



# COMMUNITY WEST BANCSHARES



A N N U A L   R E P O R T   2 0 1 3

# TO OUR SHAREHOLDERS



March, 2014

## **2013 was a year of significant accomplishments for Community West Bancshares.**

We are pleased to report that our operational restructuring plan that we implemented two years ago is delivering favorable results. Our team's successful execution of this plan allowed us to end 2013 on a high note, with six consecutive quarters of profitability. Additionally, asset quality continues to improve on every level with nonaccrual loans, net loan charge-offs and repossessed assets all declining substantially compared to 2012.

As a result of the improvement in profitability and asset quality, we reversed the deferred tax asset valuation allowance at the end of the year, reflecting our expectation of sustainable profitability in the future. By returning to our community banking roots, we are confident that we can optimize our profit potential.

Another highlight of 2013 was our balance sheet growth. The loan portfolio increased 2% during the year and 5% during the fourth quarter, and core deposits remained strong at 82% of total deposits. We continue to improve our capital ratios and credit quality metrics compared to a year ago, while maintaining a strong net interest margin.

Key financial indicators improved throughout the year, resulting in the following 2013 highlights:

- **Profits were \$9.0 million for 2013.**
- **Net interest margin was 4.51%, a two basis point increase over 2012.**
- **Core deposits were 82% of total deposits.**
- **Loan loss reserves were 2.98% of total loans at year end.**
- **Community West Bank's capital ratios continue to strengthen - Total risk-based capital ratio was 16.84% and Tier 1 leverage ratio was 12.68% at December 31, 2013.**
- **Book value per share was \$6.60 at December 31, 2013.**

Finally, we started the 2014 with very good news, with the announcement of the termination of two Consent Agreements (Agreements), one between the Company and the Federal Reserve Board (FRB) and one between Community West Bank and the Office of the Comptroller of the Currency (OCC). The termination of these Agreements represent an independent confirmation of the improvements we've achieved over the past two years. Also, we announced effective March 10, 2014, that the balance of the outstanding debentures were extinguished, with \$1,405,000 converting into common stock and \$37,000 of principal cashed out, leaving a \$0 balance. As of March 10, 2014, the Company had 8,183,655 common shares outstanding.

Looking ahead, in 2014 we will continue to increase our marketing outreach in the communities we serve, while focusing on increasing shareholder value. On behalf of the board and senior management team, we want to thank you, our loyal shareholders, for your continued support of Community West Bancshares.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Peeples".

**WILLIAM R. PEEPLES**  
Chairman of the Board

A handwritten signature in black ink, appearing to read "Martin E. Plourd".

**MARTIN E. PLOURD**  
President/Chief Executive Officer



**WILLIAM PEEPLES**, Chairman of the Board

**MARTIN PLOURD**, President and Chief Executive Officer



## COMMUNITY BANKING

Community West Bank is committed to being the bank of choice to the communities it serves from five branch offices between Santa Maria and Westlake Village. Part of that commitment includes investing in the most experienced bankers in the marketplace. These commercial loan officers, branch managers, and their staff provide knowledge and personalized service to assist with each customer's unique financial needs, consistently delivering on the Bank's mission of providing extraordinary customer service.

Community West Bank is proud to be the local community bank with experienced bankers who ensure that our

local communities grow and prosper. Community West Bank's experienced commercial lending and branch officers structure and underwrite credit and handle their customers' on-going business banking needs in our local branches, creating a close and continually growing banking relationship. Some of the services business banking customers enjoy include the Bank's door-to-door courier service, on-line banking and bill pay, remote deposit capture, merchant credit card processing, payroll direct deposit and lines of credit. For consumers, Community West Bank offers a variety of deposit, loan, and financial services. Examples

include fee-free ATM withdrawals, and fee-free electronic services such as on-line and mobile banking.

Year after year, Community West Bank demonstrates its commitment to investing in highly valued banking products and services that help to make its customers' financial lives easier. With competitive deposit and loan products and growing electronic services, Community West Bank's consumer and business customers are able to build deeper and fuller banking relationships they can trust due to the Bank's experienced staff and the extraordinary service they deliver every day.



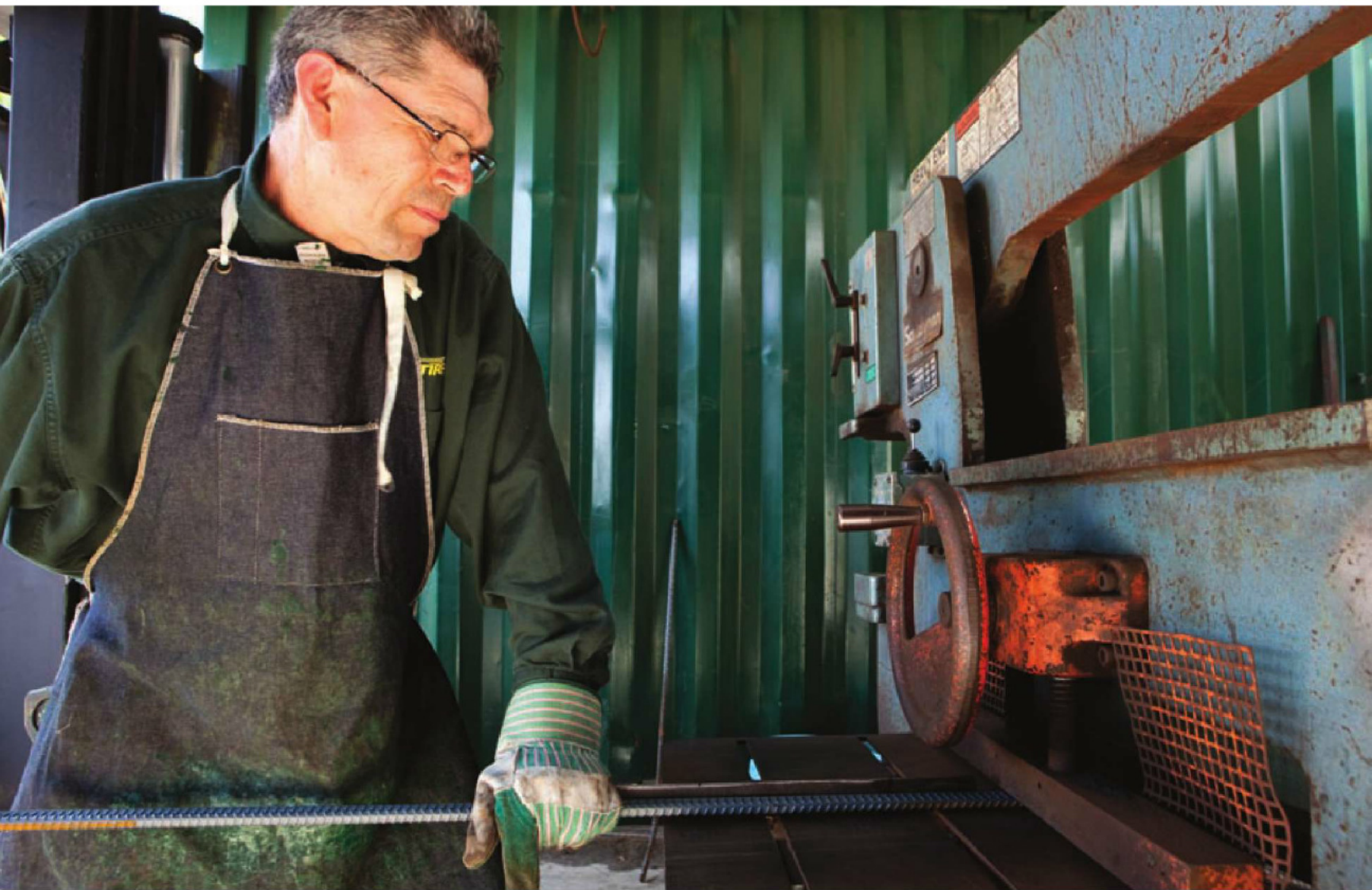
## Signs of Strength

- Commercial lenders and branch managers average over 25 years of banking experience and tellers and new accounts representatives average 10 years in banking.
- Average account balances for non-interest bearing demand deposits is \$24,000.
- 98.8% of customers surveyed stated that they would recommend Community West Bank to family, friends and co-workers.



"Community West Bank was remarkably helpful, supportive, and accessible through the whole process, to us and our general contractor. This team effort has produced a stellar facility in Oxnard that will be of great service to the community."

**STERLING CLARK, MD**  
Ventura Orthopedics  
Oxnard, CA



## SBA LENDING

Community West Bank's Small Business Administration (SBA) Division is a strategic component of the Bank's goal to service communities by helping small businesses be successful. Community West Bank and its experienced SBA Division are now successfully helping communities across the state with a variety of SBA services.

Whether a business owner is looking to expand the business or purchase a commercial property,

Community West Bank continues to support the economic vitality of the business communities it serves.

The Bank's SBA Division offers 7A, 504, and conventional loan programs. The SBA Division also offers the United States Department of Agriculture (USDA) Business and Industry (B & I) loan program for businesses in rural areas. Community West Bank has been successfully offering these loan products for well over a decade.

The SBA Division maintains balance in its portfolio by selling some of the guaranteed portions of the loans into the secondary market; continuing its plan of strength and stability, the Bank reduced these sales. Since Community West Bank began its SBA Division, businesses have received over \$700 million in funding for commercial space, expansion, and capital improvements.



## Signs of Strength

- Growing loan portfolio to address long-term strategy of building assets.
- The Bank's business development officers average over 15 years of industry experience.
- Experienced staff dedicated to processing and servicing SBA customers.
- Diverse product offerings provide the ability to offer products and services that are suited to client needs.



"Community West Bank has been an excellent partner to my business."

**EUI OH**  
Owner, Yogurtland  
Goleta and Santa Barbara, CA





"Community West Bank helped us through a very difficult situation."

**THE JUAREZ FAMILY**  
Carpinteria, CA

### Signs of Strength

- **Strong Manufactured Housing Loan Portfolio.**
- **Conforming and Jumbo loan programs available.**
- **Portfolio loan programs offered.**
- **Continued commitment to residential lending in our service areas.**

## MORTGAGE LENDING

The first six months of 2013 saw a continuation of the real estate loan refinancing boom that started in early 2012. This refinancing cycle started to slow in the third quarter and came to an end during the fourth quarter of 2013 as 30 year mortgage interest rates rose into the low 4% range from the mid 3.50% range that was prevalent during 2012 and the first half of 2013.

In addition to the increasing interest rates, the December 31, 2013, S&P Case-Shiller Home Price Index Report shows that home values nationwide and in California have continued to steadily increase since March of 2012. The Case-Shiller report shows that values in the San Francisco and Los Angeles metropolitan area increased by 24.6% and 22.1% respectively during the period from

October, 2012 to October, 2013. The increasing values should give relief to more homeowners who have been unable to sell or refinance because of negative equity.

While housing values have increased dramatically over the past two years, many homeowners still find themselves in a negative equity position. It is hoped that the continuing increase in values will allow for a larger inventory of homes for sale. This, in turn, should produce an increase in home purchase loans to partially off-set the decline in refinance loans.

In 2013, Community West Bank financed a total of 302 loans for real estate and manufactured homes for \$63,581,000. While the origination of real estate loans will be impacted by the increased interest rates and

continued small inventory of homes for sale, the Bank's origination of loans for Manufactured Housing is projected to remain strong during 2014.

As interest rates and credit markets continue to fluctuate, the Bank is well positioned to continue to provide conventional residential mortgage financing in communities across Santa Barbara and Ventura counties, as well as manufactured home financing in California coastal communities. Our experienced mortgage professionals are able to offer competitively priced loan programs to their customers due to the Bank's established relationships with national secondary market lenders as well as its ability to offer loans that are held by the Bank in portfolio.



"Community West Bank has been a great partner with our business in assisting us with our financial needs."

**LUPE GUZMAN**

Owner

Santa Paula Hay, Grain and Ranches

## AGRICULTURAL LENDING

Whether it's an agricultural mortgage loan for land acquisition, refinancing existing debt or financing capital improvements, Community West Bank is ready to support your Ag business needs. The bank understands that the challenges you face are different from other businesses, and require dedication and flexibility from your lender. Community West Bank is locally owned and committed to your success.

Community West Bank is an approved lender for Farmer Mac and the USDA Farm Service Agency (FSA) small farm loans. The FSA offers a 90% guarantee of the loan amount. The Bank provides both production and land financing. Community West Bank has dedicated resources that focus on the opportunities afforded by these programs to serve the agricultural sector of Santa Barbara and Ventura counties as well as the rest of California.

**Community West Bank can assist with:**

**Real Estate Loans**

**Revolving Lines of Credit**

**Equipment Loans**

**Operating Loans**

**A Dedicated Relationship**

Working together for the long term, not just a transaction

**Flexibility**

Working with you to understand your business

**Support for Your Community**

Reinvesting in the communities we serve

### Signs of Strength

- Agriculture remains the staple of Santa Barbara and Ventura County business.
- Approved Farm Services Agency and Farmer Mac lender.
- Community West Bank enjoys dedicated partnerships with the agricultural leaders in the counties we serve.



# YOUR COMMUNITY, YOUR BANK

**Community West Bank proudly supports non-profit organizations in the markets we serve.**

Allan Hancock College  
Alzheimer's Association  
American Cancer Society  
American Heart Association  
American Red Cross  
Arts For Humanity  
Big Brothers and Big Sisters  
of Santa Barbara  
Bishop Garcia Diego High School  
Boys & Girls Club of Santa Maria  
Boys & Girls Club of Santa Barbara  
Boys & Girls Clubs of Conejo Valley  
Cachuma Lake Nature Center  
Camp Whittier

Casa Serena  
Channel Islands YMCA  
Children's Creative Project  
City of Ventura, Music Under the Stars  
Community Access Partners  
of San Buenaventura  
Computers For Families  
Courthouse Legacy Foundation  
Crew Sacramento  
Direct Relief International  
Domestic Violence Solutions  
Don's Net Café  
Dos Pueblos High School Baseball  
Dos Pueblos High School

Dos Pueblos Little League  
Dream Foundation  
Ellwood School PTA  
Ernest Righetti High School  
Family Service Agency  
Food From The Heart  
Foodbank of Santa Barbara  
Foothill Technology  
Friends of Santa Barbara Public  
Library  
Future Leaders of America  
Genspan Foundation  
Girls Inc. of Santa Barbara  
Goleta Education Foundation

Goleta Lions Club  
Goleta Teen of the Year  
Goleta Valley Beautiful  
Goleta Valley Chamber of Commerce  
Goleta Valley Cottage Hospital  
Foundation  
Goleta Valley Economic Forecast  
Goleta Valley South Little League  
GVCH Foundation, Dr. Joe Pro-Am  
Golf Tournament  
Habitat For Humanity  
I Madonnari Children's Creative  
Project  
KCLU Radio  
Kids and Bikes Foundation



Kiwanis for Kids  
Lompoc Valley Chamber Foundation  
CCIM Annual Sponsorship  
Meadowlark Service League  
Montecito Family YMCA  
Nature Corps  
NAWBO Santa Barbara  
Old Spanish Days  
Orcutt United Soccer League  
Page Youth Center  
Partners In Education  
People's Self-Help Housing  
Recording For The Blind  
Rotary Club of Goleta  
Rotary Club of Montecito  
Rotary Club of Santa Maria  
Rotary Club of SBCC  
Rubicon Theatre Company  
Saint Barbara Greek Orthodox  
Festival  
San Marcos High School

San Marcos PTSA Sponsor  
Sansum Diabetes Research Institute  
Santa Barbara Association of Realtors  
Santa Barbara Athletic Round Table  
Santa Barbara Beautiful  
Santa Barbara Christian School  
Santa Barbara City College  
Santa Barbara County Animal Care  
Foundation  
Santa Barbara County Education  
Santa Barbara Family  
Santa Barbara Foresters  
Santa Barbara Foundation  
Santa Barbara High School  
Santa Barbara Kids Triathlon  
Santa Barbara Mental Health  
Association  
Santa Barbara Middle School  
Santa Barbara Neighborhood Clinics  
Santa Barbara Outrigger Canoe  
Santa Barbara Partners In Education  
Santa Barbara Rescue Mission

Santa Barbara Soccer Club  
Santa Barbara Swim Club  
Santa Barbara Youth Symphony  
Santa Barbara's Junior Miss  
Santa Maria CHP  
Santa Maria High School  
Santa Maria Kiwanis For Kids  
Santa Maria Rotary Club  
Santa Maria Valley Chamber  
of Commerce  
SB Museum of Natural History  
SB Region Chamber of Commerce  
Science & Engineering Council  
SMV Bike & Run  
South Coast Business & Technology  
Awards  
Special Olympics Santa Barbara  
St. Demetrios Greek Orthodox  
Church  
St. Joseph High School  
St. Raphael School Development  
Fund

Steps Toward Mobility  
Teddy Bear Cancer Foundation  
The Foundation For Girsh Park  
The Kings Page  
The Leukemia & Lymphoma Society  
Thousand Oaks Philharmonic  
Traffic Solutions  
Turning Point Foundation  
UC Regents  
UCSB Cycling  
UCSB Economic Forecast  
United Way of Santa Barbara  
United Way of Santa Maria  
Unity Shoppe, Inc.  
Ventura County Medical Resource  
Foundation  
Ventura High School  
Visiting Nurse & Hospice Care  
Westmont College  
Westlake High School  
Women's Economic Ventures

# 2013 FINANCIALS SNAPSHOT

## Community West Bancshares

(in 000's, except per share data)

	Year Ended December 31,				
	2013	2012	2011	2010	2009
<b>Consolidated Statement of Operations :</b>	(in thousands, except per share data and ratios)				
Interest income	\$27,866	\$31,368	\$36,542	\$39,234	\$40,903
Interest expense	4,332	5,949	8,250	9,957	14,945
Net interest income	23,534	25,419	28,292	29,277	25,958
Provision for loan losses	(1,944)	4,281	14,591	8,743	18,678
Net interest income after provision for loan losses	25,478	21,138	13,701	20,534	7,280
Non-interest income	2,831	4,281	3,211	4,015	4,418
Non-interest expenses	22,135	22,246	23,320	20,991	21,479
Income (loss) before income taxes	6,174	3,173	(6,408)	3,558	(9,781)
Provision (benefit) for income taxes	(2,812)	-	4,077	1,467	(4,018)
NET INCOME (LOSS)	\$8,986	\$3,173	\$(10,485)	\$2,091	\$(5,763)
Dividends and accretion on preferred stock	1,039	1,046	1,047	1,047	1,046
NET INCOME (LOSS) APPLICABLE TO COMMON STOCKHOLDERS	\$7,947	\$2,127	\$(11,532)	\$1,044	\$(6,809)

### Per Common Share Data:

Income (loss) per share – Basic	\$1.13	\$0.36	\$(1.93)	\$0.18	\$(1.15)
Weighted average shares used in income per share calculation – Basic	7,017	5,990	5,980	5,915	5,915
Income (loss) per share – Diluted	\$0.98	\$0.31	\$(1.93)	\$0.18	\$(1.15)
Weighted average shares used in income per share calculation – Diluted	8,390	8,233	5,980	6,833	5,915
Book value per common share	\$6.60	\$6.29	\$5.94	\$7.92	\$7.74

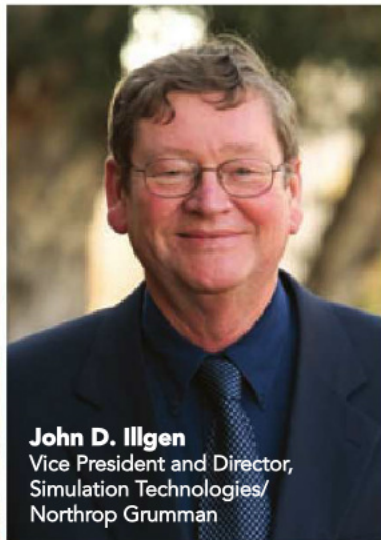
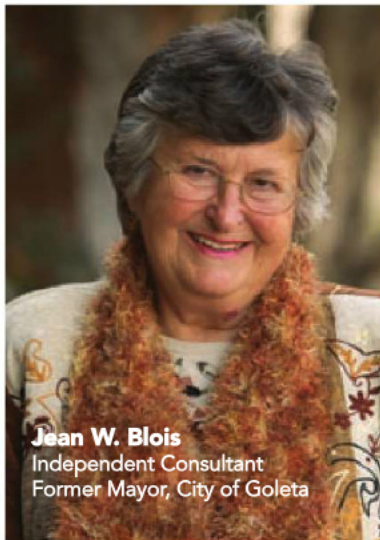
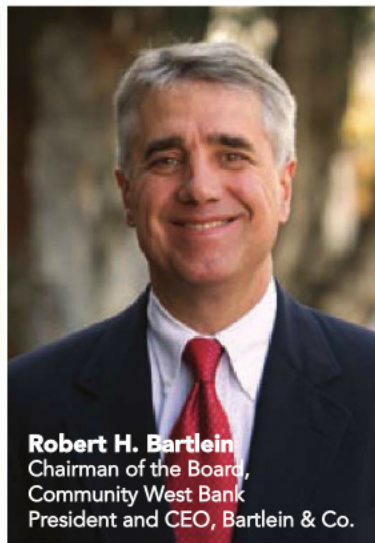
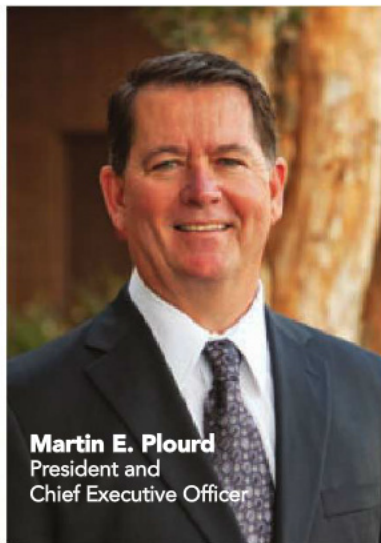
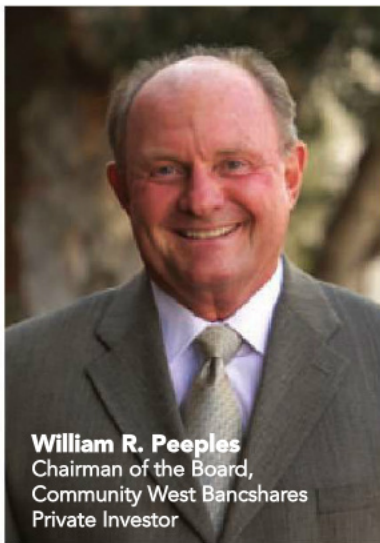
### Balance Sheet:

Net loans	\$462,005	\$449,201	\$532,716	\$580,632	\$603,440
Total assets	539,000	532,101	633,348	667,604	684,21
Total deposits	436,135	434,220	511,262	529,893	531,392
Total liabilities	471,444	479,052	582,722	605,962	623,909
Total stockholders' equity	67,556	53,049	50,626	61,642	60,307

### Operating and Capital Ratios:

Return on average equity	15.15 %	6.22 %	(16.98) %	3.42 %	(9.24) %
Return on average assets	1.69	0.55	(1.60)	0.31	(0.85)
Equity to assets ratio	12.53	9.97	7.99	9.23	8.81
Tier 1 leverage ratio	12.68	9.72	7.91	9.08	8.81
Tier 1 risk-based capital ratio	15.65	12.81	10.08	11.40	10.93
Total risk-based capital ratio	17.26	15.98	12.92	14.16	12.20

# BOARD OF DIRECTORS



## EXECUTIVE MANAGEMENT TEAM

**Martin E. Plourd**  
President and CEO

**Charles G. Baltuskonis**  
Executive Vice President  
and Chief Financial Officer

**Michael Phlaum**  
Executive Vice President  
Chief Operating Officer

**Steven A. Rosso**  
Executive Vice President  
and Chief Credit Officer

## SENIOR MANAGEMENT TEAM

**Steven Caroulis**  
Senior Vice President  
Credit Administrator

**James D. Gray**  
Senior Vice President  
Mortgage Division

**Cynthia M. Hooper**  
Senior Vice President  
Notes/SBA Loan Servicing

**Chris Lem**  
Senior Vice President  
Compliance/Risk Management

**Sean McCulloch**  
Senior Vice President  
Community Banking

**Deborah L. Scott**  
Senior Vice President  
Director of Information Technology

**Carlyn Smith**  
Senior Vice President  
Director of Operations

**Janice Stewart**  
Senior Vice President  
Director of Human Resources

**Susan Thompson**  
Senior Vice President  
Controller

**Tom Wetzel**  
Senior Vice President  
Chief Risk Officer

# CORPORATE & BRANCH LOCATIONS



## **Goleta**

5827 Hollister Ave.  
Goleta, CA 93117



## **Santa Barbara**

1501 State Street  
Santa Barbara, CA 93101



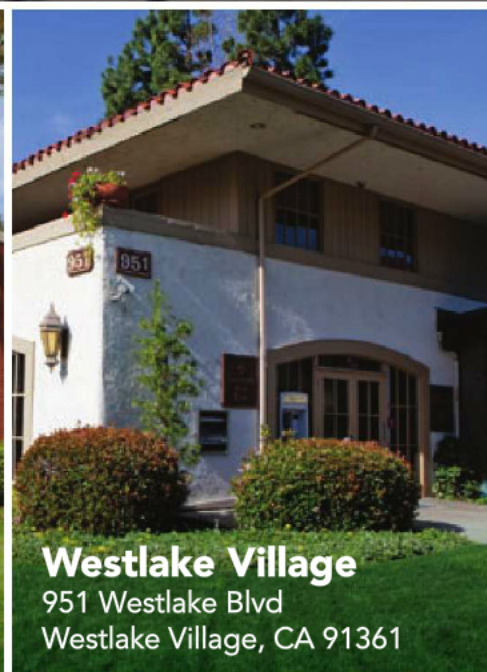
## **Santa Maria**

2615 South Miller St.  
Santa Maria, CA 93455



## **Ventura**

1463 S. Victoria Ave.  
Ventura, CA 93003



## **Westlake Village**

951 Westlake Blvd  
Westlake Village, CA 91361

## CORPORATE INFORMATION

### **Corporate Headquarters**

445 Pine Avenue  
Goleta, CA 93117  
(805) 692-5821  
(805) 692-5835 Fax  
[www.communitywest.com](http://www.communitywest.com)

### **Investor Relations Contact**

Charles G. Baltuskonis

### **Annual Meeting**

The Annual Meeting of Shareholders of Community West Bancshares will be held on May 22, 2014 at 6:00pm, PDT, at the La Cumbre Country Club, 4015 Via Laguna, Santa Barbara, CA 93110

### **Transfer Agent & Registrar**

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

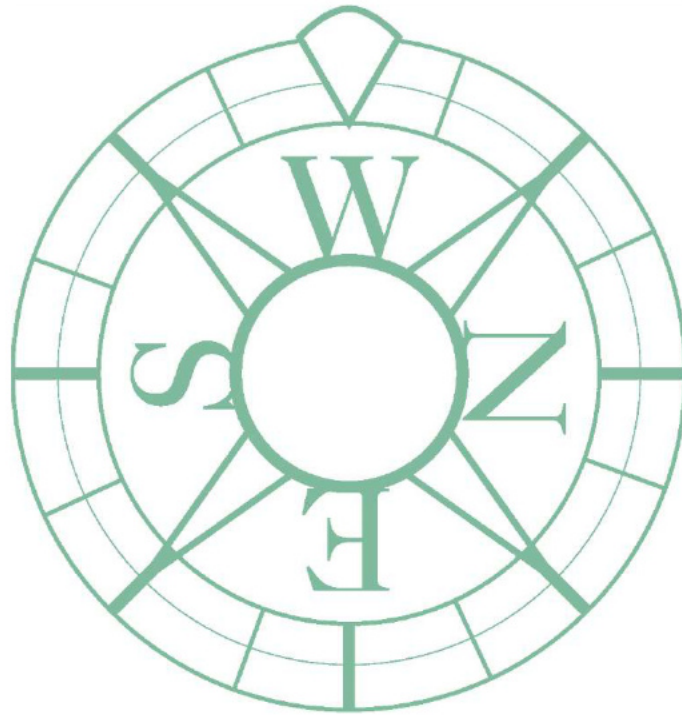
### **Independent Auditors**

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

### **Corporate Counsel**

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







**CORPORATE HEADQUARTERS**

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