CVB FINANCIAL CORP
Form 10-K
February 29, 2008

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
For the fiscal year ended December 31, 2007

or

o **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	**95-3629339**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
701 N. Haven Avenue, Suite 350 Ontario, California	**91764**
(Address of Principal Executive Offices)	*(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	Name of Each Exchange on Which Registered
Common Stock, no par value	NASDAQ Stock Market, LLC
Preferred Stock Purchase Rights	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 þ No o

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 o No þ

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 þ No o

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. o

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 large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes o No þ

As of June 30, 2007, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately $933,180,796.

Number of shares of common stock of the registrant outstanding as of February 15, 2008: 84,164,906.

Documents Incorporated By Reference	**Part of**
Definitive Proxy Statement for the Annual Meeting of Stockholders which will be filed within 120 days of the fiscal year ended December 31, 2007	Part III of Form 10-K

CVB FINANCIAL CORP.

2007 ANNUAL REPORT ON FORM 10-K

TABLE OF CONTENTS

Table of Contents

INTRODUCTION

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 might cause such a difference include but are not limited to economic conditions, competition in the geographic and business areas in which we conduct our operations, fluctuations in interest rates, credit quality, ability to access funding resources, and government regulation. For additional information concerning these factors, see Item 1A. Risk Factors and any additional information we set forth in our periodic reports filed pursuant to the Securities Exchange Act of 1934, as amended. 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 statement 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 I and 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 I and II (which were 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. 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, 2007, the Company had $6.29 billion in total consolidated assets, $3.50 billion in net loans and $3.36 billion in deposits.

On June 22, 2007, we acquired First Coastal Bancshares (FCB). The Company issued 1,605,523 common shares and $18.0 million in cash to FCB shareholders in connection with the acquisition. FCB had total assets of $190.7 million, total loans of $140.0 million and total deposits of $193.5 million as of the acquisition date, June 22, 2007. FCB had four offices, in Manhattan Beach, El Segundo, Marina Del Rey, and Gardena. These four offices are operating as business financial centers of the Bank. The acquisition was not considered significant to the overall financial position of the Company.

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 not a member of the Federal Reserve System. At December 31, 2007, the Bank had $6.28 billion in assets, $3.50 billion in net loans and $3.36 billion in deposits.

As of December 31, 2007, we had 44 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 44 offices, we opened thirteen as de novo branches and acquired the other thirty-one in acquisition transactions. In 2007, we acquired four offices through the acquisition of FCB and opened one de novo branch in Stockton, California.

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 (formerly known as Financial Advisory Services Group). 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: Business Financial Centers (branches) and Treasury Department. Our Business Financial Centers are the focal points for customer sales and services. As such, these Business Financial 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 Other category for reporting purposes. See the sections captioned Results of 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.

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.

Table of Contents

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 us on interest-bearing liabilities, such as deposits and other borrowings, and the interest rates received by us on our interest-earning assets, such as loans 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 interest paid on interest-bearing liabilities. The nature and impact on us of any future changes in monetary and fiscal policies 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. We cannot predict whether or when potential legislation will be enacted, and if enacted, the effect that it, or any implementing regulations, would have on our financial condition or results of operations. In addition, the outcome of any investigations initiated by state authorities or litigation raising issues such as whether state laws are preempted by federal law may result in necessary changes in our operations, additional regulation and increased compliance costs.

Supervision and Regulation

General

We and our subsidiaries are extensively regulated under both federal and certain state laws. This regulation and supervision by the federal and state banking agencies is intended primarily for the protection of depositors and the deposit insurance fund and not for the benefit of stockholders. Set forth below is a summary 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 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). We are required to file with the FRB periodic reports and such additional information as the FRB may require.

The FRB may require us to 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. The FRB also has the authority to regulate provisions of certain bank holding company debt, including the authority to impose interest ceilings and reserve requirements on such debt. Under certain circumstances, we must file written notice and obtain FRB approval prior to purchasing or redeeming our equity securities. Further, we are required by the FRB to maintain certain levels of capital. See Capital Standards.

We are required to obtain prior FRB approval for the acquisition of more than 5% of the outstanding shares of any class of voting securities or substantially all of the assets of any bank or bank holding company. Prior FRB approval is also required for the merger or consolidation of a bank holding company with another bank holding company. Similar state banking agency approvals may also be required. Certain competitive, management, financial and other factors are considered by the bank regulatory agencies in granting these approvals.

With certain exceptions, bank holding companies are prohibited from acquiring direct or indirect ownership or control of more than 5% of the outstanding voting shares of any company that is not a bank or bank holding company and from engaging directly or indirectly in activities other than those of banking, managing or controlling banks, or furnishing services to subsidiaries. However, subject to prior notice or FRB approval, 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.

It is the policy of the FRB that each bank holding company serve as a source of financial and managerial strength to its subsidiary bank or banks. 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. The FRB s bank holding company rating system emphasizes risk management and evaluation of the potential impact of nondepository entities on safety and soundness.

We are 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).

The Bank

As a California chartered bank, the Bank is subject to primary supervision, periodic examination, and regulation by the DFI and the Federal Deposit Insurance Corporation (FDIC), as well as certain regulations promulgated by the FRB. If, as a result of an examination, the FDIC determines that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of our banking operations are unsatisfactory or that we are violating or have violated any law or regulation, various remedies are available to the FDIC, including the power to enjoin unsafe or unsound practices; restrict the Bank s growth geographically, by products and services, or by mergers and acquisitions; require affirmative action to correct any conditions resulting from any violation or practice; issue an administrative order that can be judicially enforced, to direct an increase in capital, to restrict our growth; assess civil monetary penalties; remove officers and directors; and ultimately to terminate deposit insurance, which would result in a revocation of the Bank s charter. See Safety and Soundness Standards.

The DFI also possesses broad powers to take corrective and other supervisory actions to resolve the problems of California state-chartered banks. These enforcement powers include cease and desist orders, the imposition of fines, the ability to take possession of the Bank and the ability to close and liquidate the Bank.

Changes such as the following in federal or state banking laws or the regulations, policies or guidance of the federal or state banking agencies could have an adverse cost or competitive impact on our bank operations:

(i) In December, 2006, the federal banking agencies issued final guidance to reinforce sound risk management practices for bank holding companies and banks in commercial real estate (CRE) loans which establishes CRE concentration thresholds as criteria for examiners to identify CRE concentration that may warrant further analysis. The implementation of these guidelines could result in increased reserves and capital costs for banks with CRE concentration. The Bank s CRE portfolio as of December 31, 2007 would meet the definition of CRE concentration as set forth in the guidelines. The Bank analyzes this concentration on a quarterly basis and monitors same through various reports it prepares. The Bank believes that it complies with the analytical and monitoring expectations as set forth in the aforementioned guidance. Furthermore, this concentration is considered in the methodology for the Allowance for Credit Losses.

(ii) In September, 2006, the federal banking agencies issued final guidance on alternative residential mortgage products that allow borrowers to defer repayment of principal and sometimes interest, including interest-only mortgage loans, and payment option adjustable rate mortgages where a borrower has flexible payment options, including payments that have the potential for negative amortization. While acknowledging that innovations in mortgage lending can benefit some consumers, the final guidance states that management should (1) assess a borrower s ability to repay the loan, including any principal balances added through negative amortization, at the fully indexed rate that would apply after the introductory period, (2) recognize that certain nontraditional mortgages are untested in a stressed environment and warrant strong risk management standards as well as appropriate capital and loan loss reserves, and (3) ensure that borrowers have sufficient information to clearly understand loan terms and associated risks prior to making a product or payment choice. The Bank believes its products and disclosures are in conformance with the requirements of the guidance.

(iii) Pursuant to the Financial Services Regulatory Relief Act of 2006, the Securities and Exchange Commission (SEC) and the FRB have released, as Regulation R, joint rules to implement exceptions provided for in the Gramm-Leach-Bliley Act (GLBA) for bank securities activities which banks may conduct without registering with the SEC as securities brokers or moving such activities to a broker-dealer affiliate. The FRB s final Regulation R provides exceptions for networking arrangements with third party broker-dealers and authorizes compensation for bank employees who refer and assist retail and high net worth bank customers with their securities, including sweep accounts to money market funds, and with related trust, fiduciary, custodial and safekeeping needs. The final rules which will not be effective until 2009 and are not expected to have a material effect on the current securities activities which the Bank currently conducts for customers.

Because California permits commercial banks chartered by the state to engage in any activity permissible for national banks, the Bank can form subsidiaries to engage in the many so-called closely related to banking or nonbanking activities commonly conducted by national banks in operating subsidiaries, but also expanded financial activities to the same extent as a national bank, subject to the state or FDIC requirements. However, in order to form a financial subsidiary, the Bank must be well-capitalized ; well-managed and in satisfactory compliance with the Community Reinvestment Act. Further, the Bank must exclude from its assets and equity all equity investments, including retained earnings, in a financial subsidiary. The assets of the subsidiary may not be consolidated with the Bank s assets. The Bank must also have policies and procedures to assess financial subsidiary risk and protect the Bank from such risks and potential liabilities and would be subject to the same capital deduction, risk management and affiliate transaction rules as applicable to national banks. Generally, a financial subsidiary is permitted to engage in activities that are financial in nature or incidental thereto, even though they are not permissible for the national bank to conduct directly within the Bank. The definition of financial in nature includes, among other items, underwriting, dealing in or making a market in securities, including, for example, distributing shares of mutual funds. The subsidiary may not, however, under present law engage as principal in underwriting insurance (other than credit life insurance), issue annuities or engage in real estate development or investment or merchant banking.

Interstate Banking and Branching

Subject to certain size limitations under the Riegle-Neal Interstate Banking Act, bank holding companies and banks have the ability to acquire and merge with banks in other states; and, subject to certain state restrictions, banks may also acquire or establish new branches outside their home states. Interstate branches are subject to certain laws of the states in which they are located.

The Sarbanes-Oxley Act

The Sarbanes-Oxley Act of 2002 addressed accounting oversight and corporate governance matters and, among other things,

- 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;
- enhanced controls on, and reporting of, insider trading; and

increased penalties for financial crimes and forfeiture of executive bonuses in certain circumstances.

The legislation and its implementing regulations have resulted in increased costs of compliance, including certain outside professional costs. To date these costs have not had a material impact on our operations.

Table of Contents

Dividends and Other Transfers of Funds

Dividends from the Bank constitute the principal source of income to the Company. An FRB policy statement provides that a bank holding company should pay cash dividends only to the extent that the holding company s net income for the past year is sufficient to cover both the cash dividends and a rate of earnings retention that is consistent with the holding company s capital needs, asset quality and overall financial condition. The policy statement also provides that it would be inappropriate for a company experiencing serious financial problems to borrow funds to pay dividends. Furthermore, under the federal prompt corrective action regulations, the FRB may prohibit a bank holding company from paying any dividends if the holding company s bank subsidiary is classified as undercapitalized. See Prompt Corrective Action and Other Enforcement Mechanisms below.

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 $98.6 million at December 31, 2007. In addition, the banking agencies have the authority to prohibit the Bank from paying dividends, depending upon the Bank s financial condition, if such payment is deemed to constitute an unsafe or unsound practice.

Capital Standards

The federal banking agencies have adopted risk-based minimum capital guidelines for bank holding companies and banks which are intended to provide a measure of capital that reflects the degree 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. Under the capital guidelines, a banking organization s total capital is divided into tiers. Tier I capital consists of (1) common equity, (2) qualifying noncumulative perpetual preferred stock, (3) a limited amount of qualifying cumulative perpetual preferred stock and (4) minority interests in the equity accounts of consolidated subsidiaries (including trust-preferred securities), less goodwill and certain other intangible assets. Qualifying Tier I capital may consist of trust-preferred securities, subject to certain criteria and quantitative limits for inclusion of restricted core capital elements in Tier I capital . Tier II capital consists of hybrid capital instruments, perpetual debt, mandatory convertible debt securities, a limited amount of subordinated debt, preferred stock and trust-preferred securities that do not qualify as Tier I capital, 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 subordinated 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-adjusted assets of 8% and a minimum ratio of Tier 1 capital to risk-adjusted assets of 4%. In addition to the risk-based guidelines, the federal bank regulatory agencies require banking organizations to maintain a minimum amount of Tier 1 capital to total assets, referred to as the leverage ratio. For a banking organization rated in the highest of the five categories used by regulators to rate banking organizations, the minimum leverage ratio of Tier 1 capital to total assets must be 3%.

The federal banking agencies possess broad power under the Federal Deposit Insurance Act, or FDI Act, to take prompt corrective action to resolve the problems of insured depository institutions, including but not limited to those institutions that fall within any undercapitalized category. Each federal banking agency has promulgated regulations defining the following five categories in which an insured depository institution will be placed, based on its capital ratios:

well capitalized ;

adequately capitalized ;

undercapitalized ;

significantly undercapitalized ; and

critically undercapitalized.

The regulations use an institution s risk-based capital, leverage capital and tangible capital ratios to determine the institution s capital classification. An institution is treated as well capitalized if its total capital to risk-weighted assets ratio is 10.00% or more; its core capital to risk-weighted assets ratio is 6.00% or more; and its core capital to adjusted total assets ratio is 5.00% or more. The regulatory capital guidelines as well as our actual capitalization on a consolidated basis and for the Bank as of December 31, 2007 are set forth below and confirm that both the Bank and the Company capital ratios exceed the minimum percentage of the federal bank regulatory agencies for being deemed well capitalized.

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, 2007:

	As of December 31, 2007					
	Actual		Required		Excess	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Amounts in thousands)			
Leverage ratio	$ 461,864	7.6%	$ 244,372	4.0%	$ 217,492	3.6%
Tier 1 risk-based ratio	$ 461,864	11.0%	$ 168,410	4.0%	$ 293,454	7.0%
Total risk-based ratio	$ 502,770	11.9%	$ 336,864	8.0%	$ 165,906	3.9%

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, 2007:

	As of December 31, 2007					
	Actual		Required		Excess	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Amounts in thousands)			
Leverage ratio	$ 435,857	7.1%	$ 244,520	4.0%	$ 191,337	3.1%
Tier 1 risk-based ratio	$ 435,857	10.4%	$ 167,799	4.0%	$ 268,058	6.4%
Total risk-based ratio	$ 471,762	11.2%	$ 335,774	8.0%	$ 135,988	3.2%

The current risk-based capital guidelines are based upon the 1988 capital accord of the International Basel Committee on Banking Supervision. A new international accord, referred to as Basel II, which emphasizes internal assessment of credit, market and operational risk; supervisory assessment and market discipline in determining minimum capital requirements, currently becomes mandatory for large international banks outside the U.S. in 2008, and is optional for others, and must be complied with in a parallel run for two years along with the existing Basel I standards. A separate rule is expected to be released and issued in final by the federal regulatory agencies in 2008 to offer U.S. banks that will not adopt Basel II an alternative standardized approach under Basel II option and address concerns that the Basel II framework may offer significant competitive advantages for the largest U.S. and international banks. The U.S. banking agencies have indicated, however, that they will retain the minimum leverage requirement for all U.S. banks.

The Federal Deposit Insurance Act (FDI Act) gives the federal banking agencies the additional broad authority to take prompt corrective action to resolve the problems of insured depository institutions that fall within any undercapitalized category, including requiring the submission of an acceptable capital restoration plan. 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. The guidelines set forth 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.

FDIC Insurance

Through the Deposit Insurance Fund (DIF), the FDIC insures our customer deposits up to prescribed limits for each depositor. 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. The FDIC may increase or decrease the assessment rate schedule on a semi-annual basis. The Federal Deposit Insurance Reform Act of 2006, or FDIRA, and implementing regulations provide for changes in the formula and factors to be considered by the

FDIC in calculating the FDIC reserve ratio, assessments and dividends, including business line concentrations and risk of failure and severity of loss in the event of failure. It is unclear whether the FDIC may need to increase assessments in the near term or longer term to address the risks and costs of any increase in bank failures.

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. The termination of deposit insurance for the 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

Table of Contents

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 FDI Act 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 February 2005, the Bank was rated satisfactory.

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.

Table of Contents

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.

Federal Home Loan Bank (FHLB) System

The Bank is a member of the Federal Home Loan Bank of San Francisco. Among other benefits, each FHLB serves as a reserve or central bank for its members within its assigned region. Each FHLB is financed primarily from the sale of consolidated obligations of the FHLB system. Each FHLB makes available loans or advances to its members in compliance with the policies and procedures established by the Board of Directors of the individual FHLB. FHLB members are required to own a certain amount of capital stock in the FHLB.

Federal Reserve System

The Federal Reserve Board requires all depository institutions to maintain non-interest bearing reserves at specified levels against their transaction accounts (primarily checking, NOW, and Super NOW checking accounts) and non-personal time deposits. At December 31, 2007, we were in compliance with these requirements.

Non-bank Subsidiaries

The Company s non-bank subsidiaries also are subject to regulation by the FRB and other applicable federal and state agencies. Other non-bank subsidiaries of the Company are subject to the laws and regulations of both the federal government and the various states in which they conduct business.

Employees

At February 15, 2008, we employed 773 persons, 545 on a full-time and 228 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 450 Fifth Street, N.W., Washington D.C., 20549. The public may obtain information on the operation of the public reference loans 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 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.

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.

Table of Contents

Changes in economic conditions could materially hurt our business Our business is directly affected by changes in economic conditions, including finance, legislative and regulatory changes and changes in government monetary and fiscal policies and inflation, all of which are beyond our control. Deterioration in economic conditions could result in the following consequences:

- problem assets and foreclosures may increase and we may be required to increase our provision for loan losses,
- demand for our products and services may decline,
- low cost or non-interest bearing deposits may decrease, and
- collateral for loans made by us, especially real estate, may decline in value, in turn reducing customers borrowing power, and reducing the value of assets and collateral associated with our existing loans.

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 and in counties in Central and Southern California where our business is concentrated.

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, 2007 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 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 face strong competition from financial services companies and other companies that offer banking services We conduct our operations almost exclusively in California. Increased competition in our markets may result in reduced loans and deposits. Ultimately, we may not be able to compete successfully against current and future competitors. Many competitors offer the banking services that we offer in our service areas. These competitors include national banks, regional banks and other community banks. We also face competition from many other types of financial institutions, including savings institutions, 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.

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 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 or acts of terrorism. If real estate prices decline, particularly in California, 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. As of December 31, 2007, approximately 75% of

Table of Contents

the book value of our loan portfolio consisted of loans collateralized by various types of real estate. Substantially all of our real estate collateral is located in California. If there is a significant decline in real estate values, especially in California, the collateral for our loans will provide less security.

If we cannot attract deposits, our growth may be inhibited. Our ability to increase our asset base depends in large part on our ability to attract additional deposits at favorable rates. We seek additional deposits by offering deposit products that are competitive with those offered by other financial institutions in our markets. We cannot assure you that these efforts will be successful.

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. 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 and certain other employees.

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 are subject to extensive government regulation. These regulations 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 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.

Like all financial institutions, we maintain an allowance for credit losses to provide for loan and lease defaults and non-performance Our allowance for credit losses may not be adequate to cover actual loan and lease losses, and future provisions for credit losses could materially and adversely affect our business, financial condition, and results of operations. The allowance for credit losses reflects our estimate of the probable losses in our loan and lease portfolio at the relevant balance sheet date. Our allowance for credit losses is based on prior experience, as well as an evaluation of the known risks in the current portfolio, composition and growth of the loan and lease portfolio and economic factors. The determination of an appropriate level of the allowance for credit losses is an inherently difficult process and is based on numerous assumptions. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates, that may be beyond our control and these losses may exceed current estimates. Federal and state regulatory agencies, as an integral part of their examination process, review our loans and leases and allowance for credit losses. While we believe that our allowance for credit losses is adequate to cover current 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. Either of these occurrences could have a material adverse affect on our business, financial condition, results of operations and prospects.

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.

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 could delay or prevent a third-party from acquiring us, even if doing so might be beneficial to our shareholders. These provisions provide for, among other things, a shareholder rights plan and the authorization to issue 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 others and 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.

Our stock price can be volatile due to many factors Our stock price can fluctuate widely in response to a variety of factors, in addition to those described above, including:

- general business and economic conditions
- changes in laws or government regulations
- recommendations by securities analysts
- new technology used, or services offered, by our competitors
- operating and stock price performance of other companies that investors deem comparable to us

news reports relating to trends, concerns and other issues in the financial services industry

natural disasters, such as earthquakes

geopolitical conditions such as acts or threats of terrorism or military conflicts

Negative publicity could damage our reputation Reputation risk, or the risk to our earnings and capital from negative publicity or public opinion, is inherent in our business. Negative publicity or public opinion could adversely affect our ability to keep and attract customers and expose us to adverse legal and regulatory

Table of Contents

consequences. Negative public opinion could result from our actual or perceived conduct in any number of activities, including lending practices, corporate governance, regulatory compliance, mergers and acquisitions, and disclosure, sharing or inadequate protection of customer information, and from actions taken by government regulators and community organizations in response to that conduct.

Recent negative developments in the financial industry and U.S. and global credit markets may impact our operations and results Negative developments in the latter half of 2007 in the subprime mortgage market and the securitization markets for such loans have resulted in uncertainty in the financial markets generally and the expectation of a general economic downturn beginning in 2008. Commercial as well as consumer loan portfolio performances have deteriorated at many institutions and the competition for deposits and quality loans has increased significantly. In addition, the values of real estate collateral supporting many commercial loans and home mortgages have declined and may continue. Bank and bank holding company stock prices have been 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. As a result, there is a potential for new federal or state laws and regulations regarding lending and funding practices and liquidity standards, and bank regulatory agencies are expected to be very aggressive in responding to concerns and trends identified in examinations, including the expected issuance of many formal enforcement orders. Negative developments in the financial industry and the impact of new legislation in response to those developments could negatively impact our operations by restricting our business operations, including our ability to originate or sell loans, result in an decline in the value of collateral securing our loans and a corresponding increase in our allowance for loan losses, and adversely impact our financial performance.

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, 2007, the Bank occupied the premises for thirty-eight of its offices under leases expiring at various dates from 2008 through 2020, at which time we can exercise options that could extend certain leases through 2026. We own the premises for twelve of our offices, including our operations center, located in Ontario, California.

Our total occupancy expense, exclusive of furniture and equipment expense, for the year ended December 31, 2007, was $10.5 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.

Item 4. *Submission of Matters to a Vote of Security Holders*

No matters were submitted to shareholders during the fourth quarter of 2007.

Table of Contents

Item 4A. ***Executive Officers of the Company***

The following tables set forth certain information regarding our executive officers as of February 28, 2008:

Executive Officers:

Name	Position	Age
Christopher D. Myers	President and Chief Executive Officer of the Company and the Bank	45
Edward J. Biebrich Jr.	Chief Financial Officer of the Company and Executive Vice President and Chief Financial Officer of the Bank	64
Jay W. Coleman	Executive Vice President/Sales Division of the Bank	65
Edward J. Mylett, Jr.	Executive Vice President/Credit Management Division of the Bank	59
Christopher A. Walters	Executive Vice President/CitizensTrust Division of the Bank	44

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. Coleman assumed the position of Executive Vice President of the Bank on December 5, 1988.

Mr. Mylett assumed the position of Executive Vice President and Senior Loan Officer of the Bank on March 1, 2006. Prior to that, he served as Senior Vice President Regional Manager of the Bank from July 2003 to March 2006 and the Burbank Business Financial Center Manager from June 2002 to July 2003. Prior to that, Mr. Mylett served as Executive Vice President, Chief Operating Officer and Senior Credit Officer for Western Security Bank from 1992 to June 2002.

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.

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 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 1,938 shareholders of record as of February 15, 2008.

Two Year Summary of Common Stock Prices

Quarter Ended	High	Low	Dividends
3/31/2006	$ 15.60	$ 14.71	$ 0.09 Cash Dividend
6/30/2006	$ 15.59	$ 13.25	$ 0.09 Cash Dividend
9/30/2006	$ 14.24	$ 12.83	$ 0.09 Cash Dividend
12/31/2006	$ 14.13	$ 12.83	$ 0.085 Cash Dividend
			10% Stock Dividend
3/31/2007	$ 13.38	$ 11.42	$ 0.085 Cash Dividend
6/30/2007	$ 12.40	$ 10.63	$ 0.085 Cash Dividend
9/30/2007	$ 12.71	$ 9.51	$ 0.085 Cash Dividend
12/31/2007	$ 11.97	$ 9.98	$ 0.085 Cash Dividend

For information on the ability of the Bank to pay dividends and make loans 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 February 21, 2007, the Company s Board of Directors approved a program to repurchase up to 2,000,000 shares of our common stock. This program was combined with the 775,163 shares that remained from our previous stock repurchase program, approved in October 2001. All but 55,389 of the 2,775,163 shares were repurchased through September 30, 2007 for a total price of $30.0 million.

On August 15, 2007, the Company s Board of Directors approved a new program to repurchase up to 5,000,000 shares of our common stock. This program was combined with the 55,389 shares remaining from our previous stock repurchase program, approved in February 2007. During the fourth quarter of 2007, 375,143 shares were repurchased for a total price of $3.9 million. There is no expiration date for our current stock repurchase program. As of December 31, 2007, 4,680,246 shares are available to be repurchased in the future under this repurchase plan.

Issuer Purchases of Equity Securities

	Total Number of	Maximum Number of Shares that

Period	Total Number of Shares Purchased	Average Price Paid per Share	Shares Purchased as Part of Publicly Announced Programs	May Yet Be Purchased Under the Program
10/1/07 - 10/31/07				
11/1/07 - 11/30/07	375,143	$ 10.32	375,143	4,680,246
12/1/07 - 12/31/07				
Total	375,143	$ 10.32	375,143	4,680,246

Table of Contents

Performance Graph

The following Performance Graph and related information shall not be deemed soliciting material or to 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.

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 January 1, 2003, and reinvestment of dividends through December 31, 2007. 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. On June 11, 2001, CVB Financial Corp s common stock ceased trading on the American Stock Exchange and began trading on the Nasdaq National Market System on the following business day.

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

	2002	2003	2004	2005	2006	2007
CVB FINANCIAL CORP	100.00	107.41	151.07	146.96	133.81	108.29
HEMSCOTT GROUP INDEX	100.00	151.45	184.88	193.62	202.01	144.94
NASDAQ MARKET INDEX	100.00	150.36	163.00	166.58	183.68	201.91

Table of Contents

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.

	At December 31,				
	2007	**2006**	**2005**	**2004**	**2003**
	(Amounts and numbers in thousands except per share amounts)				
Interest Income	$ 341,277	$ 316,091	$ 246,884	$ 197,257	$ 166,346
Interest Expense	180,135	147,464	77,436	46,517	37,053
Net Interest Income	161,142	168,627	169,448	150,740	129,293
Provision for Credit Losses	4,000	3,000			
Other Operating Income	31,325	33,258	27,505	27,907	29,989
Other Operating Expenses	105,404	95,824	90,053	89,722	77,794
Earnings Before Income Taxes	83,063	103,061	106,900	88,925	81,488
Income Taxes	22,479	32,481	36,710	27,698	28,656
NET EARNINGS	$ 60,584	$ 70,580	$ 70,190	$ 61,227	$ 52,832
Basic Earnings Per Common Share(1)	$ 0.72	$ 0.84	$ 0.83	$ 0.74	$ 0.64
Diluted Earnings Per Common Share(1)	$ 0.72	$ 0.83	$ 0.83	$ 0.73	$ 0.63
Cash Dividends Declared Per Common Share	$ 0.340	$ 0.355	$ 0.420	$ 0.480	$ 0.480
Cash Dividends paid	28,479	27,876	27,963	23,821	21,638
Dividend Pay-Out Ratio(3)	47.01%	39.50%	39.60%	38.74%	40.96%
Weighted Average Common Shares(1):					
Basic	83,600,316	84,154,216	84,139,254	83,221,496	82,813,541
Diluted	84,005,941	84,813,875	84,911,893	84,258,933	84,408,373
Common Stock Data:					
Common shares outstanding at year end(1)	83,164,906	84,281,722	84,073,227	83,416,193	82,997,315
Book Value Per Share(1)	$ 5.11	$ 4.60	$ 4.07	$ 3.81	$ 3.45
Financial Position:					
Assets	$ 6,293,963	$ 6,092,248	$ 5,422,283	$ 4,510,752	$ 3,854,349
	2,390,566	2,582,902	2,369,892	2,085,014	1,865,782

Investment Securities available-for-sale					
Net Loans	3,462,095	3,042,459	2,640,660	2,117,580	1,738,659
Deposits	3,364,349	3,406,808	3,424,045	2,875,039	2,660,510
Borrowings	2,339,809	2,139,250	1,496,000	1,186,000	786,500
Junior Subordinated debentures	115,055	108,250	82,476	82,746	82,476
Stockholders Equity	424,948	387,325	342,189	317,224	286,721
Equity-to-Assets Ratio(2)	6.75%	6.36%	6.31%	7.03%	7.44%
Financial Performance:					
Return on:					
Beginning Equity	15.64%	20.63%	22.13%	21.44%	20.33%
Average Equity	15.00%	19.45%	20.77%	20.33%	19.17%
Average Assets	1.00%	1.22%	1.44%	1.47%	1.54%
Net Interest Margin (TE)	3.03%	3.30%	3.86%	3.99%	4.18%
Efficiency Ratio	55.93%	48.18%	45.72%	50.10%	48.84%

Table of Contents

	At December 31, 2007	2006	2005	2004	2003
	(Amounts and numbers in thousands except per share amounts)				
Credit Quality:					
Allowance for Credit Losses	$ 33,049	$ 27,737	$ 23,204	$ 22,494	$ 21,282
Allowance/Total Loans	0.95%	0.90%	0.87%	1.05%	1.21%
Total Non Performing Loans	$ 1,435	$	$	$ 2	$ 548
Non Performing Loans/Total Loans	0.04%	0.00%	0.00%	0.00%	0.03%
Allowance/Non Performing Loans	2,303%			1,124,698%	3,884%
Net (Recoveries)/Charge-offs	$ 1,358	$ (1,533)	$ 46	$ (1,212)	$ 1,418
Net (Recoveries)/Charge-Offs/Average Loans	0.04%	–0.05%	0.00%	–0.06%	0.09%
Regulatory Capital Ratios					
For the Company:					
Leverage Ratio	7.6%	7.8%	7.7%	8.3%	8.6%
Tier 1 Capital	11.0%	12.2%	11.3%	12.6%	13.2%
Total Capital	11.9%	13.0%	12.0%	13.4%	14.5%
For the Bank:					
Leverage Ratio	7.1%	7.0%	7.3%	7.8%	8.6%
Tier 1 Capital	10.4%	11.0%	10.8%	11.9%	13.2%
Total Capital	11.2%	11.8%	11.5%	12.7%	14.2%

(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, the 5-for-4 stock split declared on December 21, 2005, which became effective January 10, 2006, the 5-for-4 stock split declared December 15, 2004, which became effective December 29, 2004, the 10% stock dividend declared December 17, 2003 and paid January 2, 2004, and the 5-for- 4 stock split declared December 18, 2002, which became effective January 3, 2003. 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.

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 Trust I and 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. Through our acquisition of FCB our geographic market has expanded to include the South Bay region of Los Angeles County. Our mission is to offer the finest financial products and services to professionals and businesses in our market area.

Table of Contents

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, borrowings, salaries and benefits. As such our net income is subject to fluctuations in interest rates and their impact on our income statement. Our net interest margin has been compressed over the last 2 years as a result of the interest rate environment. 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 housing slow down and this has had an impact on us by means of the slower growth in construction loans and the decrease in deposit balances from escrow companies. Unemployment remains low, but job growth is slowing. The inland empire has been hit hardest in this downturn thus far. Approximately 29% of the total loan portfolio of $3.5 billion is located in the Inland Empire region of California. The rest of the portfolio is from outside of this region. Weaknesses in the local economy could adversely affect us through diminished loan demand and credit quality deterioration.

Over the past few years, we have been active in acquisitions and we will continue to pursue acquisition targets and engage in de novo branch activities to 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 four de novo branches in; Glendale, Bakersfield, Fresno, and Madera. In May 2007, we opened another de novo branch in Stockton, California. In February 2008, we opened our first Commercial Banking Group in Encino, California. This group will operate primarily as a sales office and focus on business clients and their principals, professionals, and high net-worth individuals.

Our growth in loans during 2007 compared with 2006 has allowed our 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 a low cost of deposits, currently 2.03% for the year ended December 31, 2007. However, the rise in interest expense resulting primarily from an increase in average interest-bearing liabilities and an increase in the cost of these liabilities has caused our net interest margin to decline to 3.03% for 2007, compared to 3.30% for 2006.

Our net income decreased to $60.6 million in 2007 compared with $70.6 million in 2006, a decrease of $10.0 million or 14.16%. Diluted earnings per share decreased $0.11, from $0.83 in 2006 to $0.72 in 2007. The decrease of $10.0 million is primarily the result of a decrease of $7.5 million in net interest income and an increase in non-interest expense of $9.6 million, offset by a $10.0 million reduction in our tax provision.

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 Operations.

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. Many of the securities included in the investment portfolio are purchased at a premium or discount. The premiums or discounts

Table of Contents

are amortized or accreted over the life of the security. For mortgage-backed securities (MBS), the amortization or accretion is based on estimated average lives of the securities. The lives of these securities can fluctuate based on the amount of prepayments received on the underlying collateral of the securities. The amount of prepayments varies from time to time based on the interest rate environment (i.e., lower interest rates increase the likelihood of refinances) and the rate of turn over of the mortgages (i.e., how often the underlying properties are sold and mortgages are paid-off). We use estimates for the average lives of these mortgage backed securities based on information received from third parties whose business it is to compile mortgage related data and develop a consensus of that data. We adjust the rate of amortization or accretion regularly to reflect changes in the estimated average lives of these securities.

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, available-for-sale 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 interest 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 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, 2007	2006	2005
	(Dollars in thousands, except per share amounts)		
Net earnings	$ 60,584	$ 70,580	$ 70,190
Earnings per common share:			
Basic(1)	$ 0.72	$ 0.84	$ 0.83
Diluted(1)	$ 0.72	$ 0.83	$ 0.83
Return on average assets	1.00%	1.22%	1.44%
Return on average shareholders equity	15.00%	19.45%	20.77%

(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 and the 5-for-4 stock split declared on December 21, 2005, which became effective January 10, 2006.

Earnings

We reported net earnings of $60.6 million for the year ended December 31, 2007. This represented a decrease of $10.0 million, or 14.16%, from net earnings of $70.6 million for the year ended December 31, 2006. Net earnings for 2006 increased $392,000 to $70.6 million, or 0.56%, over net earnings of $70.2 million for the year ended December 31, 2005. Diluted earnings per share were $0.72 in 2007, as compared to $0.83 in 2006, and $0.83 in 2005. Basic earnings per share were $0.72 in 2007, as compared to $0.84 in 2006, and $0.83 in 2005. Diluted and basic earnings per share have been adjusted for the effects of a ten percent stock dividend declared December 20, 2006 and paid on January 19, 2007 and a 5-for-4 stock split declared December 21, 2005, which became effective January 10, 2006.

The decrease in net earnings for 2007 compared to 2006 was primarily the result of a decrease in net interest margin and increase in other operating expenses. Our financial results and operations have been affected by competition which has manifested itself with increased pricing pressures for loans and deposits, thus compressing our net interest margin. In addition, as interest rates have risen, the costs of our borrowings have increased at a faster rate than the increase in the yield on our investments. Because of the pressure on the net interest margin, other operating income has become a more important element in the total revenue of the Company. The increase in net earnings for 2006 compared to 2005 was primarily the result of an increase in other operating income, offset by a decrease in net interest margin and an increase in other operating expenses.

For 2007, our return on average assets was 1.00%, compared to 1.22% for 2006, and 1.44% for 2005. Our return on average stockholders equity was 15.00% for 2007, compared to a return of 19.45% for 2006, and 20.77% for 2005.

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 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 $157.1 million for 2007. This represented a decrease of $8.5 million, or 5.12%, from net interest income of $165.6 million for 2006. Net interest income for 2006 decreased $3.8 million, or 2.25%, from net interest income of $169.4 million for 2005. The decrease in net interest income of $8.5 million for 2007 resulted from an increase of $25.2 million in interest income offset by an increase of $32.7 million in interest expense and a $1.0 million increase in provision for credit losses. The increase in interest income of $25.2 million resulted from the $297.7 million increase in average 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 resulted from the 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.

The major reason for the decrease in net interest income was the flattening of the yield curve and its affect on our liabilities. Our interest-bearing liabilities are comprised of customer deposits and borrowings from primarily the FHLB or other correspondent banks. The borrowings are at market rates and have reset upwards as average rates rose in 2007. As a result of increased competition, our rates on customer deposits have risen also, but slower than rates on borrowings.

The decrease in net interest income of $3.8 million for 2006 as compared to 2005 resulted from an increase of $69.2 million in interest income offset by a $70.0 million increase in interest expense and a $3.0 million increase in provision for credit losses. This increase in interest income of $69.2 million resulted from the $848.9 million increase in average earning assets and the increase in yield on earning assets to 6.04% in 2006 from 5.57% in 2005. The increase of $70.0 million in interest expense was the result of an increase in the average rate paid on interest-bearing liabilities to 3.70% in 2006 from 2.49% in 2005, and an increase of $877.8 million in average interest-bearing liabilities.

Interest income totaled $341.3 million for 2007. This represented an increase of $25.2 million, or 7.97%, compared to total interest income of $316.1 million for 2006. For 2006, total interest income increased $69.2 million, or 28.03%, over total interest income of $246.9 million for 2005. The increase in total interest income was primarily due to an increase in volume of interest earning assets and increase in interest rates in 2007, 2006, and 2005 on total earning assets.

Interest expense totaled $180.1 million for 2007. This represented an increase of $32.7 million, or 22.15%, over total interest expense of $147.5 million for 2006. For 2006, total interest expense increased $70.0 million, or 90.43%, over total interest expense of $77.4 million for 2005. The increase in total interest expense was primarily due to an increase in average interest-bearing liabilities and increases in average rates in 2007, 2006, and 2005 on total interest-bearing liabilities.

Table of Contents

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 1 Distribution of Average Assets, Liabilities, and Stockholders Equity; Interest Rates and Interest Differentials

	Twelve-Month Period Ended December 31,								
	2007			2006			2005		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Avera Rat
	(Amounts in thousands)								
ETS									
stment rities Taxable	$ 1,722,605	$ 85,899	4.99%	$ 1,907,713	$ 91,029	4.80%	$ 1,774,842	$ 76,573	4.3
preferenced(1)	666,278	29,231	5.88%	604,222	26,545	5.90%	425,877	19,078	5.9
stment in FHLB k	80,789	4,229	5.23%	74,368	3,721	5.00%	64,144	2,559	3.9
eral Funds & Interest ing Deposits other tutions	1,876	109	5.81%	1,843	92	4.99%	8,908	253	2.8
ns(2)(3)	3,226,086	221,809	6.88%	2,811,782	194,704	6.92%	2,277,304	148,421	6.5
l Earning Assets	5,697,634	341,277	6.17%	5,399,928	316,091	6.04%	4,551,075	246,884	5.5
l Non Earning ts	382,869			363,892			317,676		
l Assets	$ 6,080,503			$ 5,763,820			$ 4,868,751		
BILITIES AND STOCKHOLDERS EQUITY									
ngs Deposits(4)	$ 1,288,745	$ 31,764	2.46%	$ 1,220,441	$ 26,637	2.18%	$ 1,140,703	$ 13,907	1.2
e Deposits	844,667	37,533	4.44%	940,634	40,543	4.31%	539,433	15,001	2.7
l Deposits	2,133,412	69,297	3.25%	2,161,075	67,180	3.11%	1,680,136	28,908	1.7
r Borrowings	2,214,108	110,838	4.94%	1,826,532	80,284	4.40%	1,429,632	48,528	3.3
est Bearing ilities	4,347,520	180,135	4.11%	3,987,607	147,464	3.70%	3,109,768	77,436	2.4
-interest bearing sits	1,285,857			1,354,014			1,382,968		
r Liabilities	43,285			59,296			38,057		
kholders Equity	403,841			362,903			337,958		

l Liabilities and kholders Equity	$ 6,080,503	$ 5,763,820	$ 4,868,751
nterest income	$ 161,142	$ 168,627	$ 169,448
nterest spread quivalent	2.06%	2.34%	3.0
nterest margin	2.86%	3.13%	3.7
nterest margin quivalent	3.03%	3.30%	3.8
nterest margin uding loan fees	2.76%	3.02%	3.5
nterest margin uding loan fees quivalent	2.93%	3.19%	3.6

(1) Includes tax-exempt income of $9.9 million for 2007, $8.7 million for 2006 and $6.1 million for 2005. Non tax equivalent rate was 4.39% for 2007, 4.44% for 2006, and 4.64% for 2005.

(2)