

CVB FINANCIAL CORP
Form 10-Q
May 10, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2013

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)

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

701 North Haven Ave, Suite 350,

Ontario, California
(Address of Principal Executive Offices)

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: 104,953,607 outstanding as of April 30, 2013.

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PART I FINANCIAL INFORMATION (UNAUDITED)

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; supply of property inventory and renewed fluctuation or deterioration in values of real estate in California or other jurisdictions where we lend, whether involving residential or commercial property; a prolonged slowdown or decline in construction activity; changes in the financial performance and/or condition of our borrowers; changes in the level of nonperforming 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 the applicability or costs of deposit insurance; changes in estimates of future reserve requirements and minimum capital requirements based upon the periodic review thereof under relevant legal, 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; the effects of technological change and product innovation; the ability to retain or increase market share, retain or grow customers and control expenses; changes in the risk or 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 national or international 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, 2012. 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.

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CVB FINANCIAL CORP. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS***(Dollars in thousands, except share data)**(Unaudited)*

	March 31, 2013	December 31, 2012
ASSETS		
Cash and due from banks	\$ 79,669	\$ 87,274
Interest-earning balances due from Federal Reserve	55,609	11,157
Total cash and cash equivalents	135,278	98,431
Interest-earning balances due from depository institutions	70,000	70,000
Investment securities available-for-sale, at fair value (with amortized cost of \$2,329,892 at March 31, 2013, and \$2,374,816 at December 31, 2012)	2,390,673	2,449,387
Investment securities held-to-maturity	1,975	2,050
Investment in stock of Federal Home Loan Bank (FHLB)	50,981	56,651
Loans and lease finance receivables, excluding covered loans	3,189,514	3,252,313
Allowance for loan losses	(92,218)	(92,441)
Net loans and lease finance receivables	3,097,296	3,159,872
Covered loans and lease finance receivables, net	178,694	195,215
Premises and equipment, net	34,886	35,080
Bank owned life insurance	120,476	119,744
Accrued interest receivable	22,985	22,355
Intangibles	2,950	3,389
Goodwill	55,097	55,097
FDIC loss sharing asset	14,230	18,489
Non-covered other real estate owned	13,341	14,832
Covered other real estate owned	857	1,067
Income taxes	35,077	16,978
Other assets	40,971	44,727
TOTAL ASSETS	\$ 6,265,767	\$ 6,363,364
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 2,366,719	\$ 2,420,993
Interest-bearing	2,319,442	2,352,994
Total deposits	4,686,161	4,773,987
Customer repurchase agreements	500,115	473,244
FHLB advances	199,002	198,934
Other borrowings		26,000
Accrued interest payable	1,306	1,493
Deferred compensation	9,259	8,781
Junior subordinated debentures	46,393	67,012
Other liabilities	55,319	50,943

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TOTAL LIABILITIES	5,497,555	5,600,394
COMMITMENTS AND CONTINGENCIES		
Stockholders' Equity:		
Common stock, authorized, 225,000,000 shares without par; issued and outstanding 104,903,107 at March 31, 2013, and 104,889,586 at December 31, 2012.	485,246	484,709
Retained earnings	247,713	235,010
Accumulated other comprehensive income, net of tax	35,253	43,251
Total stockholders' equity	768,212	762,970
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 6,265,767	\$ 6,363,364

See accompanying notes to the condensed consolidated financial statements.

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	For the Three Months Ended March 31,	
	2013	2012
Interest income:		
Loans and leases, including fees	41,654	46,032
Accretion on acquired loans	4,393	4,692
Loans, including fees	46,047	50,724
Investment securities:		
Taxable	6,747	9,170
Tax-advantaged	5,541	5,796
Total investment income	12,288	14,966
Dividends from FHLB stock	343	90
Federal funds sold	14	185
Interest-earning deposits with other institutions	121	100
Total interest income	58,813	66,065
Interest expense:		
Deposits	1,241	1,653
Borrowings	2,700	4,971
Junior subordinated debentures	283	839
Total interest expense	4,224	7,463
Net interest income before provision for credit losses	54,589	58,602
Provision for credit losses		
Net interest income after provision for credit losses	54,589	58,602
Noninterest income:		
Service charges on deposit accounts	3,826	4,124
Trust and investment services	2,005	2,185
Bankcard services	839	919
BOLI income	743	750
Gain on sale of securities, net	2,094	
Decrease in FDIC loss sharing asset, net	(4,023)	(2,944)
Other	1,261	222
Total noninterest income	6,745	5,256
Noninterest expense:		
Salaries and employee benefits	17,300	16,721
Occupancy and equipment	3,682	3,948
Professional services	1,596	1,991
Software licenses and maintenance	1,152	909
Promotion	1,258	1,251

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Amortization of intangibles	438	816
OREO expense	330	730
Other	5,042	3,846
Total noninterest expense	30,798	30,212
Earnings before income taxes	30,536	33,646
Income taxes	8,921	11,378
Net earnings	\$ 21,615	\$ 22,268
Other comprehensive income (loss):		
Unrealized loss on securities arising during the period	\$ (11,696)	\$ (73)
Less: Reclassification adjustment for net gain on securities included in net income	(2,094)	
Other comprehensive loss, before tax	(13,790)	(73)
Income tax benefit related to items of other comprehensive loss	5,792	31
Other comprehensive loss, net of tax	(7,998)	(42)
Comprehensive income	\$ 13,617	\$ 22,226
Basic earnings per common share	\$ 0.21	