

COMMUNITY WEST BANCSHARES /
Form 10-Q
August 07, 2015

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015 or

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

For the transition period from _____ to _____

Commission File Number: 000-23575

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

California 77-0446957
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

445 Pine Avenue, Goleta, California 93117
(Address of principal executive offices) (Zip Code)

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock of the registrant issued and outstanding of 8,204,158 as of July 31, 2015.

Table of Contents

| | Page |
|--|------|
| Index | |
| Part I. Financial Information | |
| Item 1 – <u>Financial Statements</u> | |
| <u>Consolidated Balance Sheets as of June 30, 2015 (unaudited) and December 31, 2014</u> | 3 |
| <u>Consolidated Income Statements for the three and six months ended June 30, 2015 and 2014 (unaudited)</u> | 4 |
| <u>Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2015 and 2014 (unaudited)</u> | 5 |
| <u>Consolidated Statement of Stockholders' Equity for the six months ended June 30, 2015 (unaudited)</u> | 6 |
| <u>Consolidated Statements of Cash Flows for the six months ended June 30, 2015 and 2014 (unaudited)</u> | 7 |
| <u>Notes to Unaudited Consolidated Financial Statements</u> | 8 |
| <p>The financial statements included in this Form 10-Q should be read in conjunction with Community West Bancshares' Annual Report on Form 10-K for the fiscal year ended December 31, 2014.</p> | |
| Item 2 – <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 33 |
| Item 3 – <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 49 |
| Item 4 – <u>Controls and Procedures</u> | 50 |
| Part II. Other Information | |
| Item 1 – <u>Legal Proceedings</u> | 50 |
| Item 1A – <u>Risk Factors</u> | 50 |
| Item 2 – <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 51 |
| Item 3 – <u>Defaults Upon Senior Securities</u> | 51 |
| Item 4 – <u>Mine Safety Disclosures</u> | 51 |
| Item 5 – <u>Other Information</u> | 51 |
| Item 6 – <u>Exhibits</u> | 51 |
| <u>Signatures</u> | 52 |

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

COMMUNITY WEST BANCSHARES
CONSOLIDATED BALANCE SHEETS

| | June 30, 2015 (unaudited) (in thousands, except share amounts) | December 31, 2014 |
|--|--|-------------------------|
| Assets: | | |
| Cash and due from banks | \$ 1,357 | \$ 1,609 |
| Federal funds sold | 22 | 22 |
| Interest-earning demand in other financial institutions | 21,909 | 17,328 |
| Cash and cash equivalents | 23,288 | 18,959 |
| Money market investments | 99 | 99 |
| Investment securities - available-for-sale, at fair value; amortized cost of \$24,638 at June 30, 2015 and \$22,141 at December 31, 2014 | 24,431 | 22,194 |
| Investment securities - held-to-maturity, at amortized cost; fair value of \$7,937 at June 30, 2015 and \$8,894 at December 31, 2014 | 7,509 | 8,447 |
| Federal Home Loan Bank stock, at cost | 1,886 | 1,716 |
| Federal Reserve Bank stock, at cost | 1,373 | 1,373 |
| Loans: | | |
| Held for sale, at lower of cost or fair value | 65,484 | 66,759 |
| Held for investment, net of allowance for loan losses of \$7,243 at June 30, 2015 and \$7,877 at December 31, 2014 | 446,390 | 420,497 |
| Total loans | 511,874 | 487,256 |
| Other assets acquired through foreclosure, net | 267 | 137 |
| Premises and equipment, net | 2,959 | 3,053 |
| Other assets | 13,588 | 14,084 |
| Total assets | \$587,274 | \$557,318 |
| Liabilities: | | |
| Deposits: | | |
| Non-interest-bearing demand | \$72,256 | \$57,364 |
| Interest-bearing demand | 251,238 | 275,631 |
| Savings | 14,312 | 15,265 |
| Certificates of deposit (\$250,000 or more) | 44,694 | 13,601 |
| Other certificates of deposit | 118,097 | 115,223 |
| Total deposits | 500,597 | 477,084 |
| Other borrowings | 20,000 | 10,000 |
| Other liabilities | 2,129 | 3,227 |
| Total liabilities | 522,726 | 490,311 |
| Stockholders' equity: | | |
| Preferred stock — no par value, 10,000,000 shares authorized; 5,574 shares issued and outstanding at June 30, 2015 and 7,014 at December 31, 2014 | 5,574 | 7,014 |
| Common stock — no par value, 20,000,000 shares authorized; 8,204,158 shares issued and outstanding at June 30, 2015 and 8,203,033 at December 31, 2014 | 42,220 | 41,957 |

Edgar Filing: COMMUNITY WEST BANCSHARES / - Form 10-Q

| | | |
|---|-----------|-----------|
| Retained earnings | 16,876 | 18,005 |
| Accumulated other comprehensive income (loss) | (122) | 31 |
| Total stockholders' equity | 64,548 | 67,007 |
| Total liabilities and stockholders' equity | \$587,274 | \$557,318 |

See the accompanying notes.

3

Table of Contents

COMMUNITY WEST BANCSHARES

CONSOLIDATED INCOME STATEMENTS (unaudited)

| | Three Months | | Six Months Ended | |
|---|--|----------|------------------|----------|
| | Ended | | June 30, | |
| | June 30, | June 30, | June 30, | June 30, |
| | 2015 | 2014 | 2015 | 2014 |
| | (in thousands, except per share amounts) | | | |
| Interest income: | | | | |
| Loans, including fees | \$7,410 | \$6,911 | \$14,122 | \$13,672 |
| Investment securities and other | 285 | 211 | 590 | 411 |
| Total interest income | 7,695 | 7,122 | 14,712 | 14,083 |
| Interest expense: | | | | |
| Deposits | 569 | 688 | 1,174 | 1,330 |
| Other borrowings and convertible debt | 15 | 161 | 76 | 398 |
| Total interest expense | 584 | 849 | 1,250 | 1,728 |
| Net interest income | 7,111 | 6,273 | 13,462 | 12,355 |
| Provision (credit) for loan losses | (584) | (1,011) | (1,552) | (2,382) |
| Net interest income after provision for loan losses | 7,695 | 7,284 | 15,014 | 14,737 |
| Non-interest income: | | | | |
| Other loan fees | 370 | 266 | 545 | 441 |
| Document processing fees | 131 | 116 | 223 | 194 |
| Service charges | 87 | 71 | 160 | 143 |
| Gains from loan sales, net | 71 | 28 | 107 | 93 |
| Other | 78 | | | |