COMMUNITY WEST BANCSHARES / Form 10-O 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 (State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

77-0446957

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.

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Item 1. Financial Statements

COMMUNITY WEST BANCSHARES CONSOLIDATED BALANCE SHEETS

Assets: amounts) 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 29,927 22,681 Investment securities - available-for-sale, at fair value; amortized cost of \$29,808 29,927 22,681 Investment securities - held-to-mattrity, at amortized cost; fair value of \$8,384 at 51,571 34,116 Federal Home Loan Bank stock, at cost 1,373 1,373 1,373 Loans: - - - Fedderal Home Loan Bank stock, at cost 1,373 1,373 1,373 Loans: - - - - Pedido raske, at lower of cost or fair value 58,561 61,416 Held for sale, at lower of cost or fair value 58,522 561,939 Total loans 714,4383 623,355 50 Other assets acquired through foreclosure, net 486 137		September 30, 2017 (unaudited) (in thousands, ex	December 31, 2016
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Liabilities: Deposits: $116,170$ \$ 100,372Non-interest-bearing demand266,835253,023Savings14,61914,007Certificates of deposit (\$250,000 or more)81,16077,509Other certificates of deposit218,370167,325Total deposits697,154612,236Other borrowings55,84329,000Other liabilities6,3874,000Total liabilities759,384645,236Stockholders' 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, 201642,37641,575 23,790	Other assets	15,741	13,907
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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 $27,320$ $23,790$,	
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201642,37641,575Retained earnings27,32023,790			
201642,37641,575Retained earnings27,32023,790	issued and outstanding at September 30, 2017 and 8,096,039 at December 31,		
Retained earnings27,32023,790		42,376	41,575

)

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

See the accompanying notes.

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<u>Table of Contents</u> COMMUNITY WEST BANCSHARES CONSOLIDATED INCOME STATEMENTS (unaudited)

	Three Months			
	Ended Nine Months Ended			ths Ended
	September 30,		September 30,	
	2017 2016		2017	2016
Interest income:	(in thous	ands, exce	pt per share	amounts)
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	3,809	11,566	10,755
Occupancy, net	754	564	2,085	1,631
Stock based compensation	283	97	454	261
Professional services	281	196	759	653
Data Processing	192	173	525	513
FDIC assessment	172	74	461	270
Depreciation	168	162	519	486
Advertising and marketing	137	154	488	447
Loan servicing and collection	35	108	196	198
Other	526	499	1,264	1,464
Total non-interest expenses	6,387	5,836	18,317	16,678
Income before provision for income taxes	2,546	2,410	7,500	6,528
Provision for income taxes	992	929	3,034	2,639
Net income	\$1,554	\$1,481	\$4,466	\$ 3,889
Earnings per share:				
Basic	\$0.19	\$0.18	\$0.55	\$0.48
Diluted	\$0.18	\$0.18	\$0.52	\$0.46
Weighted average number of common shares outstanding:				
Basic	8,165	8,096	8,134	8,128
Diluted	8,598	8,421	8,569	8,442
Dividends declared per common share	\$0.04	\$ 0.035	\$0.115	\$0.10

See the accompanying notes.

<u>Table of Contents</u> COMMUNITY WEST BANCSHARES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

	Three Mo	onths			
	Ended		Nine Mo	Nine Months Ended	
	September 30,		Septembe	September 30,	
	2017	2016	2017	2016	
	(in thousa	nds)			
Net income	\$ 1,554	\$ 1,481	\$ 4,466	\$ 3,889	
Other comprehensive income, net:					
Unrealized income (loss) on securities available-for-sale (AFS), net (tax					
effect of \$11, \$32, (\$70) and (\$39) for each respective period presented)	(17) (46) 99	55	
Net other comprehensive income (loss)	(17) (46) 99	55	
Comprehensive income	\$ 1,537	\$ 1,435	\$ 4,565	\$ 3,944	

See the accompanying notes.

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<u>Table of Contents</u> COMMUNITY WEST BANCSHARES CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (unaudited)

			Accumulated Other		Total
	Commo	on Stock	Comprehensiv	e Retained	Stockholders'
	Shares	Amount	Income (Loss)	Earnings	Equity
	(in thou	isands)			
Balance, December 31, 2016:	8,096	\$41,575	\$ (29) \$23,790	\$ 65,336
Net income			_	4,466	4,466
Exercise of stock options	73	347	—		347
Stock based compensation		454	—		454
Dividends on common stock				(936) (936)
Other comprehensive income, net			99		99
Balance, September 30, 2017	8,169	\$42,376	\$ 70	\$27,320	\$ 69,766

See the accompanying notes.

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COMMUNITY WEST BANCSHARES

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Nine Months Ended September 30,		
	2017	2016	
	(in thousands)		
Cash flows from operating activities:			
Net income	\$4,466	\$ 3,889	
Adjustments to reconcile net income to cash provided by operating activities:			
Provision (credit) for loan losses	423	(164)	
Depreciation	519	486	
Stock based compensation	454	261	
Deferred income taxes	(714)	(304)	
Net accretion of discounts and premiums for investment securities	65	(82)	
(Gains)/Losses on:			
Sale of repossessed assets, net	(150)	14	
Loans originated for sale and principal collections, net	2,855	2,107	
Changes in:			
Other assets	(1,222)	(1,633)	
Other liabilities	2,337	(208)	
Servicing assets, net	54	50	
Net cash provided by operating activities	9,087	4,416	
Cash flows from investing activities:			
Principal pay downs and maturities of available-for-sale securities	2,315	9,483	
Purchase of available-for-sale securities			