

CVB FINANCIAL CORP
Form 10-Q
November 09, 2010

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FORM 10-Q
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

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

For the quarterly period ended September 30, 2010

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: 0-10140

CVB FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of incorporation
or organization)

95-3629339
(I.R.S. Employer Identification No.)

701 North Haven Ave, Suite 350, Ontario, California
(Address of Principal Executive Offices)

91764
(Zip Code)

(Registrant's telephone number, including area code) (909) 980-4030

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 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, accelerated filer, non-accelerated filer or 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 Smaller reporting company

(Do not check if a smaller reporting company)

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

Yes No

Number of shares of common stock of the registrant: 105,918,076 outstanding as of November 3, 2010.

**CVB FINANCIAL CORP.
2010 QUARTERLY REPORT ON FORM 10-Q
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Exhibit 32.1

Exhibit 32.2

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PART I FINANCIAL INFORMATION (UNAUDITED)
ITEM 1. FINANCIAL STATEMENTS

	September 30, 2010	December 31, 2009
ASSETS		
Cash and due from banks	\$ 195,920	\$ 103,254
Interest-bearing balances due from depository institutions	100,350	1,226
Total cash and cash equivalents	296,270	104,480
Investment in stock of Federal Home Loan Bank (FHLB)	90,350	97,582
Investment securities available-for-sale	1,912,268	2,108,463
Investment securities held-to-maturity	3,161	3,838
Loans held-for-sale	3,154	1,439
Loans and lease finance receivables	3,822,802	4,079,013
Allowance for credit losses	(105,289)	(108,924)
Net Loans and lease finance receivables	3,717,513	3,970,089
Premises and equipment, net	41,936	41,444
Bank owned life insurance	112,173	109,480
Accrued interest receivable	25,530	28,672
Intangibles	9,937	12,761
Goodwill	55,097	55,097
FDIC loss sharing asset	108,305	133,258
Other assets	108,177	73,166
TOTAL ASSETS	\$ 6,483,871	\$ 6,739,769
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 1,699,096	\$ 1,561,981
Interest-bearing	2,823,368	2,876,673
Total deposits	4,522,464	4,438,654
Demand Note to U.S. Treasury	3,752	2,425
Customer repurchase agreements	557,573	485,132
Repurchase agreements		250,000
Borrowings	553,322	753,118
Accrued interest payable	5,104	6,481
Deferred compensation	9,140	9,166
Junior subordinated debentures	115,055	115,055
Other liabilities	52,703	41,510

TOTAL LIABILITIES	5,819,113	6,101,541
COMMITMENTS AND CONTINGENCIES		
Stockholders' Equity:		
Preferred stock, authorized, 20,000,000 shares without par; none issued or outstanding		
Common stock, authorized, 225,000,000 shares without par; issued and outstanding 105,918,376 (2010) and 106,263,511 (2009)	489,739	491,226
Retained earnings	146,586	120,612
Accumulated other comprehensive income, net of tax	28,433	26,390
Total stockholders' equity	664,758	638,228
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 6,483,871	\$ 6,739,769

See accompanying notes to the consolidated financial statements.

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**CVB FINANCIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(unaudited)**

Dollar amounts in thousands, except per share

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
Interest income:				
Loans, including fees	\$ 58,165	\$ 50,561	\$ 185,105	\$ 149,858
Investment securities:				
Taxable	11,461	18,278	41,938	59,848
Tax-preferred	6,324	6,749	19,265	20,560
Total investment income	17,785	25,027	61,203	80,408
Dividends from FHLB stock	105	195	233	195
Federal funds sold and Interest bearing deposits with other institutions	418	136	757	195
Total interest income	76,473	75,919	247,298	230,656
Interest expense:				
Deposits	4,310	5,934	14,439	18,963
Borrowings	8,652	14,265	30,162	44,367
Junior subordinated debentures	896	914	2,529	3,133
Total interest expense	13,858	21,113	47,130	66,463
Net interest income before provision for credit losses	62,615	54,806	200,168	164,193
Provision for credit losses	25,300	13,000	48,500	55,000
Net interest income after provision for credit losses	37,315	41,806	151,668	109,193
Other operating income:				
Impairment loss on investment securities		(1,850)	(98)	(1,850)
Less: Noncredit-related impairment loss recorded in other comprehensive income	(127)	1,618	(714)	1,618
Net impairment loss on investment securities recognized in earnings	(127)	(232)	(812)	(232)
Service charges on deposit accounts	4,225	3,720	12,686	11,080
Trust and Investment Services	1,928	1,682	6,255	4,948
Bankcard services	760	605	2,110	1,725
BOLI income	813	685	2,394	2,081
Reduction in FDIC loss sharing asset	(2,630)		(14,800)	
Other	1,631	1,744	3,193	3,120
Gain on sale of securities	30,119	6,898	38,900	28,446
Total other operating income	36,719	15,102	49,926	51,168

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Other operating expenses:				
Salaries and employee benefits	17,311	15,618	52,863	46,814
Occupancy and Equipment	4,807	4,330	14,641	13,199
Professional services	4,135	1,646	9,823	4,998
Amortization of intangibles	934	734	2,824	2,257
Other	22,131	7,517	46,536	26,953
Total other operating expenses	49,318	29,845	126,687	94,221
Earnings before income taxes	24,716	27,063	74,907	66,140
Income taxes	6,789	7,741	21,846	17,789
Net earnings	\$ 17,927	\$ 19,322	\$ 53,061	\$ 48,351
Preferred stock dividend and other reductions	58	8,838	181	12,879
Net earnings allocated to common shareholders	\$ 17,869	\$ 10,484	\$ 52,880	\$ 35,472
Comprehensive income	\$ 3,439	\$ 41,749	\$ 55,104	\$ 66,520
Basic earnings per common share	\$ 0.17	\$ 0.10	\$ 0.50	\$ 0.40
Diluted earnings per common share	\$ 0.17	\$ 0.10	\$ 0.50	\$ 0.40
Cash dividends per common share	\$ 0.085	\$ 0.085	\$ 0.255	\$ 0.255

See accompanying notes to the consolidated financial statements.

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CVB FINANCIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
AND COMPREHENSIVE INCOME

(Unaudited)

Amounts and shares in thousands

	Common Shares Outstanding	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income	Comprehensive Income	Total
Balance January 1, 2010	106,263	\$ 491,226	\$ 120,612	\$ 26,390		\$ 638,228
Repurchase of common stock	(600)	(4,768)				(4,768)
Proceeds from exercise of stock options	255	1,146				1,146
Tax benefit from exercise of stock options		459				459
Stock-based Compensation Expense		1,676				1,676
Cash dividends declared Common (\$0.255 per share)			(27,087)			(27,087)
Comprehensive income:						
Net earnings			53,061		\$ 53,061	53,061
Other comprehensive gain:						
Unrealized gain on securities available-for-sale, net				1,629	1,629	1,629
Portion of impairment loss on investment securities reclassified in the current year, net				414	414	414
Comprehensive income					\$ 55,104	
Balance September 30, 2010	105,918	\$ 489,739	\$ 146,586	\$ 28,433		\$ 664,758

	Common Shares Outstanding	Preferred Stock	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Comprehensive Income	Total
Balance January 1, 2009	83,270	\$ 121,508 (130,000)	\$ 364,469	\$ 100,184	\$ 28,731		\$ 614,892 (130,000)

Repurchase of Preferred Stock						
Amortization of preferred stock discount		8,492	(8,492)			
Issuance of common stock	22,655		126,066			126,066
Proceeds from exercise of stock options	307		280			280
Tax benefit from exercise of stock options			62			62
Stock-based Compensation Expense			1,137			1,137
Cash dividends Preferred			(23,174)			(23,174)
Common (\$0.255 per share)			(4,273)			(4,273)
Comprehensive income:						
Net earnings			48,351	\$	48,351	48,351
Other comprehensive gain:						
Unrealized loss on securities available-for-sale, net				19,107	19,107	19,107
Non-credit-related impairment loss on investment securities recorded in the current year, net				(938)	(938)	(938)
Comprehensive income				\$	66,520	
Balance						
September 30, 2009	106,232	\$	\$ 492,014	\$ 112,596	\$ 46,900	\$ 651,510

At September 30,
2010 2009

Disclosure of reclassification amount

Unrealized gain on securities arising during the period	\$	41,610	\$	59,540
Tax benefit		(17,476)		(25,007)
Less:				
Reclassification adjustment for net gain on securities included in net income		(38,088)		(28,214)
Add:				

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Tax expense on reclassification adjustments	15,997	11,850
Net unrealized gain on securities	\$ 2,043	\$ 18,169

See accompanying notes to the consolidated financial statements.

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CVB FINANCIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
Dollar amounts in thousands

	For the Nine Months Ended September 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest and dividends received	\$ 229,991	\$ 230,996
Service charges and other fees received	27,274	22,407
Interest paid	(48,574)	(67,785)
Cash paid to vendors and employees	(103,870)	(81,618)
Income taxes paid	(35,776)	(34,586)
Net cash provided by operating activities	69,045	69,414
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of FHLB Stock	7,232	
Proceeds from sales of investment securities	743,769	459,092
Proceeds from repayment of investment securities	213,130	296,052
Proceeds from maturity of investment securities	185,789	153,562
Purchases of investment securities	(907,695)	(790,231)
Net decrease in loans and lease finance receivables	201,976	111,125
Proceeds from sales of premises and equipment	114	234
Proceeds from sales of other real estate owned	6,972	12,823
Purchase of premises and equipment	&n	