

CVB FINANCIAL CORP
Form 10-K
February 27, 2009

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

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

For the fiscal year ended December 31, 2008

or

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

For the transition period from N/A to N/A

**Commission file number 1-10140
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 N. Haven Avenue, Suite 350

Ontario, California

(Address of Principal Executive Offices)

91764

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of class

**Common Stock, no par value
Preferred Stock Purchase Rights**

Name of Each Exchange on Which Registered

**NASDAQ Stock Market, LLC
NASDAQ Stock Market, LLC**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of accelerated filer, large accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated Filer Non-accelerated filer

Smaller Reporting
Company o

(Do Not Check if Smaller Reporting
Company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No
As of June 30, 2008, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately \$785,609,620.

Number of shares of common stock of the registrant outstanding as of February 15, 2009: 83,270,263.

DOCUMENTS INCORPORATED BY REFERENCE

Definitive Proxy Statement for the Annual Meeting of Stockholders
which will be filed within 120 days of the fiscal year ended
December 31, 2008

PART OF

Part III of Form 10-K

**CVB FINANCIAL CORP.
2008 ANNUAL REPORT ON FORM 10-K
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INTRODUCTION

Cautionary Note Regarding Forward-Looking Statements

Certain statements in this report constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, or Exchange Act, and as such involve risk and uncertainties. These forward-looking statements relate to, among other things, expectations of the environment in which we operate, projections of future performance, perceived opportunities in the market and strategies regarding our mission and vision. Our actual results may differ significantly from the results discussed in such forward-looking statements.

Factors that could cause actual results to differ from those discussed in the forward-looking statements include but are not limited to:

Local, regional, national and international economic conditions and events (including the U.S. recession and natural disasters such as fires and earthquakes) and the impact they may have on us and our customers and our assessment of that impact;

Changes in the economy affecting real estate values;

Ability to attract deposits and other sources of liquidity;

Oversupply of inventory and continued deterioration in values of California real estate, both residential and commercial;

A slowdown 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 effects of and changes in trade and monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve Board;

Changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements;

Inflation, interest rate, securities market and monetary fluctuations;

Political instability;

Acts of war or terrorism or natural disasters;

The timely development and acceptance of new 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 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;

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The effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, securities, executive compensation and insurance) with which we and our subsidiaries must comply;

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, compensation and benefit plans;

The costs and effects of legal and regulatory developments including the resolution of legal proceedings or regulatory or other governmental inquiries and the results of regulatory examinations or reviews; and

Our success at managing the risks involved in the foregoing items.

For additional information concerning risks we face, see Item 1A. Risk Factors and any additional information we set forth in our periodic reports filed pursuant to the Exchange Act. We do not undertake any obligation to update our forward-looking statements to reflect occurrences or unanticipated events or circumstances arising after the date of such statements except as required by law.

PART I

ITEM 1. BUSINESS

CVB Financial Corp.

CVB Financial Corp. (referred to herein on an unconsolidated basis as CVB and on a consolidated basis as we or the Company) is a bank holding company incorporated in California on April 27, 1981 and registered under the Bank Holding Company Act of 1956, as amended (the Bank Holding Company Act). The Company commenced business on December 30, 1981 when, pursuant to a reorganization, it acquired all of the voting stock of Chino Valley Bank. On March 29, 1996, Chino Valley Bank changed its name to Citizens Business Bank (the Bank). The Bank is our principal asset. The Company has three other inactive subsidiaries: CVB Ventures, Inc.; Chino Valley Bancorp; and ONB Bancorp. The Company is also the common stockholder of CVB Statutory Trust I, CVB Statutory Trust II, CVB Statutory Trust III, and FCB Trust II. CVB Statutory Trusts I and II were created in December 2003 and CVB Statutory Trust III was created in January 2006 to issue trust preferred securities in order to raise capital for the Company. The Company acquired FCB Trust II (which was also created to raise capital) through the acquisition of First Coastal Bancshares (FCB) in June 2007.

CVB's principal business is to serve as a holding company for the Bank and for other banking or banking related subsidiaries, which the Company may establish or acquire. We have not engaged in any other activities to date. As a legal entity separate and distinct from its subsidiaries, CVB's principal source of funds is, and will continue to be, dividends paid by and other funds advanced from the Bank and capital raised directly by CVB. Legal limitations are imposed on the amount of dividends that may be paid and loans that may be made by the Bank to CVB. See Item 1. Business - Supervision and Regulation Dividends and Other Transfers of Funds. At December 31, 2008, the Company had \$6.65 billion in total consolidated assets, \$3.74 billion in net loans and \$3.51 billion in deposits.

The principal executive offices of CVB and the Bank are located at 701 North Haven Avenue, Suite 350, Ontario, California. Our phone number is (909) 980-4030.

Citizens Business Bank

The Bank commenced operations as a California state chartered bank on August 9, 1974. The Bank's deposit accounts are insured under the Federal Deposit Insurance Act up to applicable limits. The Bank is

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not a member of the Federal Reserve System. At December 31, 2008, the Bank had \$6.64 billion in assets, \$3.74 billion in net loans and \$3.53 billion in deposits.

As of December 31, 2008, we had 43 Business Financial Centers located in the San Bernardino County, Riverside County, Orange County, Los Angeles County, Madera County, Fresno County, Tulare County, and Kern County areas of California. Of the 43 offices, we opened thirteen as de novo branches and acquired the other thirty in acquisition transactions.

We also had four Commercial Banking Centers, all of which were opened in 2008. Although able to take deposits, these centers operate primarily as sales offices and focus on business clients and their principals, professionals, and high net-worth individuals. One of these centers is located in the San Fernando Valley. The other three centers are located within a Business Financial Center in each of San Bernardino, Los Angeles, and Orange Counties.

Through our network of banking offices, we emphasize personalized service combined with a full range of banking and trust services for businesses, professionals and individuals located in the service areas of our offices. Although we focus the marketing of our services to small-and medium-sized businesses, a full range of retail banking services are made available to the local consumer market.

We offer a wide range of deposit instruments. These include checking, savings, money market and time certificates of deposit for both business and personal accounts. We also serve as a federal tax depository for our business customers.

We provide a full complement of lending products, including commercial, agribusiness, consumer, real estate loans and equipment and vehicle leasing. Commercial products include lines of credit and other working capital financing, accounts receivable lending and letters of credit. Agribusiness products are loans to finance the operating needs of wholesale dairy farm operations, cattle feeders, livestock raisers, and farmers. We provide lease financing for municipal governments. Financing products for consumers include automobile leasing and financing, lines of credit, and home improvement and home equity lines of credit. Real estate loans include mortgage and construction loans.

We also offer a wide range of specialized services designed for the needs of our commercial accounts. These services include cash management systems for monitoring cash flow, a credit card program for merchants, courier pick-up and delivery, payroll services, electronic funds transfers by way of domestic and international wires and automated clearinghouse, and on-line account access. We make available investment products to customers, including mutual funds, a full array of fixed income vehicles and a program to diversify our customers' funds in federally insured time certificates of deposit of other institutions.

We offer a wide range of financial services and trust services through CitizensTrust. These services include fiduciary services, mutual funds, annuities, 401K plans and individual investment accounts.

Business Segments

We are a community bank with two reportable operating segments: (i) Business Financial and Commercial Banking Centers and (ii) Treasury Department. Our Business Financial and Commercial Banking Centers (Centers) are the focal points for customer sales and services. As such, these Centers comprise the biggest segment of the Company. Our other reportable segment, Treasury Department manages all of the investments for the Company. All administrative and other smaller operating departments are combined into the Other category for reporting purposes. See the sections captioned Results by Segment Operations in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 19 Business Segments in the notes to consolidated financial statements.

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Competition

The banking and financial services business is highly competitive. The increasingly competitive environment faced by banks is a result primarily of changes in laws and regulation, changes in technology and product delivery systems, and the accelerating pace of consolidation among financial services providers. We compete for loans, deposits, and customers with other commercial banks, savings and loan associations, savings banks, securities and brokerage companies, mortgage companies, insurance companies, finance companies, money market funds, credit unions, and other nonbank financial service providers. Many competitors are much larger in total assets and capitalization, have greater access to capital markets, including foreign-ownership, and/or offer a broader range of financial services.

Economic Conditions, Government Policies, Legislation, and Regulation

Our profitability, like most financial institutions, is primarily dependent on interest rate differentials. In general, the difference between the interest rates paid by the Bank on interest-bearing liabilities, such as deposits and other borrowings, and the interest rates received by the Bank on interest-earning assets, such as loans extended to customers and securities held in the investment portfolio, will comprise the major portion of our earnings. These rates are highly sensitive to many factors that are beyond our control, such as inflation, recession and unemployment, and the impact which future changes in domestic and foreign economic conditions might have on us cannot be predicted.

Our business is also influenced by the monetary and fiscal policies of the federal government and the policies of regulatory agencies, particularly the Board of Governors of the Federal Reserve System (the FRB). The FRB implements national monetary policies (with objectives such as curbing inflation and combating recession) through its open-market operations in U.S. Government securities by adjusting the required level of reserves for depository institutions subject to its reserve requirements, and by varying the target federal funds and discount rates applicable to borrowings by depository institutions. The actions of the FRB in these areas influence the growth of bank loans, investments, and deposits and also affect interest earned on interest-earning assets and paid on interest-bearing liabilities. The nature and impact of any future changes in monetary and fiscal policies on us cannot be predicted.

From time to time, federal and state legislation is enacted which may have the effect of materially increasing the cost of doing business, limiting or expanding permissible activities, or affecting the competitive balance between banks and other financial services providers. Several proposals for legislation that could substantially intensify the regulation of the financial services industry (including a possible comprehensive overhaul of the financial institutions regulatory system) are expected to be introduced and possibly enacted in the new Congress in response to the current economic downturn and financial industry instability. We cannot predict whether or when potential legislation will be enacted, and if enacted, the effect that it, or any implemented regulations and supervisory policies, would have on our financial condition or results of operations. In addition, the outcome of examinations, any litigation or any investigations initiated by state or federal authorities may result in necessary changes in our operations and increased compliance costs.

Negative developments beginning in the latter half of 2007 in the sub-prime mortgage market and the securitization markets for such loans, together with volatility in oil prices and other factors, have resulted in uncertainty in the financial markets in general and a related general economic downturn, which continued through 2008 and are anticipated to continue at least well through 2009. Dramatic declines in the housing market, with decreasing home prices and increasing delinquencies and foreclosures, have negatively impacted the credit performance of mortgage and construction loans and resulted in significant write-downs of assets by many financial institutions. In addition, the values of real estate collateral supporting many commercial and residential loans have declined and may continue to decline. General downward economic trends, reduced availability of commercial credit and increasing unemployment have negatively impacted the credit performance of commercial and consumer credit, resulting in additional write-downs. Concerns over the stability of the financial markets and the economy have resulted in decreased lending by financial institutions to their customers and to each other. This market turmoil and

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tightening of credit has led to increased commercial and consumer delinquencies, lack of customer confidence, increased market volatility and widespread reduction in general business activity. Competition among depository institutions for deposits has increased significantly. Bank and bank holding company stock prices have been significantly negatively affected as has the ability of banks and bank holding companies to raise capital or borrow in the debt markets compared to recent years. The bank regulatory agencies have been very aggressive in responding to concerns and trends identified in examinations, and this has resulted in the increased issuance of enforcement orders requiring action to address credit quality, liquidity and risk management and capital adequacy, as well as other safety and soundness concerns.

On October 3, 2008, the Emergency Economic Stabilization Act of 2008 (EESA) was enacted to restore confidence and stabilize the volatility in the U.S. banking system and to encourage financial institutions to increase their lending to customers and to each other. Initially introduced as the Troubled Asset Relief Program or TARP , the EESA authorized the United States Department of the Treasury (Treasury) to purchase from financial institutions and their holding companies up to \$700 billion in mortgage loans, mortgage-related securities and certain other financial instruments, including debt and equity securities issued by financial institutions and their holding companies in a troubled asset relief program. Initially, \$350 billion or half of the \$700 billion was made immediately available to Treasury. On January 15, 2009, the remaining \$350 billion was released to Treasury.

On October 14, 2008, the Treasury announced its intention to inject capital into nine large U.S. financial institutions under the TARP Capital Purchase Program (the TARP CPP), and since has injected capital into many other financial institutions, including us. The Treasury initially allocated \$250 billion towards the TARP CPP. On December 5, 2008, the Company entered into a Securities Purchase Agreement-Standard Terms with the U.S. Treasury (Stock Purchase Agreement), pursuant to which, among other things, we sold to the U.S. Treasury for an aggregate purchase price of \$130.0 million, preferred stock and warrants. Under the terms of the TARP CPP, we are prohibited from increasing dividends on our common stock, and from making certain repurchases of equity securities, including our common stock, without the U.S. Treasury's consent. Furthermore, as long as the preferred stock issued to the U.S. Treasury is outstanding, dividend payments and repurchases or redemptions relating to certain equity securities, including our common stock, are prohibited until all accrued and unpaid dividends are paid on such preferred stock, subject to certain limited exceptions. See Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Cash Flow and Capital Resources in Part II, Item 7 herein.

In order to participate in the TARP CPP, financial institutions were required to adopt certain standards for executive compensation and corporate governance. These standards generally apply to the Chief Executive Officer, Chief Financial Officer and the three next most highly compensated senior executive officers. The standards include (1) ensuring that incentive compensation for senior executives does not encourage unnecessary and excessive risks that threaten the value of the financial institution; (2) required clawback of any bonus or incentive compensation paid to a senior executive based on statements of earnings, gains or other criteria that are later proven to be materially inaccurate; (3) prohibition on making golden parachute payments to senior executives; and (4) agreement not to deduct for tax purposes executive compensation in excess of \$500,000 for each senior executive. The Company has complied with these requirements.

The bank regulatory agencies, Treasury and the Office of Special Inspector General, also created by the EESA, have issued guidance and requests to the financial institutions that participated in the CPP to document their plans and use of TARP CPP funds and their plans for addressing the executive compensation requirements associated with the TARP CPP.

On February 10, 2009, The Treasury and the federal bank regulatory agencies announced, in a Joint Statement, a new Financial Stability Plan which would include additional capital support for banks under a Capital Assistance Program, a public-private investment fund to address existing bank loan portfolios

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and expanded funding for the FRB's pending Term Asset-Backed Securities Loan Facility to restart lending and the securitization markets.

Legislation entitled the American Recovery and Reinvestment Act of 2009 (the ARRA) was enacted by the House and the Senate and was signed by President Obama on February 17, 2009. Among other provisions, the ARRA imposes new conditions upon recipients of additional TARP CPP funds, as well as, certain new requirements of financial institutions which have already received TARP CPP funds. These include additional restrictions on executive compensation.

Further legislation may yet be proposed and enacted to restrict the use of or conditions imposed upon recipients of TARP funds, including possibly additional requirements imposed on financial institutions which have already received TARP funds.

On February 23, 2008, the Treasury and the federal bank regulatory agencies issued a Joint Statement providing further guidance with respect to the Capital Assistance Program announced February 10, 2009, including: (i) that should the stress test assessments of the major banks being initiated February 25, 2009 indicate that an additional capital buffer is warranted, institutions will have an opportunity to turn first to private sources of capital. Otherwise, the temporary capital buffer will be made available from the government; (ii) such additional government capital will be in the form of mandatory convertible preferred shares, which would be converted into common equity shares only as needed over time to keep banks in a well-capitalized position and can be retired under improved financial conditions before the conversion becomes mandatory; and (iii) previous capital injections under the TARP CPP will also be eligible to be exchanged for the mandatory convertible preferred shares. The conversion of preferred shares to common equity shares would enable institutions to maintain or enhance the quality of their capital by increasing their tangible common equity capital ratios; however, such conversions would necessarily dilute the interests of existing shareholders.

The EESA also increased Federal Deposit Insurance Corporation (FDIC) deposit insurance on most accounts from \$100,000 to \$250,000. This increase is in place until the end of 2009 and is not covered by deposit insurance premiums paid by the banking industry. In addition, the FDIC has implemented two temporary programs to provide deposit insurance for the full amount of most non-interest bearing transaction accounts through the end of 2009 and to guarantee certain unsecured debt of financial institutions and their holding companies through June 2012. Financial institutions had until December 5, 2008 to opt out of these two programs. The Company and the Bank have elected to opt out of the debt guarantee program. The FDIC charges systemic risk special assessments to depository institutions that participate in the Temporary Loan Guarantee Program. The FDIC has recently proposed that Congress give the FDIC expanded authority to charge fees to those holding companies which benefit directly and indirectly from the FDIC guarantees.

Supervision and Regulation

General

We and our subsidiaries are extensively regulated under both federal and state laws. Regulation and supervision by the federal and state banking agencies is intended primarily for the protection of depositors and the Deposit Insurance Fund (DIF) administered by the FDIC and not for the benefit of stockholders. Set forth below is a brief description of key laws and regulations which relate to our operations. These descriptions are qualified in their entirety by reference to the applicable laws and regulations. The federal and state agencies regulating the financial services industry also frequently adopt changes to their regulations.

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The Company

As a bank holding company, we are subject to regulation and examination by the FRB under the Bank Holding Company Act of 1956, as amended (the BHCA). Accordingly, we are subject to the FRB's regulations and its authority to:

- require periodic reports and such additional information as the FRB may require.
- require us to maintain certain levels of capital. See Capital Requirements .
- require that bank holding companies serve as a source of financial and managerial strength to subsidiary banks and commit resources as necessary to support each subsidiary bank. A bank holding company's failure to meet its obligations to serve as a source of strength to its subsidiary banks will generally be considered by the FRB to be an unsafe and unsound banking practice or a violation of FRB regulations or both.
- terminate an activity or terminate control of or liquidate or divest certain subsidiaries, affiliates or investments if the FRB believes the activity or the control of the subsidiary or affiliate constitutes a significant risk to the financial safety, soundness or stability of any bank subsidiary.
- regulate provisions of certain bank holding company debt, including the authority to impose interest ceilings and reserve requirements on such debt and require prior approval to purchase or redeem our securities in certain situations.
- approve acquisitions and mergers with banks and consider certain competitive, management, financial and other factors in granting these approvals. Similar California and other state banking agency approvals may also be required.

Nonbanking and Financial Activities - Subject to certain prior notice or FRB approval requirements, bank holding companies may engage in any, or acquire shares of companies engaged in, those nonbanking activities determined by the FRB to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Companies which elect to be treated as financial holding companies may also engage in broader securities, insurance, merchant banking and other activities that are determined to be financial in nature or are incidental or complementary to activities that are financial in nature without prior FRB approval. Pursuant to the Gramm-Leach-Bliley Act of 1999 (GLBA), in order to elect and retain financial holding company status, all depository institution subsidiaries of a bank holding company must be well capitalized, well managed, and, except in limited circumstances, be in satisfactory compliance with the Community Reinvestment Act (CRA). Failure to sustain compliance with these requirements or correct any non-compliance within a fixed time period could lead to divestiture of subsidiary banks or require all activities to conform to those permissible for a bank holding company. We have not currently elected to be treated as a financial holding company.

The Company is also a bank holding company within the meaning of the California Financial Code. As such, the Company and its subsidiaries are subject to examination by, and may be required to file reports with, the California Department of Financial Institutions (DFI).

Securities Registration - Our securities are registered with the Securities Exchange Commission (SEC) under the Exchange Act of 1934, as amended (the Exchange Act). As such, we are subject to the information, proxy solicitation, insider trading, corporate governance, and other requirements and restrictions of the Exchange Act.

The Sarbanes-Oxley Act - The Company is subject to the accounting oversight and corporate governance requirements of the Sarbanes-Oxley Act of 2002, including:

- required executive certification of financial presentations;
- increased requirements for board audit committees and their members;
- enhanced disclosure of controls and procedures and internal control over financial reporting;

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- enhanced controls over, and reporting of, insider trading; and
- increased penalties for financial crimes and forfeiture of executive bonuses in certain circumstances.

The Bank

As a California chartered bank, the Bank is subject to primary supervision, periodic examination, and regulation by the DFI and by the FDIC as the Bank's primary federal regulator. In general, under the California Financial Code, California banks have all the powers of a California corporation, subject to the general limitation of state bank powers under the Federal Deposit Insurance Act (FDIA) to those permissible for national banks. Specific federal and state laws and regulations which are applicable to banks regulate, among other things, the scope of their business, their investments, their reserves against deposits, the timing of the availability of deposited funds and the nature and amount of and collateral for certain loans. The regulatory structure also gives the bank regulatory agencies extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. If, as a result of an examination, the DFI or the FDIC should determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of the Bank's operations are unsatisfactory or that the Bank or its management is violating or has violated any law or regulation, the DFI and the FDIC have residual authority to:

- require affirmative action to correct any conditions resulting from any violation or practice;
- direct an increase in capital and the maintenance of specific minimum capital ratios;
- restrict the Bank's growth geographically, by products and services or by mergers and acquisitions;
- enter into informal or formal enforcement orders, including memoranda of understanding, written agreements and consent or cease and desist orders to take corrective action and enjoin unsafe and unsound practices;
- remove officers and directors and assess civil monetary penalties; and
- take possession and close and liquidate the Bank.

Permissible Activities and Subsidiaries - California law permits state chartered commercial banks to engage in any activity permissible for national banks. Therefore, the Bank may form subsidiaries to engage in the many so-called closely related to banking or nonbanking activities commonly conducted by national banks in operating subsidiaries or conduct such activities themselves.

Interstate Banking and Branching Under the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, bank holding companies and banks generally have the ability to acquire or merge with banks in other states; and, subject to certain state restrictions, banks may also acquire or establish new branches outside their home state. Interstate branches are subject to certain laws of the states in which they are located. The Bank presently does not have any interstate branches.

Federal Home Loan Bank System - The Bank is a member of the Federal Home Loan Bank (FHLB) of San Francisco. Among other benefits, each FHLB serves as a reserve or central bank for its members within its assigned region and makes available loans or advances to its members. Each FHLB is financed primarily from the sale of consolidated obligations of the FHLB system. As an FHLB member, the Bank is required to own a certain amount of capital stock in the FHLB. At December 31, 2008, the Bank was in compliance with the FHLB's stock ownership requirement and our investment in FHLB capital stock totaled \$93.2 million. The FHLB recently announced that they would not pay any dividends

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on its capital stock in the first quarter of 2009, and there can be no assurance that the FHLB will pay dividends at the same rate it has paid in the past, or that it will pay any dividends in the future.

Federal Reserve System - The Federal Reserve Board requires all depository institutions to maintain noninterest bearing reserves at specified levels against their transaction accounts. At December 31, 2008, the Bank was in compliance with these requirements.

Dividends and Other Transfers of Funds

Dividends from the Bank constitute the principal source of income to the Company. The Bank is subject to various statutory and regulatory restrictions on its ability to pay dividends. Under such restrictions, the amount available for payment of dividends to the Company by the Bank totaled \$111.3 million at December 31, 2008. In addition, the banking agencies have the authority to prohibit or limit the Bank from paying dividends, depending upon the Bank's financial condition, if such payment is deemed to constitute an unsafe or unsound practice. Furthermore, under the federal Prompt Corrective Action regulations, the FRB or the FDIC may prohibit a bank holding company from paying any dividends if the holding company's bank subsidiary is classified as undercapitalized. See Capital Requirements.

Additionally, it is FRB policy that bank holding companies should generally pay dividends on common stock only out of income available over the past year, and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition. It is also Fed policy that bank holding companies should not maintain dividend levels that undermine the company's ability to be a source of strength to its banking subsidiaries. Additionally, in consideration of the current financial and economic environment, the FRB has indicated that bank holding companies should carefully review their dividend policy and has discouraged payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong.

Under the terms of the TARP CPP, for so long as any preferred stock issued under the TARP CPP remains outstanding, the Company is prohibited from increasing dividends on its common stock, and from making certain repurchases of equity securities, including its common stock, without the Treasury's consent until the third anniversary of the Treasury's investment or until the Treasury has transferred all of the preferred stock it purchased under the TARP CPP to third parties. As long as the preferred stock issued to the Treasury is outstanding, as well as the Company's Series B Preferred Stock, dividend payments and repurchases or redemptions relating to certain equity securities, including the Company's common stock, are also prohibited until all accrued and unpaid dividends are paid on such preferred stock, subject to certain limited exceptions (see Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Cash Flow and Capital Resources).

Capital Standards

Bank holding companies and banks are subject to various regulatory capital requirements administered by state and federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting and other factors. At December 31, 2008, the Company's and the Bank's capital ratios exceed the minimum capital adequacy guideline percentage requirements of the federal banking agencies and the prompt corrective action regulations for well capitalized institutions. See Note 16 to the consolidated financial statements for further information regarding the regulatory capital guidelines as well as the Company's and the Bank's actual capitalization as of December 31, 2008.

The federal banking agencies have adopted risk-based minimum capital adequacy guidelines for bank holding companies and banks which are intended to provide a measure of capital that reflects the degree

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of risk associated with a banking organization's operations for both transactions reported on the balance sheet as assets and transactions which are recorded as off-balance sheet items. The risk-based capital ratio is determined by classifying assets and certain off-balance sheet financial instruments into weighted categories, with higher levels of capital being required for those categories perceived as representing greater risk. Bank holding companies and banks engaged in significant trading activity may also be subject to the market risk capital guidelines and be required to incorporate additional market and interest rate risk components into their risk-based capital standards. Under the capital adequacy guidelines, a banking organization's total capital is divided into tiers. Tier I capital includes common equity and trust-preferred securities, subject to certain criteria and quantitative limits. The TARP CPP capital received by the Company from the U.S. Treasury also qualifies as Tier I capital. Tier II capital includes hybrid capital instruments, other qualifying debt instruments, a limited amount of the allowance for loan and lease losses, and a limited amount of unrealized holding gains on equity securities. Tier III capital consists of qualifying unsecured debt. The sum of Tier II and Tier III capital may not exceed the amount of Tier I capital. The risk-based capital guidelines require a minimum ratio of qualifying total capital to risk-weighted assets of 8% and a minimum ratio of Tier I capital to risk-weighted assets of 4%.

Bank holding companies and banks are also required to comply with minimum leverage ratio requirements. The leverage ratio is the ratio of a banking organization's Tier 1 capital to its total adjusted quarterly average assets (as defined for regulatory purposes). The requirements necessitate a minimum leverage ratio of 4.0%, unless a different minimum is specified by an appropriate regulatory authority. For a depository institution to be considered well capitalized under the regulatory framework for prompt corrective action, its leverage ratio must be at least 5.0%.

The following table presents the amounts of regulatory capital and the capital ratios for the Company, compared to its minimum regulatory capital requirements as of December 31, 2008:

	As of December 31, 2008					
	Actual		Required		Excess	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(amounts in thousands)					
Leverage ratio	\$631,643	9.8%	\$256,765	4.0%	\$374,878	5.8%
Tier 1 risk-based ratio	\$631,643	14.2%	\$178,179	4.0%	\$453,464	10.2%
Total risk-based ratio	\$692,352	15.5%	\$356,423	8.0%	\$335,929	7.5%

The following table presents the amounts of regulatory capital and the capital ratios for the Bank, compared to its minimum regulatory capital requirements as of December 31, 2008:

	As of December 31, 2008					
	Actual		Required		Excess	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(amounts in thousands)					
Leverage ratio	\$620,323	9.7%	\$257,129	4.0%	\$363,194	5.7%
Tier 1 risk-based ratio	\$620,323	13.9%	\$178,126	4.0%	\$442,197	9.9%
Total risk-based ratio	\$676,000	15.2%	\$356,024	8.0%	\$319,976	7.2%

Basel and Basel II Capital Requirements

The current risk-based capital guidelines which apply to the Company and the Bank are based upon the 1988 capital accord of the International Basel Committee on Banking Supervision, a committee of central banks and bank supervisors/regulators from the major industrialized countries that develops broad policy guidelines for use by each country's supervisors in determining the supervisory policies they apply. A new international accord, referred to as Basel II, which emphasizes internal assessment of

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credit, market and operational risk; supervisory assessment and market discipline in determining minimum capital requirements, became mandatory for large or core international banks outside the U.S. in 2008 (total assets of \$250 billion or more or consolidated foreign exposures of \$10 billion or more); is optional for others, and if adopted, must first be complied with in a parallel run for two years along with the existing Basel I standards. In January 2009, the Basel Committee proposed to reconsider regulatory-capital standards, supervisory and risk-management requirements and additional disclosures in the final new accord in response to recent worldwide developments.

In July 2008, the U.S. federal banking agencies issued a proposed rule that would give banking organizations, which do not use the Basel II advanced approaches, the option to implement a new risk-based capital framework. This framework would adopt the standardized approach of Basel II for credit risk, the basic indicator approach of Basel II for operational risk, and related disclosure requirements. While this proposed rule generally parallels the relevant approaches under Basel II, it diverges where United States markets have unique characteristics and risk profiles, most notably with respect to risk weighting residential mortgage exposures. A definitive final rule has not been issued. The U.S. banking agencies have indicated, however, that they will retain the minimum leverage requirement for all U.S. banks.

Prompt Corrective Action

The FDIA provides a framework for regulation of depository institutions and their affiliates, including parent holding companies, by their federal banking regulators. Among other things, it requires the relevant federal banking regulator to take prompt corrective action with respect to a depository institution if that institution does not meet certain capital adequacy standards, including requiring the prompt submission of an acceptable capital restoration plan. Supervisory actions by the appropriate federal banking regulator under the prompt corrective action rules generally depend upon an institution's classification within five capital categories as defined in the regulations. The relevant capital measures are the total capital ratio, the Tier 1 capital ratio and the leverage ratio. However, the federal banking agencies have also adopted non-capital safety and soundness standards to assist examiners in identifying and addressing potential safety and soundness concerns before capital becomes impaired. These include operational and managerial standards relating to: (i) internal controls, information systems and internal audit systems, (ii) loan documentation, (iii) credit underwriting, (iv) asset quality and growth, (v) earnings, (vi) risk management, and (vii) compensation and benefits.

A depository institution's capital tier under the prompt corrective action regulations will depend upon how its capital levels compare with various relevant capital measures and the other factors established by the regulation. A bank will be: (i) well capitalized if the institution has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, and a leverage ratio of 5.0% or greater, and is not subject to any order or written directive by any such regulatory authority to meet and maintain a specific capital level for any capital measure; (ii) adequately capitalized if the institution has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 4.0% or greater, and a leverage ratio of 4.0% or greater and is not well capitalized; (iii) undercapitalized if the institution has a total risk-based capital ratio that is less than 8.0%, a Tier 1 risk-based capital ratio of less than 4.0% or a leverage ratio of less than 4.0%; (iv) significantly undercapitalized if the institution has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 3.0% or a leverage ratio of less than 3.0%; and (v) critically undercapitalized if the institution's tangible equity is equal to or less than 2.0% of average quarterly tangible assets. An institution may be downgraded to, or deemed to be in, a capital category that is lower than indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters.

The FDIA generally prohibits a depository institution from making any capital distributions (including payment of a dividend) or paying any management fee to its parent holding company if the depository institution would thereafter be undercapitalized. Undercapitalized institutions are subject to growth limitations and are required to submit a capital restoration plan. The agencies may not accept

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such a plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution's capital. In addition, for a capital restoration plan to be acceptable, the depository institution's parent holding company must guarantee that the institution will comply with such capital restoration plan. The bank holding company must also provide appropriate assurances of performance. The aggregate liability of the parent holding company is limited to the lesser of (i) an amount equal to 5.0% of the depository institution's total assets at the time it became undercapitalized and (ii) the amount which is necessary (or would have been necessary) to bring the institution into compliance with all capital standards applicable with respect to such institution as of the time it fails to comply with the plan. If a depository institution fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized. Significantly undercapitalized depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets, and cessation of receipt of deposits from correspondent banks. Critically undercapitalized institutions are subject to the appointment of a receiver or conservator.

The appropriate federal banking agency may, under certain circumstances, reclassify a well capitalized insured depository institution as adequately capitalized. The FDIA provides that an institution may be reclassified if the appropriate federal banking agency determines (after notice and opportunity for hearing) that the institution is in an unsafe or unsound condition or deems the institution to be engaging in an unsafe or unsound practice. The appropriate agency is also permitted to require an adequately capitalized or undercapitalized institution to comply with the supervisory provisions as if the institution were in the next lower category (but not treat a significantly undercapitalized institution as critically undercapitalized) based on supervisory information other than the capital levels of the institution.

FDIC Insurance

The FDIC is an independent federal agency that insures deposits, up to prescribed statutory limits, of federally insured banks and savings institutions and safeguards the safety and soundness of the banking and savings industries. The FDIC insures our customer deposits through the Deposit Insurance Fund (the DIF) up to prescribed limits for each depositor. Pursuant to the EESA, the maximum deposit insurance amount has been increased from \$100,000 to \$250,000 effective through December 2009. The amount of FDIC assessments paid by each DIF member institution is based on its relative risk of default as measured by regulatory capital ratios and other supervisory factors. Pursuant to the Federal Deposit Insurance Reform Act of 2005, the FDIC is authorized to set the reserve ratio for the DIF annually at between 1.15% and 1.50% of estimated insured deposits. The FDIC may increase or decrease the assessment rate schedule on a semi-annual basis. In an effort to restore capitalization levels and to ensure the DIF will adequately cover projected losses from future bank failures, the FDIC, in October 2008, proposed a rule to alter the way in which it differentiates for risk in the risk-based assessment system and to revise deposit insurance assessment rates, including base assessment rates. First quarter 2009 assessment rates were increased to between 12 and 50 cents for every \$100 of domestic deposits, with most banks paying between 12 and 14 cents. The Federal Deposit Insurance Corp. approved an interim rule on February 27, 2009 that will institute a one-time special assessment of 20 cents per \$100 in domestic deposits to restore the DIF reserves depleted by recent bank failures. The interim rule additionally reserves the right of the FDIC to charge an additional up-to-10 basis point special premium at a later point if the DIF reserves continue to fall. The FDIC also approved an increase in regular premium rates beginning with the second quarter of 2009.

Additionally, by participating in the FDIC's Temporary Liquidity Guarantee Program, banks temporarily become subject to an additional assessment on deposits in excess of \$250,000 in certain transaction accounts and additionally for assessments from 50 basis points to 100 basis points per annum depending on the initial maturity of the debt. Further, all FDIC-insured institutions are required to pay assessments to the FDIC to fund interest payments on bonds issued by the Financing Corporation (FICO), an agency of the Federal government established to recapitalize the predecessor to the DIF. The FICO assessment rates, which are determined quarterly, averaged 0.0113% of insured deposits in fiscal 2008. These assessments will continue until the FICO bonds mature in 2017.

The FDIC may terminate a depository institution's deposit insurance upon a finding that the institution's financial condition is unsafe or unsound or that the institution has engaged in unsafe or unsound practices that pose a risk to the DIF or that may prejudice the interest of the bank's depositors.

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The termination of deposit insurance for a bank would also result in the revocation of the bank's charter by the DFI.

Loans-to-One Borrower Limitations

With certain limited exceptions, the maximum amount of obligations, secured or unsecured, that any borrower (including certain related entities) may owe to a California state bank at any one time may not exceed 25% of the sum of the shareholders' equity, allowance for loan losses, capital notes and debentures of the bank. Unsecured obligations may not exceed 15% of the sum of the shareholders' equity, allowance for loan losses, capital notes and debentures of the bank. The Bank has established internal loan limits which are lower than the legal lending limits for a California bank.

Extensions of Credit to Insiders and Transactions with Affiliates

The Federal Reserve Act and FRB Regulation O place limitations and conditions on loans or extensions of credit to:

- a bank or bank holding company's executive officers, directors and principal shareholders (i.e., in most cases, those persons who own, control or have power to vote more than 10% of any class of voting securities);
- any company controlled by any such executive officer, director or shareholder; or
- any political or campaign committee controlled by such executive officer, director or principal shareholder.

Such loans and leases:

- must comply with loan-to-one-borrower limits;
- require prior full board approval when aggregate extensions of credit to the person exceed specified amounts;
- must be made on substantially the same terms (including interest rates and collateral) and follow credit-underwriting procedures no less stringent than those prevailing at the time for comparable transactions with non-insiders;
- must not involve more than the normal risk of repayment or present other unfavorable features; and
- in the aggregate limit not exceed the bank's unimpaired capital and unimpaired surplus.

California has laws and the DFI has regulations which adopt and also apply Regulation O to the Bank.

The Bank also is subject to certain restrictions imposed by Federal Reserve Act Sections 23A and 23B and FRB Regulation W on any extensions of credit to, or the issuance of a guarantee or letter of credit on behalf of, any affiliates, the purchase of, or investments in, stock or other securities thereof, the taking of such securities as collateral for loans, and the purchase of assets of any affiliates. Affiliates include parent holding companies, sister banks, sponsored and advised companies, financial subsidiaries and investment companies whereby the Bank's affiliate serves as investment advisor. Sections 23A and 23B and Regulation W generally:

- prevent any affiliates from borrowing from the Bank unless the loans are secured by marketable obligations of designated amounts;
- limit such loans and investments to or in any affiliate individually to 10.0% of the Bank's capital and surplus;
- limit such loans and investments to or in any affiliate in the aggregate to 20.0% of the Bank's capital and surplus; and

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- requires such loans and investments to or in any affiliate to be on terms and under conditions substantially the same or at least as favorable to the Bank as those prevailing for comparable transactions with nonaffiliated parties.

Additional restrictions on transactions with affiliates may be imposed on the Bank under the FDIA prompt corrective action provisions and the supervisory authority of the federal and state banking agencies.

USA PATRIOT Act and Anti-Money Laundering Compliance

The USA PATRIOT Act of 2001 and its implementing regulations significantly expanded the anti-money laundering and financial transparency laws, including the Bank Secrecy Act. The Bank has adopted comprehensive policies and procedures to address the requirements of the USA PATRIOT Act. Material deficiencies in anti-money laundering compliance can result in public enforcement actions by the banking agencies, including the imposition of civil money penalties and supervisory restrictions on growth and expansion. Such enforcement actions could also have serious reputation consequences for the Company and the Bank.

Consumer Laws

The Bank and the Company are subject to many federal and state consumer protection statutes and regulations and laws prohibiting unfair or fraudulent business practices, untrue or misleading advertising and unfair competition, including:

- The Home Ownership and Equity Protection Act of 1994, or HOEPA, requires extra disclosures and consumer protections to borrowers from certain lending practices, such as practices deemed to be predatory lending.
- Privacy policies are required by federal and state banking laws regulations which limit the ability of banks and other financial institutions to disclose nonpublic information about consumers to nonaffiliated third parties.
- The Fair Credit Reporting Act, as amended by the Fair and Accurate Credit Transactions Act, or the FACT Act, requires financial firms to help deter identity theft, including developing appropriate fraud response programs, and gives consumers more control of their credit data.
- The Equal Credit Opportunity Act, or ECOA, generally prohibits discrimination in any credit transaction, whether for consumer or business purposes, on the basis of race, color, religion, national origin, sex, marital status, age (except in limited circumstances), receipt of income from public assistance programs, or good faith exercise of any rights under the Consumer Credit Protection Act.
- The Truth in Lending Act, or TILA, requires that credit terms be disclosed in a meaningful and consistent way so that consumers may compare credit terms more readily and knowledgeably.
- The Fair Housing Act regulates many lending practices, including making it unlawful for any lender to discriminate in its housing-related lending activities against any person because of race, color, religion, national origin, sex, handicap or familial status.
- The Community Reinvestment Act, or CRA, requires insured depository institutions, while operating safely and soundly, to help meet the credit needs of their communities; directs the federal regulatory agencies, in examining insured depository institutions, to assess a bank's record of helping meet the credit needs of its entire community, including low- and moderate- income neighborhoods, consistent with safe and sound banking practices and further requires the agencies to take a financial institution's record of meeting its community credit needs into account when evaluating applications for, among other things, domestic branches, mergers or acquisitions, or holding company formations. In its last examination for CRA compliance, as of September 2008, the Bank was rated satisfactory.

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- The Home Mortgage Disclosure Act, or HMDA, includes a fair lending aspect that requires the collection and disclosure of data about applicant and borrower characteristics as a way of identifying possible discriminatory lending patterns and enforcing anti-discrimination statutes.
- The Real Estate Settlement Procedures Act, or RESPA, requires lenders to provide borrowers with disclosures regarding the nature and cost of real estate settlements and prohibits certain abusive practices, such as kickbacks.
- The National Flood Insurance Act, or NFIA, requires homes in flood-prone areas with mortgages from a federally regulated lender to have flood insurance.

Regulation of Nonbank Subsidiaries

Nonbank subsidiaries are subject to additional or separate regulation and supervision by other state, federal and self-regulatory bodies.

Employees

At February 15, 2009, we employed 776 persons, 543 on a full-time and 233 on a part-time basis. We believe that our employee relations are satisfactory.

Available Information

Reports filed with the Securities and Exchange Commission (the Commission) include our proxy statements, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. These reports and other information on file can be inspected and copied at the public reference facilities of the Commission on file at 100 F Street, N.E., Washington D.C., 20549. The public may obtain information on the operation of the public reference rooms by calling the SEC at 1-800-SEC-0330. The Commission maintains a Web Site that contains the reports, proxy and information statements and other information we file with them. The address of the site is <http://www.sec.gov>. The Company also maintains an Internet website at <http://www.cbbank.com>. We make available, free of charge through our website, our Proxy Statement, Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and current Report on Form 8-K, and any amendment there to, as soon as reasonably practicable after we file such reports with the SEC. None of the information contained in or hyperlinked from our website is incorporated into this Form 10-K.

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ITEM 1A. RISK FACTORS

Risk Factors That May Affect Future Results - Together with the other information on the risks we face and our management of risk contained in this Annual Report or in our other SEC filings, the following presents significant risks which may affect us. Events or circumstances arising from one or more of these risks could adversely affect our business, financial condition, operating results and prospects and the value and price of our common stock could decline. The risks identified below are not intended to be a comprehensive list of all risks we face and additional risks that we may currently view as not material may also impair our business operations and results.

Difficult economic and market conditions have adversely affected our industry

Dramatic declines in the housing market, with decreasing home prices and increasing delinquencies and foreclosures, have negatively impacted the credit performance of mortgage and construction loans and resulted in significant write-downs of assets by many financial institutions. General downward economic trends, reduced availability of commercial credit and increasing unemployment have negatively impacted the credit performance of commercial and consumer credit, resulting in additional write-downs. Concerns over the stability of the financial markets and the economy have resulted in decreased lending by financial institutions to their customers and to each other. This market turmoil and tightening of credit has led to increased commercial and consumer deficiencies, lack of customer confidence, increased market volatility and widespread reduction in general business activity. Financial institutions have experienced decreased access to deposits and borrowings. The resulting economic pressure on consumers and businesses and the lack of confidence in the financial markets may adversely affect our business, financial condition, results of operations and stock price. We do not expect that the difficult conditions in the financial markets are likely to improve in the near future. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the financial institutions industry. In particular, we may face the following risks in connection with these events:

We potentially face increased regulation of our industry. Compliance with such regulation may increase our costs and limit our ability to pursue business opportunities.

The process we use to estimate losses inherent in our credit exposure requires difficult, subjective and complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of our borrowers to repay their loans. The level of uncertainty concerning economic conditions may adversely affect the accuracy of our estimates which may, in turn, impact the reliability of the process.

We may be required to pay significantly higher FDIC premiums because market developments have significantly depleted the insurance fund of the FDIC and reduced the ratio of reserves to insured deposits.

If current levels of market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our business, financial condition and results of operations.

Recent legislative and regulatory initiatives to address difficult market and economic conditions may not stabilize the U.S. banking system. On October 3, 2008, President Bush signed into law EESA in response to the current crisis in the financial sector. The U.S. Department of the Treasury (UST) and banking regulators are implementing a number of programs under this legislation to address capital and liquidity issues in the banking system and on February 17, 2009, President Obama signed into law ARRA. There can be no assurance, however, as to the actual impact that the EESA or ARRA will have on the financial markets, including the extreme levels of volatility and limited credit availability currently being experienced. The failure of the EESA to help stabilize the financial markets and a continuation or

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worsening of current financial market conditions could have a material, adverse effect on our business, financial condition, results of operations, access to credit or the value of our securities.

U.S. and international financial markets and economic conditions could adversely affect our liquidity, results of operations and financial condition

As described in Business Economic Conditions, Government Policies, Legislation and Regulation, recent turmoil and downward economic trends have been particularly acute in the financial sector. Although the Company and the Bank remain well capitalized and have not suffered any significant liquidity issues as a result of these recent events, the cost and availability of funds may be adversely affected by illiquid credit markets and the demand for our products and services may decline as our borrowers and customers realize the impact of an economic slowdown and recession. In view of the concentration of our operations and the collateral securing our loan portfolio in Central and Southern California, we may be particularly susceptible to the adverse economic conditions in the state of California, where our business is concentrated. In addition, the severity and duration of these adverse conditions is unknown and may exacerbate our exposure to credit risk and adversely affect the ability of borrowers to perform under the terms of their lending arrangements with us.

We may be required to make additional provisions for loan losses and charge off additional loans in the future, which could adversely affect our results of operations

During the year ended December 31, 2008, we recorded a \$26.6 million provision for credit losses and charged off \$5.7 million, net of \$348,000 in recoveries. There has been a significant slowdown in the housing market in portions of Los Angeles, Riverside, San Bernardino and Orange counties and the Central Valley area of California where a majority of our loan customers are based. This slowdown reflects declining prices and excess inventories of homes to be sold, which has contributed to financial strain on home builders and suppliers. As of December 31, 2008, we had \$2.3 billion in real estate loans and \$0.35 billion in construction loans. Continuing deterioration in the real estate market generally and in the residential building segment in particular could result in additional loan charge-offs and provisions for credit losses in the future, which could have a material adverse effect on our financial condition, net income and capital.

Declines in commodity prices may adversely affect our results of operations.

As of December 31, 2008, approximately twelve percent (12%) of our loan portfolio was comprised of dairy and livestock loans. Recent declines in commodity prices, including milk prices, could adversely impact the ability of those to whom we have made dairy and livestock loans to perform under the terms of their borrowing arrangements with us. In particular, declines in commodity prices could result in additional loan charge-offs and provisions for credit losses in the future, which could have a material adverse effect on our financial condition, net income and capital.

Our allowance for credit losses may not be adequate to cover actual losses

A significant source of risk arises from the possibility that we could sustain losses because borrowers, guarantors, and related parties may fail to perform in accordance with the terms of their loans and leases. The underwriting and credit monitoring policies and procedures that we have adopted to address this risk may not prevent unexpected losses that could have a material adverse effect on our business, financial condition, results of operations and cash flows. We maintain an allowance for credit losses to provide for loan and lease defaults and non-performance. The allowance is also appropriately increased for new loan growth. While we believe that our allowance for credit losses is adequate to cover inherent losses, we cannot assure you that we will not increase the allowance for credit losses further or that regulators will not require us to increase this allowance.

Table of Contents***Liquidity risk could impair our ability to fund operations and jeopardize our financial condition***

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a material adverse effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities could be impaired by factors that affect us specifically or the financial services industry in general. Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity due to a market downturn or adverse regulatory action against us. Our ability to acquire deposits or borrow could also be impaired by factors that are not specific to us, such as a severe disruption of the financial markets or negative views and expectations about the prospects for the financial services industry as a whole as the recent turmoil faced by banking organizations in the domestic and worldwide credit markets deteriorates.

Our loan portfolio is predominantly secured by real estate and thus we have a higher degree of risk from a downturn in our real estate markets

A further downturn in our real estate markets could hurt our business because many of our loans are secured by real estate. Real estate values and real estate markets are generally affected by changes in national, regional or local economic conditions, fluctuations in interest rates and the availability of loans to potential purchasers, changes in tax laws and other governmental statutes, regulations and policies and acts of nature, such as earthquakes and national disasters particular to California. Substantially all of our real estate collateral is located in California. If real estate values continue to further decline, the value of real estate collateral securing our loans could be significantly reduced. Our ability to recover on defaulted loans by foreclosing and selling the real estate collateral would then be diminished and we would be more likely to suffer losses on defaulted loans.

We are exposed to risk of environmental liabilities with respect to properties to which we take title

In the course of our business, we may foreclose and take title to real estate, and could be subject to environmental liabilities with respect to these properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to investigate or clean-up hazardous or toxic substances, or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. If we become subject to significant environmental liabilities, our business, financial condition, results of operations and prospects could be adversely affected.

We may experience goodwill impairment

If our estimates of segment fair value change due to changes in our businesses or other factors, we may determine that impairment charges on goodwill recorded as a result of acquisitions are necessary. Estimates of fair value are determined based on our earnings, the fair value of our Company as determined by our stock price, and company comparisons. If the fair value of the Company declines, we may need to recognize goodwill impairment in the future which would have a material adverse affect on our results of operations and capital levels.

Our business is subject to interest rate risk and variations in interest rates may negatively affect our financial performance

A substantial portion of our income is derived from the differential or spread between the interest earned on loans, securities and other interest-earning assets, and interest paid on deposits, borrowings and other interest-bearing liabilities. Because of the differences in the maturities and repricing characteristics of our interest-earning assets and interest-bearing liabilities, changes in interest rates do not produce equivalent changes in interest income earned on interest-earning assets and interest paid on interest-bearing liabilities. At December 31, 2008 our balance sheet was liability sensitive and, as a result, our net interest margin tends to decline in a rising interest rate environment and expand in a declining interest rate environment. Accordingly, fluctuations in interest rates could adversely affect our interest rate spread

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and, in turn, our profitability. In addition, loan origination volumes are affected by market interest rates. Rising interest rates, generally, are associated with a lower volume of loan originations while lower interest rates are usually associated with higher loan originations. Conversely, in rising interest rate environments, loan repayment rates may decline and in falling interest rate environments, loan repayment rates may increase. In addition, in a rising interest rate environment, we may need to accelerate the pace of rate increases on our deposit accounts as compared to the pace of future increases in short-term market rates. Accordingly, changes in levels of market interest rates could materially and adversely affect our net interest spread, asset quality and loan origination volume.

We are subject to extensive government regulation that could limit or restrict our activities, which, in turn, may hamper our ability to increase our assets and earnings

Our operations are subject to extensive regulation by federal, state and local governmental authorities and are subject to various laws and judicial and administrative decisions imposing requirements and restrictions on part or all of our operations. Because our business is highly regulated, the laws, rules, regulations and supervisory guidance and policies applicable to us are subject to regular modification and change. Perennially various laws, rules and regulations are proposed, which, if adopted, could impact our operations by making compliance much more difficult or expensive, restricting our ability to originate or sell loans or further restricting the amount of interest or other charges or fees earned on loans or other products.

The short term and long term impact of the new Basel II capital standards and the forthcoming new capital rules to be proposed for non-Basel II U.S. banks is uncertain

As a result of the recent deterioration in the global credit markets and the potential impact of increased liquidity risk and interest rate risk, it is unclear what the short term impact of the implementation of Basel II may be or what impact a pending alternative standardized approach to Basel II option for non-Basel II U.S. banks may have on the cost and availability of different types of credit and the potential compliance costs of implementing the new capital standards.

Failure to manage our growth may adversely affect our performance

Our financial performance and profitability depend on our ability to manage past and possible future growth. Future acquisitions and our continued growth may present operating, integration and other issues that could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We face strong competition from financial services companies and other companies that offer banking services

We conduct most of our operations in California. The banking and financial services businesses in California are highly competitive and increased competition in our primary market area may adversely impact the level of our loans and deposits. Ultimately, we may not be able to compete successfully against current and future competitors. These competitors include national banks, regional banks and other community banks. We also face competition from many other types of financial institutions, including savings and loan associations, finance companies, brokerage firms, insurance companies, credit unions, mortgage banks and other financial intermediaries. In particular, our competitors include major financial companies whose greater resources may afford them a marketplace advantage by enabling them to maintain numerous locations and mount extensive promotional and advertising campaigns. Areas of competition include interest rates for loans and deposits, efforts to obtain loan and deposit customers and a range in quality of products and services provided, including new technology driven products and services. If we are unable to attract and retain banking customers, we may be unable to continue our loan growth and level of deposits.

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We rely on communications, information, operating and financial control systems technology from third-party service providers, and we may suffer an interruption in those systems

We rely heavily on third-party service providers for much of our communications, information, operating and financial control systems technology, including our internet banking services and data processing systems. Any failure or interruption of these services or systems or breaches in security of these systems could result in failures or interruptions in our customer relationship management, general ledger, deposit, servicing and/or loan origination systems. The occurrence of any failures or interruptions may require us to identify alternative sources of such services, and we cannot assure you that we could negotiate terms that are as favorable to us, or could obtain services with similar functionality as found in our existing systems without the need to expend substantial resources, if at all.

We are dependent on key personnel and the loss of one or more of those key personnel may materially and adversely affect our prospects

Competition for qualified employees and personnel in the banking industry is intense and there are a limited number of qualified persons with knowledge of, and experience in, the California community banking industry. The process of recruiting personnel with the combination of skills and attributes required to carry out our strategies is often lengthy. In addition, ARRA has imposed significant limitations on executive compensation for recipients of TARP funds, such as us, which may make it more difficult for us to retain and recruit key personnel. Our success depends to a significant degree upon our ability to attract and retain qualified management, loan origination, finance, administrative, marketing and technical personnel and upon the continued contributions of our management and personnel. In particular, our success has been and continues to be highly dependent upon the abilities of key executives, including our President, and certain other employees.

Managing reputational risk is important to attracting and maintaining customers, investors and employees

Threats to our reputation can come from many sources, including adverse sentiment about financial institutions generally, unethical practices, employee misconduct, failure to deliver minimum standards of service or quality, compliance deficiencies, and questionable or fraudulent activities of our customers. We have policies and procedures in place to protect our reputation and promote ethical conduct, but these policies and procedures may not be fully effective. Negative publicity regarding our business, employees, or customers, with or without merit, may result in the loss of customers, investors and employees, costly litigation, a decline in revenues and increased governmental regulation.

State laws may restrict our ability to pay dividends

The ability for the Bank to pay dividends to us and for us to pay dividends to our shareholders is limited by California law. See Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Cash Flows.

The terms of our outstanding preferred stock limit our ability to pay dividends on and repurchase our common stock and there can be no assurance of any future dividends on our common stock

The Purchase Agreement between us and the UST pursuant to which we sold \$130.0 million of our Series B Preferred Stock (the TARP Preferred Stock) and issued a warrant to purchase up to 1,669,521 shares of our common stock (the TARP Warrant) provides that prior to the earlier of (i) December 5, 2011 and (ii) the date on which all of the shares of the TARP Preferred Stock have been redeemed by us or transferred by the UST to third parties, we may not, without the consent of the UST, (a) increase the cash dividend on our common stock above \$0.085 per share, the amount of the last quarterly cash dividend per share declared prior to October 14, 2008 or (b) subject to limited exceptions, redeem, repurchase or otherwise acquire shares of our common stock or preferred stock other than the TARP Preferred Stock. In addition, we are unable to pay any dividends on our common stock unless we are

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current in our dividend payments on the TARP Preferred Stock. These restrictions, together with the potentially dilutive impact of the TARP Warrant could have a negative effect on the value of our common stock. Moreover, holders of our common stock are entitled to receive dividends only when, as and if declared by our Board of Directors. Although we have historically paid cash dividends on our common stock, we are not required to do so and our Board of Directors could reduce or eliminate our common stock dividend in the future.

Our outstanding preferred stock impacts net income available to our common stockholders and earnings per common share, and the TARP Warrant as well as other potential issuances of equity securities may be dilutive to holders of our common stock

The dividends declared and the accretion on discount on our outstanding preferred stock will reduce the net income available to common stockholders and our earnings per common share. Our outstanding preferred stock will also receive preferential treatment in the event of liquidation, dissolution or winding up of the Company. Additionally, the ownership interest of the existing holders of our common stock will be diluted to the extent the TARP Warrant is exercised. The shares of common stock underlying the TARP Warrant represent approximately 2.0% of the shares of our common stock outstanding as of February 15, 2009 (including the shares issuable upon exercise of the TARP Warrant in total shares outstanding). Although the UST has agreed not to vote any of the shares of common stock it receives upon exercise of the TARP Warrant, a transferee of any portion of the TARP Warrant or of any shares of common stock acquired upon exercise of the TARP Warrant is not bound by this restriction. In addition, to the extent options to purchase common stock under our employee and director stock option plans are exercised, holders of our common stock will incur additional dilution. Further, if we sell additional equity or convertible debt securities, such sales could result in increased dilution to our shareholders.

Because of our participation in the Troubled Asset Relief Program, we are subject to several restrictions including restrictions on compensation paid to our executives

Pursuant to the terms of the Purchase Agreement, we adopted certain standards for executive compensation and corporate governance for the period during which the UST holds the equity issued pursuant to the Purchase Agreement, including the common stock which may be issued pursuant to the TARP Warrant. These standards generally apply to our Chief Executive Officer, Chief Financial Officer and the three next most highly compensated senior executive officers. The standards include (1) ensuring that incentive compensation for senior executives does not encourage unnecessary and excessive risks that threaten the value of the financial institution; (2) required clawback of any bonus or incentive compensation paid to a senior executive based on statements of earnings, gains or other criteria that are later proven to be materially inaccurate; (3) prohibition on making golden parachute payments to senior executives; and (4) agreement not to deduct for tax purposes executive compensation in excess of \$500,000 for each senior executive. In particular, the change to the deductibility limit on executive compensation will likely increase the overall cost of our compensation programs in future periods. Since the TARP Warrant has a ten year term, we could potentially be subject to the executive compensation and corporate governance restrictions for a ten-year time period. Pursuant to ARRA, further compensation restrictions, including significant limitations on incentive compensation, have been imposed on our senior executive officers and most highly compensated employees. Such restrictions and any future restrictions on executive compensation, which may be adopted, could adversely affect our ability to hire and retain senior executive officers.

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The price of our common stock may be volatile or may decline

The trading price of our common stock may fluctuate widely as a result of a number of factors, many of which are outside our control. In addition, the stock market is subject to fluctuations in the share prices and trading volumes that affect the market prices of the shares of many companies. These broad market fluctuations could adversely affect the market price of our common stock. Among the factors that could affect our stock price are:

- actual or anticipated quarterly fluctuations in our operating results and financial condition;
- changes in revenue or earnings estimates or publication of research reports and recommendations by financial analysts;
- failure to meet analysts' revenue or earnings estimates;
- speculation in the press or investment community;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- actions by institutional shareholders;
- fluctuations in the stock price and operating results of our competitors;
- general market conditions and, in particular, developments related to market conditions for the financial services industry;
- proposed or adopted regulatory changes or developments;
- anticipated or pending investigations, proceedings or litigation that involve or affect us; or
- domestic and international economic factors unrelated to our performance.

The stock market and, in particular, the market for financial institution stocks, has experienced significant volatility recently. As a result, the market price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate more than usual and cause significant price variations to occur. The trading price of the shares of our common stock and the value of our other securities will depend on many factors, which may change from time to time, including, without limitation, our financial condition, performance, creditworthiness and prospects, future sales of our equity or equity related securities, and other factors identified above in *Cautionary Note Regarding Forward-Looking Statements*. Current levels of market volatility are unprecedented. The capital and credit markets have been experiencing volatility and disruption for more than a year. In recent months, the volatility and disruption has reached unprecedented levels. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers' underlying financial strength. A significant decline in our stock price could result in substantial losses for individual shareholders and could lead to costly and disruptive securities litigation.

Anti-takeover provisions and federal law may limit the ability of another party to acquire us, which could cause our stock price to decline

Various provisions of our articles of incorporation and by-laws and certain other actions we have taken could delay or prevent a third-party from acquiring us, even if doing so might be beneficial to our shareholders. These include, among other things, a shareholder rights plan and the authorization to issue

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blank check preferred stock by action of the board of directors acting alone, thus without obtaining shareholder approval. The Bank Holding Company Act of 1956, as amended, and the Change in Bank Control Act of 1978, as amended, together with federal regulations, require that, depending on the particular circumstances, either Federal Reserve approval must be obtained or notice must be furnished to the Federal Reserve and not disapproved prior to any person or entity acquiring control of a state member bank, such as the Bank. These provisions may prevent a merger or acquisition that would be attractive to shareholders and could limit the price investors would be willing to pay in the future for our common stock.

Changes in stock market prices could reduce fee income from our brokerage, asset management and investment advisory businesses

We earn substantial wealth management fee income for managing assets for our clients and also providing brokerage and investment advisory services. Because investment management and advisory fees are often based on the value of assets under management, a fall in the market prices of those assets could reduce our fee income. Changes in stock market prices could affect the trading activity of investors, reducing commissions and other fees we earn from our brokerage business.

We may face other risks

From time to time, we detail other risks with respect to our business and/or financial results in our filings with the Commission.

For further discussion on additional areas of risk, see Item 7. Management's Discussion and Analysis of Financial Condition and the Results of Operations Risk Management.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

The principal executive offices of the Company and the Bank are located in Ontario, California, and are owned by the Company.

At December 31, 2008, the Bank occupied the premises for thirty-seven of its Business Financial and Commercial Banking Centers under leases expiring at various dates from 2009 through 2020, at which time we can exercise options that could extend certain leases through 2026. We own the premises for nine of our offices which include seven Business Financial Centers, and our Corporate Headquarters and Operations Center, both located in Ontario, California.

At December 31, 2008, our consolidated investment in premises and equipment, net of accumulated depreciation and amortization totaled \$44.4 million. Our total occupancy expense, exclusive of furniture and equipment expense, for the year ended December 31, 2008, was \$11.8 million. We believe that our existing facilities are adequate for our present purposes. The Company believes that if necessary, it could secure suitable alternative facilities on similar terms without adversely affecting operations. For additional information concerning properties, see Notes 6 and 11 of the Notes to the Consolidated Financial Statements included in this report. See Item 8. Financial Statements and Supplemental Data.

ITEM 3. LEGAL PROCEEDINGS

From time to time the Company and the Bank are parties to claims and legal proceedings arising in the ordinary course of business. After taking into consideration information furnished by counsel, we believe that the ultimate aggregate liability represented thereby, if any, will not have a material adverse effect on our consolidated financial position or results of operations.

Table of Contents**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matters were submitted to shareholders during the fourth quarter of 2008.

ITEM 4A. EXECUTIVE OFFICERS OF THE COMPANY

The following tables set forth certain information regarding our executive officers as of February 28, 2009:

Executive Officers:

Name	Position	Age
Christopher D. Myers	President and Chief Executive Officer of the Company and the Bank	46
Edward J. Biebrich Jr.	Chief Financial Officer of the Company and Executive Vice President and Chief Financial Officer of the Bank	65
James F. Dowd	Executive Vice President/Credit Management Division of the Bank	56
Todd E. Hollander	Executive Vice President/Sales Division of the Bank	42
Christopher A. Walters	Executive Vice President/CitizensTrust Division of the Bank	45

Mr. Myers assumed the position of President and Chief Executive Officer of the Company and the Bank on August 1, 2006. Prior to that, Mr. Myers served as Chairman of the Board and Chief Executive Officer of Mellon First Business Bank from 2004 to 2006. From 1996 to 2003, Mr. Myers held several management positions with Mellon First Business Bank, including Executive Vice President, Regional Vice President, and Vice President/Group Manager.

Mr. Biebrich assumed the position of Chief Financial Officer of the Company and Executive Vice President/Chief Financial Officer of the Bank on February 2, 1998.

Mr. Dowd assumed the position of Executive Vice President and Chief Credit Officer of the Bank on June 30, 2008. From 2006 to 2008, he served as Executive Vice President and Chief Credit Officer for Mellon First Business Bank. From 1991 to 2006, Mr. Dowd held several management positions with City National Bank, including Senior Vice President and Manager of Special Assets, Deputy Chief Credit Officer, and Interim Chief Credit Officer.

Mr. Hollander assumed the position of Executive Vice President of the Bank on May 15, 2008. From 2005 to 2008, he served as Executive Vice President for the Community Banking Group of California National Bank. From 2003 to 2005, he served as Executive Vice President for the Commercial Banking Group of U.S. Bank. From 1990 to 2003, Mr. Hollander held various management positions with Wells Fargo & Company, Inc. including Executive Vice President, Senior Vice President, and Vice President of the Business Banking Group.

Mr. Walters assumed the position of Executive Vice President of the Bank on June 27, 2007. From 2005 to 2006, he served as Senior Vice President for Atlantic Trust. From 2002 to 2004, he was Director of Private Banking for Citigroup. From 1994 to 2002, he served as a member of the Executive Committee and held a variety of management positions for Mellon Private Wealth Management.

Table of Contents**PART II****ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.**

Our common stock is traded on the Nasdaq Global Select National Market under the symbol CVBF. The following table presents the high and low closing sales prices and dividend information for our common stock during each quarter for the past two years. The Company had approximately 1,920 shareholders of record as of February 15, 2009.

Two Year Summary of Common Stock Prices

Quarter Ended	High	Low	Dividends
			\$0.085 Cash
3/31/2007	\$13.38	11.42	Dividend \$0.085 Cash
6/30/2007	\$12.40	\$10.63	Dividend \$0.085 Cash
9/30/2007	\$12.71	\$ 9.51	Dividend \$0.085 Cash
12/31/2007	\$11.97	\$ 9.98	Dividend \$0.085 Cash
3/31/2008	\$11.20	\$ 8.45	Dividend \$0.085 Cash
6/30/2008	\$12.10	\$ 9.44	Dividend \$0.085 Cash
9/30/2008	\$15.01	\$ 7.65	Dividend \$0.085 Cash
12/31/2008	\$13.89	\$ 9.29	Dividend

For information on the ability of the Company to pay dividends to its shareholders and on the Bank to pay dividends to the Company, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Cash Flow .

Issuer Purchases of Equity Securities

On July 16, 2008, our Board of Directors approved a program to repurchase up to 5,390,482 shares of our common stock. This program was combined with the 4,609,518 shares remaining from our previous stock repurchase program, approved in August 2007. As of December 31, 2008, we have the authority to repurchase up to 10,000,000 shares of our common stock (such number will not be adjusted for stock splits, stock dividends, and the like) in the open market or in privately negotiated transactions, at times and at prices considered appropriate by us, depending upon prevailing market conditions and other corporate and legal considerations. We made no repurchases of our common stock during the fourth quarter ended December 31, 2008. There is no expiration date for our current stock repurchase program.

As a result of our participation in the Capital Purchase Program promulgated pursuant to TARP, prior to the earlier of (i) December 5, 2011 and (ii) the date on which all of our outstanding Series B Preferred Stock has been redeemed or transferred to third parties unaffiliated with the UST, we may not, without the consent of the UST, repurchase or

otherwise acquire any of our shares of common stock or any trust preferred securities, subject to certain limited exceptions. In addition, so long as any of our Series B Preferred Stock is outstanding, we may not repurchase or otherwise acquire any of our outstanding common stock unless we are current in our dividend payments on our outstanding Series B Preferred Stock.

Performance Graph

The following Performance Graph and related information shall not be deemed soliciting material or be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that the Company specifically incorporates it by reference into such filing.

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The following graph compares the yearly percentage change in CVB Financial Corp.'s cumulative total shareholder return (stock price appreciation plus reinvested dividends) on common stock (i) the cumulative total return of the Nasdaq National Market; and (ii) a published index comprised by Hemscott, Inc. of banks and bank holding companies in the Pacific region (the industry group line depicted below). The graph assumes an initial investment of \$100 on December 31, 2003, and reinvestment of dividends through December 31, 2008. Points on the graph represent the performance as of the last business day of each of the years indicated. The graph is not necessarily indicative of future price performance.

**COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN
AMONG CVB FINANCIAL CORP.,
NASDAQ MARKET INDEX AND HEMSCOTT GROUP INDEX**

ASSUMES \$100 INVESTED ON DEC. 31, 2003
ASSUMES DIVIDEND REINVESTED
FISCAL YEAR ENDING DEC. 31, 2008

	2003	2004	2005	2006	2007	2008
CVB FINANCIAL CORP.	100.00	140.65	136.82	124.58	100.82	120.66
HEMSCOTT GROUP INDEX	100.00	122.08	127.85	133.39	95.71	65.58
NASDAQ MARKET INDEX	100.00	108.41	110.79	122.16	134.29	79.25

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ITEM 6. SELECTED FINANCIAL DATA.

The following table reflects selected financial information at and for the five years ended December 31. Throughout the past five years, the Company has acquired other banks. This may affect the comparability of the data.

Table of Contents**Item 6. Selected Financial Data**

	At December 31,				
	2008	2007	2006	2005	2004
	(Amounts and numbers in thousands except per share amounts)				
Interest Income	\$ 332,518	\$ 341,277	\$ 316,091	\$ 246,884	\$ 197,257
Interest Expense	138,839	180,135	147,464	77,436	46,517
Net Interest Income	193,679	161,142	168,627	169,448	150,740
Provision for Credit Losses	26,600	4,000	3,000		
Other Operating Income	34,457	31,325	33,258	27,505	27,907
Other Operating Expenses	115,788	105,404	95,824	90,053	89,722
Earnings Before Income Taxes	85,748	83,063	103,061	106,900	88,925
Income Taxes	22,675	22,479	32,481	36,710	27,698
NET EARNINGS	\$ 63,073	\$ 60,584	\$ 70,580	\$ 70,190	\$ 61,227
Basic Earnings Per Common Share (1)	\$ 0.75	\$ 0.72	\$ 0.84	\$ 0.83	\$ 0.74
Diluted Earnings Per Common Share (1)	\$ 0.75	\$ 0.72	\$ 0.83	\$ 0.83	\$ 0.73
Cash Dividends Declared Per Common Share	\$ 0.340	\$ 0.340	\$ 0.355	\$ 0.420	\$ 0.480
Cash Dividends paid on Common Shares	28,317	28,479	27,876	27,963	23,821
Dividend Pay-Out Ratio (3)	44.90%	47.01%	39.50%	39.60%	38.74%
Weighted Average Common Shares (1):					
Basic	83,120,817	83,600,316	84,154,216	84,139,254	83,221,496
Diluted	83,335,503	84,005,941	84,813,875	84,911,893	84,258,933
Common Stock Data:					
Common shares outstanding at year end (1)	83,270,263	83,164,906	84,281,722	84,073,227	83,416,193
Book Value Per Share (1)	\$ 5.92	\$ 5.11	\$ 4.60	\$ 4.07	\$ 3.81
Financial Position:					
Assets	\$ 6,649,651	\$ 6,293,963	\$ 6,092,248	\$ 5,422,283	\$ 4,510,752
Investment Securities available-for-sale	2,493,476	2,390,566	2,582,902	2,369,892	2,085,014
Net Loans	3,682,878	3,462,095	3,042,459	2,640,660	2,117,580
Deposits	3,508,156	3,364,349	3,406,808	3,424,045	2,875,039
Borrowings	2,345,473	2,339,809	2,139,250	1,496,000	1,186,000
Junior Subordinated debentures	115,055	115,055	108,250	82,476	82,746
Stockholders Equity	614,892	424,948	387,325	342,189	317,224
Equity-to-Assets Ratio (2)	9.25%	6.75%	6.36%	6.31%	7.03%

Financial Performance:

Net Income to Beginning Equity	14.84%	15.64%	20.63%	22.13%	21.44%
Net Income to Average Equity (ROE)	13.75%	15.00%	19.45%	20.77%	20.33%
Net Income to Average Assets (ROA)	0.99%	1.00%	1.22%	1.44%	1.47%
Net Interest Margin (TE) (4)	3.41%	3.03%	3.30%	3.86%	3.99%
Efficiency Ratio (5)	57.45%	55.93%	48.18%	45.72%	50.10%

Credit Quality:

Allowance for Credit Losses	\$ 53,960	\$ 33,049	\$ 27,737	\$ 23,204	\$ 22,494
Allowance/Total Loans	1.44%	0.95%	0.90%	0.87%	1.05%
Total Non-Accrual Loans	\$ 17,684	\$ 1,435	\$	\$	\$ 2
Non-Accrual Loans/Total Loans	0.47%	0.04%	0.00%	0.00%	0.00%
Allowance/Non-Accrual Loans	305.13%	2,303%			
Net (Recoveries)/Charge-offs	\$ 5,689	\$ 1,358	\$ (1,533)	\$ 46	\$ (1,212)
Net (Recoveries)/Charge-Offs/Average Loans	0.16%	0.04%	-0.05%	0.00%	-0.06%

Regulatory Capital Ratios**For the Company:**

Leverage Ratio	9.8%	7.6%	7.8%	7.7%	8.3%
Tier 1 Capital	14.2%	11.0%	12.2%	11.3%	12.6%
Total Capital	15.5%	12.0%	13.0%	12.0%	13.4%

For the Bank:

Leverage Ratio	9.7%	7.1%	7.0%	7.3%	7.8%
Tier 1 Capital	13.9%	10.5%	11.0%	10.8%	11.9%
Total Capital	15.2%	11.3%	11.8%	11.5%	12.7%

(1) All per share information has been retroactively adjusted to reflect the 10% stock dividend declared December 20, 2006 and paid January 19, 2007, the 5-for-4 stock split declared on December 21, 2005, which became effective January 10, 2006, and the 5-for-4 stock split declared December 15,

2004, which became effective December 29, 2004. Cash dividends declared per share are not restated in accordance with generally accepted accounting principles.

- (2) Stockholders equity divided by total assets.
- (3) Cash dividends divided by net earnings.
- (4) Net interest income (TE) divided by total average earning assets
- (5) Noninterest expense divided by total revenue (net interest income, after provision for credit losses, and other operating income).

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND THE RESULTS OF OPERATIONS.

GENERAL

Management's discussion and analysis is written to provide greater detail of the results of operations and the financial condition of CVB Financial Corp. and its subsidiaries. This analysis should be read in conjunction with the audited financial statements contained within this report including the notes thereto.

OVERVIEW

We are a bank holding company with one bank subsidiary, Citizens Business Bank. We have three other inactive subsidiaries: CVB Ventures, Inc.; Chino Valley Bancorp and ONB Bancorp. We are also the common stockholder of CVB Statutory Trust I, CVB Statutory Trust II and CVB Statutory Trust III which were formed to issue trust preferred securities in order to increase the capital of the Company. Through our acquisition of First Coastal Bancshares (FCB) in June 2007, we acquired FCB Capital II. We are based in Ontario, California in what is known as the Inland Empire. Our geographical market area encompasses the City of Stockton (the middle of the Central Valley) in the center of California to the City of Laguna Beach (in Orange County) in the southern portion of California. Our mission is to offer the finest financial products and services to professionals and businesses in our market area.

Our primary source of income is from the interest earned on our loans and investments and our primary area of expense is the interest paid on deposits and borrowings, and salaries and benefits expense. As such our net income is subject to fluctuations in interest rates which impact our income statement. We are also subject to competition from other financial institutions, which may affect our pricing of products and services, and the fees and interest rates we can charge on them.

Economic conditions in our California service area impact our business. We have seen a significant decline in the housing market resulting in slower growth in construction loans and a decrease in deposit balances from escrow companies. Unemployment is increasing and the Inland Empire and other areas of our marketplace have been significantly impacted as economic conditions, both nationally and in California, continue to deteriorate. Approximately 22% of our total loan portfolio of \$3.7 billion is located in the Inland Empire region of California. The balance of the portfolio is from outside of this region. Weaknesses in the local and state economy could adversely affect us through diminished loan demand, credit quality deterioration, and increases in loan delinquencies and defaults.

Over the past few years, we have been active in acquisitions and we will continue to pursue acquisition targets which will enable us to meet our business objectives and enhance shareholder value. Since 2000, we have acquired four banks and a leasing company, and we have opened five de novo branches in the following California cities: Glendale, Bakersfield, Fresno, Madera, and Stockton. We have also pursued growth organically. In 2008, we opened four Commercial Banking Centers. Although able to take deposits, these centers operate primarily as sales offices and focus on business clients and their principals, professionals, and high net-worth individuals. One of these centers is located in the San Fernando Valley. The other three centers are located within a Business Financial Center in each of San Bernardino, Los Angeles, and Orange Counties.

The decrease in interest rates during 2008 as compared with 2007 has allowed our net interest income to grow. The Bank has always had an excellent base of interest free deposits primarily due to our specialization in businesses and professionals as customers. This has allowed us to have an overall low cost of deposits which contributed to a substantial reduction in interest expense in 2008 as compared to 2007.

Our net income increased to \$63.1 million in 2008 compared with \$60.6 million in 2007, an increase of \$2.5 million or 4.11%. Diluted earnings per common share increased \$0.03, from \$0.72 in 2007 to \$0.75 in 2008. The increase of \$2.5 million in net income is primarily the result of a substantial decrease

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in interest expense, offset by a decline in interest income, increase in other operating expense and \$22.6 million increase in our provision for credit losses.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates are defined as those that are reflective of significant judgments and uncertainties, and could potentially result in materially different results under different assumptions and conditions. We believe that our most critical accounting estimates upon which our financial condition depends, and which involve the most complex or subjective decisions or assessment, are as follows:

Allowance for Credit Losses: Arriving at an appropriate level of allowance for credit losses involves a high degree of judgment. Our allowance for credit losses provides for probable losses based upon evaluations of known and inherent risks in the loan and lease portfolio. The determination of the balance in the allowance for credit losses is based on an analysis of the loan and lease finance receivables portfolio using a systematic methodology and reflects an amount that, in our judgment, is adequate to provide for probable credit losses inherent in the portfolio, after giving consideration to the character of the loan portfolio, current economic conditions, past credit loss experience, and such other factors as deserve current recognition in estimating inherent credit losses. The provision for credit losses is charged to expense. For a full discussion of our methodology of assessing the adequacy of the allowance for credit losses, see Risk Management in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operation.

Investment Portfolio: The investment portfolio is an integral part of our financial performance. We invest primarily in fixed income securities. Accounting estimates are used in the presentation of the investment portfolio and these estimates do impact the presentation of our financial condition and results of operations. We classify securities as held-to-maturity those debt securities that we have the positive intent and ability to hold to maturity. Securities classified as trading are those securities that are bought and held principally for the purpose of selling them in the near term. All other debt and equity securities are classified as available-for-sale. Securities held-to-maturity are accounted for at cost and adjusted for amortization of premiums and accretion of discounts. Trading securities are accounted for at fair value with the unrealized holding gains and losses being included in current earnings. Securities available-for-sale are accounted for at fair value, with the net unrealized gains and losses, net of income tax effects, presented as a separate component of stockholders' equity. At each reporting date, securities are assessed to determine whether there is an other-than-temporary impairment. Such impairment, if any, is required to be recognized in current earnings rather than as a separate component of stockholders' equity. Realized gains and losses on sales of securities are recognized in earnings at the time of sale and are determined on a specific-identification basis. Purchase premiums and discounts are recognized in interest income using the effective-yield method over the terms of the securities. Our investment in Federal Home Loan Bank (FHLB) stock is carried at cost.

Income Taxes: We account for income taxes using the asset and liability method by deferring income taxes based on estimated future tax effects of differences between the tax and book basis of assets and liabilities considering the provisions of enacted tax laws. These differences result in deferred tax assets and liabilities, which are included in our balance sheets. We must also assess the likelihood that any deferred tax assets will be recovered from future taxable income and establish a valuation allowance for those assets determined to not likely be recoverable. Our judgment is required in determining the amount and timing of recognition of the resulting deferred tax assets and liabilities, including projections of future taxable income. Although we have determined a valuation allowance is not required for any of our deferred tax assets, there is no guarantee that these assets are recoverable.

Goodwill and Intangible Assets: We have acquired entire banks and branches of banks. Those acquisitions accounted for under the purchase method of accounting have given rise to goodwill and intangible assets. We record the assets acquired and liabilities assumed at their fair value. These fair values are arrived at by use of internal and external valuation techniques. The excess purchase price is

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allocated to assets and liabilities respectively, resulting in identified intangibles. The identified intangibles are amortized over the estimated lives of the assets or liabilities. Any excess purchase price after this allocation results in goodwill. Goodwill is tested on an annual basis for impairment.

ANALYSIS OF THE RESULTS OF OPERATIONS

The following table summarizes net earnings, earnings per common share, and key financial ratios for the periods indicated.

	For the years ended December 31,		
	2008	2007	2006
	(Dollars in thousands, except per share amounts)		
Net earnings	\$63,073	\$60,584	\$70,580
Earnings per common share:			
Basic (1)	\$ 0.75	\$ 0.72	\$ 0.84
Diluted (1)	\$ 0.75	\$ 0.72	\$ 0.83
Return on average assets	0.99%	1.00%	1.22%
Return on average shareholders' equity	13.75%	15.00%	19.45%

(1) All earnings per share information has been retroactively adjusted to reflect the 10% stock dividend declared December 20, 2006 and paid January 19, 2007.

Earnings

We reported net earnings of \$63.1 million for the year ended December 31, 2008. This represented an increase of \$2.5 million, or 4.11%, over net earnings of \$60.6 million for the year ended December 31, 2007. Net earnings for 2007 decreased \$10.0 million to \$60.6 million, or 14.16%, from net earnings of \$70.6 million for the year ended December 31, 2006. Diluted earnings per common share were \$0.75 in 2008, as compared to \$0.72 in 2007, and \$0.83 in 2006. Basic earnings per common share were \$0.75 in 2008, as compared to \$0.72 in 2007, and \$0.84 in 2006. Diluted and basic earnings per common share have been adjusted for the effects of a ten percent stock dividend declared December 20, 2006 and paid on January 19, 2007.

The increase in net earnings for 2008 compared to 2007 was primarily the result of an increase in net interest income and other operating income, offset by an increase in loan loss provision and other operating expenses. The decrease in net earnings for 2007 compared to 2006 was primarily the result of a decrease in net interest income and increase in other operating expenses. The net earnings in 2008 and 2007 reflect the fluctuations in interest rates during those years and the impact on our net interest margin.

For 2008, our return on average assets was 0.99%, compared to 1.00% for 2007, and 1.22% for 2006. Our return on average stockholders' equity was 13.75% for 2008, compared to a return of 15.00% for 2007, and 19.45% for 2006.

Net Interest Income

The principal component of our earnings is net interest income, which is the difference between the interest and fees earned on loans and investments (earning assets) and the interest paid on deposits and borrowed funds

(interest-bearing liabilities). Net interest margin is the taxable-equivalent of net interest income as a percentage of average earning assets for the period. The level of interest rates and the volume and mix of earning assets and interest-bearing liabilities impact net interest income and net interest margin. The net interest spread is the yield on average earning assets minus the cost of average interest-bearing liabilities. Our net interest income, interest spread, and net interest margin are sensitive to general business and economic conditions. These conditions include short-term and long-term interest rates, inflation, monetary supply, and the strength of the economy, in general, and the local economies in which we conduct business. Our ability to manage net interest income during changing interest rate

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environments will have a significant impact on our overall performance. Our balance sheet is currently liability-sensitive; meaning interest-bearing liabilities will generally reprice more quickly than earning assets. Therefore, our net interest margin is likely to decrease in sustained periods of rising interest rates and increase in sustained periods of declining interest rates. We manage net interest income through affecting changes in the mix of earning assets as well as the mix of interest-bearing liabilities, changes in the level of interest-bearing liabilities in proportion to earning assets, and in the growth of earning assets.

Our net interest income, after provision for credit losses totaled \$167.1 million for 2008. This represented an increase of \$9.9 million, or 6.32%, over net interest income of \$157.1 million for 2007. Net interest income for 2007 decreased \$8.5 million, or 5.12%, from net interest income of \$165.6 million for 2006. The increase in net interest income of \$9.9 million for 2008 resulted from a decrease of \$41.3 million in interest expense offset by a decrease of \$8.8 million in interest income and a \$22.6 million increase in provision for credit losses. The decrease in interest expense of \$41.3 million resulted from the decrease in average rate paid on interest-bearing liabilities to 3.01% in 2008 from 4.11% in 2007, offset by an increase of average interest-bearing liabilities of \$259.1 million. The decrease of \$8.8 million in interest income resulted from the decrease in the average yield on interest-earning assets to 5.71% in 2008 from 6.17% in 2007, offset by an increase of \$341.6 million in average interest-earning assets.

The decrease in net interest income of \$8.5 million for 2007 as compared to 2006 resulted from an increase of \$25.2 million in interest income offset by a \$32.7 million increase in interest expense and a \$1.0 million increase in provision for credit losses. This increase in interest income of \$25.2 million resulted from the \$297.7 million increase in average interest-earning assets and the increase in yield on earning assets to 6.17% in 2007 from 6.04% in 2006. The increase of \$32.7 million in interest expense was the result of an increase in the average rate paid on interest-bearing liabilities to 4.11% in 2007 from 3.70% in 2006, and an increase of \$359.9 million in average interest-bearing liabilities.

Interest income totaled \$332.5 million for 2008. This represented a decrease of \$8.8 million, or 2.57%, compared to total interest income of \$341.3 million for 2007. For 2007, total interest income increased \$25.2 million, or 7.97%, over total interest income of \$316.1 million for 2006. The decrease in total interest income during 2008 was primarily due to the decrease in interest rates, partially offset by the growth in average earning assets. The increase in 2007 was due to the increase in volume of interest-earning assets and increase in interest rates on total earning assets.

Interest income includes dividends earned on our investment in FHLB capital stock. For the year ended December 31, 2008, 2007 and 2006, our interest income from dividends earned on FHLB stock totaled \$4.6 million, \$4.2 million and \$3.7 million, respectively. The FHLB recently announced that they would not pay any dividends on its capital stock in the first quarter of 2009, and there can be no assurance that the FHLB will pay dividends at the same rate it has paid in the past, or that it will pay any dividends in the future, which, in both cases, would adversely affect our interest income as compared to prior periods.

Interest expense totaled \$138.8 million for 2008. This represented a decrease of \$41.3 million, or 22.93%, from total interest expense of \$180.1 million for 2007. For 2007, total interest expense increased \$32.7 million, or 22.15%, over total interest expense of \$147.5 million for 2006. The decrease in interest expense during 2008 was due to the decrease in interest rates on deposits and borrowed funds, partially offset by the increase in average borrowed funds. The increase in interest expense for 2007 was primarily due to an increase in average interest-bearing liabilities and increase in the cost of total interest-bearing liabilities.

Table 1 represents the composition of average interest-earning assets and average interest-bearing liabilities by category for the periods indicated, including the changes in average balance, composition, and yield/rate between these respective periods:

Table of Contents**TABLE 1 Distribution of Average Assets, Liabilities, and Stockholders Equity; Interest Rates and Interest Differentials**

ASSETS	Twelve-month period ended December 31,								
	Average Balance	2008 Interest	Average Yield/Rate	Average Balance	2007 Interest	Average Yield/Rate	Average Balance	2006 Interest	Average Yield/Rate
	(amounts in thousands)								
Investment Securities									
Taxable	\$ 1,766,754	\$ 86,930	4.97%	\$ 1,722,605	\$ 85,899	4.99%	\$ 1,907,713	\$ 91,029	4.80%
Tax preferred (1)	675,309	28,371	5.91%	666,278	29,231	5.88%	604,222	26,545	5.90%
Investment in FHLB stock	89,601	4,552	5.08%	80,789	4,229	5.23%	74,368	3,721	5.00%
Federal Funds Sold & Interest Bearing Deposits with other institutions	1,086	39	3.59%	1,876	109	5.81%	1,843	92	4.99%
Loans (2) (3)	3,506,510	212,626	6.06%	3,226,086	221,809	6.88%	2,811,782	194,704	6.92%
Total Earning Assets	6,039,260	332,518	5.71%	5,697,634	341,277	6.17%	5,399,928	316,091	6.04%
Total Non Earning Assets	355,653			382,869			363,892		
Total Assets	\$ 6,394,913			\$ 6,080,503			\$ 5,763,820		
LIABILITIES AND STOCKHOLDERS EQUITY									
Savings Deposits (4)	\$ 1,238,810	\$ 16,413	1.32%	\$ 1,288,745	\$ 31,764	2.46%	\$ 1,220,441	\$ 26,637	2.18%
Time Deposits	769,827	19,388	2.52%	844,667	37,533	4.44%	940,634	40,543	4.31%
Total Deposits	2,008,637	35,801	1.78%	2,133,412	69,297	3.25%	2,161,075	67,180	3.11%
Other Borrowings	2,597,943	103,038	3.97%	2,214,108	110,838	4.94%	1,826,532	80,284	4.40%
Interest Bearing Liabilities	4,606,580	138,839	3.01%	4,347,520	180,135	4.11%	3,987,607	147,464	3.70%
Non-interest bearing deposits	1,268,548			1,285,857			1,354,014		
Other Liabilities	61,119			43,285			59,296		
Stockholders Equity	458,666			403,841			362,903		
Total Liabilities and Stockholders Equity	\$ 6,394,913			\$ 6,080,503			\$ 5,763,820		

Net interest income	\$ 193,679	\$ 161,142	\$ 168,627
Net interest spread tax equivalent	2.70%	2.06%	2.34%
Net interest margin	3.22%	2.86%	3.13%
Net interest margin tax equivalent	3.41%	3.03%	3.30%
Net interest margin excluding loan fees	3.13%	2.76%	3.02%
Net interest margin excluding loan fees tax equivalent	3.32%	2.93%	3.19%

(1) Non tax-equivalent rate was 4.20% for 2008, 4.39% for 2007, and 4.44% for 2006.

(2) Loan fees are included in total interest income as follows,
(000)s omitted:
2008, \$5,399;
2007, \$5,585;
2006, \$5,818

(3) Non performing loans are included in net loans as follows,
(000)s omitted:
2008,
\$17.7 million;
2007, \$1,435;
2006, \$0

(4) Includes interest bearing demand and money market accounts

As stated above, the net interest margin measures net interest income as a percentage of average earning assets. Our tax effected (TE) net interest margin was 3.41% for 2008, compared to 3.03% for 2007, and 3.30% for 2006. The increase in the net interest margin in 2008 and the decrease in net interest margin in 2007 is primarily the result of the changing interest rate environment, which impacted interest earned and interest paid as a percent of earning assets. This was partially offset by changes in the mix of assets and liabilities as discussed in the following paragraphs. Generally, our net interest margin improves in a decreasing interest rate environment as our deposits and borrowings reprice much faster than our loans and securities.

The net interest spread is the difference between the yield on average earning assets less the cost of average interest-bearing liabilities. The net interest spread is an indication of our ability to manage interest rates received on loans and investments and paid on deposits and borrowings in a competitive and changing interest rate environment. Our net interest spread (TE) was 2.70% for 2008, 2.06% for 2007, and 2.34% for 2006. The increase in the net interest spread for 2008 as compared to 2007 resulted from a 110 basis point decrease in the cost of interest-bearing liabilities offset by a 46 basis point decrease in the yield on earning assets, thus generating a 64 basis point increase in the net interest spread. The decrease in rates during 2008 had a smaller impact on our assets since a majority of our assets are fixed rate; while deposits and borrowings benefited from the rate decrease. The decrease in the net interest spread for 2007 as compared to 2006 resulted from a 13 basis point increase in the yield on earning assets offset by a 41 basis point increase in the cost of interest-bearing liabilities, thus generating a 28 basis point decrease in the net interest spread.

The yield (TE) on earning assets decreased to 5.71% for 2008, from 6.17% for 2007, and reflects a decreasing interest rate environment and a change in the mix of earning assets. Investments as a percent of earning assets decreased to 40.44% in 2008 from 41.93% in 2007. The yield on loans for 2008 decreased to 6.06% as compared to 6.88% for 2007. The yield on investments for 2008 decreased slightly to 5.23% as compared to 5.24% in 2007. The yield on loans for 2007 increased to 6.88% as compared to 6.92% for 2006. The yield on investments increased to 5.24% in 2007 as compared to 5.06% in 2006.

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The cost of average interest-bearing liabilities decreased to 3.01% for 2008 as compared to 4.11% for 2007 and 3.70% for 2006. These variations reflected the changing interest rate environment in 2008 and 2007, as well as the change in the mix of interest-bearing liabilities. Borrowings as a percent of interest-bearing liabilities increased to 56.40% for 2008 as compared to 50.93% for 2007 and 45.81% for 2006. Borrowings typically have a higher cost than interest-bearing deposits. The cost of interest-bearing deposits for 2008 was 1.78% as compared to 3.25% for 2007 and 3.11% for 2006, reflecting a decreasing interest rate environment in 2008 and increasing interest rate environment in 2007. The cost of borrowings for 2008 was 3.97% as compared to 4.94% for 2007, and 4.40% for 2006, also reflecting the same fluctuating interest rate environment. The FDIC has approved the payment of interest on certain demand deposit accounts. This could have a negative impact on our net interest margin, net interest spread, and net earnings, should this be implemented fully. Currently, the only deposits for which we pay interest on are NOW, Money Market and TCD Accounts.

Table 2 presents a comparison of interest income and interest expense resulting from changes in the volumes and rates on average earning assets and average interest-bearing liabilities for the years indicated. Changes in interest income or expense attributable to volume changes are calculated by multiplying the change in volume by the initial average interest rate. The change in interest income or expense attributable to changes in interest rates is calculated by multiplying the change in interest rate by the initial volume. The changes attributable to interest rate and volume changes are calculated by multiplying the change in rate times the change in volume.

TABLE 2 Rate and Volume Analysis for Changes in Interest Income, Interest Expense and Net Interest Income

	Comparison of years ended December 31, 2008 Compared to 2007				2007 Compared to 2006			
	Increase (Decrease) Due to		Rate/ Volume		Increase (Decrease) Due to		Rate/ Volume	
	Volume	Rate	Volume	Total	Volume	Rate	Volume	Total
	(amounts in thousands)							
Interest Income:								
Taxable investment securities	\$ 1,457	\$ (344)	\$ (82)	\$ 1,031	\$ (8,822)	\$ 3,622	\$ 70	\$ (5,130)
Tax-advantaged securities	581	200	(1,641)	(860)	3,606	(121)	(799)	2,686
Fed funds sold & interest-bearing deposits with other institutions	(46)	(42)	18	(70)	2	15		17
Investment in FHLB stock	461	(121)	(17)	323	321	171	17	509
Loans	19,293	(26,454)	(2,022)	(9,183)	28,670	(1,125)	(440)	27,105
Total interest on earning assets	21,746	(26,761)	(3,744)	(8,759)	23,777	2,562	(1,152)	25,187
Interest Expense:								
Savings deposits	(1,228)	(14,692)	528	(15,392)	1,489	3,417	249	5,155
Time deposits	(3,323)	(16,218)	1,437	(18,104)	(4,136)	1,223	(125)	(3,038)
Other borrowings	19,277	(21,835)	(5,242)	(7,800)	17,290	10,000	3,265	30,555
	14,726	(52,745)	(3,277)	(41,296)	14,643	14,640	3,389	32,672

Total interest on
interest-bearing
liabilities

Net Interest Income \$ 7,020 \$ 25,984 \$ (467) \$ 32,537 \$ 9,134 \$ (12,078) \$ (4,541) \$ (7,485)

Interest and Fees on Loans

Our major source of revenue is interest and fees on loans, which totaled \$212.6 million for 2008. This represented a decrease of \$9.2 million, or 4.14%, from interest and fees on loans of \$221.8 million for 2007. For 2007, interest and fees on loans increased \$27.1 million, or 13.92%, over interest and fees on loans of \$194.7 million for 2006. The decrease in interest and fees on loans for 2008 reflects the decrease in loan yield, offset by the increase in average loan balances. The increase in interest and fees on loans for 2007 reflects the increase in average loan balances offset by a slight decrease in loan yield. The yield on loans decreased to 6.06% for 2008, compared to 6.88% for 2007 and 6.92% 2006.

In general, we stop accruing interest on a loan after its principal or interest becomes 90 days or more past due. When a loan is placed on non-accrual, all interest previously accrued but not collected is charged against earnings. There was no interest income that was accrued and not reversed on non-accrual loans at December 31, 2008, 2007, and 2006. For 2008 and 2007, we had \$17.7 million and \$1.4 million of non-accrual loans, respectively. Had non-accrual loans for which interest was no longer accruing complied with the original terms and conditions, interest income would have been \$370,000 and \$90,000 greater for 2008 and 2007, respectively. For 2006 we had no non-performing loans.

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Fees collected on loans are an integral part of the loan pricing decision. Loan fees and the direct costs associated with the origination of loans are deferred and deducted from total loans on our balance sheet. Deferred net loan fees are recognized in interest income over the term of the loan using the effective-yield method. We recognized loan fee income of \$5.4 million for 2008, \$5.6 million for 2007 and \$5.8 million for 2006.

Interest on Investments

Another component of interest income is interest on investments, which totaled \$119.9 million for 2008. This represented an increase of \$423,000, or 0.35%, over interest on investments of \$119.5 million for 2007. For 2007, interest on investments decreased \$1.9 million, or 1.58%, from interest on investments of \$121.4 million for 2006. The decrease in interest on investments for 2007 as compared to 2006 reflected the decreases in average balances. The interest rate environment and the investment strategies we employ directly affect the yield on the investment portfolio. We continually adjust our investment strategies in response to the changing interest rate environments in order to maximize the rate of total return consistent within prudent risk parameters, and to minimize the overall interest rate risk of the Company. The weighted-average yield on investments was 5.23% for 2008, compared to 5.24% for 2007 and 5.06% for 2006.

Interest on Deposits

Interest on deposits totaled \$35.8 million for 2008. This represented a decrease of \$33.5 million, or 48.34%, from interest on deposits of \$69.3 million for 2007. The decrease is due to the decrease in interest rates on deposits and decrease in average interest-bearing deposit balances. The cost of interest-bearing deposits decreased to 1.78% in 2008 from 3.25% in 2007 and average interest-bearing deposits decreased \$124.8 million, or 5.85% from 2007. Interest on deposits increased in 2007 by \$2.1 million, over interest on deposits of \$67.2 million during 2006. Our cost of total deposits was 1.09%, 2.03%, 1.91% for the years ended December 31, 2008, 2007, and 2006, respectively.

Interest on Borrowings

Interest on borrowings totaled \$96.0 million for 2008. This represents a decrease of \$7.3 million, or 7.05%, from interest on borrowings of \$103.3 million for 2007. The decrease is primarily due to the decrease in interest rates on borrowings, offset by an increase in average borrowings. Interest rates on borrowings decreased 98 basis points during 2008 to 3.87% from 4.85% during 2007. Interest on borrowings increased \$29.9 million for 2007, over \$73.4 million for 2006. The increase is attributed to an increase in average borrowings by \$381.6 million, or 22.2% and an increase in interest rates from 4.27% in 2006 to 4.85% in 2007.

Provision for Credit Losses

We maintain an allowance for inherent credit losses that is increased by a provision for credit losses charged against operating results. Provision for credit losses is determined by management as the amount to be added to the allowance for credit losses after net charge-offs have been deducted to bring the allowance to an adequate level which, in management's best estimate, is necessary to absorb probable credit losses within the existing loan portfolio. The nature of this process requires considerable judgment. As such, we made a provision for credit losses of \$26.6 million in 2008, \$4.0 million in 2007 and \$3.0 million in 2006. The increase in allowance during 2008 was due to the increase in classified loans and the increase in qualitative factors which is consistent with the current economic environment. We believe the allowance is currently appropriate. The ratio of the allowance for credit losses to total loans as of December 31, 2008, 2007, and 2006 was 1.44%, 0.95% and 0.90%, respectively. No assurance can be given that economic conditions which adversely affect the Company's service areas or other circumstances will not be reflected in increased provisions for credit losses in the future. The net charge-

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offs totaled \$5.7 million in 2008, \$1.4 million in 2007, and net recoveries totaled \$1.5 million in 2006. See Risk Management Credit Risk herein.

Other Operating Income

The components of other operating income were as follows:

	For the years ended December 31,		
	2008	2007	2006
	(Dollars in thousands, except per share amounts)		
Service charges on deposit accounts	\$ 15,228	\$ 13,381	\$ 13,080
CitizensTrust	7,926	7,226	7,385
Bankcard services	2,329	2,530	2,486
BOLI Income	5,000	3,839	3,051
Other	3,974	4,349	6,199
Gain/(Loss) on sale of securities, net			1,057
Total other operating income	\$ 34,457	\$ 31,325	\$ 33,258

Other operating income, totaled \$34.5 million for 2008. This represents an increase of \$3.1 million, or 10.00%, over other operating income of \$31.3 million in 2007. During 2007, other operating income decreased \$1.9 million, or 5.81%, from other operating income, including realized gains on the sales of investment securities, of \$33.3 million for 2006.

Other operating income as a percent of net revenues (net interest income before loan loss provision plus other operating income) was 15.10% for 2008, as compared to 16.28% for 2007 and 16.47% for 2006.

Service charges on deposit accounts totaled \$15.2 million in 2008. This represented an increase of \$1.8 million or 13.81% over service charges on deposit accounts of \$13.4 million in 2007. Service charges for demand deposits (checking) accounts for business customers are generally charged based on an analysis of their activity and include an earnings allowance based on their average balances. Contributing to the increase in service charges on deposit accounts was the lower interest rate environment that resulted in a lower account earnings allowance, which offsets services charges. Service charges on deposit accounts in 2007 increased \$301,000 or 2.30% over service charges on deposit accounts of \$13.1 million in 2006. Service charges on deposit accounts represented 44.19% of other operating income in 2008, as compared to 42.72% in 2007 and 39.33% in 2006.

CitizensTrust consists of Trust Services and Investment Services income. Trust Services provides a variety of services, which include asset management services (both full management services and custodial services), estate planning, retirement planning, private and corporate trustee services, and probate services. Investment Services provides mutual funds, certificates of deposit, and other non-insured investment products. CitizensTrust generated fees of \$7.9 million in 2008. This represents an increase of \$700,000, or 9.69% over fees generated of \$7.2 million in 2007. Fees generated by CitizensTrust represented 23.00% of other operating income in 2008, as compared to 23.07% in 2007 and 22.20% in 2006.

Bankcard Services, which provides merchant bankcard services, generated fees totaling \$2.3 million in 2008, compared to \$2.5 million in 2007 and 2006. Fees generated by Bankcard represented 6.76% of other operating income in 2008, as compared to 8.08% in 2007 and 7.48% in 2006.

The Bank invests in Bank-Owned Life Insurance (BOLI). BOLI involves the purchasing of life insurance by the Bank on a chosen group of employees. The Bank is the owner and beneficiary of these policies. BOLI is recorded as an asset at cash surrender value. Increases in the cash value of these policies, as well as insurance proceeds received, are recorded in other operating income and are not

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subject to income tax. Bank Owned Life Insurance income totaled \$5.0 million in 2008. This represents an increase of \$1.2 million, or 30.25%, over BOLI income generated of \$3.8 million for 2007. BOLI income in 2007 increased \$788,000, or 25.84% over BOLI income generated of \$3.1 million for 2006. The increase in BOLI income in 2008 was due to a death settlement of \$967,000. The increase in BOLI income in 2007 was due to the purchase of \$25.0 million in BOLI in September 2006.

Other fees and income, which includes wire fees, other business services, international banking fees, check sale, ATM fees, miscellaneous income, etc, generated fees totaling \$4.0 million in 2008. This represented a decrease of \$376,000, or 8.63% from other fees and income generated of \$4.3 million in 2007. The other income in 2006 includes the gain on sale of the Arcadia and former Operations Center buildings of \$726,000 and a legal settlement of \$750,000.

The sale of securities generated a realized gain of \$1.1 million in 2006. The gains/losses on sales of securities in prior years were primarily due to repositioning of the investment portfolio to take advantage of the current interest rate cycle.

Other Operating Expenses

The components of other operating expenses were as follows:

	For the years ended December 31,		
	2008	2007	2006
	(Dollars in thousands, except per share amounts)		
Salaries and employee benefits	\$ 61,271	\$ 55,303	\$ 50,509
Occupancy	11,813	10,540	8,572
Equipment	7,162	7,026	7,025
Stationery and supplies	6,913	6,712	6,492
Professional services	6,519	6,274	5,896
Promotion	6,882	5,953	6,251
Amortization of Intangibles	3,591	2,969	2,353
Other	11,637	10,627	8,726
Total other operating expenses	\$ 115,788	\$ 105,404	\$ 95,824

Other operating expenses totaled \$115.8 million for 2008. This represents an increase of \$10.4 million, or 9.85%, over other operating expenses of \$105.4 million for 2007. During 2007, other operating expenses increased \$9.6 million, or 10.0%, over other operating expenses of \$95.8 million for 2006.

For the most part, other operating expenses reflect the direct expenses and related administrative expenses associated with staffing, maintaining, promoting, and operating branch facilities. Our ability to control other operating expenses in relation to asset growth can be measured in terms of other operating expenses as a percentage of average assets. Operating expenses measured as a percentage of average assets was 1.81% for 2008, compared to 1.73% for 2007, and 1.66% for 2006.

Our ability to control other operating expenses in relation to the level of total revenue (net interest income plus other operating income) is measured by the efficiency ratio and indicates the percentage of net revenue that is used to cover expenses. For 2008, the efficiency ratio was 57.45%, compared to 55.93% for 2007 and 48.18% for 2006. The increase in 2008 and 2007 is due to increases in salaries and related expenses and other expenses as discussed below.

Salaries and related expenses comprise the greatest portion of other operating expenses. Salaries and related expenses totaled \$61.3 million for 2008. This represented an increase of \$6.0 million, or 10.79%, over salaries and related expenses of \$55.3 million for 2007. In 2007, salary and related expenses increased \$4.8 million, or 9.49%, over salaries and related expenses of \$50.5 million for 2006. At December 31, 2008, we employed 778 persons, 540 on a full-time and 238 on a part-time basis. This

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compares to 766 persons, 541 on a full-time and 225 on a part-time basis at December 31, 2007 and 752 persons, 522 on a full-time and 230 on a part-time basis at December 31, 2006. The increases primarily resulted from increased senior management positions as a result of the overall growth of the Company and the addition of new business financial centers through the FCB acquisition, as well as, the addition of our new commercial banking centers. Salaries and related expenses as a percent of average assets increased to 0.96% for 2008, compared to 0.91% for 2007, and 0.88% for 2006.

Occupancy and equipment expense totaled \$19.0 million for 2008, compared to \$17.6 million in 2007, and \$15.6 million in 2006. The increase is primarily due to the new commercial banking centers opened in 2008 and the addition of new business financial centers through the FCB acquisition in 2007.

Stationery and supplies expense totaled \$6.9 million for 2008, compared to \$6.7 million in 2007 and \$6.5 million in 2006.

Professional services totaled \$6.5 million for 2008, \$6.3 million for 2007, and \$5.9 million for 2006. The increases were primarily due to professional expenses incurred for recruitment of new associates and legal fees due to outstanding litigation.

Promotion expense totaled \$6.9 million for 2008. This represented an increase of \$929,000, or 15.60%, over expense of \$6.0 million for 2007. Promotion expense decreased in 2007 by \$298,000, or 4.77%, from expense of \$6.3 million for 2006. The increase in promotional expenses during 2008 was partially due to the naming rights of the Citizens Business Bank Arena in Ontario, California and increases in advertising and promotion related to our new commercial banking centers.

Other operating expenses totaled \$11.6 million for 2008. This represented an increase of \$1.0 million, or 9.50%, over expense of \$10.6 million for 2007. The increase in 2008 was primarily due to increases in FDIC deposit insurance. As discussed in Item 1. Business FDIC Insurance, further increases in deposit insurance premiums will increase other operating expenses in 2009. For 2007, other operating expenses increased \$1.9 million, or 21.79%, over expense of \$8.7 million in 2006. The increase in 2007 was primarily due to \$1.2 million increase in the provision for unfunded commitments during 2007 and \$675,000 related to the Bank's share of allocable losses from certain tax-preferenced investments.

RESULTS BY SEGMENT OPERATIONS

We have two reportable business segments, which are (i) Business Financial and Commercial Banking Centers and (ii) Treasury. The results of these two segments are included in the reconciliation between business segment totals and our consolidated total. Our business segments do not include the results of administration units that do not meet the definition of an operating segment.

Business Financial and Commercial Banking Centers

Key measures we use to evaluate the Business Financial and Commercial Banking Center's performance are included in the following table for years ended December 31, 2008, 2007 and 2006. The table also provides additional significant segment measures useful to understanding the performance of this segment.

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	For the Years Ended December 31,		
	2008	2007	2006
	<i>(Dollars in thousands)</i>		
Key Measures:			
<i>Statement of Operations</i>			
Interest income	\$ 189,128	\$ 234,142	\$ 219,663
Interest expense	52,140	77,848	58,469
Non-interest income	21,593	18,148	15,136
Non-interest expense	48,108	44,558	41,258
Segment pretax profit	\$ 110,473	\$ 129,884	\$ 135,072
<i>Balance Sheet</i>			
Average loans	\$ 3,506,510	\$ 3,226,086	\$ 2,811,782
Average interest-bearing deposits	\$ 2,008,637	\$ 2,133,412	\$ 2,161,075
Yield on loans	6.06%	6.88%	6.92%
Rate paid on deposits	1.78%	3.25%	3.11%

For 2008, interest income decreased \$45.0 million, or 19.23%, when compared with interest income during 2007, primarily due to decreases in interest rates during 2008, offset by increases in average loan balances. For 2007, interest income increased \$14.5 million, or 6.59%, when compared with interest income during 2006. This is due to the increase in balances outstanding on loans and increases in interest rates. Average loan balances increased year over year by \$280.4 million, or 8.69% in 2008 and \$414.3 million, or 14.73% in 2007.

For 2008, interest expense decreased \$25.7 million, or 33.02%, when compared with interest expense during 2007. The decrease in interest expense in 2008 was primarily due to the decrease in interest rates on deposits by 147 basis points. For 2007, interest expense increased \$19.4 million, or 33.14%, when compared with interest expense during 2006. The increase in interest expense in 2007 is due to the increase in interest rates offered on deposit products.

Non-interest income and non-interest expense also had increases when compared to the prior periods. The increases have been consistent year over year, primarily due to the growth of the Company. Non-interest income increased \$3.4 million, or 18.98%, during 2008 over 2007 and increased \$3.0 million, or 19.90%, during 2007 over 2006. Non-interest expense also increased \$3.6 million, or 7.97%, for 2008 and \$3.3 million, or 8.00%, for 2007.

Treasury

Key measures we use to evaluate the Treasury's performance are included in the following table for the years ended December 31, 2008, 2007 and 2006. The table also provides additional significant segment measures useful to understanding the performance of this segment.

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	For the Years Ended December 31,		
	2008	2007	2006
	<i>(Dollars in thousands)</i>		
Key Measures:			
<i>Statement of Operations</i>			
Interest income	\$ 119,975	\$ 119,544	\$ 121,438
Interest expense	99,714	129,698	115,839
Non-interest income	6	1	1,058
Non-interest expense	1,285	1,148	1,123
Segment pretax profit (loss)	\$ 18,982	\$ (11,301)	\$ 5,534
<i>Balance Sheet</i>			
Average investments	\$ 2,532,750	\$ 2,471,548	\$ 2,588,146
Average borrowings	\$ 2,482,888	\$ 2,102,030	\$ 1,720,400
Yield on investments-TE	5.23%	5.24%	5.06%
Non-tax equivalent yield	4.20%	4.39%	4.44%
Rate paid on borrowings	3.87%	4.85%	4.27%

For 2008, interest income increased \$431,000, or 0.36%, over 2007, due to the increase in average balances. For 2007, interest income decreased \$1.9 million, or 1.56% from 2006 due to a decrease in average investment balances by \$116.6 million. We used a portion of the cash flow from our investment portfolio to pay-down borrowings and fund loans in 2007.

For 2008, interest expense decreased \$30.0 million or 23.12%, when compared with 2007. This is due to the 98 basis point decrease in interest rates paid on borrowings during 2008, offset by the increase in average borrowings. For 2007, interest expense increased \$13.9 million or 11.96%, when compared with 2006, as a result of increases in rates and average borrowings. The cost of funding decreased to 3.87% in 2008 and increased in 2007 to 4.85% from 4.27% in 2006.

The result of decrease in cost of funds during 2008 resulted in segment pre-tax income of \$19.0 million, an increase of \$30.3 million compared to 2007. Whereas the increase in cost of funds during 2007 resulted in an \$11.3 million pre-tax loss compared to 2006.

There are no provisions for credit losses or taxes in the segments as these are accounted for at the Company level.

Other

	For the Years Ended December 31,		
	2008	2007	2006
	<i>(Dollars in thousands)</i>		
Key Measures:			
<i>Statement of Operations</i>			
Interest income	\$ 50,279	\$ 61,360	\$ 52,879
Interest expense	13,849	46,358	51,045
Net interest income	\$ 36,430	\$ 15,002	\$ 1,834
Provision for Credit Losses	26,600	4,000	3,000
Non-interest income	12,858	13,176	17,064
Non-interest expense	66,395	59,698	53,443
Pre-tax loss	\$ (43,707)	\$ (35,520)	\$ (37,545)

The Company's administration and other operating departments reported pre-tax loss of \$43.7 million for the year ended December 31, 2008. This represented an increase of \$8.2 million, or 23.05%, over pre-tax loss of \$35.5 million for the year ended December 31, 2007. The increase is attributed to an increase in provision for credit losses, offset by a decrease in interest expense. Pre-tax loss for 2007 decreased \$2.0 million to \$35.5 million, or 5.39%, from pre-tax loss of \$37.5 million for 2006.

Table of Contents**Income Taxes**

Our effective tax rate for 2008 was 26.44%, compared to 27.06% for 2007, and 31.52% for 2006. The effective tax rates are below the nominal combined Federal and State tax rates as a result of the increase in tax-preferenced income from certain investments and municipal loans/leases as a percentage of total income for each period. In 2008 and 2007, the percentage of tax-preferenced income to total income increased, resulting in lower tax rate compared to prior year. The majority of tax preferenced income is derived from municipal securities.

ANALYSIS OF FINANCIAL CONDITION

The Company reported total assets of \$6.6 billion at December 31, 2008. This represented an increase of \$355.7 million, or 5.65%, over total assets of \$6.3 billion at December 31, 2007.

Investment Securities

The Company maintains a portfolio of investment securities to provide interest income and to serve as a source of liquidity for its ongoing operations. The tables below set forth information concerning the composition of the investment securities portfolio at December 31, 2008, 2007, and 2006, and the maturity distribution of the investment securities portfolio at December 31, 2008. At December 31, 2008, we reported total investment securities of \$2.50 billion. This represents an increase of \$109.8 million, or 4.59%, from total investment securities of \$2.39 billion at December 31, 2007.

Under SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, securities held as available-for-sale are reported at current fair value for financial reporting purposes. The related unrealized gain or loss, net of income taxes, is recorded in stockholders' equity. At December 31, 2008, securities held as available-for-sale had a fair value of \$2.49 billion, representing 99.7% of total investment securities with an amortized cost of \$2.44 billion. At December 31, 2008, the net unrealized holding gain on securities available-for-sale was \$49.5 million that resulted in accumulated other comprehensive gain of \$28.7 million (net of \$20.8 million in deferred taxes).

Composition of the Fair Value of Securities Available-for-Sale:

	2008		At December 31, 2007		2006	
	Amount	Percent	Amount	Percent	Amount	Percent
	(amounts in thousands)					
U.S. Treasury Obligations	\$	0.00%	\$ 998	0.04%	\$ 970	0.04%
Government agency and government-sponsored enterprises	27,778	1.11%	50,835	2.13%	68,300	2.64%
Mortgage-backed securities	1,184,485	47.51%	1,023,061	42.80%	1,077,851	41.73%
CMO/REMICs	596,791	23.93%	622,806	26.05%	787,270	30.48%
Municipal bonds	684,422	27.45%	692,866	28.98%	645,785	25.00%
Other securities		0.00%		0.00%	2,726	0.11%
TOTAL	\$ 2,493,476	100.00%	\$ 2,390,566	100.00%	\$ 2,582,902	100.00%

The maturity distribution of the available-for-sale portfolio at December 31, 2008 consists of the following:

One year	Weighted Average	Maturing			Weighted Average	Balance as of December 31,		% to
		After one year through Five	After five years through ten	After ten		Weighted Average	Weighted Average	
		Weighted Average	Weighted Average	Weighted Average	Weighted Average	Weighted Average		

	or less	Yield	Years	Yield	Ten Years	Yield	years	Yield	2008	Yield	Total
Government agency											
Government-sponsored											
enterprises	21,353	5.23%	6,425	5.21%		0.00%		0.00%	\$ 27,778	5.23%	1.1
Mortgage-backed											
securities	266	5.26%	815,030	4.66%	368,711	5.25%	478	5.80%	\$ 1,184,485	4.85%	47.5
CMO/REMICs	6,811	4.49%	430,486	4.99%	159,494	5.11%		0.00%	\$ 596,791	5.02%	23.9
Municipal											
bonds (1)	68,281	5.15%	179,402	4.38%	276,518	3.92%	160,221	3.96%	\$ 684,422	4.17%	27.4
TOTAL	\$ 96,711	5.12%	\$ 1,431,343	4.73%	\$ 804,723	4.76%	\$ 160,699	3.97%	\$ 2,493,476	4.71%	100.0

(1) The weighted average yield is not tax-equivalent. The tax-equivalent yield is 5.91%.

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The maturity of each security category is defined as the contractual maturity except for the categories of mortgage-backed securities and CMO/REMICs whose maturities are defined as the estimated average life. The final maturity of mortgage-backed securities and CMO/REMICs will differ from their contractual maturities because the underlying mortgages have the right to repay such obligations without penalty. The speed at which the underlying mortgages repay is influenced by many factors, one of which is interest rates. Mortgages tend to repay faster as interest rates fall and slower as interest rate rise. This will either shorten or extend the estimated average life. Also, the yield on mortgages-backed securities and CMO/REMICs are affected by the speed at which the underlying mortgages repay. This is caused by the change in the amount of amortization of premiums or accretion of discount of each security as repayments increase or decrease. The Company obtains the estimated average life of each security from independent third parties.

The weighted-average yield on the investment portfolio at December 31, 2008 was 4.70% with a weighted-average life of 4.9 years. This compares to a weighted-average yield of 4.68% at December 31, 2007 with a weighted-average life of 4.7 years. The weighted average life is the average number of years that each dollar of unpaid principal due remains outstanding. Average life is computed as the weighted-average time to the receipt of all future cash flows, using as the weights the dollar amounts of the principal pay-downs.

Approximately 71% of the securities in the investment portfolio are issued by the U.S. government or U.S. government-sponsored agencies which guarantee payment of principal and interest.

Composition of the Fair Value and Gross Unrealized Losses of Securities:

Description of Securities	Less than 12 months		December 31, 2008 12 months or longer		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Held-To-Maturity						
CMO	\$ 4,770	\$ 2,097	\$	\$	\$ 4,770	\$ 2,097
Available-for-Sale						
Mortgage-backed securities	\$ 265	\$	\$ 13,903	\$ 1	\$ 14,168	\$ 1
CMO/REMICs	163,036	4,542	1,853	53	164,889	4,595
Municipal bonds	159,370	5,341	37,994	1,596	197,364	6,937
	\$ 322,671	\$ 9,883	\$ 53,750	\$ 1,650	\$ 376,421	\$ 11,533

Composition of the Fair Value and Gross Unrealized Losses of Securities Available-for-Sale:

Description of Securities	Less than 12 months		December 31, 2007 12 months or longer		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Government agency & government-sponsored	\$	\$	\$ 10,434	\$ 55	\$ 10,434	\$ 55

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enterprises						
Mortgage-backed securities	26,109	30	703,159	9,723	729,268	9,753
CMO/REMICs	26,131	32	140,779	842	166,910	874
Municipal bonds	196,945	2,108	78,479	1,119	275,424	3,227
	\$ 249,185	\$ 2,170	\$ 932,851	\$ 11,739	\$ 1,182,036	\$ 13,909

The table above shows the Company's investment securities' gross unrealized losses and fair value by investment category and length of time that individual securities have been in a continuous unrealized

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loss position, at December 31, 2008 and 2007. We have reviewed individual securities to determine whether a decline in fair value below the amortized cost basis is other-than-temporary. If it is probable that we will be unable to collect all amounts due according to the contractual terms of a debt security, an other-than-temporary impairment shall be considered to have occurred. If an other-than-temporary impairment occurs the cost basis of the security would be written down to its fair value as a new cost basis and the write down would be accounted for as a realized loss. A summary of our analysis of these securities and the unrealized losses is described more fully in Note 2 Investment Securities in the notes to the consolidated financial statements.

Loans

At December 31, 2008, the Company reported total loans, net of deferred loan fees, of \$3.74 billion. This represents an increase of \$241.7 million, or 6.92%, over total loans of \$3.50 billion at December 31, 2007.

Table 4 presents the distribution of our loan portfolio at the dates indicated.

	December 31,				
	2008	2007	2006	2005	2004
	(amounts in thousands)				
Commercial and Industrial Real Estate	\$ 370,829	\$ 365,214	\$ 264,416	\$ 223,330	\$ 284,795
Construction	351,543	308,354	299,112	270,436	235,849
Commercial Real Estate	1,945,706	1,805,946	1,642,370	1,363,516	1,057,140
SFR Mortgage	333,931	365,849	284,725	271,237	116,282
Consumer, net of unearned discount	66,255	58,999	54,125	59,801	51,187
Municipal Lease Finance Receivables	172,973	156,646	126,393	108,832	71,675
Auto and equipment leases	45,465	58,505	51,420	39,442	34,753
Dairy and Livestock	459,329	387,488	358,259	338,035	297,659
Gross Loans	3,746,031	3,507,001	3,080,820	2,674,629	2,149,340
Less:					
Allowance for Credit Losses	53,960	33,049	27,737	23,204	22,494
Deferred Loan Fees	9,193	11,857	10,624	10,765	9,266
Total Net Loans	\$ 3,682,878	\$ 3,462,095	\$ 3,042,459	\$ 2,640,660	\$ 2,117,580

Commercial and industrial loans are loans to commercial entities to finance capital purchases or improvements, or to provide cash flow for operations. Real estate loans are loans secured by conforming first trust deeds on real property, including property under construction, commercial property and single- family and multifamily residences. Consumer loans include installment loans to consumers as well as home equity loans and other loans secured by junior liens on real property. Municipal lease finance receivables are leases to municipalities. Dairy and livestock loans are loans to finance the operating needs of wholesale dairy farm operations, cattle feeders, livestock raisers, and farmers.

Our loan portfolio is from a variety of areas throughout our marketplace. The following is the breakdown of our loans by region at December 31, 2008.

Loans by County	December 31, 2008	
	<i>(amounts in thousands)</i>	<i>Percent</i>

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Los Angeles County	\$ 1,219,314	32.6%
Inland Empire	813,002	21.7%
Central Valley	674,683	18.0%
Orange County	540,897	14.4%
Other Areas	498,135	13.3%
	\$ 3,746,031	100.0%

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Of particular concern in the current credit and economic environments is our real estate and real estate construction loans. Our real estate loans are comprised of single-family residences, multifamily residences, industrial, office and retail. We strive to have an original loan-to-value ratio of 65-75%. This table breaks down our real estate portfolio, with the exception of construction loans which are addressed in a separate table.

	December 31, 2008		<i>Percent</i>
	<i>(amounts in</i>		<i>Owner- Occupied</i>
Real Estate Loans	<i>thousands)</i>	<i>Percent</i>	<i>(1)</i>
Single Family-Direct	\$ 63,691	2.8%	100.0%
Single Family-Mortgage Pools	270,239	11.9%	100.0%
Multifamily	111,121	4.9%	0.0%
Industrial	654,415	28.7%	38.1%
Office	393,708	17.3%	25.1%
Retail	211,429	9.3%	14.4%
Medical	110,709	4.9%	40.3%
Secured by Farmland	155,676	6.8%	0.0%
Other	308,649	13.4%	54.2%
	\$ 2,279,637	100.0%	

(1) Represents percentage of owner-occupied in each real estate loan category

In the table above, Single Family-Direct represents those single-family residence loans that we have made directly to our customers. These loans total \$63.7 million. In addition, we have purchased pools of owner-occupied single-family loans from real estate lenders, Single Family-Mortgage Pools, totaling \$270.2 million. These loans were purchased with average FICO scores predominantly ranging from 700 to over 800 and overall original loan-to-value ratios of 60% to 80%. These pools were purchased to diversify our loan portfolio since we make few single-family loans. Due to market conditions, we have not purchased any mortgage pools since August 2007.

As of December 31, 2008, the Company had \$351.5 million in construction loans. This represents 9.38% of total loans outstanding of \$3.7 billion. Of this \$351.5 million in construction loans, approximately 29%, or \$100.9 million, were for single-family residences, residential land loans, and multi-family land development loans. The remaining construction loans, totaling \$250.6 million, were related to commercial construction, which have continued to perform well. Our construction loans are located throughout our marketplace as can be seen in the following table.

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Construction Loans	December 31, 2008 SFR & Multifamily					
	Land Development		Construction		Total	
Inland Empire	\$ 7,344	17.9%	\$ 13,321	22.2%	\$ 20,665	20.5%
Orange County	5,196	12.7%	4,590	7.7%	9,786	9.7%
Los Angeles County		0.0%	24,268	40.6%	24,268	24.0%
Central Valley	22,760	55.3%	3,368	5.6%	26,128	25.9%
San Diego County	3,690	9.0%	8,395	14.0%	12,085	12.0%
Other (includes out-of-state)	2,081	5.1%	5,897	9.9%	7,978	7.9%
	\$ 41,071	100.0%	\$ 59,839	100.0%	\$ 100,910	100.0%

	Commercial					
	Land Development		Construction		Total	
Inland Empire	\$ 9,976	26.6%	\$ 93,235	43.7%	\$ 103,211	41.2%
Orange County		0.0%	26,358	12.4%	26,358	10.5%
Los Angeles County	5,946	15.8%	42,586	20.0%	48,532	19.4%
Central Valley	14,675	39.0%	23,691	11.1%	38,366	15.3%
Other (includes out-of-state)	6,977	18.6%	27,189	12.8%	34,166	13.6%
	\$ 37,574	100.0%	\$ 213,059	100.0%	\$ 250,633	100.0%

Of the total SFR and multifamily loans, \$22.0 million are for multifamily and the remainder represents single-family loans.

Table 5 provides the maturity distribution for commercial and industrial loans, real estate construction loans and agribusiness loans as of December 31, 2008. The loan amounts are based on contractual maturities although the borrowers have the ability to prepay the loans. Amounts are also classified according to re-pricing opportunities or rate sensitivity.

TABLE 5 Loan Maturities and Interest Rate Category at December 31, 2008

Types of Loans:	Within One Year	After One But Within Five Years		After Five Years	Total
		(amounts in thousands)			
Commercial and industrial	\$ 156,235	\$ 78,981	\$ 135,613	\$ 370,829	
Commercial Real Estate	173,804	417,996	1,353,906	1,945,706	
Construction	293,749	35,755	22,039	351,543	
Dairy and Livestock	350,115	109,045	169	459,329	
Other	22,527	106,843	489,254	618,624	

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	\$ 996,430	\$ 748,620	\$ 2,000,981	\$ 3,746,031
Amount of Loans based upon:				
Fixed Rates	\$ 39,761	\$ 277,488	\$ 1,099,531	\$ 1,416,780
Floating or adjustable rates	956,669	471,132	901,450	2,329,251
	\$ 996,430	\$ 748,620	\$ 2,000,981	\$ 3,746,031

As a normal practice in extending credit for commercial and industrial purposes, we may accept trust deeds on real property as collateral. In some cases, when the primary source of repayment for the loan is anticipated to come from the cash flow from normal operations of the borrower, real property as collateral is not the primary source of repayment but has been taken as an abundance of caution. In these cases, the real property is considered a secondary source of repayment for the loan. Since we lend primarily in Southern and Central California, our real estate loan collateral is concentrated in this region. At December 31, 2008, substantially all of our loans secured by real estate were collateralized by properties located in

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California. This concentration is considered when determining the adequacy of our allowance for credit losses.

Non-performing Assets

Non-performing assets include OREO, non-accrual loans, and loans 90 days or more past due and still accruing interest (see Risk Management Credit Risk herein). At December 31, 2008, we had \$24.2 million in non-performing assets. Of this amount, \$17.7 million were non-accrual loans. At December 31, 2007, we had \$1.4 million in non-performing assets, all of which were non-accrual loans. Loans are put on non-accrual after 90 days of non-performance. They can also be put on non-accrual if, in the judgment of management, the collectability is doubtful. All accrued and unpaid interest is reversed. The Bank allocates specific reserves which are included in the allowance for credit losses for potential losses on non-accrual loans.

A loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts (contractual interest and principal) according to the contractual terms of the loan agreement. At December 31, 2008, we had loans with a balance of \$20.2 million classified as impaired. This balance includes the non-accrual loans of \$17.7 million and one restructured loan with a balance of \$2.5 million as of December 31, 2008. A restructured loan is a loan on which terms or conditions have been modified due to the deterioration of the borrower's financial condition. During 2008, we restructured one commercial construction loan by taking a charge-off of \$598,000 on principal and extending the maturity of the loan by eight months. At December 31, 2007 we had one impaired loan with a balance of \$1.1 million and no loans that were classified as restructured.

At December 31, 2008, we held \$6.6 million as OREO. Of this amount, \$4.9 million represents seven residential construction loans and \$1.3 million represents two residential land loans. A majority of these loans were transferred from non-accrual loans during the fourth quarter of 2008. The remaining balance of \$320,000 represents one loan from our mortgage pools. We held no OREO at December 31, 2007.

Table 6 provides information on non-performing assets at the dates indicated.

TABLE 6 Non-Performing Assets

	2008	2007	December 31,		2004
			2006	2005	
			(amounts in thousands)		
Nonaccrual loans	\$ 17,684	\$ 1,435	\$	\$	\$ 2
Loans past due 90 days or more and still accruing interest					
Other real estate owned (OREO)	6,565				
Total nonperforming assets	\$ 24,249	\$ 1,435	\$	\$	\$ 2
Restructured loans	\$ 2,500	\$	\$	\$	\$
Percentage of nonperforming assets to total loans outstanding & OREO	0.65%	0.04%	0.00%	0.00%	0.00%
Percentage of nonperforming assets to total assets	0.36%	0.02%	0.00%	0.00%	0.00%

The table below provides trends in our non-performing assets and delinquencies during 2008.

Table of Contents**Non-Performing Assets & Delinquency Trends***(amounts in thousands)*

	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007
Non-Accrual Loans					
Real Estate					
Construction-Residential	\$ 7,524	\$ 8,020	\$ 9,802	\$ 1,535	\$ 1,137
SFR Mortgage	3,116	2,062	1,672	1,153	298
Commercial & Industrial	6,732	6,243	551	19	
Consumer	312	312	312		
Total	\$ 17,684	\$ 16,637	\$ 12,337	\$ 2,707	\$ 1,435
% of Total Loans	0.47%	0.46%	0.35%	0.08%	0.04%
Past Due 30+ Days					
Real Estate					
Construction-Residential	\$	\$	\$	\$ 768	\$
Real Estate					
Construction-Commercial		2,500			
SFR Mortgage	1,931	481	483	1,180	460
Commercial & Industrial	2,993	1,871	483	15,709	1,713
Consumer	231	55		533	26
Total	\$ 5,155	\$ 4,907	\$ 966	\$ 18,190	\$ 2,199
% of Total Loans	0.14%	0.14%	0.03%	0.53%	0.06%
OREO					
Real Estate Construction &					
Land-Residential	\$ 6,245	\$ 1,612	\$ 1,137	\$ 1,137	\$
SFR Mortgage	320	315			
Total	\$ 6,565	\$ 1,927	\$ 1,137	\$ 1,137	\$
Total Non-Accrual, Past Due & OREO	\$ 29,404	\$ 23,471	\$ 14,440	\$ 22,034	\$ 3,634
% of Total Loans	0.78%	0.65%	0.41%	0.65%	0.10%

At December 31, 2007, we had \$1.4 million in non-accrual loans. As of March 31, 2008, we had \$2.7 million in non-accrual loans which increased to \$12.3 million in non-accrual loans at June 30, 2008 and further increased to

\$16.6 million at September 30, 2008 or 0.46% of total loans. At December 31, 2008, non-accrual loans were \$17.7 million; consisting of \$7.5 million in residential construction loans, \$3.1 million in single family mortgage loans, \$6.7 million in commercial loans and \$312,000 in consumer loans.

Of the \$7.5 million in residential construction loans, \$7.4 million represents two loans, one for a single-family and one for a multi-family development projects to two borrower groups.

The \$3.1 million residential mortgage loans represent seven single-family mortgage loans from our pool of approximately 750 mortgage loans purchased over the past five years. The equity position in these seven loans is sufficient that we believe, even after the market downturn, our losses in this portfolio should not be significant.

Of the \$6.7 million in commercial loans, \$5.7 million consists of two loans to a single borrower and are secured by commercial real estate located in the Inland Empire, \$892,000 consists of one small business loan and \$100,000 consists of one commercial loan secured by real estate.

The consumer loan consists of one equity line of credit.

As of December 31, 2008 our Dairy and Livestock loans have continued to perform in accordance with loan terms. Recent declines in commodity prices, including milk prices, could impact our dairy and livestock loan portfolio in future periods resulting in increased loan losses.

The economic downturn has had an impact on our market area and on our loan portfolio. With the exception of assets discussed above and loans disclosed as impaired, (see Risk Management Credit Risk herein) we are not aware of any loans as of December 31, 2008 for which known credit problems of the borrower would cause serious doubts as to the ability of such borrowers to comply with their present loan repayment terms, or any known events that would result in the loan being designated as non-performing at some future date. We cannot, however, predict the extent to which the deterioration in

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general economic conditions, real estate values, changes in general rates of interest, change in the financial conditions or business of a borrower may adversely affect a borrower's ability to pay.

Deposits

The primary source of funds to support earning assets (loans and investments) is the generation of deposits from our customer base. The ability to grow the customer base and deposits from these customers are crucial elements in the performance of the Company.

We reported total deposits of \$3.51 billion at December 31, 2008. This represented an increase of \$143.8 million, or 4.27%, over total deposits of \$3.36 billion at December 31, 2007. The average balance of deposits by category and the average effective interest rates paid on deposits is summarized for the years ended December 31, 2008, 2007 and 2006 in the table below.

	Year Ended December 31,					
	2008		2007		2006	
			(Amounts in thousands)			
	Average		Average		Average	
	Balance	Rate	Balance	Rate	Balance	Rate
Non-interest bearing deposits						
Demand deposits	\$ 1,268,548		\$ 1,285,857		1,354,014	
Interest bearing deposits						
Investment Checking	341,254	0.73%	338,923	1.62%	297,729	1.51%
Money Market	780,997	1.71%	830,042	3.05%	794,634	2.72%
Savings	116,559	0.47%	119,780	0.78%	128,078	0.39%
Time deposits	769,827	2.52%	844,667	4.44%	940,634	4.31%
Total deposits	\$ 3,277,185		\$ 3,419,269		3,515,089	

The amount of non-interest-bearing demand deposits in relation to total deposits is an integral element in achieving a low cost of funds. Non-interest-bearing deposits represented 38.03% of total deposits as of December 31, 2008 and 38.52% of total deposits as of December 31, 2007. Non-interest-bearing demand deposits totaled \$1.33 billion at December 31, 2008. This represented an increase of \$38.3 million, or 2.95%, over total non-interest-bearing demand deposits of \$1.30 billion at December 31, 2007.

Table 7 provides the remaining maturities of large denomination (\$100,000 or more) time deposits, including public funds, at December 31, 2008.

Table 7 Maturity Distribution of Large Denomination Time Deposits

	(Amount in thousands)
3 months or less	\$ 575,773
Over 3 months through 6 months	142,875
Over 6 months through 12 months	7,428
Over 12 months	11,249
Total	\$ 737,325

Other Borrowed Funds

To achieve the desired growth in earning assets we fund that growth through the sourcing of funds. The first source of funds we pursue is non-interest-bearing deposits (the lowest cost of funds to the Company), next we pursue growth

in interest-bearing deposits and finally we supplement the growth in deposits with borrowed funds. Borrowed funds, as a percent of total funding (total deposits plus demand

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notes plus borrowed funds), was 40.12% at December 31, 2008, as compared to 41.02% at December 31, 2007.

During 2008 and 2007, we entered into short-term borrowing agreements with the Federal Home Loan Bank (FHLB). We had outstanding balances of \$776.5 million and \$954.0 million under these agreements at December 31, 2008 and 2007, respectively. FHLB held certain investment securities of the Bank as collateral for those borrowings. On December 31, 2008 and 2007, we entered into an overnight agreement with certain financial institutions and our customers to borrow an aggregate of \$364.0 million and \$430.8 million, respectively.

In June 2006, the Company purchased securities totaling \$250.0 million. This purchase was funded by a repurchase agreement of \$250.0 million with a double cap embedded in the repurchase agreement. The interest rate on this agreement is tied to three-month LIBOR and reset quarterly and the maturity is September 30, 2012. In November 2006, we began a repurchase agreement product with our customers. This product, known as Citizens Sweep Manager, sells our securities overnight to our customers under an agreement to repurchase them the next day. As of December 31, 2008 and 2007, total funds borrowed under these agreements were \$607.8 million and \$586.3 million, respectively.

The following table summarizes the short-term borrowings:

	Federal Funds Purchased and Repurchase Agreements	Other Short-term Borrowings (Dollars in thousands)	Total
At December 31, 2008			
Amount outstanding	\$ 363,973	\$ 776,500	\$ 1,140,473
Weighted-average interest rate	1.28%	1.39%	1.35%
For the year ended December 31, 2008			
Highest amount at month-end	\$ 562,190	\$ 1,162,000	\$ 1,724,190
Daily-average amount outstanding	\$ 458,993	\$ 1,199,757	\$ 1,658,751
Weighted-average interest rate	2.03%	3.31%	2.96%
At December 31, 2007			
Amount outstanding	\$ 430,809	\$ 954,000	\$ 1,384,809
Weighted-average interest rate	3.85%	4.67%	4.42%
For the year ended December 31, 2007			
Highest amount at month-end	\$ 510,112	\$ 1,554,000	\$ 2,064,112
Daily-average amount outstanding	\$ 373,746	\$ 1,100,858	\$ 1,474,604
Weighted-average interest rate	4.45%	3.71%	3.90%

During 2008 and 2007, we entered into long-term borrowing agreements with the FHLB. We had outstanding balances of \$950.0 million and \$700.0 million under these agreements at December 31, 2008 and 2007, respectively, with weighted-average interest rate of 4.1% in 2008 and 4.9% in 2007. We had an average outstanding balance of \$802.9 million and \$622.2 million as of December 31, 2008 and 2007, respectively. The FHLB held certain investment securities of the Bank as collateral for those borrowings.

The Bank acquired subordinated debt of \$5.0 million from the acquisition of FCB in June 2007 which is included in long-term borrowings in Item 15 Exhibits and Financial Statement Schedules. The debt has a variable interest rate which resets quarterly at three-month LIBOR plus 1.65%. The debt matures on January 7, 2016, but becomes callable on January 7, 2011.

At December 31, 2008, borrowed funds totaled \$2.35 billion. This represented an increase of \$10.5 million, or 0.45%, over total borrowed funds of \$2.34 billion at December 31, 2007. The maximum outstanding at any month-end was \$2.68 billion during 2008 and \$2.76 billion during 2007.

At December 31, 2008 and 2007 junior subordinated debentures totaled \$115.1 million.

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The following table summarizes the aggregate contractual obligations as of December 31, 2008:

	Total	Less Than One Year	Maturity by Period		
			One Year to Three Years	Four Year to Five Years	After Five Years
			(amounts in thousands)		
Deposits	\$ 3,508,156	\$ 3,483,676	\$ 20,925	\$ 603	\$ 2,952
FHLB and Other Borrowings	2,350,846	1,145,846	500,000	450,000	255,000
Junior Subordinated Debentures	115,055				115,055
Deferred Compensation	8,414	846	1,659	1,601	4,308
Operating Leases	25,946	5,289	8,031	4,582	8,044
Total	\$ 6,008,417	\$ 4,635,657	\$ 530,615	\$ 456,786	\$ 385,359

Deposits represent non-interest bearing, money market, savings, NOW, certificates of deposits, brokered and all other deposits held by the Company.

FHLB Borrowings represent the amounts that are due to the Federal Home Loan Bank. These borrowings have fixed maturity dates. Other borrowings represent the amounts that are due to overnight Federal funds purchases, repurchase agreements, and TT&L.

Junior subordinated debentures represent the amounts that are due from the Company to CVB Statutory Trust I, CVB Statutory Trust II & CVB Statutory Trust III. The debentures have the same maturity as the Trust Preferred Securities. CVB Statutory Trust I which matures in 2033, became callable in whole or in part in December 2008. CVB Statutory Trust II matures in 2034 and becomes callable in whole or in part in January 2009. CVB Statutory Trust III, which matures in 2036, will become callable in whole or in part in 2011. It also represents FCB Capital Trust II which matures in 2033 and became callable in 2008. We have not called any of our debentures as of December 31, 2008.

Deferred compensation represents the amounts that are due to former employees based on salary continuation agreements as a result of acquisitions.

Operating leases represent the total minimum lease payments due under non-cancelable operating leases.

Off-Balance Sheet Arrangements

At December 31, 2008, we had commitments to extend credit of approximately \$642.7 million, obligations under letters of credit of \$63.1 million and available lines of credit totaling \$1.7 billion from certain financial institutions. Commitments to extend credit are agreements to lend to customers, provided there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Commitments are generally variable rate, and many of these commitments are expected to expire without being drawn upon. As such, the total commitment amounts do not necessarily represent future cash requirements. We use the same credit underwriting policies in granting or accepting such commitments or contingent obligations as we do for on-balance sheet instruments, which consist of evaluating customers' creditworthiness individually. The Company has a reserve for undisbursed commitments of \$4.2 million as of December 31, 2008 and \$2.9 million as of December 31, 2007.

Standby letters of credit written are conditional commitments issued by the Bank to guarantee the financial performance of a customer to a third party. Those guarantees are primarily issued to support private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. When deemed necessary, we hold appropriate

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collateral supporting those commitments. We do not anticipate any material losses as a result of these transactions.

The following table summarizes the off-balance sheet items:

		Less Than One Year	Maturity by Period		
	Total		One Year to Three Years	Four Year to Five Years	After Five Years
2008					
			(Amounts in thousands)		
Commitment to extend credit	\$ 642,737	\$ 215,729	\$ 57,244	\$ 43,577	\$ 326,187
Obligations under letters of credit	63,102	47,206	10,010	5,886	
Total	\$ 705,839	\$ 262,935	\$ 67,254	\$ 49,463	\$ 326,187

Liquidity and Cash Flow

Since the primary sources and uses of funds for the Bank are loans and deposits, the relationship between gross loans and total deposits provides a useful measure of the Bank's liquidity. Typically, the closer the ratio of loans to deposits is to 100%, the more reliant the Bank is on its loan portfolio to provide for short-term liquidity needs. Since repayment of loans tends to be less predictable than the maturity of investments and other liquid resources, the higher the loans to deposit ratio the less liquid are the Bank's assets. For 2008, the Bank's loan to deposit ratio averaged 107.00%, compared to an average ratio of 94.35% for 2007 and 79.99% for 2006. The slowdown in deposit growth and increase in loan balances caused this ratio to increase.

CVB is a company separate and apart from the Bank that must provide for its own liquidity. As a result of our participation in TARP, we issued \$130 million of our Series B Preferred Stock. The Series B Preferred Stock accrues a cumulative cash dividend at the rate of 5% for the first five years of issuance and 9% thereafter. Substantially all of CVB's revenues are obtained from dividends declared and paid by the Bank. The remaining cash flow is from rent paid by a third party on office space in our corporate headquarters. There are statutory and regulatory provisions that could limit the ability of the Bank to pay dividends to CVB. Management of CVB believes that such restrictions will not have an impact on the ability of CVB to meet its ongoing cash obligations.

Under applicable California law, the Bank cannot make any distribution (including a cash dividend) to its shareholder (CVB) in an amount which exceeds the lesser of: (i) the retained earnings of the Bank or (ii) the net income of the Bank for its last three fiscal years, less the amount of any distributions made by the Bank to its shareholder during such period. Notwithstanding the foregoing, with the prior approval of the California Commissioner of Financial Institutions, the Bank may make a distribution (including a cash dividend) to CVB in an amount not exceeding the greatest of: (i) the retained earnings of the Bank; (ii) the net income of the Bank for its last fiscal year; or (iii) the net income of the Bank for its current fiscal year.

At December 31, 2008, approximately \$111.3 million of the Bank's equity was unrestricted and available to be paid as dividends to CVB. See Item 1. Business-Dividends and Other Transfers of Funds. As of December 31, 2008, neither the Bank nor CVB had any material commitments for capital expenditures.

For the Bank, sources of funds normally include principal payments on loans and investments, other borrowed funds, and growth in deposits. Uses of funds include withdrawal of deposits, interest paid on deposits, increased loan balances, purchases, and other operating expenses.

Net cash provided by operating activities totaled \$83.6 million for 2008, \$71.1 million for 2007, and \$70.9 million for 2006. The increase in 2008 compared to 2007 was primarily the result of a decrease in

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interest and dividends received, offset by a decrease in interest paid on deposits and borrowings and increase in income taxes paid.

Cash used in investing activities totaled \$333.9 million for 2008, compared to \$21.1 million for 2007 and \$680.7 million for 2006. The increase in 2008 compared to 2007 is due to increases in the purchase of investments securities during 2008.

Net cash provided by financing activities totaled \$256.1 million for 2008, compared to funds used by financing activities of \$106.9 million in 2007 and funds provided by financing activities of \$626.0 million for 2006. The increase in net cash provided by financing activities during 2008 was primarily the result of an increase in time deposit balances and issuance of preferred stock.

At December 31, 2008, cash and cash equivalents totaled \$95.3 million. This represented an increase of \$5.8 million, or 6.49%, over a total of \$89.5 million at December 31, 2007.

Capital Resources

Historically, the primary source of capital for the Company has been the retention of operating earnings. In order to ensure adequate levels of capital, we conduct an ongoing assessment of projected sources and uses of capital in conjunction with projected increases in assets and the level of risk.

In December 2008, we applied for and received \$130.0 million through the issuance to the U.S. Department of Treasury's Capital Purchase Program of Series B Preferred Stock. Although the Company has a strong balance sheet, management believed it was important to obtain this money to strengthen our capital position in these uncertain times. Dividends on our outstanding Series B Preferred Stock are payable at a rate of 5% for the first five years of issuance, and 9% thereafter. Dividends are cumulative.

Total stockholders' equity was \$614.9 million at December 31, 2008. This represented an increase of \$189.9 million, or 44.70%, over total stockholders' equity of \$424.9 million at December 31, 2007. The increase is primarily due to \$130.0 million received through the Capital Purchase Program discussed above and retained net earnings.

For further information about our capital ratios, see ***Item 1. Business - Capital Standards***.

During 2008, the Board of Directors of the Company declared quarterly cash dividends that totaled \$0.34 per share for the full year. Dividends are payable at the discretion of the Board of Directors and there can be no assurance that the Board of Directors will continue to pay dividends at the same rate, or at all, in the future. Prior to the earlier of (i) December 5, 2011 and (ii) the date on which our outstanding Series B Preferred Stock has been redeemed in whole or the UST has transferred all of such preferred stock to unaffiliated third parties, we may not declare or pay a dividend on our outstanding common stock in excess of \$0.085 per share. In addition, we may not declare or pay any dividend on our outstanding common stock unless all accrued and unpaid dividends have been paid on our Series B Preferred Stock. We do not believe that the continued payment of cash dividends will impact the ability of the Company to continue to exceed the current minimum capital standards.

RISK MANAGEMENT

We have adopted a Risk Management Plan to ensure the proper control and management of all risk factors inherent in the operation of the Company and the Bank. Specifically, credit risk, interest rate risk, liquidity risk, transaction risk, compliance risk, strategic risk, reputation risk, price risk and foreign exchange risk, can all affect the market risk exposure of the Company. These specific risk factors are not mutually exclusive. It is recognized that any product or service offered by us may expose the Bank to one or more of these risks. Our Risk Management Committee and Risk Management Department monitors these risks to minimize exposure to the Company.

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Credit Risk

Credit risk is defined as the risk to earnings or capital arising from an obligor's failure to meet the terms of any contract or otherwise fail to perform as agreed. Credit risk is found in all activities where success depends on counterparty, issuer, or borrower performance. Credit risk arises through the extension of loans and leases, certain securities, and letters of credit.

Credit risk in the investment portfolio and correspondent bank accounts is addressed through defined limits in the Bank's policy statements. In addition, certain securities carry insurance to enhance credit quality of the bond. Limitations on industry concentration, aggregate customer borrowings, geographic boundaries and standards on loan quality also are designed to reduce loan credit risk. Senior Management, Directors' Committees, and the Board of Directors are provided with information to appropriately identify, measure, control and monitor the credit risk of the Bank.

Implicit in lending activities is the risk that losses will occur and that the amount of such losses will vary over time. Consequently, we maintain an allowance for credit losses by charging a provision for credit losses to earnings. Loans determined to be losses are charged against the allowance for credit losses. Our allowance for credit losses is maintained at a level considered by us to be adequate to provide for estimated probable losses inherent in the existing portfolio.

The allowance for credit losses is based upon estimates of probable losses inherent in the loan and lease portfolio. The nature of the process by which we determine the appropriate allowance for credit losses requires the exercise of considerable judgment. The amount actually realized in respect of these losses can vary significantly from the estimated amounts. We employ a systematic methodology that is intended to reduce the differences between estimated and actual losses.

Our methodology for assessing the appropriateness of the allowance is conducted on a regular basis and considers all loans. The systematic methodology consists of two major elements.

The first major element includes a detailed analysis of the loan portfolio in two phases. The first phase is conducted in accordance with SFAS No. 114, "Accounting by Creditors for the Impairment of a Loan", as amended by SFAS No. 118, "Accounting by Creditors for Impairment of a Loan—Income Recognition and Disclosures". Individual loans are reviewed to identify loans for impairment. A loan is impaired when principal and interest are deemed uncollectible in accordance with the original contractual terms of the loan. Impairment is measured as either the expected future cash flows discounted at each loan's effective interest rate, the fair value of the loan's collateral if the loan is collateral dependent, or an observable market price of the loan (if one exists). Upon measuring the impairment, we will ensure an appropriate level of allowance is present or established.

Central to the first phase and our credit risk management is our loan risk rating system. The originating credit officer assigns borrowers an initial risk rating, which is reviewed and possibly changed by Credit Management, which is based primarily on a thorough analysis of each borrower's financial capacity in conjunction with industry and economic trends. Approvals are made based upon the amount of inherent credit risk specific to the transaction and are reviewed for appropriateness by senior line and credit management personnel. Credits are monitored by line and credit management personnel for deterioration in a borrower's financial condition, which would impact the ability of the borrower to perform under the contract. Risk ratings are adjusted as necessary.

Loans are risk rated into the following categories: Loss, Doubtful, Substandard, Special Mention and Pass. Each of these groups is assessed for the proper amount to be used in determining the adequacy of our allowance for losses. The Impaired and Doubtful loans are analyzed on an individual basis for allowance amounts. The other categories have formulae used to determine the needed allowance amount.

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The Bank obtains a quarterly independent credit review by engaging an outside party to review our loans. The purpose of this review is to determine the loan rating and if there is any deterioration in the credit quality of the portfolio.

Based on the risk rating system, specific allowances are established in cases where we have identified significant conditions or circumstances related to a credit that we believe indicates the probability that a loss has been incurred. We perform a detailed analysis of these loans, including, but not limited to, cash flows, appraisals of the collateral, conditions of the marketplace for liquidating the collateral and assessment of the guarantors. We then determine the inherent loss potential and allocate a portion of the allowance for losses as a specific allowance for each of these credits.

The second phase is conducted by evaluating or segmenting the remainder of the loan portfolio into groups or pools of loans with similar characteristics in accordance with SFAS No. 5, Accounting for Contingencies. In this second phase, groups or pools of homogeneous loans are reviewed to determine a portfolio formula allowance. In the case of the portfolio formula allowance, homogeneous portfolios, such as small business loans, consumer loans, agricultural loans, and real estate loans, are aggregated or pooled in determining the appropriate allowance. The risk assessment process in this case emphasizes trends in the different portfolios for delinquency, loss, and other-behavioral characteristics of the subject portfolios.

The second major element in our methodology for assessing the appropriateness of the allowance consists of our considerations of qualitative factors, including, all known relevant internal and external factors that may affect the collectability of a loan. This includes our estimates of the amounts necessary for concentrations, economic uncertainties, the volatility of the market value of collateral, and other relevant factors. The relationship of the two major elements of the allowance to the total allowance may fluctuate from period to period.

In the second major element of the analysis which considers qualitative factors that may affect a loan's collectability, we perform an evaluation of various conditions, the effects of which are not directly measured in the determination of the formula and specific allowances. The evaluation of the inherent loss with respect to these conditions is subject to a higher degree of uncertainty because they are not identified with specific problem credits or portfolio segments. The conditions evaluated in connection with the second element of the analysis of the allowance include, but are not limited to the following conditions that existed as of the balance sheet date:

- then-existing general economic and business conditions affecting the key lending areas of the Company,
- then-existing economic and business conditions of areas outside the lending areas, such as other sections of the United States, Asia and Latin America,
- credit quality trends (including trends in non-performing loans expected to result from existing conditions),
- collateral values
- loan volumes and concentrations,
- seasoning of the loan portfolio,
- specific industry conditions within portfolio segments,
- recent loss experience in particular segments of the portfolio,
- duration of the current business cycle,
- bank regulatory examination results and

- findings of the Company's external credit examiners.

We review these conditions in discussion with our senior credit officers. To the extent that any of these conditions is evidenced by a specifically identifiable problem credit or portfolio segment as of the evaluation date, our estimate of the effect of such condition may be reflected as a specific allowance applicable to such credit or portfolio segment. Where any of these conditions is not evidenced by a specifically identifiable problem credit or portfolio segment as of the evaluation date, our evaluation of

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the inherent loss related to such condition is reflected in the second major element of the allowance. Although we have allocated a portion of the allowance to specific loan categories, the adequacy of the allowance must be considered in its entirety.

We maintain an allowance for inherent credit losses that is increased by a provision for credit losses charged against operating results. The allowance for credit losses is also increased by recoveries on loans previously charged-off and reduced by actual loan losses charged to the allowance. We recorded a provision for credit losses of \$26.6 million, \$4.0 million and \$3.0 million for 2008, 2007 and 2006, respectively.

At December 31, 2008, we reported an allowance for credit losses of \$54.0 million. This represents an increase of \$20.9 million, or 63.27%, over the allowance for credit losses of \$33.0 million at December 31, 2007. During 2008, we recorded a provision for credit losses of \$26.6 million and net charge-offs of \$5.7 million. The increase in allowance during 2008 was due to the increase in classified loans and the increase in qualitative factors which is consistent with the current economic environment. (See Table 8 Summary of Credit Loss Experience.)

For 2008, total loans charged-off were \$6.0 million, offset by the recoveries of loans previously charged-off of \$348,000 resulting in net charge-offs of \$5.7 million. For 2007, total loans charged-off were \$2.1 million offset by the recoveries of loans previously charged-off of \$739,000 resulting in net charge-offs of \$1.4 million.

In addition to the allowance for credit losses, the Company also has a reserve for undisbursed commitments for loans and letters of credit. This reserve is carried on the liabilities section of the balance sheet in other liabilities. Provisions to this reserve are included in other expense. The Company recorded an increase of \$1.3 million and \$1.2 million in the reserve for undisbursed commitments for 2008 and 2007, respectively. As of December 31, 2008, the balance in this reserve was \$4.2 million compared to a balance of \$2.9 million as of December 31, 2007. The increase in provision for unfunded commitments was primarily due to an increase in loan commitments and more specifically, an increase in classified loans related to those commitments.

Table 8 presents a comparison of net credit losses, the provision for credit losses (including adjustments incidental to mergers), and the resulting allowance for credit losses for each of the years indicated.

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	As of and For Years Ended December 31,				
	2008	2007	2006	2005	2004
	(amounts in thousands)				
Amount of Total Loans at End of Period (1)	\$ 3,736,838	\$ 3,495,144	\$ 3,070,196	\$ 2,663,863	\$ 2,140,074
Average Total Loans Outstanding (1)	\$ 3,506,510	\$ 3,226,086	\$ 2,811,782	\$ 2,277,304	\$ 1,905,145
Allowance for Credit Losses at Beginning of Period	\$ 33,049	\$ 27,737	\$ 23,204	\$ 22,494	\$ 21,282
Loans Charged-Off:					
Real Estate	4,690	1,748		780	1,002
Commercial and Industrial	626	127	90	243	943
Lease Finance Receivables	410	182	79	91	110
Consumer Loans	311	41	31	266	265
Total Loans Charged-Off	6,037	2,098	200	1,380	2,320
Recoveries:					
Real Estate Loans	192	82	1,140	572	775
Commercial and Industrial	24	465	400	543	2,558
Lease Finance Receivables	48	148	82	101	86
Consumer Loans	84	44	111	118	113
Total Loans Recovered	348	739	1,733	1,334	3,532
Net Loans Charged-Off (Recovered)	5,689	1,359	(1,533)	46	(1,212)
Provision Charged to Operating Expense	26,600	4,000	3,000		
Adjustments Incident to Mergers and reclassifications		2,671		756	
Allowance for Credit Losses at End of period	\$ 53,960	\$ 33,049	\$ 27,737	\$ 23,204	\$ 22,494
Net Loans Charged-Off (Recovered) to Average Total Loans	0.16%	0.04%	-0.05%	0.00%	-0.06%
Net Loans Charged-Off (Recovered) to Total Loans at End of Period	0.15%	0.04%	-0.05%	0.00%	-0.06%

Allowance for Credit Losses to Average Total Loans	1.54%	1.02%	0.99%	1.02%	1.18%
Allowance for Credit Losses to Total Loans at End of Period	1.44%	0.95%	0.90%	0.87%	1.05%
Net Loans Charged-Off (Recovered) to Allowance for Credit Losses	10.54%	4.11%	-5.53%	0.20%	-5.39%
Net Loans Charged-Off (Recovered) to Provision for Credit Losses	21.39%	33.98%	-51.10%		

(1) Net of deferred loan origination fees.

While we believe that the allowance at December 31, 2008, was adequate to absorb losses from any known or inherent risks in the portfolio, no assurance can be given that economic conditions which adversely affect our service areas or other circumstances will not be reflected in increased provisions or credit losses in the future.

Table 9 provides a summary of the allocation of the allowance for credit losses for specific loan categories at the dates indicated. The allocations presented should not be interpreted as an indication that loans charged to the allowance for credit losses will occur in these amounts or proportions, or that the portion of the allowance allocated to each loan category represents the total amount available for future losses that may occur within these categories.

Table 9 Allocation of Allowance for Credit Losses

	2008		2007		December 31, 2006		2005		2004	
	% of Loans		% of Loans		% of Loans		% of Loans		% of Loans	
	Allowance for	to Total Loans in	Allowance for	to Total Loans in	Allowance for	to Total Loans in	Allowance for	to Total Loans in	Allowance for	to Total Loans in
	Credit Losses	Each Category	Credit Losses	Each Category	Credit Losses	Each Category	Credit Losses	Each Category	Credit Losses	Each Category
(amounts in thousands)										
Real Estate	\$ 16,463	60.8%	\$ 9,028	61.9%	\$ 8,232	62.5%	\$ 9,452	61.2%	\$ 6,284	54.5%
Construction	19,491	9.4%	7,828	8.8%	4,320	9.7%	2,370	10.1%	1,698	11.0%
Commercial and Industrial	17,271	28.0%	15,266	27.6%	14,568	26.0%	14,122	26.5%	15,464	32.1%
Consumer	735	1.8%	506	1.7%	297	1.8%	224	2.2%	126	2.4%
Unallocated			421		320		(2,964)		(1,078)	
Total	\$ 53,960	100.0%	\$ 33,049	100.0%	\$ 27,737	100.0%	\$ 23,204	100.0%	\$ 22,494	100.0%

Market Risk

In the normal course of its business activities, we are exposed to market risks, including price and liquidity risk. Market risk is the potential for loss from adverse changes in market rates and prices, such as interest rates (interest rate risk). Liquidity risk arises from the possibility that we may not be able to satisfy current or future commitments or that we may be more reliant on alternative funding sources such as long-term debt. Financial products that expose us to

market risk includes securities, loans, deposits, debt, and derivative financial instruments.

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The table below provides the actual balances as of December 31, 2008 of interest-earning assets (net of deferred loan fees and allowance for credit losses) and interest-bearing liabilities, including the average rate earned or paid for 2008, the projected contractual maturities over the next five years, and the estimated fair value of each category determined using available market information and appropriate valuation methodologies.

	Balance December 31,	Average Rate	Maturing				Five years and beyond	Estimated Fair Value
			One year	Two years	Three years	Four years		
2008								
Interest-Earning Assets								
Investment securities available for sale (1)	\$ 2,493,476	4.71%	\$ 7,170	\$ 6,288	\$ 25,431	\$ 58,328	\$ 2,396,259	\$ 2,493,476
Investment securities held-to-maturity	6,867	6.23%					6,867	4,770
Loans and lease receivables, net	3,682,878	6.06%	996,429	229,879	114,433	116,259	2,225,878	3,754,118
Total interest earning assets	\$ 6,183,221		\$ 1,003,599	\$ 236,167	\$ 139,864	\$ 174,587	\$ 4,629,004	\$ 6,252,364
Interest-Bearing Liabilities								
Interest-bearing deposits	\$ 2,173,908	1.78%	\$ 2,157,128	\$ 12,236	\$ 1,010	\$ 403	\$ 3,131	2,177,435
Demand note to U.S. Treasury	5,373	1.43%	5,373					5,373
Borrowings	2,345,473	3.87%	1,145,473	400,000	100,000	350,000	350,000	2,415,900
Junior subordinated debentures	115,055	6.09%					115,055	116,149
Total interest-bearing liabilities	\$ 4,639,809		\$ 3,307,974	\$ 412,236	\$ 101,010	\$ 350,403	\$ 468,186	\$ 4,714,857

(1) These include mortgage-backed securities which generally prepay before maturity.

Interest Rate Risk

During periods of changing interest rates, the ability to re-price interest-earning assets and interest-bearing liabilities can influence net interest income, the net interest margin, and consequently, our earnings. Interest rate risk is managed by attempting to control the spread between rates earned on interest-earning assets and the rates paid on interest-bearing liabilities within the constraints imposed by market competition in our service area. Short-term re-pricing risk is minimized by controlling the level of floating rate loans and maintaining a downward sloping ladder of bond payments and maturities. Basis risk is managed by the timing and magnitude of changes to interest-bearing deposit rates. Yield curve risk is reduced by keeping the duration of the loan and bond portfolios relatively short. Options risk in the bond portfolio is monitored monthly and actions are recommended when appropriate.

We monitor the interest rate sensitivity risk to earnings from potential changes in interest rates using various methods, including a maturity/re-pricing gap analysis. This analysis measures, at specific time intervals, the differences between earning assets and interest-bearing liabilities for which re-pricing opportunities will occur. A positive difference, or gap, indicates that earning assets will re-price faster than interest-bearing liabilities. This will generally produce a greater net interest margin during periods of rising interest rates, and a lower net interest margin during periods of declining interest rates. Conversely, a negative gap will generally produce a lower net interest margin during periods of rising interest rates and a greater net interest margin during periods of decreasing interest rates.

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	90 days or less	Over 90 days to 180 days (amounts in thousands)	Over 180 days to 365 days	Over 365 days	Total
2008					
Earning Assets:					
Investment Securities at carrying value	\$ 185,604	\$ 158,128	\$ 230,836	\$ 1,925,775	\$ 2,500,343
Gross Loans	1,351,931	197,818	297,539	1,898,743	3,746,031
Total	\$ 1,537,535	\$ 355,946	\$ 528,375	\$ 3,824,518	\$ 6,246,374
Interest Bearing Liabilities					
Savings Deposits	\$ 707,324	\$	\$	\$ 436,458	\$ 1,143,782
Time Deposits	768,174	150,029	82,131	29,792	1,030,126
Demand Note to U.S. Treasury	5,373				5,373
Other Borrowings	1,145,473			1,200,000	2,345,473
Junior subordinated debentures	115,055				115,055
Total	\$ 2,741,399	\$ 150,029	\$ 82,131	\$ 1,666,250	\$ 4,639,809
Period GAP	\$ (1,203,864)	\$ 205,917	\$ 446,244	\$ 2,158,268	\$ 1,606,565
Cumulative GAP	\$ (1,203,864)	\$ (997,947)	\$ (551,703)	\$ 1,606,565	
	90 days or less	Over 90 days to 180 days (amounts in thousands)	Over 180 days to 365 days	Over 365 days	Total
2007					
Earning Assets:					
Investment Securities at carrying value	\$ 122,700	\$ 126,059	\$ 218,086	\$ 1,923,721	\$ 2,390,566
Gross Loans	1,130,451	173,951	298,425	1,904,174	3,507,001
Total	\$ 1,253,151	\$ 300,010	\$ 516,511	\$ 3,827,895	\$ 5,897,567
Interest Bearing Liabilities					
Savings Deposits	\$ 745,571	\$	\$	\$ 532,465	\$ 1,278,036
Time Deposits	558,410	142,184	68,685	21,075	790,354
Demand Note to U.S. Treasury	540				540
Other Borrowings	1,089,809		550,000	700,000	2,339,809
Junior subordinated debentures	32,579		41,238	41,238	115,055
Total	2,426,909	142,184	659,923	1,294,778	4,523,794
Period GAP	\$ (1,173,758)	\$ 157,826	\$ (143,412)	\$ 2,533,117	\$ 1,373,773
Cumulative GAP	\$ (1,173,758)	\$ (1,015,932)	\$ (1,159,344)	\$ 1,373,773	

Table 10 provides the Bank's maturity/re-pricing gap analysis at December 31, 2008, and 2007. We had a negative cumulative 180-day gap of \$997.9 million and a negative cumulative 365-days gap of \$551.7 million at December 31, 2008. This represented a decrease of \$18.0 million, over the 180-day cumulative negative gap of \$1.01 billion at December 31, 2007. In theory, this would indicate that at December 31, 2008, \$997.9 million more in liabilities than assets would re-price if there were a change in interest rates over the next 180 days. If interest rates increase, the negative gap would tend to result in a lower net interest margin. If interest rates decrease, the negative gap would tend to result in an increase in the net interest margin. However, we do have the ability to anticipate the increase in deposit rates, and the ability to extend interest-bearing liabilities, offsetting, in part, the negative gap.

The interest rates paid on deposit accounts do not always move in unison with the rates charged on loans. In addition, the magnitude of changes in the rates charged on loans is not always proportionate to the magnitude of changes in the rate paid on deposits. Consequently, changes in interest rates do not necessarily result in an increase or decrease in the net interest margin solely as a result of the differences between re-pricing opportunities of earning assets or interest-bearing liabilities. The fact that the Bank reported a negative gap at December 31, 2008 for changes within the following 365 days does not necessarily indicate that, if interest rates decreased, net interest income would increase, or if interest rates increased, net interest income would decrease.

Approximately \$1.78 billion, or 71.44%, of the total investment portfolio at December 31, 2008 consisted of securities backed by mortgages. The final maturity of these securities can be affected by the speed at which the underlying mortgages repay. Mortgages tend to repay faster as interest rates fall, and slower as interest rates rise. As a result, we may be subject to a prepayment risk resulting from greater funds available for reinvestment at a time when available yields are lower. Conversely, we may be subject to extension risk resulting, as lesser amounts would be available for reinvestment at a time when

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available yields are higher. Prepayment risk includes the risk associated with the payment of an investment's principal faster than originally intended. Extension risk is the risk associated with the payment of an investment's principal over a longer time period than originally anticipated. In addition, there can be greater risk of price volatility for mortgage-backed securities as a result of anticipated prepayment or extension risk.

We also utilize the results of a dynamic simulation model to quantify the estimated exposure of net interest income to sustained interest rate changes. The sensitivity of our net interest income is measured over a rolling two-year horizon.

The simulation model estimates the impact of changing interest rates on interest income from all interest-earning assets and interest expense paid on all interest-bearing liabilities reflected on our balance sheet. This sensitivity analysis is compared to policy limits, which specify a maximum tolerance level for net interest income exposure over a one-year horizon assuming no balance sheet growth, given a 200 basis point upward and a 100 basis point downward shift in interest rates. A parallel and pro rata shift in rates over a 12-month period is assumed.

The following reflects our net interest income sensitivity analysis as of December 31, 2008:

Simulated Rate Changes	Estimated Net Interest Income Sensitivity
+ 200 basis points	(3.38%)
- 100 basis points	(0.09%)

The Company is currently more liability sensitive. The estimated sensitivity does not necessarily represent a forecast and the results may not be indicative of actual changes to our net interest income. These estimates are based upon a number of assumptions including: the nature and timing of interest rate levels including yield curve shape, prepayments on loans and securities, pricing strategies on loans and deposits, and replacement of asset and liability cash-flows. While the assumptions used are based on current economic and local market conditions, there is no assurance as to the predictive nature of these conditions including how customer preferences or competitor influences might change.

Liquidity Risk

Liquidity risk is the risk to earnings or capital resulting from our inability to meet obligations when they come due without incurring unacceptable losses. It includes the ability to manage unplanned decreases or changes in funding sources and to recognize or address changes in market conditions that affect our ability to liquidate assets quickly and with minimum loss of value. Factors considered in liquidity risk management are stability of the deposit base; marketability, maturity, and pledging of investments; and the demand for credit.

In general, liquidity risk is managed daily by controlling the level of fed funds and the use of funds provided by the cash flow from the investment portfolio. To meet unexpected demands, lines of credit are maintained with correspondent banks, the Federal Home Loan Bank and the FRB. The sale of bonds maturing in the near future can also serve as a contingent source of funds. Increases in deposit rates are considered a last resort as a means of raising funds to increase liquidity.

Counterparty Risk

Recent developments in the financial markets have placed an increased awareness of Counterparty Risks. These risks occur when a financial institution has an indebtedness or potential for indebtedness to another financial institution. We have assessed our Counterparty Risk with the following results:

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We have \$250 million in a repurchase agreement with an embedded double cap. This transaction was conducted in September 2006 to protect against rising interest rates. The repurchase agreement is with JP Morgan. The Moody's public debt rating for this institution is Aaa.

We do not have any investments in the preferred stock of any other company.

We do not have in our investment portfolio any trust preferred securities of any other company.

All of our investments securities are either municipal securities or securities backed by mortgages, FNMA, FHLMC or FHLB.

All of our commercial line insurance policies are with companies with the highest AM Best ratings of AXII or above.

We have no significant Counterparty exposure related to derivatives such as interest rate swaps.

We have no significant exposure to our Cash Surrender Value of Life insurance since all of the insurance companies carry an AM Best rating of A or greater.

We have \$180.1 million in Fed Funds lines of credit with other banks. All of these banks are major U.S. banks. We rely on these funds for overnight borrowings.

Transaction Risk

Transaction risk is the risk to earnings or capital arising from problems in service or product delivery. This risk is significant within any bank and is interconnected with other risk categories in most activities throughout the Bank. Transaction risk is a function of internal controls, information systems, associate integrity, and operating processes. It arises daily throughout the Bank as transactions are processed. It pervades all divisions, departments and branches and is inherent in all products and services the Bank offers.

In general, transaction risk is defined as high, medium or low by the internal auditors during the audit process. The audit plan ensures that high risk areas are reviewed at least annually. We utilize a third party audit firm to provide internal audit services.

The key to monitoring transaction risk is in the design, documentation and implementation of well-defined procedures. All transaction related procedures include steps to report events that might increase transaction risk. Dual controls are also a form of monitoring.

Compliance Risk

Compliance risk is the risk to earnings or capital arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices, or ethical standards. Compliance risk also arises in situations where the laws or rules governing certain Bank products or activities of the Bank's customers may be ambiguous or untested. Compliance risk exposes the Bank to fines, civil money penalties, payment of damages, and the voiding of contracts. Compliance risk can also lead to a diminished reputation, reduced business value, limited business opportunities, lessened expansion potential, and lack of contract enforceability.

There is no single or primary source of compliance risk. It is inherent in every Bank activity. Frequently, it blends into operational risk and transaction processing. A portion of this risk is sometimes referred to as legal risk. This is not limited solely to risk from failure to comply with consumer protection laws; it encompasses all laws, as well as prudent ethical standards and contractual obligations. It also includes the exposure to litigation from all aspects of banking, traditional and non-traditional.

Our Risk Management Policy and Program and the Code of Ethical Conduct are the cornerstone for controlling compliance risk. An integral part of controlling this risk is the proper training of associates. The Chief Risk Officer is responsible for developing and executing a comprehensive compliance training program. The Chief Risk Officer will ensure that each associate receives adequate training with regard to their position to ensure that laws and regulations

are not violated. All associates who deal in compliance

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high risk areas are trained to be knowledgeable about the level and severity of exposure in those areas and the policies and procedures in place to control such exposure.

Our Risk Management Policy and Program includes an audit program aimed at identifying problems and ensuring that problems are corrected. The audit program includes two levels of review. One is in-depth audits performed by an external firm and the other is periodic monitoring performed by the Risk Management Division.

The Bank utilizes an external firm to conduct compliance audits as a means of identifying weaknesses in the compliance program itself. The external firm's audit plan includes a periodic review of each branch and department of the Bank.

The branch or department that is the subject of an audit is required to respond to the audit and correct any violations noted. The Chief Risk Officer will review audit findings and the response provided by the branch or department to identify areas which pose a significant compliance risk to the Bank.

The Risk Management Division conducts periodic monitoring of the Bank's compliance efforts with a special focus on those areas that expose the Bank to compliance risk. The purpose of the periodic monitoring is to ensure that Bank associates are adhering to established policies and procedures adopted by the Bank. The Chief Risk Officer will notify the appropriate department head, the Management Compliance Committee, the Audit Committee and the Risk Management Committee of any violations noted. The branch or department that is the subject of the review will be required to respond to the findings and correct any noted violations.

The Bank recognizes that customer complaints can often identify weaknesses in the Bank's compliance program which could expose the Bank to risk. Therefore, all complaints are given prompt attention. The Bank's Risk Management Policy and Program includes provisions on how customer complaints are to be addressed. The Chief Risk Officer reviews all complaints to determine if a significant compliance risk exists and communicates those findings to the Risk Management Committee.

Strategic Risk

Strategic risk is the risk to earnings or capital arising from adverse decisions or improper implementation of strategic decisions. This risk is a function of the compatibility between an organization's goals, the resources deployed against those goals and the quality of implementation.

Strategic risks are identified as part of the strategic planning process. Offsite strategic planning sessions, including members of the Board of Directors and Senior Leadership, are held annually. The strategic review consists of an economic assessment, competitive analysis, industry outlook and legislative and regulatory review.

A primary measurement of strategic risk is peer group analysis. Key performance ratios are compared to three separate peer groups to identify any sign of weakness and potential opportunities. The peer group consists of:

1. All banks of comparable size
2. High performing banks
3. A list of specific banks

Another measure is the comparison of the actual results of previous strategic initiatives against the expected results established prior to implementation of each strategy.

The corporate strategic plan is formally presented to all branch managers and department managers at an annual leadership conference.

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Reputation Risk

Reputation risk is the risk to capital and earnings arising from negative public opinion. This affects the Bank's ability to establish new relationships or services, or continue servicing existing relationships. It can expose the Bank to litigation and, in some instances, financial loss.

Price and Foreign Exchange Risk

Price risk arises from changes in market factors that affect the value of traded instruments. Foreign exchange risk is the risk to earnings or capital arising from movements in foreign exchange rates.

Our current exposure to price risk is nominal. We do not have trading accounts. Consequently, the level of price risk within the investment portfolio is limited to the need to sell securities for reasons other than trading. The section of this policy pertaining to liquidity risk addresses this risk.

We maintain deposit accounts with various foreign banks. Our Interbank Liability Policy limits the balance in any of these accounts to an amount that does not present a significant risk to our earnings from changes in the value of foreign currencies.

Our asset liability model calculates the market value of the Bank's equity. In addition, management prepares, on a monthly basis, a capital volatility report that compares changes in the market value of the investment portfolio. We have as our target to always be well-capitalized by regulatory standards.

The Balance Sheet Management Policy requires the submission of a Fair Value Matrix Report to the Balance Sheet Management Committee on a quarterly basis. The report calculates the economic value of equity under different interest rate scenarios, revealing the level or price risk of the Bank's interest sensitive asset and liability portfolios.

Recent Accounting Pronouncements

See Note 1, Summary of Significant Accounting Policies, Recent Accounting Pronouncements, in the accompanying notes to the consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss from adverse changes in the market prices and interest rates. Our market risk arises primarily from interest rate risk inherent in our lending and deposit taking activities. We currently do not enter into futures, forwards, or option contracts. For greater discussion on the risk management of the Company, see Item 7. Management's Discussion and Analysis of Financial Condition and the Results of Operations - Risk Management.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CVB Financial Corp.
Index to Consolidated Financial Statements
and Financial Statement Schedules

<u>Consolidated Financial Statements</u>	Page
<u>Consolidated Balance Sheets - December 31, 2008 and 2007</u>	72
<u>Consolidated Statements of Earnings Years Ended December 31, 2008, 2007 and 2006</u>	73

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Consolidated Financial Statements	Page
<u>Consolidated Statements of Stockholders' Equity and Comprehensive Income Years Ended December 31, 2008, 2007 and 2006</u>	74
<u>Consolidated Statements of Cash Flows Years Ended December 31, 2008, 2007 and 2006</u>	75
<u>Notes to Consolidated Financial Statements</u>	77
<u>Report of Independent Registered Public Accounting Firm</u>	108

All schedules are omitted because they are not applicable, not material or because the information is included in the financial statements or the notes thereto.

For information about the location of management's annual reports on internal control, our financial reporting and the audit report of KPMG, LLP thereon. See Item 9A. Controls and Procedures.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

1) Management's Report on Internal Control over Financial Reporting

Management of CVB Financial Corp., together with its consolidated subsidiaries (the Company), is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on our financial statements.

As of December 31, 2008, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2008 is effective. KPMG, LLP independent registered public accounting firm, has issued an attestation report on the effectiveness of internal control over financial reporting as of December 31, 2008.

2) Auditor attestation

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
CVB Financial Corp.:

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We have audited CVB Financial Corp. and subsidiaries' internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, CVB Financial Corp. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of CVB Financial Corp. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of earnings, stockholders' equity and comprehensive income, and cash flows for each of the years in the two-year period ended December 31, 2008, and our report dated February 27, 2009 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG, LLP

KPMG, LLP

Los Angeles, California
February 27, 2009

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3) Changes in Internal Control over Financial Reporting

We maintain controls and procedures designed to ensure that information is recorded and reported in all filings of financial reports. Such information is reported to our management, including our Chief Executive Officer and Chief Financial Officer to allow timely and accurate disclosure based on the definition of disclosure controls and procedures in SEC Rule 13a-15(e) and 15d-15(e).

As of the end of the period covered by this report, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer. Based on the foregoing, our Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures are effective as of the end of the period covered by this report.

During the fiscal quarter ended December 31, 2008, there have been no changes in our internal control over financial reporting that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

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Except as hereinafter noted, the information concerning directors and executive officers of the Company and our audit committee financial expert is incorporated by reference from the section entitled Discussion of Proposals recommended by the Board Proposal 1: Election of Directors and Beneficial Ownership Reporting Compliance and Audit Committee of our definitive Proxy Statement to be filed pursuant to Regulation 14A within 120 days after the end of the last fiscal year. For information concerning the executive officers of the Company, see Item 4A of part I hereto.

The Company has adopted a Code of Ethics that applies to all of the Company's employees, including the Company's principal executive officer, the principal financial and accounting officer, and all employees who perform these functions. A copy of the Code of Ethics is available to any person without charge by submitting a request to the Company's Chief Financial Officer at 701 N. Haven Avenue, Suite 350, Ontario, CA 91764. If the Company shall amend its Code of Ethics as applies to the principal executive officer, principal financial officer, principal accounting officer or controller (or persons performing similar functions) or shall grant a waiver from any provision of the code of ethics to any such person, the Company shall disclose such amendment or waiver on its website at www.cbbank.com under the tab Investor Relations.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning management remuneration and transactions is incorporated by reference from the section entitled Election of Directors and Executive Compensation Certain Relationships and Related Transactions of our definitive Proxy Statement to be filed pursuant to Regulation 14A within 120 days after the end of the last fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table summarizes information as of February 15, 2009 relating to our equity compensation plans pursuant to which grants of options, restricted stock, or other rights to acquire shares may be granted from time to time.

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	2,320,515	\$ 10.31	3,495,391
Equity compensation plans not approved by security holders			
Total	2,320,515	\$ 10.31	3,495,391

Information concerning security ownership of certain beneficial owners and management is incorporated by reference from the sections entitled Stock Ownership of our definitive Proxy Statement to be filed pursuant to Regulation 14A within 120 days after the end of the last fiscal year.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information concerning certain relationships and related transactions with management and others and information regarding director independence is incorporated by reference from the section entitled Executive Compensation

Certain Relationships and Related Transactions of our definitive Proxy Statement to be filed pursuant to Regulation 14A within 120 days after the end of the last fiscal year.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning principal accounting fees and services is incorporated by reference from the section entitled Ratification of Appointment of Independent Public Accountants of our definitive Proxy Statement to be filed pursuant to Regulation 14A within 120 days after the end of the last fiscal year.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Financial Statements

Reference is made to the Index to Financial Statements at page 64 for a list of financial statements filed as part of this Report.

Exhibits

See Index to Exhibits at Page 110 of this Form 10-K.

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