

COMMUNITY WEST BANCSHARES /
Form 10-Q
November 02, 2016

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016 or

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

For the transition period from _____ to _____

Commission File Number: 000-23575

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

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

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

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

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

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

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

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

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

Common stock of the registrant issued and outstanding of 8,094,489 as of October 31, 2016.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

COMMUNITY WEST BANCSHARES
CONSOLIDATED BALANCE SHEETS

	September 30, 2016	December 31, 2015
	(unaudited)	
	(in thousands, except share amounts)	
Assets:		
Cash and due from banks	\$ 2,578	\$ 2,768
Federal funds sold	17	21
Interest-earning demand in other financial institutions	15,064	32,730
Cash and cash equivalents	17,659	35,519
Money market investments	100	99
Investment securities - available-for-sale, at fair value; amortized cost of \$22,003 at September 30, 2016 and \$23,558 at December 31, 2015	21,982	23,441
Investment securities - held-to-maturity, at amortized cost; fair value of \$9,610 at September 30, 2016 and \$7,399 at December 31, 2015	9,218	7,025
Federal Home Loan Bank stock, at cost	2,070	1,886
Federal Reserve Bank stock, at cost	1,373	1,373
Loans:		
Held for sale, at lower of cost or fair value	62,381	64,488
Held for investment, net of allowance for loan losses of \$7,190 at September 30, 2016 and \$6,916 at December 31, 2015	532,331	472,058
Total loans	594,712	536,546
Other assets acquired through foreclosure, net	55	198
Premises and equipment, net	3,388	2,993
Other assets	13,979	12,133
Total assets	\$ 664,536	\$ 621,213
Liabilities:		
Deposits:		
Non-interest-bearing demand	\$ 88,024	\$ 76,469
Interest-bearing demand	258,360	250,509
Savings	14,388	13,690
Certificates of deposit (\$250 or more)	92,319	66,722
Other certificates of deposit	137,510	136,948
Total deposits	590,601	544,338
Other borrowings	5,500	10,500
Other liabilities	4,223	4,431
Total liabilities	600,324	559,269
Stockholders' equity:		
Common stock — no par value, 20,000,000 shares authorized; 8,094,489 shares issued and outstanding at September 30, 2016 and 8,205,858 at December 31, 2015	41,492	42,355
Retained earnings	22,733	19,657
Accumulated other comprehensive income (loss)	(13) (68
Total stockholders' equity	64,212	61,944
Total liabilities and stockholders' equity	\$ 664,536	\$ 621,213

See the accompanying notes.

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CONSOLIDATED INCOME STATEMENTS (unaudited)

	Three Months		Nine Months Ended	
	Ended		September 30,	
	September 30,	September 30,	September 30,	September 30,
	2016	2015	2016	2015
	(in thousands, except per share amounts)			
Interest income:				
Loans, including fees	\$ 8,228	\$ 7,131	\$ 22,817	\$ 21,253
Investment securities and other	288	244	817	834
Total interest income	8,516	7,375	23,634	22,087
Interest expense:				
Deposits	733	587	2,088	1,761
Other borrowings	74	6	219	82
Total interest expense	807	593	2,307	1,843
Net interest income	7,709	6,782	21,327	20,244
Provision (credit) for loan losses	22	(445)	(164)	(1,997)
Net interest income after provision for loan losses	7,687	7,227	21,491	22,241
Non-interest income:				
Other loan fees	270	244	827	789
Document processing fees	130	141	381	364
Service charges	100	92	292	252
Other	59	77	215	366
Total non-interest income	559	554	1,715	1,771
Non-interest expenses:				
Salaries and employee benefits	3,809	3,412	10,755	9,729
Occupancy, net	564	507	1,631	1,439
Professional services	196	212	653	736
Data processing	173	135	513	388
Depreciation	162	103	486	290
Advertising and marketing	154	116	447	348
FDIC assessment	74	99	270	252
Stock-based compensation	97	73	261	333
Loan servicing and collection	108	10	198	281
Loan litigation settlement, net	—	(50)	—	7,103
Other	499	421	1,464	1,291
Total non-interest expenses	5,836	5,038	16,678	22,190
Income before provision for income taxes	2,410	2,743	6,528	1,822
Provision for income taxes	929	1,152	2,639	803
Net income	1,481	1,591	3,889	1,019
Dividends on preferred stock	—	125	—	401
Discount on partial redemption of preferred stock	—	—	—	(129)
Net income available to common stockholders	\$ 1,481	\$ 1,466	\$ 3,889	\$ 747
Earnings per share:				
Basic	\$ 0.18	\$ 0.18	\$ 0.48	\$ 0.09
Diluted	\$ 0.18	\$ 0.17	\$ 0.46	\$ 0.09
Weighted average number of common shares outstanding:				
Basic	8,096	8,203	8,128	8,204
Diluted	8,421	8,508	8,442	8,503
Dividends declared per common share	\$ 0.035	\$ 0.03	\$ 0.10	\$ 0.08

See the accompanying notes.

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COMMUNITY WEST BANCSHARES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)

	Three Months Ended September 30, 2016		2015		Nine Months Ended September 30, 2016		2015	
	(in thousands)							
Net income	\$1,481	\$1,591	\$	3,889	\$	1,019		
Other comprehensive income (loss), net:								
Unrealized income (loss) on securities available-for-sale (AFS), net (tax effect of \$32, (\$64), (\$39) and \$42 for each respective period)	(46) 92	55		(61)		
Net other comprehensive income (loss)	(46) 92	55		(61)		
Comprehensive income	\$1,435	\$1,683	\$	3,944	\$	958		

See the accompanying notes.

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COMMUNITY WEST BANCSHARES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (unaudited)

	Common Stock		Accumulated Other Comprehensive	Retained	Total
	Shares	Amount	Income (Loss)	Earnings	Stockholders' Equity
	(in thousands)				
Balance, December 31, 2015:	8,206	\$42,355	\$ (68) \$ 19,657	\$ 61,944
Net income	—	—	—	3,889	3,889
Exercise of stock options	72	213	—	—	213
Stock based compensation	—	261	—	—	261
Common stock repurchases	(184)	(1,337)	—	—	(1,337)
Dividends on common stock	—	—	—	(813)	(813)
Other comprehensive income, net	—	—	55	—	55
Balance, September 30, 2016	8,094	\$41,492	\$ (13) \$ 22,733	\$ 64,212

See the accompanying notes.

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COMMUNITY WEST BANCSHARES

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Nine Months Ended September 30,	
	2016	2015
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 3,889	\$ 1,019
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision (credit) for loan losses	(164)	(1,997)
Depreciation	486	290
Stock based compensation	261	333
Deferred income taxes	(304)	42
Net accretion of discounts and premiums for investment securities	(82)	(71)
(Gains)/Losses on:		
Sale of repossessed assets, net	14	(33)