized on the statement of financial condition as a "right-to-use" asset along with a corresponding liability representing the rent obligation. Key aspects of current lessor accounting remain unchanged from existing guidance. This standard is expected to result in an increase to assets and liabilities recognized and, therefore, increase risk-weighted assets for regulatory capital purposes. The guidance requires the use of the modified retrospective transition approach for existing leases that have not expired before the date of initial application and will become effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The standard is effective for the Company as of January 1, 2019. The Company is currently evaluating the impact of the amended guidance on the Company's Consolidated Financial Statements.

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2. INVESTMENT SECURITIES

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

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Securities available-for-sale	(in thousands)			
U.S. government agency notes	$11,257	$ 5	$ (115)	$11,147
U.S. government agency collateralized mortgage obligations ("CMO")	12,235	54	(58)	12,231
Equity securities: Farmer Mac class A stock	66	-	(3)	63
Total	$23,558	$ 59	$ (176)	$23,441
Securities held-to-maturity				
U.S. government agency mortgage backed securities ("MBS")	$7,025	$ 374	$ -	$7,399
Total	$7,025	$ 374	$ -	$7,399

	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Securities available-for-sale	(in thousands)			
U.S. government agency notes	$7,846	$ 65	$ (49)	$7,862
U.S. government agency collateralized mortgage obligations ("CMO")	14,229	73	(31)	14,271
Equity securities: Farmer Mac class A stock	66	-	(5)	61
Total	$22,141	$ 138	$ (85)	$22,194
Securities held-to-maturity				
U.S. government agency mortgage backed securities ("MBS")	$8,447	$ 447	$ -	$8,894
Total	$8,447	$ 447	$ -	$8,894

At December 31, 2015 and 2014, $30.5 million and $30.6 million of securities at carrying value, respectively, were pledged to the Federal Home Loan Bank (“FHLB”), as collateral for current and future advances.

The Company had no investment security sales in 2015 or 2014.

The maturity periods and weighted average yields of investment securities at December 31, 2015 and 2014 were as follows:

	December 31, 2015									
	Less than One Year		One to Five Years		Five to Ten Years		Over Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Securities available-for-sale	(dollars in thousands)									
U.S. government agency notes	$8,957	2.9 %	$-	-	$2,190	0.9 %	$-	-	$11,147	2.5 %
U.S. government agency CMO	-	-	4,337	1.3 %	4,527	0.7 %	3,367	1.2 %	12,231	1.0 %
Farmer Mac class A stock	-	-	-	-	-	-	-	-	63	-

Total	$8,957	2.9 %	$4,337	1.3 %	$6,717	0.8 %	$3,367	1.2 %	$23,441	1.7 %
Securities held-to-maturity										
U.S. government agency MBS	$-	-	$1,746	3.6 %	$5,279	3.1 %	$-	-	$7,025	3.2 %
Total	$-	-	$1,746	3.6 %	$5,279	3.1 %	$-	-	$7,025	3.2 %

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	December 31, 2014									
	Less than One Year		One to Five Years		Five to Ten Years		Over Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Securities available-for-sale	(dollars in thousands)									
U.S. government agency notes	$7,862	2.5 %	$-	-	$-	-	$-	-	$7,862	2.5 %
U.S. government agency CMO	-	-	7,826	1.0 %	2,801	0.6 %	3,644	1.1 %	14,271	1.1 %
Farmer Mac class A stock	-	-	-	-	-	-	-	-	61	-
Total	$7,862	2.5 %	$7,826	1.0 %	$2,801	0.6 %	$3,644	1.1 %	$22,194	1.3 %
Securities held-to-maturity										
U.S. government agency MBS	$-	-	$3,235	4.0 %	$5,212	2.4 %	$-	-	$8,447	2.9 %
Total	$-	-	$3,235	4.0 %	$5,212	2.4 %	$-	-	$8,447	2.9 %

The amortized cost and fair value of investment securities by contractual maturities as of the periods presented were as shown below:

	December 31, 2015		2014	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Securities available for sale	(in thousands)			
Due in one year or less	$9,053	$ 8,957	$7,846	$ 7,862
After one year through five years	4,335	4,337	7,798	7,826
After five years through ten years	6,713	6,717	2,792	2,801
After ten years	3,391	3,367	3,639	3,644
Farmer Mac class A stock	66	63	66	61
	$23,558	$ 23,441	$22,141	$ 22,194
Securities held to maturity				
Due in one year or less	$-	$ -	$-	$ -
After one year through five years	1,746	1,888	3,235	3,479
After five years through ten years	5,279	5,511	5,212	5,415
After ten years	-	-	-	-
	$7,025	$ 7,399	$8,447	$ 8,894

Actual maturities may differ from contractual maturities as borrowers or issuers have the right to prepay or call the investment securities. Changes in interest rates may also impact prepayments.

The following tables show all securities that are in an unrealized loss position:

	December 31, 2015					
	Less Than Twelve Months		More Than Twelve Months		Total	
	Gross Unrealized	Fair Value	Gross Unrealized	Fair Value	Gross Unrealized	Fair Value

	Losses		Losses		Losses	
Securities available-for-sale	(in thousands)					
U.S. government agency notes	$48	$7,224	$67	$1,924	$115	$9,148
U.S. government agency CMO	9	1,654	49	1,945	58	3,599
Equity securities: Farmer Mac class A stock	-	-	3	63	3	63
	$57	$8,878	$119	$3,932	$176	$12,810
Securities held-to-maturity						
U.S. Government-agency MBS	$-	$-	$-	$-	$-	$-
Total	$-	$-	$-	$-	$-	$-

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	December 31, 2014					
	Less Than Twelve Months		More Than Twelve Months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities available-for-sale	(in thousands)					
U.S. government agency notes	$23	$1,918	$26	$3,971	$49	$5,889
U.S. government agency CMO	-	-	31	4,090	31	4,090
Equity securities: Farmer Mac class A stock	5	61	-	-	5	61
	$28	$1,979	$57	$8,061	$85	$10,040
Securities held-to-maturity						
U.S. Government-agency MBS	$-	$-	$-	$-	$-	$-
Total	$-	$-	$-	$-	$-	$-

As of December 31, 2015 and 2014, there were nine and six securities, respectively, 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, repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of December 31, 2015 and 2014, 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 and Agriculture Loans

The Company periodically 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.

On certain SBA loan sales, the Company retained interest only strips ("I/O strips"), which represent the present value of excess net cash flows generated by the difference between (a) interest at the stated rate paid by borrowers and (b) the sum of (i) pass-through interest paid to third-party investors and (ii) contractual servicing fees. The fair value is determined on a quarterly basis through a discounted cash flow analysis prepared by an independent third party using industry prepayment speeds.

Historically, the Company elected to use the amortizing method for the treatment of servicing assets and measured for impairment on a quarterly basis through a discounted cash flow analysis prepared by an independent third party using industry prepayment speeds. In connection with the sale of a group of SBA loans, the Company recorded a servicing asset and elected to measure this asset at fair value in accordance with ASC 825-10 – Fair Value Option to better reflect the impact of subsequent changes in interest rates.

The SBA program stipulates that the Company retains a minimum of 5% of the loan balance, which is unguaranteed. The percentage of each unguaranteed loan in excess of 5% may be periodically sold to a third party, typically for a cash premium. The Company records servicing liabilities for the sold unguaranteed loans. These servicing liabilities are calculated based on the present value of the estimated future servicing costs associated with each loan. The balance of the remaining servicing liabilities at December 31, 2015 and 2014 were not material to the Company's financial position or results of operations.

As of December 31, 2015 and 2014, the Company had approximately $34.3 million and $40.8 million, respectively, of SBA loans included in loans held for sale. As of December 31, 2015 and 2014, the principal balance of SBA loans serviced for others was $18.7 million and $24.6 million, respectively.
The Company's agricultural lending program includes loans for agricultural land, agricultural operational lines, and agricultural term loans for crops, equipment and livestock. The primary products are supported by guarantees issued from the USDA, FSA, and the USDA Business and Industry loan program.

As of December 31, 2015 and 2014, the Company had $30.2 million and $25.1 million of USDA loans included in loans held for sale, respectively. As of December 31, 2015 and 2014, the principal balance of USDA loans serviced for others was $1.4 million, respectively.

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The following table presents the I/O strips activity as of the periods presented:

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Beginning balance	$293	$334	$426
Adjustment to fair value	(67)	(41)	(92)
Ending balance	$226	$293	$334

The fair value adjustments on the I/O strips are recorded in non-interest income.

The key data assumptions used in estimating the fair value of the I/O strips as of the periods presented were as follows:

	December 31,	
	2015	2014
Weighted-average constant prepayment rate	5.87 %	5.63 %
Weighted-average life (in years)	6	6
Weighted-average discount rate	12.08%	11.52%

A sensitivity analysis of the fair value of the I/O strips to changes in certain key assumptions is presented in the following table:

	December 31,	
	2015	2014
	(in thousands)	
Discount Rate		
Increase in fair value from 100 basis point decrease	$ 6	$ 8
Decrease in fair value from 100 basis point increase	(5)	(8)
Constant Prepayment Rate		
Increase in fair value from 10 percent decrease	3	4
Decrease in fair value from 10 percent increase	(3)	(4)

The following is a summary of the activity for servicing assets accounted for under the amortization method:

	December 31,		
	2015	2014	2013
	(in thousands)		
Beginning balance	$167	$268	$383
Amortization	(34)	(101)	(115)
Ending balance	$133	$167	$268

The amortization on the servicing assets has been recorded in non-interest income.

The following is a summary of the activity for servicing assets accounted for under the fair value method:

	December 31,		
	2015	2014	2013
	(in thousands)		
Beginning balance	$203	$300	$348
Adjustment to fair value	(21)	(97)	(48)
Ending balance	$182	$203	$300

The fair value adjustments on the servicing assets have been recorded in non-interest income.

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The key data and assumptions used in estimating the fair value of servicing assets as of the periods presented were as follows:

	December 31, 2015	2014
Weighted-average constant prepayment rate	6.24 %	6.03 %
Weighted-average life (in years)	8	8
Weighted-average discount rate	11.65%	11.78%

A sensitivity analysis of the fair value of servicing assets to change in certain key assumptions is presented in the following table:

	December 31, 2015 (in thousands)	2014
Discount Rate		
Increase in fair value from 100 basis points decrease	$ 8	$ 9
Decrease in fair value from 100 basis points increase	(7)	(8)
Constant Prepayment Rate		
Increase in fair value from 10 percent decrease	5	5
Decrease in fair value from 10 percent increase	(4)	(5)

This sensitivity analysis generally cannot be extrapolated because the relationship of a change in one key assumption to the change in the fair value of the Company's servicing assets usually is not linear. In addition, the effect of changing one key assumption without changing other assumptions is not a viable option.

Mortgage Loans

During the third quarter of 2015, the Company exited the market for conforming residential real estate loans sold into the secondary market to focus on the manufactured housing sector.

4. LOANS HELD FOR INVESTMENT

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

	December 31, 2015 (in thousands)	2014
Manufactured housing	$177,891	$169,662
Commercial real estate	179,491	159,432
Commercial	77,349	49,683
SBA	13,744	21,336
HELOC	10,934	13,481
Single family real estate	19,073	14,957
Consumer	123	178
	478,605	428,729
Allowance for loan losses	6,916	7,877

Deferred fees, net	(560)	118
Discount on SBA loans	191	237
Total loans held for investment, net	$472,058	$420,497

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The following tables present the contractual aging of the recorded investment in past due held for investment loans by class of loans:

	December 31, 2015						
	Current	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Total	Recorded Investment Over 90 Days and Accruing
	(in thousands)						
Manufactured housing	$177,480	$ -	$372	$39	$411	$177,891	$ -
Commercial real estate:							
Commercial real estate	138,004	-	-	612	612	138,616	-
SBA 504 1st trust deed	25,099	-	-	463	463	25,562	-
Land	2,895	-	-	-	-	2,895	-
Construction	12,016	-	402	-	402	12,418	-
Commercial	77,305	-	-	44	44	77,349	-
SBA	13,743	1	-	-	1	13,744	-
HELOC	10,934	-	-	-	-	10,934	-
Single family real estate	19,073	-		-	-	19,073	-
Consumer	123	-	-	-	-	123	-
Total	$476,672	$ 1	$774	$1,158	$1,933	$478,605	$ -

	December 31, 2014						
	Current	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Total	Recorded Investment Over 90 Days and Accruing
	(in thousands)						
Manufactured housing	$169,233	$239	$ -	$190	$429	$169,662	$ -
Commercial real estate:							
Commercial real estate	119,090	632	-	186	818	119,908	-
SBA 504 1st trust deed	27,297	-	-	-	-	27,297	-
Land	1,569	-	-	-	-	1,569	-
Construction	10,658	-	-	-	-	10,658	-
Commercial	49,683	-	-	-	-	49,683	-
SBA	21,333	3	-	-	3	21,336	-
HELOC	13,459	-	-	22	22	13,481	-
Single family real estate	14,821	-		136	136	14,957	-
Consumer	178	-	-	-	-	178	-
Total	$427,321	$874	$ -	$534	$1,408	$428,729	$ -

Allowance for Loan Losses

The following table summarizes the changes in the allowance for loan losses:

December 31,

	2015	2014	2013
	(in thousands)		
Beginning balance	$7,877	$12,208	$14,464
Charge-offs	(326)	(766)	(2,594)
Recoveries	1,639	1,570	2,282
Net (charge-offs) recoveries	1,313	804	(312)
Provision (credit)	(2,274)	(5,135)	(1,944)
Ending balance	$6,916	$7,877	$12,208

As of December 31, 2015 and 2014, the Company had reserves for credit losses on undisbursed loans of $61,000 and $39,000 which were included in Other liabilities.

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The following tables summarize the changes in the allowance for loan losses by portfolio type:

	For the Year Ended December 31,							
	Manufactured Housing	Commercial Real Estate	Commercial	SBA	HELOC	Single Family Real Estate	Consumer	Total
2015	(in thousands)							
Beginning balance	$4,032	$ 1,459	$ 986	$1,066	$ 140	$ 192	$ 2	$7,877
Charge-offs	(297)	-	-	-	-	(29)	-	(326)
Recoveries	205	545	422	454	10	3	-	1,639
Net (charge-offs) recoveries	(92)	545	422	454	10	(26)	-	1,313
Provision (credit)	(415)	(151)	(469)	(1,069)	(107)	(63)	-	(2,274)
Ending balance	$3,525	$ 1,853	$ 939	$451	$ 43	$ 103	$ 2	$6,916
2014								
Beginning balance	$5,114	$ 2,552	$ 2,064	$1,951	$ 280	$ 245	$ 2	$12,208
Charge-offs	(543)	(16)	-	(171)	-	(36)	-	(766)
Recoveries	143	857	149	393	24	4	-	1,570
Net (charge-offs) recoveries	(400)	841	149	222	24	(32)	-	804
Provision (credit)	(682)	(1,934)	(1,227)	(1,107)	(164)	(21)	-	(5,135)
Ending balance	$4,032	$ 1,459	$ 986	$1,066	$ 140	$ 192	$ 2	$7,877
2013								
Beginning balance	$5,945	$ 2,627	$ 2,325	$2,733	$ 634	$ 198	$ 2	$14,464
Charge-offs	(1,294)	(349)	(149)	(547)	(39)	(179)	(37)	(2,594)
Recoveries	257	1,243	212	559	3	8	-	2,282
Net (charge-offs) recoveries	(1,037)	894	63	12	(36)	(171)	(37)	(312)
Provision (credit)	206	(969)	(324)	(794)	(318)	218	37	(1,944)
Ending balance	$5,114	$ 2,552	$ 2,064	$1,951	$ 280	$ 245	$ 2	$12,208

The following tables present impairment method information related to loans and allowance for loan losses by loan portfolio segment:

	Manufactured Housing	Commercial Real Estate	Commercial	SBA	HELOC	Single Family Real Estate	Consumer	Total Loans
Loans Held for Investment as of December 31, 2015:	(in thousands)							
Recorded Investment:								
Impaired loans with an allowance recorded	$4,914	$ 376	$ 2,966	$1,695	$19	$1,970	$ -	$11,940
Impaired loans with no allowance recorded	3,672	2,247	44	1,052	294	282	-	7,591
Total loans individually evaluated for impairment	8,586	2,623	3,010	2,747	313	2,252	-	19,531

Loans collectively evaluated for impairment	169,305	176,868	74,339	10,997	10,621	16,821	123	459,074
Total loans held for investment	$177,891	$ 179,491	$ 77,349	$13,744	$10,934	$19,073	$ 123	$478,605
Unpaid Principal Balance								
Impaired loans with an allowance recorded	$4,964	$ 439	$ 2,966	$1,909	$19	$1,970	$ -	$12,267
Impaired loans with no allowance recorded	3,975	2,734	50	1,553	309	352	-	8,973
Total loans individually evaluated for impairment	8,939	3,173	3,016	3,462	328	2,322	-	21,240
Loans collectively evaluated for impairment	169,305	176,868	74,339	10,997	10,621	16,821	123	459,074
Total loans held for investment	$178,244	$ 180,041	$ 77,355	$14,459	$10,949	$19,143	$ 123	$480,314
Related Allowance for Credit Losses								
Impaired loans with an allowance recorded	$483	$ 3	$ 45	$25	$-	$17	$ -	$573
Impaired loans with no allowance recorded	-	-	-	-	-	-	-	-
Total loans individually evaluated for impairment	483	3	45	25	-	17	-	573
Loans collectively evaluated for impairment	3,042	1,850	894	426	43	86	2	6,343
Total loans held for investment	$3,525	$ 1,853	$ 939	$451	$43	$103	$ 2	$6,916

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	Manufactured Housing	Commercial Real Estate	Commercial	SBA	HELOC	Single Family Real Estate	Consumer	Total Loans
Loans Held for Investment as of December 31, 2014:	(in thousands)							
Recorded Investment:								
Impaired loans with an allowance recorded	$4,717	$ 2,783	$ 4,224	$7,707	$86	$591	$ -	$20,108
Impaired loans with no allowance recorded	2,734	831	44	122	-	90	-	3,821
Total loans individually evaluated for impairment	7,451	3,614	4,268	7,829	86	681	-	23,929
Loans collectively evaluated for impairment	162,211	155,818	45,415	13,507	13,395	14,276	178	404,800
Total loans held for investment	$169,662	$ 159,432	$ 49,683	$21,336	$13,481	$14,957	$ 178	$428,729
Unpaid Principal Balance								
Impaired loans with an allowance recorded	$5,172	$ 2,979	$ 4,914	$9,512	$91	$644	$ -	$23,312
Impaired loans with no allowance recorded	4,243	2,895	50	225	-	191	-	7,604
Total loans individually evaluated for impairment	9,415	5,874	4,964	9,737	91	835	-	30,916
Loans collectively evaluated for impairment	162,211	155,818	45,415	13,507	13,395	14,276	178	404,800
Total loans held for investment	$171,626	$ 161,692	$ 50,379	$23,244	$13,486	$15,111	$ 178	$435,716
Related Allowance for Credit Losses								
Impaired loans with an allowance recorded	$399	$ 77	$ 241	$104	$1	$32	$ -	$854
Impaired loans with no allowance recorded	-	-	-	-	-	-	-	-
Total loans individually evaluated for impairment	399	77	241	104	1	32	-	854
Loans collectively evaluated for impairment	3,633	1,382	745	962	139	160	2	7,023
Total loans held for investment	$4,032	$ 1,459	$ 986	$1,066	$140	$192	$ 2	$7,877

Included in impaired loans are $2.2 million and $7.1 million of loans guaranteed by government agencies at December 31, 2015 and 2014, respectively. A valuation allowance is established for an impaired loan when the fair value of the loan is less than the recorded investment. In certain cases, portions of impaired loans are charged-off to realizable value instead of establishing a valuation allowance and are included, when applicable in the table above as “Impaired loans without specific valuation allowance under ASC 310.” The valuation allowance disclosed above is included in the allowance for loan losses reported in the consolidated balance sheets as of December 31, 2015 and 2014.

The table below reflects recorded investment in loans classified as impaired:

	December 31, 2015	2014
	(in thousands)	
Impaired loans with a specific valuation allowance under ASC 310	$11,940	$20,108
Impaired loans without a specific valuation allowance under ASC 310	7,591	3,821
Total impaired loans	$19,531	$23,929
Valuation allowance related to impaired loans	$573	$854

The following tables summarize impaired loans by class of loans:

	December 31, 2015	2014
	(in thousands)	
Manufactured housing	$8,586	$7,451
Commercial real estate :		
Commercial real estate	875	2,320
SBA 504 1st trust deed	1,748	1,294
Land	-	-
Construction	-	-
Commercial	3,010	4,268
SBA	2,747	7,829
HELOC	313	86
Single family real estate	2,252	681
Consumer	-	-
Total	$19,531	$23,929

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The following table summarizes the average investment in impaired loans by class and the related interest income recognized:

	Year Ended December 31,					
	2015		2014		2013	
	Average Investment in Impaired Loans	Interest Income	Average Investment in Impaired Loans	Interest Income	Average Investment in Impaired Loans	Interest Income
	(in thousands)					
Manufactured housing	$7,607	$ 692	$7,915	$ 564	$9,429	$ 323
Commercial real estate:						
Commercial real estate	1,420	-	2,485	-	7,638	146
SBA 504 1st	1,485	80	1,076	63	1,128	7
Land	-	-	55	-	28	7
Construction	-	-	-	-	-	-
Commercial	2,925	-	3,377	90	3,823	179
SBA	1,089	69	1,697	97	1,506	198
HELOC	172	11	437	8	372	5
Single family real estate	1,604	81	699	3	511	11
Consumer	-	-	-	-	-	-
Total	$16,302	$ 933	$17,741	$ 825	$24,435	$ 876

The Company is not committed to lend significant additional funds on these impaired loans.

The following table reflects the recorded investment in certain types of loans at the periods indicated:

	December 31,		
	2015	2014	2013
	(in thousands)		
Nonaccrual loans	$6,956	$17,883	$23,263
SBA guaranteed portion of loans included above	$1,943	$6,856	$6,426
Troubled debt restructured loans, gross	$13,741	$9,685	$12,308
Loans 30 through 89 days past due with interest accruing	$-	$-	$161
Interest income recognized on impaired loans	$933	$825	$876
Foregone interest on nonaccrual and troubled debt restructured loans	$761	$1,276	$1,754
Allowance for loan losses to gross loans held for investment	1.44 %	1.84 %	2.98 %

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.

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The following table presents the composition of nonaccrual loans by class of loans:

	December 31, 2015	2014
	(in thousands)	
Manufactured housing	$1,615	$1,480
Commercial real estate:		
Commercial real estate	875	2,951
SBA 504 1st trust deed	1,481	1,021
Land	-	-
Construction	-	-
Commercial	44	4,269
SBA	2,346	7,467
HELOC	313	86
Single family real estate	282	609
Consumer	-	-
Total	$6,956	$17,883

Included in nonaccrual loans are $1.9 million and $6.9 million of loans guaranteed by government agencies at December 31, 2015 and 2014, respectively.

The guaranteed portion of each SBA loan is repurchased from investors when those loans become past due 120 days by either CWB or the SBA directly. After the foreclosure and collection process is complete, the principal balance of loans repurchased by CWB are reimbursed by the SBA. Although these balances do not earn interest during this period, they generally do not result in a loss of principal to CWB; therefore a repurchase reserve has not been established related to these loans.

The Company utilizes an internal asset classification system as a means of reporting problem and potential problem loans. Under the Company's risk rating system, the Company classifies problem and potential problem loans as "Special Mention," "Substandard," "Doubtful" and "Loss". For a detailed discussion on these risk classifications see "Note 1 Summary of Significant Accounting Policies – Allowance for Loan Losses and Provision for Loan Losses" of this Form 10-K. Loans that do not currently expose the Company to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses that deserve management's close attention are deemed to be Special Mention. 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. Special Mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. Risk rates are updated as part of the normal loan monitoring process, at a minimum, annually.

The following tables present gross loans by risk rating:

	December 31, 2015				
	Pass	Special Mention	Substandard	Doubtful	Total
	(in thousands)				
Manufactured housing	$173,971	$-	$ 3,920	$ -	$177,891
Commercial real estate:					
Commercial real estate	131,857	2,481	4,278	-	138,616
SBA 504 1st trust deed	23,231	583	1,748	-	25,562
Land	2,895	-	-	-	2,895
Construction	12,418	-	-	-	12,418

Commercial	66,788	6,805	3,756	-	77,349
SBA	10,733	158	547	64	11,502
HELOC	10,115	-	819	-	10,934
Single family real estate	18,678	-	395	-	19,073
Consumer	123	-	-	-	123
Total, net	$450,809	$10,027	$ 15,463	$ 64	$476,363
SBA guarantee	-	-	2,242	-	2,242
Total	$450,809	$10,027	$ 17,705	$ 64	$478,605

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	December 31, 2014				
	Pass	Special Mention	Substandard	Doubtful	Total
	(in thousands)				
Manufactured housing	$162,638	$ -	$ 7,024	$ -	$169,662
Commercial real estate:					
Commercial real estate	106,909	6,544	6,455	-	119,908
SBA 504 1st trust deed	23,038	1,085	3,174	-	27,297
Land	1,569	-	-	-	1,569
Construction	10,658	-	-	-	10,658
Commercial	46,275	158	3,250	-	49,683
SBA	12,803	173	1,891	97	14,964
HELOC	12,888	-	593	-	13,481
Single family real estate	14,105	-	852	-	14,957
Consumer	178	-	-	-	178
Total, net	$391,061	$7,960	$ 23,239	$ 97	$422,357
SBA guarantee	-	-	6,372	-	6,372
Total	$391,061	$7,960	$ 29,611	$ 97	$428,729

Troubled Debt Restructured Loan (TDR)

A TDR is a loan on which the bank, for reasons related to a borrower's financial difficulties, grants a concession to the borrower that the bank would not otherwise consider. The loan terms that have been modified or restructured due to a borrower's financial situation include, but are not limited to, a reduction in the stated interest rate, an extension of the maturity or renewal of the loan at an interest rate below current market, a reduction in the face amount of the debt, a reduction in the accrued interest, extensions, deferrals, renewals and rewrites. The majority of the bank's modifications are extensions in terms or deferral of payments which result in no lost principal or interest followed by reductions in interest rates or accrued interest. A TDR is also considered impaired. Generally, a loan that is modified at an effective market rate of interest may no longer be disclosed as a troubled debt restructuring in years subsequent to the restructuring if it is not impaired based on the terms specified by the restructuring agreement.

The following tables summarize the financial effects of TDR loans by class for the periods presented:

	For the Year Ended December 31, 2015					
	Number of Loans	Pre-Modification Recorded Investment	Post Modification Recorded Investment	Balance of Loans with Rate Reduction	Balance of Loans with Term Extension	Effect on Allowance for Loan Losses
	(dollars in thousands)					
Manufactured housing	27	$ 2,400	$ 2,390	$ 2,087	$ 2,243	$ 109
Commercial real estate	1	161	161	161	161	2
SBA	1	297	297	-	297	5
HELOC	1	54	54	54	54	-
Single family real estate	1	1,917	1,917	1,917	1,917	35
Total	31	$ 4,829	$ 4,819	$ 4,219	$ 4,672	$ 151

	For the Year Ended December 31, 2014					
	Number	Pre-Modification	Post Modification	Balance of	Balance of	Effect on

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Loans with Rate Reduction	Loans with Term Extension	Allowance for Loan Losses
	(dollars in thousands)					
Manufactured housing	5	$ 272	$ 272	$ 272	$ 272	$ 10
Total	5	$ 272	$ 272	$ 272	$ 272	$ 10

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The average rate concession was 83 basis points and 70 basis points for the twelve months ended December 31, 2015 and 2014, respectively. The average term extension in months was 154 and 180 for the twelve months ended December 31, 2015 and 2014, respectively.

The following table presents TDR's by class for which there was a payment default during the period:

	Year Ended December 31, 2015			2014		
	Number of Loans	Recorded Investment	Effect on Allowance for Loan Losses	Number of Loans	Recorded Investment	Effect on Allowance for Loan Losses
	(dollars in thousands)					
Manufactured housing	-	$ -	$ -	1	$ 18	$ 1
Total	-	$ -	$ -	1	$ 18	$ 1

A TDR loan is deemed to have a payment default when the borrower fails to make two consecutive payments or the collateral is transferred to repossessed assets.

At December 31, 2015, there were no material loan commitments outstanding on TDR loans.

Related Parties

Principal stockholders, directors, and executive officers of the Company, together with companies they control and family members, are considered to be related parties. In the ordinary course of business, the Company has extended credit to these related parties. 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 creditworthiness.

The following table summarizes the aggregate activity in such loans:

	Year Ended December 31,	
	2015	2014
	(in thousands)	
Balance, beginning	$4,479	$4,816
New loans	225	434
Repayments and other	(410)	(771)
Balance, ending	$4,294	$4,479

None of these loans are past due, on nonaccrual status or have been restructured to provide a reduction or deferral of interest or principal because of deterioration in the financial position of the borrower. There were no loans to a related party that were considered classified loans at December 31, 2015 or 2014.

Unfunded loan commitments outstanding with related parties total approximately $0.6 million at December 31, 2015 and 2014, respectively.

5. PREMISES AND EQUIPMENT

	Year Ended December 31,	
	2015	2014
	(in thousands)	
Bank premises and land	$1,353	$1,411
Furniture, fixtures and equipment	8,805	8,748
Leasehold improvements	2,454	2,602
Construction in progress	6	150
	12,618	12,911
Accumulated depreciation	(9,625)	(9,858)
Premises and equipment, net	$2,993	$3,053

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Lease Obligations

The Company leases certain premises under non-cancelable operating leases expiring through 2020. The following is a schedule of future minimum rental payments under these leases at December 31, 2015:

	(in thousands)
2016	$ 907
2017	361
2018	121
2019	121
2020	71
Thereafter	-
	$ 1,581

The Company leases the majority of its office locations and many of these leases contain multiple renewal options and provisions for increased rents. Total rent expense of $0.9 million, $0.8 million and $0.9 million is included in occupancy expenses for the years ended December 31, 2015, 2014 and 2013, respectively. Total depreciation expense of $0.4 million, $0.3 million, and $0.3 million is included in occupancy expenses for the each of the years ended December 31, 2015, 2014 and 2013, respectively.

6. OTHER ASSETS ACQUIRED THROUGH FORECLOSURE

The following table summarizes the changes in other assets acquired through foreclosure:

	December 31,		
	2015	2014	2013
	(in thousands)		
Balance, beginning of period	$137	$3,811	$1,889
Additions	609	1,879	6,084
Proceeds from dispositions	(538)	(5,988)	(3,774)
Gains (losses) on sales, net	(10)	435	(388)
Balance, end of period	$198	$137	$3,811

7. INCOME TAXES

The provision for income taxes consisted of the following:

	December 31,		
	2015	2014	2013
Current:	(in thousands)		
Federal	$1,569	$2,880	$1,430
State	590	832	-
	2,159	3,712	1,430
Deferred:			
Federal	4	754	453
State	(25)	468	670
	(21)	1,222	1,123
Decrease in deferred tax asset valuation allowance	-	-	(5,365)
Total provision (benefit) for income taxes	$2,138	$4,934	$(2,812)

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The reconciliation between the statutory income tax rate and the Company's effective tax rate follows:

	December 31,		
	2015	2014	2013
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	1.5	-	-
Benefit related to deferred tax asset valuation allowance	-	-	(86.7)
Total provision (benefit) for income taxes	42.7%	41.2%	(45.5)%

The cumulative tax effects of the primary temporary differences are as shown in the following table:

	December 31,	
	2015	2014
Deferred Tax Assets:	(in thousands)	
Allowance for loan losses	$2,835	$3,149
Unrealized loss on AFS securities	48	-
Other	1,333	867
Total gross deferred tax assets	4,216	4,016
Deferred tax asset valuation allowance	-	-
Total deferred tax assets	4,216	4,016
Deferred Tax Liabilities:		
Deferred state taxes	(295)	(288)
Depreciation	(249)	(167)
Unrealized gain on AFS securities	-	(22)
Other	(320)	(272)
Total deferred tax liabilities	(864)	(749)
Net deferred tax asset	$3,352	$3,267

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and their respective tax basis including operating losses and tax credit carryforwards. Net deferred tax assets are reported in the consolidated balance sheet as a component of total assets.

Accounting standards Codification Topic 740, Income Taxes, requires that companies assess whether a valuation allowance should be established against their deferred tax assets based on the consideration of all available evidence using a more likely than not standard. The determination of whether a valuation allowance for deferred tax assets is appropriate is subject to considerable judgment and requires an evaluation of all positive and negative evidence with more weight given to evidence that can be objectively verified. Each period, management considers both positive and negative evidence and analyzes changes in near-term market conditions as well as other factors which may impact future operating results.

The Company evaluated the need for a valuation allowance at December 31, 2015. Based on the assessment of all the positive and negative evidence, management concluded that it is more likely than not that all of the $3.4 million net deferred tax asset will be realized based upon future taxable income. The positive evidence considered by management in arriving at the conclusion that a valuation allowance is not necessary included more than six consecutive profitable quarters, the Company is not in a three-year cumulative loss position, the Company's strong pre-crisis earnings history and growth in pre-tax earnings and significant improvement in credit measures, which improve both the sustainability of profitability and management's ability to forecast future credit losses. All these factors were given the appropriate weighting in our analysis and management concluded that such positive evidence was sufficient to overcome the weight of negative evidence related to operating losses in prior years. There was no valuation allowance on deferred tax assets at December 31, 2014. The Company's deferred tax asset was $3.3 million.

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 undergoes a process to evaluate whether income tax accruals are in accordance with ASC 740 guidance on uncertain tax positions. It is the Company's policy to include interest and penalties related to uncertain tax positions in income tax expense. The Company had no uncertain tax positions at December 31, 2015.

The Company is subject to income taxation in the United States and certain state jurisdictions. The Company's federal and state income tax returns are filed on a consolidated basis. The Company is generally open to examination by tax authorities for the years 2011 and later. Although the Company is unable to determine the outcome under examination, it has evaluated whether there are any uncertain tax positions in accordance with ASC 740-10 and concluded that there are no significant uncertain tax positions requiring recognition in the financial statements.

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8. DEPOSITS

The table below summarizes deposits by type:

	December 31, 2015	2014
	(in thousands)	
Non-interest bearing demand deposits	$76,469	$57,364
Interest-bearing deposits:		
NOW accounts	19,170	18,152
Money market deposit account	231,339	257,479
Savings accounts	13,690	15,265
Time deposits of $250,000 or more	66,722	13,601
Other time deposits	136,948	115,223
Total deposits	$544,338	$477,084

Of the total deposits at December 31, 2015, $340.7 million may be immediately withdrawn. Time certificates of deposit are the only deposits which have a specified maturity.

The summary of the contractual maturities for all time deposits is as follows:

	(in thousands)
2016	$ 131,628
2017	23,875
2018	30,370
2019	14,241
2020	3,556
Thereafter	-
	$ 203,670

The Company through the bank is a member of the Certificate of Deposit Account Registry Service ("CDARS"), which provides Federal Deposit Insurance Corporation ("FDIC") insurance for large deposits. Federal banking law and regulation place restrictions on depository institutions regarding brokered deposits as they pose increased liquidity risk for institutions that gather significant amounts of brokered deposits. At December 31, 2015 and 2014, the Company had $24.3 million and $14.5 million, respectively, of reciprocal CDARS deposits.

9. OTHER BORROWINGS

The following table summarizes the Company's FHLB advances by maturity date:

	December 31, 2015		2014	
Contractual Maturity Date	Amount	Rate	Amount	Rate
	(dollars in thousands)			
September 30, 2016	$5,000	0.55%	$-	-
March 9, 2015	-	-	5,000	2.745%
May 4, 2015	-	-	5,000	2.735%
Total FHLB advances	$5,000		$10,000	
Weighted average rate		0.55%		2.74 %

The Company through the bank has a blanket lien credit line with the FHLB. FHLB advances are collateralized in the aggregate by the Company's eligible loans and securities. Total FHLB advances were $5.0 million and $10.0 million at December 31, 2015 and 2014, respectively, borrowed at fixed rates. The Company also had $90.0 million of letters of credit with FHLB at December 31, 2015 to secure public funds. At December 31, 2015, CWB had pledged to the FHLB, $30.5 million of securities and $140.0 million of loans. At December 31, 2015, the Company had $67.8 million available for additional borrowing. At December 31, 2014, the Company had pledged to the FHLB, $30.6 million of securities and $67.3 million of loans. At December 31, 2014, CWB had $106.2 million available for additional borrowing. Total FHLB interest expense for the years ended December 31, 2015, 2014 and 2013 was $0.1 million, $0.6 million and $1.0 million, respectively.

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Line of Credit – As of October 29, 2015, the Company entered into a one year revolving line of credit agreement for up to $10.0 million. At December 31, 2015, the balance was $5.5 million at a rate of 3.993%. The Company must maintain a compensating deposit with the lender of 25% of the outstanding principal balance in a non-interest bearing deposit account which was $1.4 million at December 31, 2015. In addition, the Company must maintain a minimum debt service coverage ratio of 1.65, a minimum Tier 1 leverage ratio of 7.0% and a minimum total risked based capital ratio of 10.0%. The Company incurs a quarterly unused commitment fee of 50 basis points per annum on the average available balance. The outstanding balance of the revolving line of credit converts to a term loan at maturity with quarterly payments of 5% and maturity date of October 31, 2021.

Federal Reserve Bank – The Company has established a credit line with the FRB. Advances are collateralized in the aggregate by eligible loans for up to 28 days. There were no outstanding FRB advances as of December 31, 2015 and 2014. Available borrowing capacity was $94.0 million and $88.0 million as of December 31, 2015 and 2014, respectively.

Convertible Debentures - In 2010, the Company completed an offering of $8.1 million convertible subordinated debentures. The debentures were a general unsecured obligation and were subordinated in right of payment to all present and future senior indebtedness. The debentures paid interest at 9% until conversion, redemption or maturity. Effective March 10, 2014, the Company exercised its early redemption rights and called the outstanding debentures. During 2014, $1.4 million debentures were converted to 317,550 shares of common stock and $34,000 to cash.

Federal Funds Purchased Lines – The Company has federal funds borrowing lines at correspondent banks totaling $20.0 million. There was no amount outstanding as of December 31, 2015 and 2014.

10. COMMITMENTS AND CONTINGENCIES

Unfunded Commitments and Letters of Credit

The Company is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. They involve, to varying degrees, elements of credit risk in excess of amounts recognized in the consolidated balance sheets.

Lines of credit are obligations to lend money to a borrower. Credit risk arises when the borrowers' current financial condition may indicate less ability to pay than when the commitment was originally made. In the case of standby letters of credit, the risk arises from the possibility of the failure of the customer to perform according to the terms of a contract. In such a situation, the third party might draw on the standby letter of credit to pay for completion of the contract and the Company would look to its customer to repay these funds with interest. To minimize the risk, the Company uses the same credit policies in making commitments and conditional obligations as it would for a loan to that customer.

Standby letters of credit are commitments issued by the Company to guarantee the performance of a customer to a third party in borrowing arrangements. Typically, letters of credit issued have expiration dates within one year.

A summary of the contractual amounts for unfunded commitments and letters of credit are as follows:

	Year Ended December 31,	
	2015	2014
	(in thousands)	
Commitments to extend credit	$46,855	$28,239

Standby letters of credit	64	59
Total	$46,919	$28,298

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. The Company enters into credit arrangements that generally provide for the termination of advances in the event of a covenant violation or other event of default. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. 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 party. The commitments are collateralized by the same types of assets used as loan collateral.

The Company has exposure to credit losses from unfunded commitments and letters of credit. As funds have not been disbursed on these commitments, they are not reported as loans outstanding. Credit losses related to these commitments are not included in the allowance for credit losses reported in Note 4, “Loans Held For Investment” of these Consolidated Financial Statements and are accounted for as a separate loss contingency as a liability. This loss contingency for unfunded loan commitments and letters of credit was $61,000 and $39,000 as of December 31, 2015 and 2014, respectively. Changes to this liability are adjusted through other non-interest expense.

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Concentrations of Lending Activities

The Company's lending activities are primarily driven by the customers served in the market areas where the Company has branch offices in the Central Coast of California. The Company monitors concentrations within selected categories such as geography and product. The Company makes manufactured housing, commercial, SBA, construction, commercial real estate and consumer loans to customers through branch offices located in the Company's primary markets. The Company's business is concentrated in these areas and the loan portfolio includes significant credit exposure to the manufactured housing and commercial real estate markets of these areas. As of December 31, 2015 and 2014, manufactured housing loans comprised 32.7% and 34.3%, respectively of total loans. As of December 31, 2015 and 2014, commercial real estate loans accounted for approximately 33.0% and 32.2% of total loans, respectively. Approximately 53.7% and 48.3% of these commercial real estate loans were owner occupied at December 31, 2015 and 2014, respectively. Substantially all of these loans are secured by first liens with an average loan to value ratios of 50.3% and 48.9% at December 31, 2015 and 2014, respectively. The Company was within established policy limits at December 31, 2015 and 2014.

Loan Sales and Servicing

The Company retains a certain level of risk relating to the servicing activities and retained interest in sold 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 certain 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 loan origination process or, in some cases, upon any fraud or early default on such loans.

The Company has sold loans that are guaranteed or insured by government agencies for which the Company retained 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 loans serviced for others was approximately $20.1 million and $26.0 million at December 31, 2015 and 2014, respectively.

Salary Continuation

The Company has an agreement with an executive, which provides for a monthly cash payment to the executive or beneficiaries in the event of death, disability or retirement, beginning in the month after the retirement date or death and extending for a period of fifteen years subject to vesting. The Company purchased a life insurance policy of $2.0 million as an investment. The income from the policy investment will help fund this liability.

Additionally, the Company has an agreement with a former officer which provides for $50,000 per year in monthly cash payments. The remaining contractual obligation at December 31, 2015 is three years. At December 31, 2015 and 2014, the Company had accrued salary continuation liability for both agreements of $0.3 million, respectively. The cash surrender value of the life insurance policies was $3.3 million at December 31, 2015, and is included in other assets.

Loan Litigation Settlement

On or about December 16, 2013, CWB was served with the Summons and Complaint in the action entitled Residential Funding Company, LLC v. Community West Bank, N.A., United States District Court of Minnesota, Case No.

0:13-CV-03468-JRT-JJK. The Summons was issued and Complaint filed on December 13, 2013 (the "Action"). Generally, Residential Funding Company, LLC ("RFC") sought damages for breach of contract and indemnification for certain unspecified residential mortgage loans originated by CWB and sold to RFC in accordance with an agreement. RFC alleged that some $22 million in loans were sold over the course of the agreement. RFC further alleged that CWB made certain representations and warranties with respect to the loans and that CWB failed to comply with such representations and warranties.

RFC alleged it placed the loans from CWB into residential mortgage backed securitizations trusts ("Trusts") and issued certificates in the Trusts to outside investors. The loans CWB sold to RFC were eventually included along with numerous other third party lender loans in approximately 30 different Trusts. RFC alleged that, over time, the loans defaulted or became delinquent and, from 2008 until May 14, 2012, RFC faced numerous claims and lawsuits stemming from the loans. RFC alleged that it had to file for bankruptcy protection to defend the claims. RFC alleged that CWB was responsible for the problems with the loans in the Action and that numerous other lenders were responsible in the other actions RFC has filed. RFC alleged that under its agreement with CWB, CWB agreed to indemnify RFC for losses or repurchase the loans at RFC's option. CWB denied any liability in the Action. The status of the Action has been disclosed in quarterly filings commencing with the Annual Report on Form 10-K for the year ended December 31, 2013.

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On June 8, 2015, CWB reached a settlement with RFC. The settlement resolved the Action and any further litigation between RFC and CWB concerning residential mortgage loans sold to RFC.

Under the settlement, CWB agreed to pay RFC $7.5 million and received a dismissal with prejudice in the Action.

The Action was just one of many filed by RFC against various banks still pending in courts in New York and Minnesota.

Other

The Company is involved in various other litigation matters of a routine nature that are being 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 litigation matters will not have a material impact on the Company's financial position or results of operations.

11. STOCKHOLDERS' EQUITY

Preferred Stock

The Company's Series A Preferred Stock paid cumulative dividends at a rate of 5% per year until February 15, 2014 then increased to a rate of 9% per year. 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.

In 2012, the United States Department of the Treasury sold all of the Series A Preferred Stock to third party purchasers unaffiliated with the Company. The Company did not receive any proceeds from this auction, nor were any of the terms modified in connection with the sales.

On June 4, 2013, four members of the Board of Directors purchased 1,100 shares of the Company's Series A Cumulative Perpetual Preferred stock from private investors.

In 2014, the Company redeemed 8,586 shares of the Series A Preferred Stock for $8.5 million and recognized a discount on the partial redemption of $0.2 million.

During 2015, the Company redeemed the remaining 7,014 shares of Series A Preferred Stock for $6.9 million and recognized a discount on the redemption of $0.1 million.

During the years ended December 31, 2015 and 2014, the Company recorded $0.4 million and $0.9 million, respectively of dividends and accretion of the discount on preferred stock.

Common Stock Warrant

The Warrant issued as part of the TARP provides for the purchase of up to 521,158 shares of the common stock, at an exercise price of $4.49 per share ("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. In the second quarter of 2013, the Treasury sold its warrant position to a private investor. Pursuant to the Securities Purchase Agreement, the private investor has agreed not to exercise voting power with respect to any Warrant Shares.

Common Stock

During the years ended December 31, 2015 and 2014, the Company recorded $0.9 million and $0.3 million, respectively of dividends on common stock.

During 2014 and 2013, the Company issued 316,872 and 1,864,748 shares of common stock respectively, in conjunction with debenture conversions

The Company has authorized a $3.0 million common stock repurchase program. The repurchase program is expected to be executed over no more than a two-year period. During 2015, the Company repurchased 4,000 common stock shares for an average price of $6.8738 per share under the common stock repurchase program.

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Stock Option Plans

The Company has two stock option plans available for option grants. As of December 31, 2015, 304,925 options were available for future grant.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model that uses the assumptions noted in the following table. This model requires the input of highly subjective assumptions, changes to which can materially affect the fair value estimate. The expected volatility is based on the historical volatility of the stock of the Company over the expected life of the options. The risk-free rate for the periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of the grant. The dividend rate assumption was the dividend yield at grant date. A summary of the assumptions used in calculating the fair value of option awards during the years ended December 31, 2015, 2014 and 2013 are as follows:

	December 31,		
	2015	2014	2013
Expected life in years	6.5	6.0	6.3
Risk-free interest rate	1.77%	1.80%	1.42%
Expected volatility	64.9%	73.4%	69.2%
Annual dividend rate	1.41%	- %	- %

Stock options granted in 2015 generally have a vesting period of 5 years and a contractual life of 10 years. The Company recognizes compensation cost for options ratably over the requisite service period for all awards.

A summary of option activity under the plan is presented below:

	Year Ended December 31, 2015			
	Option Shares	Weighted Average Exercise Price	Weighted Average Remaining Term	Aggregate Intrinsic Value
	(in thousands, except exercise price and contractual terms)			
Outstanding options, beginning of period	457	$ 5.61		
Granted	243	6.70		
Exercised	(7)	2.08		
Forefeited or expired	(28)	5.82		
Outstanding options, end of period	665	$ 6.03	7.4	$ 914
Options exerciseable, end of period	322	$ 5.75	6.0	$ 666
Options expected to vest, end of period	233	$ 6.08	7.1	$ 219

	Year Ended December 31, 2014			
	Option Shares	Weighted Average Exercise Price	Weighted Average Remaining Term	Aggregate Intrinsic Value
	(in thousands, except exercise price and contractual terms)			
Outstanding options, beginning of period	376	$ 5.25		
Granted	190	7.02		

Exercised	(19)	2.90		
Forefeited or expired	(90)	7.65		
Outstanding options, end of period	457	$ 5.61	7.2	$ 815
Options exerciseable, end of period	244	$ 5.77	5.9	$ 521
Options expected to vest, end of period	150	$ 4.84	6.9	$ 288

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	Year Ended December 31, 2013			
	Option Shares	Weighted Average Exercise Price	Weighted Average Remaining Term	Aggregate Intrinsic Value
	(in thousands, except exercise price and contractual terms)			
Outstanding options, beginning of period	447	$ 5.38		
Granted	21	4.91		
Exercised	(7)	3.24		
Forefeited or expired	(85)	6.07		
Outstanding options, end of period	376	$ 5.25	6.1	$ 937
Options exerciseable, end of period	241	$ 6.56	4.8	$ 443
Options expected to vest, end of period	135	$ 2.90	8.4	$ 494

As of December 31, 2015, 2014 and 2013, there was $0.7 million, $0.4 million and $0.1 million, respectively, of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Company's plan. That cost is expected to be recognized over a weighted average period of 3.8 years, 3.9 years, and 2.5 years, respectively. The total intrinsic value of options exercised during the years ended December 31, 2015, 2014 and 2013, was $34,000, $71,000, and $13,800, respectively.

The following table summarizes the change in unvested stock option shares during the year ended December 31, 2015:

	Number of Option Shares	Grant-Date Fair Value
	(in thousands, except per share data)	
Unvested options, beginning of period	213	$ 3.47
Granted	243	3.64
Vested	(103)	3.21
Forefeited	(10)	3.41
Unvested options, end of period	343	$ 3.67

12. EARNINGS PER SHARE

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

	Year Ended December 31,		
	2015	2014	2013
	(in thousands, except per share amounts)		
Net income	$2,870	$7,046	$8,986
Less: dividends and accretion on preferred stock	445	937	1,039
discount on partial redemption	(129)	(159)	-
Net income available to common stockholders	$2,554	$6,268	$7,947

Add: debenture interest expense and costs, net of income taxes	-	103	244
Net income for diluted calculation of earnings per common share	$2,554	$6,371	$8,191
Weighted average number of common shares outstanding - basic	8,203	8,141	7,017
Weighted average number of common shares outstanding - diluted	8,491	8,505	8,390
Earnings per share:			
Basic	$0.31	$0.77	$1.13
Diluted	$0.30	$0.75	$0.98

13. CAPITAL REQUIREMENTS

The Company and CWB are subject to various regulatory capital adequacy 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 business and 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 their assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The 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.

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Effective January 1, 2015, CWB was subject to the new guidelines for determining regulatory capital known as "Basel III." These capital rules among other things implement capital reforms and introduce a minimum Common Equity Tier 1 (CET1) ratio of 4.5% and a capital conservation buffer of 2.5%. Phase-in of the capital conservation buffer requirements will begin on January 1, 2016.

Effective March 31, 2015, CWBC met the requirements under the final rule changes to the Federal Reserve's Small Bank Holding Company Policy Statement for institutions with $500 million to $1 billion in total consolidated assets. Under the revised policy, CWBC is no longer subject to certain consolidated regulatory financial reporting requirements and is not subject to Basel III capital rules and reporting requirements.

Quantitative measures established by regulation to ensure capital adequacy require CWB 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 and Tier 1 common equity (as defined) to adjusted average assets (as defined).

The Company's and CWB's capital amounts and ratios as of December 31, 2015 and 2014 are presented in the table below:

	Total Capital	Tier 1 Capital	Common Equity Tier 1 Capital	Risk-Weighted Assets	Adjusted Average Assets	Total Risk-Based Capital Ratio	Tier 1 Risk-Based Capital Ratio	Common Equity Tier 1 Ratio	Tier 1 Leverage Ratio
December 31, 2015	(dollars in thousands)								
CWB	$70,199	$63,788	$63,788	$512,364	$614,331	13.70 %	12.45 %	12.45 %	10.38 %
Well-capitalized ratios						10.00 %	8.00 %	6.50 %	5.00 %
Minimum capital ratios						8.00 %	6.00 %	4.50 %	4.00 %
December 31, 2014 (Under previous requirements)									
CWBC (Consolidated)	$72,569	$66,939	N/A	$448,199	$564,630	16.19 %	14.94 %	N/A	11.86 %
CWB	$71,303	$65,673	N/A	$448,118	$564,331	15.91 %	14.66 %	N/A	11.64 %
Well-capitalized ratios						10.00 %	6.00 %	N/A	5.00 %
Minimum capital ratios						8.00 %	4.00 %	N/A	4.00 %

14. EMPLOYEE BENEFIT PLAN

The Company has a qualified 401(k) employee benefit plan for all eligible employees. Participants are able to defer up to a maximum of $18,000 (for those under 50 years of age in 2015) of their annual compensation. The Company may elect to match a discretionary amount each year, which was 3% of the participant's eligible compensation. The

Company’s total contribution was $0.2 million, for the years ended December 31, 2015, 2014 and 2013, respectively.

15. FAIR VALUE MEASUREMENT

The fair value of an asset or liability is the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction occurring in the principal market for such asset or liability. ASC 820 establishes a fair value hierarchy that prioritizes the inputs and valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (“Level 1”) and the lowest priority to unobservable inputs (“Level 3”). The three levels of the fair value hierarchy under ASC 820 and the methods and assumptions used by the Company in estimating the fair value of its financial instruments are described in “Note 1. Summary of Significant Accounting Policies – Fair Value of Financial Instruments” of these Notes to the Consolidated Financial Statements.

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The following tables summarize the fair value of assets measured on a recurring basis:

December 31, 2015	Fair Value Measurements at the End of the Reporting Period Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Assets:	(in thousands)			
Investment securities available-for-sale	$63	$ 23,378	$ -	$23,441
Interest only strips	-	-	226	226
Servicing assets	-	-	182	182
	$63	$ 23,378	$ 408	$23,849

December 31, 2014	Fair Value Measurements at the End of the Reporting Period Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Assets:	(in thousands)			
Investment securities available-for-sale	$61	$ 22,133	$ -	$22,194
Interest only strips	-	-	293	293
Servicing assets	-	-	203	203
	$61	$ 22,133	$ 496	$22,690

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, 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. I/O strip valuation adjustments are recorded as additions or offsets to loan servicing income. For additional information see Note 3 "Loan

Sales and Servicing" beginning on page 70.

Historically, the Company has elected to use the amortizing method for the treatment of servicing assets and has measured for impairment on a quarterly basis through a discounted cash flow analysis prepared by an independent third party using industry prepayment speeds. In connection with the sale of certain SBA and USDA loans the Company recorded servicing assets and elected to measure those assets at fair value in accordance with ASC 825-10. Significant assumptions in the valuation of servicing assets include estimated loan repayment rates, the discount rate, and servicing costs, among others. Servicing assets are classified as Level 3 measurements due to the use of significant unobservable inputs, as well as significant management judgment and estimation.

The Company also has assets that under certain conditions are subject to measurement at fair value on a non-recurring basis. These assets include loans held for sale, foreclosed real estate and repossessed assets and loans that are considered impaired per generally accepted accounting principles.

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The following summarizes the fair value measurements of assets measured on a non-recurring basis:

	Fair Value Measurements at the End of the Reporting Period Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Active Markets for Similar Assets (Level 2)	Unobservable Inputs (Level 3)
	(in thousands)			
As of December 31, 2015:				
Impaired loans	$4,545	$ -	$4,545	$ -
Loans held for sale	69,262	-	69,262	-
Foreclosed real estate and repossessed assets	198	-	198	-
	$74,005	$ -	$74,005	$ -
As of December 31, 2014:				
Impaired loans	$5,580	$ -	$5,580	$ -
Loans held for sale	71,475	-	71,475	-
Foreclosed real estate and repossessed assets	137	-	137	-
	$77,192	$ -	$77,192	$ -

The Company records certain loans at fair value on a non-recurring basis. When a loan is considered impaired an allowance for a loan loss is established. The fair value measurement and disclosure requirement applies to loans measured for impairment using the practical expedients method permitted by accounting guidance for impaired loans. Impaired loans are measured at an observable market price, if available or at the fair value of the loan's collateral, if the loan is collateral dependent. The fair value of the loan's collateral is determined by appraisals or independent valuation. When the fair value of the loan's collateral is based on an observable market price or current appraised value, given the current real estate markets, the appraisals may contain a wide range of values and accordingly, the Company classifies the fair value of the impaired loans as a non-recurring valuation within Level 2 of the valuation hierarchy. For loans in which impairment is determined based on the net present value of cash flows, the Company classifies these as a non-recurring valuation within Level 3 of the valuation hierarchy.

Loans held for sale are carried at the lower of cost or fair value. The fair value of loans held for sale is based on what secondary markets are currently offering for portfolios with similar characteristics or based on the agreed-upon sale price. As such, the Company classifies the fair value of loans held for sale as a non-recurring valuation within Level 2 of the fair value hierarchy. At December 31, 2015 and 2014, the Company had loans held for sale with an aggregate carrying value of $64.5 million and $66.8 million respectively.

Foreclosed real estate and repossessed assets are carried at the lower of book value or fair value less estimated costs to sell. Fair value is based upon independent market prices obtained from certified appraisers or the current listing price, if lower. When the fair value of the collateral is based on a current appraised value, the Company reports the fair value of the foreclosed collateral as non-recurring Level 2. When a current appraised value is not available or if management determines the fair value of the collateral is further impaired, the Company reports the foreclosed collateral as non-recurring Level 3.

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 estimated fair value of the Company's financial instruments are as follows:

	December 31, 2015				
	Carrying	Fair Value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets:	(in thousands)				
Cash and cash equivalents	$35,519	$35,519	$-	$-	$35,519
Interest-bearing deposits in other financial institutions	99	99	-	-	99
FRB and FHLB stock	3,259	-	3,259	-	3,259
Investment securities	30,466	63	30,777	-	30,840
Loans, net	536,546	-	527,988	13,679	541,667
Financial liabilities:					
Deposits	544,338	-	544,350	-	544,350
Other borrowings	10,500	-	10,489	-	10,489

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	December 31, 2014				
	Carrying	Fair Value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets:	(in thousands)				
Cash and cash equivalents	$18,959	$18,959	$-	$-	$18,959
Interest-bearing deposits in other financial institutions	99	99	-	-	99
FRB and FHLB stock	3,089	-	3,089	-	3,089
Investment securities	30,641	61	31,027	-	31,088
Loans, net	487,256	-	490,193	10,405	500,598
Financial liabilities:					
Deposits	477,084	-	477,204	-	477,204
Other borrowings	10,000	-	10,070	-	10,070

Interest rate risk

The Company assumes interest rate risk (the risk to the Company's earnings and capital from changes in interest rate levels) as a result of its normal operations. As a result, the fair values of the Company's financial instruments as well as its future net interest income will change when interest rate levels change and that change may be either favorable or unfavorable to the Company.

Interest rate risk exposure is measured using interest rate sensitivity analysis to determine our change in net portfolio value and net interest income resulting from hypothetical changes in interest rates. If potential changes to net portfolio value and net interest income resulting from hypothetical interest rate changes are not within the limits established by the Board of Directors, the Board of Directors may direct management to adjust the asset and liability mix to bring interest rate risk within board-approved limits. As of December 31, 2015, the Company's interest rate risk profile was within Board-approved limits.

The Company's subsidiary bank has an Asset and Liability Management Committee charged with managing interest rate risk within Board approved limits. Such limits are structured to prohibit an interest rate risk profile that is significantly asset or liability sensitive.

Fair value of commitments

The estimated fair value of standby letters of credit outstanding at December 31, 2015 and 2014 was insignificant. Loan commitments on which the committed interest rates were less than the current market rate are also insignificant at December 31, 2015 and 2014.

16. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table summarizes the changes in other comprehensive income by component, net of tax for the period indicated:

	Year Ended December 31,		
	2015	2014	2013
	Unrealized holding gains (losses) on AFS		
	(in thousands)		
Beginning balance	$31	$(274)	$35

Other comprehensive income (loss) before reclassifications	(99)	305	(309)
Amounts reclassified from accumulated other comprehensive income	-	-	-
Net current-period other comprehensive income	(99)	305	(309)
Ending Balance	$(68)	$31	$(274)

There were no reclassifications out of accumulated other comprehensive income for the years ended December 31, 2015, 2014 and 2013.

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17. PARENT COMPANY FINANCIAL INFORMATION

The condensed financial statements of the holding company are presented in the following tables:

COMMUNITY WEST BANCSHARES
Condensed Balance Sheets

	December 31, 2015	2014
	(in thousands)	
Assets:		
Cash and cash equivalents (including interest-bearing deposits in other financial institutions)	$3,461	$1,122
Investment in subsidiary	63,914	65,710
Other assets	181	222
Total assets	$67,556	$67,054
Liabilities and Stockholders' Equity:		
Other borrowings	$5,500	$-
Other liabilities	44	78
Total liabilities	5,544	78
Preferred stock	-	7,014
Common stock	42,355	41,957
Retained earnings	19,657	18,005
Total stockholders' equity	62,012	66,976
Total liabilities and stockholders' equity	$67,556	$67,054

COMMUNITY WEST BANCSHARES
Condensed Income Statements

	December 31, 2015	2014	2013
	(in thousands)		
Interest income	$3	$8	$5
Interest expense	44	30	442
Net interest expense	(41)	(22)	(437)
Income from consolidated subsidiary	3,335	7,446	9,567
Other income	-	-	71
Total income	3,294	7,424	9,201
Total non-interest expenses	571	599	215
Income before income tax benefit	2,723	6,825	8,986
Income tax benefit	(147)	(221)	-
Net income	2,870	7,046	8,986
Preferred stock dividends and accretion on preferred stock	445	937	1,039
Discount on partial redemption of preferred stock	(129)	(159)	-
Net income available to common stockholders'	$2,554	$6,268	$7,947

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COMMUNITY WEST BANCSHARES
Condensed Statements of Cash Flows

	December 31, 2015	2014	2013
	(in thousands)		
Cash Flows from Operating Activities:			
Net income	$2,870	$7,046	$8,986
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Equity in undistributed income from subsidiary	(3,335)	(7,446)	(9,567)
Stock-based compensation	412	308	59
Changes in:			
Other assets	41	(68)	23
Other liabilities	45	(4)	(2)
Net cash used in operating activities	33	(164)	(501)
Cash Flows from Investing Activities:			
Net dividends from and investment in subsidiary	5,131	9,184	-
Net cash provided by (used in) investing activities	5,131	9,184	-
Cash Flows from Financing Activities:			
Proceeds from other borrowings	5,500	-	-
Redemption of convertible debentures	-	(34)	-
Preferred stock dividends paid	(524)	(2,390)	-
Redemption of preferred stock	(6,885)	(8,427)	-
Common stock dividends paid	(902)	(328)	-
Common stock repurchase	(28)	-	-
Proceeds from issuance of common stock	14	54	24
Net cash (used in) provided by financing activities	(2,825)	(11,125)	24
Net decrease in cash and cash equivalents	2,339	(2,105)	(477)
Cash and cash equivalents at beginning of year	1,122	3,227	3,704
Cash and cash equivalents at end of year	$3,461	$1,122	$3,227

18. QUARTERLY FINANCIAL DATA (UNAUDITED)

	December 31, 2015				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(in thousands, except per share amounts)				
Interest income	$7,017	$7,695	$7,375	$8,135	$30,222
Interest expense	666	584	593	673	2,516
Net interest income	6,351	7,111	6,782	7,462	27,706
Provision for loan losses	(968)	(584)	(445)	(277)	(2,274)
Net interest income after provision for loan losses	7,319	7,695	7,227	7,739	29,980
Non-interest income	480	737	554	538	2,309
Non-interest expenses	4,771	12,381	5,038	5,091	27,281
Income before income taxes	3,028	(3,949)	2,743	3,186	5,008
Provision for income taxes	1,258	(1,607)	1,152	1,335	2,138
Net income	1,770	(2,342)	1,591	1,851	2,870
Dividends and accretion on preferred stock	140	136	125	44	445

Discount on partial redemption of preferred stock	(19)	(110)	-	-	(129)
Net income available to common stockholders	$1,649	$(2,368)	$1,466	$1,807	$2,554
Earnings per share:					
Income per common share - basic	$0.20	$(0.29)	$0.18	$0.22	$0.31
Income per common share - diluted	$0.19	$(0.29)	$0.17	$0.21	$0.30

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	December 31, 2014				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(in thousands, except per share amounts)				
Interest income	$6,961	$7,122	$6,903	$7,018	$28,004
Interest expense	879	849	835	712	3,275
Net interest income	6,082	6,273	6,068	6,306	24,729
Provision for loan losses	(1,371)	(1,011)	(1,178)	(1,575)	(5,135)
Net interest income after provision for loan losses	7,453	7,284	7,246	7,881	29,864
Non-interest income	518	656	552	471	2,197
Non-interest expenses	5,525	5,031	4,879	4,646	20,081
Income before income taxes	2,446	2,909	2,919	3,706	11,980
Provision (benefit) for income taxes	1,004	1,203	1,207	1,520	4,934
Net income	1,442	1,706	1,712	2,186	7,046
Dividends and accretion on preferred stock	273	329	176	159	937
Net income available to common stockholders	-	(144)	-	(15)	(159)
Earnings per share:	$1,169	$1,521	$1,536	$2,042	$6,268
Income per common share - basic					
Income per common share - diluted	$0.15	$0.19	$0.19	$0.25	$0.77
	$0.15	$0.18	$0.18	$0.24	$0.75

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's management, the Chief Executive Officer and the Chief Financial Officer evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2015. Based on and as of the time of such evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective in timely alerting them to material information relating to the Company (including its consolidated subsidiary) required to be included in the Company's reports that it files with or submits to the Securities and Exchange Commission under the Securities Exchange Act of 1934.

Report on Management's Assessment of Internal Control over Financial Reporting

The management of Community West Bancshares is responsible for establishing and maintaining an adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of Community West Bancshares' internal control over financial reporting as of December 31, 2015. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in Internal Control — Integrated Framework (2013 framework). Management concluded that based on its assessment, Community West Bancshares internal control over financial reporting was effective as of December 31, 2015.

Changes in Internal Control Over Financial Reporting

Management of Community West Bancshares has also evaluated, with the participation of the Company's Chief Executive Officer and the Chief Financial Officer, whether there were any changes in the Company's internal control over financial reporting that occurred during the fourth quarter ended December 31, 2015. Based upon this evaluation, Management of Community West Bancshares has determined that there were no changes in the Company's internal control over financial reporting that occurred during the Company's fourth quarter ended December 31, 2015, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Commission that permit the Company to provide only the management's report in this annual report.

ITEM 9B. OTHER INFORMATION

Not applicable.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 401 of Regulation S-K concerning the directors and executive officers of the Company is incorporated herein by reference from the section entitled "Proposal 1 – Election of Directors" contained in the definitive proxy statement ("Proxy Statement") of the Company to be filed pursuant to Regulation 14A within 120 days after the end of the Company's last fiscal year.

The information required by Item 405 of Regulation S-K is incorporated herein by reference from the section entitled “Section 16(a) Beneficial Ownership Reporting Compliance” contained in the Proxy Statement.

The information required by Items 407(c)(3), (d)(4) and (d)(5) of Regulation S-K is incorporated herein by reference from the section entitled “Certain Information Regarding the Board of Directors” contained in the Proxy Statement.

The Company has adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller and persons performing similar functions. A copy of the code of ethics is available on the Company’s website at www.communitywest.com.

ITEM 11. EXECUTIVE COMPENSATION

Information required by Item 402 of Regulation S-K concerning executive compensation is incorporated herein by reference from the section entitled “Executive Compensation” contained in the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

Information required by Item 403 of Regulation S-K concerning security ownership of certain beneficial owners and management is incorporated herein by reference from the section entitled "Security Ownership of Certain Beneficial Owners, Directors and Executive Officers" contained in the Proxy Statement.
Information required by Item 201(d) of Regulation S-K is contained under “Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities - Securities Authorized for Issuance Under Equity Compensation Plans” herein.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information required by Item 404 of Regulation S-K concerning certain relationships and related transactions is incorporated herein by reference from the section entitled "Executive Compensation – Certain Relationships and Related Transactions" contained in the Proxy Statement.

Information required by Item 407(a) of Regulation S-K concerning director independence is incorporated herein by reference from the section entitled “Proposal 1 – Election of Directors – Directors and Executive Officers” contained in the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information concerning principal accountant fees and services is incorporated herein by reference from the section entitled “Proposal 2- Ratification of the Company's Independent Auditors” contained in the Proxy Statement.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) The following financial statements are incorporated by reference from Item 8 hereto:

(2) Financial Statement Schedules

Financial statement schedules other than those listed above have been omitted because they are either not applicable or the information is otherwise included.

EXHIBITS

(3) Exhibits. The following is a list of exhibits filed as a part of this Annual Report.

3.1	Articles of Incorporation (3)
3.2	Amended and Restated Articles of Incorporation (8)
3.3	Second Amended and Restated Articles of Incorporation (11)
3.4	Bylaws (3)
3.5	Certificate of Amendment of Bylaws (8)
3.6	Certificate of Determination of Fixed Rate Cumulative Perpetual Preferred Stock, Series A (8)
4.1	Common Stock Certificate (2)
4.2	Warrant to Purchase 521,158 shares of Common Stock, dated December 19, 2008, issued to the United States Department of the Treasury (9)
4.3	Form of Debenture (10)

4.4	Form of Subscription Certificate (10)
10.1*	1997 Stock Option Plan and Form of Stock Option Agreement (1)
10.3*	Salary Continuation Agreement between Goleta National Bank and Llewellyn Stone, President and CEO (3)
10.17	Indemnification Agreement between the Company and Charles G. Baltuskonis, dated March 18, 2003 (4)
10.21	Assistant Secretary's Certificate of Adoption of Amendment No. 1 to Community West Bancshares 1997 Stock Option Plan (5)
10.22*	Community West Bancshares 2006 Stock Option Plan (6)
10.23*	Community West Bancshares 2006 Stock Option Plan form of Stock Option Agreement (6)

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10.25*	Employment and Confidentiality Agreement date July 1, 2007 among Community West Bank, Community West Bancshares and Charles G. Baltuskonis (7)
10.28	Letter Agreement, dated December 19, 2008, between Community West Bancshares and the United States Department of the Treasury, and the Securities Purchase Agreement - Standard Terms attached thereto and incorporated therein (9)
10.29	Letter Agreement, dated December 19, 2008, between Community West Bancshares and the United States Department of the Treasury regarding the Number of Director Positions (9)
10.31*	Agreement, dated December 19, 2008, between Community West Bancshares and Charles Baltuskonis regarding modifications to Benefit Plans (9)
10.34	Waiver of Charles Baltuskonis, dated December 19, 2008, waiving claims against Community West Bancshares and the United States Department of the Treasury as a result of modifications to Benefit Plans (9)
10.36*	Employment and Confidentiality Agreement, dated November 2, 2011, by and among Community West Bank, Community West Bancshares and Martin E. Plourd (12)
10.37*	Employment and Confidentiality Agreement, dated July 31, 2014, among Community West Bank, Community West Bancshares and Kristine Price. (13)
10.38*	Salary Continuation Agreement, dated January 28, 2014, between Community West Bank and Martin E. Plourd. (14)
10.39*	Community West Bancshares 2014 Stock Option Plan and Form of Stock Option Agreement (15)
10.40*	Employment and Confidentiality Agreement dated December 1, 2014, among Community West Bank, Community West Bancshares and Charles Kohl (16)
10.41*	Employment and Confidentiality Agreement, dated June 1, 2015, among Community West Bank, Community West Bancshares and William F. Filippin. (17)
10.42	Promissory Note, dated October 29, 2015, between Community West Bancshares and Grandpoint Bank. (17)
21	Subsidiaries of the Registrant (6)
23.1	Consent of Ernst & Young LLP **
23.2	Consent of RSM US LLP**
31.1	Certification of the Chief Executive Officer **
31.2	Certification of the Chief Financial Officer **
32.1	Certification pursuant to 18 U.S.C. Section 1350 **
101.INS	XBRL Taxonomy Instance Document***
101.SCH	XBRL Taxonomy Schema Document***

101.CAL XBRL Taxonomy Calculation Linkbase Document***
101.DEF XBRL Taxonomy Definition Linkbase Document***
101.LAB XBRL Taxonomy Label Linkbase Document***
101.PRE XBRL Taxonomy Presentation Linkbase Document***

(1) Incorporated by reference from the Registrant's Registration Statement on Form S-8 filed with the Commission on December 31, 1997.

(2) Incorporated by reference from the Registrant's Amendment to Registration Statement on Form 8-A filed with the Commission on March 12, 1998.

(3) Incorporated by reference from the Registrant's Annual Report on Form 10-K filed with the Commission on March 26, 1998.

(4) Incorporated by reference from the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2002 filed with the Commission on March 31, 2003.

(5) Incorporated by reference from the Registrant’s Registration Statement on Form S-8 (File No 333-129898) filed with the Commission on November 22, 2005.

(6) Incorporated by reference from Registrant’s Annual Report on Form 10-K for the year ended December 31, 2006 filed with the Commission on March 26, 2007.

(7) Incorporated by reference from the Registrant’s Form 8-K filed with the Commission on July 2, 2007

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(8) Incorporated by reference from the Registrant’s Form 8-K filed with the Commission on December 18, 2008

(9) Incorporated by reference from the Registrant’s Form 8-K filed with the Commission on December 24, 2008

(10) Incorporated by reference from the Registrant's Amendment No. 2 to Registration Statement on Form S-1 filed with the Commission on April 30, 2010.

(11) Incorporated by reference from the Registrant's Form 8-K filed with the Commission on June 6, 2011.

(12) Incorporated by reference from the Registrant's Form 8-K filed with the Commission on November 3, 2011.

(13) Incorporated by reference from Registrant’s Form 10-Q for the quarter and nine months ended September 30, 2014 filed with the Commission on November 7, 2014.

(14) Incorporated by reference from the Registrant’s Form 8-K filed with the Commission on January 29, 2014.

(15) Incorporated by reference from Registrant’s Statement on Form S-8 (File No 333-201281) filed with the Commission on December 29, 2014,

(16) Incorporated by reference from the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2014 filed with the Commission on March 6, 2015.

(17) Incorporated by reference from the Registrant’s Form 10-Q for the quarter and nine months ended September 30, 2015 filed with the Commission on November 6, 2015.

* Indicates a management contract or compensatory plan or arrangement.

** Filed herewith.

*** Furnished herewith.

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SIGNATURES

Pursuant to the requirements of Section 13 of 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMMUNITY WEST
BANCSHARES
(Registrant)

Date: March 4, 2016 By: /s/ William R. Peeples
William R. Peeples
Chairman of the Board

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ William R. Peeples William R. Peeples	Director and Chairman of the Board	March 4, 2016
/s/ Martin E. Plourd Martin E. Plourd	President and Chief Executive Officer and Director (Principal Executive Officer)	March 4, 2016
/s/ Charles G. Baltuskonis Charles G. Baltuskonis	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 4 2016
/s/ Robert H. Bartlein Robert H. Bartlein	Director	March 4, 2016
/s/ Jean W. Blois Jean W. Blois	Director	March 4, 2016
/s/ John D. Illgen John D. Illgen	Director and Secretary of the Board	March 4, 2016
/s/ James W. Lokey James W. Lokey	Director	March 4, 2016
/s/ Eric Onnen Eric Onnen	Director	March 4, 2016
/s/ Shereef Moharram Shereef Moharram	Director	March 4, 2016
James R. Sims Jr. James R. Sims Jr.	Director	March 4, 2016
/s/ Kirk B. Stovesand	Director	March 4, 2016

Kirk B. Stovesand

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