Community West Bancshares

Celebrating 15 Years

Annual Report

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In Memoriam

On January 22, 2004, Board Chairman and Bank founder Michael Alexander *passed away, leaving a rich legacy of extraordinary service to the community, a continuing dedication to the entrepreneurial spirit, a flawless example of ethics and honesty and 15 years of faithful allegiance to our Company.*

His service to the Santa Barbara/Goleta community is legendary. Honored in 2003 as Goleta's "Man of the Year" for his work as past president of the St. Barbara Greek Orthodox Church parish council and as president of Trinity Children and Family Services, he also served on numerous non-profit boards and committees, exemplifying the spirit of giving.

A self-proclaimed entrepreneur, Michael successfully mentored start-up companies and was a founding member and chairman of the board of Incubators 2000. His entrepreneurial approach was key to many strategic initiatives successfully executed by Goleta National Bank.

One of Michael's mantras was "Service, service, service; if we don't have the best service, we have nothing." That strong focus on service has resulted in a loyal and appreciative customer base for the Bank. In 2004, the Bank will honor employees with the first annual Michael Alexander Extraordinary Service Awards in recognition of Michael's remarkable legacy.

TO OUR SHAREHOLDERS

Without question, 2003 was a pivotal year for our Company as we concluded the year with our sixth consecutive quarter of profitability and the fulfillment of virtually all the goals outlined to you, our shareholders, at last year's Annual Meeting. The Company's improved performance can be attributed to our renewed focus on core competencies, continued attention to cost controls and our diligent application of tightened credit underwriting standards.

Much was accomplished during 2003 through the collective efforts of our dedicated staff and Board. The most significant accomplishments were:

- **A return to consistent profitability**
- **A decrease in provision for loan losses from $4,899,000 to $1,669,000**
- **A decrease in non-interest expenses from $24,931,000 to $16,736,000**
- **Expansion of capabilities for delivering our SBA products and volume of $82 million**
- **Another productive volume year for our Retail ($244 million) and Wholesale ($79 million) Mortgage Division**
- **A net increase of $21 million in loans in the Relationship Bank (primarily commercial real estate)**
- **The release of the Consent Order with the OCC**
- **An increase in December 31 stock price from $4.69 to $9.00**

This year, the Company's banking subsidiary, Goleta National Bank, celebrates its 15th year in business. As we look forward into 2004 and beyond, we remain focused and positive. The foundation of our strategic objectives is the controlled growth and expansion of the Relationship Bank and the SBA and Mortgage Divisions. The delivery of extraordinary service and competitive banking products will be our enduring theme. We recognize that the accomplishments of our goals will be a total team effort. With the many changes taking place throughout our industry, it still remains true that people make the difference.

Though it was a successful and gratifying year, we would be the first to acknowledge that there is still much work to do to further enhance the performance and value of our Company, and we remain optimistic about the Company's future prospects.

Many thanks to you, our shareholders, for supporting the Company and investing in Community West Bancshares.

APPRECIATIVELY,

WILLIAM R. PEEPLES
Acting Chairman of the Board

LYNDA J. NAHRA
President & Chief Executive Officer

Relationship *Banking*

We continue to investigate products and services with which we can attain a competitive advantage over others in the financial services industry

RELATIONSHIP BANKING IS CONDUCTED AT THE COMMUNITY LEVEL THROUGH BRANCHES IN GOLETA AND VENTURA AND A LOAN PRODUCTION OFFICE IN SANTA MARIA.

The primary customers are small and mid-sized businesses in these communities and their owners and managers. Our basic goal is to provide the highest quality service and the most diverse products to meet the varying needs of this highly sought-after customer base.

We offer a range of commercial and retail financial services, including the acceptance of demand, savings and time deposits, and the origination of commercial, accounts receivable, real estate, construction, home improvement, and other installment and term loans. Our customers are also provided with the choice of a range of cash management services, remittance banking, merchant credit card processing, courier service, and online banking. Through strategic alliances, our customers have access to trust services and equipment leasing programs and international banking services.

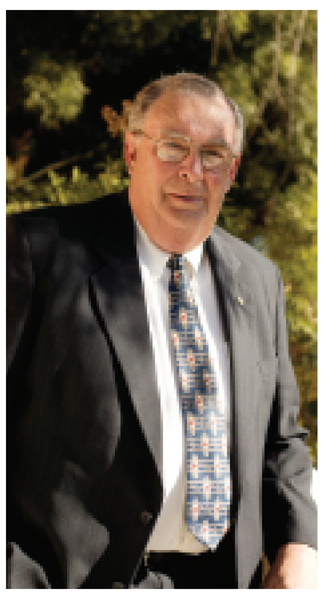
In addition to the traditional financial service offered, Goleta National Bank offers internet banking, automated clearinghouse origination, electronic data interchange, draft preparation and processing and check imaging. Not only do these services generate significant fee income, but they also attract companies with large deposit balances.

One of the key strengths of the Relationship Bank and the fundamental difference that makes us stand out from our competitors is our depth of experience in our commercial lending/business

Pictured: (at right) Andy Clark, Keri Canady, Dave Dickinson—Goleta Branch; (below) George Tabata and Tricia Ahern—Ventura; (lower right) Joe Sheaff—Santa Maria

developers. These individuals develop business structure and underwrite credit and manage the relationship. For the most part, our competitors have a centralized lending function where developing business, underwriting credit and managing the relationship is split up between three or more individuals.

The financial services industry as a whole offers a broad range of products and services. Few companies today can effectively offer all of them. Accordingly, we continue to investigate products and services with which we can attain a competitive advantage over others in the financial services industry.



As part of our Strategic Plan to further develop our core banking business, we will evaluate and possibly implement other products and services to address the needs of our customers and enhance the Bank's profitability. The Company will also continue to analyze our local markets for potential expansion opportunities.

Mortgage *Banking*

When the requirements of our customers evolve, we can readily meet their financial needs with one of our other products

The Bank has been originating first and second mortgages since 1994. We currently originate home mortgages primarily in the California counties of Santa Barbara, Ventura and San Luis Obispo.

The Bank offers real estate loans to the community through a staff of retail loan officers located in production offices in Goleta, Santa Maria, and Ventura. The Bank can offer the public a wide variety of competitive products through the Bank's relationship as a primary lender of loan brokers with over 50 national lenders in the secondary mortgage market. These relationships allow the Bank to offer many more programs than would normally be offered by any single lender and allow the Bank to match the borrower(s) with the program(s) most suited to their needs.

Pictured above: Bernie Merry and Jim Gray—Mortgage Banking

A key benefit for providing these loans on a local level is the relationships formed with local borrowers which become the basis for future loans and referrals. Many times a single family residential loan is the borrower's first contact with the Bank. When the requirements of our customers evolve, we can readily meet their financial needs with one of our other products. By originating or brokering the borrower's loan, the Bank receives income through origination fees, processing fees and gains through the sale of closed loans in the secondary market.

Our manufactured housing loans, also originated by the Mortgage Division, continue to be a source of pride as it provides funding for an affordable housing alternative in high-cost areas such as Santa Barbara, Ventura and San Luis Obispo counties.

Small Business Administration
Lending

The government guarantee makes these loans attractive investments and they command high premiums in the secondary market

GOLETA NATIONAL BANK HAS BEEN OFFERING SMALL BUSINESS ADMINISTRATION (SBA) LOANS SINCE 1991. *Along with Relationship Banking and Mortgage, this is one of the Bank's core products. Goleta National Bank offers SBA loans through the 7(a) program and 504 program. These loans can be variable or fixed rate secured loans made to the owners of small businesses. These 7(a) loans differ from commercial loans in that the government guarantees 75%-85% of the loan. In exchange for this guarantee, the government sets the eligibility requirements. The 504 program is an economic development financing program providing long-term, low down payment loans to healthy and expanding businesses. Typically, the 504 product includes a loan secured from a private sector lender with a senior lien, a loan secured from a Certified Development Company and 10% down from the borrower.*

GNB has achieved the distinction of Preferred Lender status in 13 SBA districts. The government designates institutions as "Preferred Lenders" based on quality of staff and portfolio. These lenders perform their own underwriting and therefore originate loans more rapidly and with more decision authority than a non-preferred lender. The Bank currently originates SBA loans in California, Alabama, Colorado, Florida, Georgia, North Carolina, Oregon, South Carolina, Tennessee and Washington. Because of the Bank's preferred lender status in so many states and districts, the Bank has achieved a competitive advantage in its products. The Bank has been able to increase the volume of loans originated by offering loans to a large market and processing efficiently.

After origination and funding, the 7(a) loans are typically held by the Bank for a 1-to-12 month period, after which the guaranteed portions are sold for a combination of cash premium and servicing rights. The Bank sells unguaranteed portions to investors and retains a minimum of 5% of the loan. The Bank continues to service these loans for the investor. The government guarantee makes these loan attractive investments and they command high premiums in the secondary market. These sales result in significant income to the Bank, both at the time of sale as well as through the servicing income over the life of the loan. The Bank also receives interest income and fees on these loans.

In late 2002, a decision was made to begin to build a portfolio of the guaranteed portion of SBA 7(a) loans. In 2004, the decision to sell or hold will be made on a quarterly basis based on various considerations including, but not limited to, current economic conditions (premiums being paid) and the future value of the earning assets. Periodically, the Bank sells pools of the unguaranteed portions of the SBA 7(a) loans.

The Bank also sells conventional first trust deed loans associated with the 504 product for a cash premium.

The SBA department also offers Business & Industry (B&I) loans. These loans are similar to the SBA product, except that they are guaranteed by the U.S. Department of Agriculture and are generally larger loans made to larger rural area businesses. Similar to the SBA product, they can be sold on the secondary market and can generate significant income. Offering both the SBA and B&I products allows the Bank the flexibility to offer government guaranteed loans to businesses of various sizes.

Pictured below: Donna Pierson, Cynthia Hooper and Jim Battaglia—SBA Group

The Community West Bancshares *Corporate Headquarters*

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MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The Company's common stock is traded on the Nasdaq Stock 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:

	2003 Quarters				2002 Quarters			
	Fourth	Third	Second	First	Fourth	Third	Second	First
Stock Price Range:								
High	**$9.25**	**$7.34**	**$6.50**	**$5.45**	$4.77	$4.69	$5.49	$6.10
Low	**$6.85**	**$5.90**	**$5.00**	**$4.58**	$4.15	$3.20	$4.33	$3.95

As of March 23, 2004, the year to date high and low stock prices were $9.38 and $8.19, respectively. As of March 23, 2004, the last reported sale price per share for the Company's common stock was $8.70.

Holders

As of March 23, 2004, the Company had 442 stockholders of record of its common stock.

Dividends

No cash dividends have been paid to stockholders during since January 2000. One source of funds for the payment of dividends would be from dividends paid by GNB to the Company. GNB's ability to pay dividends to the Company is limited by California law and federal banking law. As of December 31, 2003, GNB had $935,000 available for dividends. The resumption of cash dividend payments to shareholders is currently under consideration by the Board of the Company. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Supervision and Regulation – Limitations on Dividend Payments."

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes the securities authorized for issuance as of December 31, 2003:

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	463,207	$6.04	475,651
Plans not approved by shareholders	—	N/A	—
TOTAL	**463,207**		**475,651**

SELECTED FINANCIAL DATA

The following selected financial data have been derived from the Company's consolidated financial condition and results of operations, as of and for the years ended December 31, 2003, 2002, 2001, 2000 and 1999, and should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this report.

	Year Ended December 31,				
	2003	2002	2001	2000	1999
INCOME STATEMENT:	(in thousands, except per share data)				
Interest income	**$ 20,383**	$ 29,976	$ 40,794	$ 51,864	$ 48,495
Interest expense	**9,342**	13,466	20,338	26,337	25,145
Net interest income	**11,041**	16,510	20,456	25,527	23,350
Provision for loan losses	**1,669**	4,899	11,880	6,794	6,133
Net interest income after provision for loan losses	**9,372**	11,611	8,576	18,733	17,217
Non-interest income	**10,675**	11,398	22,171	16,481	11,021
Non-interest expenses	**16,736**	24,931	32,006	29,978	30,506
Income (loss) before income taxes	**3,311**	(1,922)	(1,259)	5,236	(2,268)
Provision (benefit) for income taxes	**1,128**	(652)	(1,281)	2,539	(622)
NET INCOME (LOSS)	**$ 2,183**	$ (1,270)	$ 22	$ 2,697	$ (1,646)
PER SHARE DATA:					
Income (loss) per common share – Basic	**$ 0.38**	$ (0.22)	$ 0.00	$ 0.44	$ (0.30)
Weighted average shares used in income (loss) per share calculation – Basic	**5,693,807**	5,690,224	5,947,658	6,017,216	5,494,217
Income (loss) per common share – Diluted	**$ 0.38**	$ (0.22)	$ 0.00	$ 0.43	$ (0.30)
Weighted average shares used in income (loss) per share calculation – Diluted	**5,758,200**	5,690,224	5,998,003	6,233,245	5,494,217
Book value per share	**$ 6.02**	$ 5.64	$ 5.86	$ 5.90	$ 5.56
BALANCE SHEET:					
Net loans	**$ 244,274**	$ 245,856	$ 260,955	$ 329,265	$ 451,664
Total assets	**304,250**	307,210	323,863	405,255	523,847
Total deposits	**224,855**	219,083	196,166	228,720	313,131
Total liabilities	**269,919**	275,123	290,506	369,221	489,915
Total stockholders' equity	**34,331**	32,087	33,357	36,035	33,932
OPERATING AND CAPITAL RATIOS:					
Return on average equity	**6.65%**	(3.99)%	0.07%	7.35%	(6.68)%
Return on average assets	**0.73%**	(0.42)%	0.01%	0.61%	(0.37)%
Equity to assets ratio	**11.28%**	10.48%	10.30%	8.89%	6.51%
Tier 1 leverage ratio	**11.15%**	10.48%	9.07%	7.25%	7.52%
Tier 1 risk-based capital ratio	**14.05%**	12.66%	11.75%	9.11%	7.17%
Total risk-based capital ratio	**15.31%**	13.92%	13.02%	11.04%	8.34%

Selected data for the years ended December 31, 1999 and 2000 include Palomar. The income statement for 2001 includes 8.5 months of Palomar operating results.

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

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

Forward-Looking Statements
This 2003 Annual Report on Form 10-K contains statements that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Those forward-looking statements include statements regarding the intent, belief or current expectations of the Company and its management. Any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those projected in the forward-looking statements.

Earnings Performance
In 2003, the net income of the Company was $2.2 million, or $0.38, per basic and diluted shares. This represents a $3.5 million increase in net income over 2002. The significant factors impacting net income for 2003 compared to 2002 were:

- the decision in 2002 to exit both the high-loan-to-value ("HLTV") and the high-yielding short-term consumer ("STCL") lending businesses impacted the Company both positively, with overall improved credit quality and reduction to the allowance for loan losses and negatively with a reduction to net interest and non-interest income during 2003

- shifts in the mortgage business, which were positive until rising rates in the fall of 2003

- increased prepayments in the securitized loan portfolio that decreased the volume of interest-earning assets and accelerated the amortization of related deferred loans costs

- reduction in expenses due to continued control efforts as well as the changes to business lines made in 2002

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 performance for 2003 throughout the analysis sections of this report.

Return on average assets and average equity were 0.73% and 6.65% in 2003, compared with (0.42)% and (3.99)% for 2002. During 2003, the Company continued to be positively impacted by its decision in 2002 to reduce risk and exit the high-yield STCL and HLTV lending businesses. Low interest rates, shifts in the mortgage business, and the continued rapid paydown in the securitized loan portfolio also contributed to the 2003 results both positively on provision and loan loss and negatively to net interest margin.

The provision for loan losses decreased by $3.2 million from $4.9 million for 2002 to $1.7 million for 2003. The exit from STCL in 2002 accounted for $2.0 million of this decline. The other significant reason for this decrease was the $1.1 million reduction in the SBA loan provision from 2002 to 2003. The Company strengthened its SBA credit underwriting standards at the end of 2001 which has resulted in a continued decline in problem loans in the SBA portfolio. The securitized loan loss provision also experienced a decline for 2003 from 2002 of $452,000 as a result of the reduced principal balances.

The net result in interest income after provision for loan losses was a 2.0%, or $2.2 million, decline from $11.6 million for the year ended December 31, 2002 to $9.4 million for 2003. The Company has diligently worked to replace the high-yield assets it lost.

The Company's net income declined $1.3 million from 2001 to 2002. The primary reasons for this decline were the $4.6 million net proceeds from a legal settlement the Company received in 2001 as well as the costs associated with the Company's decision to exit the HLTV and STCL lending businesses and consolidate the mortgage and SBA lending offices in 2002 which included $3.2 million in asset write downs.

Changes in Interest Income and Interest Expense
Net interest income is the difference between the interest and fees earned on loans and investments and the interest expense paid on deposits and other liabilities. The amount by which interest income will exceed interest expense depends on the volume or balance of earning assets compared to the volume or balance of interest-bearing deposits and liabilities and the interest rate earned on those interest-earning assets compared to the interest rate paid on those interest-bearing liabilities.

Net interest margin is net interest income expressed as a percentage of average earning assets. It is used to measure the difference between the average rate of interest earned on assets and the average rate of interest that is paid on liabilities used to fund those assets. To maintain its net interest margin, the Company must manage the relationship between interest earned and paid. The following table sets forth, for the period indicated, the increase or decrease of certain items in the consolidated income statements of the Company as compared to the prior periods:

	Year Ended December 31,			
	2003 vs 2002		**2002 vs 2001**	
	Amount of Increase (decrease)	Percent of Increase (decrease)	Amount of Increase (decrease)	Percent of Increase (decrease)
	(dollars in thousands)			
INTEREST INCOME				
Loans	**$ (9,648)**	**(32.9)%**	$ (9,952)	(25.4)%
Investment securities	**287**	**142.1%**	(67)	(24.9)%
Other	**(232)**	**(49.6)%**	(799)	(63.1)%
Total interest income	**(9,593)**	**(32.0)%**	(10,818)	(26.5)%
INTEREST EXPENSE				
Deposits	**(924)**	**(16.7)%**	(3,915)	(41.4)%
Bonds payable and other borrowings	**(3,200)**	**(40.4)%**	(2,957)	(27.2)%
Total interest expense	**(4,124)**	**(30.6)%**	(6,872)	(33.8)%
NET INTEREST INCOME	**(5,469)**	**(33.1)%**	(3,946)	(19.3)%
Provision for loan losses	**(3,230)**	**(65.9)%**	(6,981)	(58.8)%
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	**(2,239)**	**(19.3)%**	3,035	35.4%
NON-INTEREST INCOME				
Gains from loan sales, net	**72**	**1.5%**	(1,828)	(27.6)%
Other loan fees	**(465)**	**(13.7)%**	(44)	(1.3)%
Loan servicing fees, net	**183**	**16.9%**	(622)	(36.5)%
Document processing fees, net	**(467)**	**(33.3)%**	(574)	(29.0)%
Service charges	**(64)**	**(14.5)%**	(135)	(23.5)%
Proceeds from legal settlement	**-**	**-**	(7,000)	(100.0)%
Other	**18**	**6.1%**	(570)	(65.7)%
Total non-interest income	**(723)**	**(6.3)%**	(10,773)	(48.6)%
NON-INTEREST EXPENSES				
Salaries and employee benefits	**(2,180)**	**(16.0)%**	(4,108)	(23.2)%
Occupancy and equipment expenses	**(428)**	**(20.2)%**	(192)	(8.3)%
Professional services	**(939)**	**(59.6)%**	(663)	(29.6)%
Depreciation	**(190)**	**(24.6)%**	(648)	(45.7)%
Loan servicing and collection	**(434)**	**(49.8)%**	(466)	(34.8)%
Professional expenses associated with legal settlement	**-**	**-**	(2,392)	(100.0)%
Impairment of SBA interest only strips and servicing assets	**(1,788)**	**(100.0)%**	1,788	-
Lower of cost or market provision on loans held for sale	**(1,381)**	**(100.0)%**	1,381	-
Amortization of intangible assets	**-**	**-**	(178)	(100.0)%
Other	**(855)**	**(30.2)%**	(1,597)	(36.1)%
Total non-interest expenses	**(8,195)**	**(32.9)%**	(7,075)	(22.1)%
Income (loss) before provision (benefit) for income taxes	**5,233**		(663)	
Provision (benefit) for income taxes	**1,780**		629	
NET INCOME (LOSS)	**$ 3,453**		$ (1,292)	

Total interest income decreased 32.0% from $30 million in 2002 to $20.4 million in 2003. Total interest expense decreased 30.6% from $13.5 million in 2002 to $9.3 million in 2003. The Company experienced a $9.6 million, or 32.9%, decline in interest income from loans in 2003 over 2002. This decline was primarily the result of the Company's exit from short-term consumer lending in 2002, which contributed $7.6 million in interest income for the year ended December 31, 2002. Also contributing to the decrease in loan interest income was a reduction of $3.8 million, or 38%, in interest income received on the securitized loan portfolio. The decrease in loan interest from the securitized portfolio is a result of the $28.8 million net decrease in the portfolio during 2003. This 43.5% decrease in the securitized loan portfolio also indirectly accounted for 80% of the $4.1 million decline in interest expense as the related bonds paid down by $24.4 million, or 48.3%. The remaining 20% decrease in interest expense is the result of declines in average effective rates on interest-bearing deposits of 0.54% on time certificates of deposits and 1.07% on interest-bearing demand and savings deposits.

Total interest income decreased 26.5% from $40.8 million in 2001 to $30 million in 2002. Total interest expense decreased 33.8% from $20.3 million in 2001 to $13.5 million in 2002. The decrease in both interest income and interest expense was primarily due to a decline in interest rates; the sale of Palomar which is included in the income statement for 2001 for seven and one-half months only; and, a prepayment rate of approximately 39% experienced in GNB's securitized loan portfolio. In addition, the Company was moderately asset sensitive during this period of declining interest rates. As a result, net interest income decreased 19.3% from $20.5 million in 2001 to $16.5 in 2002.

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

	Year Ended December 31,					
	2003 versus 2002			2002 versus 2001		
	Total change	Change due to Rate	Change due to Volume	Total change	Change due to Rate	Change due to Volume
	(in thousands)					
Interest earning deposits in other financial institutions (including time deposits)	**$ (37)**	**$ (14)**	**$ (23)**	$ (68)	$ (58)	$ (10)
Federal funds sold	**(195)**	**(132)**	**(63)**	(730)	(747)	17
Investment securities	**287**	**(29)**	**316**	(67)	(104)	37
Loans, net	**(5,856)**	**(7,044)**	**1,188**	(3,190)	(1,057)	(2,133)
Securitized loans	**(3,792)**	**299**	**(4,091)**	(6,763)	(1,019)	(5,744)
Total interest-earning assets	**(9,593)**	**(6,920)**	**(2,673)**	(10,818)	(2,985)	(7,833)
Interest-bearing demand	**(229)**	**(255)**	**26**	(225)	(286)	61
Savings	**(89)**	**(106)**	**17**	(159)	(79)	(80)
Time certificates of deposit	**(606)**	**(679)**	**73**	(3,531)	(3,196)	(335)
Bonds payable	**(3,284)**	**301**	**(3,585)**	(2,490)	1,997	(4,487)
Other borrowings	**84**	**-**	**84**	(467)	-	(467)
Total interest-bearing liabilities	**(4,124)**	**(739)**	**(3,385)**	(6,872)	(1,564)	(5,308)
NET INTEREST INCOME	**$ (5,469)**	**$ (6,181)**	**$ 712**	$ (3,946)	$ (1,421)	$ (2,525)

The Company primarily earns income from the management of its financial assets and liabilities and from charging fees for services it provides. The Company's income from managing assets consists of the difference between the interest income received from its loan portfolio and investments and the interest expense paid on its liabilities, primarily interest paid on deposits. This difference or spread is net interest income. Net interest income, when expressed as a percentage of average total interest-earning assets, is referred to as net interest margin on interest-earning assets. The Company's net interest income is affected by the change in the level and the mix of interest-earning assets and interest-bearing liabilities, referred to as volume changes. The Company's net yield on interest-earning assets is also affected by changes in the yields earned on assets and rates paid on liabilities, referred to as rate changes. Interest rates charged on the Company's loans are affected principally by the demand for such loans, the supply of money available for lending purposes, competitive factors and general economic conditions such as federal economic policies, legislative tax policies and governmental budgetary matters.

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

	Year Ended December 31,		
	2003	**2002**	**2001**
	(dollars in thousands)		
Interest income	**$ 20,383**	$ 29,976	$ 40,794
Interest expense	**9,342**	13,466	20,338
Net interest income	**$ 11,041**	$ 16,510	$ 20,456
Net interest margin	**3.93%**	5.87%	5.86%

Non-Interest Income

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

	Year Ended December 31,		
NON-INTEREST INCOME	**2003**	**2002**	**2001**
	(in thousands)		
Gains from loan sales, net:	**$ 4,860**	$ 4,788	$ 6,616
Other loan fees	**2,923**	3,388	3,432
Loan servicing fees, net	**1,264**	1,081	1,703
Document processing fees, net:	**937**	1,404	1,978
Service charges	**376**	440	575
Proceeds from legal settlement	**-**	-	7,000
Other	**315**	297	867
Total Non-Interest Income	**$ 10,675**	$ 11,398	$ 22,171

Total non-interest income for the Company declined by $723,000 from 2002 to 2003. During 2003, the Company received higher premiums on SBA loan sales. Despite the increased refinance activity experienced in the mortgage industry, the mortgage division experienced a decline in total loan originations from 2002 to 2003 of $44.2 million, or 12.6%. The exit from HLTV in 2002 was responsible for $1.9 million of the decline in non-interest income from 2002 to 2003. This decline was partially offset by an increase in gains on loans sales for the mortgage and SBA divisions in 2003 over 2002 and a small increase in document processing fees for the mortgage division in 2003. The mortgage division activity slowed down significantly in the fourth quarter of 2003.

The following table summarizes these changes:

	Year Ended December 31,		
	2003	**2002**	**Change**
	(in thousands)		
Gains from loan sales			
SBA	**$ 3,698**	$ 2,593	$ 1,105
Mortgage	**1,162**	672	490
Alternative mortgage	**-**	1,502	(1,502)
Other	**-**	21	(21)
Total	**$ 4,860**	$ 4,788	$ 72
Other loan fees			
Mortgage	**$ 2,923**	$ 3,512	$ (589)
Alternative mortgage	**-**	(124)	124
Total	**$ 2,923**	$ 3,388	$ (465)
Document processing fees, net			
Mortgage	**$ 937**	$ 898	$ 39
Alternative mortgage	**-**	506	(506)
Total	**$ 937**	$ 1,404	$ (467)

The Company's non-interest income decreased by $10.8 million, or 48.6%, from 2001 to 2002. The primary factors contributing to this decrease in other income were the $7 million proceeds from the legal settlement against the Company's former auditors received in 2001 and the decrease of $1.8 million, or 27.3%, in gain on loan sales primarily due to GNB's exit from the HLTV loan origination and sales business in the second quarter of 2002 and management's strategic decision not to sell any 7(a) SBA loans in the fourth quarter of 2002. The other $2.0 million decline in other income is attributable to small declines in loan origination and document processing fees, loan servicing income, service charges and other income.

Non-Interest Expenses

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

NON-INTEREST EXPENSES	Year Ended December 31, 2003	2002	2001
	(in thousands)		
Salaries and employee benefits	**$ 11,416**	$ 13,596	$ 17,704
Occupancy and equipment expenses	**1,691**	2,119	2,311
Professional services	**636**	1,575	2,238
Depreciation	**581**	771	1,419
Loan servicing and collection	**438**	872	1,338
Professional expenses associated with legal settlement	**-**	-	2,392
Impairment of SBA interest only strips and servicing assets	**-**	1,788	-
Lower of cost or market provision on loans held for sale	**-**	1,381	-
Amortization of intangible assets	**-**	-	178
Other	**1,974**	2,829	4,426
Total Non-Interest Expenses	**$ 16,736**	$ 24,931	$ 32,006

Throughout 2003, the Company continued its efforts to control expenditures. These efforts, as well as the changes made in 2002 to its business lines, resulted in a $8.2 million, or 33%, decrease in non-interest expenses. $3.2 million of the decrease was a result of the one-time only asset write-downs in 2002.

Non-interest expenses decreased by $7.1 million, or 22.1%, from 2001 to 2002 and increased by $2.4 million, or 6.3%, from 2000 to 2001. The decrease in 2002 was primarily due to the Company's reorganization and cost-cutting efforts. The following table compares the various elements of non-interest expenses as a percentage of average assets:

Year Ended December 31, (dollars in thousands)	Average Assets	Total Non-Interest Expenses	Salaries and Employee Benefits	Occupancy and Depreciation Expenses
2003	**$ 299,661**	**5.58%**	**3.81%**	**0.76%**
2002	$ 301,962	8.25%	4.50%	0.95%
2001	$ 371,923	8.71%	4.76%	0.97%

Income Taxes

Income tax provision (benefit) was $1,128,000 in 2003, $(652,000) in 2002, and $(1,281,000) in 2001. The effective income tax (benefit) rate was 34.1%, (33.9%), and (101.8%) for 2003, 2002 and 2001, respectively. See footnote 8, "Income Taxes", in the notes to the Consolidated Financial Statements.

Capital Resources

The Federal Deposit Insurance Corporation Improvement Act ("FDICIA") contains rules as to the legal and regulatory environment for insured depository institutions, including reductions in insurance coverage for certain kinds of deposits, increased supervision by the federal regulatory agencies, increased reporting requirements for insured institutions and new regulations concerning internal controls, accounting and operations.

The prompt corrective action regulations of FDICIA define specific capital categories based on the institutions' capital ratios. The capital categories, in declining order, are "well capitalized", "adequately capitalized", "undercapitalized", "significantly undercapitalized" and "critically undercapitalized." To be considered "well capitalized", an institution must have a core capital ratio of at least 5% and a total risk-based capital ratio of at least 10%. Additionally, FDICIA imposed in 1994 a new Tier I risk-based capital ratio of at least 6% to be considered "well capitalized." Tier I risk-based capital is, primarily, common stock and retained earnings net of goodwill and other intangible assets.

To be categorized as "adequately capitalized" or "well capitalized" GNB must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios and values. (*For detailed information see table on page 47.*)

The Company does not anticipate any material changes in its capital resources. CWBC has common equity only and does not have any off-balance sheet financing arrangements. The Company has not reissued any treasury stock nor does it have any immediate plans or programs to do so. In March 2002, the Company made a $750,000 capital contribution to GNB.

Schedule of Average Assets, Liabilities and Stockholders' Equity

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

	December 31,					
	2003		2002		2001	
	Amount	%	Amount	%	Amount	%
	(dollars in thousands)					
ASSETS						
Cash and due from banks	**$ 6,431**	**2.1%**	$ 6,684	2.2%	$ 8,327	2.2%
Interest-earning deposits in other financial institutions	**1,359**	**0.5%**	-	-	-	-
Federal funds sold	**15,462**	**5.1%**	22,903	7.6%	26,696	7.1%
Time deposits in other financial institutions	**1,542**	**0.5%**	3,929	1.3%	4,498	1.2%
Federal Reserve Bank stock	**812**	**0.3%**	780	0.3%	1,141	0.3%
Investment securities available-for-sale	**8,910**	**3.0%**	-	-	-	-
Investment securities held-to-maturity	**5,036**	**1.7%**	4,264	1.4%	2,861	0.8%
Interest only strips, at fair value	**4,054**	**1.3%**	6,104	2.0%	8,560	2.3%
Loans held for sale, net	**45,445**	**15.2%**	27,699	9.2%	18,344	4.9%
Loans held for investment, net	**147,351**	**49.2%**	132,061	43.7%	159,237	42.8%
Securitized loans, net	**50,173**	**16.7%**	83,876	27.8%	132,973	35.8%
Servicing assets	**2,062**	**0.7%**	2,213	0.7%	2,654	0.7%
Other real estate owned, net	**677**	**0.2%**	554	0.2%	207	0.1%
Premises and equipment, net	**1,805**	**0.6%**	2,338	0.8%	3,533	1.0%
Other assets	**8,542**	**2.9%**	8,557	2.8%	2,892	0.8%
TOTAL ASSETS	**$299,661**	**100.0%**	$301,962	100.0%	$371,923	100.0%
LIABILITIES						
Deposits:						
Non-interest-bearing demand	**$ 34,400**	**11.5%**	$ 31,388	10.4%	$ 39,708	10.7%
Interest-bearing demand	**35,768**	**11.9%**	27,439	9.1%	22,476	6.0%
Savings	**15,480**	**5.2%**	13,270	4.4%	17,056	4.6%
Time certificates of $100,000 or more	**21,076**	**7.0%**	42,970	14.2%	79,195	21.3%
Other time certificates	**109,828**	**36.7%**	85,137	28.2%	65,102	17.5%
Total deposits	**216,552**	**72.3%**	200,204	66.3%	223,537	60.1%
Securities sold under agreements to repurchase	**6,518**	**2.2%**	-	-	-	-
Bonds payable in connection with securitized loans	**39,000**	**13.0%**	69,251	22.9%	111,327	29.9%
Other liabilities	**4,746**	**1.5%**	689	0.2%	3,858	1.0%
Total liabilities	**266,816**	**89.0%**	270,144	89.4%	338,722	91.0%
STOCKHOLDERS' EQUITY						
Common stock	**29,812**	**10.0%**	29,797	9.9%	26,297	7.1%
Retained earnings	**3,037**	**1.0%**	2,021	0.7%	6,901	1.9%
Accumulated other comprehensive income (loss)	**(4)**	**-**	-	-	3	0.0%
Total stockholders' equity	**32,845**	**11.0%**	31,818	10.6%	33,201	9.0%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$299,661**	**100.0%**	$301,962	100.0%	$371,923	100.0%

Interest Rates and Differentials

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

	Year Ended December 31,		
Interest-earning assets:	**2003**	**2002**	**2001**
	(dollars in thousands)		
Interest earning deposits in other financial institutions:			
Average outstanding	**$ 1,359**	$ -	$ -
Interest income	**31**	-	-
Average yield	**2.28%**	-	-
Time deposits in other financial institutions:			
Average outstanding	**1,542**	3,929	4,498
Interest income	**36**	104	172
Average yield	**2.33%**	2.65%	3.82%
Federal funds sold:			
Average outstanding	**15,462**	22,903	26,696
Interest income	**169**	364	1,094
Average yield	**1.09%**	1.59%	4.09%
Investment securities:			
Average outstanding	**14,758**	5,044	4,002
Interest income	**489**	202	269
Average yield	**3.31%**	4.00%	6.72%
Gross loans excluding securitized:			
Average outstanding	**195,648**	164,301	181,122
Interest income	**13,554**	19,410	22,601
Average yield	**6.93%**	11.81%	12.48%
Securitized loans:			
Average outstanding	**52,359**	85,134	132,973
Interest income	**6,104**	9,896	16,658
Average yield	**11.66%**	11.62%	12.53%
Total interest-earning assets:			
Average outstanding	**281,128**	281,311	349,291
Interest income	**20,383**	29,976	40,794
Average yield	**7.25%**	10.66%	11.68%

Interest-bearing liabilities:	Year Ended December 31, 2003	2002	2001
	(dollars in thousands)		
Interest-bearing demand deposits:			
Average outstanding	**$ 35,768**	$ 27,438	$ 22,476
Interest expense	**371**	600	825
Average effective rate	**1.04%**	2.19%	3.67%
Savings deposits:			
Average outstanding	**15,480**	13,270	17,056
Interest expense	**215**	304	464
Average effective rate	**1.39%**	2.29%	2.72%
Time certificates of deposit:			
Average outstanding	**130,904**	128,107	144,297
Interest expense	**4,035**	4,641	8,171
Average effective rate	**3.08%**	3.62%	5.66%
Federal funds purchased:			
Average outstanding	**-**	22	-
Interest expense	**-**	-	-
Average effective rate	**-**	-	-
Bonds payable:			
Average outstanding	**39,000**	69,251	111,327
Interest expense	**4,637**	7,921	10,411
Average effective rate	**11.89%**	11.44%	9.35%
Other borrowings:			
Average outstanding	**6,518**	-	3,463
Interest expense	**84**	-	467
Average effective rate	**1.29%**	-	13.49%
Total interest-bearing liabilities:			
Average outstanding	**227,670**	238,088	298,619
Interest expense	**9,342**	13,466	20,338
Average effective rate	**4.10%**	5.66%	6.81%
Net interest income	**11,041**	16,510	20,456
Net interest spread	**3.15%**	5.00%	4.87%
Average net margin	**3.93%**	5.87%	5.86%

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

Loan Portfolio

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

The rates charged on variable rate loans are set at specific increments. These increments vary in relation to the Company's published prime lending rate or other appropriate indices. At December 31, 2003, approximately 63% of the Company's loan portfolio was comprised of variable interest rate loans. At December 31, 2002 and 2001, variable rate loans comprised approximately 56% and 34%, respectively, of the Company's loan portfolio. Management monitors the maturity of loans and the sensitivity of loans to changes in interest rates.

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

	December 31,									
	2003		2002		2001		2000		1999	
In Years	(in thousands)									
	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable
Less than One	**$ 2,382**	**$ 34,108**	$ 2,604	$ 8,188	$ 10,346	$ 26,532	$ 1,058	$100,717	$ 789	$87,313
One to Five	**4,128**	**13,576**	3,615	16,224	3,975	6,195	8,250	5,403	8,342	4,628
Over Five (1)	**85,390**	**109,366**	105,491	116,322	164,748	58,761	219,213	642	354,282	536
Total	**$ 91,900**	**$157,050**	$111,710	$140,734	$179,069	$ 91,488	$228,521	$106,762	$363,413	$92,477

(1) Approximately $37.4 million of the fixed rate loans at December 31, 2003 are in the Company's securitized loan portfolio, which was originally funded by bonds payable, approximately $26.1 million balance of which remains outstanding at December 31, 2003.

Distribution of Loans

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

	December 31,				
	2003	2002	2001	2000	1999
	(dollars in thousands)				
	Loan Balance	Loan Balance	Loan Balance	Loan Balance	Loan Balance
Commercial	**$ 24,592**	$ 19,302	$ 26,411	$ 36,188	$ 12,102
Real estate	**71,010**	47,456	44,602	55,083	44,139
SBA	**30,698**	40,961	31,889	30,888	25,073
Manufactured housing	**39,073**	28,199	24,135	16,892	*
Other installment	**5,770**	7,047	4,088	6,006	6,348
Participations purchased	**-**	-	-	-	25,395
Securitized	**37,386**	66,195	108,584	153,031	184,559
Held for sale	**42,038**	43,284	30,848	37,195	158,274
Gross Loans	**250,567**	252,444	270,557	335,283	455,890
Less:					
Allowance for loan losses	**4,675**	5,950	8,275	6,746	5,529
Deferred fees/costs	**69**	(318)	222	(2,710)	(3,079)
Discount on SBA loans	**1,549**	956	1,105	1,982	1,776
Net Loans	**$244,274**	$245,856	$260,955	$329,265	$451,664
Percentage to Gross Loans:					
Commercial	**9.8%**	7.6%	9.8%	10.8%	2.7%
Real estate	**28.3%**	18.8%	16.5%	16.4%	9.7%
SBA	**12.3%**	16.3%	11.8%	9.2%	5.5%
Manufactured housing	**15.6%**	11.2%	8.9%	5.0%	*
Other installment	**2.3%**	2.8%	1.5%	1.8%	1.4%
Participations purchased	**-**	-	-	-	5.6%
Securitized	**14.9%**	26.2%	40.1%	45.7%	40.4%
Held for sale	**16.8%**	17.1%	11.4%	11.1%	34.7%
	100.0%	100.0%	100.0%	100.0%	100.0%

* The information for 1999 is in "Other installment" and is not readily available.

Commercial Loans - In addition to traditional term commercial loans made to business customers, GNB grants revolving business lines of credit. Under the terms of the revolving lines of credit, GNB grants a maximum loan amount, which remains available to the business during the loan term. As part of the loan requirements, the business agrees to maintain its primary banking relationship with GNB. GNB does not extend material loans of this type in excess of one year.

Real Estate Loans - Real estate loans are primarily made for the purpose of purchasing, improving or constructing single family residences, commercial or industrial properties.

The majority of the Company's mortgage loans are collateralized by liens on single family homes. A majority of these loans are sold servicing released into the secondary market.

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

Commercial and industrial real estate loans are secured by nonresidential property. Office buildings or other commercial property primarily secure these loans. Loan to appraised value ratios on nonresidential real estate loans are generally restricted to 75% of appraised value of the underlying real property.

Unguaranteed Portion of SBA Loans - Under the SBA 7(a) loan program, the Company is required to retain a minimum of 5% of the unguaranteed portion of loans it originates and sells into the secondary market. At December 31, 2003, the Company had $26.9 million in unguaranteed SBA loans.

Manufactured Housing Loans - The mortgage loan center originates loans secured by manufactured housing primarily located in parks along the Central Coast of California. At December 31, 2003, the Bank had $39.1 million in its portfolio. The loans are serviced internally and are generally written for terms of 10 to 20 years with balloon payments ranging from 10 to 15 years.

Other Installment Loans - Installment loans consist of automobile, small equity lines of credit, loans secured by manufactured housing and general-purpose loans made to individuals. These loans are primarily fixed rate. Included in this category as of December 31, 2002 are approximately $1.6 million of the Company's short-term consumer lending product, which consists of 14-day loans to individuals. No such new loans were originated in 2003 and no loans of this type were in the Company's loan portfolio as of December 31, 2003.

Second Mortgage Loans - The Company originated second mortgage loans with loan to value ratios as high as 125%. In 1998 and 1999, the Company transferred $81 million and $122 million of these loans, respectively, to special purpose trusts ("Trusts"). The Trusts then sold bonds to third party investors, which were secured by the transferred loans. The bonds are held in a trust independent of the Company, the trustee of which oversees the distribution to the bondholders. The mortgage loans are serviced by a third party ("Servicer"), who receives a stated servicing fee. There is an insurance policy on the subordinate bonds that guarantees the payment of the bonds.

As part of the securitization agreements, the Company received an option to repurchase the bonds when the aggregate principal balance of the mortgage loans sold declined to 10% or less of the original balance of mortgage loans securitized. Because the Company has a call option to reacquire the loans transferred and did not retain the servicing rights, the Company was deemed to not have surrendered effective control over the loans transferred. Therefore, the securitizations are accounted for as secured borrowings with a pledge of collateral. Accordingly, the Company consolidates the Trusts and the financial statements of the Company include the loans transferred and the related bonds issued. The securitized loans are classified as held for investment. At December 31, 2003 and 2002, the net balance of the securitized loan portfolio was $35.4 million and $63.6 million, respectively. The related net bond balances were $26.1 million and $50.5 million at December 31, 2003 and 2002, respectively.

Loan Commitments Outstanding

The Company's loan commitments outstanding at the dates indicated are summarized below:

	December 31,				
	2003	**2002**	**2001**	**2000**	**1999**
	(in thousands)				
Commercial	**$ 13,867**	$11,370	$ 7,450	$ 9,776	$ 6,641
Real estate	**11,676**	7,664	6,370	8,323	4,135
SBA	**9,531**	8,675	4,712	4,545	5,266
Installment loans	**5,112**	2,402	13,339	2,260	2,205
Standby letters of credit	**522**	380	438	913	713
Total commitments	**$ 40,708**	$30,491	$32,309	$25,817	$ 18,960

The Company makes loans to borrowers in a number of different industries. Other than Manufactured Housing, no single industry comprises 10% or more of the Company's loan portfolio. At December 31, 2003, Manufactured Housing comprised 15.7% of the Company's loan portfolio. Commercial real estate loans and SBA loans comprised over 10% of the Company's loan portfolio as of December 31, 2002 and 2003, but consisted of diverse borrowers. Although the Company does not have significant concentrations in its loan portfolio, the ability of the Company's customers to honor their loan agreements is dependent upon, among other things, the general economy of the Company's market areas.

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

	Year Ended December 31,				
	2003	**2002**	**2001**	**2000**	**1999**
	(in thousands)				
Average gross loans, held for investment	**$202,563**	$218,317	$267,402	$297,574	$260,709
Gross loans at end of year, held for investment	**206,912**	208,522	237,989	302,476	297,616
Allowance for loan losses, beginning of year	**$ 5,950**	$ 8,275	$ 6,746	$ 5,529	$ 3,374
Loans charged off :					
Commercial	**445**	1	614	410	-
Real estate	**471**	2,474	3,129	1,216	2,093
Installment	**3**	-	-	446	-
Short-term consumer	**902**	3,162	2,478	2	-
Securitized	**2,512**	4,012	4,358	3,674	1,943
Total	**4,333**	9,649	10,580	5,748	4,036
Recoveries of loans previously charged off					
Commercial	**88**	71	40	154	-
Real estate	**42**	396	171	17	32
Short-term consumer	**672**	1,392	400	-	-
Securitized	**588**	566	378	1	26
Total	**1,390**	2,425	990	171	58
Net loans charged off	**2,943**	7,224	9,590	5,577	3,977
Provision for loan losses	**1,669**	4,899	11,881	6,794	6,133
Adjustments due to Palomar purchase/sale	**-**	-	(762)	-	-
Allowance for loan losses, end of year	**$ 4,676**	$ 5,950	$ 8,275	$ 6,746	$ 5,529
Ratios:					
Net loan charge-offs to average loans	**1.5%**	3.3%	3.6%	1.9%	1.5%
Net loan charge-offs to loans at end of period	**1.4%**	3.5%	4.0%	1.8%	1.3%
Allowance for loan losses to loans held for investment at end of period	**2.3%**	2.9%	3.5%	2.2%	1.9%
Net loan charge-offs to allowance for loan losses at beginning of period	**49.5%**	87.3%	142.2%	100.9%	117.9%
Net loan charge-offs to provision for loan losses	**176.3%**	147.5%	80.7%	82.1%	64.8%

The following table summarizes the allowance for loan losses:

	December 31, 2003		2002		2001		2000		1999	
	(dollars in thousands)									
Balance at End of Period Applicable to:	**Amount**	**Percent of loans in each category to total loans**	**Amount**	**Percent of loans in each category to total loans**	**Amount**	**Percent of loans in each category to total loans**	**Amount**	**Percent of loans in each category to total loans**	**Amount**	**Percent of loans in each category to total loans**
Short-term consumer	**$ -**	**0.0%**	$ 566	0.6%	$ 630	1.2%	$ *	0.4%	$ -	N/A
SBA	**1,550**	**27.0%**	1,874	26.6%	1,752	18.8%	*	12.5%	*	*
Manufactured Housing	**372**	**15.6%**	272	11.2%	291	8.9%	*	5.0%	*	*
Securitized	**2,024**	**14.9%**	2,571	26.2%	4,189	40.1%	4,042	45.6%	3,516	40.4%
All other loans	**730**	**42.5%**	667	35.4%	1,413	31.0%	2,704	36.5%	2,013	59.6%
Total	**$ 4,676**	**100%**	$ 5,950	100%	$ 8,275	100%	$ 6,746	100%	$5,529	100%

* The detailed information for 1999 and 2000 is not readily available.

Total allowance for loan losses ("ALL") decreased $1.3 million, or 21.4%, from $6.0 million at December 31, 2002 to $4.7 million at December 31, 2003. Of this decrease, $566,000, or 43.5%, relates to decrease in the ALL to zero for the STCL loans; $547,000, or 42.1%, relates to decrease in the ALL for the securitized loan portfolio; and $202,000 relates to decrease in the ALL for the SBA loan portfolio. The Relationship Banking and the manufactured housing ALL increased by a total of $163,000 primarily due to loan growth, which partially offset the aforementioned decreases.

The securitized loan loss allowance changed primarily due to the significant principal balance payments in 2003 of $28.8 million, or 43.5%, as well as a 44.5% decrease in net charge-offs from 2002.

The decrease in ALL for the SBA loans is a result of a reduction of $946,000 in SBA classified loans from $5.4 million at December 31, 2002 to $4.5 million at December 31, 2003 and a reduction in the related specific ALL reserve deemed necessary against these loans of $355,000 from 2002 to 2003. The SBA portfolio has also experienced a decrease in net charge-offs of $833,000, or 56.3%, from $1.5 million for the year ended December 31, 2002 to $646,000 for the year ended December 31, 2003.

Loans charged-off, net of recoveries, were $2.9 million in 2003, $7.2 million in 2002 and $9.6 million in 2001. The primary reason for the decline in net charge-offs in 2003 was the significant paydown in the securitized loan portfolio and the exit from short-term consumer lending. The Company has also experienced continued increases in the SBA portfolio credit quality. Towards the end of 2001, the Company strengthened its underwriting standards in the SBA program, which management believes has subsequently influenced the decline in problem loans in the SBA portfolio.

In management's opinion, the balance of the allowance for loan losses was sufficient to absorb known and inherent probable losses in the loan portfolio as of December 31, 2003.

The Company recorded $1.7 million as a provision for loan losses in 2003, $4.9 million in 2002 and $11.9 million in 2001. The primary reason for the decrease in provision expense is the Company's change in portfolio mix to perceived less risky loans. The Company exited the HLTV and STCL markets and the securitized loan portfolio paid down by approximately 43.5%.

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

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

	Year Ended December 31,				
	2003	**2002**	**2001**	**2000**	**1999**
	(in thousands)				
Impaired loans without specific valuation allowances	**$ -**	$ -	$ -	$ 565	$ 3,251
Impaired loans with specific valuation allowances	**6,843**	8,394	6,587	3,531	1,402
Specific valuation allowance related to impaired loans	**(640)**	(1,278)	(1,669)	(1,207)	(1,039)
Impaired loans, net	**$ 6,203**	$ 7,116	$ 4,918	$ 2,889	$ 3,614
Average investment in impaired loans	**$ 6,584**	$ 7,565	$ 5,047	$ 4,677	$ 5,120

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

	Year Ended December 31,				
	2003	**2002**	**2001**	**2000**	**1999**
	(in thousands)				
Nonaccrual loans	**$ 7,174**	$ 13,965	$ 11,413	$ 4,893	**
SBA guaranteed portion of loans included above	**(4,106)**	(8,143)	(7,825)	(2,748)	**
Nonaccrual loans, net	**$ 3,068**	$ 5,822	$ 3,588	$ 2,235	$ 3,091
Troubled debt restructured loans	**$ 193**	$ 829	$ 1,093	$ 615	$ 656
Loans 30 through 90 days past due with interest accruing	**3,907**	5,122	2,607	4,277	2,550
Interest income recognized on impaired loans	**$ 277**	$ 190	$ 1,443	$ 387	$ 244
Interest foregone on nonaccrual loans and troubled debt restructured loans outstanding	**216**	1,263	1,146	592	1,585
Gross interest income on impaired loans	**$ 493**	$ 1,453	$ 2,589	$ 979	$ 1,829

** Gross-up information for 1999 comparison not readily available.

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

Total impaired loans decreased by $1.6 million, or 18.5%, in 2003. The specific valuation allowances allocated to impaired loans also decreased which resulted in a net decrease in impaired loans of $913,000, or 12.8%.

Financial difficulties encountered by certain borrowers may cause the Company to restructure the terms of their loan to facilitate loan repayment. A troubled debt restructured loan ("TDR") would generally be considered impaired. The balance of impaired loans disclosed above includes all TDRs that, as of December 31, 2003, 2002 and 2001, are considered impaired. Total TDRs decreased by 76.7%, or $636,000, from $829,000 to $193,000 as of December 31, 2002 and 2003, respectively.

The Company's net nonaccrual loans also decreased from December 31, 2002 to December 31, 2003. This decrease is primarily a result in the improvements in credit quality experienced in the SBA loan portfolio.

Investment Portfolio

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

	Year Ended December 31, 2003	2002	2001
	(in thousands)		
Held-to-maturity securities			
U.S. Government and agency	$ 200	$ 707	$ 118
Other (1)	4,836	5,035	-
Total held-to-maturity securities	**$ 5,036**	$ 6,012	$ 118
Available-for-sale securities			
U.S. Government and agency	$ 7,024		
Other (1)	8,408		
Total available-for-sale securities	**$ 15,432**		

At December 31, 2003, $200,000 at carrying value of the above held-to-maturity securities were pledged as collateral to the U.S. Treasury for its treasury, tax and loan account and $14,680,000 at carrying value were pledged under repurchase agreements, which are treated as collateralized financing transactions.

The following tables summarize the maturity period and weighted average yields of the Company's investment securities at December 31, 2003.

	Total Amount		Less than One Year		One to Five Years		Five to Ten Years		Over Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(dollars in thousands)									
Held-to-maturity securities										
U.S.Government and agency	$ 200	2.5%	$ 200	2.5%	$ -				$ -	
Other (1)	4,836	5.2%	1,007	5.0%	2,738	5.2%			1,091	5.5%
Total HTM	$ 5,036	5.1%	$ 1,207	4.6%	$ 2,738	5.2%			$ 1,091	5.5%
Available-for-sale securities										
U.S.Government and agency	$ 7,024	3.0%			$ 3,048	2.3%	$ 3,977	3.5%		
Other (1)	8,408	3.9%			4,107	4.7%	4,300	3.3%		
Total AFS	$15,432	3.5%			$ 7,155	3.7%	$ 8,277	3.4%		

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

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

Interest-Only Strips and Servicing Assets - As of December 31, 2003 and 2002, the Company held interest-only strips in the amount of $3.6 million and $4.6 million, respectively. These interest-only strips represent the present value of the right to the estimated net cash flows generated by SBA loans sold. Net cash flows consist of the difference between (a) interest at the stated rate paid by borrowers and (b) the sum of (i) pass-through interest paid to third-party investors and (ii) contractual servicing fees. The Company also held servicing assets related to SBA loans sales of $2.5 million and $1.9 million at December 31, 2003 and 2002, respectively. For loans sold subsequent to March 31, 2002, the initial servicing assets and resulting gain on sale were calculated based on the difference between the best actual par and premium bids on an individual loan basis. The servicing asset balances are subsequently amortized over the estimated life of the loans using an estimated prepayment rate of 22-25%. Quarterly, the servicing asset and I/O strip assets are analyzed for impairment. In 2002, the Company recorded a $1.8 million impairment charge related to the valuation of the servicing assets and I/O strips. The interest-only strips are accounted for as investments in debt securities classified as trading securities. Accordingly, the Company marks them to fair value with the resulting increase or decrease recorded through operations in the current period. At December 31, 2003, all of the servicing assets are related to SBA loan sales.

As of December 31, 2001 and prior to April 1, 2002, the Company utilized a CPR assumption of 13.44% which is the weighted average actual prepayment speed experienced by all serviced loans which have been in the portfolio for more than two years. This prepayment speed assumption is applied to all loans including those which have been in the portfolio for less than two years. Also during the same period the Company used discount rates of 9.25% to 10.25% in these calculations.

Liquidity Management

The Company has established policies as well as analytical tools to manage liquidity. Proper liquidity management ensures that sufficient funds are available to meet normal operating demands in addition to unexpected customer demand for funds, such as high levels of deposit withdrawals or increased loan demand, in a timely and cost effective manner. The most important factor in the preservation of liquidity is maintaining public confidence that facilitates the retention and growth of core deposits. Ultimately, public confidence is gained through profitable operations, sound credit quality and a strong capital position. The Company's liquidity management is viewed from both a long-term and short-term perspective as well as from an asset and liability perspective. Management monitors liquidity through regular reviews of maturity profiles, funding sources and loan and deposit forecasts to minimize funding risk. The Company has asset/liability committees ("ALCO") at the Board and Bank management level to review asset/liability management and liquidity issues. The Company maintains strategic liquidity and contingency plans. Periodically, the Company has significantly used short-term time certificates from other financial institutions to meet projected liquidity needs. Recently, the Company has invested more resources in the purchase of government-guaranteed investment securities and obtained a financing arrangement, repurchase agreements ("Repos") that allow it to pledge these securities as collateral for short-term borrowing in case of increased liquidity needs. Repos give the Company improved flexibility in managing its liquidity resources. As of December 31, 2003, the Company had $14.4 million of outstanding Repos, with interest rates of 1.25% to 1.43%, all of which mature within one year.

The Company has recently been approved for membership in the Federal Home Loan Bank ("FHLB"), which will allow for certain loans to be pledged as collateral to use as an additional funding source. Also, FHLB advances are generally considered a less expensive funding source than other alternatives. The Company also has obtained from another financial institution a $6 million Federal Funds Purchased borrowing line.

The Company, through the Bank, also has the ability as a member of the Federal Reserve System, to borrow at the discount window up to 50% of what is pledged at the Federal Reserve Bank. On January 9, 2003, the Reserve Bank replaced the existing discount window program with new primary and secondary credit programs. GNB qualifies for primary credit as it has been deemed to be in sound financial condition. The rate on primary credit will be 50 basis points less than the secondary credit rate and will generally be granted on a "no questions asked basis" at a rate that initially will be at 100 basis points above the Federal Open Market Committee's (FOMC) target federal funds rate (currently at 1.00%). As the rate is currently not attractive, it is unlikely it will be used as a regular source of funding, but is noted as available as an alternative funding source.

The Company has not experienced disintermediation and does not believe this is a potentially probable occurrence. GNB's core deposits (excluding certificates of deposit) grew by approximately $10.7 million during 2003. The liquidity ratio of the Company has steadily increased and was 21%, 25% and 26% at December 31, 2001 and 2002 and 2003, respectively. The liquidity ratio consists of cash and due from banks, deposits in other financial institutions, available for sale investments, federal funds sold and loans held for sale, divided by total assets.

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

Interest Rate Risk

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

■ *Lag Risk*– lag risk results from the inherent timing difference between the repricing of the Company's adjustable rate assets and liabilities. For instance, certain loans tied to the prime rate index may only reprice on a quarterly basis. However, at a community bank such as GNB, when rates are rising, funding sources tend to reprice more slowly than the loans. Therefore, for GNB, 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. The last prime rate change was effected on June 27, 2003.

■ *Repricing Risk* – repricing risk is caused by the mismatch in the maturities / repricing periods between interest-earning assets and interest-bearing liabilities. If GNB was perfectly matched, the net interest margin would expand during rising rate periods and contract during falling rate periods. This is so since loans tend to reprice more quickly than do funding sources. Typically, since GNB is somewhat asset sensitive, this would also tend to expand the net interest margin during times of interest rate increases.

■ *Basis Risk* – item pricing tied to different indices may tend to react differently, however, all GNB's variable products are priced off the prime rate.

■ *Prepayment Risk* – prepayment risk results from borrowers paying down / off their loans prior to maturity. Prepayments on fixed-rate products increase in falling interest rate environments and decrease in rising interest rate environments. Since a majority of GNB's loan originations are adjustable rate and set based on prime, and there is little lag time on the reset, GNB does not experience significant prepayments. However, GNB does have more prepayment risk on its securitized and manufactured housing loans and its mortgage-backed investment securities. Offsetting the prepayment risk on the securitized loans are the related bonds payable, which were issued at a fixed rate. When the bonds payable prepay, given the current interest rate environment, this reduces GNB's interest expense as a higher, fixed rate is, in effect, traded for a lower, variable rate funding source.

Management of Interest Rate Risk

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

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

Operational Risk

Operational risk represents the risk of loss resulting from the Company's operations, including but not limited to, the risk of fraud by employees or persons outside the Company, the execution of unauthorized transactions by employees, transaction processing errors and breaches of internal control system and compliance requirements. This risk of loss also includes the potential legal actions that could arise as a result of an operational deficiency or as a result of noncompliance with applicable regulatory standards, adverse business decisions or their implementation and customer attrition due to potential negative publicity.

Operational risk is inherent in all business activities and the management of this risk is important to the achievement of the Company's objectives. In the event of a breakdown in the internal control system, improper operation of systems or improper employee actions, the Company could suffer financial loss, face regulatory action and suffer damage to its reputation. The Company manages operational risk through a risk management framework and its internal control processes. The framework involves business units, corporate risk management personnel and executive management. Under this framework, the business units have direct and primary responsibility and accountability for identifying, controlling and monitoring operational risk. Business unit managers maintain a system of controls with the objective of providing proper transaction authorization and execution, proper system operations, safeguarding of assets from misuse or theft and ensuring the reliability of financial and other data. Business unit managers ensure that the controls are appropriate and are implemented as designed. Business continuation and disaster recovery planning is also critical to effectively manage operational risks. The Company's internal audit function (currently outsourced to a third party) validates the system of internal controls through risk-based regular and ongoing audit procedures and reports on the effectiveness of internal controls to executive management and the Audit Committee of the Board.

While the Company believes that it has designed effective methods to minimize operational risks, there is no absolute assurance that business disruption or operational losses would not occur in the event of disaster.

Deposits

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

	Year Ended December 31,					
	2003		2002		2001	
	Average Balance	Percent of Total	Average Balance	Percent of Total	Average Balance	Percent of Total
	(dollars in thousands)					
Noninterest-bearing demand	**$ 34,400**	**15.9%**	$ 31,560	15.6%	$ 39,708	17.8%
Interest-bearing demand	**35,768**	**16.5%**	29,347	14.5%	22,476	10.1%
Savings	**15,480**	**7.2%**	13,270	6.6%	17,056	7.6%
TCDs of $100,000 or more	**21,076**	**9.7%**	42,970	21.2%	79,195	35.4%
Other TCDs	**109,828**	**50.7%**	85,137	42.1%	65,102	29.1%
Total Deposits	**$ 216,552**	**100.0%**	**$ 202,284**	**100.0%**	**$ 223,537**	**100.0%**

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

	December 31,			
	2003		2002	
	TCD's over $100,000	Other TCD's	TCD's over $100,000	Other TCD's
	(in thousands)			
Less than three months	$ 7,376	$ 18,824	$ 11,043	$ 20,107
Over three months through six months	5,071	25,209	5,981	17,709
Over six months through twelve months	5,315	43,743	5,265	17,050
Over twelve months through five years	1,911	21,315	3,036	52,648
Total	$ 19,673	$ 109,091	$ 25,325	$ 107,514

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

The Company manages its money desk in accordance with its liquidity and strategic planning. Such deposits increased by $9.0 million during 2003 as the Company's general funding needs increased due to the increase in loan originations. The Company can obtain funds when necessary in a short timeframe, however, it is more expensive as there is substantial competition for these deposits.

Contractual Obligations

The Company has contractual obligations that include long-term debt, deposits, operating leases and purchase obligations for service providers. The following table is summary of those obligations at December 31, 2003:

	Total	< 1 Year	1-3 Years	3-5 Years	Over 5 Years
	(in thousands)				
Bonds payable in connection with securitized loans	$ 27,440	$ 493	$ 1,116	$ 1,315	$ 24,516
Time certificates of deposits	128,764	105,538	19,276	3,950	-
Operating lease obligations	2,583	611	1,294	678	-
Purchase obligations for service providers	316	107	166	43	-
Total	$ 159,103	$106,749	$ 21,852	$ 5,986	$ 24,516

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

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

In 2003, the Company implemented software that enhanced the capabilities to analyze IRR. Through the ability to download detailed information from various application programs, combined with assumptions regarding interest rates, lending and deposit trends and other key factors, the Company is able to forecast/simulate the effects of both higher and lower interest rates. The results detailed below indicate the impact, in dollars and percentages, on NII and EVE of an increase in interest rates of 200 basis points and a decline of 100 basis points compared to a flat interest rate scenario.

Interest Rate Sensitivity	**200 bp increase**		**100 bp decrease**	
	2003	**2002**	**2003**	**2002**
	(dollars in thousands)			
Anticipated impact over the next twelve months:				
Net interest income (NII)	**$ 871**	$ 959	**$ (844)**	*
	6.4%	5.5%	**(6.2%)**	*
Economic value of equity (EVE)	**$ 260**	$ (1,261)	**$ (815)**	*
	0.7%	(2.8%)	**(2.3%)**	*

* The information for a 100 basis point decline is not available for 2002 from the outsourced service. For a 200 basis point decline, the results for NII were a decline in net interest income of $598,000 with an associated percentage decline of 3.4%, and an increase of $977,000 in EVE with an associated percentage increase of 2.2%.

In the current interest rate environment, the 100 basis point decline creates a possible distortion in the resulting decline in EVE due to deposit rate "floors" established in the model. These floors result in a higher valuation for deposits and, correspondingly, a negative change to EVE.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Community West Bancshares:

We have audited the accompanying consolidated balance sheet of Community West Bancshares and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. 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 auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Community West Bancshares and subsidiaries at December 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

LOS ANGELES, CALIFORNIA
FEBRUARY 2, 2004

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
Community West Bancshares:

We have audited the accompanying consolidated balance sheets of Community West Bancshares and subsidiaries (the "Company") as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. 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 auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community West Bancshares and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP /s/
LOS ANGELES, CALIFORNIA
MARCH 8, 2002

CONSOLIDATED BALANCE SHEETS

	December 31, 2003	December 31, 2002
	(dollars in thousands)	
ASSETS		
Cash and due from banks	$ 5,758	$ 10,714
Interest-earning deposits in other financial institutions	5,031	-
Federal funds sold	11,267	20,380
Cash and cash equivalents	22,056	31,094
Time deposits in other financial institutions	792	2,277
Federal Reserve Bank stock, at cost	812	812
Investment securities available-for-sale, at fair value; amortized cost of $15,455 at December 31, 2003	15,432	-
Investment securities held-to-maturity, at amortized cost; fair value of $5,035 at December 31, 2003 and $6,071 at December 31, 2002	5,036	6,012
Interest only strips, at fair value	3,548	4,548
Loans:		
Loans held for sale, at lower of cost or fair value	42,038	43,284
Loans held for investment, net of allowance for loan losses of $2,652 at December 31, 2003 and $3,379 at December 31, 2002	166,874	138,948
Securitized loans, net of allowance for loan losses of $2,024 at December 31, 2003 and $2,571 at December 31, 2002	35,362	63,624
Total loans	244,274	245,856
Servicing assets	2,499	1,897
Other real estate owned, net	527	571
Premises and equipment, net	1,632	1,959
Other assets	7,642	12,184
TOTAL ASSETS	$ 304,250	$ 307,210
LIABILITIES		
Deposits:		
Non-interest-bearing demand	$ 42,417	$ 39,698
Interest-bearing demand	38,115	35,169
Savings	15,559	11,377
Time certificates of $100,000 or more	19,673	25,325
Other time certificates	109,091	107,514
Total deposits	224,855	219,083
Securities sold under agreements to repurchase	14,394	-
Bonds payable in connection with securitized loans	26,100	50,473
Other liabilities	4,570	5,567
Total liabilities	269,919	275,123
Commitments and contingencies-See Note 14		
STOCKHOLDERS' EQUITY		
Common stock, no par value; 10,000,000 shares authorized; shares issued and outstanding, 5,706,769 at December 31, 2003 and 5,690,224 at December 31, 2002	29,874	29,798
Retained earnings	4,472	2,289
Accumulated other comprehensive loss	(15)	-
Total stockholders' equity	34,331	32,087
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 304,250	$ 307,210

See accompanying notes.

CONSOLIDATED INCOME STATEMENTS

	Year Ended December 31,		
	2003	**2002**	**2001**
	(in thousands, except per share data)		
INTEREST INCOME			
Loans	**$19,658**	$ 29,306	$ 39,258
Investment securities	**489**	202	269
Other	**236**	468	1,267
Total interest income	**20,383**	29,976	40,794
INTEREST EXPENSE			
Deposits	**4,621**	5,545	9,460
Bonds payable and other borrowings	**4,721**	7,921	10,878
Total interest expense	**9,342**	13,466	20,338
NET INTEREST INCOME	**11,041**	16,510	20,456
Provision for loan losses	**1,669**	4,899	11,880
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	**9,372**	11,611	8,576
NON-INTEREST INCOME			
Gains from loan sales, net	**4,860**	4,788	6,616
Other loan fees	**2,923**	3,388	3,432
Loan servicing fees, net	**1,264**	1,081	1,703
Document processing fees, net	**937**	1,404	1,978
Service charges	**376**	440	575
Proceeds from legal settlement	**-**	-	7,000
Other	**315**	297	867
Total non-interest income	**10,675**	11,398	22,171
NON-INTEREST EXPENSES			
Salaries and employee benefits	**11,416**	13,596	17,704
Occupancy and equipment expenses	**1,691**	2,119	2,311
Professional services	**636**	1,575	2,238
Depreciation	**581**	771	1,419
Loan servicing and collection	**438**	872	1,338
Professional expenses associated with legal settlement	**-**	-	2,392
Impairment of SBA interest only strips and servicing assets	**-**	1,788	-
Lower of cost or market provision on loans held for sale	**-**	1,381	-
Amortization of intangible assets	**-**	-	178
Other	**1,974**	2,829	4,426
Total non-interest expenses	**16,736**	24,931	32,006
Income (loss) before provision (benefit) for income taxes	**3,311**	(1,922)	(1,259)
Provision (benefit) for income taxes	**1,128**	(652)	(1,281)
NET INCOME (LOSS)	**$ 2,183**	$ (1,270)	$ 22
INCOME (LOSS) PER SHARE – BASIC	**$ 0.38**	$ (0.22)	$ 0.00
INCOME (LOSS) PER SHARE – DILUTED	**$ 0.38**	$ (0.22)	$ 0.00

See accompanying notes.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Shares	Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	(in thousands)				
BALANCES AT JANUARY 1, 2001	6,107	$ 32,518	$ 3,537	$ (21)	$ 36,034
Exercise of stock options	34	115	-	-	115
Stock repurchase	(451)	(2,835)	-	-	(2,835)
Comprehensive income:					
Net income			22	-	22
Other comprehensive income				21	21
Comprehensive income					43
BALANCES AT DECEMBER 31, 2001	5,690	29,798	3,559	-	33,357
Comprehensive income:					
Net loss			(1,270)	-	(1,270)
BALANCES AT DECEMBER 31, 2002	5,690	29,798	2,289	-	32,087
Exercise of stock options	**17**	**76**	**-**	**-**	**76**
Comprehensive income:					
Net income			**2,183**	**-**	**2,183**
Other comprehensive loss				**(15)**	**(15)**
Comprehensive income					**2,168**
BALANCES AT DECEMBER 31, 2003	**5,707**	**$ 29,874**	**$ 4,472**	**$ (15)**	**$ 34,331**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2003	**2002**	**2001**
		(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	**$ 2,183**	$ (1,270)	$ 22
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Provision for loan losses	**1,669**	4,899	11,880
Provision for losses on real estate owned	**25**	86	50
Losses on sale of premises and equipment	**-**	132	-
Deferred income taxes	**474**	1,219	605
Depreciation and amortization	**1,589**	3,031	1,597
Net amortization of discounts and premiums on securities	**189**	-	-
Gains on:			
Sale of other real estate owned	**(79)**	(14)	(42)
Sale of subsidiary	**-**	-	(96)
Sale of available-for-sale securities	**-**	-	(21)
Sale of loans held for sale	**(4,401)**	(4,788)	(6,616)
Changes in:			
Fair value of interest only strips, net of accretion	**1,000**	3,385	2,694
Servicing assets, net of amortization and valuation adjustments	**(602)**	593	116
Other assets	**4,068**	108	1,451
Other liabilities	**(1,062)**	726	537
Net cash provided by operating activities	**5,053**	8,107	12,177
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of held-to-maturity securities	**(7,337)**	(11,904)	(118)
Purchase of available-for-sale securities	**(24,197)**	-	-
Purchase of Federal Reserve Bank stock	**-**	(37)	-
Principal paydowns and maturities of available-for-sale securities	**8,670**	-	4,820
Principal paydowns and maturites of held-to-maturity securities	**8,219**	6,010	1,901
Redemption of FHLB stock	**-**	-	395
Additions to interest only strip assets	**-**	(240)	(2,846)
Loan originations and principal collections, net	**2,744**	14,049	62,505
Proceeds from sale of other real estate owned	**1,718**	399	492
Net decrease (increase) in time deposits in other financial institutions	**1,485**	3,661	(4,356)
Purchase of premises and equipment, net of sales	**(254)**	(136)	(76)
Net cash (used in) provided by investing activities	**(8,952)**	11,802	62,717
CASH FLOWS FROM FINANCING ACTIVITIES:			
Exercise of stock options	**76**	-	115
Net increase (decrease) in demand deposits and savings accounts	**9,847**	16,043	(17,172)
Net (decrease) increase in time certificates of deposit	**(4,075)**	6,874	(15,382)
Proceeds from securities sold under agreements to repurchase	**20,041**	-	-
Repayments of securities sold under agreements to repurchase	**(5,647)**	-	-
Repayment of other borrowings	**-**	-	(5,293)
Repurchase of outstanding shares	**-**	-	(2,835)
Repayments of bonds payable in connection with securitized loans	**(25,381)**	(41,138)	(41,404)
Net cash (used in) financing activities	**(5,139)**	(18,221)	(81,971)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(9,038)**	1,688	(7,078)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**31,094**	29,406	36,484
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 22,056**	$ 31,094	$ 29,406

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Nature of Operations - The Company's primary operations are related to commercial banking and financial services through GNB which include the acceptance of deposits and the lending and investing of money. The Company also engages in electronic banking services. The Company's customers consist of small to mid-sized businesses, as well as individuals. The Company also originates and sells U. S. Small Business Administration ("SBA") and first and second mortgage loans through its normal operations and loan production offices.

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

Certain amounts in the 2001 and 2002 financial statements have been reclassified to be comparable with classifications in the 2003.

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, 2003 and 2002, the Company had only one reportable business segment.

Reserve Requirements - All depository institutions are required by law to maintain reserves on transaction accounts and non-personal time deposits in the form of cash balances at the Federal Reserve Bank ("FRB"). These reserve requirements can be offset by cash balances held at GNB. At December 31, 2003 and 2002, GNB's cash balance was sufficient to offset the FRB requirement.

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

Interest Only Strips and Servicing Assets - The guaranteed portion of certain 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. Also, at the time of the loan sale, it is the Company's policy to recognize the related gain on the loan sale in accordance with GAAP. The Company uses industry prepayment statistics and its own prepayment experience in estimating the expected life of the loans. Management periodically evaluates servicing assets for impairment. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost on a loan by loan basis. Fair value is determined using discounted future cash flows calculated on a loan by loan basis and aggregated to the total asset level. Impairment to the asset is recorded if the aggregate fair value calculation drops below net book value of the asset.

Additionally, on certain SBA loan sales, the Company has retained interest only ("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. Prior to April 1, 2002, the Company determined the present value of this estimated cash flow at the time each loan sale transaction closed, utilizing valuation assumptions as to discount rate, prepayment rate and default rate appropriate for each particular transaction. For loans sold after March 31, 2002, the initial servicing assets and resulting gain on sale were calculated based on the difference between the best actual par and premium bids on an individual loan basis. This same methodology would apply to the initial valuation of any new I/O strip assets. As the Company did not sell any loans for par during 2003, there were no additions to the I/O strips using the new assumptions. Periodically, the Company verifies the reasonableness of its valuation estimates by comparison to the results of an independent third party valuation analysis.

The I/O strips are classified as trading securities. Accordingly, the Company records the I/O's strips at fair value with the resulting increase or decrease in fair value being recorded through operations in the current period. For the years ended December 31, 2003, 2002 and 2001, net decreases in fair value of $1,000,000, $3,385,000 and $2,694,000, respectively, are included in the income statement as reductions to loan servicing income.

Loans Held for Sale - Loans which are originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value determined on an aggregate basis. Valuation adjustments, if any, are recognized through a valuation allowance by charges to lower of cost or market provision. Loans held for sale are primarily comprised of SBA loans, second mortgage loans and residential mortgage loans. For the year ended December 31, 2002, the Company recorded a lower of cost or market provision of $1,381,000. The Company did not incur a lower of cost or market provision in the years ended December 31, 2003 and 2001.

Loans Held for Investment - Loans are carried at amounts advanced to the borrowers less the payments collected. Interest on loans is accrued daily on a simple-interest basis. The accrual of interest is discontinued when substantial doubt exists as to collectibility of the loan, generally at the time the loan is 90 days delinquent, unless the credit is well secured and in process of collection. Any unpaid but accrued interest is reversed at that time. Thereafter, interest income is no longer recognized on the loan. Interest on non-accrual loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all of the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Impaired loans are identified as impaired when it is probable that interest and principal will not be collected according to the contractual terms of the loan agreement. All of the Company's nonaccrual loans were also classified as impaired at December 31, 2003 and 2002.

Repurchase Agreements – Securities sold under repurchase agreements are treated as collateralized financing transactions and carried at the amount at which the securities will be subsequently repurchased

Securitized Loans and Bonds Payable - In 1999 and 1998, respectively, the Company transferred $122 million and $81 million in loans to special purpose trusts ("Trusts"). The transfers have been accounted for as secured borrowings and, accordingly, the mortgage loans and related bonds issued are included in the Company's Balance Sheet. Such loans are accounted for in the same manner as loans held to maturity. Deferred debt issuance costs and bond discount related to the bonds are amortized on a method which approximates the level yield method over the estimated life of the bonds.

Loan Fees and Costs - Loan origination fees, certain direct origination costs and purchase premiums and discounts are deferred and recognized as an adjustment to the loan yield over the life of the loan using the level-yield method.

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

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

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

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

■ Building and improvements	31.5 years
■ Furniture and equipment	5 – 7 years
■ Electronic equipment and software	2 – 3 years

Income Taxes - Deferred income taxes are recognized for the tax effect of differences between the tax basis of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance is established for deferred tax assets if, based on weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets may not be realized.

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

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

Stock-Based Compensation- GAAP permits the Company to use either of two methodologies to account for compensation cost in connection with employee stock options. The first method requires issuers to record compensation expense over the period the options are expected to be outstanding prior to exercise, expiration or cancellation. The amount of compensation expense to be recognized over this term is the "fair value" of the options at the time of the grant as determined by the Black-Scholes valuation model. Black-Scholes computes fair value of the options based on the length of their term, the volatility of the stock price in past periods and other factors. Under this method, the issuer recognizes compensation expense regardless of whether or not the employee eventually exercises the options.

Under the second methodology, if options are granted at an exercise price equal to the market value of the stock at the time of the grant, no compensation expense is recognized. The Company believes that this method better reflects the motivation for its issuance of stock options, as they are intended as incentives for future performance rather than compensation for past performance. GAAP requires that issuers electing the second method must present pro forma disclosure of net income (loss) and earnings per share as if the first method had been elected.

Under the terms of the Company's stock option plan, full-time salaried employees may be granted qualified stock options or incentive stock options and directors may be granted nonqualified stock options. Options may be granted at a price not less than 100% of the market value of the stock on the date of grant. Qualified options are generally exercisable in cumulative 20% installments. All options expire no later than ten years from the date of grant. As of December 31, 2003, options were outstanding at prices ranging from $3.00 to $14.88 per share with 256,327 options exercisable and 475,651 options available for future grant. As of December 31, 2002, options were outstanding at prices ranging from $3.00 to $14.88 per share with 208,992 options exercisable and 154,551 options available for future grant. As of December 31, 2003, the average life of the outstanding options was approximately 7.3 years. Stock option activity is as follows:

	Year Ended December 31,								
	2003 Shares	2003 Weighted Average Exercise Price	2002 Shares		2002 Weighted Average Exercise Price	2001 Shares		2001 Weighted Average Exercise Price
Options outstanding, January 1,	**350,852**	**6.30**	432,624	$	6.31	392,196	$	7.35
Granted	**198,000**	**5.51**	88,128		4.60	186,228		1.08
Canceled	**(69,100)**	**6.22**	(169,900)		5.77	(111,700)		8.03
Exercised	**(16,545)**	**4.63**	-		-	(34,100)		3.36
Options outstanding, December 31,	**463,207**	**6.04**	350,852	$	6.30	432,624	$	6.31
Options exercisable, December 31,	**256,327**	**6.53**	208,992	$	6.49	282,824	$	5.81

The grant date estimated fair value of options was $2.83 per share in 2003, $2.90 per share in 2002, and $4.67 per share in 2001. The Company applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its stock option plan. Accordingly, no compensation cost has been recognized for its stock option plan. Had compensation cost for the Company's stock option plan been determined based on the fair value at the grant dates for awards under the plan consistent with the method prescribed by SFAS No. 123, the Company's net income (loss) and income (loss) per share for the years ended December 31, 2003, 2002 and 2001 would have been adjusted to the pro forma amounts indicated below:

	Year Ended December 31,					
	2003		**2002**		**2001**	
	(in thousands, except per share data)					
Income (loss):						
As reported	**$**	**2,183**	$	(1,270)	$	22
Pro forma		**1,975**		(1,434)		(151)
Income (loss) per common share – basic						
As reported		**0.38**		(0.22)		0.00
Pro forma		**0.35**		(0.25)		0.00
Income (loss) per common share – diluted						
As reported		**0.38**		(0.22)		0.00
Pro forma		**0.34**		(0.25)		0.00

The fair value of options granted under the Company's stock option plan during 2003, 2002 and 2001 was estimated on the date of grant using Black-Scholes with the following weighted-average assumptions:

	Year Ended December 31,		
	2003	**2002**	**2001**
Annual dividend yield	**0.0%**	0.0%	0.0%
Expected volatility	**32.4%**	45.1%	37.0%
Risk free interest rate	**3.9%**	4.0%	5.9%
Expected life (in years)	**7.3**	7.3	6.0

Recent Accounting Pronouncements – In January 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" which addresses consolidation by business enterprises of variable interest entities ("VIEs") either: 1) that do not have sufficient equity investment at risk to permit the entity to refinance its activities without additional subordinated financial support, or 2) in which the equity investors lack an essential characteristic of a controlling financial interest. In December 2003, FASB completed deliberations of proposed modifications to FIN 46 ("Revised Interpretations") resulting in multiple effective dates based on the nature as well as the creation date of the VIE. VIEs created after January 31, 2003 but prior to January 1, 2004, may be accounted for either based on the original interpretation or the Revised Interpretations. However, the Revised Interpretations must be applied no later than the first quarter of fiscal year 2004. The adoption of FIN 46 as revised is not anticipated to have an impact on the Company's financial position or results of operations.

In November 2002, the FASB issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees*, Including Indirect Guarantees of Indebtedness of Others (FIN 45). FIN 45 changed current practice in the accounting for, and disclosure of, guarantees. Guarantees meeting the characteristics described (and not included in a long list of exceptions) are required to be initially recorded at fair value, which is different from the general current practice of recording a liability only when a loss is probable and reasonably estimable, as those terms are defined in FASB Statement No. 5, *Accounting for Contingencies*. FIN 45 also requires a guarantor to make significant new disclosures for virtually all guarantees. FIN 45 disclosure requirements are effective for financial statements of interim or annual periods ended after December 15, 2002, while the initial recognition and initial measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002 and existing guarantees for the interim period beginning July 1, 2003. Management does not believe that the impact of the adoption of this pronouncement will have a material impact on the Company or its financial statements.

2. INVESTMENT SECURITIES

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

December 31, 2003

(in thousands)

AVAILABLE-FOR-SALE SECURITIES	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. Government and agency	$ 7,064	$ -	$ (40)	$ 7,024
Other securities	8,391	17	-	8,408
Total available-for-sale securities	$ 15,455	$ 17	$ (40)	$ 15,432
HELD-TO-MATURITY SECURITIES				
U.S. Government and agency	$ 200	$ -	$ -	$ 200
Other securities	4,836	-	(1)	4,835
Total held-to-maturity securities	$ 5,036	$ -	$ (1)	$ 5,035

December 31, 2002

(in thousands)

Held-to-maturity securities	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. Government and agency	$ 707	$ -	$ -	$ 707
Other Securities	5,305	59	-	5,364
	$ 6,012	$ 59	$ -	$ 6,071

At December 31, 2003, $200,000, at carrying value, of the above securities were pledged as collateral to the U.S. Treasury for its treasury, tax and loan account and $14,680,000, at carrying value, were pledged under repurchase agreements which are treated as collateralized financing transactions.

3. LOAN SALES AND SERVICING

SBA Loan Sales

The Company sells the guaranteed portion of selected SBA loans into the secondary market, on a servicing retained basis, in exchange for a combination of a cash premium, servicing assets and/or I/O strips. The Company retains the unguaranteed portion of these loans and services the loans as required under the SBA programs to retain specified yield amounts. The SBA program stipulates that the Company retain a minimum of 5% of the unguranteed portion of the loan balance. The percentage of each unguaranteed loan in excess of 5% can be periodically sold to a third party for a cash premium. A portion of the yield is recognized as servicing fee income as it occurs and the remainder is capitalized as excess servicing and is included in the gain on sale calculation. The fair value of the I/O strips and servicing assets prior to April 1, 2002 was determined using a 9.25%-10.25% discount rate based on the term of the underlying loan instrument and a 13.44% prepayment rate. For loans sold after March 31, 2002, the initial values of the servicing assets and resulting gain on sale were calculated based on the difference between the best actual par and premium bids received for each individual loan. The balance of all servicing assets are subsequently amortized over the estimated life of the loans using an estimated prepayment rate of 22-25%. Quarterly, the servicing asset and I/O strip assets are analyzed for impairment. In 2002, the Company had recognized impairment charges of $1.8 million. At December 31, 2003, all of the servicing assets are related to SBA loan sales. As of December 31, 2003 and 2002, the Company had $36.9 million and $26.2 million respectively, in SBA loans held for sale.

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

	Year Ended December 31,		
	2003	**2002**	**2001**
	(in thousands)		
Balance, beginning of year	**$ 4,548**	$ 7,693	$ 7,541
Additions through loan sales	**-**	240	2,846
Valuation adjustment, net	**(1,000)**	(3,385)	(2,694)
Balance, end of year	**$ 3,548**	$ 4,548	$ 7,693

The following is a summary of activity in Servicing Assets:

	Year Ended December 31,		
	2003	**2002**	**2001**
	(in thousands)		
Balance, beginning of year	**$ 1,897**	$ 2,489	$ 2,605
Additions through loan sales	**1,116**	597	689
Amortization	**(514)**	(426)	(197)
Valuation adjustment	**-**	(763)	(607)
Balance, end of year	**$ 2,499**	$ 1,897	$ 2,490

Loans serviced for others are not included in the accompanying consolidated balance sheets. The principal balance of loans serviced for others at December 31, 2003 and 2002 totaled $168.4 million and $171.0 million, respectively. Loans serviced for others are not included in the accompanying consolidated balance sheets.

4. LOANS HELD FOR INVESTMENT

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

	December 31, 2003	December 31, 2002
	(in thousands)	
Commercial	$ 24,592	$ 26,256
Real estate	71,010	51,666
SBA	30,698	34,073
Manufactured housing	39,073	28,199
Other installment	5,770	2,772
	171,143	142,966
Less:		
Allowance for loan losses	2,651	3,379
Deferred fees, net of costs	69	(318)
Discount on unguaranteed portion of SBA loans	1,549	957
Loans held for investment, net	$ 166,874	$ 138,948

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

	Year Ended December 31, 2003	2002	2001
	(in thousands)		
Balance, beginning of year	$ 3,379	$ 4,086	$ 2,704
Provision for loan losses	293	3,071	7,754
Loans charged off	(1,822)	(5,637)	(6,222)
Recoveries on loans previously charged off	802	1,859	612
Transfers and reductions due to sale of subsidiary, net	-	-	(762)
Balance, end of year	$ 2,652	$ 3,379	$ 4,086

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

	Year Ended December 31, 2003	2002	2001
	(in thousands)		
Impaired loans without specific valuation allowances	$ -	$ -	$ -
Impaired loans with specific valuation allowances	6,843	8,394	6,587
Specific valuation allowance related to impaired loans	(640)	(1,278)	(1,669)
Impaired loans, net	$ 6,203	$ 7,116	$ 4,918
Average investment in impaired loans	$ 6,584	$ 7,565	$ 5,047

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

	Year Ended December 31, 2003	2002	2001
	(in thousands)		
Nonaccrual loans	**$ 7,174**	$ 13,965	$ 11,413
SBA guaranteed portion of loans included above	**(4,106)**	(8,143)	(7,825)
Nonaccrual loans, net	**$ 3,068**	$ 5,822	$ 3,588
Troubled debt restructured loans	**$ 193**	$ 829	$ 1,093
Loans 30 through 90 days past due with interest accruing	**$ 3,907**	$ 5,122	$ 2,607
Interest income recognized on impaired loans	**$ 277**	$ 190	$ 1,443
Interest foregone on nonaccrual loans and troubled debt restructured loans outstanding	**216**	1,263	1,146
Gross interest income on impaired loans	**$ 493**	$ 1,453	$ 2,589

The Company makes loans to borrowers in a number of different industries. Although the Company does not have significant concentrations in its loan portfolio, the ability of customers to honor their loan agreements is dependent upon, among other things, the general economy of the Company's market area.

5. SECURITIZED LOANS

The Company originated and purchased second mortgage loans that allowed borrowers to borrow up to 125% of their home's appraised value, when combined with the balance of the first mortgage loan, up to a maximum loan of $100,000. In 1998 and 1999, the Company transferred $81 million and $122 million, respectively, of these loans to two special purpose trusts. These loans were both originated and purchased by the Company. The trusts, then sold bonds to third party investors which were secured by the transferred loans. The loans and bonds are held in the trusts independent of the Company, the trustee of which oversees the distributions to the bondholders. The mortgage loans are serviced by a third party ("Servicer"), who receives a stated servicing fee. There is an insurance policy on the bonds that guarantees the payment of the bonds. The Company did not surrender effective control over the loans transferred at the time of securitization. Accordingly, the securitizations are accounted for as secured borrowings and both the loans and bonds in the trusts are consolidated into the financial statements of the Company.

At December 31, 2003 and 2002, respectively, securitized loans are net of an allowance for loan losses as set forth below, and include purchase premiums and deferred fees/costs of $ 823,000 and $1,464,000, respectively.

An analysis of the allowance for loan losses for securitized loans is as follows:

	Year End December 31, 2003	2002	2001
	(in thousands)		
Balance, beginning of year	**$ 2,571**	$ 4,189	$ 4,042
Provisions for loan losses	**1,376**	1,828	4,126
Loans charged off	**(2,511)**	(4,012)	(4,358)
Recoveries on loans previously charged off	**588**	566	379
Balance, end of year	**$ 2,024**	$ 2,571	$ 4,189

6. PREMISES AND EQUIPMENT

	December 31, 2003	December 31, 2002
	(in thousands)	
Furniture, fixtures and equipment	$ 6,851	$ 6,846
Building and land	888	784
Leasehold improvements	771	805
	8,510	8,435
Less: accumulated depreciation and amortization	(6,878)	(6,476)
Premises and equipment, net	$ 1,632	$ 1,959

The Company leases office facilities under various operating lease agreements with terms that expire at various dates between February 2004 and April 2008, plus options to extend the lease terms for periods of up to ten years. The minimum lease commitments as of December 31, 2003 under all operating lease agreements are as follows:

Year Ended December 31,	(in thousands)
2004	$ 611
2005	632
2006	662
2007	654
2008	24
Total	$ 2,583

Rent expense for the years ended December 31, 2003, 2002 and 2001, included in occupancy expense was $680,000, $951,000 and $895,000, respectively.

7. DEPOSITS

At December 31, 2003, the maturities of time certificates of deposits are as follows:

	(in thousands)
2004	$ 105,538
2005	15,828
2006	3,448
2007	105
2008	3,845
Total	$ 128,764

8. INCOME TAXES

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

	Year Ended December 31, 2003	2002	2001
	(in thousands)		
Current:			
Federal	$ 647	$ (1,873)	$ (1,385)
State	7	2	(501)
	654	(1,871)	(1,886)
Deferred:			
Federal	712	1,223	343
State	(238)	(4)	262
	474	1,219	605
Total provision (benefit)	$ 1,128	$ (652)	$ (1,281)

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

	Year Ended December 31, 2003	2002	2001
Federal income tax at statutory rate	34.0%	(34.0)%	(34.0)%
State franchise tax, net of federal benefit	7.0%	(7.1)%	(12.9)%
Amortization and impairment of goodwill	-	-	3.4%
Taxable gain on sale of subsidiary	-	-	81.8%
Capital recovery proceeds	-	-	(137.4)%
Other	0.1%	3.2%	(2.7)%
Valuation allowance	(7.0)%	4.0%	-
	34.1%	(33.9)%	(101.8)%

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

	2003	2002
	(in thousands)	
Deferred tax assets:		
Allowance for loan losses	$ 263	$ 1,171
Depreciation	516	471
Net operating loss	194	482
Deferred loan costs	193	-
Other	931	350
	2,097	2,474
Less: valuation allowance	(193)	(486)
	1,904	1,988
Deferred tax liabilities:		
Deferred loan fees	(2,801)	(2,286)
Deferred loan costs	-	(214)
Other	(383)	-
	(3,184)	(2,500)
Net deferred taxes	$ (1,280)	$ (512)

9. STOCKHOLDERS' EQUITY

Common Stock

On December 28, 1998, the Board of Directors of the Company authorized a stock buy-back plan. Under this plan, the Company is authorized to repurchase up to $2,000,000 worth of the outstanding shares of the Company's common stock on the open market. As of December 31, 2003 and 2002, pursuant to this plan, the Company had repurchased 138,937 shares at a cost of $1,240,148.

In addition during 2001, the Company repurchased 449,592 shares in a privately negotiated transaction at a cost of $2,830,682.

Earnings per share-Calculation of Weighted Average Shares Outstanding

	Year Ended December 31,		
	2003	**2002**	**2001**
	(in thousands)		
Basic weighted average shares outstanding	**5,694**	5,690	5,948
Dilutive effect of stock options	**64**	-	50
Diluted weighted average shares outstanding	**5,758**	5,690	5,998

The incremental shares from assumed conversions of stock options on 13,674 shares in 2002 were excluded from the computations of diluted earnings per share because the Company had a net loss for 2002, which made them anti-dilutive.

10. BORROWINGS

Repurchase Agreements

The Company has entered into various repurchase/borrowing arrangements with interest rates of 1.25% to 1.43%, all of which mature in 2004.

Bonds Payable

The following is a summary of the outstanding bonds payable:

	Year Ended December 31,			
	2003	**2002**	**Ranges of Interest Rates**	**Stated Maturity date**
	(dollars in thousands)			
Series 1998-1	**$ 5,205**	$ 14,490	7.06% – 7.95%	November 25, 2024
Series 1999-1	**22,235**	38,662	6.46% – 8.75%	May 25, 2025
	27,440	53,152		
Less: Bond issuance	**477**	926		
Bond discount	**863**	1,753		
Bonds payable, net	**$ 26,100**	$ 50,473		

The bonds are collateralized by securitized loans with an outstanding principal balance of $11,387,000 and $25,176,000 as of December 31, 2003 for Series 1998-1 and Series 1999-1, respectively. There is no cross collateralization between the bond issues.

Financial data pertaining to bonds payable were as follows:

	Year Ended December 31,		
	2003	**2002**	**2001**
	(dollars in thousands)		
Weighted average coupon interest rate, end of year	**8.26%**	8.02%	7.64%
Annual weighted average interest rate (including discount amortization)	**11.89%**	11.44%	9.02%
Average balance of bonds payable, net	**$ 39,000**	$ 69,251	$ 111,327
Maximum amount of bonds payable, net outstanding at any month end	**$ 50,473**	$ 84,910	$ 128,762

As of December 31, 2003, the annual scheduled bond repayments were as follows:

	2004	2005	2006	2007	2008	Thereafter	Total
	(in thousands)						
Bond repayments	**$ 493**	**$ 535**	**$ 581**	**$ 631**	**$ 684**	**$ 24,516**	**$ 27,440**

The Company has the option to call and pay off the remaining bond balance when the related loan balances are reduced to 10% of the original pool balance.

11. EMPLOYEE BENEFIT PLAN

The Company has established a 401(k) plan for the benefit of its employees. Employees are eligible to participate in the plan after three months of consecutive service. Employees may make contributions to the plan and the Company may make discretionary profit sharing contributions, subject to certain limitations. The Company's contributions were determined by the Board of Directors and amounted to $129,000, $171,000 and $177,000, in 2003, 2002 and 2001, respectively.

12. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

The following table represents the estimated fair values:

	December 31,			
	2003		**2002**	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
	(in thousands)			
Assets:				
Cash and cash equivalents	**$ 22,056**	**$ 22,056**	$ 31,094	$ 31,094
Time deposits in other financial institutions	**792**	**792**	2,277	2,277
Federal Reserve Bank stock	**812**	**812**	812	812
Investment securities	**20,468**	**20,467**	6,012	6,071
Interest-only strips	**3,548**	**3,548**	4,548	4,548
Net loans	**244,274**	**247,460**	245,856	270,425
Servicing assets	**2,499**	**2,695**	1,897	1,897
Liabilities:				
Deposits (other than time deposits)	**96,091**	**96,091**	86,244	86,244
Time deposits	**128,764**	**129,564**	132,839	137,089
Securities sold under agreements to repurchase	**14,394**	**14,401**	-	-
Bonds payable	**26,100**	**27,114**	50,473	56,830

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

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

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

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

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

Interest Only Strips - The fair value of the interest-only strips have been determined by the discounted cash flow method, using market discount and prepayment rates.

Loans – The fair value of loans is estimated for portfolios of loans with similar financial characteristics, primarily fixed and adjustable rate interest terms. The fair value of fixed-rate mortgage loans is based upon discounted cash flows utilizing the rate that the Company currently offers as well as anticipated prepayment schedules. The fair value of adjustable rate loans is also based upon discounted cash flows utilizing discount rates that the Company currently offers, as well as anticipated prepayment schedules.

Servicing Assets – Fair value is determined using discounted future cash flows calculated on a loan by loan basis and aggregated to the total asset level.

Deposits - The fair values of deposits are estimated based upon the type of deposit products. Demand accounts, which include savings and transaction accounts, are presumed to have equal book and fair values, since the interest rates paid on these accounts are based on prevailing market rates. The estimated fair values of time deposits are determined by discounting the cash flows of segments of deposits that have similar maturities and rates, utilizing a yield curve that approximates the prevailing rates offered to depositors as of the measurement date.

Securities sold under agreements to repurchase – The fair value is estimated using discounted cash flow analysis based on rates for similar types of borrowing arrangements.

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

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

The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2003 and 2002. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since those dates and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

13. REGULATORY MATTERS

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

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

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). The Company's and GNB's actual capital amounts and ratios as of December 31, 2003 and 2002 are also presented in the table below:

(dollars in thousands)	Total Capital	Tier 1 Capital	Risk-Weighted Assets	Adjusted Average Assets	Total Capital Ratio	Tier 1 Capital Ratio	Tier 1 Leverage Ratio
December 31, 2003							
CWBC (Consolidated)	$ 37,150	$ 34,096	$ 242,730	$ 305,666	15.31%	14.05%	11.15%
GNB	34,695	31,648	242,170	301,024	14.33	13.07	10.51
December 31, 2002							
CWBC (Consolidated)	35,080	31,897	252,019	304,239	13.92	12.66	10.48
GNB	32,492	29,405	244,207	300,097	13.31	12.04	9.80
Well capitalized ratios					10.00	6.00	5.00
Minimum capital ratios					8.00	4.00	4.00

As of December 31, 2003, management believed that GNB met all applicable capital adequacy requirements and are correctly categorized as "well capitalized" under the regulatory framework for prompt corrective action.

14. COMMITMENTS AND CONTINGENCIES

Commitments

In the normal course of business, the Company is a party to financial instruments with off-balance-sheet risk to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The Company's exposure to credit loss in the event of nonperformance by the other party to commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. As of December 31, 2003 and 2002, the Company had commitments to extend credit of approximately $40.7

million and $30.5 million, respectively, including obligations to extend standby letters of credit of approximately $522,000 and $380,000, respectively.

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

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third-party. Those guarantees are primarily issued to support private borrowing arrangements. All guarantees are short-term and expire within one year.

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

Loans Sold

The Company has sold loans that are guaranteed or insured by government agencies for which the Company retains all servicing rights and responsibilities. The Company is required to perform certain monitoring functions in connection with these loans to preserve the guarantee by the government agency and prevent loss to the Company in the event of nonperformance by the borrower. Management believes that the Company is in compliance with these requirements. The outstanding balance of the sold portion of such loans was approximately $126.8 million and $150.2 million at December 31, 2003 and 2002, respectively.

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

Executive Salary Continuation

The Company has an agreement with a former officer/director, which provides for a monthly cash payment to the officer or beneficiaries in the event of death, disability or retirement, beginning in the month after the retirement date (December 2003) or death and extending for a period of fifteen years. The Company purchased a life insurance policy as an investment. The income from the policy investment will help fund this liability. The cash surrender value of the policy was $693,000 and $668,000 at December 31, 2003 and 2002, respectively, and is included in other assets. The present value of the Company's liability under the agreement was calculated using a discount rate of 6% and is included in accrued interest payable and other liabilities in the accompanying consolidated balance sheets. The accrued executive salary continuation liability was $499,000 and $449,000 at December 31, 2003 and 2002, respectively.

The Company also has certain Key Man life insurance policies related to a former officer/director. The combined cash surrender value of the policies were $178,000 and $171,000 at December 31, 2003 and 2002, respectively.

Litigation

Short-Term Consumer Lending - Throughout 2000, 2001 and 2002, GNB made short-term consumer loans ("GNB Loans") using marketing and servicing assistance of ACE at almost all of ACE's retail locations pursuant to the terms of a Master Loan Agency Agreement between ACE and GNB ("GNB Agreement").

GNB and ACE entered into an agreement in October 2002 to indemnify GNB against monetary exposure in the nationwide class-action lawsuit, however, GNB could have been held liable had ACE been unable to pay, or the agreement rendered invalid or unenforceable. On December 15, 2003, the U.S. District Court in Dallas, Texas approved the settlement agreement with ACE which provided for the release of substantially all of the claims that were asserted or could have been asserted in this lawsuit and/or in other lawsuits against ACE regarding the former offering of loans at ACE stores.

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

15. COMMUNITY WEST BANCSHARES (PARENT COMPANY ONLY)

BALANCE SHEETS

	December 31, 2003	2002
	(in thousands)	
Assets		
Cash and equivalents	**$ 2,776**	$ 1,965
Time deposits in financial institutions	**297**	1,188
Investment in subsidiary	**31,898**	29,595
Loan participation purchased, net of allowance for loan losses of $17,000 in 2003 and $140,000 in 2002	**225**	295
Other assets	**302**	228
TOTAL ASSETS	**$ 35,498**	$ 33,271
Liabilities and stockholders' equity		
Other liabilities	**$ 1,152**	$ 1,184
Common stock	**29,874**	29,798
Retained earnings	**4,472**	2,289
Total stockholders equity	**34,346**	32,087
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 35,498**	$ 33,271

INCOME STATEMENT

	Year Ended December 31, 2003	2002	2001
	(in thousands)		
Total income	**$ 17**	$ 105	$ 5,263
Total expense	**198**	474	1,522
Equity in undistributed subsidiaries: Net income (loss) from subsidiaries	**2,303**	(1,026)	(2,483)
Income (loss) before income tax provision (benefit)	**2,122**	(1,395)	1,258
Income tax provision (benefit)	**61**	(125)	1,236
NET INCOME (LOSS)	**$ 2,183**	$ (1,270)	$ 22

COMMUNITY WEST BANCSHARES (PARENT COMPANY ONLY)
STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2003	**2002**	**2001**
	(in thousands)		
Cash flows from operating activities:			
Net (loss) income	**$ 2,183**	$ (1,270)	$ 22
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:			
Equity in undistributed (income) loss from subsidiaries	**(2,303)**	1,026	2,483
Net change in other liabilities	**(33)**	(1,828)	1,505
Net change in other assets	**(3)**	(13)	(419)
Net cash provided by (used in) operating activities	**(156)**	(2,085)	3,591
Cash flows from investing activities:			
Net decrease (increase) in time deposits in other financial institutions	**891**	3,299	(4,405)
Net payments and investments in subsidiaries	**-**	(1,250)	10,726
Net cash provided by investing activities	**891**	2,049	6,321
Cash flows from financing activities:			
Proceeds from issuance of common stock	**76**	-	112
Principal payments on borrowings	**-**	-	(5,270)
Payments to repurchase common stock	**-**	-	(2,835)
Net cash provided by (used in) financing activities	**76**	-	(7,993)
Net increase (decrease) in cash and cash equivalents	**811**	(36)	1,919
Cash and cash equivalents at beginning of year	**1,965**	2,001	82
Cash and cash equivalents, at end of year	**$ 2,776**	$ 1,965	$ 2,001

16. SUPPLEMENTAL DISCLOSURE TO THE CONSOLDIATED FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

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

	Year Ended December 31,		
	2003	**2002**	**2001**
	(in thousands)		
Supplemental Disclosure of Cash Flow Information:			
Cash paid for interest	**$ 9,006**	$ 10,864	$ 18,950
Cash paid for income taxes	**947**	3	2
Supplemental Disclosure of Noncash Investing Activity:			
Transfers to other real estate owned	**1,570**	939	-
Transfers from loans held for sale to loans held for investment	**-**	1,587	$ 5,023

17. QUARTERLY FINANCIAL DATA (unaudited)

Results of operations on a quarterly basis were as follows:

	Year Ended December 31, 2003				
	Q4	**Q3**	**Q2**	**Q1**	**Totals**
	(in thousands, expect share data)				
Interest income	**$ 4,985**	**$ 5,020**	**$ 5,199**	**$ 5,179**	**$ 20,383**
Interest expense	**2,099**	**2,198**	**2,427**	**2,618**	**9,342**
Net interest income	**2,886**	**2,822**	**2,772**	**2,561**	**11,041**
Provision for loan losses	**664**	**298**	**363**	**344**	**1,669**
Net interest income after provsion for loan losses	**2,222**	**2,524**	**2,409**	**2,217**	**9,372**
Non-interest income	**2,476**	**3,013**	**2,517**	**2,669**	**10,675**
Non-interest expenses	**4,014**	**4,196**	**4,171**	**4,355**	**16,736**
Income (loss) before income taxes	**684**	**1,341**	**755**	**531**	**3,311**
Provision (benefit) for income taxes	**232**	**456**	**257**	**183**	**1,128**
NET INCOME (LOSS)	**$ 452**	**$ 885**	**$ 498**	**$ 348**	**$ 2,183**
Earnings (loss) per share – basic	**$ .08**	**$ 0.16**	**$ 0.09**	**$ 0.06**	**$ .38**
Earnings (loss) per share – diluted	**.08**	**0.15**	**0.09**	**0.06**	**.38**
Weighted average shares:					
Basic	**5,701,932**	**5,692,732**	**5,690,224**	**5,690,224**	**5,693,807**
Diluted	**5,827,918**	**5,773,400**	**5,734,690**	**5,711,031**	**5,758,200**

	Year Ended December 31, 2002				
	Q4	**Q3**	**Q2**	**Q1**	**Totals**
	(in thousands, except share data)				
Interest income	$ 7,098	$ 7,677	$ 7,663	$ 7,538	$ 29,976
Interest expense	2,989	3,171	3,442	3,864	13,466
Net interest income	4,109	4,506	4,221	3,674	16,510
Provision for loan losses	168	1,180	1,275	2,276	4,899
Net interest income after provsion for loan losses	3,941	3,326	2,946	1,398	11,611
Non-interest income	2,561	2,752	2,710	3,375	11,398
Non-interest expenses	4,547	4,919	9,056	6,409	24,931
Income (loss) before income taxes	1,955	1,159	(3,400)	(1,636)	(1,922)
Provision (benefit) for income taxes	976	487	(1,428)	(687)	(652)
NET INCOME (LOSS)	$ 979	$ 672	$ (1,972)	$ (949)	$ (1,270)
Earnings (loss) per share – basic	$ 0.17	$ 0.12	$ (0.35)	$ (0.17)	$ (0.22)
Earnings (loss) per share – diluted	0.17	0.12	(0.35)	(0.17)	(0.22)
Weighted average shares:					
Basic	5,690,224	5,690,224	5,690,224	5,690,224	5,690,224
Diluted	5,703,459	5,695,301	5,690,224	5,690,224	5,690,224

CORPORATE INFORMATION

Pictured: Jean Blois, Kirk Stovesand, John Illgen, Robert Bartlein, James Sims, Lynda Nahra and William Peeples

BOARD OF DIRECTORS

WILLIAM R. PEEPLES
Acting Chairman of the Board
Private Investor

ROBERT H. BARTLEIN
Acting Chairman of the Board,
Goleta National Bank
President and CEO, Bartlein & Company

JEAN W. BLOIS
Independent Consultant
Goleta City Councilwoman

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

LYNDA J. NAHRA
President and Chief Executive Officer

JAMES R. SIMS JR.
Real Estate Broker

KIRK B. STOVESAND
Partner, Walpole & Co.

CORPORATE OFFICERS

LYNDA J. NAHRA
President and CEO

CHARLES G. BALTUSKONIS
Executive Vice President and
Chief Financial Officer

WILLIAM VIANI
Executive Vice President and
Credit Administrator

JAMES K. BATTAGLIA
Senior Vice President
SBA Division Manager

KAREN M. DILWITH
Senior Vice President
Operations

CYNTHIA M. HOOPER
Senior Vice President
SBA Lending

CHRIS LEM
Senior Vice President
Compliance

BERNARD R. MERRY
Senior Vice President
Mortgage Division

DONNA F. PIERSON
Senior Vice President
National Sales Manager

MARCY L. SHEWMON
Senior Vice President
Human Resources

SUSAN C. THOMPSON
Senior Vice President
Finance/Controller

CORPORATE INFORMATION

Investor Relations Contact
CHARLES G. BALTUSKONIS

ANNUAL MEETING
The Annual Meeting of Shareholders of Community West Bancshares will be held on May 27, 2004 at 6:00 p.m., Pacific Time,
at the Holiday Inn,
5650 Calle Real
Goleta, CA 93117

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

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

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

SEC COUNSEL
Sheppard Mullin Richter & Hampton LLP
333 South Hope Street
Los Angeles, CA 90071

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BRANCH LOCATIONS
GOLETA
5827 Hollister Avenue
Goleta, CA 93117

VENTURA
1463 S. Victoria Avenue
Ventura, CA 93003

Celebrating 15 Years

COMMUNITY WEST BANCSHARES

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