

CVB FINANCIAL CORP  
Form 10-Q  
August 07, 2006

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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, 2006**

**or**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**For Quarter Ended June 30, 2006**

**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 is a large accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

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: 76,554,710 outstanding as of August 3, 2006.

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2006 QUARTERLY REPORT ON FORM 10-Q  
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	<b>June 30, 2006</b>	<b>December 31, 2005</b>
<b>ASSETS</b>		
Investment securities available-for-sale	\$ 2,675,165	\$ 2,369,892
Interest-bearing balances due from depository institutions	99	1,883
Investment in stock of Federal Home Loan Bank (FHLB)	74,441	70,770
Loans and lease finance receivables	2,839,145	2,663,863
Allowance for credit losses	(25,620)	(23,204)
 Total earning assets	 5,563,230	 5,083,204
Cash and due from banks	143,212	130,141
Premises and equipment, net	43,862	40,020
Intangibles	11,297	12,474
Goodwill	31,531	32,357
Cash value life insurance	73,282	71,811
Accrued interest receivable	27,993	24,147
Deferred tax asset	39,365	18,420
Other assets	18,647	10,397
 TOTAL ASSETS	 \$ 5,952,419	 \$ 5,422,971
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 1,367,015	\$ 1,490,613
Interest-bearing	2,225,838	1,933,433
 Total deposits	 3,592,853	 3,424,046
Demand Note to U.S. Treasury	4,462	6,433
Short-term borrowings	1,276,000	916,000
Long-term borrowings	470,000	580,000
Accrued interest payable	17,716	15,047
Deferred compensation	8,580	7,102
Junior subordinated debentures	108,250	82,476
Other liabilities	136,304	48,990
 TOTAL LIABILITIES	 5,614,165	 5,080,094

**COMMITMENTS AND CONTINGENCIES**

Stockholders' Equity:

Preferred stock (authorized, 20,000,000 shares without par; none issued or outstanding)

Common stock (authorized, 122,070,312 shares without par; issued and outstanding 76,500,896 (2006) and 76,430,206 (2005))

Retained earnings

Accumulated other comprehensive loss, net of tax

Total stockholders' equity

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

253,681	252,717
126,883	103,546
(42,310)	(13,386)

338,254	342,877
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\$ 5,952,419	\$ 5,422,971
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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**

	<b>For the Three Months Ended June 30,</b>		<b>For the Six Months Ended June 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Interest income:				
Loans, including fees	\$ 47,913	\$ 35,267	\$ 92,205	\$ 67,647
Investment securities:				
Taxable	21,163	18,897	41,900	37,600
Tax-preferred	6,807	4,798	13,052	8,885
Total investment income	27,970	23,695	54,952	46,485
Dividends from FHLB stock	990	663	1,790	1,138
Federal funds sold and Interest bearing deposits with other institutions	28	97	86	135
Total interest income	76,901	59,722	149,033	115,405
Interest expense:				
Deposits	16,294	6,248	29,495	11,309
Short-term borrowings	13,960	3,282	24,329	5,246
Long-term borrowings	1,767	6,973	4,936	13,697
Junior subordinated debentures	1,719	1,335	3,287	2,645
Total interest expense	33,740	17,838	62,047	32,897
Net interest income before provision for credit losses	43,161	41,884	86,986	82,508
Provision for credit losses	900		1,150	
Net interest income after provision for credit losses	42,261	41,884	85,836	82,508
Other operating income:				
Service charges on deposit accounts	3,288	3,251	6,579	6,293
Financial Advisory services	1,815	1,509	3,660	3,187
Bankcard services	602	632	1,160	1,236
BOLI income	649	1,242	1,471	1,584
Other	1,704	704	2,917	2,117
Gain(loss) on sale of securities, net	33	(46)	33	(46)
Total other operating income	8,091	7,292	15,820	14,371
Other operating expenses:				
Salaries and employee benefits	12,771	12,789	25,491	25,622
Occupancy and Equipment	3,831	4,071	7,605	7,813
Professional services	1,485	1,195	2,758	2,220
Amortization of intangibles	589	589	1,177	885
Other	5,583	4,418	10,698	6,906

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Total other operating expenses	24,259	23,062	47,729	43,446
Earnings before income taxes	26,093	26,114	53,927	53,433
Income taxes	7,176	8,636	16,770	18,254
Net earnings	\$ 18,917	\$ 17,478	\$ 37,157	\$ 35,179
Basic earnings per common share	\$ 0.25	\$ 0.23	\$ 0.49	\$ 0.46
Diluted earnings per common share	\$ 0.25	\$ 0.23	\$ 0.48	\$ 0.45
Cash dividends per common share	\$ 0.09	\$ 0.11	\$ 0.18	\$ 0.22

See accompanying notes to the consolidated financial statements.

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**CVB FINANCIAL CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(Unaudited)**

	Common Shares Outstanding	Common Stock (amounts and shares in thousands)	Retained Earnings (amounts and shares in thousands)	Accumulated Other Comprehensive Income (Loss), Net of Tax	Comprehensive Income (Loss)
<b>Balance December 31, 2004</b>	60,666	\$ 236,277	\$ 72,314	\$ 8,892	
Issuance of common stock	460	1,789			
5-for-4 stock split	15,284				
Repurchase of common stock	(676)	(863)	(11,423)		
Shares issued for acquisition of Granite State Bank	696	13,427			
Tax benefit from exercise of stock options		2,087			
Cash dividends (\$0.42 per share)			(27,963)		
Comprehensive income:					
Net earnings			70,618		\$ 70,618
Other comprehensive loss:					
Unrealized loss on securities available-for-sale, net				(22,278)	(22,278)
Comprehensive income					\$ 48,340
<b>Balance December 31, 2005</b>	76,430	252,717	103,546	(13,386)	
Issuance of common stock	71	578			
Tax benefit from exercise of stock options		86			
Stock-based Compensation Expense		300			
Cash dividends (\$0.18 per share)			(13,820)		
Comprehensive income:					
Net earnings			37,157		\$ 37,157
Other comprehensive loss:					
Unrealized loss on securities available-for-sale, net of taxes \$20,945				(28,924)	(28,924)
Comprehensive income					\$ 8,233
<b>Balance June 30, 2006</b>	76,501	\$ 253,681	\$ 126,883	\$ (42,310)	

**Accumulated**

	Common Shares Outstanding	Common Stock (amounts and shares in thousands)	Retained Earnings (amounts and shares in thousands)	Other Comprehensive Income (Loss), Net of Tax	Comprehensive Income (Loss)
<b>Balance December 31, 2004</b>	60,666	236,277	72,314	8,892	
Issuance of common stock	383	1,483			
Repurchase of common stock	(676)	(863)	(11,423)		
Shares issued for acquisition of Granite State Bank	696	13,427			
Tax benefit from exercise of stock options		1,514			
Cash dividends (\$0.22 per share)			(14,356)		
Comprehensive income:					
Net earnings			35,179		\$ 35,179
Other comprehensive income(loss):					
Unrealized loss on securities available-for-sale, net of taxes \$4,047				(5,589)	(5,589)
Comprehensive income					\$ 29,590
<b>Balance June 30, 2005</b>	61,069	\$ 251,838	\$ 81,714	\$ 3,303	

	<b>At June 30,</b> <b>2006                  2005</b> <b>(amounts in thousands)</b>	
<b>Disclosure of reclassification amount</b>		
Unrealized losses on securities arising during the period	\$ (49,869)	\$ (9,636)
Tax benefit	20,945	4,047
Net unrealized loss on securities	\$ (28,924)	\$ (5,589)

See accompanying notes to the consolidated financial statements.

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

	<b>For the Six Months Ended June 30,</b>	
	<b>2006</b>	<b>2005</b>
	<b>(Dollar amounts in thousands)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Interest received	\$ 146,678	\$ 118,732
Service charges and other fees received	15,255	14,417
Interest paid	(59,378)	(31,132)
Cash paid to suppliers and employees	(53,900)	(43,024)
Income taxes paid	(12,550)	(10,600)
Net cash provided by operating activities	36,105	48,393
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of MBS	9,084	126,598
Proceeds from repayment of MBS	174,914	199,965
Proceeds from repayment of investment securities available-for-sale		68
Proceeds from maturity of investment securities	4,269	7,471
Purchases of investment securities available-for-sale	(305,198)	(71,018)
Purchases of MBS	(154,101)	(328,058)
Purchases of FHLB stock	(3,670)	(11,874)
Net (increase) decrease in loans	(170,278)	(85,859)
Proceeds from sales of premises and equipment	755	13
Purchase of premises and equipment	(7,490)	(8,217)
Cash acquired from purchase of Granite State Bank, net of cash paid		12,232
Investment in common stock of CVB Statutory Trust III	(774)	
Net cash used in investing activities	(452,489)	(158,679)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net (decrease) increase in transaction deposits	(64,377)	5,130
Net increase in time deposits	233,186	9,866
Advances from Federal Home Loan Bank	250,000	120,000
Repayment of advances from Federal Home Loan Bank	(100,000)	(36,000)
Net increase in short-term borrowings	98,028	80,626
Cash dividends on common stock	(13,820)	(14,356)
Repurchase of common stock		(12,286)
Issuance of junior subordinated debentures	25,774	
Proceeds from exercise of stock options	578	1,483
Tax benefit related to exercise of stock options	86	
Net cash provided by financing activities	429,455	154,463
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>13,071</b>	<b>44,177</b>

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CASH AND CASH EQUIVALENTS, beginning of period	130,141	84,400
CASH AND CASH EQUIVALENTS, end of period	\$ 143,212	\$ 128,577

See accompanying notes to the consolidated financial statements.

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**CVB FINANCIAL CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
**(unaudited)**

	For the Six Months Ended June 30,	
	2006	2005
	(Dollar amounts in thousands)	
RECONCILIATION OF NET EARNINGS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net earnings	\$ 37,157	\$ 35,179
Adjustments to reconcile net earnings to net cash provided by operating activities:		
(Gain)/loss on sale of investment securities	(33)	46
Gain on sale of premises and equipment	(297)	(1)
Increase in cash value of life insurance	(1,471)	(1,040)
Net amortization of premiums on investment securities	4,712	6,976
Provisions for credit losses	1,150	
Stock-based compensation	300	
Depreciation and amortization	4,039	4,114
Change in accrued interest receivable	(4,669)	(1,957)
Change in accrued interest payable	2,669	1,763
Change in other assets and liabilities	(7,452)	3,313
Total adjustments	(1,052)	13,214
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 36,105	\$ 48,393
Supplemental Schedule of Noncash Investing and Financing Activities		
Purchase of Granite State Bank:		
Assets acquired		\$ 85,898
Goodwill		12,777
Intangible assets		8,399
Liabilities assumed		(105,879)
Stock issued		(13,427)