Trust the Experience

Community West Bancshares

Annual Report 2004

To Our Shareholders

2004 was an exciting and rewarding year for Community West Bancshares. We celebrated our 15th year as a community bank and also successfully implemented the name change from Goleta National Bank to Community West Bank, thus allowing the Bank to be better positioned for growth.

Our accomplishments during 2004 were obtained through the collective efforts of our dedicated staff and Board of Directors.

Important highlights of 2004 include:

- An increase in deposits of **$59.7 million to $285 million**
- An increase in net loans of **$46.2 million to $291 million**
- An increase in total assets of **$61 million to $365.2 million**
- An increase in shareholders' equity to **$37.6 million**
- Book value per share of **$6.56**
- Record net income of **$3,835,000**
- An increase in earnings from **$.38 to $.67 per share**
- A resumption of **quarterly dividends**
- An increase in stock price from **$9.00 to $13.47**

Our focus on what we do best, Relationship Banking, SBA Lending and Mortgage Banking, will continue to drive our profitability. Another essential element of our success has been the ability of our staff to capture opportunities and convert them into growth for the Company. Whether these opportunities were as basic as recognizing an existing customer's need and suggesting an additional product or service, or the idea to open an office in a new market, or to develop a new Preferred Money Market account, each contributes to the Company's overall mission of increasing shareholder value.

In January 2004, experienced commercial lending staff was added to the previously established Mortgage lending location in Santa Maria, California, to begin building a loan and deposit base for the full service banking office that will open in the spring of 2005. This successful strategy has resulted in establishing many important banking relationships in that area.

Finally, many thanks to our shareholders for your confidence in our Company. As we move forward into 2005 and beyond, we are convinced that we have the correct business model in place and the most talented people on staff to execute our mission of enhancing shareholder value.

Respectfully,

William Peeples
Chairman of the Board

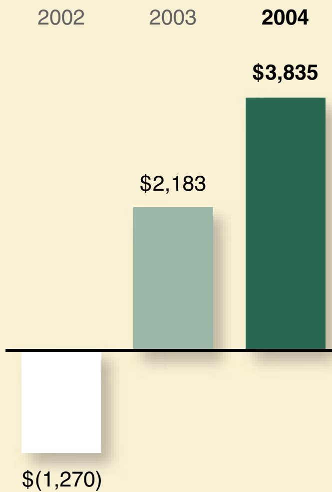
Lynda Nahra
President & Chief Executive Officer

COMMUNITY WEST BANK

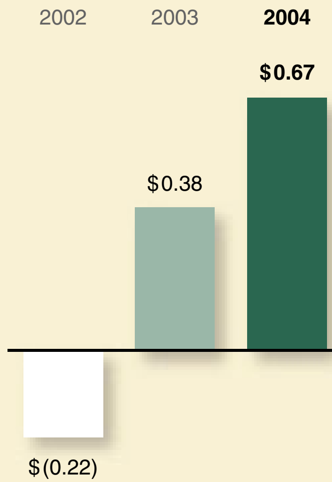
is committed to serving a diverse customer base by providing extraordinary service and competitive banking products. Through our employees' efforts, we will successfully and ethically implement this mission and increase shareholder value.

Community West Bancshares

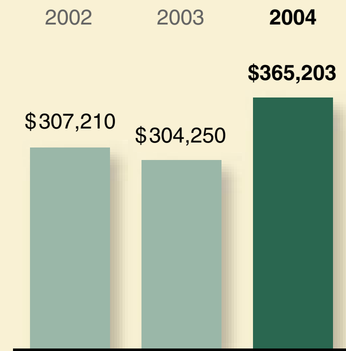
2004 Financial Highlights



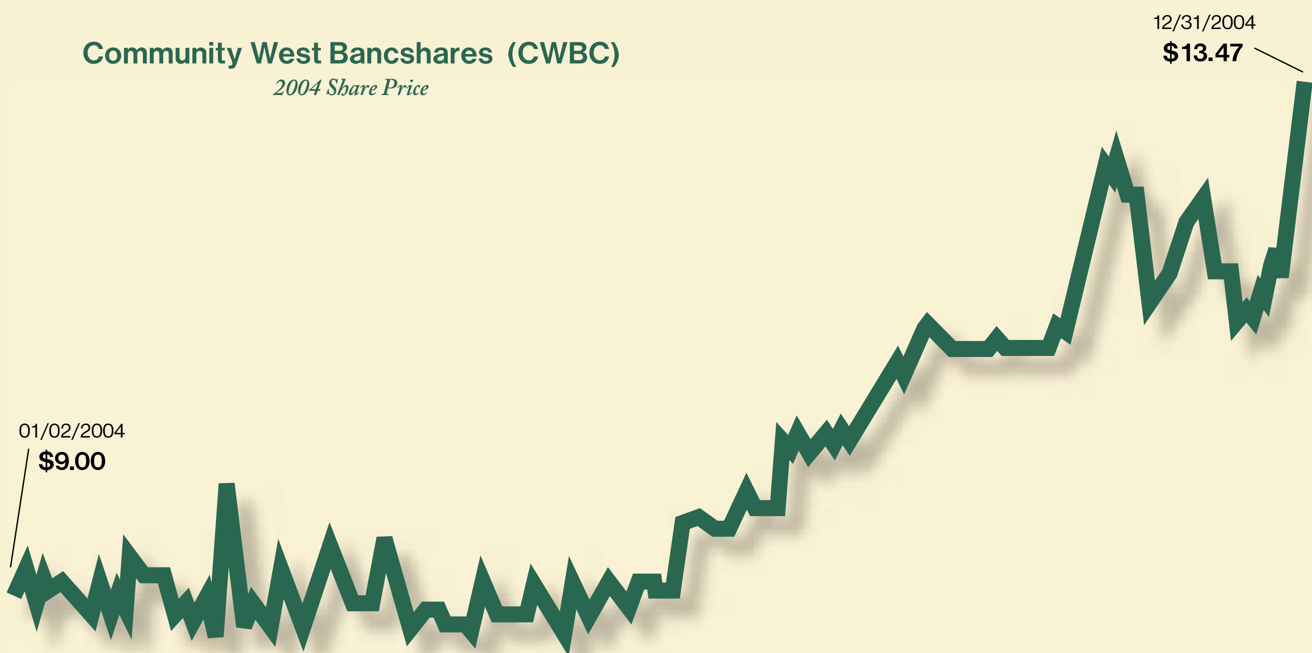
Net Income
(in thousands)



Earnings per Share
(basic)



Total Assets
(in thousands)



Relationship Banking

Helping Businesses and Individuals Achieve Their Financial Goals

With offices in Goleta and Ventura—and a new branch office opening soon in Santa Maria—Community West Bank's Relationship Banking division provides businesses and individuals with extraordinary service as well as a full range of banking products. Guidance and management of clients by experienced commercial lenders from the beginning of business development through underwriting and the handling of ongoing banking needs allows a close and continuing relationship between bank and client.

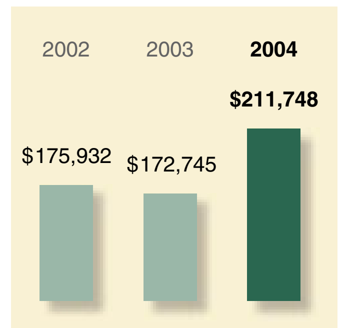
The Bank's Relationship Banking encourages an individualized mix of products and services for each particular customer. Many business clients take advantage of the door-to-door courier service for pick up of non-cash deposits or document delivery. Both business and consumer clients enjoy the ease of banking on-line, transferring funds, checking balances and paying bills. And the branch staff is readily available to serve when more complex transactions are involved or banking advice is needed.

The Bank's myriad of deposit and loan services are designed for easy access. Deposit opportunities include checking accounts, passbook savings, multi-term CD's, and the increasingly popular tiered money market account. Loan clients have access to working capital, equipment, accounts receivable or inventory loans separately or in conjunction with commercial real estate or construction loans. Home equity loans and lines are also available. Additionally, business customers can utilize cash management services, remittance banking and merchant credit card processing.

Community West Bank's Relationship Banking division has both the flexibility of service and diversity of product that promotes long-term, well-managed financial growth.

"I can focus on the things

Year End Loan Balances
(in thousands)



Year End Deposit Balances
(in thousands)

Mortgage Banking

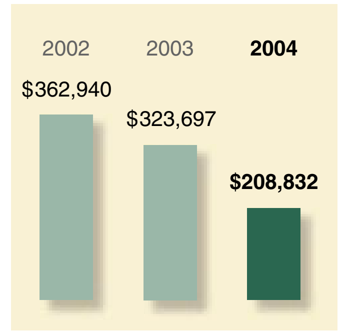
The Strength of a Bank
The Diversity of a Broker

The combined experience of Community West Bank's retail and wholesale Mortgage Banking division has resulted in the origination of over $2 billion in loans since 1994. Continued growth in the manufactured housing market has contributed over $100 million (5%) to that total in the last 7 years and plays a significant role in the Bank's mortgage lending success. Loan originations in the mortgage industry have recently been impacted by rising interest rates and the end of the refinance boom.

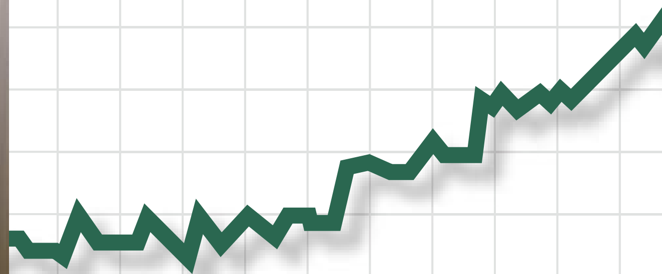
Even with increasing interest rates, the Bank's established loan production offices in Goleta, Ventura and Santa Maria continue to originate loans through relationships with over 50 national lenders in the secondary market. These relationships provide access to more programs than typically offered by a single lender, providing the opportunity to better match a customer's borrowing needs.

Recent expansion into the Northern California market with experienced loan officers in Sacramento and Lake Tahoe positions Community West Bank to take advantage of these expanding and affordable home markets.

"I can't believe we're finally



Mortgage Originations
(in thousands)



SBA Lending

Providing Funding to Small Businesses in 10 States

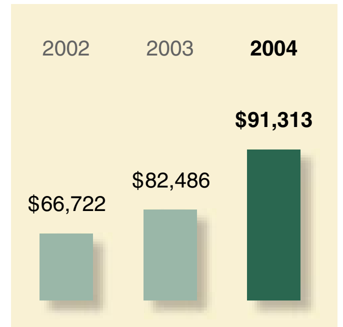
Community West Bank's Small Business Administration (SBA) division has been offering government guaranteed loans since 1991. Originally providing SBA loans through the 7(a) and 504 programs, the division has expanded its offerings to include Business and Industry (B&I) as well as conventional commercial real estate loans. In 2004, $91.3 million was originated from government guaranteed loans – the best year ever for the SBA division.

The SBA 7(a) and 504 loans are guaranteed through the Small Business Administration for 75%-85% of the loan amount. B&I loans are similar to SBA loans except that the guaranty is provided by the United States Department of Agriculture (USDA) for generally larger loans with qualifying businesses typically located in rural areas.

Due to the quality of the Bank's loan portfolio and staff experience, the Small Business Administration has designated Community West Bank as a preferred lender in 13 SBA districts covering 10 states – Alabama, California, Colorado, Florida, Georgia, North Carolina, Oregon, South Carolina, Tennessee and Washington. Being a preferred lender is a significant competitive advantage, allowing the Bank to expedite loan processing and have more decision authority.

Community West Bank's preferred lending status and experience in originating government guaranteed loans affords the opportunity of building both a low-risk quality loan portfolio and generating income from the high premiums earned through loan sales in the secondary market.

"My expansion loan was

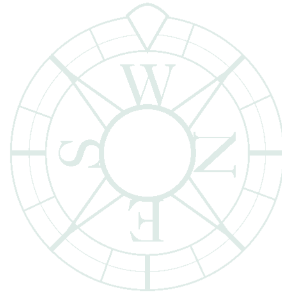


SBA Loan Originations
(in thousands)

Community West Bank's Executive Team

Charles G. Baltuskonis	**Lynda Nahra**	**William Viani**
Executive Vice President and Chief Financial Officer	President and Chief Executive Officer	Executive Vice President and Credit Administrator

On September 1, 2004 Goleta National Bank's name was changed to
Community West Bank
to better reflect the broader community base served.



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

Market Information, Holders and Dividends

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:

	2004 Quarters				2003 Quarters			
	Fourth	Third	Second	First	Fourth	Third	Second	First
Stock Price Range:								
High	$ 13.47	$ 10.74	$ 9.75	$ 9.38	$ 9.25	$ 7.34	$ 6.50	$ 5.45
Low	10.55	8.15	8.23	8.19	6.85	5.90	5.00	4.58
Cash Dividends Declared	$ .04	$ .04	$ .04	$ -	$ -	$ -	$ -	$ -

As of March 24, 2005, the year to date high and low stock sales prices were $15.30 and $11.00, respectively. As of March 24, 2005, the last reported sale price per share for the Company's common stock was $12.10.

Holders

As of March 24, 2005, the Company had 403 stockholders of record of its common stock.

Dividends

Cash dividends of $686,000 ($0.12 per share) were paid in 2004. The Company resumed declaring dividends to its shareholders in the second quarter of 2004. It is the Company's intention to declare and pay dividends quarterly. The primary source of funds for dividends paid to shareholders is dividends received from the subsidiary bank, CWB. CWB's ability to pay dividends to the Company is limited by California law and federal banking law. As of December 31, 2004, CWB had $4.2 million available for dividends.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes the securities authorized for issuance as of December 31, 2004:

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	543,307	$6.77	372,451
Plans not approved by shareholders	-	N/A	-
TOTAL	**543,307**		**372,451**

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, 2004, 2003, 2002, 2001 and 2000, and should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this report.

	Year Ended December 31,				
	2004	**2003**	**2002**	**2001**	**2000**
INCOME STATEMENT:	(in thousands, except per share data)				
Interest income	**$ 21,845**	$ 20,383	$ 29,976	$ 40,794	$ 51,864
Interest expense	**7,845**	9,342	13,466	20,338	26,337
Net interest income	**14,000**	11,041	16,510	20,456	25,527
Provision for loan losses	**418**	1,669	4,899	11,880	6,794
Net interest income after provision for loan losses	**13,582**	9,372	11,611	8,576	18,733
Non-interest income	**10,462**	10,675	11,398	22,171	16,481
Non-interest expenses	**17,521**	16,736	24,931	32,006	29,978
Income (loss) before income taxes	**6,523**	3,311	(1,922)	(1,259)	5,236
Provision (benefit) for income taxes	**2,688**	1,128	(652)	(1,281)	2,539
NET INCOME (LOSS)	**$ 3,835**	**$ 2,183**	**$ (1,270)**	**$ 22**	**$ 2,697**
PER SHARE DATA:					
Income (loss) per common share – Basic	**$ 0.67**	$ 0.38	$ (0.22)	$ 0.00	$ 0.44
Weighted average shares used in income (loss) per share calculation – Basic	**5,717,813**	5,693,807	5,690,224	5,947,658	6,017,216
Income (loss) per common share – Diluted	**$ 0.65**	$ 0.38	$ (0.22)	$ 0.00	$ 0.43
Weighted average shares used in income (loss) per share calculation – Diluted	**5,867,236**	5,758,200	5,690,224	5,998,003	6,233,245
Book value per share	**$ 6.56**	$ 6.02	$ 5.64	$ 5.86	$ 5.90
BALANCE SHEET:					
Net loans	**$ 290,506**	$ 244,274	$ 245,856	$ 260,955	$ 329,265
Total assets	**365,203**	304,250	307,210	323,863	405,255
Total deposits	**284,568**	224,855	219,083	196,166	228,720
Total liabilities	**327,634**	269,919	275,123	290,506	369,221
Total stockholders' equity	**37,569**	34,331	32,087	33,357	36,035
OPERATING AND CAPITAL RATIOS:					
Return on average equity	**10.60%**	6.65%	(3.99)%	0.07%	7.35%
Return on average assets	**1.15%**	0.73%	(0.42)%	0.01%	0.61%
Dividend payout ratio	**17.91%**	-	-	-	-
Equity to assets ratio	**10.29%**	11.28%	10.48%	10.30%	8.89%
Tier 1 leverage ratio	**10.41%**	11.15%	10.48%	9.07%	7.25%
Tier 1 risk-based capital ratio	**12.51%**	14.05%	12.66%	11.75%	9.11%
Total risk-based capital ratio	**13.76%**	15.31%	13.92%	13.02%	11.04%

Selected data for the year ended December 31, 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" or "Company") and its wholly-owned subsidiary Community West Bank's (formerly known as Goleta National Bank) ("CWB") consolidated financial condition, results of operations, liquidity, capital resources and interest rate risk. Unless otherwise stated, "Company" refers to CWBC and CWB as a consolidated entity. It should be read in conjunction with the consolidated financial statements and notes thereto and the other financial information appearing elsewhere in this report.

Forward-Looking Statements

This 2004 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. Such risks and uncertainties include:

- changes in the interest rate environment affecting interest rate margins and/or interest rate risk
- reduction in our earnings by losses on loans
- deterioration in general economic conditions
- the regulation of the banking industry
- dependence on real estate
- risks of natural disasters
- increased competitive pressure among financial services companies
- operational risks
- legislative or regulatory changes adversely affecting the business in which the Company engages
- the availability of sources of liquidity at a reasonable cost
- other risks and uncertainties that may be detailed herein

Overview of Earnings Performance

In 2004, the net income of the Company was $3.8 million, or $0.67, per basic and $0.65 per diluted share. This represents a $1.7 million increase in net income over 2003. The significant factors impacting net income for 2004 compared to 2003 were:

- **net loan portfolio growth of $46.2 million, or 18.9%, primarily in commercial, commercial real estate, manufactured housing and SBA loans;**
- **stabilization of delinquencies and continued prepayments of the securitized loans and related bonds impacting interest income, interest expense and provision for loan losses;**
- **a 125 basis point increase in the Federal Reserve Board's target interest rate from 1.0% to 2.25%, positively impacting net interest income;**
- **reduction in mortgage refinancings, that negatively impacted loan fees and gain on loan sales.**

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 2004 throughout the analysis sections of this report.

2003 earnings were $2.2 million compared to a net loss of $1.3 million for 2002. That increase was due to CWB exit in 2002 from higher risk lending products combined with increased prepayment of the securitized loan portfolio and increased expense control.

Earnings Performance

In 2004, the net income of the Company was $3.8 million, or $0.67, per basic share and $0.65 per diluted share compared to $2.2 million, or $0.38, per basic and diluted share for 2003. Return on average assets and average equity both increased to 1.15% and 10.6%, respectively, for 2004, compared with 0.73% and 6.65%, respectively, for 2003. Interest income increased by $1.5 million primarily due to the Company's loan growth, while interest expense declined by $1.5 million for the comparable period.

In addition, the Company's provision for loan losses decreased by $1.3 million from $1.7 million for 2003 to $418,000 for 2004 resulting in an increase in net interest income after provision for loan losses of 44.9%, or $4.2 million, to $13.6 million for the year ended December 31, 2004 from $9.4 million for 2003.

The Company's net income increased $3.5 million from 2002 to 2003. The increase primarily resulted from cost control efforts and changes to business lines as well as a reduction in the provision for loan losses.

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,			
	2004 vs. 2003		2003 vs. 2002	
	Amount of Increase (decrease)	Percent of Increase (decrease)	Amount of Increase (decrease)	Percent of Increase (decrease)
INTEREST INCOME	(dollars in thousands)			
Loans	**$ 907**	**4.6%**	$ (9,648)	(32.9)%
Investment securities	**490**	**100.2%**	287	142.1%
Other	**65**	**27.5%**	(232)	(49.6)%
Total interest income	**1,462**	**7.2%**	(9,593)	(32.0)%
INTEREST EXPENSE				
Deposits	**395**	**8.5%**	(924)	(16.7)%
Bonds payable and other borrowings	**(1,892)**	**(40.1)%**	(3,200)	(40.4)%
Total interest expense	**(1,497)**	**(16.0)%**	(4,124)	(30.6)%
NET INTEREST INCOME	**2,959**	**26.8%**	(5,469)	(33.1)%
Provision for loan losses	**(1,251)**	**(75.0)%**	(3,230)	(65.9)%
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	**4,210**	**44.9%**	(2,239)	(19.3)%
NON-INTEREST INCOME				
Gains from loan sales, net	**(879)**	**(18.1)%**	72	1.5%
Other loan fees	**853**	**29.2%**	(465)	(13.7)%
Loan servicing fees, net	**152**	**12.0%**	183	16.9%
Document processing fees, net	**(120)**	**(12.8)%**	(467)	(33.3)%
Service charges	**5**	**1.3%**	(64)	(14.5)%
Other	**(224)**	**(71.1)%**	18	6.1%
Total non-interest income	**(213)**	**(2.0)%**	(723)	(6.3)%
NON-INTEREST EXPENSES				
Salaries and employee benefits	**435**	**3.8%**	(2,180)	(16.0)%
Occupancy and equipment expenses	**(95)**	**(5.6)%**	(428)	(20.2)%
Professional services	**304**	**47.8%**	(939)	(59.6)%
Depreciation	**(49)**	**(8.4)%**	(190)	(24.6)%
Loan servicing and collection	**(213)**	**(48.6)%**	(434)	(49.8)%
Impairment of I/O strips and servicing rights	**-**	**-**	(1,788)	(100.0)%
Lower of cost or market provision on loans held for sale	**-**	**-**	(1,381)	(100.0)%
Other	**403**	**20.4%**	(855)	(30.2)%
Total non-interest expenses	**785**	**4.7%**	(8,195)	(32.9)%
Income before provision for income taxes	**3,212**		5,233	
Provision for income taxes	**1,560**		1,780	
NET INCOME	**$ 1,652**		**$ 3,453**	

Total interest income increased 7.2% from $20.4 million in 2003 to $21.8 million in 2004. Total interest expense decreased 16.0% from $9.3 million in 2003 to $7.8 million in 2004. The Company experienced a $907,000, or 4.6%, increase in interest income from loans in 2004 over 2003. The increase resulted from the growth in loans primarily related to manufactured housing, commercial real estate, commercial and SBA of $27.4 million, $14.3 million, $6.3 million and $4.6 million, respectively. This loan growth contributed to increases in interest income on loans from manufactured housing of $1.7 million, or 51.6%, commercial real estate of $1.5 million, or 48.2%, commercial of $600,000, or 43.7%, and SBA of $331,000, or 9.1%. Reduction in the securitized loan portfolio of $13.9 million, or 37.2%, primarily due to payments of loan balances, partially offset this increase in interest income with a decrease in interest income of $2.5 million, or 41.3%, from 2003 compared to 2004. Mortgage loan interest income also declined by $535,000, or 77%. The decrease

in the securitized loan portfolio also indirectly accounted for a $2.2 million decline in interest expense as the related bonds paid down by $12.2 million. This decrease in interest expense was partially offset by increases in interest paid on deposits and other borrowings of $395,000 and $304,000, respectively. Interest income on investments also increased in 2004 over 2003 by $555,000, or 76.6%, due to increased activity in investment securities.

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 exit from certain business lines. 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 following table sets forth the changes in interest income and expense attributable to changes in rate and volume:

	Year Ended December 31,					
	2004 versus 2003			2003 versus 2002		
	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)	$ 116	$ 3	$ 113	$ (37)	$ (14)	$ (23)
Federal funds sold	(51)	35	(86)	(195)	(132)	(63)
Investment securities	490	58	432	287	(29)	316
Loans, net	3,428	(6)	3,434	(5,856)	(7,044)	1,188
Securitized loans	(2,521)	164	(2,685)	(3,792)	299	(4,091)
Total interest-earning assets	1,462	254	1,208	(9,593)	(6,920)	(2,673)
Interest-bearing demand	450	256	194	(229)	(255)	26
Savings	25	(6)	31	(89)	(106)	17
Time certificates of deposit	(80)	(355)	275	(606)	(679)	73
Bonds payable	(2,196)	193	(2,389)	(3,284)	301	(3,585)
Other borrowings	304	35	269	84	-	84
Total interest-bearing liabilities	(1,497)	123	(1,620)	(4,124)	(739)	(3,385)
NET INTEREST INCOME	$ 2,959	$ 131	$ 2,828	$ (5,469)	$ (6,181)	$ 712

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,		
	2004	**2003**	**2002**
	(dollars in thousands)		
Interest income	**$ 21,845**	$ 20,383	$ 29,976
Interest expense	**7,845**	9,342	13,466
NET INTEREST INCOME	**$ 14,000**	**$ 11,041**	**$ 16,510**
NET INTEREST MARGIN	**4.41%**	**3.93%**	**5.87%**

Non-Interest Income

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

Non-interest Income	Year Ended December 31, 2004	2003	2002
	(in thousands)		
Gains from loan sales, net:	**$ 3,981**	$ 4,860	$ 4,788
Other loan fees	**3,776**	2,923	3,388
Loan servicing fees, net	**1,416**	1,264	1,081
Document processing fees, net:	**817**	937	1,404
Service charges	**381**	376	440
Other	**91**	315	297
TOTAL NON-INTEREST INCOME	**$ 10,462**	**$ 10,675**	**$ 11,398**

Total non-interest income for the Company declined by $213,000, or 2%, from 2003 to 2004. This decline was primarily due to the drop in total mortgage loan originations of $114.9 million or 35.5%, from $323.7 million in 2003 to $208.8 million in 2004 which resulted in declines of $662,000 in gains on loan sales, $680,000 in other loan fees and $374,000 in document processing fees. Net gains on loan sales for the SBA division also declined slightly by $217,000, or 5.9%, due to management's decision to sell less 7(a) guaranteed loans in 2004 than 2003. It is the Company's intention to continue to decrease the pace of 7(a) loan sales in the future to help grow the SBA loan portfolio. During the year the Company increased activity in SBA 504 loan originations and referrals which resulted in increases in other SBA loan fees and document processing fees of $1.5 million and $182,000, respectively. Other non-interest income decreased in 2004 compared to 2003 primarily due to the change in the sales of OREO properties for the two periods.

The following table summarizes these changes:

	Year Ended December 31, 2004	2003	Change
	(in thousands)		
Gains from loan sales, net			
SBA	**$ 3,481**	$ 3,698	$ (217)
Mortgage	**500**	1,162	(662)
Total	**$ 3,981**	**$ 4,860**	**$ (879)**
Other loan fees			
SBA	**$ 1,522**	$ -	$ 1,522
Mortgage	**2,243**	2,923	(680)
Other	**4**	-	4
Total	**$ 3,776**	**$ 2,923**	**$ 846**
Document processing fees, net			
SBA	**$ 182**	$ -	$ 182
Mortgage	**563**	937	(374)
Other	**72**	-	72
Total	**$ 817**	**$ 937**	**$ (120)**
Other			
Gain on sale of OREO	**$ 4**	$ 157	$ (153)
Gain on sale of assets	**1**	33	(32)
Other	**86**	125	(39)
Total	**$ 91**	**$ 315**	**$ (224)**

Total non-interest income for the Company declined by $723,000, or 6.3%, from 2002 to 2003. Despite the increased refinance activity experienced in the mortgage industry during 2003, 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. During 2003, the Company also received higher premiums on SBA loan sales. The mortgage division activity slowed down in the 2003 fourth quarter.

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, 2004	2003	2002
	(in thousands)		
Salaries and employee benefits	**$ 11,851**	$ 11,416	$ 13,596
Occupancy and equipment expenses	**1,596**	1,691	2,119
Professional services	**940**	636	1,575
Depreciation	**532**	581	771
Loan servicing and collection	**225**	438	872
Impairment of SBA interest only strips and servicing rights	**-**	-	1,788
Lower of cost or market provision on loans held for sale	**-**	-	1,381
Other	**2,377**	1,974	2,829
TOTAL NON-INTEREST EXPENSES	**$ 17,521**	**$ 16,736**	**$ 24,931**

Non-interest expenses increased $785,000 in 2004 compared to 2003. Increases in salaries and employee benefits, professional services and other expenses of $435,000, $304,000 and $403,000, respectively, were partly offset by declines in occupancy, depreciation and loan servicing and collection of $95,000, $49,000 and $213,000. The increase in salaries and employee benefits was primarily due to increased cost of living and decreased availability of qualified resources. The increase in professional fees was primarily due to increases in accounting and audit fees, legal fees and other consulting services of $112,000, $94,000 and $91,000, respectively. The increase in other expense was primarily due to a $402,000 charge relating to sub-lease costs incurred in connection with a former lending relationship.

Non-interest expense declined $8.2 million, or 33%, from 2002 to 2003. Financial asset write-downs of $3.2 million in 2002 as well as changes in business lines contributed to the difference between 2002 and 2003, as did the Company's continuing efforts to control expenses. 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
2004	**$ 333,230**	**5.26%**	**3.56%**	**0.64%**
2003	$ 299,661	5.58%	3.81%	0.76%
2002	$ 301,962	8.25%	4.50%	0.95%

Income Taxes

Income tax provision (benefit) was $2,688,000 in 2004, $1,128,000 in 2003, and $(652,000) in 2002. The effective income tax (benefit) rate was 41.2%, 34.1%, and (33.9%) for 2004, 2003 and 2002, respectively. See footnote 10, "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", CWB must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios and values as set forth in the tables following:

(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, 2004							
CWBC (Consolidated)	**$41,047**	**$37,315**	**$ 298,359**	**$ 358,623**	**13.76%**	**12.51%**	**10.41%**
CWB	**38,550**	**34,819**	**298,309**	**354,889**	**12.92**	**11.67**	**9.81**
December 31, 2003							
CWBC (Consolidated)	37,150	34,096	242,730	305,666	15.31%	14.05%	11.15%
CWB	34,695	31,648	242,170	301,024	14.33	13.07	10.51
Well capitalized ratios					10.00	6.00	5.00
Minimum capital ratios					8.00	4.00	4.00

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.

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,					
	2004		2003		2002	
	Amount	%	Amount	%	Amount	%
ASSETS	(dollars in thousands)					
Cash and due from banks	**$ 5,364**	**1.6%**	$ 6,431	2.1%	$ 6,684	2.2%
Interest-earning deposits in other financial institutions	**6,919**	**2.1%**	1,359	0.5%	-	-
Federal funds sold	**8,684**	**2.6%**	15,462	5.1%	22,903	7.6%
Time deposits in other financial institutions	**577**	**.2%**	1,542	0.5%	3,929	1.3%
Federal Reserve Bank & Federal Home Loan Bank stock	**1,902**	**.6%**	812	0.3%	780	0.3%
Investment securities available-for-sale	**21,220**	**6.4%**	8,910	3.0%	-	-
Investment securities held-to-maturity	**3,493**	**1.0%**	5,036	1.7%	4,264	1.4%
Interest only strips, at fair value	**3,214**	**1.0%**	4,054	1.3%	6,104	2.0%
Loans held for sale, net	**44,037**	**13.2%**	45,445	15.2%	27,699	9.2%
Loans held for investment, net	**197,622**	**59.3%**	147,351	49.2%	132,061	43.7%
Securitized loans, net	**28,661**	**8.6%**	50,173	16.7%	83,876	27.8%
Servicing rights	**3,002**	**0.9%**	2,062	0.7%	2,213	0.7%
Other real estate owned, net	**88**	**-**	677	0.2%	554	0.2%
Premises and equipment, net	**1,655**	**0.5%**	1,805	0.6%	2,338	0.8%
Other assets	**6,792**	**2.0%**	8,542	2.9%	8,557	2.8%
TOTAL ASSETS	**$333,230**	**100.0%**	**$299,661**	**100.0%**	**$301,962**	**100.0%**
LIABILITIES						
Deposits:						
Non-interest-bearing demand	**$ 38,761**	**11.6%**	$ 34,400	11.5%	$ 31,388	10.4%
Interest-bearing demand	**50,785**	**15.2%**	35,768	11.9%	27,439	9.1%
Savings	**17,810**	**5.3%**	15,480	5.2%	13,270	4.4%
Time certificates of $100,000 or more	**31,851**	**9.6%**	21,076	7.0%	42,970	14.2%
Other time certificates	**109,456**	**32.9%**	109,828	36.7%	85,137	28.2%
Total deposits	**248,663**	**74.6%**	216,552	72.3%	200,204	66.3%
Other borrowings	**22,699**	**6.8%**	6,518	2.2%	-	-
Bonds payable in connection with securitized loans	**19,676**	**5.9%**	39,000	13.0%	69,251	22.9%
Other liabilities	**5,992**	**1.8%**	4,746	1.5%	689	0.2%
Total liabilities	**297,030**	**89.1%**	266,816	89.0%	270,144	89.4%
STOCKHOLDERS' EQUITY						
Common stock	**29,940**	**9.0%**	29,812	10.0%	29,797	9.9%
Retained earnings	**6,275**	**1.9%**	3,037	1.0%	2,021	0.7%
Accumulated other comprehensive income (loss)	**(15)**	**-**	(4)	-	-	-
Total stockholders' equity	**36,200**	**10.9%**	32,845	11.0%	31,818	10.6%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$333,230**	**100.0%**	**$299,661**	**100.0%**	**$301,962**	**100.0%**

Interest Rates and Differentials

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

	Year Ended December 31,		
Interest-earning assets:	**2004**	**2003**	**2002**
	(dollars in thousands)		
Interest earning deposits in other financial institutions:			
Average outstanding	**$ 6,919**	$ 1,359	$ -
Interest income	**170**	31	-
Average yield	**2.46%**	2.28%	-
Time deposits in other financial institutions:			
Average outstanding	**577**	1,542	3,929
Interest income	**13**	36	104
Average yield	**2.25%**	2.33%	2.65%
Federal funds sold:			
Average outstanding	**8,684**	15,462	22,903
Interest income	**118**	169	364
Average yield	**1.36%**	1.09%	1.59%
Investment securities:			
Average outstanding	**26,615**	14,758	5,044
Interest income	**979**	489	202
Average yield	**3.68%**	3.31%	4.00%
Gross loans, excluding securitized:			
Average outstanding	**244,492**	195,648	164,301
Interest income	**16,982**	13,554	19,410
Average yield	**6.95%**	6.93%	11.81%
Securitized loans:			
Average outstanding	**30,098**	52,359	85,134
Interest income	**3,583**	6,104	9,896
Average yield	**11.91%**	11.66%	11.62%
Total interest-earning assets:			
Average outstanding	**317,385**	281,128	281,311
Interest income	**21,845**	20,383	29,976
Average yield	**6.88%**	7.25%	10.66%

Interest-bearing liabilities:	Year Ended December 31, 2004	2003	2002
	(dollars in thousands)		
Interest-bearing demand deposits:			
Average outstanding	$ 50,785	$ 35,768	$ 27,438
Interest expense	820	371	600
Average effective rate	1.61%	1.04%	2.19%
Savings deposits:			
Average outstanding	17,810	15,480	13,270
Interest expense	241	215	304
Average effective rate	1.35%	1.39%	2.29%
Time certificates of deposit:			
Average outstanding	141,308	130,904	128,107
Interest expense	3,955	4,035	4,641
Average effective rate	2.80%	3.08%	3.62%
Bonds payable:			
Average outstanding	19,676	39,000	69,251
Interest expense	2,441	4,637	7,921
Average effective rate	12.41%	11.89%	11.44%
Other borrowings:			
Average outstanding	22,699	6,518	-
Interest expense	388	84	22
Average effective rate	1.71%	1.29%	-
Total interest-bearing liabilities:			
Average outstanding	252,278	227,670	238,088
Interest expense	7,845	9,342	13,466
Average effective rate	3.11%	4.10%	5.66%
Net interest income	**14,000**	**11,041**	**16,510**
Net interest spread	**3.77%**	**3.15%**	**5.00%**
Average net margin	**4.41%**	**3.93%**	**5.87%**

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, 2004, approximately 62% of the Company's loan portfolio was comprised of variable interest rate loans. At December 31, 2003 and 2002, variable rate loans comprised approximately 63% and 56%, 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,									
	2004		2003		2002		2001		2000	
In Years	(in thousands)									
	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable
Less than One	$ 3,877	$ 44,896	$ 2,382	$ 34,108	$ 2,604	$ 8,188	$ 10,346	$ 26,532	$ 1,058	$ 100,717
One to Five	12,922	29,567	4,128	13,576	3,615	16,224	3,975	6,195	8,250	5,403
Over Five (1)	94,567	108,571	85,390	109,366	105,491	116,322	164,748	58,761	219,213	642
TOTAL	**$111,366**	**$183,034**	**$ 91,900**	**$157,050**	**$111,710**	**$140,734**	**$179,069**	**$ 91,488**	**$228,521**	**$106,762**

(1) Approximately $23.5 million of the fixed rate loans at December 31, 2004 are in the Company's securitized loan portfolio, which was originally funded by bonds payable, approximately $13.9 million balance of which remains outstanding at December 31, 2004.

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,				
	2004	2003	2002	2001	2000
	(dollars in thousands)				
	Loan Balance	Loan Balance	Loan Balance	Loan Balance	Loan Balance
Commercial	$ 30,893	$ 24,592	$ 19,302	$ 26,411	$ 36,188
Real estate	85,357	71,010	47,456	44,602	55,083
SBA	35,265	30,698	40,961	31,889	30,888
Manufactured housing	66,423	39,073	28,199	24,135	16,892
Other installment	8,645	5,770	7,047	4,088	6,006
Securitized	23,474	37,386	66,195	108,584	153,031
Held for sale	45,988	42,038	43,284	30,848	37,195
Gross Loans	296,045	250,567	252,444	270,557	335,283
Less:					
Allowance for loan losses	3,894	4,675	5,950	8,275	6,746
Deferred fees/costs	(103)	69	(318)	222	(2,710)
Discount on SBA loans	1,748	1,549	956	1,105	1,982
Net Loans	**$290,506**	**$244,274**	**$245,856**	**$260,955**	**$329,265**
Percentage to Gross Loans:					
Commercial	10.5%	9.8%	7.6%	9.8%	10.8%
Real estate	28.8%	28.3%	18.8%	16.5%	16.4%
SBA	11.9%	12.3%	16.3%	11.8%	9.2%
Manufactured housing	22.5%	15.6%	11.2%	8.9%	5.0%
Other installment	2.9%	2.3%	2.8%	1.5%	1.8%
Securitized	7.9%	14.9%	26.2%	40.1%	45.7%
Held for sale	15.5%	16.8%	17.1%	11.4%	11.1%
	100.0%	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Commercial Loans

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

Commercial Real Estate and Construction Loans

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

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 eighteen months and usually do not exceed a loan to appraised value of 80%.

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

SBA Loans

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

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

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

Real Estate Loan

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

Manufactured Housing Loans

The mortgage loan division originates loans secured by manufactured homes primarily located in mobile home parks along the Central Coast of California. At December 31, 2004, the Bank had $66.4 million in its portfolio. The loans are serviced internally and are generally fixed rate written for terms of 10 to 30 years with balloon payments ranging from 10 to 15 years.

Other Installment Loans

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

Second Mortgage Loans

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 the 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.

Loan Commitments Outstanding

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

	December 31,				
	2004	2003	2002	2001	2000
	(in thousands)				
Commercial	**$ 19,010**	$13,867	$11,370	$ 7,450	$ 9,776
Real estate	**7,618**	11,676	7,664	6,370	8,323
SBA	**6,107**	9,531	8,675	4,712	4,545
Installment loans	**8,966**	5,112	2,402	13,339	2,260
Standby letters of credit	**403**	522	380	438	913
TOTAL COMMITMENTS	**$ 42,104**	**$40,708**	**$30,491**	**$32,309**	**$ 25,817**

The Company makes loans to borrowers in a number of different industries. Other than Manufactured Housing, no single concentration comprises 10% or more of the Company's loan portfolio. At December 31, 2004, Manufactured Housing comprised 22.5% 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, 2003 and 2004, 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.

Allowance for Loan Losses

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

	Year Ended December 31,				
	2004	2003	2002	2001	2000
	(in thousands)				
Average gross loans, held for investment, including Securitized loans	**$230,533**	$202,563	$218,317	$267,402	$297,574
Gross loans at end of year, held for investment, including Securitized loans	**248,412**	206,912	208,522	237,989	302,476
Allowance for loan losses, beginning of year	**$ 4,676**	$ 5,950	$ 8,275	$ 6,746	$ 5,529
Loans charged off:					
Commercial	**185**	445	1	614	410
Real estate	**274**	471	2,474	3,129	1,216
Installment	**-**	3	-	-	446
Short-term consumer	**-**	902	3,162	2,478	2
Securitized	**1,356**	2,512	4,012	4,358	3,674
Total	**1,815**	4,333	9,649	10,580	5,748
Recoveries of loans previously charged off					
Commercial	**31**	88	71	40	154
Real estate	**44**	42	396	171	17
Short-term consumer	**-**	672	1,392	400	-
Securitized	**540**	588	566	378	1
Total	**615**	1,390	2,425	990	171
Net loans charged off	**1,200**	2,943	7,224	9,590	5,577
Provision for loan losses	**418**	1,669	4,899	11,881	6,794
Adjustments due to Palomar sale	**-**	-	-	(762)	-
ALLOWANCE FOR LOAN LOSSES, END OF YEAR	**$ 3,894**	**$ 4,676**	**$ 5,950**	**$ 8,275**	**$ 6,746**
Ratios:					
Net loan charge-offs to average loans	**0.5%**	1.5%	3.3%	3.6%	1.9%
Net loan charge-offs to loans at end of period	**0.5%**	1.4%	3.5%	4.0%	1.8%
Allowance for loan losses to loans held for investment at end of period	**1.6%**	2.3%	2.9%	3.5%	2.2%
Net loan charge-offs to allowance for loan losses at beginning of period	**25.7%**	49.5%	87.3%	142.2%	100.9%
Net loan charge-offs to provision for loan losses	**287.1%**	176.3%	147.5%	80.7%	82.1%

The following table summarizes the allowance for loan losses:

	December 31,									
	2004		2003		2002		2001		2000	
	(dollars in thousands)									
Balance at end of period applicable to:	**Amount**	**Percent of loans in each category to total loans**	**Amount**	**Percent of loans in each category to total loans**	**Amount**	**Percent of loans in each category to total loans**	**Amount**	**Percent of loans in each category to total loans**	**Amount**	**Percent of loans in each category to total loans**
SBA	**$ 1,388**	**35.7%**	$ 1,550	27.0%	$ 1,874	26.6%	$ 1,752	18.8%	$ *	12.5%
Manufactured housing	**465**	**11.9%**	372	15.6%	272	11.2%	291	8.9%	*	5.0%
Securitized	**1,109**	**28.5%**	2,024	14.9%	2,571	26.2%	4,189	40.1%	4,042	45.6%
All other loans	**932**	**23.9%**	730	42.5%	1,233	36.0%	2,043	32.2%	2,704	36.9%
TOTAL	**$ 3,894**	**100%**	**$ 4,676**	**100%**	**$ 5,950**	**100%**	**$ 8,275**	**100%**	**$ 6,746**	**100%**

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

Total allowance for loan losses ("ALL") decreased $782,000, or 16.7%, from $4.7 million at December 31, 2003 to $3.9 million at December 31, 2004. The majority of the decline in the allowance related to a decrease of $915,000 in the allowance for securitized loans. The securitized loan loss allowance changed primarily due to the significant principal balance payments in 2004 of $13.9 million, or 37.2%, and a 57.6% decrease in net charge-offs from 2003 compared to 2004. This decrease in allowance was partially offset by increases in the allowance for other loans due to loan growth.

Loans charged-off, net of recoveries, were $1.2 million in 2004, $2.9 million in 2003 and $7.2 million in 2002. The primary reason for the decline in net charge-offs in 2004 was the significant paydown in the securitized loan portfolio. The Company has also experienced continued increases in the SBA portfolio credit quality. Management believes its continued strong underwriting standards have 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, 2004.

The Company recorded $418,000 as a provision for loan losses in 2004, $1.7 million in 2003 and $4.9 million in 2002. The primary reasons for the decrease in provision expense are the pay-down in the securitized loan portfolio and the Company's change in portfolio mix to perceived less risky loans.

Nonaccrual, Past Due and Restructured Loans

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

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

	Year Ended December 31,				
	2004	2003	2002	2001	2000
	(in thousands)				
Impaired loans without specific valuation allowances	$ 49	$ 235	$ 422	$ -	$ 565
Impaired loans with specific valuation allowances	3,926	6,843	7,971	6,587	3,531
Specific valuation allowance related to impaired loans	(425)	(640)	(1,127)	(1,669)	(1,207)
IMPAIRED LOANS, NET	**$ 3,550**	**$ 6,438**	**$ 7,266**	**$ 4,918**	**$ 2,889**
Average investment in impaired loans	**$ 5,137**	**$ 6,584**	**$ 7,565**	**$ 5,047**	**$ 4,677**

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

	Year Ended December 31,				
	2004	2003	2002	2001	2000
	(in thousands)				
Nonaccrual loans	$ 8,350	$ 7,174	$ 13,965	$ 11,413	$ 4,893
SBA guaranteed portion of loans included above	(5,287)	(4,106)	(8,143)	(7,825)	(2,748)
NONACCRUAL LOANS, NET	**$ 3,063**	**$ 3,068**	**$ 5,822**	**$ 3,588**	**$ 2,235**
Troubled debt restructured loans	$ 124	$ 193	$ 829	$ 1,093	$ 615
Loans 30 through 90 days past due with interest accruing	1,804	3,907	5,122	2,607	4,277
Interest income recognized on impaired loans	$ 103	$ 277	$ 190	$ 1,443	$ 387
Interest foregone on nonaccrual loans and troubled debt restructured loans outstanding	208	216	1,263	1,146	592
GROSS INTEREST INCOME ON IMPAIRED LOANS	**$ 311**	**$ 493**	**$ 1,453**	**$ 2,589**	**$ 979**

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. Although net nonaccrual loans decreased slightly during 2004, total nonaccrual loans increased by $1.2 million. This increase was due to an increase in SBA guaranteed loans repurchased from investors on behalf of the SBA of $1.1 million. These loan balances represent no credit risk to CWB as they are guaranteed by the SBA.

Total impaired loans decreased by $3.1 million, or 43.8%, in 2004. The specific valuation allowances allocated to impaired loans also decreased by $215,000, or 33.6%. The majority of this decrease relates to payoffs received from borrowers of $2.8 million with specific reserves of $132,000 and one loan for $197,000 with a specific valuation allowance of $129,000 which was converted to OREO during 2004. Also contributing to the change were $395,000 of regular loan payments received from borrowers and $144,000 of loans upgraded during the year. These declines were partially offset by $527,000 in new impaired loans with $155,000 of specific valuation allowance allocated to them.

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, 2004, 2003 and 2002, are considered impaired. Total TDRs decreased by 35.8%, or $69,000, from $193,000 to $124,000 as of December 31, 2003 and 2004, respectively.

Investment Portfolio

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

	Year Ended December 31,		
	2004	2003	2002
	(in thousands)		
Available-for-sale securities			
U.S. Government and agency	$ 15,221	$ 7,024	$ -
Other (1)	7,037	8,408	
TOTAL AVAILABLE-FOR-SALE SECURITIES	**$ 22,258**	**$ 15,432**	**$ -**
Held-to-maturity securities			
U.S. Government and agency	$ 200	$ 200	$ 707
Other (1)	5,894	4,836	5,305
TOTAL HELD-TO-MATURITY SECURITIES	**$ 6,094**	**$ 5,036**	**$ 6,012**

At December 31, 2004, $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 million at carrying value were pledged under repurchase agreements, which are treated as collateralized financing transactions. Additionally, $14.1 million, at carrying value, were pledged to the Federal Home Loan Bank, San Francisco, as collateral for current and future advances.

The following tables summarize the maturity period and weighted average yields of the Company's investment securities at December 31, 2004.

	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)									
Available-for-sale securities										
U. S. Government and agency	$ 15,221	3.0%	$ -	-	$ 11,257	3.0%	$ 3,964	3.0%	$ -	-
Other (1)	7,037	4.0%	-	-	7,037	4.0%	-	-	-	-
TOTAL AFS	**$ 22,258**	**3.3%**	**$ -**	**-**	**$ 18,294**	**3.4%**	**$ 3,964**	**3.0%**	**$ -**	**-**
Held-to-maturity securities										
U.S. Government and agency	$ 200	3.7%	$ 200	3.7%	$ -	-	$ -	-	$ -	-
Other (1)	5,894	4.8%	-	-	4,852	4.6%	-	-	1,042	5.5%
TOTAL HTM	**$ 6,094**	**4.7%**	**$ 200**	**3.7%**	**$ 4,852**	**4.6%**	**$ -**	**-**	**$ 1,042**	**5.5%**

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

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

Interest-Only Strips and Servicing Rights

As of December 31, 2004 and 2003, the Company held interest-only strips in the amount of $2.7 million and $3.6 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 rights related to SBA loans sales of $3.3 million and $2.5 million at December 31, 2004 and 2003, respectively. For loans sold subsequent to March 31, 2002, the initial servicing rights 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 right balances are subsequently amortized over the estimated life of the loans using industry prepayment statistics and the Company's own experience. Quarterly, the servicing right and I/O strip assets are analyzed for impairment. In 2002, the Company recorded a $1.8 million impairment charge related to the valuation of the servicing rights 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, 2004 and 2003, all of the servicing rights are related to SBA loan sales.

Liquidity Management

The Company has established policies as well as analytical tools to manage liquidity. Proper liquidity management ensures that sufficient funds are available to meet normal operating demands in addition to unexpected customer demand for funds, such as high levels of deposit withdrawals or increased loan demand, in a timely and cost effective manner. The most important factor in the preservation of liquidity is maintaining public confidence that facilitates the retention and growth of core deposits. Ultimately, public confidence is gained through profitable operations, sound credit quality and a strong capital position. The Company's liquidity management is viewed from 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. The Company has invested 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. As of December 31, 2004, the Company had $13.7 million of outstanding Repos, with interest rates of 1.40% to 2.35%, all of which mature within one year.

In 2004, CWB was approved for membership in the Federal Home Loan Bank ("FHLB"). As a member of the FHLB, the bank has established a credit line under which the borrowing capacity is determined subject to "delivery" status of qualifying collateral. Generally, this collateral includes certain mortgages or deeds of trust and securities and notes of the U.S. Government and its agencies. As of December 31, 2004, CWB had $33.8 million of loans and $14.1 million of securities pledged as collateral for FHLB borrowings. CWB has borrowed $10.5 million with interest rates between 1.77% and 3.28% on advances maturing within three years. CWB had $18.8 million in remaining borrowing capacity with FHLB at December 31, 2004. Repos provided the Company improved flexibility in managing its liquidity resources. However, the Company intends to let them mature in 2005, transfer the collateral to the FHLB, and use FHLB for future advances. The FHLB provides more flexibility as to terms.

The Company also maintains two federal funds purchased lines for a total borrowing capacity of $13.5 million.

The Company, through the Bank, also has the ability as a member of the Federal Reserve System, to borrow at the discount window up to 50% of what is pledged at the Federal Reserve Bank. In January 2003, the Reserve Bank replaced the existing discount window program with new primary and secondary credit programs. CWB 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. 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. CWB's core deposits (excluding certificates of deposit) grew by approximately $56.1 million during 2004. The liquidity ratio of the Company has steadily increased and was 25%, 26% and 27% at December 31, 2002 and 2003 and 2004, 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 subsidiary and has the capability to issue debt securities. Federal banking laws regulate the amount of dividends that may be paid by banking subsidiaries without prior approval.

Interest Rate Risk

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

- *Lag Risk*– lag risk results from the inherent timing difference between the repricing of the Company's adjustable rate assets and liabilities. For instance, certain loans tied to the prime rate index may only reprice on a quarterly basis. However, at a community bank such as CWB, when rates are rising, funding sources tend to reprice more slowly than the loans. Therefore, for CWB, the effect of this timing difference is generally favorable during a period of rising interest rates and unfavorable during a period of declining interest rates. This lag can produce some short-term volatility, particularly in times of numerous prime rate changes.

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

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

- *Prepayment Risk* – prepayment risk results from borrowers paying down / off their loans prior to maturity. Prepayments on fixed-rate products increase in falling interest rate environments and decrease in rising interest rate environments. Since a majority of CWB's loan originations are adjustable rate and set based on prime, and there is little lag time on the reset, CWB does not experience significant prepayments. However, CWB does have more prepayment risk on its securitized and manufactured housing loans and its mortgage-backed investment securities. 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 CWB'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. CWB sells mortgage products and a portion of its SBA loan originations. While the Company has some interest rate exposure in excess of five years, it has internal policy limits designed to minimize risk should interest rates rise. Currently, the Company does not use derivative instruments to help manage risk, but will consider such instruments in the future if the perceived need should arise.

Loan sales

The Company's ability to originate, purchase and sell loans is also significantly impacted by changes in interest rates. Increases in interest rates may also reduce the amount of loan and commitment fees received by CWB. A significant decline in interest rates could also decrease the size of the CWB'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,					
	2004		2003		2002	
	Average Balance	Percent of Total	Average Balance	Percent of Total	Average Balance	Percent of Total
	(dollars in thousands)					
Noninterest-bearing demand	**$ 38,761**	**15.6%**	$ 34,400	15.9%	$ 31,560	15.6%
Interest-bearing demand	**50,785**	**20.4%**	35,768	16.5%	29,347	14.5%
Savings	**17,810**	**7.2%**	15,480	7.2%	13,270	6.6%
TCD's of $100,000 or more	**31,851**	**12.8%**	21,076	9.7%	42,970	21.2%
Other TCD's	**109,456**	**44.0%**	109,828	50.7%	85,137	42.1%
TOTAL DEPOSITS	**$ 248,663**	**100.0%**	**$ 216,552**	**100.0%**	**$ 202,284**	**100.0%**

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

	December 31, 2004		December 31, 2003	
	TCD's over $100,000	**Other TCD's**	**TCD's over $100,000**	**Other TCD's**
	(in thousands)			
Less than three months	$ 8,002	$ 16,237	$ 7,376	$ 18,824
Over three months through six months	7,062	20,809	5,071	25,209
Over six months through twelve months	9,877	15,843	5,315	43,743
Over twelve months through five years	15,452	39,137	1,911	21,315
TOTAL	$ 40,393	$ 92,026	$ 19,673	$ 109,091

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 $20.7 million during 2004 as the Company's general funding needs increased due to the increase in loan originations. The Company can use the money desk to obtain funds when necessary in a short timeframe; however, these funds are more expensive as there is substantial competition for these deposits.

Contractual Obligations

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

The following table is summary of those obligations at December 31, 2004:

	Total	< 1 Year	1-3 Years	3-5 Years	Over 5 Years
	(in thousands)				
Bonds payable in connection with securitized loans	$ 14,511	$ 257	$ 582	$ 687	$ 12,985
FHLB borrowing	10,500	3,500	7,000	-	-
Time certificates of deposits	132,419	77,830	36,900	17,689	-
Operating lease obligations	2,372	760	1,157	239	216
Purchase obligations for service providers	463	194	206	63	-
TOTAL	$ 160,265	$ 82,541	$ 45,845	$ 18,678	$ 13,201

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

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

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

Interest Rate Sensitivity	**200 bp increase**		**200 bp decrease**	
	2004	**2003**	**2004**	**2003**
	(dollars in thousands)			
Anticipated impact over the next twelve months:				
Net interest income (NII)	**$ 1,230**	$ 871	**$ (1,237)**	$ (2,106)
	8.2%	6.4%	**(8.3%)**	(15.4%)
Economic value of equity (EVE)	**$ (749)**	$ 260	**$ 241**	$ (88)
	(1.6%)	0.7%	**0.5%**	(.2%)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Community West Bancshares

We have audited the accompanying consolidated balance sheets of Community West Bancshares (the Company) as of December 31, 2004 and 2003, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Community West Bancshares at December 31, 2004 and 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

Los Angeles, California
February 4, 2005

CONSOLIDATED BALANCE SHEETS

	December 31, 2004	December 31, 2003
	(dollars in thousands)	
ASSETS		
Cash and due from banks	**$ 8,769**	$ 5,758
Interest-earning deposits in other financial institutions	**9,700**	5,031
Federal funds sold	**11,736**	11,267
Cash and cash equivalents	**30,205**	22,056
Time deposits in other financial institutions	**647**	792
Investment securities available-for-sale, at fair value; amortized cost of $22,380 at December 31, 2004 and $15,455 at December 31, 2003	**22,258**	15,432
Investment securities held-to-maturity, at amortized cost; fair value of $6,122 at December 31, 2004 and $5,035 at December 31, 2003	**6,094**	5,036
Federal Home Loan Bank stock, at cost	**1,200**	-
Federal Reserve Bank stock, at cost	**812**	812
Interest only strips, at fair value	**2,715**	3,548
Loans:		
Held for sale, at lower of cost or fair value	**45,988**	42,038
Held for investment, net of allowance for loan losses of $2,785 at December 31, 2004 and $2,652 at December 31, 2003	**222,153**	166,874
Securitized loans, net of allowance for loan losses of $1,109 at December 31, 2004 and $2,024 at December 31, 2003	**22,365**	35,362
Total loans	**290,506**	244,274
Servicing rights	**3,258**	2,499
Other real estate owned, net	**13**	527
Premises and equipment, net	**1,763**	1,632
Other assets	**5,732**	7,642
TOTAL ASSETS	**$ 365,203**	**$ 304,250**
LIABILITIES		
Deposits:		
Non-interest-bearing demand	**$ 44,384**	$ 42,417
Interest-bearing demand	**92,395**	38,115
Savings	**15,370**	15,559
Time certificates of $100,000 or more	**40,393**	19,673
Other time certificates	**92,026**	109,091
Total deposits	**284,568**	224,855
Securities sold under agreements to repurchase	**13,672**	14,394
Federal Home Loan Bank advances	**10,500**	-
Bonds payable in connection with securitized loans	**13,910**	26,100
Other liabilities	**4,984**	4,570
Total liabilities	**$ 327,634**	$ 269,919
Commitments and contingencies-See Note 15		
STOCKHOLDERS' EQUITY		
Common stock, no par value; 10,000,000 shares authorized; shares issued and outstanding, 5,729,869 at December 31, 2004 and 5,706,769 at December 31, 2003	**30,020**	29,874
Retained earnings	**7,621**	4,472
Accumulated other comprehensive loss	**(72)**	(15)
Total stockholders' equity	**37,569**	34,331
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 365,203**	**$ 304,250**

See accompanying notes.

CONSOLIDATED INCOME STATEMENTS

	Year Ended December 31,		
	2004	**2003**	**2002**
	(in thousands, except per share data)		
INTEREST INCOME			
Loans	**$ 20,565**	$ 19,658	$ 29,306
Investment securities	**979**	489	202
Other	**301**	236	468
Total interest income	**21,845**	20,383	29,976
INTEREST EXPENSE			
Deposits	**5,016**	4,621	5,545
Bonds payable and other borrowings	**2,829**	4,721	7,921
Total interest expense	**7,845**	9,342	13,466
NET INTEREST INCOME	**14,000**	11,041	16,510
Provision for loan losses	**418**	1,669	4,899
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	**13,582**	9,372	11,611
NON-INTEREST INCOME			
Gains from loan sales, net	**3,981**	4,860	4,788
Other loan fees	**3,776**	2,923	3,388
Loan servicing fees, net	**1,416**	1,264	1,081
Document processing fees, net	**817**	937	1,404
Service charges	**381**	376	440
Other	**91**	315	297
Total non-interest income	**10,462**	10,675	11,398
NON-INTEREST EXPENSES			
Salaries and employee benefits	**11,851**	11,416	13,596
Occupancy and equipment expenses	**1,596**	1,691	2,119
Professional services	**940**	636	1,575
Depreciation	**532**	581	771
Loan servicing and collection	**225**	438	872
Impairment of SBA interest only strips and servicing rights	**-**	-	1,788
Lower of cost or market provision on loans held for sale	**-**	-	1,381
Other	**2,377**	1,974	2,829
Total non-interest expenses	**17,521**	16,736	24,931
Income (loss) before provision (benefit) for income taxes	**6,523**	3,311	(1,922)
Provision (benefit) for income taxes	**2,688**	1,128	(652)
NET INCOME (LOSS)	**$ 3,835**	**$ 2,183**	**$ (1,270)**
INCOME (LOSS) PER SHARE – BASIC	**$ 0.67**	$ 0.38	$ (0.22)
INCOME (LOSS) PER SHARE – DILUTED	**$ 0.65**	$ 0.38	$ (0.22)

See accompanying notes.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	(in thousands)				
BALANCES AT JANUARY 1, 2002	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
Change in unrealized losses on securities available-for-sale, net				(15)	(15)
Comprehensive income					2,168
BALANCES AT DECEMBER 31, 2003	5,707	29,874	4,472	(15)	34,331
Exercise of stock options	**23**	**146**	**-**	**-**	**146**
Comprehensive income:					
Net income			**3,835**	**-**	**3,835**
Change in unrealized losses on securities available-for-sale, net				**(57)**	**(57)**
Comprehensive income					**3,778**
Cash dividends paid ($0.12 per share)			**(686)**		**(686)**
BALANCES AT DECEMBER 31, 2004	**5,730**	**$ 30,020**	**$ 7,621**	**$ (72)**	**$ 37,569**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2004	**2003**	**2002**
	(in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	**$ 3,835**	$ 2,183	$ (1,270)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Provision for loan losses	**418**	1,669	4,899
Provision for losses on real estate owned	**1**	25	86
Losses on sale of premises and equipment	**-**	-	132
Deferred income taxes	**(278)**	474	1,219
Depreciation and amortization	**1,270**	1,589	3,031
Net amortization of discounts and premiums on securities	**19**	189	-
Gains on:			
Sale of other real estate owned	**(2)**	(79)	(14)
Sale of loans held for sale	**(3,981)**	(4,401)	(4,788)
Changes in:			
Fair value of interest only strips, net of accretion	**833**	1,000	3,385
Servicing rights, net of amortization	**(759)**	(602)	593
Other assets	**1,562**	4,068	108
Other liabilities	**1,058**	(1,062)	726
Net cash provided by operating activities	**3,976**	5,053	8,107
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of held-to-maturity securities	**(3,179)**	(7,337)	(11,904)
Purchase of available-for-sale securities	**(10,232)**	(24,197)	-
Purchase of Federal Reserve Bank stock	**-**	-	(37)
Purchase of Federal Home Loan Bank stock	**(1,200)**	-	-
Principal paydowns and maturities of available-for-sale securities	**3,314**	8,670	-
Principal paydowns and maturities of held-to-maturity securities	**2,095**	8,219	6,010
Unrealized accumulated gains/losses on available for sale securities	**99**	-	-
Additions to interest only strip assets	**-**	-	(240)
Loan originations and principal collections, net	**(42,758)**	2,744	14,049
Proceeds from sale of other real estate owned	**529**	1,718	399
Net decrease in time deposits in other financial institutions	**145**	1,485	3,661
Purchase of premises and equipment, net of sales	**(663)**	(254)	(136)
Net cash (used in) provided by investing activities	**(51,850)**	(8,952)	11,802
CASH FLOWS FROM FINANCING ACTIVITIES:			
Exercise of stock options	**146**	76	-
Cash dividends paid to shareholders	**(686)**	-	-
Net increase in demand deposits and savings accounts	**56,058**	9,847	16,043
Net increase (decrease) in time certificates of deposit	**3,655**	(4,075)	6,874
Proceeds from securities sold under agreements to repurchase	**13,672**	20,041	-
Repayments of securities sold under agreements to repurchase	**(14,394)**	(5,647)	-
Proceeds from Federal Home Loan Bank advances	**14,000**	-	-
Repayment of Federal Home Loan Bank advances	**(3,500)**	-	-
Repayments of bonds payable in connection with securitized loans	**(12,928)**	(25,381)	(41,138)
Net cash provided by (used in) financing activities	**56,023**	(5,139)	(18,221)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**8,149**	(9,038)	1,688
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**22,056**	31,094	29,406
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 30,205**	**$ 22,056**	**$ 31,094**

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Nature of Operations – The Company's primary operations are related to commercial banking and financial services through CWB which include the acceptance of deposits and the lending and investing of money. The Company also engages in electronic banking services. The Company's customers consist of small to mid-sized businesses, 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 2002 and 2003 financial statements have been reclassified to be comparable with classifications in 2004.

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, 2004 and 2003, the Company had only one reportable business segment.

Reserve Requirements – All depository institutions are required by law to maintain reserves on transaction accounts and non-personal time deposits in the form of cash balances at the Federal Reserve Bank ("FRB"). These reserve requirements can be offset by cash balances held at CWB. At December 31, 2004 and 2003, CWB's cash balance was sufficient to offset the FRB requirement.

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

Interest Only Strips and Servicing Rights – The guaranteed portion of certain SBA loans can be sold into the secondary market. Servicing rights are recognized at fair market value as separate assets when loans are sold with servicing retained. Servicing rights are amortized in proportion to, and over the period of, estimated future net servicing income. 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 rights for impairment. Servicing rights are evaluated for impairment based upon the fair value of the rights as compared to amortized cost on a loan-by-loan basis. Fair value is determined using discounted future cash flows calculated on a loan-by-loan basis and aggregated to the total asset level. Impairment to the asset is recorded if the aggregate fair value calculation drops below the net book value of the asset. The initial servicing rights and resulting gain on sale are calculated based on the difference between the best actual par and premium bids on an individual loan basis. Additionally, on certain SBA loan sales that occurred prior to 2003, the Company retained interest only strips ("I/O Strips"), which represent the present value of excess net cash flows generated by the difference between (a) interest at the stated rate paid by borrowers and (b) the sum of (i) pass-through interest paid to third-party investors and (ii) contractual servicing fees.

The I/O strips are classified as trading securities. Accordingly, the Company records the I/O strips at fair value with the resulting increase or decrease in fair value being recorded through operations in the current period.

Quarterly, the Company verifies the reasonableness of its valuation estimates by comparison to the results of an independent third party valuation analysis.

Loans Held for Sale – Loans which are originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value determined on an aggregate basis. Valuation adjustments, if any, are recognized through a valuation allowance by charges to lower of cost or market provision. Loans held for sale are primarily comprised of SBA loans, second mortgage loans and residential mortgage loans. The Company did not incur a lower of cost or market valuation provision in the years ended December 31, 2004 and 2003.

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

Interest Income on Loans – Interest on loans is accrued daily on a simple-interest basis. The accrual of interest is discontinued when substantial doubt exists as to collectibility of the loan, generally at the time the loan is 90 days delinquent, unless the credit is well secured and in process of collection. Any unpaid but accrued interest is reversed at that time. Thereafter, interest income is no longer recognized on the loan. Interest on non-accrual loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all of the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Impaired loans are identified as impaired when it is probable that interest and principal will not be collected according to the contractual terms of the loan agreement. All of the Company's nonaccrual loans were also classified as impaired at December 31, 2004 and 2003.

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 consolidated balance sheets. 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 that approximates the level yield method over the estimated life of the bonds.

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

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

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

- SBA – All loans are reviewed and classified loans are assigned a specific allowance. Those not classified are assigned a pass rating. A migration analysis and various portfolio specific factors are used to calculate the required allowance on those pass loans.

- Relationship Banking – Includes commercial, commercial real estate and consumer loans. Classified loans are assigned a specific allowance. A migration analysis and various portfolio specific factors are used to calculate the required allowance on the remaining pass loans.

- Manufactured Housing – An allowance is calculated on the basis of risk rating, which is a combination of delinquency, value of collateral on classified loans and perceived risk in the product line.

- Securitized Loans – The Company considers this a homogeneous portfolio and calculates the allowance based on statistical information provided by the servicer. Charge-off history is calculated based on three methodologies; a 3-month and a 12-month historical trend and by delinquency information. The highest requirement of the three methods is used.

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

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

Other Real Estate Owned – Other real estate owned ("OREO") is real estate acquired through foreclosure on the collateral property and is recorded at fair value at the time of foreclosure less estimated costs to sell. Any excess of loan balance over the fair value of the OREO is charged-off against the allowance for loan losses. Subsequent to foreclosure, management periodically performs a new valuation and the asset is carried at the lower of carrying amount or fair value. Operating expenses or income, and gains or losses on disposition of such properties, are 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 – 10 years**
Electronic equipment and software	**2 – 5 years**

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

Income (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 CWB'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.

Recent Accounting Pronouncements – On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), Share-Based Payment, which is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation. Statement 123(R) supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends FASB Statement No. 95, Statement of Cash Flows. Generally, the approach in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. Statement 123(R) must be adopted no later than July 1, 2005. Early adoption will be permitted in periods in which financial statements have not yet been issued. The Company expects to adopt Statement 123(R) as of July 1, 2005.

Statement 123(R) permits public companies to adopt its requirements using one of two methods: 1) A "modified prospective" method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of Statement 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of Statement 123 for all awards granted to employees prior to the effective date of Statement 123(R) that remain unvested on the effective date. 2) A "modified retrospective" method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under Statement 123 for purposes of pro forma disclosures either (a) all prior periods presented or (b) prior interim periods of the year of adoption. The Company plans to adopt Statement 123 using the modified-prospective method.

As permitted by Statement 123, the Company currently accounts for share-based payments to employees using Opinion 25's intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of Statement 123(R)'s fair value method will have an insignificant impact on our result of operations and our overall financial position. The precise impact of adoption of Statement 123(R) will depend on levels of share-based payments granted in the future. Had we adopted Statement 123(R) in prior periods, the impact of that standard would have approximated the impact of Statement 123 as described in the disclosure of unaudited pro forma net income and earnings per share in Note 9 to our consolidated financial statements. Statement 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. While the Company cannot estimate what those amounts will be in the future (because they depend on, among other things, when employees exercise stock options) there were no operating cash flows recognized in prior periods for such excess tax deductions.

2. INVESTMENT SECURITIES

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

December 31, 2004

Available-for-sale securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
U.S. Government and agency	$ 15,311	$ -	$ (90)	$ 15,221
Other securities	7,069		(32)	7,037
TOTAL AVAILABLE-FOR-SALE SECURITIES	$ 22,380	$ -	$ (122)	$ 22,258
Held-to-maturity securities				
U.S. Government and agency	$ 200	$ -	$ (1)	$ 199
Other securities	5,894	29	-	5,923
TOTAL HELD-TO-MATURITY SECURITIES	$ 6,094	$ 29	$ (1)	$ 6,122

December 31, 2003

Available-for-sale securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
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**

At December 31, 2004, $200,000 at carrying value of the above securities was pledged as collateral to the United States Treasury for its treasury, tax and loan account and $14,000,000 at carrying value, was pledged under repurchase agreements which are treated as collateralized financing transactions. Additionally, $14,100,000 at carrying value was pledged to the Federal Home Loan Bank, San Francisco, as collateral for current and future advances.

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 rights and/or I/O strips. A portion of the proceeds 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 Company retains the unguaranteed portion of these loans and services the loans as required under the SBA programs to retain specified yield amounts. The SBA program stipulates that the Company retains a minimum of 5% of the loan balance, which is unguaranteed. The percentage of each unguaranteed loan in excess of 5% may be periodically sold to a third party for a cash premium. The Company records servicing liabilities for the unguaranteed loans sold calculated based on the present value of the estimated future servicing costs associated with each loan. A portion of this cost is included as a reduction to the premium collected on the loan sale, and the remainder is accrued and recognized as servicing expense as it occurs. The balance of all servicing rights and obligations is subsequently amortized over the estimated life of the loans using an estimated prepayment rate of 20-25%. Quarterly, the servicing and I/O strip assets are analyzed for impairment. In 2002, the Company recognized impairment charges of $1.8 million. The Company also periodically sells SBA loans originated under the 504 loan program into the secondary market, on a servicing released basis, in exchange for a cash premium. As of December 31, 2004 and 2003, the Company had $43.6 million and $36.9 million, respectively, in SBA loans held for sale.

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

	Year Ended December 31,		
	2004	**2003**	**2002**
	(in thousands)		
Balance, beginning of year	**$ 3,548**	$ 4,548	$ 7,693
Additions through loan sales	**-**	-	240
Valuation adjustment, net	**(833)**	(1,000)	(3,385)
BALANCE, END OF YEAR	**$ 2,715**	**$ 3,548**	**$ 4,548**

The following is a summary of activity in Servicing Rights:

	Year Ended December 31,		
	2004	**2003**	**2002**
	(in thousands)		
Balance, beginning of year	**$ 2,499**	$ 1,897	$ 2,489
Additions through loan sales	**1,259**	1,116	597
Amortization	**(500)**	(514)	(426)
Valuation adjustment	**-**	-	(763)
BALANCE, END OF YEAR	**$ 3,258**	**$ 2,499**	**$ 1,897**

Loans serviced for others are not included in the accompanying consolidated balance sheets. The principal balance of loans serviced for others at December 31, 2004 and 2003 totaled $167.1 million and $126.8 million, respectively.

4. LOANS HELD FOR INVESTMENT

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

	December 31, 2004	December 31, 2003
	(in thousands)	
Commercial	$ 30,893	$ 24,592
Real estate	85,357	71,010
SBA	35,265	30,698
Manufactured housing	66,423	39,073
Other installment	8,645	5,770
	226,583	171,143
Less:		
Allowance for loan losses	2,785	2,652
Deferred fees, net of costs	(103)	69
Discount on unguaranteed portion of SBA loans	1,748	1,548
LOANS HELD FOR INVESTMENT, NET	$ 222,153	**$ 166,874**

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

	Year Ended December 31, 2004	2003	2002
	(in thousands)		
Balance, beginning of year	$ 2,652	$ 3,379	$ 4,086
Loans charged off	(459)	(1,822)	(5,637)
Recoveries on loans previously charged off	75	802	1,859
Net charge-offs	(384)	(1,020)	(3,778)
Provision for loan losses	517	293	3,071
BALANCE, END OF YEAR	$ 2,785	**$ 2,652**	**$ 3,379**

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

	Year Ended December 31, 2004	2003	2002
	(in thousands)		
Impaired loans without specific valuation allowances	$ 49	$ 235	$ 422
Impaired loans with specific valuation allowances	3,926	6,843	7,971
Specific valuation allowance related to impaired loans	(425)	(640)	(1,127)
IMPAIRED LOANS, NET	$ 3,550	**$ 6,438**	**$ 7,266**
Average investment in impaired loans	$ 5,137	**$ 6,584**	**$ 7,565**

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

	Year Ended December 31,		
	2004	2003	2002
	(in thousands)		
Nonaccrual loans	$ 8,350	$ 7,174	$ 13,965
SBA guaranteed portion of loans included above	(5,287)	(4,106)	(8,143)
NONACCRUAL LOANS, NET	$ 3,063	$ 3,068	$ 5,822
Troubled debt restructured loans	$ 124	$ 193	$ 829
Loans 30 through 90 days past due with interest accruing	$ 1,804	$ 3,907	$ 5,122
Interest income recognized on impaired loans	$ 103	$ 277	$ 190
Interest foregone on nonaccrual loans and troubled debt restructured loans outstanding	208	216	1,263
GROSS INTEREST INCOME ON IMPAIRED LOANS	$ 311	$ 493	$ 1,453

The Company makes loans to borrowers in a number of different industries. Other than Manufactured Housing, no single concentration comprises 10% or more of the Company's loan portfolio. Commercial real estate loans and SBA loans comprised over 10% of the Company's loan portfolio as of December 31, 2004 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.

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 that 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, 2004 and 2003, respectively, securitized loans are net of an allowance for loan losses as set forth below, and include purchase premiums and deferred fees/costs of $469,000 and $823,000, respectively.

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

	Year End December 31,		
	2004	2003	2002
	(in thousands)		
Balance, beginning of year	$ 2,024	$ 2,571	$ 4,189
Loans charged off	(1,356)	(2,511)	(4,012)
Recoveries on loans previously charged off	540	588	566
Net charge-offs	(816)	(1,923)	(3,446)
Provision for loan losses	(99)	1,376	1,828
BALANCE, END OF YEAR	$ 1,109	$ 2,024	$ 2,571

6. PREMISES AND EQUIPMENT

	December 31, 2004	December 31, 2003
	(in thousands)	
Furniture, fixtures and equipment	$ 6,698	$ 6,851
Building and land	896	888
Leasehold improvements	757	771
Construction in progress	29	-
	8,380	8,510
Less: accumulated depreciation and amortization	(6,617)	(6,878)
PREMISES AND EQUIPMENT, NET	$ 1,763	$ 1,632

The Company leases office facilities under various operating lease agreements with terms that expire at various dates between January 2005 and December 2011, plus options to extend the lease terms for periods of up to ten years.

The minimum lease commitments as of December 31, 2004 under all operating lease agreements are as follows:

	(in thousands)
2005	$ 760
2006	765
2007	392
2008	131
2009	108
Thereafter	216
TOTAL	$ 2,372

Rent expense for the years ended December 31, 2004, 2003 and 2002, included in occupancy expense was $724,000 $680,000 and $951,000, respectively.

7. DEPOSITS

At December 31, 2004, the maturities of time certificates of deposits are as follows:

	(in thousands)
2005	$ 77,830
2006	25,675
2007	11,225
2008	3,185
2009	14,504
TOTAL	$ 132,419

8. BORROWINGS

Repurchase Agreements

The Company has entered into a financing arrangement with a third party by which its government–guaranteed securities can be pledged as collateral for short-term borrowings. As of December 31, 2004 and 2003, securities with a carrying value of $14.0 million and $14.7 million respectively, were pledged as collateral for short-term borrowings. As of December 31, 2004 and December 31, 2003, the Company had $13.7 million and $14.4 million, respectively, of outstanding repurchase agreements, with interest rates of 1.40% to 2.35% for 2004 and 1.25% to 1.43% for 2003, all of which mature within one year.

Federal Home Loan Bank Advances

As a member of the Federal Home Loan Bank of San Francisco ("FHLB"), the Company has established a credit line under which the borrowing capacity is determined subject to "delivery" status of qualifying collateral. Generally, this collateral includes certain mortgages or deeds of trust and securities and notes of the U.S. Government and its agencies. As of December 31, 2004, the Company had $33.8 million of loans and $14.1 million of securities pledged as collateral for current and future FHLB borrowings.

Information related to advances from FHLB at December 31, 2004 (there were none as of December 31, 2003 and 2002) as follows:

Scheduled Maturities	Amount	Interest Rates
	(dollars in thousands)	
Due within one year	$ 3,500	**1.77%-2.75%**
After one year but within three years	7,000	**2.59%-3.28%**
TOTAL ADVANCES FROM FHLB	**$ 10,500**	
Other information		
Weighted average interest rate, end of year		**2.71%**
Weighted average interest rate during the year		**2.09%**
Average balance of advances from FHLB	**$ 5,419**	
Maximum amount outstanding at any month end	**10,500**	

The total interest expense on advances from FHLB was $113,000 for 2004.

Bonds Payable

The following is a summary of the outstanding bonds payable:

	Year Ended December 31,			
	2004	2003	Ranges of Interest Rates	Stated Maturity Date
	(dollars in thousands)			
Series 1998-1	**$ 179**	$ 5,205	8.45%	November 25, 2024
Series 1999-1	**14,332**	22,235	7.85%-8.75%	May 25, 2025
	14,511	27,440		
Less: Bond issuance costs	**228**	477		
Bond discount	**373**	863		
BONDS PAYABLE, NET	**$ 13,910**	**$ 26,100**		

The bonds are collateralized by securitized loans with an outstanding principal balance of $6.6 million and $16.4 million as of December 31, 2004 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,		
	2004	**2003**	**2002**
	(dollars in thousands)		
Weighted average coupon interest rate, end of year	**8.27%**	8.26%	8.02%
Annual weighted average interest rate	**12.41%**	11.89%	11.44%
Average balance of bonds payable, net	**$ 19,676**	$ 39,000	$ 69,251
Maximum amount of bonds payable, net, at any month end	**$ 24,706**	$ 50,473	$ 84,910

As of December 31, 2004, the annual scheduled bond repayments were as follows:

	2005	2006	2007	2008	2009	Thereafter	Total
	(in thousands)						
Bond repayments	**$ 257**	**$ 279**	**$ 303**	**$ 329**	**$ 358**	**$ 12,985**	**$ 14,511**

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.

9. STOCKHOLDERS' EQUITY

Common Stock

Earnings per share-Calculation of Weighted Average Shares Outstanding

	Year Ended December 31,		
	2004	**2003**	**2002**
	(in thousands)		
Basic weighted average shares outstanding	**5,718**	5,694	5,690
Dilutive effect of stock options	**149**	64	-
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	**5,867**	**5,758**	**5,690**

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.

Stock Option Plans

As of December 31, 2004, options were outstanding at prices ranging from $3.00 to $12.50 per share with 276,467 options exercisable and 372,451 options available for future 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, 2004, the average life of the outstanding options was approximately 6.81 years.

Stock option activity is as follows:

	Year Ended December 31,					
	2004 Shares	2004 Weighted Average Exercis Price	2003 Shares	2003 Weighted Average Exercise Price	2002 Shares	2002 Weighted Average Exercise Price
Options outstanding, January 1,	**463,207**	**$ 6.04**	350,852	$ 6.30	432,624	$ 6.31
Granted	**151,500**	**9.10**	198,000	5.51	88,128	4.60
Canceled	**(48,300)**	**7.22**	(69,100)	6.22	(169,900)	5.77
Exercised	**(23,100)**	**6.31**	(16,545)	4.63	-	-
Options outstanding, December 31,	**543,307**	**$ 6.77**	**463,207**	**$ 6.04**	**350,852**	**$ 6.30**
Options exercisable, December 31,	**276,467**	**$ 6.39**	**256,327**	**$ 6.53**	**208,992**	**$ 6.49**

The fair value of each stock option grant under the Company's stock option plan during 2004, 2003 and 2002 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Year Ended December 31,		
	2004	2003	2002
Annual dividend yield	**1.7%**	0.0%	0.0%
Expected volatility	**35.7%**	32.4%	45.1%
Risk free interest rate	**4.2%**	3.9%	4.0%
Expected life (in years)	**6.8**	7.3	7.3

The grant date estimated fair value of options was $2.91 per share in 2004, $2.83 per share in 2003 and $2.90 per share in 2002. 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, 2004, 2003 and 2002 would have been adjusted to the pro forma amounts indicated below:

	Year Ended December 31,		
	2004	2003	2002
Income (loss):	(in thousands, except per share data)		
As reported	**$ 3,835**	$ 2,183	$ (1,270)
Pro forma	**3,664**	1,975	(1,434)
Income (loss) per common share – basic			
As reported	**0.67**	0.38	(0.22)
Pro forma	**0.64**	0.35	(0.25)
Income (loss) per common share – diluted			
As reported	**0.65**	0.38	(0.22)
Pro forma	**0.62**	0.34	(0.25)

10. INCOME TAXES

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

	Year Ended December 31,		
	2004	2003	2002
		(in thousands)	
Current:			
Federal	$ 2,423	$ 647	$ (1,873)
State	543	7	2
	2,966	654	(1,871)
Deferred:			
Federal	(441)	712	1,223
State	163	(238)	(4)
	(278)	474	1,219
TOTAL PROVISION (BENEFIT)	**$ 2,688**	**$ 1,128**	**$ (652)**

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

	Year Ended December 31,		
	2004	2003	2002
Federal income tax at statutory rate	34.0%	34.0%	(34.0)%
State franchise tax, net of federal benefit	7.2%	7.0%	(7.1)%
Other	2.0%	0.1%	3.2%
Valuation allowance	(2.0)%	(7.0)%	4.0%
	41.2%	**34.1%**	**(33.9)%**

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

	2004	2003
Deferred tax assets:	(in thousands)	
Allowance for loan losses	$ -	$ 263
Depreciation	453	516
Net operating loss	-	194
Deferred loan costs	202	193
Other	100	931
	755	2,097
Less: valuation allowance	-	(193)
	755	1,904
Deferred tax liabilities:		
Deferred loan fees	(1,256)	(2,801)
Allowance for loan losses	(189)	-
Deferred loan costs	(161)	-
Other	(150)	(383)
	(1,756)	(3,184)
NET DEFERRED TAXES	**$ (1,001)**	**$ (1,280)**

The Company had previously provided a valuation reserve for California net operating loss carryovers as the utilization of these losses was uncertain. In 2004, the Company determined the uncertainty was removed and accordingly reversed the related valuation allowance.

11. SUPPLEMENTAL DISCLOSURE TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

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

	Year Ended December 31,		
	2004	**2003**	**2002**
	(in thousands)		
Supplemental Disclosure of Cash Flow Information:			
Cash paid for interest	**$ 6,600**	$ 9,006	$ 10,864
Cash paid for income taxes	**2,497**	947	3
Supplemental Disclosure of Noncash Investing Activity:			
Transfers to other real estate owned	**89**	1,570	939
Transfers from loans held for sale to loans held for investment	**-**	-	1,587

12. EMPLOYEE BENEFIT PLAN

The Company has established a 401(k) plan for the benefit of its employees. Employees are eligible to participate in the plan after three months of consecutive service. Employees may make contributions to the plan and the Company may make discretionary profit sharing contributions, subject to certain limitations. The Company's contributions were determined by the Board of Directors and amounted to $137,000, $129,000 and $171,000, in 2004, 2003 and 2002, respectively.

13. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

The following table represents the estimated fair values:

	December 31,			
	2004		**2003**	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
	(in thousands)			
Assets:				
Cash and cash equivalents	**$ 30,205**	**$ 30,205**	$ 22,056	$ 22,056
Time deposits in other financial institutions	**647**	**647**	792	792
Federal Reserve and Federal Home Loan Bank stock	**2,012**	**2,012**	812	812
Investment securities	**28,352**	**28,380**	20,468	20,467
Interest-only strips	**2,715**	**2,715**	3,548	3,548
Net loans	**290,506**	**291,483**	244,274	247,460
Servicing assets	**3,258**	**3,260**	2,499	2,695
Liabilities:				
Deposits (other than time deposits)	**152,149**	**152,149**	96,091	96,091
Time deposits	**132,419**	**132,186**	128,764	129,564
Securities sold under agreements to repurchase	**13,672**	**13,642**	14,394	14,401
Federal Home Loan Bank advances	**10,500**	**10,429**	-	-
Bonds payable	**13,910**	**14,154**	26,100	27,114

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.

Federal Home Loan Bank Stock - The carrying value approximates the fair value because the stock can be sold back to the Federal Home Loan Bank at 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 has 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, 2004 and 2003. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since those dates and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

14. REGULATORY MATTERS

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

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

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

The Company's and CWB's actual capital amounts and ratios as of December 31, 2004 and 2003 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, 2004							
CWBC (Consolidated)	**$41,047**	**$ 37,315**	**$ 298,359**	**$ 358,623**	**13.76%**	**12.51%**	**10.41%**
CWB	**38,550**	**34,819**	**298,309**	**354,889**	**12.92**	**11.67**	**9.81**
December 31, 2003							
CWBC (Consolidated)	37,150	34,096	242,730	305,666	15.31%	14.05%	11.15%
CWB	34,695	31,648	242,170	301,024	14.33	13.07	10.51
Well capitalized ratios					10.00	6.00	5.00
Minimum capital ratios					8.00	4.00	4.00

As of December 31, 2004, management believed that CWB met all applicable capital adequacy requirements and is correctly categorized as "well capitalized" under the regulatory framework for prompt corrective action.

15. COMMITMENTS AND CONTINGENCIES

Commitments

In the normal course of business, the Company is a party to financial instruments with off-balance-sheet risk to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The Company's exposure to credit loss in the event of nonperformance by the other party to commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. As of December 31, 2004 and 2003, the Company had commitments to extend credit of approximately $42.1 million and $40.7 million, respectively, including obligations to extend standby letters of credit of approximately $403,000 and $522,000, 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 $167.1 million, $126.8 million and $150.2 million at December 31, 2004, 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 December 2003 and extending for a period of fifteen years. The Company purchased a life insurance policy as an investment. The cash surrender value of the policy was $714,000 and $693,000 at December 31, 2004 and 2003, respectively, and is included in other assets. The present value of the Company's liability under the agreement was calculated using a discount rate of 6% and is included in accrued interest payable and other liabilities in the accompanying consolidated balance sheets. In 2004, the Company paid $54,000 to the former officer/director under the terms of this agreement. The accrued executive salary continuation liability was $473,000 and $499,000 at December 31, 2004 and 2003, respectively.

The Company also has certain Key Man life insurance policies related to a former officer/director. The combined cash surrender value of the policies was $183,000 and $178,000 at December 31, 2004 and 2003, respectively.

Litigation

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

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

BALANCE SHEETS	December 31, 2004	December 31, 2003
Assets	(in thousands)	
Cash and equivalents	$ 3,073	$ 2,776
Time deposits in financial institutions	99	297
Investment in subsidiary	35,144	31,898
Loans, net of allowance for loan losses of $11,000 in 2004 and $17,000 in 2003	207	225
Other assets	-	302
TOTAL ASSETS	**$ 38,523**	**$ 35,498**
Liabilities and stockholders' equity		
Other liabilities	$ 882	$ 1,152
Common stock	30,020	29,874
Retained earnings	7,621	4,472
Total stockholders equity	37,641	34,346
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 38,523**	**$ 35,498**

INCOME STATEMENT	Year Ended December 31, 2004	2003	2002
	(in thousands)		
Total income	$ 12	$ 17	$ 105
Total expense	188	198	474
Equity in undistributed subsidiaries: Net income (loss) from subsidiaries	3,933	2,303	(1,026)
Income (loss) before income tax provision (benefit)	3,757	2,122	(1,395)
Income tax provision (benefit)	(78)	61	(125)
NET INCOME (LOSS)	**$ 3,835**	**$ 2,183**	**$ (1,270)**

STATEMENT OF CASH FLOWS	Year Ended December 31, 2004	2003	2002
	(in thousands)		
Cash flows from operating activities:			
Net income (loss)	$ 3,835	$ 2,183	$ (1,270)
Adjustments to reconcile net income (loss) to cash used in operating activities:			
Equity in undistributed (income) loss from subsidiaries	(3,933)	(2,303)	1,026
Net change in other liabilities	(270)	(33)	(1,828)
Net change in other assets	321	(3)	(13)
Net cash used in operating activities	(47)	(156)	(2,085)
Cash flows from investing activities:			
Net decrease in time deposits in other financial institutions	198	891	3,299
Net dividends from and investments in subsidiaries	686	-	(1,250)
Net cash provided by investing activities	884	891	2,049
Cash flows from financing activities:			
Proceeds from issuance of common stock	146	76	-
Cash dividend payments to shareholders	(686)	-	-
Net cash (used in) provided by financing activities	(540)	76	-
Net increase (decrease) in cash and cash equivalents	297	811	(36)
Cash and cash equivalents at beginning of year	2,776	1,965	2,001
CASH AND CASH EQUIVALENTS, AT END OF YEAR	**$ 3,073**	**$ 2,776**	**$ 1,965**

17. QUARTERLY FINANCIAL DATA (unaudited)

Results of operations on a quarterly basis were as follows:

	Year Ended December 31, 2004				
	Q4	Q3	Q2	Q1	Totals
	(in thousands, except share data)				
Interest income	$ 5,728	$ 5,711	$ 5,245	$ 5,161	$ 21,845
Interest expense	2,007	1,954	1,945	1,939	7,845
Net interest income	3,721	3,757	3,300	3,222	14,000
Provision for loan losses	167	186	(30)	95	418
Net interest income after provision for loan losses	3,554	3,571	3,330	3,127	13,582
Non-interest income	2,433	2,157	3,438	2,434	10,462
Non-interest expenses	4,359	4,086	5,000	4,076	17,521
Income before income taxes	1,628	1,642	1,768	1,485	6,523
Provision for income taxes	674	675	728	611	2,688
NET INCOME	$ 954	$ 967	$ 1,040	$ 874	$ 3,835
Earnings per share – basic	$ 0.17	$ 0.17	$ 0.18	$ 0.15	$ 0.67
Earnings per share – diluted	0.16	0.16	0.18	0.15	0.65
Weighted average shares:					
Basic	5,729,869	5,719,647	5,714,168	5,707,415	5,717,813
Diluted	5,928,946	5,868,973	5,834,584	5,834,439	5,867,236

	Year Ended December 31, 2003				
	Q4	Q3	Q2	Q1	Totals
	(in thousands, except per 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 provision 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 before income taxes	684	1,341	755	531	3,311
Provision for income taxes	232	456	257	183	1,128
NET INCOME	**$ 452**	**$ 885**	**$ 498**	**$ 348**	**$ 2,183**
Earnings per share – basic	$ .08	$ 0.16	$ 0.09	$ 0.06	$ .38
Earnings 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

CORPORATE INFORMATION

Pictured (clockwise): Jean Blois, Kirk Stovesand, C. Richard Whiston, Robert Bartlein, John Illgen, James Sims, William Peeples and Lynda Nahra

BOARD OF DIRECTORS

William R. Peeples
Chairman of the Board, Community West Bancshares
Private Investor

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

Jean W. Blois
Independent Consultant
Mayor of the City of Goleta

John D. Illgen
Vice President and Director, Simulation Technologies/Northrop Grumman

Lynda J. Nahra
President and Chief Executive Officer

James R. Sims Jr.
Real Estate Broker

Kirk B. Stovesand
Partner, Walpole & Co.

C. Richard Whiston
Attorney (retired)/ Business Consultant

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 Northern California SBA Manager

Karen M. Dilwith
Senior Vice President Operations

Cynthia M. Hooper
Senior Vice President SBA Lending

Chris Lem
Senior Vice President Compliance/Risk Management

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 26, 2005 at 6:00pm, Pacific Time, at the La Cumbre Country Club, 4015 Via Laguna, Santa Barbara, CA 93110

Transfer Agent & Registrar
U.S. Stock Transfer Corporation
1745 Gardena Avenue
Glendale, CA 91204

Independent Auditors
Ernst & Young LLP
725 South Figueroa Street
Los Angeles, CA 90017

Corporate Counsel
Horgan, Rosen, Beckham & Coren LLP
23975 Park Sorrento, Ste 200
Calabasas, CA 92302

Corporate Headquarters
445 Pine Avenue
Goleta CA 93117
(805) 692-5821
Fax (805) 692-5835
www.communitywest.com

Branch Locations

Goleta
5827 Hollister Avenue
Goleta, CA 93117

Santa Maria
2615 South Miller Street, Suites 109-110
Santa Maria, Ca 93455

Ventura
1463 S. Victoria Avenue
Ventura, CA 93003

COMMUNITY WEST BANCSHARES

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