

CVB FINANCIAL CORP
Form 10-Q
November 09, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2012

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)

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California
(State or other jurisdiction of
incorporation or organization)
701 North Haven Ave, Suite 350,
Ontario, California
(Address of Principal Executive Offices)
95-3629339
(I.R.S. Employer
Identification No.)
91764
(Zip Code)
(909) 980-4030
(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 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
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: 104,825,389 outstanding as of October 31, 2012.

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CVB FINANCIAL CORP.

2012 QUARTERLY REPORT ON FORM 10-Q

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GENERAL

Forward Looking Statements

Certain statements in this Report on Form 10-Q, including, but not limited to, statements under the heading Management Discussion and Analysis of Financial Condition and Results of Operations constitute forward-looking statements under the Private Securities Litigation Reform Act of 1995, including but not limited to, statements about anticipated future operating and financial performance, financial position and liquidity, business prospects, strategic alternatives, business strategies, regulatory and competitive outlook, capital and financing needs and availability, acquisition and divestiture opportunities, investment and expenditure plans, plans and objectives of management for future operations and other similar forecasts and statements of expectations of assumptions underlying any of the foregoing. Words such as will likely result, aims, anticipates, believes, could, estimates, expects, hopes, intends, may, plans, projects, seeks, should, will, and similar expressions are intended to identify these forward looking statements, which involve risks and uncertainties. Our actual results may differ significantly from the results discussed in such forward-looking statements. Factors that might cause such a difference include, but are not limited to, local, regional, national and international economic conditions and events and the impact they may have on us and our customers; ability to attract deposits and other sources of liquidity; oversupply of property inventory and continued deterioration in values of California real estate, both residential and commercial; a prolonged slowdown or decline in construction activity; changes in the financial performance and/or condition of our borrowers; changes in the level of non-performing assets and charge-offs; the cost or effect of acquisitions we may make; the effect of changes in laws and regulations (including laws, regulations and judicial decisions concerning financial reform, taxes, banking, securities, employment, executive compensation, insurance, and information security) with which we and our subsidiaries must comply; changes in estimates of future reserve requirements and minimum capital requirements based upon the periodic review thereof under relevant regulatory and accounting requirements; inflation, interest rate, securities market and monetary fluctuations; internal and external fraud and cyber-security threats including theft or loss of bank or customer funds loss of system functionality or theft or loss of data; political instability; acts of war or terrorism, or natural disasters, such as earthquakes, or the effects of pandemic flu; the timely development and acceptance of new banking products and services and perceived overall value of these products and services by users; changes in consumer spending, borrowing and savings habits; technological changes; the ability to increase market share, retain customers and control expenses; changes in the competitive environment among financial and bank holding companies and other financial service providers; continued volatility in the credit and equity markets and its effect on the general economy; the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters; changes in our organization, management, compensation and benefit plans, and our ability to retain or expand our management team; the costs and effects of legal and regulatory developments including the resolution of legal proceedings or regulatory or other governmental inquiries, including, but not limited to, the current investigation by the Securities and Exchange Commission and the related class-action lawsuits filed against us, and the results of regulatory examinations or reviews. The Company cautions that the foregoing factors are not exclusive. For additional information concerning these factors and other factors which may cause actual results to differ from the results discussed in our forward-looking statements, see the periodic filings the Company makes with the Securities and Exchange Commission, and, in particular, the information set forth in Item 1A herein and in Item 1A. Risk Factors contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. The Company does not undertake, and specifically disclaims, any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements except as required by law.

Table of Contents**PART I FINANCIAL INFORMATION (UNAUDITED)****ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****CVB FINANCIAL CORP. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands, except share data)

(Unaudited)

	September 30, 2012	December 31, 2011
ASSETS		
Cash and due from banks	\$ 99,881	\$ 35,407
Interest-earning balances due from Federal Reserve	148,304	309,936
Total cash and cash equivalents	248,185	345,343
Interest-earning balances due from depository institutions	70,000	60,000
Investment securities available-for-sale, at fair value (with amortized cost of \$2,173,946 at September 30, 2012 and \$ 2,130,029 at December 31, 2011)	2,257,507	2,201,526
Investment securities held-to-maturity	2,122	2,383
Investment in stock of Federal Home Loan Bank (FHLB)	62,428	72,689
Non-covered loans held-for-sale	996	348
Covered loans held-for-sale		5,664
Loans and lease finance receivables, excluding covered loans	3,227,405	3,219,727
Allowance for credit losses	(92,067)	(93,964)
Net non-covered loans and lease finance receivables	3,135,338	3,125,763
Covered loans and lease finance receivables, net	207,307	256,869
Premises and equipment, net	35,577	36,280
Bank owned life insurance	118,384	116,132
Accrued interest receivable	22,885	23,512
Intangibles	3,830	5,548
Goodwill	55,097	55,097
FDIC loss sharing asset	22,271	59,453
Non-covered other real estate owned	10,473	13,820
Covered other real estate owned	1,288	9,782
Income taxes	19,447	48,033
Other assets	48,206	44,673
TOTAL ASSETS	\$ 6,321,341	\$ 6,482,915
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 2,324,401	\$ 2,027,876
Interest-bearing	2,456,715	2,576,672
Total deposits	4,781,116	4,604,548
Customer repurchase agreements	448,788	509,370

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Borrowings	198,866	448,662
Accrued interest payable	1,574	3,526
Deferred compensation	8,957	8,735
Junior subordinated debentures	67,012	115,055
Other liabilities	60,821	78,205
TOTAL LIABILITIES	5,567,134	5,768,101
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 104,813,389 at September 30, 2012 and 104,482,271 at December 31, 2011		
	483,951	479,973
Retained earnings	221,791	193,372
Accumulated other comprehensive income, net of tax	48,465	41,469
Total stockholders' equity	754,207	714,814
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 6,321,341	\$ 6,482,915

See accompanying notes to the condensed consolidated financial statements.

Table of Contents**CVB FINANCIAL CORP. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME**

(Dollars in thousands, except per share amounts)

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
Interest income:				
Loans held-for-sale	\$ 6	\$ 17	\$ 16	\$ 46
Loans and leases, including fees	45,553	48,791	139,273	147,116
Accretion on acquired loans	7,045	3,980	19,258	11,638
Loans, including fees	52,604	52,788	158,547	158,800
Investment securities:				
Taxable	7,246	9,407	25,202	28,397
Tax-advantaged	5,640	5,951	17,221	17,791
Total investment income	12,886	15,358	42,423	46,188
Dividends from FHLB	79	52	263	183
Federal funds sold and interest-bearing deposits with other institutions	276	332	856	1,053
Total interest income	65,845	68,530	202,089	206,224
Interest expense:				
Deposits	1,398	1,979	4,605	6,987
Borrowings	4,086	5,748	13,933	17,286
Junior subordinated debentures	617	823	2,245	2,467
Total interest expense	6,101	8,550	20,783	26,740
Net interest income before provision for credit losses	59,744	59,980	181,306	179,484
Provision for credit losses				7,068
Net interest income after provision for credit losses	59,744	59,980	181,306	172,416
Noninterest income:				
Net impairment loss on investment securities recognized in earnings		(427)		(546)
Service charges on deposit accounts	4,040	4,021	12,232	11,773
Trust and investment services	2,037	2,056	6,264	6,468
Bankcard services	962	771	2,888	2,295
BOLI Income	781	733	2,271	2,589
Decrease in FDIC loss sharing asset, net	(7,059)	(844)	(19,339)	(1,118)