SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2004.

Commission File Number 0-10658

BWC FINANCIAL CORP.
Incorporated pursuant to the Laws of California

Internal Revenue Service – Employer Identification No. 94-262100

1400 Civic Drive, Walnut Creek, California 94596
(925) 932-5353

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 _X_ No _____

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes____ NO _X__

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock as the latest practicable date. As of November 1, 2004, there were 3,903,067 shares of common stock, no par value outstanding.

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BWC FINANCIAL CORP.
CONSOLIDATED BALANCE SHEETS

Dollars in thousands	September 30, 2004	December 31, 2003	September 30, 2003
Assets	(Unaudited)		(Unaudited)
Cash and Due From Banks	$ 16,931	$ 17,959	$ 18,294
Federal Funds Sold	-	3,470	26,101
Other Short-term Investments	55	71	66
Interest Earning Deposits with other Banks	$ 100	-	-
Total Cash and Cash Equivalents	17,086	21,500	44,461
Investment Securities:			
Available-for-Sale	65,611	67,684	55,286
Held-to-Maturity (approximate fair value of $19,480 on 9/30/04, $19,245 on 12/31/03 and $16,027 on 9/30/03.	19,276	18,971	15,718
Loans	379,363	337,119	337,095
Allowance for credit losses	(7,827)	(6,692)	(6,164)
Net Loans	371,536	330,427	330,931
BWC Mortgage Services Loans-Held-for-Sale	28,424	5,142	5,737
Premises and Equipment, Net	4,190	3,892	3,399
Interest Receivable and Other Assets	10,490	9,540	8,377
Total Assets	$ 516,613	$ 457,156	$ 463,909
Liabilities and Shareholders' Equity			
Liabilities			
Deposits:			
Noninterest-bearing	$ 128,213	$ 123,496	$ 114,579
Interest-bearing:			
Money Market Accounts	167,416	152,188	169,042
Savings and NOW Accounts	55,724	52,727	52,455
Time Deposits:			
Under $100	22,655	23,225	24,308
$100 or more	19,368	18,529	22,304
Total Interest-bearing	265,163	246,669	268,109
Total Deposits	393,376	370,165	382,688
Federal Home Loan Bank Borrowings	43,595	33,352	28,132
BWC Mortgage Services Borrowings	28,068	5,071	5,715
Fed Funds Purchased	800	-	-
Interest Payable and Other Liabilities	3,539	3,745	3,354
Total Liabilities	469,378	412,333	419,889
Shareholders' Equity			
Preferred Stock, no par value: 5,000,000 shares authorized, none outstanding	-	-	-
Common Stock, no par value: 25,000,000 shares authorized; issued and outstanding - 3,903,067 shares on 9/30/04, 3,909,132 on 12/31/03 and 3,909,345 on 9/30/03.	38,816	39,019	31,386
Retained Earnings	8,459	5,305	11,972
Accumulated other comprehensive income/(loss)	(40)	499	662
Total Shareholders' Equity	47,235	44,823	44,020
Total Liabilities and Shareholders' Equity	$ 516,613	$ 457,156	$ 463,909

The accompanying notes are an integral part of these consolidated statements.

BWC FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF INCOME
In thousands except per-share amounts

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2004	2003	2004	2003
Interest Income	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loans, including Fees	$ 6,694	$ 6,364	$ 19,320	$ 17,597
Investment Securities:				
Taxable	479	512	1,485	1,626
Non-taxable	142	118	425	332
Federal Funds Sold	26	37	107	100
Total Interest Income	7,341	7,031	21,337	19,655
Interest Expense				
Deposits	580	648	1,925	2,057
Federal Funds Purchased	-	-	4	1
FHLB Borrowings	433	337	1,216	925
BWC Mortgage Services	178	227	533	298
Other Borrowed Funds	-	-	2	-
Total Interest Expense	1,191	1,212	3,680	3,281
Net Interest Income	6,150	5,819	17,657	16,374
Provision for Credit Losses	150	450	975	1,050
Net Interest Income After Provision For Credit Losses	6,000	5,369	16,682	15,324
Noninterest Income				
BWC Mortgage Services - Commissions	2,096	2,857	6,850	8,287
BWC Mortgage Services - Fees & Other	885	1,836	2,757	3,453
Service Charges on Deposit Accounts	232	248	699	777
Other	434	381	1,288	1,223
Gain/(loss) on Security Transactions	7	-	21	(12)
Total Noninterest Income	3,654	5,322	11,615	13,728
Noninterest Expense				
Salaries and Related Benefits	2,915	2,887	9,033	8,430
BWC Mortgage Services - Commissions	2,130	2,748	5,625	6,887
Occupancy	578	504	1,729	1,482
Furniture and Equipment	225	184	625	550
Other	1,048	1,620	4,296	4,812
Total Noninterest Expense	6,896	7,943	21,308	22,161
BWC Mortgage Services - Minority Interest	211	480	775	1,059
Income Before Income Taxes	2,547	2,268	6,214	5,832
Provision for Income Taxes	979	850	2,356	2,216
Net Income	$ 1,568	$ 1,418	$ 3,858	$ 3,616
Basic Earnings Per Share	$ 0.40	$ 0.36	$ 0.99	$ 0.92
Diluted Earnings Per Share	$ 0.40	$ 0.36	$ 0.98	$ 0.92
Weighted Average Basic Shares	3,910,809	3,907,675	3,910,212	3,930,313
Weighted Average Diluted Share Equivalents Related to Options	28,415	18,063	32,864	16,290
Weighted Average Diluted Shares	3,939,224	3,925,738	3,943,076	3,946,603

The accompanying notes are an integral part of these consolidated statements.

BWC FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the periods ending December 31, 2003, and September 30, 2004
In thousands except share amounts

	Number of Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total	Comprehensive Income
Balance, January 1, 2003	3,619,510	$ 32,575	$ 8,570	$ 854	$ 41,999	
Net Income as of December 31, 2003	-	-	4,799	-	4,799	4,799
Other Comprehensive Income, net of tax liability of $301	-	-	-	(355)	(355)	(355)
Comprehensive Income	-	-	-	-	-	$ 4,444
Stock options exercised	6,140	89	-	-	89	
Repurchase and retirement of shares by the Corporation	(71,700)	(1,292)	-	-	(1,292)	
Cash Dividend Paid	-	-	(426)	-	(426)	
10% stock dividend including payment of fractional shares	355,182	7,633	(7,638)	-	(5)	
Tax benefit from the exercise of stock options	-	14	-	-	14	
Balance, December 31, 2003	3,909,132	$ 39,019	$ 5,305	$ 499	$ 44,823	
Net Income as of September 30, 2004	-	-	3,858	-	3,858	3,858
Other Comprehensive Income, net of tax liability of $123	-	-	-	(539)	(539)	(539)
Comprehensive Income	-	-	-	-	-	$ 3,319
Stock options exercised	8,935	119	-	-	119	
Repurchase and retirement of shares by the Corporation	(15,000)	(322)	-	-	(322)	
Cash Dividend Paid	-	-	(704)	-	(704)	
Balance, September 30, 2004 (Unaudited)	3,903,067	$ 38,816	$ 8,459	$ (40)	$ 47,235	

The accompanying notes are an integral part of these consolidated statements.

BWC FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
In thousands

	For the Nine Months Ended September 30, 2004	2003
OPERATING ACTIVITIES:	(Unaudited)	(Unaudited)
Net Income	$ 3,858	$ 3,616
Adjustments to reconcile net income to		
net cash provided(used):		
Provision for credit losses	975	1,050
Depreciation on fixed assets	515	411
Amortization and accretion on securities	704	768
(Gain)/loss on sale of securities available for sale	(21)	12
Increase in BWC Mtg. loans held-for-sale	(23,282)	(5,737)
(Increase)/decrease in accrued interest receivable and other assets	(614)	211
(Decrease)/increase in accrued interest payable and other liabilities	(206)	462
Net Cash Used by Operating Activities	(18,071)	793
INVESTING ACTIVITIES:		
Proceeds from maturities of investment securities	16,574	23,174
Proceeds from the sales of available-for-sale investment securities	28,424	488
Purchase of investment securities	(44,788)	(24,430)
Loans originated, net of collections	(42,084)	(28,398)
Purchase of premises and equipment	(813)	(649)
Net Cash Used by Investing Activities	(42,687)	(29,815)
FINANCING ACTIVITIES:		
Net increase in deposits	23,211	41,735
Increase/(decrease) in Federal Home Loan borrowings	10,243	4,510
Increase in BWC Mortgage Services borrowings	22,997	5,715
Increase in Fed Funds Purchased	800	-
Cash dividends paid	(704)	(214)
Proceeds from issuance of common stock	119	-
Cash paid for the repurchase of common stock	(322)	(1,292)
Net Cash Provided by Financing Activities	56,344	50,454
CASH AND CASH EQUIVALENTS:		
Increase in cash and cash equivalents	(4,414)	21,432
Cash and cash equivalents at beginning of year	21,500	23,029
Cash and Cash Equivalents at period end	$ 17,086	$ 44,461
ADDITIONAL CASH FLOW INFORMATION:		
Interest Paid	$ 3,674	$ 3,421
Income Taxes Paid	$ 2,628	$ 1,706

The accompanying notes are an integral part of these consolidated statements.

BWC FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED FINANCIAL STATEMENTS

In the opinion of management, the unaudited interim consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position at September 30, 2004 and the results of operations for the three months and nine months ended September 30, 2004 and 2003 and cash flows for the nine months ended September 30, 2004 and 2003.

Certain information and footnote disclosures presented in the Corporation's annual consolidated financial statements are not included in these interim financial statements. Accordingly, the accompanying unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Corporation's 2003 10-K. The results of operations for the nine months ended September 30, 2003, and the results of interim periods presented, are not necessarily indicative of the operating results for the full year.

Diluted earnings per share is computed using the weighted average number of shares outstanding during the period, adjusted for the dilutive effect of stock options. All per-share amounts have been restated to reflect the 10% stock dividend given in December 2003.

2: INVESTMENT SECURITIES

An analysis of the investment security portfolio at September 30, 2004 follows:
In thousands

Available-for-sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury Securities	$ 269	$ 1	$ -	$ 270
Securities of U.S. Government Agencies	34,784	44	141	34,687
Taxable Securities of State and Political Subdivisions	16,132	82	124	16,090
Corporate Debt Securities	14,494	134	64	14,564
Total	65,679	261	329	65,611
Held-to-maturity				
Obligations of State and Political Subdivisions	19,276	234	30	19,480
Total Investment Securities	$ 84,955	$ 495	$ 359	$ 85,091

In 2004 the Corporation received proceeds from sale of available-for-sale investment securities of $28,424,000. Gross realized gains (losses) included in other noninterest income totaled $149,000 and $128,000, respectively.

The maturities of the investment security portfolio at September 30, 2004 follow:

In thousands

	Held-to-maturity		
	Amortized Cost	Estimated Fair Value	Effective Yield
Within one year	$ 5,696	$ 5,733	4.16%
After one year through five years	12,470	12,595	3.69%
Over five years through ten years	1,110	1,152	5.14%
Total	$ 19,276	$ 19,480	3.95%

	Available-for-Sale		
	Amortized Cost	Estimated Fair Value	Effective Yield
Within one year	$ 23,050	$ 23,364	3.03%
After one year through five years	42,629	42,247	3.05%
Total	$ 65,679	$ 65,611	3.04%

At September 30, 2004 securities with a book value of $15,990,000 were pledged to secure public deposits. Market value of these same securities on that date was $15,985,000.

3. ALLOWANCE FOR CREDIT LOSSES

In thousands

	For the Nine Months Ended September 30,	
	2004	2003
Total loans outstanding at end of period, before deducting allowance for credit losses (1)	$ 379,363	$ 337,095
Allowance for credit losses at beginning of period	6,692	5,977
Charge-offs	(56)	(1,101)
Recoveries	216	238
Net (charge-offs)/recoveries	160	(863)
Provisions	975	1,050
Allowance for credit losses at end of period	$ 7,827	$ 6,164
Ratio of allowance for credit losses to loans	2.06%	1.83%

(1) Excludes BWC Mortgage Services Loans-Held-for-Sale. Due to the low credit risk on these loans, no reserves are allocated to them.

4. COMPREHENSIVE INCOME

For the Corporation, comprehensive income includes net income reported on the statement of income and changes in the fair value of its available-for-sale investments reported as a component of shareholders' equity.

The components of other comprehensive income for the nine months ended September 30, 2004 and 2003 are as follows:
In thousands

	2004	2003
Unrealized gain(loss) arising during the period, net of tax	$ (526)	$ (199)
Reclassification adjustment for net realized gains(losses) on securities available-for-sale included in net income during the year, net of tax	13	(7)
Net unrealized gain(loss) included in other comprehensive income	$ (539)	$ (192)

5. BUSINESS SEGMENTS

The Corporation is principally engaged in community banking activities through its seven Bank branches. In addition to its community banking activities, the Corporation provides mortgage brokerage services through its joint venture, BWC Mortgage Services. These activities are monitored and reported by Corporation management as a separate operating segment. The separate banking offices have been aggregated into a single reportable segment, Community Banking.

The Corporation’s community banking segment provides loans, leases and lines of credit to local businesses and individuals. This segment also derives revenue by investing funds that are not loaned to others in the form of loans, leases or lines of credit, into investment securities. The business purpose of BWC Mortgage Services is the origination and placement of long-term financing for real estate mortgages.

Summarized financial information for the periods ended September 30, 2004 and 2003 concerning the Corporation’s reportable segments is shown in the following table.

For the Nine Months Ended 09/30/2004 In thousands		**Community Banking**		**Mortgage Services**		**Adjustments**		**Total**
Total Interest Income	$	19,997	$	1,356	$	(16)	$	21,337
Commissions Received		-		6,850		-		6,850
Total Interest Expense		3,158		538		(16)		3,680
Salaries & Benefits		7,214		1,819		-		9,033
Commissions Paid		-		5,625		-		5,625
Segment Profit before Tax		5,576		1,551		(913)		6,214
Total Assets	$	487,039	$	30,809	$	(1,235)	$	516,613

For the Nine Months Ended 09/30/2003 In thousands		**Community Banking**		**Mortgage Services**		**Adjustments**		**Total**
Total Interest Income	$	19,180	$	480	$	(5)	$	19,655
Commissions Received		-		8,287		-		8,287
Total Interest Expense		2,987		299		(5)		3,281
Salaries & Benefits		7,098		1,332		-		8,430
Commissions Paid		-		6,887		-		6,887
Segment Profit before Tax		4,900		2,118		(1,186)		5,832
Total Assets	$	456,874	$	8,099	$	(1,064)	$	463,909

For the Three Months Ended 09/30/2004 In thousands		**Community Banking**		**Mortgage Services**		**Adjustments**		**Total**
Total Interest Income	$	6,897	$	450	$	(6)	$	7,341
Commissions Received		-		2,096		-		2,096
Total Interest Expense		1,017		180		(6)		1,191
Salaries & Benefits		2,346		569		-		2,915
Commissions Paid		-		2,130		-		2,130
Segment Profit before Tax		2,346		423		(222)		2,547
Total Assets	$	487,039	$	30,809	$	(1,235)	$	516,613

For the Three Months Ended 09/30/2003 In thousands		**Community Banking**		**Mortgage Services**		**Adjustments**		**Total**
Total Interest Income	$	6,664	$	369	$	(2)	$	7,031
Commissions Received		-		2,857		-		2,857
Total Interest Expense		986		227		(1)		1,212
Salaries & Benefits		2,392		495		-		2,887
Commissions Paid		-		2,748		-		2,748
Segment Profit before Tax		1,791		960		(483)		2,268
Total Assets	$	456,874	$	8,099	$	(1,064)	$	463,909

6. ACCOUNTING FOR STOCK-BASED COMPENSATION

The Corporation uses the intrinsic value method to account for its stock option plans (in accordance with the provisions of Accounting Principles Board Opinion No. 25). Under this method, compensation expense is recognized for awards of options to purchase shares of common stock to employees under compensatory plans only if the fair market value of the stock at the option grant date (or other measurement date, if later) is greater than the amount the employee must pay to acquire the stock. Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS 123) permits companies to continue using the intrinsic value method or to adopt a fair-value-based method to account for stock option plans. The fair-value-based method results in recognizing as expense over the vesting period the fair value of all stock-based awards on the date of grant. The Corporation has elected to continue to use the intrinsic value method. The pro forma disclosures illustrating the impact on net income of applying the fair-value method are reflected in the following table.

In thousands except per-share amounts	For the Nine Months Ended September 30, 2004	2003
Net income, as reported	$ 3,858	$ 3,616
Deduct: Total stock-based compensation expense determined under the fair-value-based method for all awards, net of related taxes	115	121
Pro forma net income	$ 3,743	$ 3,495
Basic income per share, as reported	$ 0.99	$ 0.92
Proforma basic income per share	$ 0.96	$ 0.89
Diluted income per share, as reported	$ 0.98	$ 0.92
Proforma diluted income per share	$ 0.95	$ 0.89
Weighted Average Basic Shares	3,910,212	3,930,313
Weighted Average Diluted Shares	3,943,076	3,946,603

In thousands except per-share amounts	For the Three Months Ended September 30, 2004	2003
Net income, as reported	$ 1,568	$ 1,418
Deduct: Total stock-based compensation expense determined under the fair-value-based method for all awards, net of related taxes	38	40
Pro forma net income	$ 1,530	$ 1,378
Basic income per share, as reported	$ 0.40	$ 0.36
Proforma basic income per share	$ 0.39	$ 0.35
Diluted income per share, as reported	$ 0.40	$ 0.36
Proforma diluted income per share	$ 0.39	$ 0.35
Weighted Average Basic Shares	3,910,809	3,907,675
Weighted Average Diluted Shares	3,939,224	3,925,738

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

Except for historical financial information contained herein, certain matters discussed in the Annual Report of BWC Financial Corp. constitute "forward-looking statements" within the meaning of the Securities Exchange Act of 1934, as amended. Forward-looking statements are subject to risks and uncertainties that may cause actual future results to differ materially. Such risks and uncertainties with respect to BWC Financial Corp., Bank of Walnut Creek, and BWC Real Estate, include, but are not limited to, those related to the economic environment, particularly in the areas in which the Company and the Bank operate, competitive products and pricing, loan delinquency rates, fiscal and monetary policies of the U.S. government, changes in governmental regulations affecting financial institutions - including regulatory fees and capital requirements, changes in prevailing interest rates, acquisitions and the integration of acquired businesses, credit risk management and asset/liability management, the financial and securities markets, and the availability of and costs associated with sources of liquidity.

Selected Financial Data - Summary:

The following table provides certain selected consolidated financial data as of and for the three month and nine-month periods ended September 30, 2004 and 2003.

	Quarter Ended September 30,		Year to Date September 30,	
SUMMARY INCOME STATEMENT (Unaudited in thousands except share data)	**2004**	**2003**	**2004**	**2003**
Interest Income	$ 7,341	$ 7,031	$ 21,337	$ 19,655
Interest Expense	1,191	1,212	3,680	3,281
Net Interest Income	6,150	5,819	17,657	16,374
Provision for Credit Losses	150	450	975	1,050
Non-interest Income	3,654	5,322	11,615	13,728
Non-interest Expense	6,896	7,943	21,308	22,161
Minority Interest	211	480	775	1,059
EBIT	2,547	2,268	6,214	5,832
Income Taxes	979	850	2,356	2,216
Net Income	$ 1,568	$ 1,418	$ 3,858	$ 3,616
Per share:				
(Share and share equivalents have been adjusted for the stock dividend granted in December 2003)				
Basic EPS	$ 0.40	$ 0.36	$ 0.99	$ 0.92
Diluted EPS	$ 0.40	$ 0.36	$ 0.98	$ 0.92
Weighted Average Basic shares	3,910,809	3,907,675	3,910,212	3,930,313
Weighted Average Diluted Shares	3,939,224	3,925,738	3,943,076	3,946,603
Cash dividends	$ 0.06	$ 0.06	$ 0.18	$ 0.12
Book value at period end			$ 12.10	$ 11.26
Ending shares (adjusted for stock dividend in December 2003)			3,903,067	3,909,345

Selected Financial Data - Summary (cont):

Financial Ratios:	Quarter Ended September 30, 2004	Quarter Ended September 30, 2003	Year to Date September 30, 2004	Year to Date September 30, 2003
Return on Average Assets	1.26%	1.22%	1.05%	1.11%
Return on Average Equity	13.46%	13.07%	11.20%	11.29%
Net Interest Margin to Earning Assets	5.25%	5.31%	5.07%	5.33%
Net loan losses (recoveries) to avg. loans	-0.01%	0.11%	-0.05%	0.23%
Efficiency Ratio (Bank only)	61.30%	68.75%	64.49%	66.64%

SUMMARY BALANCE SHEET

(Unaudited in thousands)

Assets:	September 30, 2004	September 30, 2003
Cash and Equivalents	$ 17,086	$ 44,461
Investments	84,887	71,004
Loans	379,363	337,095
Allowance for Credit Losses	(7,827)	(6,164)
BWC Mortgage Services, Loans Held-for-Sale	28,424	5,737
Other Assets	14,680	11,776
Total Assets	$ 516,613	$ 463,909
Deposits:	$ 393,376	$ 382,688
Other Borrowings	72,463	33,847
Other Liabilities	3,539	3,354
Total Liabilities	469,378	419,889
Equity	47,235	44,020
Total Liabilities and Equity	$ 516,613	$ 463,909

General

Prime rate averaged 4.14% during the first nine months of 2004, which was relatively comparable to the 4.17% for the first nine months of 2003. Due to the Corporation's asset-sensitive position, low interest rates result in a narrowing of the Corporation's net interest margin. Since July, 2004 the Federal Reserve raised their funds rate three times, to 4.75%, resulting in banks raising their prime lending rates by a like amount. The economy, particularly in the jobs market, still reflects uncertainty, however, with continued strengthening and growth, interest rates are projected to continue increasing by measured steps. A stronger economy and higher rates will reflect positively in the Corporation's performance.

Total assets of the Corporation at September 30, 2004 of $516,613,000 have increased $52,704,000 or 11.4% as compared to September 30, 2003. Total loans of $379,363,000 have increased $42,268,000 or 12.5%. BWC Mortgage Services loans held-for-sale increased $22,687,000 or almost 400%. Total deposits plus FHLB long-term borrowings of $465,839,000 have increased $49,304,000 or 11.8%. Since year-end 2003 the Corporation's assets have increased 13%, loans increased 12.5%, and deposits plus FHLB long-term borrowings increased 8.3%.

The Bank's loans-to-deposits plus FHLB borrowings ratio as of September 30, 2004 was 86.2%, as compared to 81.5% in 2003 and 82.9% at year-end 2003. Loans and borrowings of BWC Mortgage Services are not included in these ratios since their loans and borrowings are essentially equal.

The Corporation's subsidiary, BWC Mortgage Services, has established lines-of-credit with third party providers for the purpose of funding sold loans to reduce the time it takes to close mortgages for borrowers. The loans held-for-sale are generally on the books for less than a month and carry virtually no credit risk to the Corporation. For this reason these loans are reported as a separate line item below the loans and reserves of the Corporation and are not included in the calculation of the ratio of allowance for credit losses to loans. Interest income and fees associated with these loans are included in the "Loans, including Fees" section of the Corporation's income statement.

Net Income

Net income for the first nine months in 2004 of $3,858,000 was $242,000 more than the first nine months in 2003. This represented a return on average assets during this period of 1.05% and a return on average equity of 11.20%. The return on average assets during the first nine months of 2003 was 1.11%, and the return on average equity was 11.29%.

Net income for the three months ending September 30, 2004 of $1,568,000 was $150,000 more than the comparable period in 2003. The return on average assets during the Third Quarter was 1.26%, and the return on average equity was 13.46%. The return on average assets during the Third Quarter of 2003 was 1.22%, and the return on average equity was 13.07%.

Earning assets averaged $470,462,000 during the nine months ended September 30, 2004, as compared to $414,116,000 for the comparable period in 2003. Earning assets averaged $474,093,000 during the Third Quarter of 2004 as compared to $442,771,000 during the Third Quarter of 2003.

Diluted earnings per average common share were $0.98 for the first nine months of 2004 as compared to $0.92 for the first nine months of 2003. For the Third Quarter of 2004, diluted earnings per average common share were $0.40 as compared to $0.36 for the Third Quarter of 2003.

Net Interest Income

Interest income represents the interest earned by the Corporation on its portfolio of loans, investment securities, and other short-term investments. Interest expense represents interest paid to the Corporation's depositors, as well as to others from whom the Corporation borrows funds on a temporary basis.

Net interest income is the difference between interest income on earning assets and interest expense on deposits and other borrowed funds. The volume of loans and deposits and interest rate fluctuations caused by economic conditions greatly affect net interest income.

Net interest income during the first nine months of 2004 was $17,657,000 or $1,283,000 more than the comparable period in 2003. This was on a net earning-asset base (earning assets less interest-bearing deposits and borrowings) that averaged $18,910,000 more than during the first nine months of 2003. The prime lending rate averaged 4.14% during the first nine months of 2004 as compared to an average of 4.17% for the first nine months of 2003.

Due to the Corporation’s asset-sensitive position, low interest rates result in a narrowing of the Corporation’s net interest margin. The Corporation’s net interest margin averaged 5.07% during the first nine months of 2004 as compared to 5.33% in 2003. The decrease in net interest margin is estimated to have resulted in a decrease in interest income of $500,000 during the first nine months of 2004 as compared to the same period in 2003. This was offset by the increased interest income related to growth of earning assets, which contributed to an increase over the comparable period of an estimated $1,783,000.

During the Third Quarter 2004 the Corporation’s net interest margin averaged 5.25% as compared to 5.31% in 2003. In spite of the fact that the net interest margin decreased a modest 0.06% between the respective quarters, because the average yield on earning assets decreased only 0.15% on earning assets of $474,409,000, whereas the rate on the cost of funds decreased 0.22% on deposits and borrowings of $320,763,000, net interest income rose $331,000. Of this, $147,000 was due to an increase in volume and $184,000 was due to rate. More specifically, interest income on earning assets decreased by $218,000 due to rates, but the cost of funds decreased even more due to rates, by $402,000. This resulted in an increase in net interest income of $184,000 due to rate change between earning assets and the cost of funds.

The following table delineates the impacts of changes in the volume of earning assets, changes in the volume of interest-bearing liabilities, and changes in interest rates on net interest income for the six-month and Third Quarter periods ended September 30, 2004 and 2003.

	Nine Months Ended September 30, 2004					Nine Months Ended September 30, 2003				
EARNING ASSETS:		**Average Balance**		**Interest Income/ Expense**	**Average Yield/ Rate**		**Average Balance**		**Interest Income/ Expense**	**Average Yield/ Rate**
Loans (3,4,5)	$	355,764	$	17,975	6.74%	$	326,831	$	17,121	6.98%
Investment Securities, Fed Funds, Other (2)		95,517		2,017	3.12%		79,345		2,058	3.75%
BWC Mtg Banking - Loans		19,181		1,345	9.35%		7,940		476	7.99%
TOTAL EARNING ASSETS	$	470,462	$	21,337	6.11%	$	414,116	$	19,655	6.38%
INTEREST BEARING LIABILITIES:		Avg.Volume		YTD Int.	Rate		Avg.Volume		YTD Int.	Rate
Interest Bearing Deposits	$	270,874	$	1,925	0.95%	$	253,627	$	2,057	1.08%
FHLB & Other Borrowing - Bank		34,109		1,222	4.78%		24,841		925	4.96%
BWC Mortgage Services - Borrowings		18,861		533	3.77%		7,940		299	5.02%
TOTAL INTEREST BEARING LIABILITIES	$	323,844	$	3,680	1.52%	$	286,408	$	3,281	1.53%
NET INTEREST INCOME	$	146,618	$	17,657	**5.07%**	$	127,708	$	16,374	**5.33%**

	Quarter Ended September 30, 2004					Quarter Ended September 30, 2003				
EARNING ASSETS:		**Average Balance**		**Interest Income/ Expense**	**Average Yield/ Rate**		**Average Balance**		**Interest Income/ Expense**	**Average Yield/ Rate**
Loans (3,4,5)	$	362,586	$	6,248	6.89%	$	343,341	$	5,996	6.99%
Investment Securities, Fed Funds, Other (2)		90,851		647	3.17%		84,976		667	3.42%
BWC Mtg Banking - Loans		20,972		446	8.51%		14,454		368	10.18%
TOTAL EARNING ASSETS	$	474,409	$	7,341	6.25%	$	442,771	$	7,031	6.40%
INTEREST BEARING LIABILITIES:		Avg.Volume		Quarterly	Rate		Avg.Volume		Quarterly	Rate
Interest Bearing Deposits	$	264,017	$	580	0.88%	$	251,120	$	648	1.03%
FHLB & Other Borrowing - Bank		36,098		433	4.80%		23,582		337	5.72%
BWC Mortgage Services - Borrowings		20,648		178	3.45%		9,364		227	9.70%
TOTAL INTEREST BEARING LIABILITIES	$	320,763	$	1,191	1.49%	$	284,066	$	1,212	1.71%
NET INTEREST INCOME	$	153,646	$	6,150	**5.25%**	$	158,705	$	5,819	**5.31%**

1. Minor rate differences from a straight division of interest by average assets are due to the rounding of average balances.
2. Amounts calculated on a fully tax-equivalent basis, where appropriate (2004 and 2003 Federal Statutory Rate was 34%).
3. Nonaccrual loans of $0 and $665,000 as of September 30, 2004 and 2003 have been included in the average loan balance. Interest income is included on nonaccrual loans only to the extent to which cash payments have been received.
4. Average loans are net of average deferred loan origination fees of $1,615,000 and $1,598,000 in 2004 and 2003, respectively.
5. Loan interest income includes loan origination fees of $2,450,000 and $2,068,000 in 2004 and 2003, respectively.

Provision for Credit Losses

An allowance for credit losses is maintained at a level considered adequate to provide for losses that can be reasonably estimated and is in accordance with SFAS 5 and staff accounting bulletin 102. The allowance is increased by provisions charged to expense and reduced by net charge-offs. Management continually evaluates the economic climate, the performance of borrowers, and other conditions to determine the adequacy of the allowance.

The ratio of the allowance for credit losses to total loans as of September 30, 2003 was 2.06%, as compared to 1.83% for the period ending September 30, 2003. The primary reasons for the increase in this ratio is that net loan losses were significantly reduced from the prior year, and represented a net recovery during the current period. The Corporation reduced its provision to allowance for credit losses beginning in the third quarter of the year and unless credit conditions or loan growth significantly change, will continue with low provisions for the remainder of the year. The Corporation's reserve ratio is considered adequate to provide for losses inherent in the loan portfolio.

The Corporation performs a quarterly analysis of the adequacy of its allowance for loan losses. As of September 30, 2004 it had $7,376,000 in allocated allowance and $451,000 in unallocated allowance. The Corporation's management believes that the amount of unallocated allowance is reasonable due to the growth of the Bank's loan portfolio and the type of credit products that comprise the portfolio.

The Corporation had net recoveries of $160,000 during the first nine months of 2004 as compared to net losses of $863,000 during the comparable period in 2003.

The following table provides information on past-due and nonaccrual loans:

	For the Nine months Ended September 30,	
	2004	2003
Loans Past-due 90 Days or More	$ -	$ 49,000
Nonaccrual Loans	6,000	665,000
Total	$ 6,000	$ 714,000

As of September 30, 2004 and 2003, no loans were outstanding that had been restructured. No interest earned on nonaccrual loans that was recorded in income during 2004 remains uncollected. As of September 30, 2004, although there was no unpaid principle balance on nonaccrual loans, there was foregone interest of approximately $94,000 that was still owed. This interest was collected in October and will be reflected in interest income during the fourth quarter of 2004. As of September 30, 2003 interest foregone on nonaccrual loans was approximately $150,000.

The Allowance for Loan and Lease Loss Reserve Methodology requires that certain loans be reviewed under the directives of the Federal Financial Institutions Examination Council's (FFIEC) policy statement dated July 6, 2001 and FASB 114, to determine whether or not the loan is impaired and necessitates a Specific Reserve. By Bank policy all loans and leases that are classified Substandard (Risk Rating 6) or Doubtful (Risk Rating 7) are reviewed to determine if they are impaired. An impaired loan defined by FASB 114, is one which "based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement". All amounts due according to the contractual terms means "that both the contractual interest payments and contractual principal payments will be collected as scheduled in the loan agreement".

When a loan is determined to be impaired, the extent of impairment is based on the expected future cash flows discounted at the loan's effective interest rate. However, as a practical expedient, FASB 114 permits a creditor to measure impairment based on the fair value of the collateral. It is this latter form of measurement that the Bank has elected to use, as personal or real property assets collateralize a large percentage of the Bank's loans.

In selecting this approach to determining the necessity of Specific Reserves, the Bank documents:

- How the fair value of the collateral was determined, e.g., current appraisal (real property, equipment or inventory), method for valuation of collectable accounts or notes receivable, method for valuation of other assets.
- Supporting rationale for adjustments to appraisals or loan-to-value discount applied to determine the collateral value.
- The determination of the cost to sell or liquidate the collateral.
- The qualifications, expertise and independence of the appraiser.

For purposes of the Bank's Credit Policy regarding this section of the ALLL methodology the following practices and definitions apply.

- An appraisal will be considered "current" for the initial assessment of a loan under FASB 114, if it is less than nine months old. In subsequent annual assessments the appraisal may not be older than twelve months. Where we are assessing accounts or notes receivable, we should order a receivables audit to assist in the initial assessment and refresh it every nine months.
- In developing the rationale to support appraisal adjustments or the loan-to-value discount on personal property, external comps and collateral audits should be used as much as possible.
- All costs to sell or liquidate the collateral, except legal expenses, are to be included. An estimate may be used where definitive amounts are not available.
- The calculation of the Specific Reserve follows:

Gross Collateral Value
Less: Cost to Sell
Less: Loan-To-Value Discount (1)
Equals: Net Collateral Value
Less: Current Principal Outstanding

If the calculation produces a collateral excess, it is not appropriate to assign a Specific Reserve. If the calculation results in a collateral shortfall, the Specific Reserve should equal the amount of the shortfall.

(1) The loan-to-value discount does not have to follow the Bank standard if the rationale for an adjustment warrants a greater or lesser amount.

Noninterest Income

Noninterest income during the first nine months of 2004 was $2,113,000 less than during the comparable period of 2003 of which $2,133,000 was in decreased income from BWC Mortgage Services. This is a reflection of the market for mortgages and refinancing which was particularly strong during 2003. During 2004 this activity had decreased substantially, however, due to commensurate reductions in their expenses, their net contribution remains positive, resulting in a net contribution to the Corporation of $775,000. There is also a decrease in service charge income of $78,000 which is in part due to the free checking program being sponsored by the Bank this year, as well as a decrease in NSF fees this year as compared to the prior year. Income from other sources increased $65,000 over the prior year and there were net gains on securities available-for-sale of $21,000 during the first nine months of 2004 as compared to losses of $12,000 during the comparable 2003 period.

During the Third Quarter of 2004 noninterest income was $1,668,000 less than during the comparable period of 2003 of which $1,712,000 was in lower income from BWC Mortgage Services. Service charges by the Bank reflect a decrease of $16,000 from the prior year quarter, due to the same reasons as given for the nine month results, whereas income from other sources increased $53,000,000 and there were gains of securities sold of $7,000.

Noninterest Expense

Noninterest expense during the first nine months of 2004 was $853,000 less than during the comparable period in 2003. All categories listed under noninterest expense include consolidated expenses from BWC Mortgage Services, not just the two line items specifically referring to their commission expense and to their fee expense. BWC Mortgage Services' total noninterest expense during this period in 2004 was $8,874,000, as compared to $9,802,000 in 2003, or $928,000 less. The difference, an increase, was primarily in the Bank's salary & benefits expense.

Salaries and related benefits were $603,000 greater during the first nine months of 2004 as compared to 2003. Of this increase, BWC Mortgage Services accounted for $487,000. This is again related to the growth and increase in activity in this market segment. The Bank's staff averaged 119 full-time equivalent (FTE) persons during the first nine months of 2004 as compared to 125 during 2003.

Occupancy expense increased $247,000 over the comparable period in 2003. Of this increase, BWC Mortgage Services accounted for $164,000 and the Bank $83,000. BWC Mortgage Services acquired new and expanded office space during the comparative periods, increasing their space by 7,000 square feet. The Bank completed a remodel of its headquarters building in Walnut Creek during the year, at a capitalized expenditure of more than $1,000,000. Amortization of this expense will take place over the remaining 12 year term of the Main Office lease. Other increases are related to general operating and CPI-based increases in the properties leased by the Bank.

Total furniture and equipment expenses increased $75,000 as compared to the 2003 period. Of this increase, $53,000 took place in BWC Mortgage Services and was related to their move into new quarters. The balance is related to the Bank's remodeling and expansion of its technology capabilities.

Other expenses reflect a decrease of $516,000 between the respective periods. This is the result of decreased overhead expenses of a like amount.

During the Third Quarter of 2004 the Corporation's noninterest expense decreased $1,047,000 over the comparable quarter of 2003, which was also primarily related to decreased expenses by BWC Mortgage Services. The same reasons given for the nine-month period are applicable to the quarterly results.

Other Real Estate Owned

As of September 30, 2004 the Corporation had no Other Real Estate Owned assets (assets acquired as the result of foreclosure on real estate collateral) on its books.

Capital Adequacy

The Federal Deposit Insurance Corporation (FDIC) has established risk-based capital guidelines requiring banks to maintain certain ratios of "qualifying capital" to "risk-weighted assets". Under the guidelines, qualifying capital is classified into two tiers, referred to as Tier 1 (core) and Tier 2 (supplementary) capital. Currently, the bank's Tier 1 capital consists of shareholders' equity, while Tier 2 capital includes the eligible allowance for credit losses. The Bank has no subordinated notes or debentures included in its capital. Risk-weighted assets are calculated by applying risk percentages specified by the FDIC to categories of both balance-sheet assets and off-balance-sheet assets.

The Bank's Tier 1 and Total (which included Tier 1 and Tier 2) risk-based capital ratios surpassed the regulatory minimum of 8% at September 30, for both 2004 and 2003. The FDIC has also adopted a leverage ratio requirement. This ratio supplements the risk-based capital ratios and is defined as Tier 1 capital divided by the quarterly average assets during the reporting period. The requirement established a minimum leverage ratio of 3% for the highest-rated banks.

The following table shows the Corporation's risk-based capital ratios and leverage ratio as of September 30, 2004, December 31, 2003, and September 30, 2003.

Risk-based capital ratios: **Capital Ratios**

	September 30, 2004	December 31, 2003	September 30, 2003	Minimum Regulatory Requirements
Tier 1 capital	10.52%	11.18%	11.02%	4.00%
Total capital	11.73%	12.42%	12.27%	8.00%
Leverage ratio	9.14%	9.63%	9.34%	3.00%

The Company's total shareholders' equity increased $2,412,000 from December 31, 2003, due primarily to earnings of $3,858,000. Comprehensive income reflects a decrease of $539,000 from yearend to $3,319,000. From the year earlier period in 2003 shareholders' equity increased $3,215,000 primarily related to earnings of $3,616,000. Comprehensive income reflected a decrease of $192,000 to $3,424,000. Shareholders' equity was 9.14% of total assets as of September 30, 2004, 9.80% as of December 31, 2003 and 9.49% as of September 30, 2003.

The Corporation paid a $0.06 cash dividend in February, May and August of the current year.

The market value of held-to-maturity securities was $204,000 more than book value at September 30, 2004, $274,000 greater than book value on December 31, 2003 and $309,000 greater on September 30, 2003. These changes are a result of changes in market interest rates, which resulted in unrealized gains in the investment portfolio as of September 30, 2004, on December 31, 2003 and on September 30, 2003. In the event market interest rates increase, the market value of the Company's investment portfolio may decrease and vice versa in the event of rate decreases. Because changes in the market value of available-for-sale securities are a component of other comprehensive income within stockholders' equity, a decrease in market value of securities would negatively impact stockholders' equity. The Company performs a quarterly simulation analysis of changes in the market value of the investment portfolio given a 200-basis-point change in interest rates. The latest analysis indicated a decrease in market value of approximately $2,536,000 given a 200-bp increase in rates and a $2,356,000 increase in market value given a 200-bp decrease in rates. Only if the entire portfolio of available-for-sale securities were liquidated would the above (pre-tax) impacts be realized. The Corporation purchases securities to provide a constant stream of maturities to meet normal liquidity needs. On occasion, some sales may take place for temporary liquidity needs; however, it highly unlikely that a significant portion of available-for-sale securities would ever be liquidated prior to maturity. In addition, the Company would continue to be well in excess on capital adequacy requirements in the event the Company would be required to liquidate these securities for unforeseen liquidity needs.

Liquidity

The objective of liquidity management is to ensure the cash flow requirements of depositors and borrowers, as well as the operating cash needs of the Corporation, are met, taking into account all on- and off-balance sheet funding demands. Liquidity management also includes ensuring cash flow needs are met at a reasonable cost. Liquidity risk arises from the possibility the Corporation may not be able to satisfy current or future financial commitments, or the Corporation may become unduly reliant on alternative funding sources. The Corporation maintains a liquidity risk management policy to address and manage this risk. The policy identifies the primary sources of liquidity, establishes procedures for monitoring and measuring liquidity, and establishes minimum liquidity requirements which comply with regulatory guidance. The policy also includes a contingency funding plan to address liquidity needs in the event of an institution-specific or a systemic financial market crisis. The liquidity position is continually monitored and reported on monthly to the Asset/Liability Management Committee.

Funds are available from a number of sources, including the securities portfolio, the core deposit base, the capital markets, the Federal Home Loan Bank, the Federal Reserve Bank, and through the sale and securitization of various types of assets including the sale of BWC Mortgage Services loans held-for-sale.

An additional liquidity source began during the Third Quarter of 2003 with the creation of mortgage banking services provided through BWC Mortgage Services. This activity, supported by borrowings under lines-of-credit, created a pre-sold pool of mortgages reflected on the balance sheet as "Loans Held-for-Sale". The average duration of these loans is three weeks before they are converted to cash and therefore it represents a source of liquidity for the Corporation. As of June 20, 2004, loans held-for-sale represented 5.5% of total assets. This ratio was 1.1% on December 31, 2003 and 1.2% on September 30, 2003.

Cash, investment securities, loans held-for-sale, and other temporary investments represent 25% of total assets at September 30, 2004, 25% at December 31, 2003 and 26% of total assets at September 30, 2003.

Core deposits, the most significant source of funding, comprised approximately 72% of funding sources as of September 30, 2004, 77% on December 31, 2003 and 78% on September 30, 2003.

Cash flows from financing activities contributed significantly to liquidity. As indicated on the Company's Consolidated Statement of Cash Flows, net cash from financing activities provided $56,344,000 during the first nine months of 2004 and $50,454,000 during the same period in 2003. The major portion of the Company's funding comes from customer deposits within its operating region. Customer deposits provided $23,211,000 for the nine months ended September 30, 2004 compared to $41,735,000 for the period ending September 30, 2003. Borrowing activities also provide a significant source of funding and, in the period ending September 30, 2004, contributed $34,040,000 during the first nine months of 2004 as compared to $10,225,000 for the period ending September 30, 2003. Another important source of liquidity is investments in federal funds and other short-term investments and the Company's securities portfolio. The Company maintains a ladder of securities that provides prepayments and payments at maturity and a portfolio of available-for-sale securities that could be converted to cash quickly. Proceeds from maturity and sale of securities provided $44,998,000 for the nine months ending September 30, 2004 compared to $24,430,000 for the period ending September 30, 2003. Other than investing activities, the balance of the funds provided from financing activities was used in operating activities which, for the nine months ended September 30, 2004, used $18,071,000 compared to $2,043,000 for the period ending September 30, 2003. The most significant operating activity was the increase in mortgage banking services provided through BWC Mortgage Services which accounted for $23,282,000 during the period ending September 30, 2004, as compared to $5,737,000 for the period ending September 30, 2003. This is an operating activity in mortgage banking since this represents short-term funding of pre-sold loans to speed the cash flow of the operations. These loans are not being funded as an investment.

The Corporation's management has an effective asset and liability management program, and carefully monitors its liquidity on a continuing basis. Additionally, the Corporation has available from correspondent banks, Federal Fund lines of credit totaling $15,000,000. In addition, the Corporation has approximately $3,000,000 secured borrowing capacity with the Federal Home Loan Bank and a $1,000,000 secured borrowing line with the Federal Reserve Bank. The Corporation also has a source of liquidity in its ability to sell SBA and Commercial Real Estate loans to other investors.

At the financial holding company level, the Corporation uses cash to repurchase common stock and pay for professional services and miscellaneous expenses. The primary sources of funding for the holding company include dividends and returns of investment from its subsidiaries. During the first nine months of 2004, the Corporation received $119,000 from the exercise of stock options. During the first nine months of 2003, the Corporation received $89,000 from the exercise of stock options. The subsidiaries of the Corporation declared dividends to the holding company in the first nine months of 2004 and 2003 of $0, and $2,260,000, respectively. The subsidiaries also provided liquidity to the Corporation in the form of returns of capital during the first nine months of 2004 and 2003 of $3,996,000, and $3,744,000, respectively. As of January 1, 2004, the amount of dividends the bank subsidiary can pay to the parent company without prior regulatory approval was $13,318,000, versus $15,447,000 at January 1, 2003. The subsidiary bank is subject to regulation and, among other things, may be limited in their ability to pay dividends or transfer funds to the holding company. Accordingly, consolidated cash flows as presented in the consolidated statements of cash flows, may not represent cash immediately available to the holding company.

Item 3 - Quantitative and Qualitative Disclosures about Market Risk

Movement in interest rates can create fluctuations in the Corporation's income and economic value due to an imbalance in the re-pricing or maturity of assets or liabilities. The components of interest-rate risk which are actively measured and managed include: re-pricing risk and the risk of non-parallel shifts in the yield curve. Interest-rate risk exposure is actively managed with the goal of minimizing the impact of interest-rate volatility on current earnings and on the market value of equity.

In general, the assets and liabilities generated through ordinary business activities do not naturally create offsetting positions with respect to re-pricing or maturity characteristics. Therefore, the Corporation uses a variety of measurement tools to monitor and control the overall interest-rate risk exposure of the on-balance-sheet positions. For each measurement tool, the level of interest-rate risk created by the assets and liabilities is a function primarily of their contractual interest-rate re-pricing dates and contractual maturity (including principal amortization) dates.

The Corporation employs a variety of modeling tools to monitor interest-rate risks. One of the earlier and more basic models is GAP reporting. The net difference between the amount of assets and liabilities within a cumulative calendar period is typically referred to as the "rate sensitivity position."

As part of the GAP analysis to help manage interest-rate risk, the Corporation also performs an earnings simulation analysis to identify the interest-rate risk exposures resulting from the Corporation's asset and liability positions, such as its loans, investment securities, and customer deposits. The Corporation's policy is to maintain a risk of a 2% rate shock to net interest income at risk to a level of not more than 15%. The earnings simulation analysis as of September 30, 2004 estimated that a 2% interest-rate shock (decrease) could lower net interest income by $1,367,000, which was 6.11% of 2004 annualized net interest income

This earnings simulation does not account for the potential impact of loan prepayments, deposit drifts, or other balance sheet movements in response to modeled changes in interest rates, and the resulting effect, if any, on the Corporation's simulated earnings analysis.

Interest Rate Sensitivity

Proper management of the rate sensitivity and maturities of assets and liabilities is required to provide an optimum and stable net interest margin. Interest rate sensitivity spread management is an important tool for achieving this objective and for developing strategies and means to improve profitability. The schedules shown below reflect the interest-rate sensitivity position of the Corporation as of September 30, 2004. In a rising interest-rate environment, the Corporation's net interest margin and net interest income will improve. A falling interest-rate environment will have the opposite effect. Management believes that the sensitivity ratios reflected in these schedules fall within acceptable ranges, and represent no undue interest-rate risk to the future earnings prospects of the Corporation.

The Corporation's interest-rate risk as of September 30, 2004 was consistent with the interest-rate exposure presented in the Corporation's 2003 10-K and was within the Corporation's risk policy range.

Repricing within: In thousands	**3 Months**	**3-6 Months**	**12 Months**	**1-5 Years**	**Over 5 Years**	**Totals**
Assets:						
Federal Funds Sold & Short-term Investments	$ 155	$ -	$ -	$ -	$ -	$ 155
Investment securities	11,044	5,597	12,419	54,717	1,110	84,887
Construction & Real Estate Loans	152,853	7,493	1,553	14,050	34,155	210,104
Commercial Loans	99,551	1,148	2,893	2,738	580	106,910
Installment Loans	45,381	8	10	43	-	45,442
Leases	1,718	1,908	3,467	9,815	-	16,908
BWC Mortgage Loans Held-for-Sale	28,424	-	-	-	-	28,424
Interest-bearing assets	$ 339,126	$ 16,154	$ 20,342	$ 81,363	$ 35,845	$ 492,830
Liabilities:						
Money market accounts	$ 83,708	$ 83,708	$ -	$ -	$ -	$ 167,416
Time deposits <$100,000	7,246	6,542	6,192	2,675	-	22,655
Time deposits >$100,000	7,249	4,604	4,396	3,119	-	19,368
Federal Funds Borrowed	800	-	-	-	-	800
Federal Home Loan Bank Borrowings	281	285	5,468	5,374	32,187	43,595
BWC Mortgage Services Borrowings	28,068	-	-	-	-	28,068
Interest-bearing liabilities	$ 127,352	$ 95,139	$ 16,056	$ 11,168	$ 32,187	$ 281,902
Rate-sensitive gap	$ 211,774	$ (78,985)	$ 4,286	$ 70,195	$ 3,658	$ 210,928
Cumulative rate-sensitive gap	$ 211,774	$ 132,789	$ 137,075	$ 207,270	$ 210,928	
Cumulative rate-sensitive ratio	2.66	1.60	1.57	1.83	1.75	

Item 4 - Controls and Procedures:

(a) Evaluation of Disclosure Controls and Procedures: An evaluation of the Registrant's disclosure controls and procedures (as defined in Section 13(a)-14(c) of the Securities Exchange Act of 1934 (the "Act")) was carried out under the supervision and with the participation of the Registrant's Chief Executive Officer, Chief Financial Officer, and several other members of the Registrant's senior management within the 90-day period preceding the filing date of this quarterly report. The Registrant's Chief Executive Officer and Chief Financial Officer concluded that the Registrant's disclosure controls and procedures, as currently in effect, are effective in ensuring that the information required to be disclosed by the Registrant in the reports it files or submits under the Act is (i) accumulated and communicated to the Registrant's management (including the Chief Executive Officer and Chief Financial Officer) in a timely manner, and (ii) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

(b) Changes in Internal Controls: In the quarter ended September 30, 2004, the Registrant did not make any significant changes in, nor take any corrective actions regarding, its internal controls or other factors that could significantly affect these controls.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

Neither the Corporation, nor the Bank, is a defendant in any legal actions at this time. BWC Mortgage Services, a joint venture in which 51% is owned by BWC Real Estate, which in turn is a wholly owned subsidiary of the Corporation, is a defendant in two legal actions arising from normal business activities. Management believes that these actions are without merit and that the ultimate liability, if any, resulting from them will not materially affect the Corporation's financial position.

Item 2 - Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

In August the Corporation purchased and retired 15,000 shares of its stock at a price of $21.50 per share for a total of $322,500.

Item 3 - Defaults Upon Senior Securities

None

Item 4 - Submission of Matters to a Vote of Security Holders

None

Item 5 - Other Information

A $0.06 per share cash dividend was declared by the Board of Directors July 29, 2004, to Shareholders of Record as of August 6, 2004.

Item 6 - Exhibits and Reports on Form 8-K

a) Index to Exhibits

The following exhibits are attached hereto and filed herewith:

Exhibit Number	Description of Exhibit
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

b) Reports on Form 8-K

The registrant furnished a report on form 8-K dated October 15, 2004 which contains a press release announcing financial results for the quarter and year-to-date ended September 30, 2004.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BWC FINANCIAL CORP.
(Registrant)

November 10, 2004

____________________________ __________________________________

Date — James L. Ryan
Chairman and Chief Executive Officer

November 10, 2004

____________________________ __________________________________

Date — Leland E. Wines
CFO and Corp. Secretary

Exhibit 31.1

Certification:

I, Leland E. Wines, EVP/CFO, certify that:

1. I have reviewed this quarterly report on Form 10-Q of BWC Financial Corp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13(a)-13(e) and 15(d)-15(e) and internal controls over financial reporting (as defined in Exchange Act Rules 13(a)-13(f) and 15(d)-15(f) for the registrant and we have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervisions, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the Audit Committee of registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 10, 2004

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Leland E. Wines
EVP/CFO

Exhibit 31.2

Certification:

I, James L. Ryan, Chairman and CEO, certify that:

1. I have reviewed this quarterly report on Form 10-Q of BWC Financial Corp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge the financial statements, and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13(a)-13(e) and 15(d)-15(e) and internal controls over financial reporting (as defined in Exchange Act Rules 13(a)-13(f) and 15(d)-15(f) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervisions, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the Audit Committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 10, 2004

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James L. Ryan
Chairman and CEO

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of BWC Financial Corp. (the "Corporation") on Form 10-Q for the period ending September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Leland E. Wines, Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Corporation.

DATE: November 10, 2004

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LELAND E. WINES
EVP/CFO and Corp. Secretary

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of BWC Financial Corp. (the "Corporation") on Form 10-Q for the period ending September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James L. Ryan, Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Corporation.

DATE: November 10, 2004

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JAMES L. RYAN
Chairman and CEO

Where You Can Find More Information

Under the Securities Exchange Act of 1934 Sections 13 and 15(d), periodic and current reports must be filed with the SEC. The Corporation electronically files the following reports with the SEC: Forms 10-K (Annual Report), Forms 10-Q (Quarterly Report), Forms 8-K (Report of Unscheduled Material Events), and Form DEF 14A (Proxy Statement). The Corporation may file additional forms. The SEC maintains an Internet site, www.sec.gov, in which all forms filed electronically may be accessed. Additionally, all forms filed with the SEC and additional shareholder information is available free of charge on the Corporation's website: www.bowc.com. The Corporation posts these reports to its website as soon as reasonably practicable after filing them (commencing with our 2003 Annual Report on Form 10-K) with the SEC. None of the information on or hyperlinked from the Corporation's website is incorporated into this Quarterly Report on Form 10-Q.