

Houtkin Sherry
Form 4
February 13, 2009

FORM 4 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *

Houtkin Sherry

2. Issuer Name and Ticker or Trading Symbol

GENCOR INDUSTRIES INC
[GENC]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)

04/28/2008

____ Director
____ Officer (give title below)
__X__ 10% Owner
____ Other (specify below)

3900 ISLAND
BLVD., PENTHOUSE 4

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)

____ Form filed by One Reporting Person
__X__ Form filed by More than One Reporting Person

AVENTURA, FL 33160

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)			
			Code	V	Amount	(A) or (D)	Price			
Common Stock, \$.10 par value	04/28/2008		S		453	D	\$ 27.95	1,249,511	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/28/2008		S		400	D	\$ 28.34	1,249,111	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par	04/28/2008		S		300	D	\$ 28.74	1,248,811	I	By Spouse (deceased 07/25/2008)

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value								
Common Stock, \$.10 par value	04/28/2008	S	300	D	\$ 28.9	1,248,511	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/28/2008	S	200	D	\$ 27.24	1,248,311	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/28/2008	S	200	D	\$ 27.38	1,248,111	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/28/2008	S	200	D	\$ 28.7	1,247,911	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/28/2008	S	200	D	\$ 28.5	1,247,711	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/28/2008	S	200	D	\$ 28.72	1,247,511	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/28/2008	S	200	D	\$ 28.6	1,247,311	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/28/2008	S	200	D	\$ 28.49	1,247,111	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/28/2008	S	200	D	\$ 28.75	1,246,911	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/28/2008	S	111	D	\$ 28.7	1,246,800	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/28/2008	S	100	D	\$ 27.99	1,246,700	I	By Spouse (deceased 07/25/2008)

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Common Stock, \$.10 par value	04/28/2008	S	100	D	\$ 27.84	1,246,600	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/28/2008	S	100	D	\$ 27.69	1,246,500	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/28/2008	S	100	D	\$ 28.37	1,246,400	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/28/2008	S	100	D	\$ 28.5	1,246,300	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/28/2008	S	100	D	\$ 28.52	1,246,200	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/28/2008	S	100	D	\$ 28.5	1,246,100	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/28/2008	S	100	D	\$ 28.54	1,246,000	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/28/2008	S	12	D	\$ 27.74	1,245,988	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/30/2008	P	1	A	\$ 26	1,245,989	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/30/2008	P	5	A	\$ 25.78	1,245,994	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/30/2008	P	100	A	\$ 26.75	1,246,094	I	By Spouse (deceased 07/25/2008)
	04/30/2008	P	100	A	\$ 26	1,246,194	I	

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Common Stock, \$.10 par value								By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/30/2008	P	100	A	\$ 26.15	1,246,294	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/30/2008	P	100	A	\$ 25.78	1,246,394	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/30/2008	P	100 ⁽¹⁾	A	\$ 25.78	1,246,494	I	By Spouse (deceased 07/25/2008)
Common Stock, \$.10 par value	04/30/2008	P	0	A	\$ 0	874,250	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Beneficially Owned Following Reported Transaction (Instr. 6)
						Date Exercisable	Expiration Date	Title	Amount or Number of Shares
						Code	V	(A)	(D)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Houtkin Sherry 3900 ISLAND BLVD. PENTHOUSE 4 AVENTURA, FL 33160		X		
HOUTKIN HARVEY % SHERRY HOUTKIN 3900 ISLAND BLVD, PENTHOUSE 4 AVENTURA, FL 33160		X		

Signatures

/s/ Sherry
Houtkin 02/05/2009
 **Signature of Date
 Reporting Person

/s/ Brad Houtkin 02/05/2009
 **Signature of Date
 Reporting Person

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) All of the foregoing transactions were effected prior to Mr. Houtkin's death (07/25/08) and reflect shares in which he had a beneficial ownership, other than shares beneficially owned by his spouse, Sherry Houtkin, which are reported herein by Mrs. Houtkin.

Remarks:

Mr. Houtkin passed away July 25, 2008. On that date, he ceased to be a 10% owner and was no longer subject to Section 16.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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0.03
%

373

11.97
%

0.07
%
Single family real estate

176

2.57
%

0.02
%

192

6.16
%

0.04
%
Consumer

-

0.00
%

0.00
%

-

0.00
%

0.00
%
Total nonaccrual loans
\$
6,844

100.00
%

0.93
%
\$
3,117

100.00
%

0.58
%

Total nonaccrual balances increased \$3.7 million to \$6.8 million at December 31, 2017, from \$3.1 million at December 31, 2016 primarily from the addition of one large commercial loan relationship. Nonaccrual balances

Explanation of Responses:

include \$2.4 million and \$0.7 million, respectively of loans that are government guaranteed at December 31, 2017 and 2016, respectively. Nonaccrual loans net of government guarantees increased \$2.1 million or 88%, from \$2.4 million at December 31, 2016 to \$4.5 million at December 31, 2017. The percentage of nonaccrual loans to the total loan portfolio has increased to 0.93% as of December 31, 2017 from 0.58% at December 31, 2016.

CWB or the SBA repurchases the guaranteed portion of SBA loans from investors when those loans become past due 120 days. After the foreclosure and collection process is complete, the SBA reimburses CWB for this principal balance. Therefore, although these balances do not earn interest during this period, they generally do not result in a loss of principal to CWB.

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Allowance for Loan Losses

The following table summarizes the activity in our allowance for loan losses for the periods indicated.

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Allowance for loan losses:	(dollars in thousands)				
Balance at beginning of period	\$7,464	\$6,916	\$7,877	\$12,208	\$14,464
Provisions charged to operating expenses:					
Manufactured housing	(44)	(1,329)	(415)	(682)	206
Commercial real estate	888	1,722	(151)	(1,934)	(969)
Commercial	(269)	166	(469)	(1,227)	(324)
SBA	(180)	(490)	(1,069)	(1,107)	(794)
HELOC	(26)	(29)	(107)	(164)	(318)
Single family real estate	42	(87)	(63)	(21)	218
Consumer	-	(1)	-	-	37
Total provision (credit)	411	(48)	(2,274)	(5,135)	(1,944)
Recoveries of loans previously charged-off:					
Manufactured housing	142	128	205	143	257
Commercial real estate	249	132	545	857	1,243
Commercial	161	136	422	149	212
SBA	177	266	454	393	559
HELOC	18	86	10	24	3
Single family real estate	1	93	3	4	8
Consumer	-	-	-	-	-
Total recoveries	748	841	1,639	1,570	2,282
Loans charged-off:					
Manufactured housing	119	123	297	543	1,294
Commercial real estate	-	-	-	16	349
Commercial	-	-	-	-	149
SBA	30	121	-	171	547
HELOC	-	-	-	-	39
Single family real estate	54	-	29	36	179
Consumer	-	1	-	-	37
Total charged-off	203	245	326	766	2,594
Net charge-offs (recoveries)	(545)	(596)	(1,313)	(804)	312
Balance at end of period	\$8,420	\$7,464	\$6,916	\$7,877	\$12,208
Net charge-offs (recoveries) to average loans outstanding	-0.08 %	-0.10 %	-0.26 %	-0.16 %	0.07 %
Allowance for loan losses to gross loans including held for sale loans	1.15 %	1.18 %	1.18 %	1.27 %	1.59 %

The following table summarizes the allocation of allowance for loan losses by loan type. However allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories:

	December 31,		2015	2014	2013
	2017	2016			
	(dollars in thousands)				
	Amount	% of	Amount	% of	Amount
					% of

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	Loans in Each Category to Gross Loans			Loans in Each Category to Gross Loans			Loans in Each Category to Gross Loans			Loans in Each Category to Gross Loans			Loans in Each Category to Gross Loans		
Manufactured housing	\$2,180	25.8	%	\$2,201	29.5	%	\$3,525	51.0	%	\$4,032	51.2	%	\$5,114	41.9	%
Manufactured estate	4,844	57.5	%	3,707	49.7	%	1,853	26.8	%	1,459	18.5	%	2,552	20.9	%
Commercial	1,133	13.5	%	1,241	16.6	%	939	13.6	%	986	12.5	%	2,064	16.9	%
SBA	73	0.9	%	106	1.4	%	451	6.5	%	1,066	13.6	%	1,951	16.0	%
HELOC	92	1.1	%	100	1.3	%	43	0.6	%	140	1.8	%	280	2.3	%
Single family real estate	98	1.2	%	109	1.5	%	103	1.5	%	192	2.4	%	245	2.0	%
Consumer	-	0.0	%	-	0.0	%	2	0.0	%	2	0.0	%	2	0.0	%
Total	\$8,420	100.0	%	\$7,464	100.0	%	\$6,916	100.0	%	\$7,877	100.0	%	\$12,208	100.0	%

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Total allowance for loan losses increased by \$0.9 million from \$7.5 million at December 31, 2016 to \$8.4 million at December 31, 2017 mostly the result of loan growth and change in loan portfolio mix. In addition, the Company had net recoveries of \$0.5 million in 2017 compared to net recoveries of \$0.6 million in 2016.

Potential Problem Loans

The Company classifies loans consistent with federal banking regulations. These loan grades are described in further detail in “Item 8. Note 1, “Summary of Significant Accounting Policies” of this Form 10-K. The following table presents information regarding potential problem loans consisting of loans graded watch or worse, but still performing:

	December 31, 2017					
	Number					
	of Loan		Percent	Percent	Percent	Percent
	of Loan	Balance (1)	Percent	Percent	Percent	Percent
		(dollars in thousands)				
Manufactured housing	-	\$ -	0.00 %	0.00 %	0.00 %	0.00 %
Commercial real estate	6	8,118	79.40 %	1.11 %	1.11 %	1.11 %
Commercial	3	374	3.66 %	0.05 %	0.05 %	0.05 %
SBA	8	1,727	16.89 %	0.24 %	0.24 %	0.24 %
HELOC	-	-	0.00 %	0.00 %	0.00 %	0.00 %
Single family real estate	1	5	0.05 %	0.00 %	0.00 %	0.00 %
Consumer	-	-	0.00 %	0.00 %	0.00 %	0.00 %
Total	18	\$ 10,224	100.00 %	1.40 %	1.40 %	1.40 %

(1) Loan balance includes \$1.5 million guaranteed by government agencies.

	December 31, 2016					
	Number					
	of Loan		Percent	Percent	Percent	Percent
	of Loan	Balance (1)	Percent	Percent	Percent	Percent
		(dollars in thousands)				
Manufactured housing	5	\$ 417	3.04 %	0.07 %	0.07 %	0.07 %
Commercial real estate	5	3,331	24.29 %	0.53 %	0.53 %	0.53 %
Commercial	7	7,778	56.71 %	1.23 %	1.23 %	1.23 %
SBA	10	1,935	14.11 %	0.31 %	0.31 %	0.31 %
HELOC	1	248	1.81 %	0.04 %	0.04 %	0.04 %
Single family real estate	1	5	0.04 %	0.00 %	0.00 %	0.00 %
Consumer	-	-	0.00 %	0.00 %	0.00 %	0.00 %
Total	29	\$ 13,714	100.00 %	2.18 %	2.18 %	2.18 %

(1) Loan balance includes \$2.9 million guaranteed by government agencies.

Investment Securities

Investment securities are classified at the time of acquisition as either held-to-maturity or available-for-sale based upon various factors, including asset/liability management strategies, liquidity and profitability objectives, and regulatory requirements. Held-to-maturity securities are carried at amortized cost, adjusted for amortization of premiums or accretion of discounts. Available-for-sale securities are securities that may be sold prior to maturity

based upon asset/liability management decisions. Investment securities identified as available-for-sale are carried at fair value. Unrealized gains or losses on available-for-sale securities are recorded as accumulated other comprehensive income in stockholders' equity. Amortization of premiums or accretion of discounts on mortgage-backed securities is periodically adjusted for estimated prepayments.

The investment securities portfolio of the Company is utilized as collateral for borrowings, required collateral for public deposits and to manage liquidity, capital, and interest rate risk.

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The carrying value of investment securities for the years indicated was as follows:

	December 31,		
	2017	2016	2015
	(in thousands)		
U.S. government agency notes	\$13,978	\$5,572	\$11,147
U.S. government agency mortgage backed securities ("MBS")	7,565	9,002	7,025
U.S. government agency collateralized mortgage obligations ("CMO")	14,649	16,994	12,231
Equity securities: Farmer Mac class A stock	156	115	63
	\$36,348	\$31,683	\$30,466

The weighted average yields of investment securities by maturity period were as follows at December 31, 2017:

	December 31, 2017									
	Less than		One to Five		Five to Ten		Over Ten		Total	
	One	Year	One to Five	Years	Five to Ten	Years	Over Ten	Years	Amount	Yield
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Securities available-for-sale	(dollars in thousands)									
U.S. government agency notes	\$1,967	2.6 %	\$1,833	1.6 %	\$10,178	2.0 %	\$-	0.0 %	\$13,978	2.0 %
U.S. government agency CMO	-	0.0 %	3,362	1.9 %	8,361	1.9 %	2,926	2.3 %	14,649	1.9 %
Farmer Mac class A stock	-	0.0 %	-	0.0 %	-	0.0 %	-	0.0 %	156	0.0 %
Total	\$1,967	2.6 %	\$5,195	1.8 %	\$18,539	1.9 %	\$2,926	2.3 %	\$28,783	2.0 %
Securities held-to-maturity										
U.S. government agency MBS	\$-	0.0 %	\$2,802	3.6 %	\$4,763	3.1 %	\$-	0.0 %	\$7,565	3.3 %
Total	\$-	0.0 %	\$2,802	3.6 %	\$4,763	3.1 %	\$-	0.0 %	\$7,565	3.3 %

Expected maturities may differ from contractual maturities because borrowers or issuers have the right to call or prepay certain investment securities. Changes in interest rates may also impact prepayment or call options.

The Company does not own any subprime mortgage backed securities ("MBS") in its investment portfolio. Gross unrealized losses at December 31, 2017 are primarily caused by interest rate fluctuations, credit spread widening and reduced liquidity in applicable markets. The Company has reviewed all securities on which there was an unrealized loss in accordance with its accounting policy for other than temporary impaired ("OTTI") described in "Item 8. Note 2 in this Form 10-K, "Investment Securities" and determined no impairment was required. At December 31, 2017, the Company had the intent and the ability to retain its investments for a period of time sufficient to allow for any anticipated recovery in fair value.

Other Assets Acquired Through Foreclosure

The following table represents the changes in other assets acquired through foreclosure:

	December 31,		
	2017	2016	2015
	(in thousands)		

Explanation of Responses:

Balance, beginning of period	\$137	\$198	\$137
Additions	501	350	609
Proceeds from dispositions	(416)	(395)	(538)
Gains (losses) on sales, net	150	(16)	(10)
Balance, end of period	\$372	\$137	\$198

Other assets acquired through foreclosure consist primarily of properties acquired as a result of, or in-lieu-of, foreclosure. Properties or other assets (primarily manufactured housing) are classified as other real estate owned and other repossessed assets and are reported at fair value at the time of foreclosure less estimated costs to sell. Costs relating to development or improvement of the assets are capitalized and costs related to holding the assets are charged to expense. At December 31, 2015, the Company had a valuation allowance on foreclosed assets of \$35,000 and no valuation allowance on foreclosed assets at December 31, 2016 and 2017. At December 31, 2017, the Company had two manufactured housing and two commercial agriculture loans in the process of foreclosure.

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Deposits

The average balances by deposit type as of the dates presented below:

	Year Ended December 31, 2017		2016		2015	
	Average Balance	Percent of Total	Average Balance	Percent of Total	Average Balance	Percent of Total
	(dollars in thousands)					
Non-interest bearing demand deposits	\$ 107,589	16.2 %	\$ 80,611	14.2 %	\$ 70,864	13.9 %
Interest-bearing demand deposits	260,868	39.2 %	251,644	44.6 %	257,785	50.6 %
Savings	14,197	2.1 %	14,138	2.5 %	14,479	2.8 %
Time deposits of \$100,000 or more	200,729	30.2 %	177,122	31.3 %	153,388	30.1 %
Other time deposits	81,495	12.3 %	42,531	7.5 %	12,506	2.5 %
Total deposits	\$664,878	100.0 %	\$566,046	100.0 %	\$509,022	100.0 %

Total deposits increased to \$699.7 million at December 31, 2017 from \$612.2 million at December 31, 2016, an increase of \$87.4 million. This increase was primarily from certificates of deposit and non-interest bearing demand deposits. Certificates of deposits increased by \$75.5 million to \$320.4 million at December 31, 2017 compared to \$244.8 million at December 31, 2016. Non-interest bearing demand deposits increased by \$8.1 million to \$108.5 million at December 31, 2017 compared to \$100.4 million at December 31, 2016. Deposits have been the primary source of funding the Company's asset growth. In addition the bank is a member of Certificate of Deposit Account Registry Service ("CDARS"). CDARS provides a mechanism for obtaining FDIC insurance for large deposits. At December 31, 2017 and 2016, the Company had \$32.1 million and \$46.7 million, respectively of CDARS deposits.

Time Certificates of Deposits

The following table presents TCD maturities:

	December 31, 2017		2016	
	Over \$ 100,000	Other TCDs	Over \$ 100,000	Other TCDs
Less than three months	\$90,799	\$33,048	\$64,945	\$12,827
Three to six months	24,876	40,293	54,126	1,867
Six to twelve months	32,340	30,578	23,698	2,080
Over twelve months	63,591	4,857	78,276	7,015
Total deposits	\$211,606	\$108,776	\$221,045	\$23,789

The Company's deposits may fluctuate as a result of local and national economic conditions. Management does not believe that deposit levels are influenced by seasonal factors.

The Company utilizes money desk and brokered deposits in accordance with strategic and liquidity planning.

Other Borrowings

The following table sets forth certain information regarding FHLB advances and other borrowings.

Explanation of Responses:

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	December 31,					
	2017	2016	2015			
FHLB Advances	(in thousands)					
Maximum month-end balance	\$50,000	\$25,000	\$20,000			
Balance at year end	50,000	25,000	5,000			
Average balance	24,704	5,453	8,466			
Other Borrowings						
Maximum month-end balance	6,843	5,500	5,500			
Balance at year end	6,843	4,000	5,500			
Average balance	3,410	5,246	949			
Total borrowed funds	\$56,843	\$29,000	\$10,500			
Weighted average interest rate at end of year	1.87 %	1.13 %	2.35 %			
Weighted average interest rate during the year	1.56 %	2.35 %	1.34 %			

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FHLB and FRB Advances

The Company utilizes borrowed funds to support liquidity needs. The Company's borrowing capacity at FHLB and FRB is determined based on collateral pledged, generally consisting of securities and loans. At December 31, 2017, no advances were outstanding from the FRB.

Other Borrowing

In July of 2017, the Company entered into a one-year revolving line of credit agreement for up to \$15.0 million. The new line of credit was used to pay off the October 2015 line of credit that had converted to a five-year term loan on October 31, 2016. The Company must maintain a compensating deposit with the lender of 25% of the outstanding principal balance in a non-interest-bearing deposit account which was \$1.7 million at December, 2017. In addition, the Company must maintain a minimum debt service coverage ratio of 1.65, a minimum Tier 1 leverage ratio of 7.0% and a minimum total risk based capital ratio of 10.0%. At December 31, 2017, the line of credit balance was \$6.8 million at a rate of 5.32%.

Preferred Stock

The Company's Series A Preferred Stock paid cumulative dividends at a rate of 5% per year until February 15, 2014 then increased to a rate of 9% per year. The Series A Preferred Stock has no maturity date and ranks senior to the common stock with respect to the payment of dividends and distributions and amounts payable upon liquidation, dissolution and winding up of the Company.

During 2015 and 2014 the Company redeemed the 15,600 shares of Series A Preferred Stock for \$15.4 million and recognized discounts on the redemptions of \$0.3 million. Total preferred dividends for both years was \$1.4 million.

There are no shares issued and outstanding as of December 31, 2017 and 2016.

Capital Resources

The Federal Reserve has adopted capital adequacy guidelines that are used to assess the adequacy of capital in supervising a bank holding company. In July 2013, the federal banking agencies approved the final rules ("Final Rules") to establish a new comprehensive regulatory capital framework with a phase-in period beginning January 1, 2015 and ending January 1, 2019. The Final Rules implement the third installment of the Basel Accords ("Basel III") regulatory capital reforms and changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") and substantially amend the regulatory risk-based capital rules applicable to the Company. Basel III redefines the regulatory capital elements and minimum capital ratios, introduces regulatory capital buffers above those minimums, revises rules for calculating risk-weighted assets and adds a new component of Tier 1 capital called Common Equity Tier 1, which includes common equity and retained earnings and excludes preferred equity.

The following tables illustrates the Bank's regulatory ratios and the Federal Reserve's current adequacy guidelines as of December 31, 2017 and 2016. The Federal Reserve's fully phased-in guidelines applicable on January 1, 2019 are also summarized.

Total Capital (To Risk- Weighted Assets)	Tier 1 Capital (To Risk- Weighted Assets)	Common Equity Tier 1 (To Risk- Weighted Assets)	Leverage Ratio/Tier1 Capital (To Average Assets)
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December 31, 2017

CWB's actual regulatory ratios	11.31	%	10.10	%	10.10	%	8.83	%
Minimum capital requirements	8.00	%	6.00	%	4.50	%	4.00	%
Well-capitalized requirements	10.00	%	8.00	%	6.50	%	5.00	%
Minimum capital requirements including fully-phased in capital conservation buffer (2019)	10.50	%	8.50	%	7.00	%	N/A	

December 31, 2016

CWB's actual regulatory ratios	12.27	%	11.04	%	11.04	%	10.08	%
Minimum capital requirements	8.00	%	6.00	%	4.50	%	4.00	%
Well-capitalized requirements	10.00	%	8.00	%	6.50	%	5.00	%
Minimum capital requirements including fully-phased in capital conservation buffer (2019)	10.50	%	8.50	%	7.00	%	N/A	

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Contractual Obligations and Off-Balance Sheet Arrangements

The Company enters into contracts for services in the ordinary course of business that may require payment for services to be provided in the future and may contain penalty clauses for early termination of the contracts. To meet the financing needs of customers, the Company has financial instruments with off-balance sheet risk, including commitments to extend credit and standby letters of credit. The Company does not believe that these off-balance sheet arrangements have or are reasonably likely to have a material effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources. However, there can be no assurance that such arrangements will not have a future effect.

The following table sets forth our significant contractual obligations as of December 31, 2017.

	Payments Due by Period				
	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	After 5 Years
	(dollars in thousands)				
Time deposit maturities	\$320,382	\$251,934	\$64,927	\$3,521	\$-
FHLB advances	50,000	50,000	-	-	-
Other borrowings	6,843	684	2,737	2,737	684
Purchase obligations	6,651	3,276	1,570	1,210	595
Operating lease obligations	8,845	1,258	2,366	2,048	3,173
Total	\$392,721	\$307,152	\$71,600	\$9,516	\$4,452

Purchase obligations primarily related to contracts for software licensing and maintenance and outsourced service providers. Off-balance sheet commitments associated with outstanding letters of credit, commitments to extend credit, and overdraft lines as of December 31, 2017 are summarized below. Since commitments associated with letters of credit and commitments to extend credit may expire unused, the amounts shown do not necessarily reflect the actual future cash funding requirements.

	Amount of Commitment By Period of Expiration				
	Total Commitment	Less Than 1 Year	1 to 3 Years	3 to 5 Years	After 5 Years
	(dollars in thousands)				
Commitments to extend credit	\$68,812	\$49,912	\$14,017	\$734	\$4,149
Standby letters of credit	-	-	-	-	-
Total	\$68,812	\$49,912	\$14,017	\$734	\$4,149

Critical Accounting Policies

The Notes to Consolidated Financial Statements contain a discussion of our significant accounting policies, including information regarding recently issued accounting pronouncements, our adoption of such policies and the related impact of their adoption. We believe that certain of these policies, along with various estimates that we are required to make in recording our financial transactions, are important to have a complete understanding of our financial position. In addition, these estimates require us to make complex and subjective judgments, many of which include matters with a high degree of uncertainty. See "Item 8. Financial Statements and Supplementary Data - Note 1. Summary of Significant Accounting Policies for a discussion of these critical accounting policies and significant estimates.

Liquidity

Liquidity is the ongoing ability to fund asset growth and business operations, to accommodate liability maturities and deposit withdrawals and meet contractual obligations through unconstrained access to funding at reasonable market rates. Liquidity management involves forecasting funding requirements and maintaining sufficient capacity to meet the needs and accommodate fluctuations in asset and liability levels due to changes in our business operations or unanticipated events.

The ability to have readily available funds sufficient to repay fully maturing liabilities is of primary importance to depositors, creditors and regulators. Our liquidity, represented by cash and amounts due from banks, federal funds sold and non-pledged marketable securities, is a result of our operating, investing and financing activities and related cash flows. In order to ensure funds are available when necessary, on at least a quarterly basis, we project the amount of funds that will be required, and we strive to maintain relationships with a diversified customer base. Liquidity requirements can also be met through short-term borrowings or the disposition of short-term assets. The Company has federal funds borrowing lines at correspondent banks totaling \$20.0 million. In addition, loans and securities are pledged to the FHLB providing \$63.9 million in available borrowing capacity as of December 31, 2017. Loans pledged to the FRB discount window provided \$104.3 million in borrowing capacity. As of December 31, 2017, there were no outstanding borrowings from the FRB.

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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 through CWB has a blanket lien credit line with the FHLB. FHLB advances are collateralized in the aggregate by the Company's eligible loans and securities. Total FHLB advances were \$50.0 million and \$25.0 million at December 31, 2017 and 2016, respectively, borrowed at fixed rates. At December 31, 2017, CWB had pledged to FHLB, securities of \$36.2 million at carrying value and loans of \$235.4 million and had \$63.9 million available for additional borrowing. At December 31, 2016, the Company had pledged to FHLB, securities of \$31.7 million at carrying value and loans of \$161.3 million, and had \$56.8 million available for additional borrowing.

The Company has established a credit line with the FRB. Advances are collateralized in the aggregate by eligible loans. There were no advances outstanding as of December 31, 2017 and unused borrowing capacity was \$104.3 million.

The Company also maintains federal funds purchased lines with a total borrowing capacity of \$20.0 million. There was no amount outstanding as of December 31, 2017 and 2016.

The Company has not experienced disintermediation and does not believe this is a likely occurrence, although there is significant competition for core deposits. The liquidity ratio of the Company was 16% and 17%, at December 31, 2017 and December 31, 2016, respectively. The Company's liquidity ratio fluctuates in conjunction with loan funding demands. The liquidity ratio consists of the sum 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 consisted of certain operating expenses, preferred and common stock dividends and interest payments on the other borrowings. CWBC obtains funding to meet its obligations from dividends collected from CWB and has the capability to issue debt securities. Federal banking laws regulate the amount of dividends that may be paid by a banking subsidiary 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 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 is caused by the mismatch in the maturities or 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 happens because loans tend to reprice more quickly than funding sources.

Basis risk is due to item pricing tied to different indices which tend to react differently. CWB's variable products are mainly priced off the treasury and prime rates.

Prepayment risk results from borrowers paying down or paying off their loans prior to maturity. Prepayments on fixed-rate products increase in falling interest rate environments and decrease in rising interest rate environments. A majority of CWB's loans have adjustable rates and are reset based on changes in the treasury and prime rates.

The Company's ability to originate, purchase and sell loans is also significantly impacted by changes in interest rates. In addition, increases in interest rates may reduce the amount of loan and commitment fees received by CWB.

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 funding sources. CWB can sell a portion of its FSA and 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. The Company has not used derivative instruments to help manage risk, but will consider such instruments in the future if the perceived need should arise.

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For further discussion regarding the impact to the Company of interest rate changes, see “Item 7A. Quantitative and Qualitative Disclosure about Market Risk.”

Litigation

See “Part 1. Item 3: Legal Proceedings” beginning on page 12 of this Form 10-K.

SUPERVISION AND REGULATION

Introduction

CWBC is a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended, and is registered with, regulated and examined by the Board of Governors of the Federal Reserve System (the “FRB”). In addition to the regulation of the Company by the FRB, CWB is subject to extensive regulation and periodic examination, principally by the Office of the Comptroller of the Currency (“OCC”). The Federal Deposit Insurance Corporation (“FDIC”) insures the Bank’s deposits up to certain prescribed limits. The Company is also subject to jurisdiction of the Securities and Exchange Commission (“SEC”) and to the disclosure and regulatory requirements of the Securities Act and the Securities Exchange Act, and through the listing of the common stock on the NASDAQ Capital Select Market is subject to the rules of NASDAQ.

Banking is a complex, highly regulated industry. The primary goals of the rules and regulations are to maintain a safe and sound banking system, protect depositors and the FDIC’s insurance fund, and facilitate the conduct of sound monetary policy. In furtherance of these goals, Congress and the states have created several largely autonomous regulatory agencies and enacted numerous laws that govern banks, bank holding companies and the financial services industry. Consequently, the growth and earnings performance of the Company can be affected not only by Management decisions and general economic conditions, but also by the requirements of applicable state and federal statutes, regulations and the policies of various governmental regulatory authorities.

From time to time laws or regulations are enacted which have the effect of increasing the cost of doing business, limiting or expanding the scope of permissible activities, or changing the competitive balance between banks and other financial and non-financial institutions. Proposals to change the laws and regulations governing the operations of banks and bank holding companies are frequently made in Congress and by various bank and other regulatory agencies. Future changes in the laws, regulations or policies that impact CWBC and CWB cannot necessarily be predicted, but they may have a material effect on the business and earnings of the Company.

Securities Registration and Listing

CWBC’s common stock is registered with the SEC under the Exchange Act and, therefore, is subject to the information, proxy solicitation, insider trading, corporate governance, and other disclosure requirements and restrictions of the Exchange Act, as well as the Securities Act of 1933 (the “Securities Act”), both administered by the SEC. CWBC is required to file annual, quarterly and other current reports with the SEC. The SEC maintains an Internet site, <http://www.sec.gov>, at which CWBC’s filings with the SEC may be accessed. CWBC’s SEC filings are also available on its website at www.communitywest.com.

CWBC’s common stock is listed on the NASDAQ Capital Market and trade under the symbol “CWBC.” As a company listed on the NASDAQ Capital Market, CWBC is subject to NASDAQ standards for listed companies. CWBC is also subject to certain provisions of the Sarbanes-Oxley Act of 2002 (“SOX”), the Federal Deposit Insurance Corporation Improvement Act (“FDICIA”), provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”), and other federal and state laws and regulations that govern financial presentations, corporate governance requirements for board audit and compensation committees and their members, and disclosure of controls

and procedures and internal control over financial reporting, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. NASDAQ has also adopted corporate governance rules, which are intended to allow shareholders and investors to more easily and efficiently monitor the performance of companies and their directors.

Dodd-Frank Wall Street Reform and Consumer Protection Act

On July 21, 2010, the Dodd-Frank Act was signed into law to effect a fundamental restructuring of federal banking regulation. Among the provisions of the Dodd-Frank Act that affect CWBC are the following:

Holding Company Capital Requirements. The Dodd-Frank Act required the FRB to apply consolidated capital requirements to depository institution holding companies that are no less stringent than those currently applied to depository institutions. Under these standards, trust preferred securities are excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010 by a bank holding company with less than \$15 billion in assets. The Dodd-Frank Act additionally requires capital requirements to be countercyclical so that the required amount of capital increases in times of economic expansion and decreases in times of economic contraction, consistent with safety and soundness.

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Deposit Insurance. The Dodd-Frank Act broadened the base for FDIC insurance assessments. Assessments are now based on the average consolidated total assets less tangible equity capital of a financial institution. The Dodd-Frank Act requires the FDIC to increase the reserve ratio of the Deposit Insurance Fund from 1.15% to 1.35% of insured deposits by 2020 and eliminates the requirement that the FDIC pay dividends to insured depository institutions when the reserve ratio exceeds certain thresholds.

Corporate Governance. The Dodd-Frank Act required publicly traded companies, such as CWBC, to give stockholders a non-binding vote on executive compensation at their first annual meeting taking place six months after the date of enactment and at least every three years thereafter and on so-called "golden parachute" payments in connection with approvals of mergers and acquisitions unless previously voted on by shareholders and requires that national securities exchanges prohibit brokers from voting on this proposal. The SEC has also adopted regulations under the Dodd-Frank Act that require public companies to include the nominees of significant, long-term shareholders in their proxy materials, alongside the nominees of management if such shareholder owned at least 3 percent of the company's shares continuously for at least the prior three years. Additionally, the Dodd-Frank Act directed the federal banking regulators to promulgate rules prohibiting excessive compensation paid to executives of depository institutions and their holding companies with assets in excess of \$1.0 billion, regardless of whether CWBC is publicly traded or not.

Interstate Branching. The Dodd-Frank Act authorized national and state banks to establish branches in other states to the same extent as a bank chartered by that state would be permitted to branch.

Transactions with Affiliates and Insiders. The Dodd-Frank Act expanded the definition of "affiliate" for purposes of quantitative and qualitative limitations of Section 23A of the Federal Reserve Act to include mutual funds advised by a depository institution or its affiliates. The Dodd-Frank Act will apply Section 23A and Section 22(h) of the Federal Reserve Act (governing transactions with insiders) to derivative transactions, repurchase agreements and securities lending and borrowing transaction that create credit exposure to an affiliate or an insider. Any such transactions with affiliates must be fully secured. The current exemption from Section 23A for transactions with financial subsidiaries will be eliminated. The Dodd-Frank Act also prohibits an insured depository institution from purchasing an asset from or selling an asset to an insider unless the transaction is on market terms and, if representing more than 10% of capital, is approved in advance by the disinterested directors.

Consumer Financial Protection Bureau. The Dodd-Frank Act created an independent federal agency called the Consumer Financial Protection Bureau (the "CFPB"), which has been granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws, including the Equal Credit Opportunity Act, Truth in Lending Act, Real Estate Settlement Procedures Act, Fair Credit Reporting Act, Fair Debt Collection Practices Act, the Consumer Financial Privacy provisions of the Gramm-Leach-Bliley Act and certain other statutes. The CFPB has examination and primary enforcement authority with respect to depository institutions with \$10 billion or more in assets. Smaller institutions are subject to rules promulgated by the CFPB but are still examined and supervised by their federal banking regulators for consumer compliance purposes. The CFPB has authority to prevent unfair, deceptive or abusive practices in connection with the offering of consumer financial products. The Dodd-Frank Act authorized the CFPB to establish certain minimum standards for the origination of residential mortgages including a determination of the borrower's ability to repay. In addition, the Dodd-Frank Act allows borrowers to raise certain defenses to foreclosure if they receive any loan other than a "qualified mortgage" as defined by the CFPB. The Dodd-Frank Act permits states to adopt consumer protection laws and standards that are more stringent than those adopted at the federal level and, in certain circumstances, permits state attorneys general to enforce compliance with both the state and federal laws and regulations.

Final Volcker Rule. In December 2013, the federal bank regulatory agencies adopted final rules that implement a part of the Dodd-Frank Act commonly referred to as the "Volcker Rule." Under these rules and subject to certain exceptions, banking entities, including CWBC and CWB, will be restricted from engaging in activities that are

considered proprietary trading and from sponsoring or investing in certain entities, including hedge or private equity funds that are considered "covered funds." These rules were originally scheduled to become effective on April 1, 2014; however certain provisions are subject to delayed effectiveness under rules promulgated by the FRB. At December 31, 2017, neither CWBC nor CWB held any investment positions which were subject to the Volcker Rule. Therefore, while these new rules may require CWBC and/or CWB to conduct certain internal analyses and reporting, we believe that the rules will not require any material changes in their respective operations or business.

The Dodd-Frank Act was enacted under the administration of former President Barack Obama and many of the rules and regulations implementing the provisions of the Dodd-Frank Act were enacted during that administration. The current administration under President Trump has sought to roll-back key pieces of the Dodd-Frank Act in an effort to loosen regulatory restrictions on financial institutions including, but not limited to, easing the "Volker Rule," stress tests and other constraints on financial institutions. Federal banking regulators are currently seeking public input on revisions to key provisions of the Dodd-Frank Act and its implementing regulations in order to effectuate the current Administration's initiatives of continued financial deregulation. In light the current Administration's continuing efforts in this regard, CWBC cannot predict which provisions of the Dodd-Frank Act will be repealed, put in to effect, delayed or enforced under the current Administration and, therefore, cannot predict the effect, if any, that the Dodd-Frank Act will have on CWBC's future operations and financial condition.

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Financial Institutions Capital Rules

Federal regulations require FDIC-insured depository institutions, including CWB, to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio; a Tier 1 capital to risk-based assets ratio; a total capital to risk-based assets; and a Tier 1 capital to total assets leverage ratio. The existing capital requirements were effective January 1, 2015 and are the result of a final rule implementing regulatory amendments based on recommendations of the Basel Committee on Banking Supervision and certain requirements of the Dodd-Frank Act.

The capital standards require the maintenance of common equity Tier 1 capital, Tier 1 capital and Total capital to risk-weighted assets of at least 4.5%, 6% and 8%, respectively. The regulations also establish a minimum required leverage ratio of at least 4% Tier 1 capital. Common equity Tier 1 capital is generally defined as common stockholders' equity and retained earnings. Tier 1 capital is generally defined as common equity Tier 1 and Additional Tier 1 capital. Additional Tier 1 capital generally includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus Additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock and subordinated debt. Also included in Tier 2 capital is the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets and, for institutions that have exercised an opt-out election regarding the treatment of Accumulated Other Comprehensive Income ("AOCI"), up to 45% of net unrealized gains on available-for-sale equity securities with readily determinable fair market values. Institutions that have not exercised the AOCI opt-out have AOCI incorporated into common equity Tier 1 capital (including unrealized gains and losses on available-for-sale-securities). Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations.

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, an institution's assets, including certain off-balance sheet assets (e.g., recourse obligations, direct credit substitutes, residual interests), are multiplied by a risk weight factor assigned by the regulations based on the risk deemed inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. For example, a risk weight of 0% is assigned to cash and U.S. government securities, a risk weight of 50% is generally assigned to prudently underwritten first lien one to four-family residential mortgages, a risk weight of 100% is assigned to commercial and consumer loans, a risk weight of 150% is assigned to certain past due loans and a risk weight of between 0% to 600% is assigned to permissible equity interests, depending on certain specified factors.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets above the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement is being phased in beginning January 1, 2016 at 0.625% of risk-weighted assets and increasing each year until fully implemented at 2.5% on January 1, 2019. Institutions that do not maintain the required capital buffer will become subject to progressively most stringent limitations on the percentage of earnings that can be paid out in dividends or used for stock repurchases and on the payment of discretionary bonuses to executive management.

CWBC

General. As a bank holding company, CWBC is registered under the Bank Holding Company Act of 1956, as amended ("BHCA"), and is subject to regulation by the FRB. According to FRB Policy, CWBC is expected to act as a source of financial strength for CWB, to commit resources to support it in circumstances where CWBC might not otherwise do so. Under the BHCA, CWBC is subject to periodic examination by the FRB. CWBC is also required to file periodic reports of its operations and any additional information regarding its activities and those of its

subsidiaries as may be required by the FRB.

Bank Holding Company Liquidity. CWBC is a legal entity, separate and distinct from CWB. CWBC has the ability to raise capital on its own behalf or borrow from external sources, CWBC may also obtain additional funds from dividends paid by, and fees charged for services provided to, CWB. However, regulatory constraints on CWB may restrict or totally preclude the payment of dividends by CWB to CWBC.

Transactions with Affiliates and Insiders. CWBC and any subsidiaries it may purchase or organize are deemed to be affiliates of CWB within the meaning of Sections 23A and 23B of the Federal Reserve Act, and the FRB's Regulation W. Under Sections 23A and 23B and Regulation W, loans by CWB to affiliates, investments by them in affiliates' stock, and taking affiliates' stock as collateral for loans to any borrower is limited to 10% of CWB's capital, in the case of any one affiliate, and is limited to 20% of CWB's capital, in the case of all affiliates. In addition, transactions between CWB and other affiliates must be on terms and conditions that are consistent with safe and sound banking practices, in particular, a bank and its subsidiaries generally may not purchase from an affiliate a low-quality asset, as defined in the Federal Reserve Act. These restrictions also prevent a bank holding company and its other affiliates from borrowing from a banking subsidiary of the bank holding company unless the loans are secured by marketable collateral of designated amounts. CWBC and CWB are also subject to certain restrictions with respect to engaging in the underwriting, public sale and distribution of securities.

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The Federal Reserve Act and FRB Regulation O place limitations and conditions on loans or extensions of credit to a bank or bank holding company's executive officers, directors and principal shareholders; any company controlled by any such executive officer, director or shareholder; or any political or campaign committee controlled by such executive officer, director or principal shareholder. Additionally, such loans or extensions of credit must comply with loan-to-one-borrower limits; require prior full board approval when aggregate extensions of credit to the person exceed specified amounts; must be made on substantially the same and follow credit-underwriting procedures no less stringent than those prevailing at the time for comparable transactions with non-insiders; must not involve more than the normal risk of repayment or present other unfavorable features; and must not exceed the bank's unimpaired capital and unimpaired surplus in the aggregate.

Limitations on Business and Investment Activities. Under the BHCA, a bank holding company must obtain the FRB's approval before: (i) directly or indirectly acquiring more than 5% ownership or control of any voting shares of another bank or bank holding company; (ii) acquiring all or substantially all of the assets of another bank; (iii) or merging or consolidating with another bank holding company.

The FRB may allow a bank holding company to acquire banks located in any state of the United States without regard to whether the acquisition is prohibited by the law of the state in which the target bank is located. In approving interstate acquisitions, however, the FRB must give effect to applicable state laws limiting the aggregate amount of deposits that may be held by the acquiring bank holding company and its insured depository institutions in the state in which the target bank is located, provided that those limits do not discriminate against out-of-state depository institutions or their holding companies, and state laws which require that the target bank have been in existence for a minimum period of time, not to exceed five years, before being acquired by an out-of-state bank holding company.

In addition to owning or managing banks, bank holding companies may own subsidiaries engaged in certain businesses that the FRB has determined to be "so closely related to banking as to be a proper incident thereto." CWBC, therefore, is permitted to engage in a variety of banking-related businesses.

Additionally, qualifying bank holding companies making an appropriate election to the FRB may engage in a full range of financial activities, including insurance, securities and merchant banking. CWBC has not elected to qualify for these financial services.

Federal law prohibits a bank holding company and any subsidiary banks from engaging in certain tie-in arrangements in connection with the extension of credit. Thus, for example, CWB may not extend credit, lease or sell property, or furnish any services, or fix or vary the consideration for any of the foregoing on the condition that:

- the customer must obtain or provide some additional credit, property or services from or to CWB other than a loan, discount, deposit or trust services;
- the customer must obtain or provide some additional credit, property or service from or to CWBC or any subsidiaries;
- or
- the customer must not obtain some other credit, property or services from competitors, except reasonable requirements to assure soundness of credit extended.

Capital Adequacy. Bank holding companies must maintain minimum levels of capital under the FRB's risk-based capital adequacy guidelines. If capital falls below minimum guideline levels, a bank holding company, among other things, may be denied approval to acquire or establish additional banks or non-bank businesses.

The FRB's risk-based capital adequacy guidelines, discussed in more detail below in the section entitled "Supervision and Regulation – CWB – Regulatory Capital Guidelines," assign various risk percentages to different categories of assets and capital is measured as a percentage of risk assets. Under the terms of the guidelines, bank holding companies are expected to meet capital adequacy guidelines based both on total risk assets and on total assets, without regard to risk

weights.

The risk-based guidelines are minimum requirements. Higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual organizations. For example, the FRB's capital guidelines contemplate that additional capital may be required to take adequate account of, among other things, interest rate risk, or the risks posed by concentrations of credit, nontraditional activities or securities trading activities. Moreover, any banking organization experiencing or anticipating significant growth or expansion into new activities, particularly under the expanded powers under the Gramm-Leach-Bliley Act, would be expected to maintain capital ratios, including tangible capital positions, well above the minimum levels.

Limitations on Dividend Payments. California Corporations Code Section 500 allows CWBC to pay a dividend to its shareholders only to the extent that CWBC has retained earnings and, after the dividend, CWBC's:

- assets (exclusive of goodwill and other intangible assets) would be 1.25 times its liabilities (exclusive of deferred taxes, deferred income and other deferred credits); and
- current assets would be at least equal to current liabilities.

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Additionally, the FRB’s policy regarding dividends provides that a bank holding company should not pay cash dividends exceeding its net income or which can only be funded in ways that weaken the bank holding company’s financial health, such as by borrowing. The FRB also possesses enforcement powers over bank holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations.

The Sarbanes-Oxley Act of 2002 (“SOX”). SOX became effective on July 30, 2002, and represents the most far reaching corporate and accounting reform legislation since the enactment of the Securities Act and the Exchange Act. SOX is intended to provide a permanent framework that improves the quality of independent audits and accounting services, improves the quality of financial reporting, strengthens the independence of accounting firms and increases the responsibility of management for corporate disclosures and financial statements.

SOX provisions are significant to all companies that have a class of securities registered under Section 12 of the Exchange Act, or are otherwise reporting to the SEC (or the appropriate federal banking agency) pursuant to Section 15(d) of the Exchange Act, including CWBC (collectively, “public companies”). In addition to SEC rulemaking to implement SOX, NASDAQ has adopted corporate governance rules intended to allow shareholders to more easily and effectively monitor the performance of companies and directors.

As a result of SOX, and its regulations, CWBC has incurred substantial cost to interpret and ensure compliance with the law and its regulations including, without limitation, increased expenditures by CWBC in auditors’ fees, attorneys’ fees, outside advisors fees, and increased errors and omissions insurance premium costs. Future changes in the laws, regulation, or policies that impact CWBC cannot necessarily be predicted and may have a material effect on the business and earnings of CWBC.

CWB

General. CWB, as a national banking association which is a member of the Federal Reserve System, is subject to regulation, supervision and regular examination by the OCC and FDIC. CWB’s deposits are insured by the FDIC up to the maximum extent provided by law. The regulations of these agencies govern most aspects of CWB's business and establish a comprehensive framework governing its operations.

Regulatory Capital Guidelines. The federal banking agencies have established minimum capital standards known as risk-based capital guidelines. These guidelines are intended to provide a measure of capital that reflects the degree of risk associated with a bank’s operations. The risk-based capital guidelines include both a definition of capital and a framework for calculating the amount of capital that must be maintained against a bank’s assets and off-balance sheet items. The amount of capital required to be maintained is based upon the credit risks associated with the various types of a bank’s assets and off-balance sheet items. A bank’s assets and off-balance sheet items are classified under several risk categories, with each category assigned a particular risk weighting from 0% to 150%.

The following table sets forth the regulatory capital for CWB and CWBC (on a consolidated basis) at December 31, 2017.

	Adequately Capitalized	Well Capitalized	CWB	CWBC (consolidated)
Total risk-based capital	8.00	% 10.00	% 11.31%	11.17 %
Tier 1 risk-based capital ratio	6.00	% 8.00	% 10.10%	9.96 %
Common Equity Tier 1	4.50	% 6.50	% 10.10%	9.96 %
Tier 1 leverage capital ratio	4.00	% 5.00	% 8.83 %	8.72 %

Prompt Corrective Action Authority. The federal banking agencies possess broad powers to take prompt corrective action to resolve the problems of insured banks. Each federal banking agency has issued regulations defining five capital categories: “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized,” and “critically undercapitalized.” Under the regulations, a bank shall be deemed to be:

“well capitalized” if it has a total risk-based capital ratio of 10% or more, has a Tier 1 risk-based capital ratio of 6% or more, has a leverage capital ratio of 5% or more and is not subject to specified requirements to meet and maintain a specific capital level for any capital measure;

“adequately capitalized” if it has a total risk-based capital ratio of 8% or more, a Tier 1 risk-based capital ratio of 4% or more and a leverage capital ratio of 4% or more (3% under certain circumstances) and does not meet the definition of “well capitalized”;

“undercapitalized” if it has a total risk-based capital ratio that is less than 8%, a Tier 1 risk-based capital ratio that is less than 4%, or a leverage capital ratio that is less than 4% (3% under certain circumstances)

“significantly undercapitalized” if it has a total risk-based capital ratio that is less than 6%, a Tier 1 risk-based capital ratio that is less than 3% or a leverage capital ratio that is less than 3%; and

“critically undercapitalized” if it has a ratio of tangible equity to total assets that is equal to or less than 2%

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While these benchmarks have not changed, due to market turbulence, the regulators have strongly encouraged and, in many instances, required, banks and bank holding companies to achieve and maintain higher ratios as a matter of safety and soundness.

Banks are prohibited from paying dividends or management fees to controlling persons or entities if, after making the payment, the bank would be “undercapitalized,” that is, the bank fails to meet the required minimum level for any relevant capital measure. Asset growth and branching restrictions apply to “undercapitalized” banks. Banks classified as “undercapitalized” are required to submit acceptable capital plans guaranteed by its holding company, if any. Broad regulatory authority was granted with respect to “significantly undercapitalized” banks, including forced mergers, growth restrictions, ordering new elections for directors, forcing divestiture by its holding company, if any, requiring management changes and prohibiting the payment of bonuses to senior management. Even more severe restrictions are applicable to “critically undercapitalized” banks. Restrictions for these banks include the appointment of a receiver or conservator. All of the federal banking agencies have promulgated substantially similar regulations to implement this system of prompt corrective action.

A bank, based upon its capital levels, that is classified as “well capitalized,” “adequately capitalized” or “undercapitalized” may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for a hearing, determines that an unsafe or unsound condition, or an unsafe or unsound practice, warrants such treatment. Further, a bank that otherwise meets the capital levels to be categorized as “well capitalized,” will be deemed to be “adequately capitalized,” if the bank is subject to a written agreement requiring that the bank maintain specific capital levels. At each successive lower capital category, an insured bank is subject to more restrictions. The federal banking agencies, however, may not treat an institution as “critically undercapitalized” unless its capital ratios actually warrant such treatment.

In addition to measures taken under the prompt corrective action provisions, insured banks may be subject to potential enforcement actions by the federal banking agencies for unsafe or unsound practices in conducting their businesses or for violations of any law, rule, regulation or any condition imposed in writing by the agency or any written agreement with the agency. Enforcement actions may include the imposition of a conservator or receiver, the issuance of a cease-and-desist order that can be judicially enforced, the termination of insurance of deposits (in the case of a depository institution), the imposition of civil money penalties, the issuance of directives to increase capital, the issuance of formal and informal agreements, the issuance of removal and prohibition orders against institution-affiliated parties. The enforcement of such actions through injunctions or restraining orders may be based upon a judicial determination that the agency would be harmed if such equitable relief was not granted.

The OCC, as the primary regulator for national banks, also has a broad range of enforcement measures, from cease and desist powers and the imposition of monetary penalties to the ability to take possession of a bank, including causing its liquidation.

Brokered Deposit Restrictions. Well-capitalized banks are not subject to limitations on brokered deposits, while an adequately capitalized bank is able to accept, renew or roll over brokered deposits only with a waiver from the FDIC and subject to certain restrictions on the yield paid on such deposits. Undercapitalized banks are generally not permitted to accept, renew, or roll over brokered deposits. As of December 31, 2016, CWB is deemed to be “well capitalized” and, therefore, is eligible to accept brokered deposits.

FDIC Insurance and Insurance Assessments. The FDIC utilizes a risk-based assessment system to set quarterly insurance premium assessments which categorizes banks into four risk categories based on capital levels and supervisory “CAMELS” ratings and names them Risk Categories I, II, III and IV. The CAMELS rating system is based upon an evaluation of the six critical elements of an institution’s operations: Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to risk. This rating system is designed to take into account and reflect all significant financial and operational factors financial institution examiners assess in their evaluation of an

institution's performance.

Dodd-Frank requires the FDIC to take such steps as necessary to increase the reserve ratio of the Deposit Insurance Fund from 1.15% to 1.35% of insured deposits by 2020. In setting the assessments, the FDIC is required to offset the effect of the higher reserve ratio against insured depository institutions with total consolidated assets of less than \$10 billion. Dodd-Frank also broadens the base for FDIC insurance assessments so that assessments will be based on the average consolidated total assets less average tangible equity capital of a financial institution rather than on its insured deposits. The FDIC has adopted a new restoration plan to increase the reserve ratio to 1.35% by September 30, 2020 and will issue additional rules regarding the method to be used to achieve a 1.35% reserve ratio by that date and offset the effect on institutions with assets less than \$10 billion in assets.

The FDIC may terminate its insurance of deposits if it finds that a bank has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

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Anti-Money Laundering and OFAC Regulation

A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The Bank Secrecy Act of 1970 (“BSA”) and subsequent laws and regulations requires CWB to take steps to prevent the use of it or its systems from facilitating the flow of illegal or illicit money and to file suspicious activity reports. Those requirements include ensuring effective Board and management oversight, establishing policies and procedures, developing effective monitoring and reporting capabilities, ensuring adequate training and establishing a comprehensive internal audit of BSA compliance activities. The USA Patriot Act of 2001 (“Patriot Act”) significantly expanded the anti-money laundering (“AML”) and financial transparency laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. Regulations promulgated under the Patriot Act impose various requirements on financial institutions, such as standards for verifying client identification at account opening and maintaining expanded records (including “Know Your Customer” and “Enhanced Due Diligence” practices) and other obligations to maintain appropriate policies, procedures and controls to aid the process of preventing, detecting, and reporting money laundering and terrorist financing.

CWB must provide AML training to employees, designate an AML compliance officer and annually audit the AML program to assess its effectiveness. The federal regulatory agencies continue to issue regulations and new guidance with respect to the application and requirements of BSA and AML. The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. Based on their administration by Treasury’s Office of Foreign Assets Control (“OFAC”), these are typically known as the “OFAC” rules. The OFAC-administered sanctions targeting countries take many different forms. Generally, however, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on “U.S. persons” engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (e. g., property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC.

Failure of CWB to maintain and implement adequate BSA, AML and OFAC programs, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution. CWB has augmented its systems and procedures to accomplish this. CWB believes that the ongoing cost of compliance with the BSA, AML and OFAC programs is not likely to be material to CWB

Community Reinvestment Act. The Community Reinvestment Act (“CRA”) is intended to encourage insured depository institutions, while operating safely and soundly, to help meet the credit needs of their communities. CRA specifically directs the federal bank regulatory agencies, in examining insured depository institutions, to assess their record of helping to meet the credit needs of their entire community, including low- and moderate-income neighborhoods, consistent with safe and sound banking practices. CRA further requires the agencies to take a financial institution's record of meeting its community credit needs into account when evaluating applications for, among other things, domestic branches, consummating mergers or acquisitions or holding company formations.

The federal banking agencies have adopted regulations which measure a bank’s compliance with its CRA obligations on a performance-based evaluation system. This system bases CRA ratings on an institution’s actual lending service and investment performance rather than the extent to which the institution conducts needs assessments, documents community outreach or complies with other procedural requirements. The ratings range from “outstanding” to a low of “substantial noncompliance.”

CWB had a CRA rating of “Satisfactory” as of its most recent regulatory examination.

Safeguarding of Customer Information and Privacy. The FRB and other bank regulatory agencies have adopted guidelines for safeguarding confidential, personal customer information. These guidelines require financial institutions to create, implement and maintain a comprehensive written information security program designed to ensure the security and confidentiality of customer information, protect against any anticipated threats or hazard to the security or integrity of such information and protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer. CWB has adopted a customer information security program to comply with such requirements.

Financial institutions are also required to implement policies and procedures regarding the disclosure of nonpublic personal information about consumers to non-affiliated third parties. In general, financial institutions must provide explanations to consumers on policies and procedures regarding the disclosure of such nonpublic personal information, and, except as otherwise required by law, prohibits disclosing such information except as provided in CWB's policies and procedures. CWB has implemented privacy policies addressing these restrictions which are distributed regularly to all existing and new customers of CWB.

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Consumer Compliance and Fair Lending Laws. CWB is subject to a number of federal and state laws designed to protect borrowers and promote lending to various sectors of the economy and population. These laws include the Patriot Act, BSA, the Foreign Account Tax Compliance Act (effective 2013), CRA, the Fair Credit Reporting Act, as amended by the Fair and Accurate Credit Transactions Act, the Equal Credit Opportunity Act, the Truth in Lending Act, the Fair Housing Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the National Flood Insurance Act, various state law counterparts, and the Consumer Financial Protection Act of 2010, which constitutes part of Dodd-Frank. The enforcement of Fair Lending laws has been an increasing area of focus for regulators, including the FDIC and CFPB.

In addition, federal law and certain state laws (including California) currently contain client privacy protection provisions. These provisions limit the ability of banks and other financial institutions to disclose non-public information about consumers to affiliated companies and non-affiliated third parties. These rules require disclosure of privacy policies to clients and, in some circumstance, allow consumers to prevent disclosure of certain personal information to affiliates or non-affiliated third parties by means of “opt out” or “opt in” authorizations. Pursuant to the GLB Act and certain state laws (including California) companies are required to notify clients of security breaches resulting in unauthorized access to their personal information.

Other Aspects of Banking Law. CWB is also subject to federal statutory and regulatory provisions covering, among other things, security procedures, insider and affiliated party transactions, management interlocks, electronic funds transfers, funds availability, and truth-in-savings. There are also a variety of federal statutes which regulate acquisitions of control and the formation of bank holding companies.

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ITEM 7A. 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 Asset Liability Committee ("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. 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 a simulation model, combined with downloaded 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 compared to a flat interest rate scenario. The prior rate environment precluded a decrease in rates for the analysis. The model assumes that the rate change shock occurs immediately.

The following table presents the impact of that analysis in dollars and percentages at December 31, 2017.

Sensitivity of Net Interest Income

	Interest Rate Scenario (change in basis point from Base)						
	Down 100	Base	Up 100	Up 200	Up 300	Up 400	Up 500
	(dollars in thousands)						
Interest income	\$ 37,719	\$40,270	\$42,869	\$45,465	\$48,096	\$50,721	\$53,243
Interest expense	4,089	6,910	10,681	14,452	18,223	21,994	25,766
Net interest income	\$ 33,630	\$33,360	\$32,188	\$31,013	\$29,873	\$28,727	\$27,477
% change	0.8 %		-3.5 %	-7.0 %	-10.5 %	-13.9 %	-17.6 %

At December 31, 2016, the following table presents the impact of that analysis in dollars and percentages:

Sensitivity of Net Interest Income

	Interest Rate Scenario (change in basis point from Base)						
	Down 100	Base	Up 100	Up 200	Up 300	Up 400	Up 500
	(dollars in thousands)						
Interest income	\$31,115	\$33,188	\$35,485	\$37,749	\$40,074	\$42,411	\$44,584
Interest expense	1,993	3,318	5,826	8,334	10,842	13,350	15,858
Net interest income	\$29,122	\$29,870	\$29,659	\$29,415	\$29,232	\$29,061	\$28,726
% change	-2.5 %		-0.7 %	-1.5 %	-2.1 %	-2.7 %	-3.8 %

As of December 31, 2017 the Fed Funds target rate was a range of 01.25% to 1.50% and the prime rate was 4.50%. As of December 31, 2016, the Fed Funds target rate was a range of 0.50% to 0.75% and the prime rate was 3.75%.

Economic Value of Equity. We measure the impact of market interest rate changes on the net present value of estimated cash flows from our assets, liabilities and off-balance sheet items, defined as economic value of equity, using a simulation model. This simulation model assesses the changes in the market value of interest rate sensitive financial instruments that would occur in response to an instantaneous and sustained increase or decrease (shock) in market interest rates.

At December 31, 2017 and 2016, our economic value of equity exposure related to these hypothetical changes in market interest rates was within the current guidelines established by us. The following tables show projected change in economic value of equity for this set of rate shocks.

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Economic Value of Equity

Interest Rate Scenario (change in basis point from Base)

Down

	100	Base	Up 100	Up 200	Up 300	Up 400	Up 500					
	(dollars in thousands)											
Assets	\$847,537	\$824,808	\$807,810	\$790,955	\$775,754	\$760,912	\$744,936					
Liabilities	754,397	740,293	731,860	723,909	716,402	709,304	702,584					
Net present value	\$93,140	\$84,515	\$75,950	\$67,046	\$59,352	\$51,608	\$42,352					
% change	10.2	%	-10.1	%	-20.7	%	-29.8	%	-38.9	%	-49.9	%

Economic Value of Equity

Interest Rate Scenario (change in basis point from Base)

Down

	100	Base	Up 100	Up 200	Up 300	Up 400	Up 500					
	(dollars in thousands)											
Assets	\$717,826	\$698,123	\$679,315	\$664,298	\$652,452	\$640,693	\$626,206					
Liabilities	632,987	617,359	606,434	596,260	586,768	577,898	569,595					
Net present value	\$84,839	\$80,764	\$72,881	\$68,038	\$65,684	\$62,795	\$56,611					
% change	5.0	%	-9.8	%	-15.8	%	-18.7	%	-22.2	%	-29.9	%

For further discussion of interest rate risk, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity Management - Interest Rate Risk.”

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ITEM 8. FINANCIAL STATEMENTS AND
SUPPLEMENTARY DATA

Our consolidated financial statements and supplementary data included in this Form 10-K begin on page 49 immediately following the index to consolidated financial statements page to this Form 10-K.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Community West Bancshares

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Community West Bancshares (the Company) as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ RSM US LLP

We have served as the Company's auditor since 2015.

Las Vegas, Nevada
March 2, 2018

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IndexCOMMUNITY WEST BANCSHARES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2017	2016
	(in thousands, except share amounts)	
Assets:		
Cash and due from banks	\$ 3,639	\$ 2,385
Federal funds sold	12	16
Interest-earning demand in other financial institutions	42,218	31,715
Cash and cash equivalents	45,869	34,116
Investment securities - available-for-sale, at fair value	28,783	22,681
Investment securities - held-to-maturity, at amortized cost	7,565	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	55,094	61,416
Held for investment, net of allowance for loan losses	671,095	561,939
Total loans	726,189	623,355
Other assets acquired through foreclosure, net	372	137
Premises and equipment, net	5,581	3,931
Other assets	15,236	13,907
Total assets	\$ 833,315	\$ 710,572
Liabilities:		
Deposits:		
Non-interest-bearing demand	\$ 108,500	\$ 100,372
Interest-bearing demand	256,717	253,023
Savings	14,085	14,007
Certificates of deposit (\$250,000 or more)	81,985	77,509
Other certificates of deposit	238,397	167,325
Total deposits	699,684	612,236
Other borrowings	56,843	29,000
Other liabilities	6,718	4,000
Total liabilities	763,245	645,236
Stockholders' equity:		
Common stock — no par value	42,604	41,575
Retained earnings	27,441	23,790
Accumulated other comprehensive income (loss)	25	(29
Total stockholders' equity	70,070	65,336
Total liabilities and stockholders' equity	\$ 833,315	\$ 710,572

See the accompanying notes.

IndexCOMMUNITY WEST BANCSHARES
CONSOLIDATED INCOME STATEMENTS

	Year Ended December 31,		
	2017	2016	2015
	(in thousands, except per share amounts)		
Interest income:			
Loans, including fees	\$ 36,192	\$ 31,097	\$ 29,139
Investment securities and other	1,199	1,119	1,083
Total interest income	37,391	32,216	30,222
Interest expense:			
Deposits	4,283	2,851	2,383
Other borrowings	446	276	133
Total interest expense	4,729	3,127	2,516
Net interest income	32,662	29,089	27,706
Provision (credit) for loan losses	411	(48)	(2,274)
Net interest income after provision for loan losses	32,251	29,137	29,980
Non-interest income:			
Other loan fees	1,300	1,042	1,014
Document processing fees	558	496	466
Service charges	458	403	372
Gains from loan sales, net	53	-	132
Other	581	312	325
Total non-interest income	2,950	2,253	2,309
Non-interest expenses:			
Salaries and employee benefits	15,339	14,383	12,904
Occupancy, net	2,862	2,264	1,943
Professional services	1,069	873	993
Advertising and marketing	750	616	466
Data processing	725	793	533
Depreciation	685	678	399
FDIC assessment	664	376	342
Stock based compensation	537	338	412
Loan servicing and collection	253	209	395
Loan litigation settlement, net	-	-	7,095
Other	1,854	2,018	1,799
Total non-interest expenses	24,738	22,548	27,281
Income before provision for income taxes	10,463	8,842	5,008
Provision for income taxes	5,548	3,613	2,138
Net income	4,915	5,229	2,870
Dividends and accretion on preferred stock	-	-	445
Discount on partial redemption of preferred stock	-	-	(129)
Net income available to common stockholders	\$ 4,915	\$ 5,229	\$ 2,554
Earnings per share:			
Basic	\$ 0.60	\$ 0.64	\$ 0.31
Diluted	\$ 0.57	\$ 0.62	\$ 0.30
Weighted average number of common shares outstanding:			
Basic	8,146	8,114	8,203
Diluted	8,589	8,444	8,491
Dividends declared per common share	\$ 0.155	\$ 0.135	\$ 0.110

See the accompanying notes.

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COMMUNITY WEST BANCSHARES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
Net income	\$4,915	\$5,229	\$2,870
Other comprehensive income (loss), net:			
Unrealized income (loss) on securities available-for-sale (AFS), net (tax effect of (\$32), \$69, (\$212) for each respective period presented)	54	39	(99)
Net other comprehensive income (loss)	54	39	(99)
Comprehensive income	\$4,969	\$5,268	\$2,771

See the accompanying notes.

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COMMUNITY WEST BANCSHARES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Preferred Stock		Common Stock		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
	(in thousands)						
Balance, December 31, 2014:	7	\$7,014	8,203	\$41,957	\$ 31	\$18,005	\$ 67,007
Net income	-	-	-	-	-	2,870	2,870
Exercise of stock options	-	-	7	14	-	-	14
Stock based compensation	-	-	-	412	-	-	412
Preferred stock redemption and discount	(7)	(7,014)	-	-	-	129	(6,885)
Common stock repurchase	-	-	(4)	(28)	-	-	(28)
Dividends on preferred stock	-	-	-	-	-	(445)	(445)
Dividends on common stock	-	-	-	-	-	(902)	(902)
Other comprehensive loss, net	-	-	-	-	(99)	-	(99)
Balance, December 31, 2015:	-	-	8,206	42,355	(68)	19,657	61,944
Net income	-	-	-	-	-	5,229	5,229
Exercise of stock options	-	-	74	220	-	-	220
Stock based compensation	-	-	-	338	-	-	338
Common stock repurchase	-	-	(184)	(1,338)	-	-	(1,338)
Dividends on common stock	-	-	-	-	-	(1,096)	(1,096)
Other comprehensive income, net	-	-	-	-	39	-	39
Balance, December 31, 2016:	-	-	8,096	41,575	(29)	23,790	65,336
Net income	-	-	-	-	-	4,915	4,915
Exercise of stock options	-	-	97	492	-	-	492
Stock based compensation	-	-	-	537	-	-	537
Dividends on common stock	-	-	-	-	-	(1,264)	(1,264)
Other comprehensive income, net	-	-	-	-	54	-	54
Balance, December 31, 2017:	-	\$-	8,193	\$42,604	\$ 25	\$27,441	\$ 70,070

See the accompanying notes.

IndexCOMMUNITY WEST BANCSHARES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
Cash flows from operating activities:			
Net income	\$4,915	\$5,229	\$2,870
Adjustments to reconcile net income to cash provided by operating activities:			
Provision (credit) for loan losses	411	(48)	(2,274)
Depreciation	685	678	399
Stock-based compensation	537	338	412
Deferred income taxes	528	(409)	(21)
Net (accretion) amortization of discounts and premiums for investment securities	80	(82)	(12)
(Gains) losses on:			
Sale of repossessed assets, net	(150)	16	10
Sale of loans, net	(53)	-	(132)
Sale of assets, net	-	-	32
Loans originated for sale and principal collections, net	6,375	3,072	2,403
Changes in:			
Other assets	(1,882)	(551)	1,986
Other liabilities	2,719	(431)	1,283
Servicing assets, net	78	58	56
Net cash provided by operating activities	14,243	7,870	7,012
Cash flows from investing activities:			
Principal pay downs and maturities of available-for-sale securities	3,256	10,730	9,981
Purchase of available-for-sale securities	(9,413)	(9,810)	(11,370)
Principal pay downs and maturities of held-to-maturity securities	1,413	709	1,407
Purchase of held-to-maturity securities	-	(2,697)	-
Loan originations and principal collections, net	(110,069)	(90,183)	(49,896)
Purchase of bank owned life insurance	-	(900)	-
Purchase of restricted stock, net	(277)	(184)	(170)
Net increase in interest-bearing deposits in other financial institutions	-	99	-
Purchase of premises and equipment, net	(2,335)	(1,616)	(371)
Proceeds from sale of other real estate owned and repossessed assets, net	416	395	538
Net cash used in investing activities	(117,009)	(93,457)	(49,881)
Cash flows from financing activities:			
Net increase in deposits	87,448	67,898	67,254
Net increase in borrowings	27,843	18,500	500
Exercise of stock options	492	220	14
Cash dividends paid on common stock	(1,264)	(1,096)	(902)
Common stock repurchase	-	(1,338)	(28)
Redemption of preferred stock	-	-	(6,885)
Cash dividends paid on preferred stock	-	-	(524)
Net cash provided by financing activities	114,519	84,184	59,429
Net increase (decrease) in cash and cash equivalents	11,753	(1,403)	16,560
Cash and cash equivalents at beginning of year	34,116	35,519	18,959
Cash and cash equivalents at end of period	\$45,869	\$34,116	\$35,519
Supplemental disclosure:			
Cash paid during the period for:			

Explanation of Responses:

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Interest	\$4,357	\$3,072	\$2,436
Income taxes	4,830	5,250	675
Non-cash investing and financing activity:			
Transfers to other assets acquired through foreclosure, net	501	350	609

See the accompanying notes.

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COMMUNITY WEST BANCSHARES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Community West Bancshares (“CWBC”), incorporated under the laws of the state of California, is a bank holding company providing full service banking through its wholly-owned subsidiary Community West Bank, N.A. (“CWB” or the “Bank”). These entities are collectively referred to herein as the “Company”.

Basis of Presentation

The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States (“GAAP”) and conform to practices within the financial services industry. The accounts of the Company and its consolidated subsidiary are included in these Consolidated Financial Statements. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes in the near term relate to the determination of the allowance for loan losses and fair value of investment securities available for sale. Although Management believes these estimates to be reasonably accurate, actual amounts may differ. In the opinion of Management, all adjustments considered necessary have been reflected in the financial statements during their preparation.

Reclassifications

Certain amounts in the consolidated financial statements as of and for the years ended December 31, 2016 and 2015 have been reclassified to conform to the current presentation. The reclassifications have no effect on net income or stockholders’ equity as previously reported.

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, 2017, 2016 and 2015, the Company had only one reportable business segment.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks (including cash items in process of clearing), and federal funds sold. Cash flows from loans originated by the Company and deposits are reported net.

The Company maintains amounts due from banks, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Explanation of Responses:

Cash Reserve Requirement

Depository institutions are required by law to maintain reserves against their transaction deposits. The reserves must be held in cash or with the Federal Reserve Bank (“FRB”). The amount of the reserve varies by bank as the bank is permitted to meet this requirement by maintaining the specified amount as an average balance over a two-week period. The total reserve balance requirement was approximately \$3.6 million and \$1.6 million as of December 31, 2017 and 2016.

Investment Securities

Investment securities may be classified as held-to-maturity (“HTM”), available-for-sale (“AFS”) or trading. The appropriate classification is initially decided at the time of purchase. Securities classified as held-to-maturity are those debt securities the Company has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or general economic conditions. These securities are carried at amortized cost. The sale of a security within three months of its maturity date or after the majority of the principal outstanding has been collected is considered a maturity for purposes of classification and disclosure.

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Securities classified as AFS or trading are reported as an asset on the Consolidated Balance Sheets at their estimated fair value. As the fair value of AFS securities changes, the changes are reported net of income tax as an element of other comprehensive income (“OCI”), except for impaired securities. When AFS securities are sold, the unrealized gain or loss is reclassified from OCI to non-interest income. The changes in the fair values of trading securities are reported in non-interest income. Securities classified as AFS are debt securities the Company intends to hold for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as AFS would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Company’s assets and liabilities, liquidity needs, decline in credit quality, and regulatory capital considerations. The Company does not currently have any investment securities classified as trading.

Interest income is recognized based on the coupon rate and increased by accretion of discounts earned or decreased by the amortization of premiums paid over the contractual life of the security using the interest method. For mortgage-backed securities, estimates of prepayments are considered in the constant yield calculations.

In estimating whether there are any other than temporary impairment losses, management considers 1) the length of time and the extent to which the fair value has been less than amortized cost, 2) the financial condition and near term prospects of the issuer, 3) the impact of changes in market interest rates, and 4) the intent and ability of the Company to retain its investment for a period of time sufficient to allow for any anticipated recovery in fair value and it is not more likely than not the Company would be required to sell the security.

Declines in the fair value of individual debt securities available for sale that are deemed to be other than temporary are reflected in earnings when identified. The fair value of the debt security then becomes the new cost basis. For individual debt securities where the Company does not intend to sell the security and it is not more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis, the other than temporary decline in fair value of the debt security related to 1) credit loss is recognized in earnings, and 2) market or other factors is recognized in other comprehensive income or loss. Credit loss is recorded if the present value of cash flows is less than amortized cost.

For individual debt securities where the Company intends to sell the security or more likely than not will not recover all of its amortized cost, the other than temporary impairment is recognized in earnings equal to the entire difference between the securities cost basis and its fair value at the balance sheet date. For individual debt securities for which a credit loss has been recognized in earnings, interest accruals and amortization and accretion of premiums and discounts are suspended when the credit loss is recognized. Interest received after accruals have been suspended is recognized on a cash basis.

Federal Home Loan Bank (“FHLB”) and Federal Reserve Bank (“FRB”) Stock

The Company’s subsidiary bank is a member of the Federal Home Loan Bank (“FHLB”) system and maintains an investment in capital stock of the FHLB. The bank also maintains an investment in FRB stock. These investments are considered equity securities with no actively traded market. These investments are carried at cost, which is equal to the value at which they may be redeemed. The dividend income received from the stock is reported in interest income. We conduct a periodic review and evaluation of our FHLB stock to determine if any impairment exists. No impairment existed in the years ended December 31, 2017 or 2016.

Servicing Assets

The guaranteed portion of certain Small Business Administration (“SBA”) loans can be sold into the secondary market. Servicing assets are recognized as separate assets when loans are sold with servicing retained. Servicing assets 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

evaluates its servicing assets for impairment quarterly. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Fair value is determined using discounted future cash flows calculated on a loan-by-loan basis and aggregated by predominate risk characteristics. The initial servicing asset and resulting gain on sale are calculated based on the difference between the best actual par and premium bids on an individual loan basis.

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 fair value provision. Loans held for sale are mostly comprised of SBA and commercial agriculture. In 2015, the Company exited from originating single family residential loans for sale. The Company did not incur any lower of cost or fair value provision in the years ended December 31, 2017, 2016 and 2015.

Loans Held for Investment and Interest and Fees from Loans

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.

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Interest income on loans is accrued daily using the effective interest method and recognized over the terms of the loans. Loan fees collected for the origination of loans less direct loan origination costs (net deferred loan fees) are amortized over the contractual life of the loan through interest income. If the loan has scheduled payments, the amortization of the net deferred loan fee is calculated using the interest method over the contractual life of the loan. If the loan does not have scheduled payments, such as a line of credit, the net deferred loan fee is recognized as interest income on a straight-line basis over the contractual life of the loan commitment. Commitment fees based on a percentage of a customer's unused line of credit and fees related to standby letters of credit are recognized over the commitment period.

When loans are repaid, any remaining unamortized balances of unearned fees, deferred fees and costs and premiums and discounts paid on purchased loans are accounted for through interest income.

Nonaccrual loans: For all loan types, when a borrower discontinues making payments as contractually required by the note, the Company must determine whether it is appropriate to continue to accrue interest. Generally, the Company places loans in a nonaccrual status and ceases recognizing interest income when the loan has become delinquent by more than 90 days or when Management determines that the full repayment of principal and collection of interest is unlikely. The Company may decide to continue to accrue interest on certain loans more than 90 days delinquent if they are well secured by collateral and in the process of collection. Other personal loans are typically charged off no later than 120 days delinquent.

For all loan types, when a loan is placed on nonaccrual status, all interest accrued but uncollected is reversed against interest income in the period in which the status is changed. Subsequent payments received from the customer are applied to principal and no further interest income is recognized until the principal has been paid in full or until circumstances have changed such that payments are again consistently received as contractually required. The Company occasionally recognizes income on a cash basis for non-accrual loans in which the collection of the remaining principal balance is not in doubt.

Impaired loans: A loan is considered impaired when, based on current information; it is probable that the Company will be unable to collect the scheduled payments of principal and/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/or interest payments. Loans that experience insignificant payment delays or payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays or 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. The collateral-dependent loans that recognize impairment are charged down to the fair value less costs to sell. All other loans are measured for impairment either based on the present value of future cash flows or the loan's observable market price.

Troubled debt restructured loan ("TDR"): A TDR is a loan on which the Company, for reasons related to the borrower's financial difficulties, grants a concession to the borrower that the Company would not otherwise consider. These concessions included but are not limited to term extensions, rate reductions and principal reductions. Forgiveness of principal is rarely granted and modifications for all classes of loans are predominately term extensions. A TDR loan is also considered impaired. Generally, a loan that is modified at an effective market rate of interest may no longer be disclosed as a troubled debt restructuring in years subsequent to the restructuring if it is not impaired based on the terms specified by the restructuring agreement.

Allowance for Loan Losses and Provision 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 appropriate to provide for probable losses inherent in the loan portfolio. This process involves deriving probable loss estimates that are based on migration analysis and historical loss rates, in addition to qualitative factors that are based on management’s judgment. The migration analysis and historical loss rate calculations are based on the annualized loss rates utilizing a twelve-quarter loss history. Migration analysis is utilized for the Commercial Real Estate (“CRE”), Commercial, Commercial Agriculture, Small Business Administration (“SBA”), Home Equity Line of Credit (“HELOC”), Single Family Residential, and Consumer portfolios. The historical loss rate method is utilized primarily for the Manufactured Housing portfolio. The migration analysis takes into account the risk rating of loans that are charged off in each loan category. Loans that are considered Doubtful are typically charged off. The following is a description of the characteristics of loan ratings. Loan ratings are reviewed as part of our normal loan monitoring process, but, at a minimum, updated on an annual basis.

Outstanding – This is the highest quality rating that is assigned to any loan in the portfolio. These loans are made to the highest quality borrowers with strong financial statements and unquestionable repayment sources. Collateral securing these types of credits are generally cash deposits in the bank or marketable securities held in custody.

Good – Loans rated in this category are strong loans, underwritten well, that bear little risk of loss to the Company. Loans in this category are loans to quality borrowers with very good financial statements that present an identifiable strong primary source and good secondary source of repayment. Generally, these credits are well collateralized by good quality and liquid assets or low loan to value market real estate.

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Pass - Loans rated in this category are acceptable loans, appropriately underwritten, bearing an ordinary risk of loss to the Company. Loans in this category are loans to quality borrowers with financial statements presenting a good primary source as well as an adequate secondary source of repayment. In the case of individuals, borrowers with this rating are quality borrowers demonstrating a reasonable level of secure income, a net worth adequate to support the loan and presenting a good primary source as well as an adequate secondary source of repayment.

Watch – Acceptable credit that requires a temporary increase in attention by management. This can be caused by declines in sales, margins, liquidity or working capital. Generally the primary weakness is lack of current financial statements and industry issues.

Special Mention - A Special Mention loan has potential weaknesses that require management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

Substandard - A Substandard loan is inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. These loans have a well-defined weakness or weaknesses that jeopardize full collection of amounts due. They are characterized by the distinct possibility that the Company will sustain some loss if the borrower's deficiencies are not corrected.

Doubtful - A loan classified Doubtful has all the weaknesses inherent in one classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors, which may work to the advantage and strengthening of the loan, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition or liquidation procedures, capital injection, perfecting liens on additional collateral and refinancing plans.

Loss - Loans classified Loss are considered uncollectible and of such little value that their continuance as bankable loans is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this loan even though partial recovery may be realized in the future. Losses are taken in the period in which they are considered uncollectible.

The Company's ALL is maintained at a level believed appropriate by management to absorb known and inherent probable losses on existing loans. The allowance is charged for losses when management believes that full recovery on the loan is unlikely. The following is the Company's policy regarding charging off loans.

Commercial, CRE and SBA Loans

Charge-offs on these loan categories are taken as soon as all or a portion of any loan balance is deemed to be uncollectible. A loan is considered impaired when, based on current information, it is probable that the Company will be unable to collect the scheduled payments of principal and/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/or interest payments. Loans that experience insignificant payment delays or payment shortfalls generally are not classified as impaired. Generally, loan balances are charged-down to the fair value of the collateral, if, based on a current assessment of the value, an apparent deficiency exists. In the event there is no perceived equity, the loan is charged-off in full. Unsecured loans which are delinquent over 90 days are also charged-off in full.

Single Family Real Estate, HELOC's and Manufactured Housing Loans

Explanation of Responses:

Consumer loans and residential mortgages secured by one-to-four family residential properties, HELOC and manufactured housing loans in which principal or interest is due and unpaid for 90 days, are evaluated for impairment. Loan balances are charged-off to the fair value of the property, less estimated selling costs, if, based on a current appraisal, an apparent deficiency exists. In the event there is no perceived equity, the loan is generally fully charged-off.

Consumer Loans

All consumer loans (excluding real estate mortgages, HELOCs and savings secured loans) are charged-off or charged-down to net recoverable value before becoming 120 days or five payments delinquent.

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The ALL calculation for the different loan portfolios is as follows:

Commercial Real Estate, Commercial, Commercial Agriculture, SBA, HELOC, Single Family Residential, and Consumer – Migration analysis combined with risk rating is used to determine the required ALL for all non-impaired loans. In addition, the migration results are adjusted based upon qualitative factors that affect the specific portfolio category. Reserves on impaired loans are determined based upon the individual characteristics of the loan.

Manufactured Housing – The ALL is calculated on the basis of loss history and risk rating, which is primarily a function of delinquency. In addition, the loss results are adjusted based upon qualitative factors that affect this specific portfolio.

The Company evaluates and individually assesses for impairment loans classified as substandard or doubtful in addition to loans either on nonaccrual, considered a TDR or when other conditions exist which lead management to review for possible impairment. Measurement of impairment on impaired loans is determined on a loan-by-loan basis and in total establishes a specific reserve for impaired loans. The amount of impairment is determined by comparing the recorded investment in each loan with its value measured by one of three methods:

- The expected future cash flows are estimated and then discounted at the effective interest rate.
- The value of the underlying collateral net of selling costs. Selling costs are estimated based on industry standards, the Company's actual experience or actual costs incurred as appropriate. When evaluating real estate collateral, the Company typically uses appraisals or valuations, no more than twelve months old at time of evaluation. When evaluating non-real estate collateral securing the loan, the Company will use audited financial statements or appraisals no more than twelve months old at time of evaluation. Additionally, for both real estate and non-real estate collateral, the Company may use other sources to determine value as deemed appropriate.
- The loan's observable market price.

Interest income is not recognized on impaired loans except for limited circumstances in which a loan, although impaired, continues to perform in accordance with the loan contract and the borrower provides financial information to support maintaining the loan on accrual.

The Company determines the appropriate ALL on a monthly basis. Any differences between estimated and actual observed losses from the prior month are reflected in the current period in determining the appropriate ALL and adjusted as deemed necessary. The review of the appropriateness 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 and environmental 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.

Another component of the ALL considers qualitative factors related to non-impaired loans. The qualitative portion of the allowance on each of the loan pools is based on changes in any of the following factors:

- Concentrations of credit
- International risk
- Trends in volume, maturity, and composition of loans
- Volume and trend in delinquency, nonaccrual, and classified assets
- Economic conditions
- Geographic distance
- Policy and procedures or underwriting standards
- Staff experience and ability

Explanation of Responses:

- Value of underlying collateral
- Competition, legal, or regulatory environment
- Results of outside exams and quality of loan review and Board oversight

Off Balance Sheet and Credit Exposure

In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they are funded. They involve, to varying degrees, elements of credit risk in excess of amounts recognized in the consolidated balance sheets. Losses would be experienced when the Company is contractually obligated to make a payment under these instruments and must seek repayment from the borrower, which may not be as financially sound in the current period as they were when the commitment was originally made. 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. The Company enters into credit arrangements that generally provide for the termination of advances in the event of a covenant violation or other event of default. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. 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 party. The commitments are collateralized by the same types of assets used as loan collateral.

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As with outstanding loans, the Company applies qualitative factors and utilization rates to its off-balance sheet obligations in determining an estimate of losses inherent in these contractual obligations. The estimate for loan losses on off-balance sheet instruments is included within other liabilities and the charge to income that establishes this liability is included in non-interest expense.

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:

	December 31, 2017	December 31, 2016
Cash Reserve Requirement [Abstract]		
Total reserve balance	3.6	1.6
Bank Owned Life Insurance [Abstract]		
Cash surrender value of life insurance	4.5	4.3
Premises and Equipment [Abstract]		
Building and improvements	31.5	
Furniture and equipment	5.0	10.0
Electronic equipment and software	3.0	5.0

Foreclosed Real Estate and Repossessed Assets

Foreclosed real estate and other repossessed assets are recorded at fair value at the time of foreclosure less estimated costs to sell. Any excess of loan balance over the fair value less estimated costs to sell of the other assets is charged-off against the allowance for loan losses. Any excess of the fair value less estimated costs to sell over the loan balance is recorded as a loan loss recovery to the extent of the loan loss previously charged-off against the allowance for loan losses; and, if greater, recorded as a gain on foreclosed assets. Subsequent to the legal ownership date, the Company periodically performs a new valuation and the asset is carried at the lower of carrying amount or fair value less estimated costs to sell. Operating expenses or income, and gains or losses on disposition of such properties, are recorded in current operations.

Income Taxes

The Company uses the asset and liability method, which recognizes an asset or liability representing the tax effects of future deductible or taxable amounts that have been recognized in the consolidated financial statements. 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 the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets may not be realized. Any interest or penalties assessed by the taxing authorities is classified in the financial statements as income tax expense. Deferred tax assets are included in other assets on the consolidated balance sheets.

Management evaluates the Company’s deferred tax asset for recoverability using a consistent approach which considers the relative impact of negative and positive evidence, including the Company’s historical profitability and projections of future taxable income. The Company is required to establish a valuation allowance for deferred tax assets and record a charge to income if management determines, based on available evidence at the time the

determination is made, that it is more likely than not that some portion or all of the deferred tax assets may not be realized.

The Company is subject to the provisions of ASC 740, Income Taxes (“ASC 740”). ASC 740 prescribes a more likely than not threshold for the financial statement recognition of uncertain tax positions. ASC 740 clarifies the accounting for income taxes by prescribing a minimum recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. On a quarterly basis, the Company evaluates income tax accruals in accordance with ASC 740 guidance on uncertain tax positions.

Bank Owned Life Insurance

Bank owned life insurance is stated at its cash surrender value with changes recorded in other non-interest income in the consolidated income statements. The cash surrender value of the underlying policies was \$4.5 million and \$4.3 million as of December 31, 2017 and 2016, respectively. There are no loans offset against cash surrender values, and there are no restrictions as to the use of proceeds.

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Fair Value of Financial Instruments

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities. FASB ASC 820, Fair Value Measurements and Disclosures (“ASC 820”) established a framework for measuring fair value using a three-level valuation hierarchy for disclosure of fair value measurement. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset as of the measurement date. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company’s assumptions about the factors market participants would consider in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs, as follows:

Level 1— Observable quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2— Observable quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, matrix pricing or model-based valuation techniques where all significant assumptions are observable, either directly or indirectly in the market.

Level 3— Model-based techniques where all significant assumptions are not observable, either directly or indirectly, in the market. These unobservable assumptions reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques may include use of discounted cash flow models and similar techniques.

The availability of observable inputs varies based on the nature of the specific financial instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant who holds the asset or owes the liability rather than an entity-specific measure. When market assumptions are available, ASC 820 requires the Company to make assumptions regarding the assumptions that market participants would use to estimate the fair value of the financial instrument at the measurement date.

FASB ASC 825, Financial Instruments (“ASC 825”) requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value.

Management uses its best judgment in estimating the fair value of the Company’s financial instruments; however, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented herein are not necessarily indicative of the amounts the Company could have realized in a sales transaction at December 31, 2017 or 2016. The estimated fair value amounts for December 31, 2017 and 2016 have been measured as of period-end, and have not been reevaluated or updated for purposes of these consolidated financial statements subsequent to those dates. As such, the estimated fair values of these financial instruments subsequent to the reporting date may be different than the amounts reported at the period-end.

The information presented in Note 15, “Fair Value Measurement,” should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only required for a limited portion of the Company’s assets and liabilities.

Due to the wide range of valuation techniques and the degree of subjectivity used in making the estimate, comparisons between the Company's disclosures and those of other companies or banks may not be meaningful.

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments:

Cash and cash equivalents

The carrying amounts reported in the consolidated balance sheets for cash and due from banks approximate their fair value.

Money market investments

The carrying amounts reported in the consolidated balance sheets for money market investments approximate their fair value.

Investment securities

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The fair value of Farmer Mac class A stock is based on quoted market prices and are categorized as Level 1 of the fair value hierarchy.

The fair value of other investment securities were determined based on matrix pricing. Matrix pricing is a mathematical technique that utilizes observable market inputs including, for example, yield curves, credit ratings and prepayment speeds. Fair values determined using matrix pricing are generally categorized as Level 2 in the fair value hierarchy.

FRB and FHLB stock

CWB is a member of the FHLB system and maintains an investment in capital stock of the FHLB. CWB also maintain an investment in FRB stock. These investments are carried at cost since no ready market exists for them, and they have no quoted market value. The Company conducts a periodic review and evaluation of our FHLB stock to determine if any impairment exists. The fair values have been categorized as Level 2 in the fair value hierarchy.

Loans

Fair value for loans is estimated based on discounted cash flows using interest rates currently being offered for loans with similar terms to borrowers with similar credit quality with adjustments that the Company believes a market participant would consider in determining fair value based on a third party independent valuation. As a result, the fair value for loans is categorized as Level 2 in the fair value hierarchy. Fair values of impaired loans using a discounted cash flow method to measure impairment have been categorized as Level 3.

Deposit liabilities

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. The fair value measurement of deposit liabilities is categorized as Level 2 in the fair value hierarchy.

Federal Home Loan Bank advances and other borrowings

The fair values of the Company's borrowings are estimated using discounted cash flow analyses, based on the market rates for similar types of borrowing arrangements. The other borrowings have been categorized as Level 3 in the fair value hierarchy. The FHLB advances have been categorized as Level 2 in the fair value hierarchy.

Off-balance sheet instruments

Fair values for the Company's off-balance sheet instruments (lending commitments and standby letters of credit) are based on quoted fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

Earnings Per Share

Basic earnings per common share is computed using the weighted average number of common shares outstanding for the period divided into the net income (loss) available to common shareholders. Diluted earnings per share include the effect of all dilutive potential common shares for the period. Potentially dilutive common shares include stock options and warrants.

Recent Accounting Pronouncements

In May 2014, the FASB issued guidance codified within ASU 2014-09, “Revenue Recognition - Revenue from Contracts with Customers,” which amends the guidance in former Topic 605, Revenue Recognition. The new revenue recognition standard will supersede virtually all revenue guidance in U.S. GAAP, including industry specific guidance. The guidance in this Update affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets, unless those contracts are within the scope of other standards. ASU 2014-09 is effective for the Company for annual reporting periods beginning after December 15, 2016. In August 2015, this effective date was extended for the Company to December 15, 2017. The Company may elect to apply the amendments of this Update using one of the following two methods: 1) retrospectively to each prior reporting period presented or 2) retrospectively with the cumulative effect of initially applying this Update recognized at the date of initial application. Our revenue is comprised of net interest income on financial assets and liabilities, which is explicitly excluded from the scope of the new guidance, and noninterest income. The contracts that are in scope of the guidance are primarily related to service charges on deposit accounts, cardholder income, and other service charge fees. Based on our overall assessment of revenue streams, the Company believes the adoption will not have a material impact on the Company's Consolidated Financial Statements. The Company adopted this guidance as of January 1, 2018.

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In January 2016, the FASB issued guidance codified within ASU 2016-01, “Financial Instruments – Overall, Subtopic 825-10: Recognition and Measurement of Financial Assets and Financial Liabilities,” which amends certain guidance on classification and measurement of financial instruments. The update is intended to enhance the reporting model for financial instruments to provide users of financial instruments with more decision-useful information and addresses certain aspects of the recognition, measurement, presentation, and disclosure of financial instruments. ASU 2016-01 is effective for the Company for annual reporting periods beginning after December 15, 2017. The Company has evaluated the impact of the provisions in this standard on the Company's Consolidated Financial Statements. The Company adopted this guidance as of January 1, 2018 and believes the adoption will not have a material impact on the Company's Consolidated Financial Statements.

In February 2016, the FASB amended its standards with respect to the accounting for leases. The amended guidance serves to replace all current U.S. GAAP guidance on this topic and requires that an operating lease be recognized on the statement of financial condition as a “right-to-use” asset along with a corresponding liability representing the rent obligation. Key aspects of current lessor accounting remain unchanged from existing guidance. This standard is expected to result in an increase to assets and liabilities recognized and, therefore, increase risk-weighted assets for regulatory capital purposes. The guidance requires the use of the modified retrospective transition approach for existing leases that have not expired before the date of initial application and will become effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The standard is effective for the Company as of January 1, 2019. The Company is currently evaluating the impact of the amended guidance on the Company's Consolidated Financial Statements and has not yet determined the effect of the standard on our ongoing financial reporting.

In March 2016, the FASB issued update guidance codified within ASU-2016-09, “Compensation – Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting,” which amends the guidance on certain aspects of share-based payments to employees. The new guidance will require entities to recognize all income tax effects of awards in the income statement when the awards vest or are settled. The guidance requires the use of the modified retrospective transition method by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted. The standard was effective for the Company as of January 1, 2017. The adoption of this standard did not have a material impact on the Company's Consolidated Financial Statements.

In June of 2016, the FASB issued update guidance codified within ASU-2016-13, “Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments,” which amends the guidance for recognizing credit losses from an “incurred loss” methodology that delays recognition of credit losses until it is probable a loss has been incurred to an expected credit loss methodology. The guidance requires the use of the modified retrospective transition method by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted. The standard is effective for the Company as of January 1, 2020. The Company is currently evaluating the impact of the amended guidance and has not yet determined the effect of the standard on its ongoing financial reporting.

In March 2017, the FASB issued updated guidance codified within ASU-2017-08, “Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20),” which is intended to enhance the accounting for the amortization of premiums for purchased callable debt securities. The standard is effective for the Company as of January 1, 2019. The Company does not believe the standard will have a material impact on the Company's financials.

In February 2018, the FASB issued guidance codified within ASU-2018-02, "Income Statement – Reporting Comprehensive Income (Topic 220), Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," to address the income tax accounting treatment of the standard tax effects within other comprehensive income due to the prohibition of backward tracing due to an income tax rate change that was initially recorded in other comprehensive income. This issue came about from the enactment of the Tax Cuts and Jobs Act on December 22, 2017 that changed the Company's income tax rate from 34% to 21%. The ASU changed current accounting whereby

an entity may elect to reclassify the standard tax effect from accumulated other comprehensive income to retained earnings. The ASU is effective for periods beginning after December 15, 2018 although early adoption is permitted. The Company determined it will early adopt ASU-2018-02 in the first quarter of 2018 and will reclassify its standard tax credit of \$53,000 within accumulated other comprehensive income to retained earnings at January 1, 2018.

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2. INVESTMENT SECURITIES

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

	December 31, 2017			
	Amortized	Gross	Gross	Fair
	Cost	Unrealized	Unrealized	Value
		Gains	Losses	
	(in thousands)			
Securities available-for-sale				
U.S. government agency notes	\$14,035	\$ 35	\$ (92)	) \$13,978
U.S. government agency collateralized mortgage obligations ("CMO")	14,641	66	(58)	) 14,649
Equity securities: Farmer Mac class A stock	66	90	-	) 156
Total	\$28,742	\$ 191	\$ (150)	) \$28,783
Securities held-to-maturity				
U.S. government agency mortgage backed securities ("MBS")	\$7,565	\$ 216	\$ (110)	) \$7,671
Total	\$7,565	\$ 216	\$ (110)	) \$7,671
	December 31, 2016			
	Amortized	Gross	Gross	Fair
	Cost	Unrealized	Unrealized	Value
		Gains	Losses	
	(in thousands)			
Securities available-for-sale				
U.S. government agency notes	\$5,634	\$ -	\$ (62)	) \$5,572
U.S. government agency collateralized mortgage obligations ("CMO")	17,031	48	(85)	) 16,994
Equity securities: Farmer Mac class A stock	66	49	-	) 115
Total	\$22,731	\$ 97	\$ (147)	) \$22,681
Securities held-to-maturity				
U.S. government agency mortgage backed securities ("MBS")	\$9,002	\$ 298	\$ (151)	) \$9,149
Total	\$9,002	\$ 298	\$ (151)	) \$9,149

At December 31, 2017 and 2016, \$36.2 million and \$31.7 million of securities at carrying value, respectively, were pledged to the Federal Home Loan Bank ("FHLB"), as collateral for current and future advances.

The Company had no investment security sales in 2017 or 2016.

The maturity periods and weighted average yields of investment securities at December 31, 2017 and 2016 were as follows:

	December 31, 2017							
	Less than		One to Five		Five to Ten		Over Ten	
	Year	Years	Years	Years	Years	Years	Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(dollars in thousands)							
Securities available-for-sale								
U.S. government agency notes	\$1,967	2.6 %	\$1,833	1.6 %	\$10,178	2.0 %	0.0 %	\$13,978 2.0 %
	-	-	3,362	1.9 %	8,361	1.9 %	2,926	2.3 % 14,649 1.9 %

Explanation of Responses:

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U.S. government agency
CMO

Farmer Mac class A stock	-	-	-	-	-	-	-	-	156	-
Total	\$1,967	2.6 %	\$5,195	1.8 %	\$18,539	1.9 %	\$2,926	2.3 %	\$28,783	2.0 %

Securities held-to-maturity

U.S. government agency

MBS	\$-	-	\$2,802	3.6 %	\$4,763	3.1 %	\$-	0.0 %	\$7,565	3.3 %
Total	\$-	-	\$2,802	3.6 %	\$4,763	3.1 %	\$-	0.0 %	\$7,565	3.3 %

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	December 31, 2016									
	Less than									
	One Year		One to Five Years		Five to Ten Years		Over Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Securities available-for-sale	(dollars in thousands)									
U.S. government agency notes	\$1,973	2.6 %	\$1,963	0.8 %	\$1,636	1.3 %	\$-	-	\$5,572	1.6 %
U.S. government agency CMO	-	-	2,063	1.9 %	11,827	1.1 %	3,104	1.5 %	16,994	1.2 %
Farmer Mac class A stock	-	-	-	-	-	-	-	-	115	-
Total	\$1,973	2.6 %	\$4,026	1.4 %	\$13,463	1.1 %	\$3,104	1.5 %	\$22,681	1.3 %
Securities held-to-maturity										
U.S. government agency MBS	\$-	-	\$797	5.0 %	\$5,531	3.2 %	\$2,674	2.5 %	\$9,002	3.2 %
Total	\$-	-	\$797	5.0 %	\$5,531	3.2 %	\$2,674	2.5 %	\$9,002	3.2 %

The amortized cost and fair value of investment securities by contractual maturities as of the periods presented were as shown below:

	December 31,			
	2017		2016	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Securities available for sale	(in thousands)			
Due in one year or less	\$1,997	\$1,967	\$1,995	\$1,973
After one year through five years	5,220	5,195	4,027	4,026
After five years through ten years	18,506	18,539	13,508	13,463
After ten years	2,953	2,926	3,135	3,104
Farmer Mac class A stock	66	156	66	115
	\$28,742	\$28,783	\$22,731	\$22,681
Securities held to maturity				
Due in one year or less	\$-	\$-	\$-	\$-
After one year through five years	2,802	2,938	797	864
After five years through ten years	4,763	4,733	5,531	5,762
After ten years	-	-	2,674	2,523
	\$7,565	\$7,671	\$9,002	\$9,149

Actual maturities may differ from contractual maturities as borrowers or issuers have the right to prepay or call the investment securities. Changes in interest rates may also impact prepayments.

The following tables show all securities that are in an unrealized loss position:

December 31, 2017				
Less Than				
Twelve Months		More Than Twelve Months		Total
Gross	Fair	Gross	Fair	Gross Fair

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	Unrealized Losses	Value	Unrealized Losses	Value	Unrealized Losses	Value
Securities available-for-sale						
(in thousands)						
U.S. government agency notes	\$70	\$6,324	\$ 22	\$ 3,106	\$92	\$9,430
U.S. government agency CMO	8	985	50	3,430	58	4,415
Equity securities: Farmer Mac class A stock	-	-	-	-	-	-
	\$78	\$7,309	\$ 72	\$ 6,536	\$150	\$13,845
Securities held-to-maturity						
U.S. Government-agency MBS	\$-	\$-	\$ 110	\$ 2,496	\$110	\$2,496
Total	\$-	\$-	\$ 110	\$ 2,496	\$110	\$2,496

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	December 31, 2016					
	Less Than Twelve Months Gross Unrealized Losses Value		More Than Twelve Months Gross Unrealized Losses Value		Total Gross Unrealized Losses Value	
	(in thousands)					
Securities available-for-sale						
U.S. government agency notes	\$29	\$3,936	\$33	\$1,636	\$62	\$5,572
U.S. government agency CMO	35	7,930	50	1,601	85	9,531
Equity securities: Farmer Mac class A stock	-	-	-	-	-	-
	\$64	\$11,866	\$83	\$3,237	\$147	\$15,103
Securities held-to-maturity						
U.S. Government-agency MBS	\$151	\$3,312	\$-	\$-	\$151	\$3,312
Total	\$151	\$3,312	\$-	\$-	\$151	\$3,312

As of December 31, 2017 and 2016, there were 14 and 17 securities, respectively, in an unrealized loss position. Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other than temporary impairment losses, management considers, among other things (i) the length of time and the extent to which the fair value has been less than cost (ii) the financial condition and near-term prospects of the issuer and (iii) the Company's intent to sell an impaired security and if it is not more likely than not it will be required to sell the security before the recovery of its amortized basis.

The unrealized losses are primarily due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity date, repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of December 31, 2017 and 2016, management believes the impairments detailed in the table above are temporary and no other than temporary impairment loss has been realized in the Company's consolidated income statements.

3. LOAN HELD FOR SALE**SBA and Agriculture Loans**

As of December 31, 2017 and 2016, the Company had approximately \$18.9 million and \$26.5 million, respectively, of SBA loans included in loans held for sale. As of December 31, 2017 and 2016, the principal balance of SBA loans serviced for others was \$10.8 million and \$14.2 million, respectively.

The Company's agricultural lending program includes loans for agricultural land, agricultural operational lines, and agricultural term loans for crops, equipment and livestock. The primary products are supported by guarantees issued from the USDA, FSA, and the USDA Business and Industry loan program.

As of December 31, 2017 and 2016, the Company had \$36.2 million and \$34.9 million of USDA loans included in loans held for sale, respectively. As of December 31, 2017 and 2016, the principal balance of USDA loans serviced for others was \$2.0 million and \$1.2 million, respectively.

4. LOANS HELD FOR INVESTMENT

The composition of the Company's loans held for investment loan portfolio follows:

Explanation of Responses:

	December 31,	
	2017	2016
	(in thousands)	
Manufactured housing	\$223,115	\$194,222
Commercial real estate	354,617	272,142
Commercial	75,282	70,369
SBA	7,424	10,164
HELOC	9,422	10,292
Single family real estate	10,346	12,750
Consumer	83	87
	680,289	570,026
Allowance for loan losses	(8,420)	(7,464)
Deferred fees, net	(652)	(453)
Discount on SBA loans	(122)	(170)
Total loans held for investment, net	\$671,095	\$561,939

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The following tables present the contractual aging of the recorded investment in past due held for investment loans by class of loans:

December 31, 2017								Recorded Investment Over 90 Days and Accruing
Current	30-59 Days* Past Due	60-89 Days* Past Due	Over 90 Days* Past Due	Total Past Due	Nonaccrual	Total		
(in thousands)								
Manufactured housing	\$222,342	\$ 355	\$ -	\$ -	\$ 355	\$ 418	\$223,115	\$ -
Commercial real estate:								
Commercial real estate	271,134	-	-	-	-	122	271,256	-
SBA 504 1st trust deed	26,463	-	-	-	-	184	26,647	-
Land	5,092	-	-	-	-	-	5,092	-
Construction	51,622	-	-	-	-	-	51,622	-
Commercial	70,481	15	-	-	15	4,786	75,282	-
SBA	6,461	19	-	-	19	944	7,424	-
HELOC	9,208	-	-	-	-	214	9,422	-
Single family real estate	10,170	-	-	-	-	176	10,346	-
Consumer	83	-	-	-	-	-	83	-
Total	\$673,056	\$ 389	\$ -	\$ -	\$ 389	\$ 6,844	\$680,289	\$ -

December 31, 2016								Recorded Investment Over 90 Days and Accruing
Current	30-59 Days* Past Due	60-89 Days* Past Due	Over 90 Days* Past Due	Total Past Due	Nonaccrual	Total		
(in thousands)								
Manufactured housing	\$192,878	\$ 544	\$ -	\$ -	\$ 544	\$ 800	\$194,222	\$ -
Commercial real estate:								
Commercial real estate	214,248	-	-	-	-	141	214,389	-
SBA 504 1st trust deed	23,167	-	-	-	-	712	23,879	-
Land	3,167	-	-	-	-	-	3,167	-
Construction	30,707	-	-	-	-	-	30,707	-
Commercial	70,332	6	-	-	6	31	70,369	-
SBA	9,296	-	-	-	-	868	10,164	-
HELOC	9,919	-	-	-	-	373	10,292	-
Single family real estate	12,558	-	-	-	-	192	12,750	-
Consumer	87	-	-	-	-	-	87	-
Total	\$566,359	\$ 550	\$ -	\$ -	\$ 550	\$ 3,117	\$570,026	\$ -

Allowance for Loan Losses

The following table summarizes the changes in the allowance for loan losses:

December 31,

Explanation of Responses:

	2017	2016	2015
	(in thousands)		
Beginning balance	\$7,464	\$6,916	\$7,877
Charge-offs	(203)	(245)	(326)
Recoveries	748	841	1,639
Net recoveries	545	596	1,313
Provision (credit)	411	(48)	(2,274)
Ending balance	\$8,420	\$7,464	\$6,916

As of December 31, 2017 and 2016, the Company had reserves for credit losses on undisbursed loans of \$95,000 and \$125,000 which were included in Other liabilities.

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The following tables summarize the changes in the allowance for loan losses by portfolio type:

	For the Year Ended December 31,					Single Family Real Estate	Consumer	Total
	Manufacturing Housing	Commercial Real Estate	Commercial	SBA	HELOC			
2017	(in thousands)							
Beginning balance	\$2,201	\$ 3,707	\$ 1,241	\$106	\$ 100	\$ 109	\$ -	\$7,464
Charge-offs	(119)	-	-	(30)	-	(54)	-	(203)
Recoveries	142	249	161	177	18	1	-	748
Net (charge-offs) recoveries	23	249	161	147	18	(53)	-	545
Provision (credit)	(44)	888	(269)	(180)	(26)	42	-	411
Ending balance	\$2,180	\$ 4,844	\$ 1,133	\$73	\$ 92	\$ 98	\$ -	\$8,420
2016								
Beginning balance	\$3,525	\$ 1,853	\$ 939	\$451	\$ 43	\$ 103	\$ 2	\$6,916
Charge-offs	(123)	-	-	(121)	-	-	(1)	(245)
Recoveries	128	132	136	266	86	93	-	841
Net (charge-offs) recoveries	5	132	136	145	86	93	(1)	596
Provision (credit)	(1,329)	1,722	166	(490)	(29)	(87)	(1)	(48)
Ending balance	\$2,201	\$ 3,707	\$ 1,241	\$106	\$ 100	\$ 109	\$ -	\$7,464
2015								
Beginning balance	\$4,032	\$ 1,459	\$ 986	\$1,066	\$ 140	\$ 192	\$ 2	\$7,877
Charge-offs	(297)	-	-	-	-	(29)	-	(326)
Recoveries	205	545	422	454	10	3	-	1,639
Net (charge-offs) recoveries	(92)	545	422	454	10	(26)	-	1,313
Provision (credit)	(415)	(151)	(469)	(1,069)	(107)	(63)	-	(2,274)
Ending balance	\$3,525	\$ 1,853	\$ 939	\$451	\$ 43	\$ 103	\$ 2	\$6,916

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The following tables present impairment method information related to loans and allowance for loan losses by loan portfolio segment:

	Manufacturing Housing	Commercial Real Estate	Commercial SBA	HELOC	Single Family Real Estate	Consumer	Total	
Loans Held for Investment as of December 31, 2017: Recorded Investment:	(in thousands)							
Impaired loans with an allowance recorded	\$5,830	\$ 557	\$ 3,551	\$281	\$ -	\$ 2,133	\$ -	\$12,352
Impaired loans with no allowance recorded	2,163	-	5,023	699	214	176	-	8,275
Total loans individually evaluated for impairment	7,993	557	8,574	980	214	2,309	-	20,627
Loans collectively evaluated for impairment	215,122	354,060	66,708	6,444	9,208	8,037	83	659,662
Total loans held for investment	\$223,115	\$ 354,617	\$ 75,282	\$7,424	\$9,422	\$ 10,346	\$ 83	\$680,289
Unpaid Principal Balance								
Impaired loans with an allowance recorded	\$5,836	\$ 661	\$ 3,551	\$281	\$ -	\$ 2,133	\$ -	\$12,462
Impaired loans with no allowance recorded	3,328	-	5,042	1,026	249	220	-	9,865
Total loans individually evaluated for impairment	9,164	661	8,593	1,307	249	2,353	-	22,327
Loans collectively evaluated for impairment	215,122	354,060	66,708	6,444	9,208	8,037	83	659,662
Total loans held for investment	\$224,286	\$ 354,721	\$ 75,301	\$7,751	\$9,457	\$ 10,390	\$ 83	\$681,989
Related Allowance for Credit Losses								
Impaired loans with an allowance recorded	\$427	\$ 11	\$ 50	\$1	\$ -	\$ 35	\$ -	\$524
Impaired loans with no allowance recorded	-	-	-	-	-	-	-	-
Total loans individually evaluated for impairment	427	11	50	1	-	35	-	524
Loans collectively evaluated for impairment	1,753	4,833	1,083	72	92	63	-	7,896
Total loans held for investment	\$2,180	\$ 4,844	\$ 1,133	\$73	\$92	\$ 98	\$ -	\$8,420

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	Manufacturing Housing	Commercial Real Estate	Commercial SBA	HELOC	Single Family Real Estate	Consumer	Total	
Loans Held for Investment as of December 31, 2016: Recorded Investment: Impaired loans with an allowance recorded	(in thousands)							
	\$6,065	\$ 1,112	\$ 3,749	\$70	\$45	\$ 2,039	\$ -	\$13,080
Impaired loans with no allowance recorded	2,846	-	31	1,067	328	191	-	4,463
Total loans individually evaluated for impairment	8,911	1,112	3,780	1,137	373	2,230	-	17,543
Loans collectively evaluated for impairment	185,311	271,030	66,589	9,027	9,919	10,520	87	552,483
Total loans held for investment	\$194,222	\$ 272,142	\$ 70,369	\$10,164	\$10,292	\$ 12,750	\$ 87	\$570,026
Unpaid Principal Balance Impaired loans with an allowance recorded	\$6,133	\$ 1,253	\$ 3,749	\$70	\$57	\$ 2,039	\$ -	\$13,301
Impaired loans with no allowance recorded	4,369	-	31	1,538	348	226	-	6,512
Total loans individually evaluated for impairment	10,502	1,253	3,780	1,608	405	2,265	-	19,813
Loans collectively evaluated for impairment	185,311	271,030	66,589	9,027	9,919	10,520	87	552,483
Total loans held for investment	\$195,813	\$ 272,283	\$ 70,369	\$10,635	\$10,324	\$ 12,785	\$ 87	\$572,296
Related Allowance for Credit Losses Impaired loans with an allowance recorded	\$548	\$ 17	\$ 165	\$-	\$1	\$ 28	\$ -	\$759
Impaired loans with no allowance recorded	-	-	-	-	-	-	-	-
Total loans individually evaluated for impairment	548	17	165	-	1	28	-	759
Loans collectively evaluated for impairment	1,653	3,690	1,076	106	99	81	-	6,705
Total loans held for investment	\$2,201	\$ 3,707	\$ 1,241	\$106	\$100	\$ 109	\$ -	\$7,464

Included in impaired loans are \$2.6 million and \$1.0 million of loans guaranteed by government agencies at December 31, 2017 and 2016, respectively. A valuation allowance is established for an impaired loan when the fair value of the loan is less than the recorded investment. In certain cases, portions of impaired loans are charged-off to realizable value instead of establishing a valuation allowance and are included, when applicable in the table above as "Impaired loans without specific valuation allowance under ASC 310." The valuation allowance disclosed above is included in the allowance for loan losses reported in the consolidated balance sheets as of December 31, 2017 and 2016.

The table below reflects recorded investment in loans classified as impaired:

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	December 31,	
	2017	2016
	(in thousands)	
Impaired loans with a specific valuation allowance under ASC 310	\$12,352	\$13,080
Impaired loans without a specific valuation allowance under ASC 310	8,275	4,463
Total impaired loans	\$20,627	\$17,543
Valuation allowance related to impaired loans	\$524	\$759

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The following table presents impaired loans by class:

	December 31,	
	2017	2016
	(in thousands)	
Manufactured housing	\$7,993	\$8,911
Commercial real estate :		
Commercial real estate	122	142
SBA 504 1st trust deed	435	970
Land	-	-
Construction	-	-
Commercial	8,574	3,780
SBA	980	1,137
HELOC	214	373
Single family real estate	2,309	2,230
Consumer	-	-
Total	\$20,627	\$17,543

The following table summarizes the average investment in impaired loans by class and the related interest income recognized:

	Year Ended December 31,					
	2017		2016		2015	
	Average		Average		Average	
	Investment		Investment		Investment	
	in		in		in	
	Impaired	Interest	Impaired	Interest	Impaired	Interest
	Loans	Income	Loans	Income	Loans	Income
Manufactured housing	\$7,616	\$ 659	\$8,495	\$ 678	\$7,607	\$ 692
Commercial real estate:						
Commercial real estate	121	1	572	3	1,420	-
SBA 504 1st	502	19	1,445	38	1,485	80
Land	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Commercial	5,176	339	3,276	215	2,925	-
SBA	797	21	931	98	1,089	69
HELOC	259	-	400	8	172	11
Single family real estate	2,013	103	2,166	108	1,604	81
Consumer	-	-	-	-	-	-
Total	\$16,484	\$1,142	\$17,285	\$1,148	\$16,302	\$ 933

The Company is not committed to lend significant additional funds on these impaired loans.

The following table reflects the recorded investment in certain types of loans at the periods indicated:

	December 31,		
	2017	2016	2015
	(in thousands)		
Nonaccrual loans	\$6,844	\$3,117	\$6,956

Explanation of Responses:

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SBA guaranteed portion of loans included above	\$2,372	\$742	\$1,943
Troubled debt restructured loans, gross	\$16,603	\$14,437	\$13,741
Loans 30 through 89 days past due with interest accruing	\$-	\$-	\$-
Interest income recognized on impaired loans	\$1,142	\$1,148	\$933
Foregone interest on nonaccrual and troubled debt restructured loans	\$379	\$412	\$761
Allowance for loan losses to gross loans held for investment	1.24 %	1.31 %	1.44 %

The accrual of interest is discontinued when substantial doubt exists as to collectability 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. 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.

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The following table presents the composition of nonaccrual loans by class of loans:

	December 31,	
	2017	2016
Manufactured housing	\$418	\$800
Commercial real estate:		
Commercial real estate	122	141
SBA 504 1st trust deed	184	712
Land	-	-
Construction	-	-
Commercial	4,786	31
SBA	944	868
HELOC	214	373
Single family real estate	176	192
Consumer	-	-
Total	\$6,844	\$3,117

Included in nonaccrual loans are \$2.4 million and \$0.7 million of loans guaranteed by government agencies at December 31, 2017 and 2016, respectively.

The guaranteed portion of each SBA loan is repurchased from investors when those loans become past due 120 days by either CWB or the SBA directly. After the foreclosure and collection process is complete, the principal balance of loans repurchased by CWB are reimbursed by the SBA. Although these balances do not earn interest during this period, they generally do not result in a loss of principal to CWB; therefore a repurchase reserve has not been established related to these loans.

The Company utilizes an internal asset classification system as a means of reporting problem and potential problem loans. Under the Company's risk rating system, the Company classifies problem and potential problem loans as "Special Mention," "Substandard," "Doubtful" and "Loss". For a detailed discussion on these risk classifications see "Note 1 Summary of Significant Accounting Policies – Allowance for Loan Losses and Provision for Loan Losses" of this Form 10-K. Loans that do not currently expose the Company to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses that deserve management's close attention are deemed to be Special Mention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the institution's credit position at some future date. Special Mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. Risk rates are updated as part of the normal loan monitoring process, at a minimum, annually.

The following tables present gross loans by risk rating:

	December 31, 2017				
	Pass	Special Mention	Substandard	Doubtful	Total
	(in thousands)				
Manufactured housing	\$222,429	\$-	\$686	\$-	\$223,115
Commercial real estate:					
Commercial real estate	271,134	-	122	-	271,256
SBA 504 1st trust deed	25,973	-	674	-	26,647
Land	5,092	-	-	-	5,092
Construction	49,832	1,790	-	-	51,622

Explanation of Responses:

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Commercial	64,543	817	8,083	-	73,443
SBA	4,221	102	1,752	-	6,075
HELOC	9,208	-	214	-	9,422
Single family real estate	10,165	-	181	-	10,346
Consumer	83	-	-	-	83
Total, net	\$662,680	\$ 2,709	\$ 11,712	\$ -	\$677,101
SBA guarantee	-	-	3,188	-	3,188
Total	\$662,680	\$ 2,709	\$ 14,900	\$ -	\$680,289

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	December 31, 2016				
	Pass	Special Mention	Substandard	Doubtful	Total
	(in thousands)				
Manufactured housing	\$ 191,784	\$ -	\$ 2,438	\$ -	\$ 194,222
Commercial real estate:					
Commercial real estate	212,259	1,988	142	-	214,389
SBA 504 1st trust deed	22,664	-	1,215	-	23,879
Land	3,167	-	-	-	3,167
Construction	30,707	-	-	-	30,707
Commercial	63,002	7,268	99	-	70,369
SBA	8,297	108	389	-	8,794
HELOC	9,671	-	621	-	10,292
Single family real estate	12,553	-	197	-	12,750
Consumer	87	-	-	-	87
Total, net	\$ 554,191	\$ 9,364	\$ 5,101	\$ -	\$ 568,656
SBA guarantee	-	-	1,370	-	1,370
Total	\$ 554,191	\$ 9,364	\$ 6,471	\$ -	\$ 570,026

Troubled Debt Restructured Loan (TDR)

A TDR is a loan on which the bank, for reasons related to a borrower's financial difficulties, grants a concession to the borrower that the bank would not otherwise consider. The loan terms that have been modified or restructured due to a borrower's financial situation include, but are not limited to, a reduction in the stated interest rate, an extension of the maturity or renewal of the loan at an interest rate below current market, a reduction in the face amount of the debt, a reduction in the accrued interest, extensions, deferrals, renewals and rewrites. The majority of the bank's modifications are extensions in terms or deferral of payments which result in no lost principal or interest followed by reductions in interest rates or accrued interest. A TDR is also considered impaired. Generally, a loan that is modified at an effective market rate of interest may no longer be disclosed as a troubled debt restructuring in years subsequent to the restructuring if it is not impaired based on the terms specified by the restructuring agreement.

The following tables summarize the financial effects of TDR loans by class for the periods presented:

For the December 31 2017

	Number of Loans	Pre-Modification Recorded Investment	Post Modification Recorded Investment	Balance of Loans with Rate Reduction	Balance of Loans with Term Extension	Effect of Allowance for Loan Losses
	(dollars in thousands)					
Manufactured housing	11	\$ 894	\$ 894	\$ 894	\$ 894	\$ 48
Commercial	3	3,052	3,052	-	3,052	41
SBA	2	298	298	-	298	1
HELOC	0	-	-	-	-	-
Single family real estate	-	-	-	-	-	-
Total	16	\$ 4,244	\$ 4,244	\$ 894	\$ 4,244	\$ 90

For the December 31 2016

	Number of Loans	Pre-Modification Recorded Investment	Post Modification Recorded Investment	Balance of Loans with Rate Reduction	Balance of Loans with Term Extension	Effect of Allowance for Loan Losses
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	Loans	Recorded Investment	Recorded Investment	Rate Reduction	Term Extension	for Loan Losses
	(dollars in thousands)					
Manufactured housing	25	\$ 1,903	\$ 1,903	\$ 1,903	\$ 1,903	\$ 112
Commercial	5	1,075	1,075	-	1,075	13
SBA	1	92	92	-	92	-
HELOC	1	257	257	-	257	-
Single family real estate	1	105	105	105	105	7
Total	33	\$ 3,432	\$ 3,432	\$ 2,008	\$ 3,432	\$ 132

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For the December 31 2015

	Number of Loans	Pre-Modification Recorded Investment (dollars in thousands)	Post Modification Recorded Investment	Balance of Loans with Rate Reduction	Balance of Loans with Term Extension	Effect of Allowance for Loan Losses
Manufactured housing	27	\$ 2,400	\$ 2,390	\$ 2,087	\$ 2,243	\$ 109
Commercial real estate	1	161	161	161	161	2
SBA	1	297	297	-	297	5
HELOC	1	54	54	54	54	-
Single family real estate	1	1,917	1,917	1,917	1,917	35
Total	31	\$ 4,829	\$ 4,819	\$ 4,219	\$ 4,672	\$ 151

The average rate concession was 83 basis points and 78 basis points for the twelve months ended December 31, 2017 and 2016, respectively. The average term extension in months was 127 and 147 for the twelve months ended December 31, 2017 and 2016, respectively.

A TDR loan is deemed to have a payment default when the borrower fails to make two consecutive payments or the collateral is transferred to repossessed assets. The Company had no TDR's with payment defaults for the twelve months ended December 31, 2017 or 2016.

At December 31, 2017, there were no material loan commitments outstanding on TDR loans.

Related Parties

Principal stockholders, directors, and executive officers of the Company, together with companies they control and family members, are considered to be related parties. In the ordinary course of business, the Company has extended credit to these related parties. Federal banking regulations require that any such extensions of credit not be offered on terms more favorable than would be offered to non-related party borrowers of similar creditworthiness.

The following table summarizes the aggregate activity in such loans:

Loans to related parties	Year Ended December 31,	
	2017	2016
	(in thousands)	
Balance, beginning	\$ 943	\$ 4,294
New loans	2,741	125
Repayments and other	(179)	(3,476)
Balance, ending	\$ 3,505	\$ 943

None of these loans are past due, on nonaccrual status or have been restructured to provide a reduction or deferral of interest or principal because of deterioration in the financial position of the borrower. There were no loans to a related party that were considered classified loans at December 31, 2017 or 2016.

Unfunded loan commitments outstanding with related parties total approximately \$0.3 million at December 31, 2017 and 2016, respectively.

5. PREMISES AND EQUIPMENT

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	Year Ended December 31,	
	2017	2016
	(in thousands)	
Bank premises and land	\$ 1,355	\$ 1,355
Furniture, fixtures and equipment	10,241	9,387
Leasehold improvements	4,025	3,036
Construction in progress	944	454
	16,565	14,232
Accumulated depreciation	(10,984)	(10,301)
Premises and equipment, net	\$ 5,581	\$ 3,931

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Lease Obligations

The Company leases certain premises under non-cancelable operating leases expiring through 2027. The following is a schedule of future minimum rental payments under these leases at December 31, 2017:

	(in thousands)
2018	\$ 1,258
2019	1,209
2020	1,157
2021	1,085
2022	963
Thereafter	3,173
	\$ 8,845

The Company leases the majority of its office locations and many of these leases contain multiple renewal options and provisions for increased rents. Total rent expense of \$1.2 million, \$1.0 million and \$0.9 million is included in occupancy expenses for the years ended December 31, 2017, 2016 and 2015, respectively. Total depreciation expense of \$0.7 million, \$0.7 million, and \$0.4 million is included in occupancy expenses for the each of the years ended December 31, 2017, 2016 and 2015, respectively.

6. OTHER ASSETS ACQUIRED THROUGH FORECLOSURE

The following table summarizes the changes in other assets acquired through foreclosure:

	December 31,		
	2017	2016	2015
	(in thousands)		
Balance, beginning of period	\$137	\$198	\$137
Additions	501	350	609
Proceeds from dispositions	(416)	(395)	(538)
Gains (losses) on sales, net	150	(16)	(10)
Balance, end of period	\$372	\$137	\$198

7. INCOME TAXES

The provision for income taxes consisted of the following:

	December 31,		
	2017	2016	2015
	(in thousands)		
Current:			
Federal	\$3,722	\$3,000	\$1,569
State	1,298	1,022	590
	5,020	4,022	2,159
Deferred:			
Federal	701	(338)	4
State	(173)	(71)	(25)
	528	(409)	(21)
Total provision for income taxes	\$5,548	\$3,613	\$2,138

The reconciliation between the statutory income tax rate and the Company's effective tax rate follows:

Explanation of Responses:

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	December 31,		
	2017	2016	2015
Federal income tax at statutory rate	34.0%	34.0%	34.0%
State franchise tax, net of federal benefit	7.2 %	7.2 %	7.2 %
Other	-0.4 %	-0.3 %	1.5 %
Tax law change	12.2%	0.0 %	0.0 %
Total provision for income taxes	53.0%	40.9%	42.7%

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The cumulative tax effects of the primary temporary differences are as shown in the following table:

	December 31,	
	2017	2016
	(in thousands)	
Deferred Tax Assets:		
Allowance for loan losses	\$2,514	\$3,006
Unrealized loss on AFS securities	-	20
Other	1,562	1,734
Total gross deferred tax assets	4,076	4,760
Deferred tax asset valuation allowance	-	-
Total deferred tax assets	4,076	4,760
Deferred Tax Liabilities:		
Deferred state taxes	(233)	(319)
Depreciation	(142)	(197)
Unrealized gain on AFS securities	(11)	-
Other	(521)	(511)
Total deferred tax liabilities	(907)	(1,027)
Net deferred tax asset	\$3,169	\$3,733

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and their respective tax basis including operating losses and tax credit carryforwards. Net deferred tax assets of \$3.2 million at December 31, 2017 are reported in the consolidated balance sheet as a component of total assets.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act tax reform legislation. This legislation makes significant change in U.S. tax law including a reduction in the corporate tax rates, changes to net operating loss carryforwards and carrybacks, and a repeal of the corporate alternative minimum tax. The legislation reduced the U.S. corporate tax rate from the current rate of 34% to 21%. As a result of the enacted law, the Company was required to revalue deferred tax assets and liabilities at the 21%. The revaluation resulted in a cost of \$1.3 million income tax expense and a corresponding reduction in the net deferred tax asset. The other provisions of the Tax Cuts and Job Act did not have a material impact on the fiscal 2017 consolidated financial statements.

Accounting standards Codification Topic 740, Income Taxes, requires that companies assess whether a valuation allowance should be established against their deferred tax assets based on the consideration of all available evidence using a “more likely than not” standard. 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. Management evaluates the Company’s deferred tax assets for recoverability using a consistent approach which considers the relative impact of negative and positive evidence, including the Company’s historical profitability and projections of future taxable income. The Company is required to establish a valuation allowance for deferred tax assets and record a charge to income if management determines, based on available evidence at the time the determination is made, that it is more likely than not that some portion or all of the deferred tax assets may not be realized.

There was no valuation allowance on deferred tax assets at December 31, 2017 or December 31, 2016.

The Company is subject to the provisions of ASC 740, Income Taxes (ASC 740). ASC 740 prescribes a more likely than not threshold for the financial statement recognition of uncertain tax positions. ASC 740 clarifies the accounting for income taxes by prescribing a minimum recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. On a quarterly basis, the Company undergoes a process to evaluate whether income tax accruals are in accordance with ASC 740

guidance on uncertain tax positions. There were no uncertain tax positions at December 31, 2017.

The Company is subject to income taxation in the United States and certain state jurisdictions. The Company's federal and state income tax returns are filed on a consolidated basis. The Company is generally open to examination by tax authorities for the years 2013 and later. Although the Company is unable to determine the outcome under examination, it has evaluated whether there are any uncertain tax positions in accordance with ASC 740-10 and concluded that there are no significant uncertain tax positions requiring recognition in the financial statements.

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8. DEPOSITS

The table below summarizes deposits by type:

	December 31,	
	2017	2016
	(in thousands)	
Non-interest bearing demand deposits	\$ 108,500	\$ 100,372
Interest-bearing deposits:		
NOW accounts	24,863	18,111
Money market deposit account	231,854	234,912
Savings accounts	14,085	14,007
Time deposits of \$250,000 or more	81,985	77,509
Other time deposits	238,397	167,325
Total deposits	\$699,684	\$612,236

Of the total deposits at December 31, 2017 \$379.3 million may be immediately withdrawn. Time certificates of deposit are the only deposits which have a specified maturity.

The summary of the contractual maturities for all time deposits is as follows:

	(in thousands)
2018	\$ 251,934
2019	52,313
2020	12,614
2021	3,031
2022	490
Thereafter	-
	\$ 320,382

The Company through the bank is a member of the Certificate of Deposit Account Registry Service (“CDARS”), which provides Federal Deposit Insurance Corporation (“FDIC”) insurance for large deposits. Federal banking law and regulation place restrictions on depository institutions regarding brokered deposits as they pose increased liquidity risk for institutions that gather significant amounts of brokered deposits. At December 31, 2017 and 2016, the Company had \$32.1 million and \$46.7 million, respectively, of reciprocal CDARS deposits.

The Company also accepts deposits from related parties which totaled \$23.6 million at December 31, 2017 and \$20.5 million at December 31, 2016.

9. OTHER BORROWINGS

The following table summarizes the Company’s FHLB advances by maturity date:

FHLB Borrowing	December 31,			
	2017		2016	
Contractual Maturity Date	Amount	Rate	Amount	Rate
	(dollars in thousands)			
January 3, 3017	\$-	0.00 %	\$5,000	0.52 %
January 9, 2017	-	0.00 %	5,000	0.47 %
January 23, 2017	-	0.00 %	5,000	0.59 %

Explanation of Responses:

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March 20, 2017	-	0.00%	5,000	0.67%
April 17, 2017	-	0.00%	5,000	0.70%
January 2, 2018	25,000	1.40%	-	0.00%
January 16, 2018	10,000	1.42%	-	0.00%
January 29, 2018	5,000	1.45%	-	0.00%
February 20, 2018	5,000	1.49%	-	0.00%
March 1, 2018	5,000	1.47%	-	-
Total FHLB advances	\$50,000		\$25,000	
Weighted average rate		1.43%		0.59%

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The Company through the bank has a blanket lien credit line with the FHLB. FHLB advances are collateralized in the aggregate by the Company’s eligible loans and securities. Total FHLB advances were \$50.0 million and \$25.0 million at December 31, 2017 and 2016, respectively, borrowed at fixed rates. The Company also had \$125.0 million of letters of credit with FHLB at December 31, 2017 to secure public funds. At December 31, 2017, the Company had pledged to the FHLB, \$36.2 million of securities and \$235.4 million of loans. At December 31, 2017, the Company had \$63.9 million available for additional borrowing. At December 31, 2016, the Company had pledged to the FHLB, \$31.7 million of securities and \$161.3 million of loans. At December 31, 2016, CWB had \$56.8 million available for additional borrowing. Total FHLB interest expense for the years ended December 31, 2017, 2016 and 2015 was \$0.3 million, \$30,000 and \$0.1 million, respectively.

Other Borrowing – In July of 2017, the Company entered into a one-year revolving line of credit agreement for up to \$15.0 million. The Company must maintain a compensating deposit with the lender of 25% of the outstanding principal balance in a non-interest bearing deposit account which was \$1.7 million and \$1.0 million at December 31, 2017 and 2016, respectively. In addition, the Company must maintain a minimum debt service coverage ratio of 1.65, a minimum Tier 1 leverage ratio of 7.0% and a minimum total risked based capital ratio of 10.0%. At December 31, 2017, the line of credit balance was \$6.8 million at a rate of 5.320%.

Federal Reserve Bank –The Company has established a credit line with the FRB. Advances are collateralized in the aggregate by eligible loans for up to 28 days. There were no outstanding FRB advances as of December 31, 2017 and 2016. Available borrowing capacity was \$104.3 million and \$95.1 million as of December 31, 2017 and 2016, respectively.

Federal Funds Purchased Lines– The Company has federal funds borrowing lines at correspondent banks totaling \$20.0 million. There was no amount outstanding as of December 31, 2017 and 2016.

10. COMMITMENTS AND CONTINGENCIES

Unfunded Commitments and Letters of Credit

The Company is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. They involve, to varying degrees, elements of credit risk in excess of amounts recognized in the consolidated balance sheets.

Lines of credit are obligations to lend money to a borrower. Credit risk arises when the borrowers’ current financial condition may indicate less ability to pay than when the commitment was originally made. In the case of standby letters of credit, the risk arises from the possibility of the failure of the customer to perform according to the terms of a contract. In such a situation, the third party might draw on the standby letter of credit to pay for completion of the contract and the Company would look to its customer to repay these funds with interest. To minimize the risk, the Company uses the same credit policies in making commitments and conditional obligations as it would for a loan to that customer.

Standby letters of credit are commitments issued by the Company to guarantee the performance of a customer to a third party in borrowing arrangements. Typically, letters of credit issued have expiration dates within one year.

A summary of the contractual amounts for unfunded commitments and letters of credit are as follows:

	Year Ended December 31,
	2017 2016
	(in thousands)

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Commitments to extend credit	\$ 68,812	\$ 82,954
Standby letters of credit	-	-
Total	\$ 68,812	\$ 82,954

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. The Company enters into credit arrangements that generally provide for the termination of advances in the event of a covenant violation or other event of default. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. 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 party. The commitments are collateralized by the same types of assets used as loan collateral.

The Company has exposure to credit losses from unfunded commitments and letters of credit. As funds have not been disbursed on these commitments, they are not reported as loans outstanding. Credit losses related to these commitments are not included in the allowance for credit losses reported in Note 4, "Loans Held For Investment" of these Consolidated Financial Statements and are accounted for as a separate loss contingency as a liability. This loss contingency for unfunded loan commitments and letters of credit was \$95,000 and \$125,000 as of December 31, 2017 and 2016, respectively. Changes to this liability are adjusted through other non-interest expense.

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Concentrations of Lending Activities

The Company's lending activities are primarily driven by the customers served in the market areas where the Company has branch offices in the Central Coast of California. The Company monitors concentrations within selected categories such as geography and product. The Company makes manufactured housing, commercial, SBA, construction, commercial real estate and consumer loans to customers through branch offices located in the Company's primary markets. The Company's business is concentrated in these areas and the loan portfolio includes significant credit exposure to the manufactured housing and commercial real estate markets of these areas. As of December 31, 2017 and 2016, manufactured housing loans comprised 30.4% and 30.8%, respectively of total loans. As of December 31, 2017 and 2016, commercial real estate loans accounted for approximately 48.3% and 43.1% of total loans, respectively. Approximately 33.9% and 32.3% of these commercial real estate loans were owner occupied at December 31, 2017 and 2016, respectively. Substantially all of these loans are secured by first liens with an average loan to value ratios of 55.0% and 54.6% at December 31, 2017 and 2016, respectively. The Company was within established policy limits at December 31, 2017 and 2016.

Loan Sales and Servicing

The Company retains a certain level of risk relating to the servicing activities and retained interest in sold 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 certain 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 loan origination process or, in some cases, upon any fraud or early default on such loans.

The Company has sold loans that are guaranteed or insured by government agencies for which the Company retained 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 loans serviced for others was approximately \$12.8 million and \$15.4 million at December 31, 2017 and 2016, respectively.

Salary Continuation

The Company has agreements with certain key officers, which provide for a monthly cash payment to the officers or beneficiaries in the event of death, disability or retirement, beginning in the month after the retirement date or death and extending for a period of fifteen years subject to vesting. The Company purchased life insurance policies of \$2.9 million as an investment. The income from the policy investments will help fund this liability.

Additionally, the Company has an agreement with a former officer which provides for \$50,000 per year in monthly cash payments. The remaining contractual obligation at December 31, 2017 is one year. At December 31, 2017 and 2016, the Company had accrued salary continuation liability for these agreements of \$0.5 million and \$0.4 million, respectively. The cash surrender value of the life insurance policies was \$4.5 million at December 31, 2017, and is included in other assets.

Other

The Company is involved in various other litigation matters of a routine nature that are being 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 litigation matters will not have a material impact on the Company's financial position or results of operations.

11. STOCKHOLDERS' EQUITY

Preferred Stock

The Company's Series A Preferred Stock paid cumulative dividends at a rate of 5% per year until February 15, 2014 then increased to a rate of 9% per year. The Series A Preferred Stock has no maturity date and ranks senior to the common stock with respect to the payment of dividends and distributions and amounts payable upon liquidation, dissolution and winding up of the Company.

During 2015, the Company redeemed the remaining 7,014 shares of Series A Preferred Stock for \$6.9 million and recognized a discount on the redemption of \$0.1 million.

Common Stock Warrant

The Warrant issued as part of the TARP provides for the purchase of up to 521,158 shares of the common stock, at an exercise price of \$4.49 per share ("Warrant Shares"). The Warrant is immediately exercisable and has a 10-year term. The exercise price and the ultimate number of shares of common stock that may be issued under the Warrant are subject to certain anti-dilution adjustments, such as upon stock splits or distributions of securities or other assets to holders of the common stock, and upon certain issuances of the common stock at or below a specified price relative to the then current market price of the common stock. In the second quarter of 2013, the Treasury sold its warrant position to a private investor. Pursuant to the Securities Purchase Agreement, the private investor has agreed not to exercise voting power with respect to any Warrant Shares.

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Common Stock

During the years ended December 31, 2017 and 2016, the Company recorded \$1.3 million and \$1.1 million, respectively of dividends on common stock.

On August 24, 2017, the Board of Directors extended the common stock repurchase program of up to \$3.0 million for two additional years. Under this program the Company has repurchased 187,569 common stock shares for \$1.4 million at an average price of \$7.25 per share. There were no repurchases of common stock under this program during the year ended December 31, 2017.

Stock Option Plans

The Company has two stock option plans available for option grants. Stock options granted in 2017 generally have a vesting period of 5 years and a contractual life of 10 years. The Company recognizes compensation cost for options ratably over the requisite service period for all awards. As of December 31, 2017, 258,000 options were available for future grant.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model that uses the assumptions noted in the following table. This model requires the input of highly subjective assumptions, changes to which can materially affect the fair value estimate. The expected volatility is based on the historical volatility of the stock of the Company over the expected life of the options. The risk-free rate for the periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of the grant. The dividend rate assumption was the dividend yield at grant date. A summary of the assumptions used in calculating the fair value of option awards during the years ended December 31, 2017, 2016 and 2015 are as follows:

Stock options	December 31,		
	2017	2016	2015
Expected life in years	6.4	6.5	6.5
Risk-free interest rate	2.04 %	1.62 %	1.77 %
Expected volatility	44.1 %	49.5 %	64.9 %
Annual dividend rate	1.49 %	1.73 %	1.41 %

A summary of option activity under the plan is presented below:

	December 31, 2017			
	Option Shares	Weighted Average Exercise Price	Weighted Average Remaining Term	Aggregate Intrinsic Value
Outstanding options, beginning of period	705	\$ 6.41		
Granted	159	10.15		
Exercised	(97)	5.05		
Forefeited or expired	(87)	8.57		
Outstanding options, end of period	680	\$ 7.21	7.5	2,342
Options exercisable, end of period	319	\$ 6.35	6.6	1,371
Options expected to vest, end of period	576	\$ 7.03	7.3	719

(in thousands, except exercise price and contractual terms)

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	December 31, 2016			
	Option	Weighted	Weighted	Aggregate
	Shares	Average	Average	Intrinsic
		Exercise	Remaining	Value
		Price	Term	
	(in thousands, except exercise price and contractual terms)			
Outstanding options, beginning of period	665	6.03		
Granted	192	7.12		
Exercised	(74)	2.99		
Forefeited or expired	(78)	8.12		
Outstanding options, end of period	705	\$ 6.41	7.3	\$ 2,057
Options exercisable, end of period	301	\$ 5.86	5.7	\$ 1,082
Options expected to vest, end of period	282	\$ 6.83	7.1	\$ 696

	December 31, 2015			
	Option	Weighted	Weighted	Aggregate
	Shares	Average	Average	Intrinsic
		Exercise	Remaining	Value
		Price	Term	
	(in thousands, except exercise price and contractual terms)			
Outstanding options, beginning of period	457	\$ 5.61		
Granted	243	6.70		
Exercised	(7)	2.08		
Forefeited or expired	(28)	5.82		
Outstanding options, end of period	665	\$ 6.03	7.4	\$ 914
Options exercisable, end of period	322	\$ 5.75	6.0	\$ 666
Options expected to vest, end of period	233	\$ 6.08	7.1	\$ 219

As of December 31, 2017, 2016 and 2015, there was \$0.7 million, \$0.7 million and \$0.7 million, respectively, of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Company's plan. That cost is expected to be recognized over a weighted average period of 3.3 years, 3.5 years, and 3.8 years, respectively. The total intrinsic value of options exercised during the years ended December 31, 2017, 2016 and 2015, was \$0.5 million, \$0.3 million, and \$34,000, respectively.

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The following table summarizes the change in unvested stock option shares during the year ended December 31, 2017:

	Number of Option Shares (in thousands, except per share data)	Weighted Average Grant-Date Fair Value
Unvested options, beginning of period	404	\$ 3.41
Granted	159	4.00
Vested	(155)	3.51
Forefeited	(47)	3.53
Unvested options, end of period	361	\$ 3.61

12. EARNINGS PER SHARE

The following table presents a reconciliation of basic earnings per share and diluted earnings per share:

	Year Ended December 31,		
	2017	2016	2015
	(in thousands, except per share amounts)		
Net income	\$ 4,915	\$ 5,229	\$ 2,870
Less: dividends and accretion on preferred stock	-	-	445
discount on partial redemption	-	-	(129)
Net income available to common stockholders	\$ 4,915	\$ 5,229	\$ 2,554
Add: debenture interest expense and costs, net of income taxes	-	-	-
Net income for diluted calculation of earnings per common share	\$ 4,915	\$ 5,229	\$ 2,554
Weighted average number of common shares outstanding - basic	8,146	8,114	8,203
Weighted average number of common shares outstanding - diluted	8,589	8,444	8,491
Earnings per share:			
Basic	\$ 0.60	\$ 0.64	\$ 0.31
Diluted	\$ 0.57	\$ 0.62	\$ 0.30

13. CAPITAL REQUIREMENTS

The Federal Reserve has adopted capital adequacy guidelines that are used to assess the adequacy of capital in supervising a bank holding company. In July 2013, the federal banking agencies approved the final rules (“Final Rules”) to establish a new comprehensive regulatory capital framework with a phase-in period beginning January 1, 2015 and ending January 1, 2019. The Final Rules implement the third installment of the Basel Accords (“Basel III”) regulatory capital reforms and changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) and substantially amend the regulatory risk-based capital rules applicable to the Company. Basel III redefines the regulatory capital elements and minimum capital ratios, introduces regulatory capital buffers above those minimums, revises rules for calculating risk-weighted assets and adds a new component of Tier 1 capital called Common Equity Tier 1, which includes common equity and retained earnings and excludes preferred equity.

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The following tables illustrates the Bank's regulatory ratios and the Federal Reserve's current adequacy guidelines as of December 31, 2017 and 2016. The Federal Reserve's fully phased-in guidelines applicable in 2019 are also summarized.

	Total Capital (To Risk- Weighted Assets)	Tier 1 Capital (To Risk- Weighted Assets)	Common Equity Tier 1 (To Risk- Weighted Assets)	Leverage Ratio/Tier1 Capital (To Average Assets)
December 31, 2017				
CWB's actual regulatory ratios	11.31	% 10.10	% 10.10	% 8.83
Minimum capital requirements	8.00	% 6.00	% 4.50	% 4.00
Well-capitalized requirements	10.00	% 8.00	% 6.50	% 5.00
Minimum capital requirements including fully-phased in capital conservation buffer (2019)	10.50	% 8.50	% 7.00	% N/A

	Total Capital (To Risk- Weighted Assets)	Tier 1 Capital (To Risk- Weighted Assets)	Common Equity Tier 1 (To Risk- Weighted Assets)	Leverage Ratio/Tier1 Capital (To Average Assets)
December 31, 2016				
CWB's actual regulatory ratios	12.27	% 11.04	% 11.04	% 10.08
Minimum capital requirements	8.00	% 6.00	% 4.50	% 4.00
Well-capitalized requirements	10.00	% 8.00	% 6.50	% 5.00
Minimum capital requirements including fully-phased in capital conservation buffer (2019)	10.50	% 8.50	% 7.00	% N/A

14. EMPLOYEE BENEFIT PLANS

401(k) Plan:

The Company has a qualified 401(k) employee benefit plan for all eligible employees. Participants are able to defer up to a maximum of \$18,000 (for those under 50 years of age in 2017) of their annual compensation. The Company may elect to match a discretionary amount each year, which was 3% of the participant's eligible compensation. The Company's total contribution was \$0.3 million, \$0.2 million, and \$0.2 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Deferred Compensation Plans:

A deferred compensation plan covers the executive officers. Under the plan, the Company pays each participant a percentage of their base salary plus interest. Vesting occurs at age 65. A liability is accrued for the obligation under these plans. The expense incurred for the deferred compensation for each of the last three years was \$0.1 million resulting in a deferred compensation liability of \$0.9 million and \$0.6 million as of the year-end 2017 and 2016.

The Company also provides an unfunded nonqualified deferred compensation arrangement to provide supplemental retirement benefits for the Participants which are a select group of management or highly compensated employees of the Company. The Participants may defer up to 30% of their base salary and bonus each plan year. The 36 month

Explanation of Responses:

certificate of deposit rate is paid on the vested balance.

15. FAIR VALUE MEASUREMENT

The fair value of an asset or liability is the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction occurring in the principal market for such asset or liability. ASC 820 establishes a fair value hierarchy that prioritizes the inputs and valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (“Level 1”) and the lowest priority to unobservable inputs (“Level 3”). The three levels of the fair value hierarchy under ASC 820 and the methods and assumptions used by the Company in estimating the fair value of its financial instruments are described in “Note 1. Summary of Significant Accounting Policies – Fair Value of Financial Instruments” of these Notes to the Consolidated Financial Statements.

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The following tables summarize the fair value of assets measured on a recurring basis:

	Fair Value Measurements at the End of the Reporting Period Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)			
	Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
				Value
December 31, 2017	(in thousands)			
<u>Assets:</u>				
Investment securities available-for-sale	\$ 156	\$ 28,627	\$ -	\$ 28,783
Interest only strips	-	-	87	87
Servicing assets	-	-	97	97
	\$ 156	\$ 28,627	\$ 184	\$ 28,967

	Fair Value Measurements at the End of the Reporting Period Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)			
	Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
				Value
December 31, 2016	(in thousands)			
<u>Assets:</u>				
Investment securities available-for-sale	\$ 115	\$ 22,566	\$ -	\$ 22,681
Interest only strips	-	-	119	119
Servicing assets	-	-	158	158
	\$ 115	\$ 22,566	\$ 277	\$ 22,958

Market valuations of our investment securities which are classified as level 2 are provided by an independent third party. The fair values are determined by using several sources for valuing fixed income securities. Their techniques include pricing models that vary based on the type of asset being valued and incorporate available trade, bid and other market information. In accordance with the fair value hierarchy, the market valuation sources include observable market inputs and are therefore considered Level 2 inputs for purposes of determining the fair values.

On certain SBA loan sales, 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. I/O strips are classified as level 3 in the fair value hierarchy. The fair value is determined on a quarterly basis through a discounted cash flow analysis prepared by an independent third party using industry prepayment speeds. I/O strip valuation adjustments are recorded as additions or offsets to loan servicing income.

Historically, the Company has elected to use the amortizing method for the treatment of servicing assets and has measured for impairment on a quarterly basis through a discounted cash flow analysis prepared by an independent third party using industry prepayment speeds. In connection with the sale of certain SBA and USDA loans the Company recorded servicing assets and elected to measure those assets at fair value in accordance with ASC 825-10. Significant assumptions in the valuation of servicing assets include estimated loan repayment rates, the discount rate, and servicing costs, among others. Servicing assets are classified as Level 3 measurements due to the use of significant unobservable inputs, as well as significant management judgment and estimation.

The Company also has assets that under certain conditions are subject to measurement at fair value on a non-recurring basis. These assets include loans held for sale, foreclosed real estate and repossessed assets and loans that are considered impaired per generally accepted accounting principles.

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The following summarizes the fair value measurements of assets measured on a non-recurring basis:

	Fair Value Measurements at the End of the Reporting Period Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Active Markets for Similar Assets (Level 2)	Unobservable Inputs (Level 3)
As of December 31, 2017:				
Impaired loans	\$ 6,323	\$ -	\$ 6,323	\$ -
Loans held for sale	56,222	-	56,222	-
Foreclosed real estate and repossessed assets	372	-	372	-
	\$ 62,917	\$ -	\$ 62,917	\$ -
As of December 31, 2016:				
Impaired loans	\$ 2,008	\$ -	\$ 2,008	\$ -
Loans held for sale	64,954	-	64,954	-
Foreclosed real estate and repossessed assets	137	-	137	-
	\$ 67,099	\$ -	\$ 67,099	\$ -

The Company records certain loans at fair value on a non-recurring basis. When a loan is considered impaired an allowance for a loan loss is established. The fair value measurement and disclosure requirement applies to loans measured for impairment using the practical expedients method permitted by accounting guidance for impaired loans. Impaired loans are measured at an observable market price, if available or at the fair value of the loan's collateral, if the loan is collateral dependent. The fair value of the loan's collateral is determined by appraisals or independent valuation. When the fair value of the loan's collateral is based on an observable market price or current appraised value, given the current real estate markets, the appraisals may contain a wide range of values and accordingly, the Company classifies the fair value of the impaired loans as a non-recurring valuation within Level 2 of the valuation hierarchy. For loans in which impairment is determined based on the net present value of cash flows, the Company classifies these as a non-recurring valuation within Level 3 of the valuation hierarchy.

Loans held for sale are carried at the lower of cost or fair value. The fair value of loans held for sale is based on what secondary markets are currently offering for portfolios with similar characteristics or based on the agreed-upon sale price. As such, the Company classifies the fair value of loans held for sale as a non-recurring valuation within Level 2 of the fair value hierarchy. At December 31, 2017 and 2016, the Company had loans held for sale with an aggregate carrying value of \$55.1 million and \$61.4 million respectively.

Foreclosed real estate and repossessed assets are carried at the lower of book value or fair value less estimated costs to sell. Fair value is based upon independent market prices obtained from certified appraisers or the current listing price, if lower. When the fair value of the collateral is based on a current appraised value, the Company reports the fair value of the foreclosed collateral as non-recurring Level 2. When a current appraised value is not available or if management determines the fair value of the collateral is further impaired, the Company reports the foreclosed collateral as non-recurring Level 3.

FAIR VALUES OF FINANCIAL INSTRUMENTS

Explanation of Responses:

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.

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The estimated fair value of the Company's financial instruments are as follows:

	December 31, 2017				
	Carrying Amount	Fair Value			Total
	Level 1	Level 2	Level 3		
Financial assets:	(in thousands)				
Cash and cash equivalents	\$45,869	\$45,869	\$-	\$-	\$45,869
FRB and FHLB stock	3,720	-	3,720	-	3,720
Investment securities	36,348	156	36,298	-	36,454
Loans, net	726,189	-	705,723	13,779	719,502
Financial liabilities:					
Deposits	699,684	-	699,211	-	699,211
Other borrowings	56,843	-	56,842	-	56,842

	December 31, 2016				
	Carrying Amount	Fair Value			Total
	Level 1	Level 2	Level 3		
Financial assets:	(in thousands)				
Cash and cash equivalents	\$34,116	\$34,116	\$-	\$-	\$34,116
FRB and FHLB stock	3,443	-	3,443	-	3,443
Investment securities	31,683	115	31,715	-	31,830
Loans, net	623,355	-	599,919	14,775	614,694
Financial liabilities:					
Deposits	612,236	-	612,215	-	612,215
Other borrowings	29,000	-	28,999	-	28,999

Interest rate risk

The Company assumes interest rate risk (the risk to the Company's earnings and capital from changes in interest rate levels) as a result of its normal operations. As a result, the fair values of the Company's financial instruments as well as its future net interest income will change when interest rate levels change and that change may be either favorable or unfavorable to the Company.

Interest rate risk exposure is measured using interest rate sensitivity analysis to determine the change in the net portfolio value and net interest income resulting from hypothetical changes in interest rates. If potential changes to net portfolio value and net interest income resulting from hypothetical interest rate changes are not within the limits established by the Board of Directors, the Board of Directors may direct management to adjust the asset and liability mix to bring interest rate risk within board-approved limits. As of December 31, 2017, the Company's interest rate risk profile was within Board-approved limits.

The Company's subsidiary bank has an Asset and Liability Management Committee charged with managing interest rate risk within Board approved limits. Such limits are structured to prohibit an interest rate risk profile that is significantly asset or liability sensitive.

Fair value of commitments

Loan commitments on which the committed interest rates were less than the current market rate are insignificant at December 31, 2017 and 2016. The estimated fair value of standby letters of credit outstanding at December 31, 2016 was also insignificant.

Explanation of Responses:

16. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table summarizes the changes in other comprehensive income by component, net of tax for the period indicated:

	Year Ended December 31,		
	2017	2016	2015
Unrealized holding gains (losses) on AFS	(in thousands)		
Beginning balance	\$ (29)	\$ (68)	\$ 31
Other comprehensive income (loss) before reclassifications	54	39	(99)
Amounts reclassified from accumulated other comprehensive income	-	-	-
Net current-period other comprehensive income	54	39	(99)
Ending Balance	\$ 25	\$ (29)	\$ (68)

There were no reclassifications out of accumulated other comprehensive income for the years ended December 31, 2017, 2016 and 2015.

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17.PARENT COMPANY FINANCIAL INFORMATION

The condensed financial statements of the holding company are presented in the following tables:

COMMUNITY WEST BANCSHARES

Condensed Balance Sheets

	December 31,	
	2017	2016
	(in thousands)	
Assets:		
Cash and cash equivalents (including interest-bearing deposits in other financial institutions)	\$973	\$575
Investment in subsidiary	70,825	68,585
Total loans	4,915	-
Other assets	190	319
Total assets	\$76,903	\$69,479
Liabilities and Stockholders' Equity:		
Other borrowings	\$6,843	\$4,000
Other liabilities	15	114
Total liabilities	6,858	4,114
Common stock	42,604	41,575
Retained earnings	27,441	23,790
Total stockholders' equity	70,045	65,365
Total liabilities and stockholders' equity	\$76,903	\$69,479

COMMUNITY WEST BANCSHARES

Condensed Income Statements

	December 31,		
	2017	2016	2015
	(in thousands)		
Interest income	\$60	\$5	\$3
Interest expense	196	247	44
Net interest expense	(136)	(242)	(41)
Income from consolidated subsidiary	5,441	5,671	3,335
Other income	-	-	-
Total income	5,305	5,429	3,294
Total non-interest expenses	669	495	571
Income before income tax benefit	4,636	4,934	2,723
Income tax benefit	(279)	(295)	(147)
Net income	4,915	5,229	2,870
Preferred stock dividends and accretion on preferred stock	-	-	445
Discount on partial redemption of preferred stock	-	-	(129)
Net income available to common stockholders'	\$4,915	\$5,229	\$2,554

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COMMUNITY WEST BANCSHARES

Condensed Statements of Cash Flows

	December 31,		
	2017	2016	2015
	(in thousands)		
Cash Flows from Operating Activities:			
Net income	\$4,915	\$5,229	\$2,870
Adjustments to reconcile net income to cash provided by operating activities:			
Equity in undistributed income from subsidiary	(5,441)	(5,671)	(3,335)
Stock-based compensation	537	338	412
Changes in:			
Other assets	129	(138)	41
Other liabilities	(99)	70	45
Net cash provided by (used in) operating activities	41	(172)	33
Cash Flows from Investing Activities:			
Loans originations and principal collections, net	(4,915)		
Net dividends from and investment in subsidiary	3,201	1,000	5,131
Net cash provided by investing activities	(1,714)	1,000	5,131
Cash Flows from Financing Activities:			
Net increase (decrease) from other borrowings	2,843	(1,500)	5,500
Redemption of convertible debentures	-	-	-
Preferred stock dividends paid	-	-	(524)
Redemption of preferred stock	-	-	(6,885)
Common stock dividends paid	(1,264)	(1,096)	(902)
Common stock repurchase	-	(1,338)	(28)
Proceeds from issuance of common stock	492	220	14
Net cash used in financing activities	2,071	(3,714)	(2,825)
Net increase (decrease) in cash and cash equivalents	398	(2,886)	2,339
Cash and cash equivalents at beginning of year	575	3,461	1,122
Cash and cash equivalents at end of year	\$973	\$575	\$3,461

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18. QUARTERLY FINANCIAL DATA (UNAUDITED)

	December 31, 2017				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Interest income	\$8,703	\$9,066	\$9,695	\$9,927	\$37,391
Interest expense	929	1,030	1,319	1,451	4,729
Net interest income	7,774	8,036	8,376	8,476	32,662
Provision for loan losses	144	120	159	(12)	411
Net interest income after provision for loan losses	7,630	7,916	8,217	8,488	32,251
Non-interest income	641	697	716	896	2,950
Non-interest expenses	5,923	6,007	6,387	6,421	24,738
Income before income taxes	2,348	2,606	2,546	2,963	10,463
Provision for income taxes	992	1,050	992	2,514	5,548
Net income	1,356	1,556	1,554	449	4,915
Dividends and accretion on preferred stock	-	-	-	-	-
Discount on partial redemption of preferred stock	-	-	-	-	-
Net income available to common stockholders	\$1,356	\$1,556	\$1,554	\$449	\$4,915
Earnings per share:					
Income per common share - basic	\$0.17	\$0.19	\$0.19	\$0.05	\$0.60
Income per common share - diluted	\$0.16	\$0.18	\$0.18	\$0.05	\$0.57

	December 31, 2016				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Interest income	\$7,444	\$7,674	\$8,516	\$8,582	\$32,216
Interest expense	723	777	807	820	3,127
Net interest income	6,721	6,897	7,709	7,762	29,089
Provision for loan losses	(247)	61	22	116	(48)
Net interest income after provision for loan losses	6,968	6,836	7,687	7,646	29,137
Non-interest income	579	577	559	538	2,253
Non-interest expenses	5,336	5,506	5,836	5,870	22,548
Income before income taxes	2,211	1,907	2,410	2,314	8,842
Provision for income taxes	928	782	929	974	3,613
Net income	1,283	1,125	1,481	1,340	5,229
Dividends and accretion on preferred stock	-	-	-	-	-
Net income available to common stockholders	-	-	-	-	-
Earnings per share:	\$1,283	\$1,125	\$1,481	\$1,340	\$5,229
Income per common share - basic	\$0.16	\$0.14	\$0.18	\$0.16	\$0.64
Income per common share - diluted	\$0.15	\$0.13	\$0.18	\$0.16	\$0.62

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Explanation of Responses:

The Company's management, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2017. Based that evaluation, the Company's management concluded that the Company's disclosure controls and procedures are effective as December 31, 2017 in timely alerting them to material information relating to the Company (including its consolidated subsidiary) required to be included in the Company's reports that it files with or submits to the SEC under the Exchange Act.

Report on Management's Assessment of Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining an adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in Internal Control — Integrated Framework (2013 framework). Management concluded that based on its assessment, the Company's internal control over financial reporting is effective as of December 31, 2017.

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Changes in Internal Control Over Financial Reporting

The Company's management has also evaluated, with the participation of the Company's Chief Executive Officer and the Chief Financial Officer, whether there were any changes in the Company's internal control over financial reporting that occurred during the fourth quarter ended December 31, 2017. Based upon this evaluation, the Company's management has determined that there were no changes in the Company's internal control over financial reporting that occurred during the Company's fourth quarter ended December 31, 2017, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Commission that permit the Company to provide only the management's report in this annual report.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this Item regarding the Company's directors and executive officers, and corporate governance, including information with respect to beneficial ownership reporting compliance, will appear in the Proxy Statement we will deliver to our shareholders in connection with our 2018 Annual Meeting of Shareholders (the "Proxy Statement") to be filed pursuant to Regulation 14A within 120 days after the end of the Company's last fiscal year. Such information is incorporated herein by reference.

The Company has adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller and persons performing similar functions. A copy of the code of ethics is available on the Company's website at www.communitywest.com.

ITEM 11. EXECUTIVE
COMPENSATION

The information required by this Item will appear in the Proxy Statement we will deliver to our shareholders in connection with our 2018 Annual Meeting of Shareholders. Such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND
RELATED SHAREHOLDER MATTERS

The information required by this Item regarding security ownership of certain beneficial owners and management will appear in the Proxy Statement we will deliver to our shareholders in connection with our 2018 Annual Meeting of Shareholders. Such information is incorporated herein by reference.

Information relating to securities authorized for issuance under the Company's equity compensation plans is contained under "Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities - Securities Authorized for Issuance Under Equity Compensation Plans" herein.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Explanation of Responses:

The information required by this Item will appear in the Proxy Statement we will deliver to our shareholders in connection with our 2018 Annual Meeting of Shareholders. Such information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item will appear in the Proxy Statement we will deliver to our stockholders in connection with our 2018 Annual Meeting of Stockholders. Such information is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) The following financial statements are incorporated by reference from Item 8 hereto:

Report of Independent Registered Public Accounting Firm	Page 48
Consolidated Balance Sheets as of December 31, 2017 and 2016	Page 50
Consolidated Income Statements for the three years ended December 31, 2017, 2016 and 2015	Page 51
Consolidated Statements of Comprehensive Income for the three years ended December 31, 2017, 2016 and 2015	Page 52
Consolidated Statements of Stockholders' Equity for the three years ended December 31, 2017, 2016 and 2015	Page 53
Consolidated Statements of Cash Flows for the three years ended December 31, 2017, 2016 and 2015	Page 54
Notes to Consolidated Financial Statements	Page 55

(2) Financial Statement Schedules

Financial statement schedules other than those listed above have been omitted because they are either not applicable or the information is otherwise included.

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EXHIBITS

(3) Exhibits. The following is a list of exhibits filed as a part of this Annual Report.

3.1 Articles of Incorporation (3)

3.2 Amended and Restated Articles of Incorporation (8)

3.3 Second Amended and Restated Articles of Incorporation (11)

3.4 Bylaws (3)

3.5 Certificate of Amendment of Bylaws (8)

3.6 Certificate of Determination of Fixed Rate Cumulative Perpetual Preferred Stock, Series A (8)

4.1 Common Stock Certificate (2)

4.2 Warrant to Purchase 521,158 shares of Common Stock, dated December 19, 2008, issued to the United States Department of the Treasury (9)

4.3 Form of Debenture (10)

4.4 Form of Subscription Certificate (10)

10.3* Salary Continuation Agreement between Goleta National Bank and Llewellyn Stone, President and CEO (3)

10.17 Indemnification Agreement between the Company and Charles G. Baltuskonis, dated March 18, 2003 (4)

10.22* Community West Bancshares 2006 Stock Option Plan (6)

10.23* Community West Bancshares 2006 Stock Option Plan form of Stock Option Agreement (6)

10.25* Employment and Confidentiality Agreement date July 1, 2007 among Community West Bank, Community West Bancshares and Charles G. Baltuskonis (7)

Letter Agreement, dated December 19, 2008, between Community West Bancshares and the United States Department of the Treasury, and the Securities Purchase Agreement - Standard Terms attached thereto and incorporated therein (9)

10.28

Letter Agreement, dated December 19, 2008, between Community West Bancshares and the United States Department of the Treasury regarding the Number of Director Positions (9)

10.29

Agreement, dated December 19, 2008, between Community West Bancshares and Charles Baltuskonis regarding modifications to Benefit Plans (9)

10.31*

Waiver of Charles Baltuskonis, dated December 19, 2008, waiving claims against Community West Bancshares and the United States Department of the Treasury as a result of modifications to Benefit Plans (9)

10.34

10.36*

Explanation of Responses:

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Employment and Confidentiality Agreement, dated November 2, 2011, by and among Community West Bank, Community West Bancshares and Martin E. Plourd (12)

10.37* Employment and Confidentiality Agreement, dated July 31, 2014, among Community West Bank, Community West Bancshares and Kristine Price. (13)

10.38* Salary Continuation Agreement, dated January 28, 2014, between Community West Bank and Martin E. Plourd. (14)

10.39* Community West Bancshares 2014 Stock Option Plan and Form of Stock Option Agreement (15)

10.41* Employment and Confidentiality Agreement, dated June 1, 2015, among Community West Bank, Community West Bancshares and William F. Filippin. (17)

10.42 Promissory Note, dated October 29, 2015, between Community West Bancshares and Grandpoint Bank. (17)

10.43* Employment and Confidentiality Agreement, dated September 26, 2016, among Community West Bank, Community West Bancshares and Maureen C. Clark. (18)

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- 10.44* Employment and Confidentiality Agreement, dated April 1, 2017, among Community West Bank, Community West Bancshares and Susan C. Thompson. (18)
- 10.45 Promissory Note, dated July 24, 2017, between Community West Bancshares and Grandpoint Bank. (18)
- 10.46 Amendment to the Community West Bancshares 2014 Stock Option Plan (19)
- 21 Subsidiaries of the Registrant (6)
- 23.2 Consent of RSM US LLP**
- 31.1 Certification of the Chief Executive Officer **
- 31.2 Certification of the Chief Financial Officer **
- 32.1 Certification pursuant to 18 U.S. C. Section 1350 **
- 101.INS XBRL Taxonomy Instance Document***
- 101.SCH XBRL Taxonomy Schema Document***
- 101.CAL XBRL Taxonomy Calculation Linkbase Document***
- 101.DEF XBRL Taxonomy Definition Linkbase Document***
- 101.LAB XBRL Taxonomy Label Linkbase Document***
- 101.PRE XBRL Taxonomy Presentation Linkbase Document***
- (1) Incorporated by reference from the Registrant's Registration Statement on Form S-8 filed with the Commission on December 31, 1997.
- (2) Incorporated by reference from the Registrant's Amendment to Registration Statement on Form 8-A filed with the Commission on March 12, 1998.
- (3) Incorporated by reference from the Registrant's Annual Report on Form 10-K filed with the Commission on March 26, 1998.
- (4) Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002 filed with the Commission on March 31, 2003.
- (5) Incorporated by reference from the Registrant's Registration Statement on Form S-8 (File No 333-129898) filed with the Commission on November 22, 2005.
- (6) Incorporated by reference from Registrant's Annual Report on Form 10-K for the year ended December 31, 2006 filed with the Commission on March 26, 2007.
- (7) Incorporated by reference from the Registrant's Form 8-K filed with the Commission on July 2, 2007
- (8) Incorporated by reference from the Registrant's Form 8-K filed with the Commission on December 18, 2008
- (9) Incorporated by reference from the Registrant's Form 8-K filed with the Commission on December 24, 2008
- (10) Incorporated by reference from the Registrant's Amendment No. 2 to Registration Statement on Form S-1 filed with the Commission on April 30, 2010.

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- (11) Incorporated by reference from the Registrant's Form 8-K filed with the Commission on June 6, 2011.
- (12) Incorporated by reference from the Registrant's Form 8-K filed with the Commission on November 3, 2011.
- (13) Incorporated by reference from Registrant's Form 10-Q for the quarter and nine months ended September 30, 2014 filed with the Commission on November 7, 2014.
- (14) Incorporated by reference from the Registrant's Form 8-K filed with the Commission on January 29, 2014.
- (15) Incorporated by reference from Registrant's Statement on Form S-8 (File No 333-201281) filed with the Commission on December 29, 2014,
- (16) Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014 filed with the Commission on March 6, 2015.

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(17) Incorporated by reference from the Registrant's Form 10-Q for the quarter and nine months ended September 30, 2015 filed with the Commission on November 6, 2015.

(18) Incorporated by reference from the Registrant's Form 10-Q for the quarter and six months ended June 30, 2017 filed with the Commission on August 4, 2017.

(19) Incorporated by reference from the Registrant's Statement on Form S-8 (File No 323-218994) filed with the Commission on June 27, 2017.

* Indicates a management contract or compensatory plan or arrangement.

** Filed herewith.

*** Furnished herewith.

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SIGNATURES

Pursuant to the requirements of Section 13 of 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMMUNITY WEST
BANCSHARES
(Registrant)

Date: March 2, 2018 By: /s/ William R. Peeples
William R. Peeples
Chairman of the Board

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ William R. Peeples William R. Peeples	Director and Chairman of the Board	March 2, 2018
/s/ Martin E. Plourd Martin E. Plourd	President and Chief Executive Officer and Director (Principal Executive Officer)	March 2, 2018
/s/ Susan C. Thompson Susan C. Thompson	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 2, 2018
/s/ Robert H. Bartlein Robert H. Bartlein	Director	March 2, 2018
/s/ Jean W. Blois Jean W. Blois	Director	March 2, 2018
/s/ Dana L. Boutain Dana L. Boutain	Director	March 2, 2018
/s/ Tom L. Dobyms Tom L. Dobyms	Director	March 2, 2018
/s/ John D. Illgen John D. Illgen	Director and Secretary of the Board	March 2, 2018
/s/ James W. Lokey James W. Lokey	Director	March 2, 2018
/s/ Shereef Moharram Shereef Moharram	Director	March 2, 2018
/s/ Kirk B. Stovesand Kirk B. Stovesand	Director	March 2, 2018

Explanation of Responses:

