

CVB FINANCIAL CORP
Form 10-Q
August 05, 2009

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**UNITED STATES 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 June 30, 2009

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: 105,981,511 outstanding as of August 4, 2009.

**CVB FINANCIAL CORP.
2009 QUARTERLY REPORT ON FORM 10-Q
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PART I FINANCIAL INFORMATION (UNAUDITED)
ITEM 1. FINANCIAL STATEMENTS
CVB FINANCIAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(unaudited)

Dollar amounts in thousands

	June 30, 2009	December 31, 2008
ASSETS		
Cash and due from banks	\$ 221,242	\$ 95,297
Investment securities available-for-sale	2,271,393	2,493,476
Investment securities held-to-maturity	6,347	6,867
Interest-bearing balances due from depository institutions	1,785	285
Investment in stock of Federal Home Loan Bank (FHLB)	93,240	93,240
Loans and lease finance receivables	3,614,756	3,736,838
Allowance for credit losses	(74,755)	(53,960)
Net Loans and lease finance receivables	3,540,001	3,682,878
Total earning assets	5,912,766	6,276,746
Premises and equipment, net	42,838	44,420
Bank owned life insurance	108,045	106,366
Accrued interest receivable	26,320	28,519
Intangibles	9,497	11,020
Goodwill	55,097	55,097
Other assets	39,092	32,186
TOTAL ASSETS	\$ 6,414,897	\$ 6,649,651
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 1,420,535	\$ 1,334,248
Interest-bearing	2,562,685	2,173,908
Total deposits	3,983,220	3,508,156
Demand Note to U.S. Treasury	8,995	5,373
Repurchase agreements	676,111	607,813
Borrowings .	955,000	1,737,660
Accrued interest payable	8,559	9,741
Deferred compensation	9,156	8,985
Junior subordinated debentures	115,055	115,055

Other liabilities	35,425	41,976
TOTAL LIABILITIES	5,791,521	6,034,759

COMMITMENTS AND CONTINGENCIES

Stockholders' Equity:

Preferred stock, authorized, 20,000,000 shares without par; issued and outstanding 130,000 (2008)	122,219	121,508
Common stock, authorized, 122,070,312 shares without par; issued and outstanding 83,326,511 (2009) and 83,270,263 (2008)	365,594	364,469
Retained earnings	111,089	100,184
Accumulated other comprehensive income, net of tax	24,474	28,731
Total stockholders' equity	623,376	614,892
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 6,414,897	\$ 6,649,651

See accompanying notes to the consolidated financial statements.

Table of Contents**CVB FINANCIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS****(unaudited)****Dollar amounts in thousands, except per share**

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
Interest income:				
Loans, including fees	\$ 49,771	\$ 52,211	\$ 99,296	\$ 106,257
Investment securities:				
Taxable	19,134	22,430	41,570	43,306
Tax-preferred	6,815	7,111	13,811	14,299
Total investment income	25,949	29,541	55,381	57,605
Dividends from FHLB stock		1,205		2,299
Federal funds sold and Interest bearing deposits with other institutions	55	12	59	27
Total interest income	75,775	82,969	154,736	166,188
Interest expense:				
Deposits	6,439	8,537	13,029	20,816
Borrowings	14,212	24,235	30,102	49,187
Junior subordinated debentures	1,029	1,714	2,219	3,573
Total interest expense	21,680	34,486	45,350	73,576
Net interest income before provision for credit losses	54,095	48,483	109,386	92,612
Provision for credit losses	20,000	3,000	42,000	4,700
Net interest income after provision for credit losses	34,095	45,483	67,386	87,912
Other operating income:				
Service charges on deposit accounts	3,643	3,807	7,360	7,552
Trust and Investment Services	1,604	1,975	3,265	3,888
Bankcard services	586	618	1,120	1,199
BOLI income	659	1,146	1,396	2,218
Other	598	1,156	1,377	1,986
Gain on sale of securities, net	12,619		21,548	
Total other operating income	19,709	8,702	36,066	16,843
Other operating expenses:				
Salaries and employee benefits	15,376	15,501	31,196	31,044
Occupancy and Equipment	4,421	5,099	8,870	9,619
Professional services	1,658	1,874	3,352	3,415
Amortization of intangibles	734	898	1,523	1,796
Other	10,790	7,006	19,435	12,903

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Total other operating expenses	32,979	30,378	64,376	58,777
Earnings before income taxes	20,825	23,807	39,076	45,978
Income taxes	4,964	6,655	10,048	12,642
Net earnings	\$ 15,861	\$ 17,152	\$ 29,028	\$ 33,336
Preferred stock dividend and other reductions	2,000	23	3,993	44
Net earnings allocated to common shareholders	\$ 13,861	\$ 17,129	\$ 25,035	\$ 33,292
Comprehensive income	\$ 5,329	\$ (11,338)	\$ 24,771	\$ 23,488
Basic earnings per common share	\$ 0.17	\$ 0.21	\$ 0.30	\$ 0.40
Diluted earnings per common share	\$ 0.17	\$ 0.21	\$ 0.30	\$ 0.40
Cash dividends per common share	\$ 0.085	\$ 0.085	\$ 0.17	\$ 0.17

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	Preferred Stock	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income	Comprehensive Income	Total
Balance January 1, 2009	83,270	\$ 121,508	\$ 364,469	\$ 100,184	\$ 28,731		\$ 614,892
Issuance of common stock	56		280				280
Tax benefit from exercise of stock options			62				62
Stock-based Compensation Expense			783				783
Cash dividends declared							
Common (\$0.17 per share)				(14,162)			(14,162)
Preferred				(3,250)			(3,250)
Amortization of preferred stock discount		711		(711)			
Comprehensive income:							
Net earnings				29,028		\$ 29,028	29,028
Other comprehensive loss:							
Unrealized loss on securities available-for-sale, net					(4,257)	(4,257)	(4,257)
Comprehensive income						\$ 24,771	
Balance June 30, 2009	83,326	122,219	\$ 365,594	\$ 111,089	\$ 24,474		\$ 623,376

	Common Shares Outstanding	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Comprehensive Income	Total
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Balance January 1, 2008	83,165	\$ 354,249	\$ 66,569	\$ 4,130	\$ 424,948
Issuance of common stock	127	328			328
Repurchase of common stock	(71)	(650)			(650)
Tax benefit from exercise of stock options		101			101
Stock-based Compensation Expense		701			701
Adoption of EITF 06-4 Split Dollar Life Insurance			(571)		(571)
Cash dividends (\$0.17 per share)			(14,151)		(14,151)
Comprehensive income:					
Net earnings			33,336	\$ 33,336	33,336
Other comprehensive loss:					
Unrealized loss on securities available-for-sale, net				(9,848)	(9,848)
Comprehensive income				\$ 23,488	
Balance June 30, 2008	83,221	\$ 354,729	\$ 85,183	\$ (5,718)	\$ 434,194

	At June 30,	
	2009	2008
Disclosure of reclassification amount		
Unrealized loss on securities arising during the period	\$ (7,339)	\$ (16,980)
Tax benefit	3,082	7,132
Net unrealized loss on securities	\$ (4,257)	\$ (9,848)

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 Six Months Ended June 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest and dividends received	\$ 155,769	\$ 165,547
Service charges and other fees received	14,494	16,834
Interest paid	(46,533)	(74,990)
Cash paid to vendors and employees	(59,257)	(59,221)
Income taxes paid	(23,386)	(8,846)
Net cash provided by operating activities	41,087	39,324
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investment securities	440,343	
Proceeds from repayment of investment securities	210,361	182,420
Proceeds from maturity of investment securities	46,417	21,320
Purchases of investment securities	(462,387)	(328,114)
Purchases of FHLB stock		(11,944)
Net decrease/(increase) in loans and lease finance receivables	95,787	(19,196)
Proceeds from sales of premises and equipment	216	67
Proceeds from sales of other real estate owned	9,413	
Purchase of premises and equipment	(2,172)	(2,165)
Other, net	(375)	(28)
Net cash provided by/(used in) investing activities	337,603	(157,640)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase/(decrease) in transaction deposits	276,273	(83,903)
Net increase/(decrease) in time deposits	198,791	(66,813)
Advances from Federal Home Loan Bank		300,000
Repayment of advances from Federal Home Loan Bank	(600,000)	(50,000)
Net decrease in other borrowings	(179,037)	(9,113)
Net increase in repurchase agreements	68,298	63,997
Cash dividends on preferred stock	(3,250)	
Cash dividends on common stock	(14,162)	(14,151)
Repurchase of common stock		(650)
Proceeds from exercise of stock options	280	328
Tax benefit related to exercise of stock options	62	101
Net cash (used in)/provided by financing activities	(252,745)	139,796
NET INCREASE IN CASH AND CASH EQUIVALENTS	125,945	21,480
CASH AND CASH EQUIVALENTS, beginning of period	95,297	89,486

CASH AND CASH EQUIVALENTS, end of period	\$ 221,242	\$ 110,966
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See accompanying notes to the consolidated financial statements.

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

	For the Six Months Ended June 30,	
	2009	2008
RECONCILIATION OF NET EARNINGS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net earnings	\$ 29,028	\$ 33,336
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Gain on sale of investment securities	(21,548)	
Loss on sale of premises and equipment	57	46
Income from bank owned life insurance	(1,396)	(2,218)
Net amortization of premiums on investment securities		