

COMMUNITY WEST BANCSHARES /
Form 10-Q
November 06, 2017

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 September 30, 2017 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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 8,178,539 as of October 31, 2017.

Table of Contents

| | Page |
|---|------|
| Index | |
| Part I. Financial Information | |
| Item 1 – Financial Statements | |
| <u>Consolidated Balance Sheets as of September 30, 2017 (unaudited) and December 31, 2016</u> | 3 |
| <u>Consolidated Income Statements for the three and nine months ended September 30, 2017 and 2016 (unaudited)</u> | 4 |
| <u>Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2017 and 2016 (unaudited)</u> | 5 |
| <u>Consolidated Statement of Stockholders' Equity for the nine months ended September 30, 2017 (unaudited)</u> | 6 |
| <u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016 (unaudited)</u> | 7 |
| <u>Notes to Unaudited Consolidated Financial Statements</u> | 8 |
| 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, 2016. | |
| Item 2 – <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 32 |
| Item 3 – <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 48 |
| Item 4 – <u>Controls and Procedures</u> | 48 |
| Part II. Other Information | |
| Item 1 – <u>Legal Proceedings</u> | 49 |
| Item 1A – <u>Risk Factors</u> | 49 |
| Item 2 – <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 49 |
| Item 3 – <u>Defaults Upon Senior Securities</u> | 49 |
| Item 4 – <u>Mine Safety Disclosures</u> | 49 |
| Item 5 – <u>Other Information</u> | 49 |
| Item 6 – <u>Exhibits</u> | 49 |
| <u>Signatures</u> | 50 |

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

COMMUNITY WEST BANCSHARES
CONSOLIDATED BALANCE SHEETS

| | September 30, 2017 (unaudited) (in thousands, except share amounts) | December 31, 2016 |
|---|---|----------------------|
| Assets: | | |
| Cash and due from banks | \$ 2,356 | \$ 2,385 |
| Federal funds sold | 13 | 16 |
| Interest-earning demand in other financial institutions | 49,202 | 31,715 |
| Cash and cash equivalents | 51,571 | 34,116 |
| Investment securities - available-for-sale, at fair value; amortized cost of \$29,808 at September 30, 2017 and \$22,731 at December 31, 2016 | 29,927 | 22,681 |
| Investment securities - held-to-maturity, at amortized cost; fair value of \$8,384 at September 30, 2017 and \$9,149 at December 31, 2016 | 8,190 | 9,002 |
| Federal Home Loan Bank stock, at cost | 2,347 | 2,070 |
| Federal Reserve Bank stock, at cost | 1,373 | 1,373 |
| Loans: | | |
| Held for sale, at lower of cost or fair value | 58,561 | 61,416 |
| Held for investment, net of allowance for loan losses of \$8,312 at September 30, 2017 and \$7,464 at December 31, 2016 | 655,822 | 561,939 |
| Total loans | 714,383 | 623,355 |
| Other assets acquired through foreclosure, net | 486 | 137 |
| Premises and equipment, net | 5,132 | 3,931 |
| Other assets | 15,741 | 13,907 |
| Total assets | \$ 829,150 | \$ 710,572 |
| Liabilities: | | |
| Deposits: | | |
| Non-interest-bearing demand | \$ 116,170 | \$ 100,372 |
| Interest-bearing demand | 266,835 | 253,023 |
| Savings | 14,619 | 14,007 |
| Certificates of deposit (\$250,000 or more) | 81,160 | 77,509 |
| Other certificates of deposit | 218,370 | 167,325 |
| Total deposits | 697,154 | 612,236 |
| Other borrowings | 55,843 | 29,000 |
| Other liabilities | 6,387 | 4,000 |
| Total liabilities | 759,384 | 645,236 |
| Stockholders' equity: | | |
| Common stock — no par value, 60,000,000 shares authorized; 8,169,439 shares issued and outstanding at September 30, 2017 and 8,096,039 at December 31, 2016 | 42,376 | 41,575 |
| Retained earnings | 27,320 | 23,790 |
| Accumulated other comprehensive income (loss) | 70 | (29) |

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

| | | |
|--|------------|------------|
| Total stockholders' equity | 69,766 | 65,336 |
| Total liabilities and stockholders' equity | \$ 829,150 | \$ 710,572 |

See the accompanying notes.

3

Table of Contents

COMMUNITY WEST BANCSHARES

CONSOLIDATED INCOME STATEMENTS (unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|--|---------|------------------------------------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| | (in thousands, except per share amounts) | | | |
| Interest income: | | | | |
| Loans, including fees | \$9,340 | \$8,228 | \$26,570 | \$22,817 |
| Investment securities and other | 355 | 288 | 894 | 817 |
| Total interest income | 9,695 | 8,516 | 27,464 | 23,634 |
| Interest expense: | | | | |
| Deposits | 1,185 | 733 | 2,984 | 2,088 |
| Other borrowings | 134 | 74 | 294 | 219 |
| Total interest expense | 1,319 | 807 | 3,278 | 2,307 |
| Net interest income | 8,376 | 7,709 | 24,186 | 21,327 |
| Provision (credit) for loan losses | 159 | 22 | 423 | (164) |
| Net interest income after provision for loan losses | 8,217 | 7,687 | 23,763 | 21,491 |
| Non-interest income: | | | | |
| Other loan fees | 354 | 270 | 999 | 827 |
| Document processing fees | 146 | 130 | 430 | 381 |
| Service charges | 118 | 100 | 326 | 292 |
| Other | 98 | 59 | 299 | 215 |
| Total non-interest income | 716 | 559 | 2,054 | 1,715 |
| Non-interest expenses: | | | | |
| Salaries and employee benefits | 3,839 | &# | | |