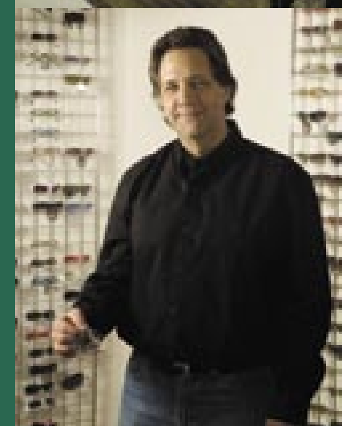
THE RESULTS OF EXPERIENCE



Community West Bancshares

2 0 0 5

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.*

TO OUR SHAREHOLDERS

By all measurements, 2005 was a remarkable year for Community West Bancshares. Our staff and the board worked diligently to open two new branch offices as well as to continue our focus on growing the Bank organically, which resulted in a year of record earnings.

Through careful execution of our strategic plan, we were able to achieve numerous important accomplishments. Some of the most significant were:

An increase in deposits of **$49.7 million to $334.2 million**
An increase in loans of **$91.0 million to $381.5 million**
An increase in total assets of **$79.2 million to $ 444.4 million**
An increase in shareholder equity to **$42.2 million**
Book value per share increased to **$7.34**
Record net income of **$5,642,000**
(including an income tax credit of **$914,000**)
An increase in earnings from **$.67 to $.98 per share**
(including **$.15 per share** due to an income tax credit)
A **25% increase** in quarterly dividends to **$.05 per share**
Opening of the **Santa Maria branch office** May 2005
Opening of the **Santa Barbara branch office** October 2005

We plan to continue building on the solid foundation we have established by concentrating on what we know best: Relationship Banking, Mortgage Lending and SBA Lending. During 2005, we were extremely fortunate to add several highly experienced and competent individuals to our staff. Our ability to attract and retain knowledgeable staff is crucial to our continued success.

Another key component of future growth will be our ability to preserve our customer base and garner referrals to potential new customers. Towards that end, our staff is conscientious in maintaining contact with customers in order that we thoroughly understand their banking needs, with new products and markets constantly being analyzed to meet those needs.

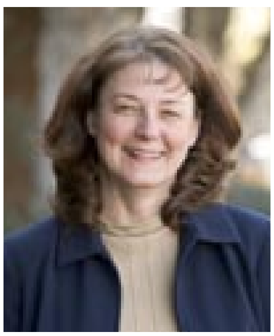
In 2005, we also launched several new products including: Health Savings Accounts, Professional Plus (a line of credit for practicing professionals) and Overdraft Protection Services, as well as significant enhancements to our Online Banking offerings. 2006 will have its own unique challenges. Among them will be interest rate pressures, considerable competition, and the ability to acquire additional skilled staff. However, we have prepared for those challenges with a business model that will allow us to fulfill our stated mission of enhancing shareholder value. Once again thank you, our loyal shareholders, for your confidence in Community West Bancshares.

William Peeples
Chairman of the Board

Lynda Nahra
President & Chief Executive Officer

RELATIONSHIP BANKING

EXPERIENCE MEANS KNOWING THAT YOU'RE NOT JUST A NUMBER



"Our focus on building relationships with our customers sets us apart from the competition. As a result, we understand their banking requirements and we can assist them to succeed in achieving their personal and business financial goals."

—Karen Dilwith
Senior Vice President, Director of Operations

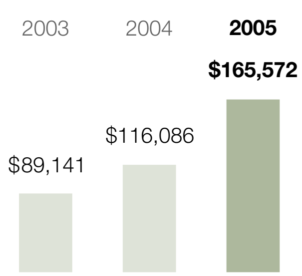
4 years serving our customers

The Relationship Banking division of Community West Bank is comprised of some of the most skilled employees in community banking. Customers benefit from the guidance and management by the Bank's experienced commercial lenders who oversee the entire banking relationship.

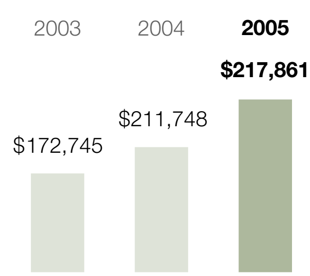
In 2005, Community West Bank opened two new locations along the central coast of California bringing the Bank's total footprint to four branch offices. In May, the Santa Maria branch office joined Community West Bank's successful Santa Maria Mortgage Loan division to provide one all-inclusive location to meet north county customer's needs in business banking, personal banking, and mortgage lending. A key to this branch's success was positioning a seasoned commercial lender in the community several months prior to branch opening to build solid, local relationships.

In October, the Bank opened its fourth location in downtown Santa Barbara, bringing sit-down, personalized banking to this prime business district. With smaller square footage, this branch offers a unique office setting with no teller lines and no waiting, a distinct advantage for busy business customers.

Community West Bank's Relationship Banking division continues to provide a full range of banking products to meet the specific needs of all of its customers. Consumers benefit from new programs such as Health Savings Accounts, and Overdraft Protection Services, while loan customers make use of lines of credit such as Professional Plus, construction and equipment loans. Business customers particularly enjoy the advantages afforded through the Bank's popular door-to-door courier service for non-cash transactions and the ease of banking on-line. Community West Bank remains committed to building long-term banking relationships with each of its customers.



YEAR END LOAN BALANCES
(in thousands)



YEAR END DEPOSIT BALANCES
(in thousands)

TRUST

EXPERIENCING COMMUNITY WEST BANK'S EXTRAORDINARY CUSTOMER SERVICE MEANS UNDERSTANDING AND MEETING EACH CUSTOMER'S INDIVIDUAL BANKING NEEDS

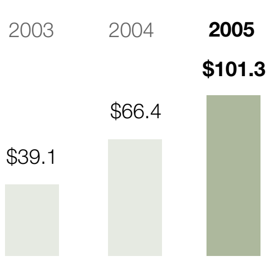
MORTGAGE LENDING

EXPERIENCE MEANS FULFILLING YOUR HOME OWNERSHIP DREAMS

"Manufactured housing represents a rapidly growing and increasingly important segment of the housing market, often providing affordable housing for many first-time borrowers."

—BERNARD MERRY
Senior Vice President, Mortgage Division

7 years serving our customers



YEAR-END MANUFACTURED HOUSING BALANCES
(in millions)

This marks the 10th year that Community West Bank's experienced retail and wholesale mortgage team has been originating residential real estate loans. While most of these loans originate in the California tri-counties of Santa Barbara, Ventura and San Luis Obispo, the Bank did successfully expand its program in 2004 to include the Northern California markets of Sacramento and Lake Tahoe.

Even with increasing interest rates the Bank's retail and wholesale mortgage team has been able to continue offering competitive and unique programs to its customers and brokers due in part to its relationships with over 50 national lenders in the secondary market. These relationships provide access to more programs than typically offered by a single lender providing the opportunity to better match a customer's borrowing needs.

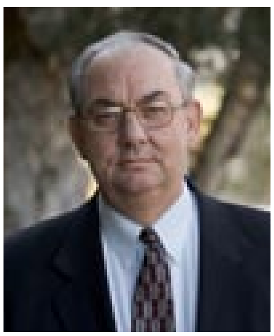
In 1998, Community West Bank established a unique manufactured housing finance program due to a growing need in the tri-counties area to help low to moderate-income families with home ownership. In that first year, 25 families were able to realize their dreams of home ownership with Community West Bank financing over $1.7 million in manufactured housing loans. In the last two years, the program has expanded to include the counties of Los Angeles, Orange, San Diego, and Sacramento with the Bank seeing significant growth in loan amounts as the manufactured home values continue to increase along the California coast. In 2005, the Bank financed $51.3 million in manufactured housing loans for 438 families. The manufactured housing loan portfolio continues to contribute significantly to the Bank's mortgage lending program. In 2005, Community West Bank held $101.3 million of manufactured housing loans representing 22.8% of the bank's total assets.

SECURITY

EXPERIENCING COMMUNITY WEST BANK'S DEDICATION AND PERSEVERANCE IN FINDING JUST THE RIGHT LOAN MEANS FAMILIES ARE SLEEPING SOUNDLY IN THEIR DREAM HOMES TONIGHT

SBA LENDING

EXPERIENCE TAKES YOU WHERE YOU WANT TO BE



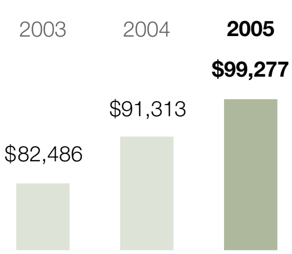
"Our years of SBA lending experience coupled with sound credit decisions continue to result in high-quality loans to successful small businesses."

—William Viani
Executive Vice President,
Chief Credit Officer
9 years serving our customers

Community West Bank's Small Business Administration (SBA) division has been providing government guaranteed loans since 1990, primarily offering 7(a) and 504 SBA loan programs to qualified businesses. This division also offers the United States Department of Agriculture (USDA) Business and Industry (B&I) loan program as well as conventional and investor commercial real estate loans. In 2005, $99 million in SBA, USDA, and conventional/investor loans were originated topping the division's 2004 record year by nearly 9%.

While the Bank frequently sells some of the guaranteed and unguaranteed portions of the loans into the secondary market it does retain a small portion, as required by the SBA program, and continues to service the loans.

In 1995, the Small Business Administration designated Community West Bank as a "Preferred Lender" delegating loan approval, closing, and most servicing and liquidation authority to the Bank. Currently Community West Bank is a preferred lender in 13 SBA districts covering 10 states - Alabama, California, Colorado, Florida, Georgia, North Carolina, Oregon, South Carolina, Tennessee and Washington. Due to Community West Bank's Preferred Lender status in multiple states and districts, the Bank has achieved a competitive advantage allowing it to significantly increase its loan volume in recent years.



SBA LOAN ORIGINATIONS
(in thousands)

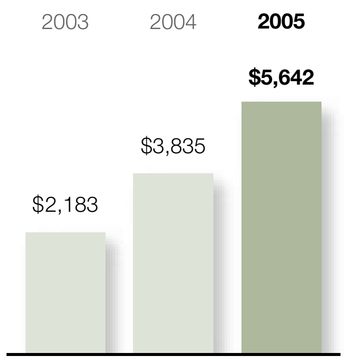
David Weinstein,
President, Blue Gem Sunglasses, Inc.,
Community West Bank customer since 1992

VISION

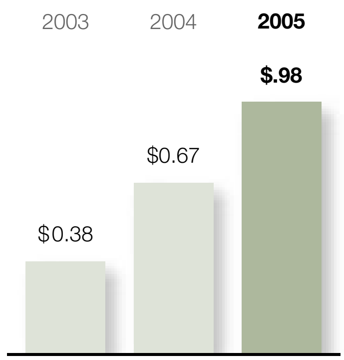
EXPERIENCING COMMUNITY WEST BANK'S EXTENSIVE KNOWLEDGE IN BUSINESS LENDING MEANS SMALL BUSINESS OWNERS ALL OVER THE COUNTRY ARE FULFILLING THEIR ENTREPRENEURIAL DREAMS.

2005

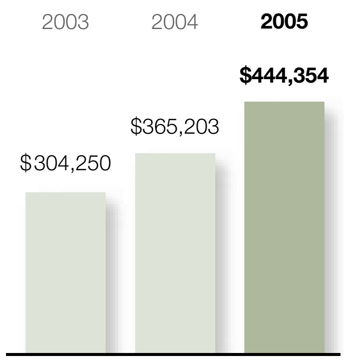
FINANCIAL HIGHLIGHTS



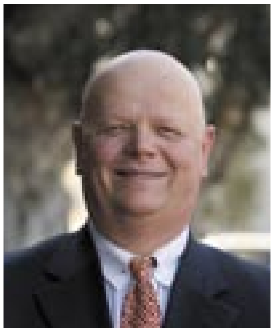
NET INCOME
(in thousands)



EARNINGS PER SHARE
(basic)



TOTAL ASSETS
(in thousands)

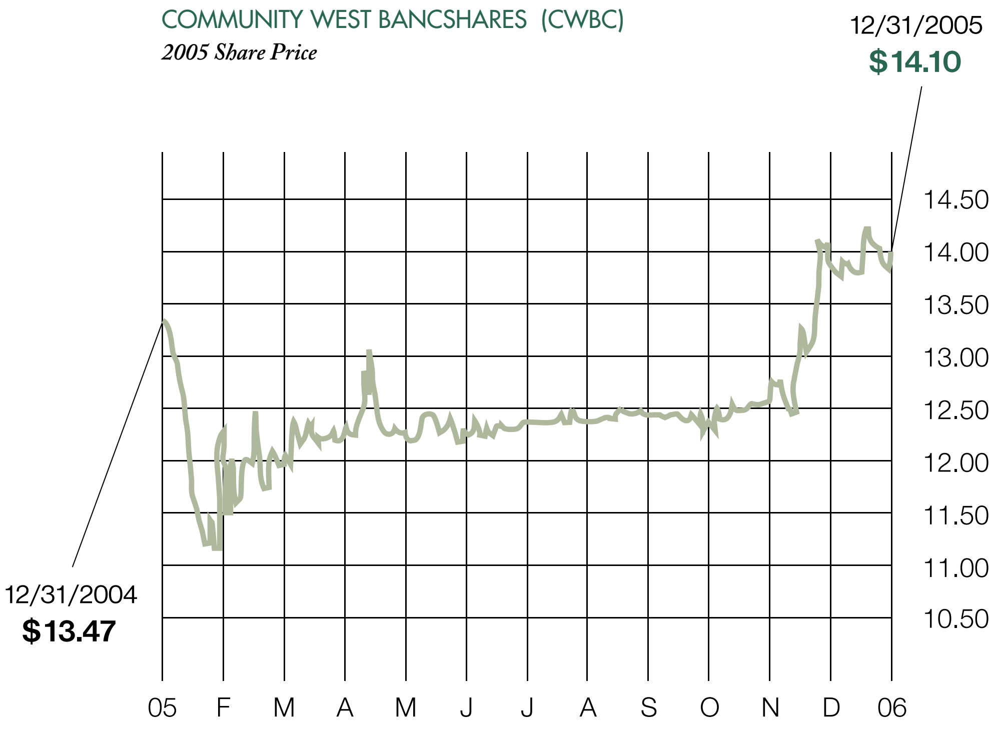


"In 2005, the Company continued to operate from financial strength and achieved solid returns for its shareholders. By managing its growth and credit quality and increasing net interest margin it is now poised for the future despite a difficult banking environment."

—Charles Baltuskonis
Executive Vice President and Chief Financial Officer

3 years serving our customers

COMMUNITY WEST BANCSHARES (CWBC)
2005 Share Price



INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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

Market Information, Holders and Dividends

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

	2005 Quarters				2004 Quarters			
	Fourth	**Third**	**Second**	**First**	**Fourth**	**Third**	**Second**	**First**
Stock Price Range:								
High	**$ 14.40**	**$ 12.57**	**$ 13.50**	**$ 15.30**	$ 13.47	$ 10.74	$ 9.75	$ 9.38
Low	**12.25**	**12.20**	**12.00**	**11.00**	10.55	8.15	8.23	8.19
Cash Dividends Declared	**$ .05**	**$ .05**	**$ .05**	**$ .04**	$ .04	$ .04	$ .04	$ -

As of March 23, 2006, the year to date high and low stock sales prices were $14.44 and $13.85, respectively. As of March 23, 2006, the last reported sale price per share for the Company's common stock was $14.25.

As of March 23, 2006, the Company had 382 stockholders of record of its common stock.

The Company resumed declaring dividends to its shareholders in the second quarter 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. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Supervision and Regulation of the Company – Limitations on Dividend Payments." As of December 31, 2005, CWB had $10.0 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, 2005:

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	539,162	$7.29	355,151
Plans not approved by shareholders	-	N/A	-
TOTAL	**539,162**		**355,151**

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, 2005, 2004, 2003, 2002 and 2001, and should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this report.

	Year Ended December 31,				
	2005	2004	2003	2002	2001
INCOME STATEMENT:	(in thousands, except per share data)				
Interest income	**$ 29,778**	$ 21,845	$ 20,383	$ 29,976	$ 40,794
Interest expense	**10,347**	7,845	9,342	13,466	20,338
Net interest income	**19,431**	14,000	11,041	16,510	20,456
Provision for loan losses	**566**	418	1,669	4,899	11,880
Net interest income after provision for loan losses	**18,865**	13,582	9,372	11,611	8,576
Non-interest income	**7,310**	10,462	10,675	11,398	22,171
Non-interest expenses	**18,160**	17,521	16,736	24,931	32,006
Income (loss) before income taxes	**8,015**	6,523	3,311	(1,922)	(1,259)
Provision (benefit) for income taxes	**2,373**	2,688	1,128	(652)	(1,281)
NET INCOME (LOSS)	**$ 5,642**	**$ 3,835**	**$ 2,183**	**$ (1,270)**	**$ 22**
PER SHARE DATA:					
Income (loss) per common share – Basic	**$ 0.98**	$ 0.67	$ 0.38	$ (0.22)	$ 0.00
Weighted average shares used in income (loss) per share calculation – Basic	**5,744**	5,718	5,694	5,690	5,948
Income (loss) per common share – Diluted	**$ 0.95**	$ 0.65	$ 0.38	$ (0.22)	$ 0.00
Weighted average shares used in income (loss) per share calculation – Diluted	**5,931**	5,867	5,758	5,690	5,998
Book value per share	**$ 7.34**	$ 6.56	$ 6.02	$ 5.64	$ 5.86
BALANCE SHEET:					
Net loans	**$ 381,517**	$ 290,506	$ 244,274	$ 245,856	$ 260,955
Total assets	**444,354**	365,203	304,250	307,210	323,863
Total deposits	**334,238**	284,568	224,855	219,083	196,166
Total liabilities	**402,119**	327,634	269,919	275,123	290,506
Total stockholders' equity	**42,235**	37,569	34,331	32,087	33,357
OPERATING AND CAPITAL RATIOS:					
Return on average equity	**14.16%**	10.60%	6.65%	(3.99)%	0.07%
Return on average assets	**1.43%**	1.15%	0.73%	(0.42)%	0.01%
Dividend payout ratio	**19.39%**	17.91%	-	-	-
Equity to assets ratio	**9.50%**	10.29%	11.28%	10.48%	10.30%
Tier 1 leverage ratio	**9.80%**	10.41%	11.15%	10.48%	9.07%
Tier 1 risk-based capital ratio	**11.21%**	12.51%	14.05%	12.66%	11.75%
Total risk-based capital ratio	**12.26%**	13.76%	15.31%	13.92%	13.02%

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" or "Bank") consolidated financial condition, results of operations, liquidity, capital resources and interest rate risk. Unless otherwise stated, "Company" refers to CWBC and CWB as a consolidated entity. It should be read in conjunction with the consolidated financial statements and notes thereto and the other financial information appearing elsewhere in this report.

Forward-Looking Statements

This 2005 Annual Report on Form 10-K contains statements that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Those forward-looking statements include statements regarding the intent, belief or current expectations of the Company and its management. Any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those projected in the forward-looking statements.

Overview of Earnings Performance

In 2005, the net income of the Company was $5.6 million, or $0.98, per basic share and $0.95 per diluted share compared to $3.8 million, or $0.67, per basic share and $0.65 per diluted share for 2004. This represents a $1.8 million increase in net income over 2004. The primary reason for the increase is the $5.4 million net interest margin improvement, as the Company increased its volume of earning assets while also experiencing widening margins. This was accomplished despite a challenging economic and interest rate environment in the banking industry. The Company had a decrease in non-interest income, primarily due to its discretionary decision to sell fewer SBA 7(a) loans. The other predominant factor contributing to positive earnings is the control of non-interest expenses, despite the 2005 asset growth. The Company's earnings performance was also impacted in 2005 by:

- **net loan portfolio growth of $91.0 million, or 31.3%, primarily in commercial, commercial real estate, manufactured housing and SBA loans;**
- **resolution of a potential tax issue which resulted in a reversal of a reserve and positively impacted net income.**
- **continued prepayments of the securitized loans and the payoff of the securitized bonds, impacting interest income, interest expense, provision for loan losses and other non-interest expenses;**
- **200 basis point increase in the Federal Reserve Board's target overnight interest rate from 2.25% to 4.25%, positively impacting net interest income, although, the yield curve flattening served to compress margins;**
- **strategic decision to reduce SBA loan sales which negatively impacted the related gains on loan sales, but will help grow the balance sheet and enhance future interest income;**
- **fewer mortgage loan originations, which 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 overall comparative performance for 2005 throughout the analysis sections of this report.

Changes in Interest Income and Interest Expense

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

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

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

	Year Ended December 31,			
	2005 vs. 2004		2004 vs. 2003	
	Amount of Increase (decrease)	Percent of Increase (decrease)	Amount of Increase (decrease)	Percent of Increase (decrease)
INTEREST INCOME	(dollars in thousands)			
Loans	**$ 7,711**	**37.5%**	$ 907	4.6%
Investment securities	**295**	**30.1%**	490	100.2%
Other	**(73)**	**(24.3)%**	65	27.5%
Total interest income	**7,933**	**36.3%**	1,462	7.2%
INTEREST EXPENSE				
Deposits	**2,685**	**53.5%**	395	8.5%
Bonds payable and other borrowings	**(183)**	**(6.5)%**	(1,892)	(40.1)%
Total interest expense	**2,502**	**31.9%**	(1,497)	(16.0)%
NET INTEREST INCOME	**5,431**	**38.8%**	2,959	26.8%
Provision for loan losses	**148**	**35.4%**	(1,251)	(75.0)%
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	**5,283**	**38.9%**	4,210	44.9%
NON-INTEREST INCOME				
Other loan fees	**(870)**	**(23.0)%**	853	29.2%
Gains from loan sales, net	**(1,482)**	**(37.2)%**	(879)	(18.1)%
Document processing fees, net	**6**	**0.7%**	(120)	(12.8)%
Loan servicing fees, net	**(841)**	**(59.4)%**	152	12.0%
Service charges	**(63)**	**(16.5)%**	5	1.3%
Other	**98**	**107.7%**	(224)	(71.1)%
Total non-interest income	**(3,152)**	**(30.1)%**	(213)	(2.0)%
NON-INTEREST EXPENSES				
Salaries and employee benefits	**142**	**1.2%**	435	3.8%
Occupancy and equipment expenses	**244**	**15.3%**	(95)	(5.6)%
Professional services	**82**	**8.7%**	304	47.8%
Depreciation	**11**	**2.1%**	(49)	(8.4)%
Loan servicing and collection	**30**	**13.3%**	(213)	(48.6)%
Other	**130**	**5.5%**	403	20.4%
Total non-interest expenses	**639**	**3.6%**	785	4.7%
Income before provision for income taxes	**1,492**		3,212	
Provision for income taxes	**(315)**		1,560	
NET INCOME	**$ 1,807**		**$ 1,652**	

Total interest income increased by $7.9 million, or 36.3%, from $21.8 million in 2004 to $29.7 million in 2005. Of this increase, $4.6 million was due to interest-earning asset growth, primarily loans, and $3.3 million resulted from rate increases. Total interest expense increased by $2.5 million, or 31.9%, from $7.8 million in 2004 to $10.3 million in 2005. Interest expense on deposits increased $2.7 million while the interest expense on bonds and other borrowings declined $183,000. Of the increase in interest expense on deposits, $1.3 million was due to deposit growth and $1.4 million resulted from higher rates.

The increase in interest income from loans was due to growth in the manufactured housing, commercial real estate, commercial and SBA loan portfolios of $34.9 million, $31.6 million, $14.1 million and $14.8 million, respectively. This loan portfolio growth contributed to increases in interest income on loans from manufactured housing of $2.5 million, or 50.9%, commercial real estate of $2.4 million, or 49.3%, commercial of $1.3 million, or 68.5% and SBA of $2.0 million, or 49.5%. A decline in the balance of the securitized loan portfolio of $8.6 million, or 36.7%, partially offset these increases with a related decrease in interest income of $1.1 million, or 31.0%, in 2005 compared to 2004. The decrease in the securitized loan portfolio also indirectly accounted for a $1.4 million decline in interest expense as the related bonds were paid down and, eventually, the remainder was called. This decrease in interest expense was offset by increases in interest paid on advances from FHLB of $1.4 million and an increase on deposit related interest on $2.7 million. Interest income on investments and federal funds sold increased $295,000 and $78,000, respectively, while there was a decline on interest income on interest earning deposits and time certificates of deposit of $151,000. The Company has relied on various wholesale funding sources to fund loan growth and will likely continue to do so.

Total interest income increased $1.4 million, or 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 portfolio 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%. A reduction in the securitized loan portfolio balance 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 size of 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 from the bond pay down 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.

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

	Year Ended December 31,					
	2005 versus 2004			2004 versus 2003		
	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)	**$ (151)**	**$ 25**	**$ (176)**	$ 116	$ 3	$ 113
Federal funds sold	**78**	**169**	**(91)**	(51)	35	(86)
Investment securities	**295**	**46**	**249**	490	58	432
Loans, net	**8,823**	**2,758**	**6,065**	3,428	(6)	3,434
Securitized loans	**(1,112)**	**300**	**(1,412)**	(2,521)	164	(2,685)
Total interest-earning assets	**7,933**	**3,298**	**4,635**	1,462	254	1,208
Interest-bearing demand	**1,422**	**480**	**942**	450	256	194
Savings	**104**	**132**	**(28)**	25	(6)	31
Time certificates of deposit	**1,159**	**804**	**355**	(80)	(355)	275
Bonds payable	**(1,351)**	**(392)**	**(959)**	(2,196)	193	(2,389)
Other borrowings	**1,168**	**375**	**793**	304	35	269
Total interest-bearing liabilities	**2,502**	**1,399**	**1,103**	(1,497)	123	(1,620)
NET INTEREST INCOME	**$ 5,431**	**$ 1,899**	**$ 3,532**	**$ 2,959**	**$ 131**	**$ 2,828**

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

	Year Ended December 31,		
	2005	2004	2003
	(dollars in thousands)		
Interest income	$ 29,778	$ 21,845	$ 20,383
Interest expense	10,347	7,845	9,342
NET INTEREST INCOME	$ 19,431	$ 14,000	$ 11,041
NET INTEREST MARGIN	5.14%	4.41%	3.93%

Non-Interest Income

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

	Year Ended December 31,		
	2005	2004	2003
	(in thousands)		
Other loan fees	$ 2,906	$ 3,776	$ 2,923
Gains from loan sales, net:	2,499	3,981	4,860
Document processing fees, net:	823	817	937
Loan servicing fees, net	575	1,416	1,264
Service charges	318	381	376
Other	189	91	315
TOTAL NON-INTEREST INCOME	$ 7,310	$ 10,462	$ 10,675

Total non-interest income for the Company declined by $3.2 million, or 30.1%, from 2004 to 2005. The majority of this decline is the result of the Company's decision to retain more of the SBA loans it originates rather than sell them as in previous periods.

The following table summarizes these changes:

	Year Ended December 31,		
	2005	2004	Change
Gain from loan sales	(in thousands)		
SBA	$ 2,190	$ 3,481	$ (1,291)
Mortgage	309	500	(191)
Total	$ 2,499	$ 3,981	$ (1,482)
Other loan fees			
SBA	$ 1,463	$ 1,526	$ (63)
Mortgage	1,443	2,250	(807)
Total	$ 2,906	$ 3,776	$ (870)
Document processing fees, net			
SBA	$ 194	$ 182	$ 12
Mortgage	563	563	-
Other	66	72	(6)
Total	$ 823	$ 817	$ 6

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

Total non-interest income for the Company declined by 2.0%, 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 due to management's decision to sell less 7(a) guaranteed loans in 2004 than 2003. During 2004, the Company increased activity in SBA 504 loan originations and referrals which resulted in increases in other SBA loan fees and document processing fees.

Non-Interest Expenses

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

	Year Ended December 31,		
	2005	**2004**	**2003**
		(in thousands)	
Salaries and employee benefits	**$ 11,993**	$ 11,851	$ 11,416
Occupancy and equipment expenses	**1,840**	1,596	1,691
Professional services	**1,022**	940	636
Depreciation	**543**	532	581
Loan servicing and collection	**255**	225	438
Other	**2,507**	2,377	1,974
TOTAL NON-INTEREST EXPENSES	**$ 18,160**	**$ 17,521**	**$ 16,736**

Non-interest expenses increased $639,000, or 3.6%, in 2005 compared to 2004. The Company opened two new full-service branches in 2005 which were primarily responsible for the $244,000, or 15.3%, increase in occupancy expenses and the $142,000, or 1.2%, increase in salaries and employee benefits in 2005 compared to 2004. The slight increase in other non-interest expenses included $399,000 in bond related costs as the result of the securitized bond call and payoff.

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 "Other" included a $402,000 charge related to sub-lease costs incurred in connection with a former lending relationship.

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
2005	**$ 393,210**	**4.62%**	**3.05%**	**0.61%**
2004	$ 333,230	5.26%	3.56%	0.64%
2003	$ 299,661	5.58%	3.81%	0.76%

Income Taxes

Income tax provision was $2.4 million in 2005, $2.7 million in 2004 and $1.1million in 2003. The effective income tax rate was 29.6%, 41.2% and 34.1% for 2005, 2004 and 2003, respectively. The effective income tax rate for 2005 is less than the effective income tax rate in other periods presented as a tax reserve of $914,000, or $.16 per share (basic), related to the resolution of potential tax issues as been reversed due to the resolution of the uncertainty. 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 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, 2005							
CWBC (Consolidated)	**$ 46,031**	**$ 42,077**	**$ 375,487**	**$ 429,378**	**12.26%**	**11.21%**	**9.80%**
CWB	**42,501**	**38,577**	**375,474**	**425,768**	**11.32%**	**10.27%**	**9.06%**
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%
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 repurchased any 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, 2005		2004		2003	
	Amount	%	Amount	%	Amount	%
ASSETS	(dollars in thousands)					
Cash and due from banks	**$ 5,428**	**1.4%**	$ 5,364	1.6%	$ 6,431	2.1%
Interest-earning deposits in other financial institutions	**414**	**0.1%**	6,919	2.1%	1,359	0.5%
Federal funds sold	**5,923**	**1.5%**	8,684	2.6%	15,462	5.1%
Time deposits in other financial institutions	**643**	**0.2%**	577	0.2%	1,542	0.5%
Investment securities available-for-sale	**22,474**	**5.7%**	21,220	6.4%	8,910	3.0%
Investment securities held-to-maturity	**7,703**	**2.0%**	3,493	1.0%	5,036	1.7%
Federal Reserve Bank & Federal Home Loan Bank stock	**2,882**	**0.7%**	1,902	0.6%	812	0.3%
Interest only strips, at fair value	**2,261**	**0.6%**	3,214	1.0%	4,054	1.3%
Loans held for sale, net	**50,106**	**12.7%**	44,037	13.2%	45,445	15.2%
Loans held for investment, net	**265,799**	**67.6%**	197,622	59.3%	147,351	49.2%
Securitized loans, net	**18,241**	**4.6%**	28,661	8.6%	50,173	16.7%
Servicing rights	**3,118**	**0.8%**	3,002	0.9%	2,062	0.7%
Other real estate owned, net	**43**	**-**	88	-	677	0.2%
Premises and equipment, net	**2,011**	**0.5%**	1,655	0.5%	1,805	0.6%
Other assets	**6,164**	**1.6%**	6,792	2.0%	8,542	2.9%
TOTAL ASSETS	**$ 393,210**	**100.0%**	**$ 333,230**	**100.0%**	**$ 299,661**	**100.0%**
LIABILITIES						
Deposits:						
Non-interest-bearing demand	**$ 34,758**	**8.8%**	$ 38,761	11.6%	$ 34,400	11.5%
Interest-bearing demand	**87,587**	**22.3%**	50,785	15.2%	35,768	11.9%
Savings	**16,479**	**4.2%**	17,810	5.3%	15,480	5.2%
Time certificates of $100,000 or more	**62,545**	**15.9%**	31,851	9.6%	21,076	7.0%
Other time certificates	**89,304**	**22.7%**	109,456	32.9%	109,828	36.7%
Total deposits	**290,673**	**73.9%**	248,663	74.6%	216,552	72.3%
Other borrowings	**46,285**	**11.8%**	22,699	6.8%	6,518	2.2%
Bonds payable in connection with securitized loans	**10,469**	**2.7%**	19,676	5.9%	39,000	13.0%
Other liabilities	**5,948**	**1.5%**	5,992	1.8%	4,746	1.5%
Total liabilities	**353,375**	**89.9%**	297,030	89.1%	266,816	89.0%
STOCKHOLDERS' EQUITY						
Common stock	**30,127**	**7.6%**	29,940	9.0%	29,812	10.0%
Retained earnings	**9,783**	**2.5%**	6,275	1.9%	3,037	1.0%
Accumulated other comprehensive (loss)	**(75)**	**-**	(15)	-	(4)	-
Total stockholders' equity	**39,835**	**10.1%**	36,200	10.9%	32,845	11.0%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 393,210**	**100.0%**	**$ 333,230**	**100.0%**	**$ 299,661**	**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:	**2005**	**2004**	**2003**
	(dollars in thousands)		
Interest earning deposits in other financial institutions:			
Average outstanding	**$ 414**	$ 6,919	$ 1,359
Interest income	**11**	170	31
Average yield	**2.75%**	2.46%	2.28%
Time deposits in other financial institutions:			
Average outstanding	**643**	577	1,542
Interest income	**21**	13	36
Average yield	**3.26%**	2.25%	2.33%
Federal funds sold:			
Average outstanding	**5,923**	8,684	15,462
Interest income	**196**	118	169
Average yield	**3.31%**	1.36%	1.09%
Investment securities:			
Average outstanding	**33,059**	26,615	14,758
Interest income	**1,274**	979	489
Average yield	**3.85%**	3.68%	3.31%
Gross loans, excluding securitized:			
Average outstanding	**319,008**	244,492	195,648
Interest income	**25,804**	16,982	13,554
Average yield	**8.09%**	6.95%	6.93%
Securitized loans:			
Average outstanding	**19,147**	30,098	52,359
Interest income	**2,472**	3,583	6,104
Average yield	**12.91%**	11.91%	11.66%
Total interest-earning assets:			
Average outstanding	**378,194**	317,385	281,128
Interest income	**29,778**	21,845	20,383
Average yield	**7.87%**	6.88%	7.25%

Interest-bearing liabilities:	Year Ended December 31, 2005	2004	2003
	(dollars in thousands)		
Interest-bearing demand deposits:			
Average outstanding	**$ 87,587**	$ 50,785	$ 35,768
Interest expense	**2,242**	820	371
Average effective rate	**2.56%**	1.61%	1.04%
Savings deposits:			
Average outstanding	**16,479**	17,810	15,480
Interest expense	**344**	241	215
Average effective rate	**2.09%**	1.35%	1.39%
Time certificates of deposit:			
Average outstanding	**151,849**	141,308	130,904
Interest expense	**5,115**	3,955	4,035
Average effective rate	**3.37%**	2.80%	3.08%
Bonds payable:			
Average outstanding	**10,469**	19,676	39,000
Interest expense	**1,090**	2,441	4,637
Average effective rate	**10.42%**	12.41%	11.89%
Other borrowings:			
Average outstanding	**46,285**	22,699	6,518
Interest expense	**1,556**	388	84
Average effective rate	**3.36%**	1.71%	1.29%
Total interest-bearing liabilities:			
Average outstanding	**312,669**	252,278	227,670
Interest expense	**10,347**	7,845	9,342
Average effective rate	**3.31%**	3.11%	4.10%
Net interest income	**19,431**	**14,000**	**11,041**
Net interest spread	**4.56%**	**3.77%**	**3.15%**
Average net margin	**5.14%**	**4.41%**	**3.93%**

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, manufactured housing loans 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, 2005 and 2004, approximately 62% of the Company's loan portfolio was comprised of variable interest rate loans. Management monitors the maturity of loans and the sensitivity of loans to changes in interest rates.

The following table sets forth, as of the dates indicated, the amount of gross held for investment 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,									
	2005		2004		2003		2002		2001	
In Years	(in thousands)									
	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable
Less than One	**$ 19,797**	**$ 49,796**	$ 3,877	$ 44,896	$ 2,382	$ 34,108	$ 2,604	$ 8,188	$ 10,346	$ 26,532
One to Five	**39,081**	**50,708**	12,922	29,567	4,128	13,645	3,615	16,224	3,975	6,195
Over Five	**88,086**	**139,570**	94,568	110,215	85,390	110,914	105,491	116,322	164,748	58,761
TOTAL	**$146,964**	**$240,074**	**$111,367**	**$184,678**	**$ 91,900**	**$158,667**	**$111,710**	**$140,734**	**$179,069**	**$ 91,488**

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,				
	2005	2004	2003	2002	2001
	(dollars in thousands)				
	Loan Balance	Loan Balance	Loan Balance	Loan Balance	Loan Balance
Commercial	**$ 44,957**	$ 30,893	$ 24,592	$ 19,302	$ 26,411
Real estate	**116,938**	85,357	71,010	47,456	44,602
SBA	**37,088**	35,265	30,698	40,961	31,889
Manufactured housing	**101,336**	66,423	39,073	28,199	24,135
Other installment	**11,355**	8,645	5,770	7,047	4,088
Securitized	**14,858**	23,474	37,386	66,195	108,584
Held for sale	**60,506**	45,988	42,038	43,284	30,848
Gross Loans	**387,038**	296,045	250,567	252,444	270,557
Less:					
Allowance for loan losses	**3,954**	3,894	4,675	5,950	8,275
Deferred fees/costs	**181**	(103)	69	(318)	222
Discount on SBA loans	**1,386**	1,748	1,549	956	1,105
NET LOANS	**$ 381,517**	**$ 290,506**	**$ 244,274**	**$ 245,856**	**$ 260,955**
Percentage to Gross Loans:					
Commercial	**11.6%**	10.5%	9.8%	7.6%	9.8%
Real estate	**30.2%**	28.8%	28.3%	18.8%	16.5%
SBA	**9.6%**	11.9%	12.3%	16.3%	11.8%
Manufactured housing	**26.2%**	22.5%	15.6%	11.2%	8.9%
Other installment	**2.9%**	2.9%	2.3%	2.8%	1.5%
Securitized	**3.9%**	7.9%	14.9%	26.2%	40.1%
Held for sale	**15.6%**	15.5%	16.8%	17.1%	11.4%
	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, conventional, investor and Business and Industry 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.

Conventional and investor loans are funded by our secondary-market partners and the Bank receives a premium for these transactions.

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

Real Estate Loans

The mortgage 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, 2005, the Bank had $101.3 million in its portfolio. The loans are serviced internally and are generally fixed rate written for terms of 5 to 30 years with balloon payments ranging from 5 to 15 years.

Other Installment Loans

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

Second Mortgage Loans

Prior to 2000, the Company originated and purchased second mortgage loans that allowed borrowers to borrow up to 125% of their home's appraised value, when combined with the balance of the first mortgage loan, up to a maximum loan of $100,000. In 1998 and 1999, the Company transferred $81 million and $122 million, respectively, of these loans to two special purpose trusts. 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. In November 2005, the Company exercised its right to call the bonds and paid off the remaining balance of $9.8 million. The special purpose trusts were dissolved while the Company continues to have the loans serviced by a third party ("Servicer"), who receives a stated servicing fee. The securitized loans are classified as held for investment.

Loan Commitments Outstanding

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

	December 31,				
	2005	2004	2003	2002	2001
	(in thousands)				
Commercial	**$ 22,327**	$ 19,010	$ 13,867	$ 11,370	$ 7,450
Real estate	**19,323**	7,618	11,676	7,664	6,370
SBA	**3,408**	6,107	9,531	8,675	4,712
Installment loans	**9,330**	8,966	5,112	2,402	13,339
Standby letters of credit	**1,499**	403	522	380	438
TOTAL COMMITMENTS	**$ 55,887**	**$ 42,104**	**$ 40,708**	**$ 30,491**	**$ 32,309**

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

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,				
	2005	2004	2003	2002	2001
	(in thousands)				
Average gross loans, held for investment, including Securitized loans	**$ 288,049**	$ 230,533	$ 202,563	$ 218,317	$ 267,402
Gross loans at end of year, held for investment, including Securitized loans	**324,965**	248,412	206,912	208,522	237,989
Allowance for loan losses, beginning of year	**$ 3,894**	$ 4,676	$ 5,950	$ 8,275	$ 6,746
Loans charged off:					
Commercial	**228**	185	445	1	614
Real estate	**8**	274	471	2,474	3,129
Installment	**-**	-	3	-	-
Short-term consumer	**-**	-	902	3,162	2,478
Securitized	**831**	1,356	2,512	4,012	4,358
Total	**1,067**	1,815	4,333	9,649	10,580
Recoveries of loans previously charged off					
Commercial	**20**	31	88	71	40
Real estate	**89**	44	42	396	171
Short-term consumer	**-**	-	672	1,392	400
Securitized	**452**	540	588	566	378
Total	**561**	615	1,390	2,425	990
Net loans charged off	**506**	1,200	2,943	7,224	9,590
Provision for loan losses	**566**	418	1,669	4,899	11,881
Adjustments due to Palomar sale		-	-	-	(762)
ALLOWANCE FOR LOAN LOSSES, END OF YEAR	**$ 3,954**	**$ 3,894**	**$ 4,676**	**$ 5,950**	**$ 8,275**
Ratios:					
Net loan charge-offs to average loans	**0.2%**	0.5%	1.5%	3.3%	3.6%
Net loan charge-offs to loans at end of period	**0.2%**	0.5%	1.4%	3.5%	4.0%
Allowance for loan losses to loans held for investment at end of period	**1.4%**	1.6%	2.3%	2.9%	3.5%
Net loan charge-offs to allowance for loan losses at beginning of period	**13.0%**	25.7%	49.5%	87.3%	142.2%
Net loan charge-offs to provision for loan losses	**89.4%**	287.1%	176.3%	147.5%	80.7%

The following table summarizes the allowance for loan losses:

	December 31,									
	2005		2004		2003		2002		2001	
	(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	**$ 1,409**	**35.7%**	$ 1,388	35.7%	$ 1,550	27.0%	$ 1,874	26.6%	$ 1,752	18.8%
Manufactured housing	**563**	**14.2%**	465	11.9%	372	15.6%	272	11.2%	291	8.9%
Securitized	**628**	**15.9%**	1,109	28.5%	2,024	14.9%	2,571	26.2%	4,189	40.1%
All other loans	**1,354**	**34.2%**	932	23.9%	730	42.5%	1,233	36.0%	2,043	32.2%
TOTAL	**$ 3,954**	**100%**	**$ 3,894**	**100%**	**$ 4,676**	**100%**	**$ 5,950**	**100%**	**$ 8,275**	**100%**

Total allowance for loan losses ("ALL") increased $60,000, or 1.5%, from December 31, 2004 to December 31, 2005. The slight increase was primarily the result of growth within the commercial, commercial real estate, construction, and manufactured housing portfolios which was mostly offset by a decline in the ALL for the securitized loan portfolio as a result of the continued decrease in net charge-offs and outstanding loan balances.

Net loans charged-off were $506,000 in 2005, $1.2 million in 2004 and $2.9 million in 2003. The primary reason for the decline in net loan charge-offs in 2005 was the paydown in the securitized loan portfolio of $8.6 million, or 36.7%, from $23.5 million at year end 2004 to $14.9 million at year end 2005.

The Company recorded $566,000 as a provision for loan losses in 2005, $418,000 in 2004 and $1.7 million in 2003. The moderate increase in 2005 over 2004 is due to loan growth in most categories offset by the continued paydown in the securitized loan portfolio.

In management's opinion, the balance of the allowance for loan losses was sufficient to absorb known and inherent probable losses in the loan portfolio as of December 31, 2005.

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,				
	2005	2004	2003	2002	2001
	(in thousands)				
Impaired loans without specific valuation allowances	**$ 77**	$ 49	$ 235	$ 422	$ -
Impaired loans with specific valuation allowances	**3,406**	3,926	6,843	7,971	6,587
Specific valuation allowance related to impaired loans	**(473)**	(425)	(640)	(1,127)	(1,669)
Impaired loans, net	**$ 3,010**	**$ 3,550**	**$ 6,438**	**$ 7,266**	**$ 4,918**
Average investment in impaired loans	**$ 3,716**	**$ 5,137**	**$ 6,584**	**$ 7,565**	**$ 5,047**

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

	Year Ended December 31,				
	2005	2004	2003	2002	2001
	(in thousands)				
Nonaccrual loans	**$ 6,797**	$ 8,350	$ 7,174	$ 13,965	$ 11,413
SBA guaranteed portion of loans included above	**(4,332)**	(5,287)	(4,106)	(8,143)	(7,825)
NONACCRUAL LOANS, NET	**$ 2,465**	**$ 3,063**	**$ 3,068**	**$ 5,822**	**$ 3,588**
Troubled debt restructured loans	**$ 75**	$ 124	$ 193	$ 829	$ 1,093
Loans 30 through 90 days past due with interest accruing	**1,792**	1,804	3,907	5,122	2,607
Interest income recognized on impaired loans	**$ 141**	$ 103	$ 277	$ 190	$ 1,443
Interest foregone on nonaccrual loans and troubled debt restructured loans outstanding	**253**	208	216	1,263	1,146
GROSS INTEREST INCOME ON IMPAIRED LOANS	**$ 394**	**$ 311**	**$ 493**	**$ 1,453**	**$ 2,589**

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. Net non accrual loans declined $598,000 from 2004 to 2005. Principal balances of non-accrual loans, excluding $4.0 million in SBA guaranteed loans repurchased from investors compared to $5.2 million in 2004, declined by $403,000 and the guarantee related to these loans increased $195,000.

Total impaired loans decreased by $492,000, or 12.4%, in 2005, while the specific valuation allowance for impaired loans increased $48,000 for a net decrease of $540,000. The decline in impaired loans resulted from payments against impaired loans of $551,000 and pay-offs of impaired loans of $258,000. Additionally, $136,000 of impaired loans were charged off, $11,000 in balances were upgraded and $111,000 of impaired loans were converted to OREO. Offsetting these declines were the addition of newly impaired loans of $547,000 and an increase in loans without a specific valuation allowance of $28,000.

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, 2005, 2004 and 2003, are considered impaired. Total TDRs decreased by 39.5%, or $49,000, from $124,000 to $75,000 as of December 31, 2004 and 2005, respectively.

Investment Portfolio

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

	Year Ended December 31, 2005	2004	2003
	(in thousands)		
Available-for-sale securities			
U.S. Government and agency	$ 15,148	$ 15,221	$ 7,024
Other (1)	7,471	7,037	8,408
TOTAL AVAILABLE-FOR-SALE SECURITIES	$ 22,619	$ 22,258	$ 15,432
Held-to-maturity securities			
U.S. Government and agency	$ 200	$ 200	$ 200
Other (1)	8,477	5,894	4,836
TOTAL HELD-TO-MATURITY SECURITIES	$ 8,677	$ 6,094	$ 5,036

At December 31, 2005, $200,000 at carrying value of held-to-maturity securities were pledged as collateral to the U.S. Treasury for CWB's treasury, tax and loan account and $31.1 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 periods and weighted average yields of the Company's investment securities at December 31, 2005:

	Total Amount		Less than One Year		One to Five Years		Five to Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(dollars in thousands)							
Available-for-sale securities								
U. S. Government and agency	$ 15,148	3.5%	$ -	-	$ 15,148	3.5%	$ -	-
Other (1)	7,471	4.0%	-	-	7,471	4.0%	-	-
TOTAL AFS	$ 22,619	3.7%	$ -	-	$ 22,619	3.7%	$ -	-
Held-to-maturity securities								
U.S. Government and agency	$ 200	3.6%	$ 200	3.6%	$ -	-	$ -	-
Other (1)	8,477	4.7%	-	-	5,453	4.3%	3,024	5.3%
TOTAL HTM	$ 8,677	4.6%	$ 200	3.6%	$ 5,453	4.3%	$ 3,024	5.3%

(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, 2005 and 2004, the Company held interest-only strips ("I/O") in the amount of $1.9 million and $2.7 million, respectively. There have been no new I/O's since 2002. These I/O's represent the present value of the right to the estimated net cash flows generated by SBA loans sold. Net cash flows consist of the difference between (a) interest at the stated rate paid by borrowers and (b) the sum of (i) pass-through interest paid to third-party investors and (ii) contractual servicing fees. The Company also held servicing rights related to SBA loans sales of $2.8 million and $3.3 million at December 31, 2005 and 2004, 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. The I/O's are accounted for as investments in debt securities classified as trading securities. Accordingly, the Company marks them to fair value with the resulting increase or decrease recorded through operations in the current period. At December 31, 2005 and 2004, all of the servicing rights were related to SBA loan sales.

Liquidity Management

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

In 2004, CWB was approved for membership in the Federal Home Loan Bank ("FHLB"). The Company has a blanket lien credit line with the FHLB. Advances are collateralized in the aggregate by CWB's eligible mortgage loans and securities of the U.S Government and its agencies. The outstanding advances at December 31, 2005 include $38.5 million borrowed at variable rates which adjust to the current LIBOR rate either monthly or quarterly and $25 million borrowed at fixed rates. At December 31, 2005, CWB had pledged to FHLB, securities of $31.1 million at carrying value and loans of $62.8 million, and had $30 million available for additional borrowing.. At December 31, 2004, the CWB had $33.8 million of loans and $14.1 million of securities pledged as collateral and outstanding advances of $10.5 million.

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

The Company, through the Bank, also has the ability as a member of the Federal Reserve System, to borrow at the discount window up to 50% of what is pledged at the Federal Reserve Bank. 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. However, in a highly competitive marketplace, CWB's core deposits (excluding certificates of deposit) declined by $30.1 million in 2005 and the Company has turned more to wholesale funding sources to help fund loan growth. The liquidity ratio of the Company was 22% at December 31, 2005 compared to 27% at December 31, 2004. The Company's liquidity ratio fluctuates in conjunction with loan funding demands. The liquidity ratio consists of cash and due from banks, deposits in other financial institutions, available for sale investments, federal funds sold and loans held for sale, divided by total assets.

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

Interest Rate Risk

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

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

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

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

- *Prepayment Risk* – prepayment risk results from borrowers paying down / off their loans prior to maturity. Prepayments on fixed-rate products increase in falling interest rate environments and decrease in rising interest rate environments. Since a majority of CWB's loan originations are adjustable rate and set based on prime, and there is little lag time on the reset, CWB does not experience significant prepayments. However, CWB does have more prepayment risk on its securitized and manufactured housing loans and its mortgage-backed investment securities.

Management of Interest Rate Risk

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

Loan sales

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

Deposits

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

	Year Ended December 31,					
	2005		2004		2003	
	Average Balance	Percent of Total	Average Balance	Percent of Total	Average Balance	Percent of Total
	(dollars in thousands)					
Noninterest-bearing demand	**$ 34,758**	**12.0%**	$ 38,760	15.6%	$ 34,400	15.9%
Interest-bearing demand	**87,587**	**30.1%**	50,785	20.4%	35,768	16.5%
Savings	**16,479**	**5.7%**	17,810	7.2%	15,480	7.2%
TCD's of $100,000 or more	**62,545**	**21.5%**	31,851	12.8%	21,076	9.7%
Other TCD's	**89,304**	**30.7%**	109,457	44.0%	109,828	50.7%
TOTAL DEPOSITS	**$ 290,673**	**100.0%**	**$ 248,663**	**100.0%**	**$ 216,552**	**100.0%**

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

	December 31,			
	2005		2004	
	TCD's over $100,000	Other TCD's	TCD's over $100,000	Other TCD's
	(in thousands)			
Less than three months	**$ 14,968**	**$ 18,872**	$ 8,002	$ 16,237
Over three months through six months	**17,947**	**19,395**	7,062	20,809
Over six months through twelve months	**48,575**	**38,822**	9,877	15,843
Over twelve months through five years	**28,045**	**26,451**	15,452	39,137
TOTAL	**$ 109,535**	**$ 103,540**	**$ 40,393**	**$ 92,026**

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

The Company manages its money desk and obtains brokered deposits in accordance with its liquidity and strategic planning. Such deposits increased by $42.0 million during 2005 as the Company's general funding needs increased due to the growth in the loan portfolio. The Company can use the money desk or obtain broker deposits when necessary in a short timeframe; however, these funds are more expensive as there is substantial competition for these deposits.

Contractual Obligations

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

The following table is summary of those obligations at December 31, 2005:

	Total	< 1 Year	1-3 Years	3-5 Years	Over 5 Years
	(in thousands)				
FHLB Borrowing	$ 63,500	$ 4,000	$ 51,500	$ 8,000	$ -
Time certificates of deposits	213,075	158,578	40,467	14,030	-
Operating lease obligations	2,241	930	793	410	108
Purchase obligations for service providers	1,211	363	590	258	-
TOTAL	$ 280,027	$163,871	$ 93,350	$ 22,698	$ 108

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**	
	2005	**2004**	**2005**	**2004**
	(dollars in thousands)			
Anticipated impact over the next twelve months:				
Net interest income (NII)	**$ 1,869**	$ 1,230	**$ (1,933)**	$ (1,237)
	9.4%	8.2%	**(9.7%)**	(8.3%)
Economic value of equity (EVE)	**$ (1,916)**	$ (749)	**$ 239**	$ 241
	(3.7%)	(1.6%)	**.5%**	0.5%

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

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, 2005 and 2004, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. 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, 2005 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

Los Angeles, California
March 17, 2006

Ernst & Young LLP

CONSOLIDATED BALANCE SHEETS

	December 31, 2005	December 31, 2004
	(dollars in thousands)	
ASSETS		
Cash and due from banks	$ 4,830	$ 8,769
Interest-earning deposits in other financial institutions	-	9,700
Federal funds sold	8,902	11,736
Cash and cash equivalents	13,732	30,205
Time deposits in other financial institutions	532	647
Investment securities available-for-sale, at fair value; amortized cost of $22,833 at December 31, 2005 and $22,380 at December 31, 2004	22,619	22,258
Investment securities held-to-maturity, at amortized cost; fair value of $8,619 at December 31, 2005 and $6,122 at December 31, 2004	8,677	6,094
Federal Home Loan Bank stock, at cost	2,985	1,200
Federal Reserve Bank stock, at cost	812	812
Interest only strips, at fair value	1,888	2,715
Loans:		
Held for sale, at lower of cost or fair value	60,506	45,988
Held for investment, net of allowance for loan losses of $3,326 at December 31, 2005 and $2,785 at December 31, 2004	306,781	222,153
Securitized loans, net of allowance for loan losses of $628 at December 31, 2005 and $1,109 at December 31, 2004	14,230	22,365
Total loans	381,517	290,506
Servicing rights	2,845	3,258
Other real estate owned, net	7	13
Premises and equipment, net	2,146	1,763
Other assets	6,594	5,732
TOTAL ASSETS	**$ 444,354**	**$ 365,203**
LIABILITIES		
Deposits:		
Non-interest-bearing demand	$ 34,251	$ 44,384
Interest-bearing demand	70,453	92,395
Savings	16,459	15,370
Time certificates of $100,000 or more	109,535	40,393
Other time certificates	103,540	92,026
Total deposits	334,238	284,568
Securities sold under agreements to repurchase	-	13,672
Federal Home Loan Bank advances	63,500	10,500
Bonds payable in connection with securitized loans	-	13,910
Other liabilities	4,381	4,984
Total liabilities	402,119	327,634
Commitments and contingencies-See Note 15		
STOCKHOLDERS' EQUITY		
Common stock, no par value; 10,000,000 shares authorized; 5,751,313 shares issued and outstanding at December 31, 2005 and 5,729,869 at December 31, 2004	30,190	30,020
Retained earnings	12,171	7,621
Accumulated other comprehensive loss	(126)	(72)
Total stockholders' equity	42,235	37,569
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 444,354**	**$ 365,203**

See accompanying notes.

CONSOLIDATED INCOME STATEMENTS

	Year Ended December 31,		
	2005	2004	2003
	(in thousands, except per share data)		
INTEREST INCOME			
Loans	$ 28,276	$ 20,565	$ 19,658
Investment securities	1,274	979	489
Other	228	301	236
Total interest income	29,778	21,845	20,383
INTEREST EXPENSE			
Deposits	7,701	5,016	4,621
Bonds payable and other borrowings	2,646	2,829	4,721
Total interest expense	10,347	7,845	9,342
NET INTEREST INCOME	19,431	14,000	11,041
Provision for loan losses	566	418	1,669
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	18,865	13,582	9,372
NON-INTEREST INCOME			
Other loan fees	2,906	3,776	2,923
Gains from loan sales, net	2,499	3,981	4,860
Document processing fees, net	823	817	937
Loan servicing fees, net	575	1,416	1,264
Service charges	318	381	376
Other	189	91	315
Total non-interest income	7,310	10,462	10,675
NON-INTEREST EXPENSES			
Salaries and employee benefits	11,993	11,851	11,416
Occupancy and equipment expenses	1,840	1,596	1,691
Professional services	1,022	940	636
Depreciation	543	532	581
Loan servicing and collection	255	225	438
Other	2,507	2,377	1,974
Total non-interest expenses	18,160	17,521	16,736
Income before provision for income taxes	8,015	6,523	3,311
Provision for income taxes	2,373	2,688	1,128
NET INCOME	$ 5,642	$ 3,835	$ 2,183
INCOME PER SHARE – BASIC	$ 0.98	$ 0.67	$ 0.38
INCOME PER SHARE – DILUTED	$ 0.95	$ 0.65	$ 0.38
Basic weighted average number of common shares outstanding	5,744	5,718	5,694
Diluted weighted average number of common shares outstanding	5,931	5,867	5,258

See accompanying notes.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	(in thousands)				
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 loss 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 loss on securities available-for-sale, net				(57)	(57)
Comprehensive income					3,778
Cash dividends paid ($0.12 per share)			(686)		(686)
BALANCES AT DECEMBER 31, 2004	5,730	30,020	7,621	(72)	37,569
Exercise of stock options	**21**	**119**			**119**
Tax benefit from stock options		**40**			**40**
Comprehensive income:					
Net income			**5,642**		**5,642**
Change in unrealized loss on securities available-for-sale, net				**(54)**	**(54)**
Comprehensive income					**5,588**
Cash dividends paid ($0.19 per share)			**(1,092)**		**(1,092)**
Other		**11**			**11**
BALANCES AT DECEMBER 31, 2005	**5,751**	**$ 30,190**	**$ 12,171**	**$ (126)**	**$ 42,235**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2005	2004	2003
	(in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 5,642	$ 3,835	$ 2,183
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	566	418	1,669
Provision for losses on real estate owned	-	1	25
Deferred income taxes	(220)	(278)	474
Depreciation and amortization	746	1,270	1,589
Net amortization of discounts and premiums on securities	12	19	189
Gains on:			
Sale of other real estate owned	49	(2)	(79)
Sale of loans held for sale	(1,610)	(3,981)	(4,401)
Changes in:			
Fair value of interest only strips, net of accretion	827	833	1,000
Servicing rights, net of amortization	413	(759)	(602)
Other assets	(862)	1,562	4,068
Other liabilities	(360)	1,058	(1,062)
Net cash provided by operating activities	5,203	3,976	5,053
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of held-to-maturity securities	(4,545)	(3,179)	(7,337)
Purchase of available-for-sale securities	(2,113)	(10,232)	(24,197)
Purchase of Federal Home Loan Bank stock	(1,712)	(1,200)	-
Federal Home Loan Bank stock dividend	(73)	-	-
Principal paydowns and maturities of available-for-sale securities	1,763	3,413	8,670
Principal paydowns and maturities of held-to-maturity securities	1,939	2,095	8,219
Loan originations and principal collections, net	(90,230)	(42,758)	2,744
Proceeds from sale of other real estate owned	194	529	1,718
Net decrease in time deposits in other financial institutions	115	145	1,485
Purchase of premises and equipment, net of sales	(926)	(663)	(254)
Net cash (used in) investing activities	(95,588)	(51,850)	(8,952)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Exercise of stock options	119	146	76
Cash dividends paid to shareholders	(1,092)	(686)	-
Net (decrease) increase in demand deposits and savings accounts	(30,986)	56,058	9,847
Net increase (decrease) in time certificates of deposit	80,656	3,655	(4,075)
Proceeds from securities sold under agreements to repurchase	-	13,672	20,041
Repayments of securities sold under agreements to repurchase	(13,672)	(14,394)	(5,647)
Proceeds from Federal Home Loan Bank advances	56,500	14,000	-
Repayment of Federal Home Loan Bank advances	(3,500)	(3,500)	-
Repayments of bonds payable in connection with securitized loans	(14,113)	(12,928)	(25,381)
Net cash provided by (used in) financing activities	73,912	56,023	(5,139)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(16,473)	8,149	(9,038)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	30,205	22,056	31,094
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 13,732	$ 30,205	$ 22,056

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005

Summary Of Significant Accounting Policies

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

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

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

Certain amounts in the 2003 and 2004 financial statements have been reclassified to be comparable with classifications in 2005.

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, 2005 and 2004, 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, 2005 and 2004, 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. The Company uses industry prepayment statistics and its own prepayment experience in estimating the expected life of the loans. Management periodically evaluates servicing rights for impairment. Servicing rights are evaluated for impairment based upon the fair value of the rights as compared to amortized cost on a loan-by-loan basis. Fair value is determined using discounted future cash flows calculated on a loan-by-loan basis and aggregated to the total asset level. The initial servicing rights and resulting gain on sale are calculated based on the difference between the best actual par and premium bids on an individual loan basis. Additionally, on certain SBA loan sales that occurred prior to 2003, the Company retained interest only strips ("I/O Strips"), which represent the present value of excess net cash flows generated by the difference between (a) interest at the stated rate paid by borrowers and (b) the sum of (i) pass-through interest paid to third-party investors and (ii) contractual servicing fees.

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

Loans Held for Sale – Loans which are originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value determined on an aggregate basis. Valuation adjustments, if any, are recognized through a valuation allowance by charges to lower of cost or market provision. Loans held for sale are primarily comprised of SBA loans and residential first and second mortgage loans. The Company did not incur a lower of cost or market valuation provision in the years ended December 31, 2005, 2004 and 2003.

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

Interest Income on Loans – Interest on loans is accrued daily on a simple-interest basis. The accrual of interest is discontinued when substantial doubt exists as to collectibility of the loan, generally at the time the loan is 90 days delinquent, unless the credit is well secured and in process of collection. Any unpaid but accrued interest is reversed at that time. Thereafter, interest income is no longer recognized on the loan. Interest on non-accrual loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual.

Loans are returned to accrual status when all of the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Impaired loans are identified as impaired when it is probable that interest and principal will not be collected according to the contractual terms of the loan agreement. All of the Company's nonaccrual loans were also classified as impaired at December 31, 2005 and 2004.

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

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

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

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

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

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

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

- Securitized Loans – The Company considers this a homogeneous portfolio and calculates the allowance based on statistical information provided by the servicer. Charge-off history is calculated based on 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/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 Per Share – Basic income per share is computed based on the weighted average number of shares outstanding during each year divided into net income. Diluted income per share is computed based on the weighted average number of shares outstanding during each year plus the dilutive effect, if any, of outstanding options divided into net income.

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

Stock-Based Compensation – Until the effective date of SFAS 123, January 1, 2006, GAAP permitted the Company to use either of two methodologies to account for compensation cost in connection with employee stock options. The first method required issuers to record compensation expense over the period the options were expected to be outstanding prior to exercise, expiration or cancellation. The amount of compensation expense to be recognized over this term was 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 recognized compensation expense regardless of whether or not the employee eventually exercises the options.

Under the second methodology, if options were granted at an exercise price equal to the market value of the stock at the time of the grant, no compensation expense was recognized. GAAP required that issuers electing the second method present pro forma disclosures 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 – SFAS No. 123 (Revised 2004) ("SFAS No. 123R"), Share-Based Payment, is a revision of SFAS No. 123 and supersedes APB Opinion No. 25 and its related implementation guidance. The Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123R requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award. On March 29, 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB No. 107"), which provides the Staff's views regarding interactions between SFAS No. 123R and certain SEC rules and regulations and provides interpretations of the valuation of share-based payments for public companies.

SFAS No. 123R 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 SFAS No. 123R for all share-based payments granted after the effective date and (b) based on the requirements of SFAS No. 123 for all awards granted to employees prior to the effective date of SFAS No. 123R that remain unvested on the effective date, or (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 SFAS No. 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 will adopt the standard in the first quarter 2006 using the modified prospective method. As permitted by SFAS No. 123, the Company currently accounts for share-based payments to employees using the intrinsic value method prescribed in APB No. 25 and, as such, recognizes no compensation cost for employee stock options. The effect on the Company's results of operations of expensing stock options using the Black-Scholes method is presented in the disclosure of pro forma net income and earnings per share in the note, entitled "Stockholder's Equity". This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. The pro forma statements estimate the approximate impact to the Company of the adoption of this statement.

2. INVESTMENT SECURITIES

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

December 31, 2005 (in thousands)

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

December 31, 2004 (in thousands)

Available-for-sale securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
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**

At December 31, 2005, $200,000 at carrying value of the above securities was pledged as collateral to the United States Treasury for CWB's treasury, tax and loan account and $31,096,000 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 periodically 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 and servicing rights. 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 a reduction of 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 25-30%. Quarterly, both the servicing rights and I/O strips are analyzed for impairment.

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, 2005 and December 31, 2004, the Company had approximately $58.1 million and $43.6 million, respectively, in SBA loans held for sale.

Mortgage Loan Sales – In the normal course of business, the Company enters into mortgage loan rate lock commitments with potential borrowers. Simultaneously, the Company enters into a "best efforts" forward sale commitment to sell the locked loans to a third party investor. Since the two commitments directly offset and create a perfect hedge, there is no interest rate risk to the Company; therefore, there is no material net income statement effect. At December 31, 2005 and 2004, the Company had $8.1 million and $6.2 million, repectively, in outstanding mortgage loan commitments.

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

	Year Ended December 31,		
	2005	2004	2003
	(in thousands)		
Balance, beginning of year	$ 2,715	$ 3,548	$ 4,548
Valuation adjustment, net	(827)	(833)	(1,000)
BALANCE, END OF YEAR	**$ 1,888**	**$ 2,715**	**$ 3,548**

The following is a summary of activity in Servicing Rights:

	Year Ended December 31,		
	2005	2004	2003
	(in thousands)		
Balance, beginning of year	$ 3,258	$ 2,499	$ 1,897
Additions through loan sales	524	1,259	1,116
Amortization	(937)	(500)	(514)
BALANCE, END OF YEAR	**$ 2,845**	**$ 3,258**	**$ 2,499**

4. LOANS HELD FOR INVESTMENT

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

	December 31,	
	2005	2004
	(in thousands)	
Commercial	$ 44,957	$ 30,893
Real estate	116,938	85,357
SBA	37,088	35,265
Manufactured housing	101,336	66,423
Other installment	11,355	8,645
	311,674	226,583
Less:		
Allowance for loan losses	3,326	2,785
Deferred fees, net of costs	181	(103)
Discount on unguaranteed portion of SBA loans	1,386	1,748
LOANS HELD FOR INVESTMENT, NET	**$ 306,781**	**$ 222,153**

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

	Year Ended December 31,		
	2005	2004	2003
	(in thousands)		
Balance, beginning of year	$ 2,785	$ 2,652	$ 3,379
Loans charged off	(236)	(459)	(1,822)
Recoveries on loans previously charged off	109	75	802
Net charge-offs	(127)	(384)	(1,020)
Provision for loan losses	668	517	293
BALANCE, END OF YEAR	**$ 3,326**	**$ 2,785**	**$ 2,652**

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

	Year Ended December 31,		
	2005	2004	2003
	(in thousands)		
Impaired loans without specific valuation allowances	$ 77	$ 49	$ 235
Impaired loans with specific valuation allowances	3,406	3,926	6,843
Specific valuation allowance related to impaired loans	(473)	(425)	(640)
IMPAIRED LOANS, NET	**$ 3,010**	**$ 3,550**	**$ 6,438**
Average investment in impaired loans	$ 3,716	$ 5,137	$ 6,584

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

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

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

5. SECURITIZED LOANS

Prior to 2000, the Company originated and purchased second mortgage loans that allowed borrowers to borrow up to 125% of their home's appraised value, when combined with the balance of the first mortgage loan, up to a maximum loan of $100,000. In 1998 and 1999, the Company transferred $81 million and $122 million, respectively, of these loans to two special purpose trusts. 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. In November 2005, the Company exercised its right to call the bonds and paid off the remaining balance of $9.8 million. The special purpose trusts were dissolved while the Company continues to have the loans serviced by a third party ("Servicer"), who receives a stated servicing fee.

At December 31, 2005 and 2004, respectively, securitized loans are net of an allowance for loan losses as set forth below, and include purchase premiums and deferred fees/costs of $268,000 and $469,000, respectively.

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

	Year End December 31, 2005	2004	2003
	(in thousands)		
Balance, beginning of year	**$ 1,109**	$ 2,024	$ 2,571
Loans charged off	**(831)**	(1,356)	(2,511)
Recoveries on loans previously charged off	**452**	540	588
Net charge-offs	**(379)**	(816)	(1,923)
Provision for loan losses	**(102)**	(99)	1,376
BALANCE, END OF YEAR	**$ 628**	**$ 1,109**	**$ 2,024**

6. PREMISES AND EQUIPMENT

	December 31, 2005	December 31, 2004
	(in thousands)	
Furniture, fixtures and equipment	$ 7,045	$ 6,698
Building and land	927	896
Leasehold improvements	1,219	757
Construction in progress	8	29
	9,199	8,380
Less: accumulated depreciation and amortization	(7,053)	(6,617)
Premises and equipment, net	$ 2,146	$ 1,763

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

The minimum lease commitments as of December 31, 2005 under all operating lease agreements are as follows:

	(in thousands)
2006	$ 930
2007	533
2008	260
2009	224
2010	186
Thereafter	108
TOTAL	$ 2,241

Rent expense for the years ended December 31, 2005, 2004 and 2003, included in occupancy expense was $820,000, $724,000 and $680,000, respectively.

7. DEPOSITS

At December 31, 2005, the maturities of time certificates of deposits are as follows:

	(in thousands)
2006	$ 158,579
2007	34,938
2008	5,528
2009	12,155
2010	1,875
TOTAL	$ 213,075

8. BORROWINGS

Federal Home Loan Bank Advances

The Company has a blanket lien credit line with the Federal Home Loan Bank ("FHLB"). Advances are collateralized in the aggregate by CWB's eligible mortgage loans and securities of the U.S Government and its agencies. The outstanding advances at December 31, 2005 include $38.5 million borrowed at variable rates which adjust to the current LIBOR rate either monthly or quarterly. At December 31, 2005, CWB had pledged to FHLB, securities of $31.1 million at carrying value and loans of $62.8 million, and had $30 million available for additional borrowing.. At December 31, 2004, the CWB had $33.8 million of loans and $14.1 million of securities pledged as collateral and outstanding advances of $10.5 million.

Information related to advances from FHLB:

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

	December 31, 2004				
		Fixed		Variable	
	TOTAL	Amount	Interest Rates	Amount	Interest Rates
	(dollars in thousands)				
Due within one year	$ -	$ -	- %	$ -	- %
After one year but within three years	3,500	3,500	1.77-2.75	-	-%
After three years but within five years	7,000	7,000	2.59-3.28	-	-%
TOTAL ADVANCES FROM FHLB	**$ 10,500**	**$ 10,500**		**$ -**	

Financial information pertaining to advances from FHLB:

	2005	2004
	(dollars in thousands)	
Weighted average interest rate, end of the year	**4.14%**	2.71%
Weighted average interest rate during the year	**3.48%**	2.09%
Average balance of advances from FHLB	**$ 42,081**	$ 5,419
Maximum amount outstanding at any month end	**63,500**	10,500

The total interest expense on advances from FHLB was $1,464,000 for 2005 and $113,000 for 2004.

Repurchase Agreements

Prior to 2005, the Company had entered into a financing arrangement with a third party by which a portion of its government–guaranteed securities were pledged as collateral for short-term borrowings. During 2005, these borrowings matured and were paid off. As of December 31, 2004, securities with a carrying value of $14.0 million were pledged as collateral for short-term borrowings and the Company had $13.7 million of outstanding repurchase agreements, with interest rates of 1.40% to 2.35%.

Bonds Payable

In the fourth quarter 2005, the Company exercised its right to call the remaining bonds and paid off the balance of $9.8 million. As of December 31, 2004, bonds payable were $179,000 for Series 1998-1 and $14.3 million for Series 1999-1. The total bonds payable of $14.5 million was reduced by issuance and discount costs of $601,000 for a net of $13.9 million at December 31, 2005. The bonds were collateralized by securitized loans with an outstanding principal balance of $6.6 million and $16.4 million for Series 1998-1 and Series 1999-1, respectively at December 31, 2004. There was no cross collateralization between the bond issues.

Financial data pertaining to bonds payable were as follows:

	Year Ended December 31, 2005	2004	2003
	(dollars in thousands)		
Weighted average coupon interest rate, end of year	-	8.27%	8.26%
Annual weighted average interest rate	**10.42%**	12.41%	11.89%
Average balance of bonds payable, net	**$ 10,469**	$ 19,676	$ 39,000
Maximum amount of bonds payable, net, at any month end	**$ 13,382**	$ 24,706	$ 50,473

FEDERAL FUNDS PURCHASED

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

9. STOCKHOLDERS' EQUITY

COMMON STOCK

Earnings per share-Calculation of Weighted Average Shares Outstanding

	Year Ended December 31, 2005	2004	2003
	(in thousands)		
Basic weighted average shares outstanding	**5,744**	5,718	5,694
Dilutive effect of stock options	**187**	149	64
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	**5,931**	**5,867**	**5,758**

STOCK OPTION PLANS

As of December 31, 2005, options were outstanding at prices ranging from $3.63 to $14.25 per share with 314,662 options exercisable and 355,151 options available for future grant. 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, 2005, the average life of the outstanding options was approximately 6.8 years.

Stock option activity is as follows:

Year Ended December 31,	2005 Shares	2005 Weighted Average Exercise Price	2004 Shares	2004 Weighted Average Exercise Price	2003 Shares	2003 Weighted Average Exercise Price
Options outstanding, January 1,	**543,307**	**$ 6.77**	463,207	$ 6.04	350,852	$ 6.30
Granted	**38,500**	**13.30**	151,500	9.10	198,000	5.51
Canceled	**(21,200)**	**6.64**	(48,300)	7.22	(69,100)	6.22
Exercised	**(21,445)**	**5.55**	(23,100)	6.31	(16,545)	4.63
Options outstanding, December 31,	**539,162**	**$ 7.29**	**543,307**	**$ 6.77**	**463,207**	**$ 6.04**
Options exercisable, December 31,	**314,662**	**$ 6.63**	**276,467**	**$ 6.39**	**256,327**	**$ 6.53**

The fair value of each stock option grant under the Company's stock option plan during 2005, 2004 and 2003 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Year Ended December 31,		
	2005	**2004**	**2003**
Annual dividend yield	**1.6%**	1.7%	0.0%
Expected volatility	**33.8%**	35.7%	32.4%
Risk free interest rate	**4.2%**	4.2%	3.9%
Expected life (in years)	**6.8**	6.8	7.3

The grant date estimated fair value of options was $4.60 per share in 2005, $2.91 per share in 2004 and $2.83 per share in 2003. 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 and income per share for the years ended December 31, 2005, 2004 and 2003 would have been adjusted to the pro forma amounts indicated below:

	Year Ended December 31,		
	2005	**2004**	**2003**
Income:	(in thousands, except per share data)		
As reported	**$ 5,642**	$ 3,835	$ 2,183
Pro forma	**5,537**	3,664	1,975
Income per common share – basic			
As reported	**0.98**	0.67	0.38
Pro forma	**0.96**	0.64	0.35
Income per common share – diluted			
As reported	**0.95**	0.65	0.38
Pro forma	**0.93**	0.62	0.34

10. INCOME TAXES

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

	Year Ended December 31,		
	2005	**2004**	**2003**
		(in thousands)	
Current:			
Federal	**$ 1,815**	$ 2,423	$ 647
State	**778**	543	7
	2,593	2,966	654
Deferred:			
Federal	**(308)**	(441)	712
State	**88**	163	(238)
	(220)	(278)	474
TOTAL PROVISION FOR INCOME TAXES	**$ 2,373**	**$ 2,688**	**$ 1,128**

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

	Year Ended December 31,		
	2005	**2004**	**2003**
Federal income tax at statutory rate	**34.0%**	34.0%	34.0%
State franchise tax, net of federal benefit	**7.2%**	7.2%	7.0%
Other	**(0.2)%**	2.0%	0.1%
Reserve change	**(11.4)%**	(2.0)%	(7.0)%
	29.6%	**41.2%**	**34.1%**

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

	2005	**2004**
Deferred tax assets:	(in thousands)	
Depreciation	**$ 370**	$ 453
Deferred loan costs	**-**	202
Other	**830**	100
	1,200	755
Deferred tax liabilities:		
Deferred loan fees	**(952)**	(1,256)
Allowance for loan losses	**(734)**	(189)
Deferred loan costs	**(92)**	(161)
Other	**(203)**	(150)
	(1,981)	(1,756)
NET DEFERRED TAXES	**$ (781)**	**$ (1,001)**

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

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,		
	2005	**2004**	**2003**
	(in thousands)		
Supplemental Disclosure of Cash Flow Information:			
Cash paid for interest	**$ 9,373**	$ 6,600	$ 9,006
Cash paid for income taxes	**3,512**	2,497	947
Supplemental Disclosure of Noncash Investing Activity:			
Transfers to other real estate owned	**263**	89	1,570
Transfers from loans held for sale to loans held for investment	**-**	-	-

12. EMPLOYEE BENEFIT PLAN

The Company has established a 401(k) plan for the benefit of its employees. Employees are eligible to participate in the plan after three months of consecutive service. Employees may make contributions to the plan and the Company may make discretionary profit sharing contributions, subject to certain limitations. The Company's contributions were determined by the Board of Directors and amounted to $147,000, $137,000 and $129,000, in 2005, 2004 and 2003, 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,			
	2005		2004	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
	(in thousands)			
Assets:				
Cash and cash equivalents	**$ 13,732**	**$ 13,732**	$ 30,205	$ 30,205
Time deposits in other financial institutions	**532**	**532**	647	647
Federal Reserve and Federal Home Loan Bank stock	**3,797**	**3,797**	2,012	2,012
Investment securities	**31,296**	**31,238**	28,352	28,380
Interest-only strips	**1,888**	**1,962**	2,715	2,715
Net loans	**381,517**	**384,704**	290,506	291,483
Servicing rights	**2,845**	**2,853**	3,258	3,260
Liabilities:				
Deposits (other than time deposits)	**121,163**	**121,163**	152,149	152,149
Time deposits	**213,075**	**212,025**	132,419	132,186
Securities sold under agreements to repurchase	**-**	**-**	13,672	13,642
Federal Home Loan Bank advances	**63,500**	**63,264**	10,500	10,429
Bonds payable	**-**	**-**	13,910	14,154

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

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

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

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

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

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

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

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

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

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

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.

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

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

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

The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2005 and 2004. 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, 2005 and 2004 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, 2005							
CWBC (Consolidated)	**$46,031**	**$ 42,077**	**$ 375,487**	**$ 429,378**	**12.26%**	**11.21%**	**9.80%**
CWB	**42,501**	**38,577**	**375,474**	**425,768**	**11.32%**	**10.27%**	**9.06%**
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%
Well capitalized ratios					10.00%	6.00%	5.00%
Minimum capital ratios					8.00%	4.00%	4.00%

As of December 31, 2005 and 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, 2005 and 2004, the Company had commitments to extend credit of approximately $55.9 million and $42.1 million, respectively, including obligations to extend standby letters of credit of approximately $1.5 million and $403,000, 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 $148.2 million and $167.1 million at December 31, 2005 and 2004, respectively.

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

Executive Salary Continuation

The Company has an agreement with a former officer/director, which provides for a monthly cash payment to the officer or beneficiaries in the event of death, disability or retirement, beginning in December 2003 and extending for a period of fifteen years. The Company purchased a life insurance policy as an investment. The cash surrender value of the policy was $752,000 and $714,000 at December 31, 2005 and 2004, 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 2005, the Company paid $50,000 to the former officer/director under the terms of this agreement. The accrued executive salary continuation liability was $451,000 and $473,000 at December 31, 2005 and 2004, 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 $192,000 and $183,000 at December 31, 2005 and 2004, 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, 2005	December 31, 2004
Assets	(in thousands)	
Cash and equivalents	$ 3,555	$ 3,073
Time deposits in financial institutions	-	99
Investment in subsidiary	38,861	35,144
Loans, net of allowance for loan losses of $11,000 in 2005 and $17,000 in 2004	9	207
TOTAL ASSETS	$ 42,425	$ 38,523
Liabilities and stockholders' equity		
Other liabilities	$ 64	$ 882
Common stock	30,190	30,020
Retained earnings	12,171	7,621
Total stockholders equity	42,361	37,641
Total liabilities and stockholders' equity	$ 42,425	$ 38,523
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 38,523	$ 35,498

INCOME STATEMENTS	Year Ended December 31, 2005	2004	2003
	(in thousands)		
Total income	$ 82	$ 12	$ 17
Total expense	220	188	198
Equity in undistributed subsidiaries: Net income from subsidiaries	4,809	3,933	2,303
Income before income tax provision	4,671	3,757	2,122
Income tax provision (benefit)	(971)	(78)	(61)
NET INCOME	$ 5,642	$ 3,835	$ 2,183

STATEMENTS OF CASH FLOWS	Year Ended December 31, 2005	2004	2003
	(in thousands)		
Cash flows from operating activities:			
Net income	$ 5,642	$ 3,835	$ 2,183
Adjustments to reconcile net income to cash used in operating activities:			
Equity in undistributed (income) from subsidiaries	(4,809)	(3,933)	(2,303)
Net change in other liabilities	(818)	(270)	(33)
Net change in other assets	198	321	(3)
Net cash provided by (used in) operating activities	213	(47)	(156)
Cash flows from investing activities:			
Net decrease in time deposits in other financial institutions	99	198	891
Net dividends from and investments in subsidiaries	1,092	686	-
Net cash provided by investing activities	1,191	884	891
Cash flows from financing activities:			
Proceeds from issuance of common stock	170	146	76
Cash dividend payments to shareholders	(1,092)	(686)	-
Net cash (used in) provided by financing activities	(922)	(540)	76
Net increase in cash and cash equivalents	482	297	811
Cash and cash equivalents at beginning of year	3,073	2,776	1,965
CASH AND CASH EQUIVALENTS, AT END OF YEAR	$ 3,555	$ 3,073	$ 2,776

17. QUARTERLY FINANCIAL DATA (unaudited)

Results of operations on a quarterly basis were as follows:

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

	Year Ended December 31, 2004				
	Q4	Q3	Q2	Q1	Totals
	(in thousands, except per 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
Cash dividends per common share	$ 0.04	$ 0.04	$ 0.04	$ -	$ 0.12
Weighted average shares:					
Basic	5,730	5,720	5,714	5,707	5,718
Diluted	5,929	5,869	5,835	5,834	5,867

BOARD OF DIRECTORS

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

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

LYNDA J. NAHRA
President and
Chief Executive Officer

JEAN W. BLOIS
Independent Consultant
City of Goleta Councilmember

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

JAMES R. SIMS JR.
Real Estate Broker

KIRK B. STOVESAND
Partner, Walpole & Co.

C. RICHARD WHISTON
Attorney (retired)/
Business Consultant

SENIOR MANAGEMENT TEAM

LYNDA J. NAHRA
President and CEO

CHARLES G. BALTUSKONIS
Executive Vice President
and Chief Financial Officer

WILLIAM C. VIANI
Executive Vice President
and Chief Credit Officer

JAMES K. BATTAGLIA
Senior Vice President
Northern California SBA

DAVID A. DICKINSON
Senior Vice President
Commercial Real Estate
Lending

KAREN M. DILWITH
Senior Vice President
Operations

CYNTHIA M. HOOPER
Senior Vice President
SBA Lending

CHRIS LEM
Senior Vice President
Compliance/Risk
Management

DON W. MACAULAY
Senior Vice President
Regional Business Banking

BERNARD R. MERRY
Senior Vice President
Mortgage Division

DONNA F. PIERSON
Senior Vice President
National Sales Manager

DEBORAH L. SCOTT
Senior Vice President
Information Technology

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 25, 2006 at 6:00 pm, Pacific Time, at the La Cumbre Country Club, 4015 Via Laguna, Santa Barbara, CA 93110

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U.S. Stock Transfer
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Glendale, CA 91204

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