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

(Amendment No. 1)
FORM 8-K/A

Current Report
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **August 10, 2018**

CVB FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

California	**0-10140**	**95-3629339**
(State or other jurisdiction of incorporation or organization)	(Commission file number)	(I.R.S. employer identification number)

701 North Haven Avenue, Ontario, California	**91764**
(Address of principal executive offices)	(Zip Code)

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

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (See General Instruction A.2.):
[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.01 Completion of Acquisition or Disposition of Assets.

On August 13, 2018, CVB Financial Corp. (the "Company") filed a Current Report on Form 8-K (the "Original Report") reporting the completion of its merger transaction with Community Bank ("Community" or "Community Bank"), located in Pasadena, California.

This Current Report on Form 8-K/A is being filed solely to amend the Original Report to provide the historical financial statements of Community described in Item 9.01(a) below and the unaudited pro forma condensed combined financial statements described in Item 9.01(b) below. No other changes have been made to the Original 8-K.

Item 9.01 Financial Statements and Exhibits

Exhibit No.	Description of Exhibit
(a)	***Financial statements of businesses acquired.***
	Community's audited consolidated statements of financial condition as of December 31, 2017 and 2016 and related audited consolidated statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for the years ended December 31, 2017, 2016 and 2015, the notes related thereto and the independent auditor's report were previously included as part of Amendment No. 1 to the Company's Registration Statement on Form S-4 (Registration No. 333-224311), as filed by the Company with the Securities and Exchange Commission (the "SEC") on May 4, 2018 and declared effective on May 8, 2018 (the "Registration Statement"), and are incorporated herein by reference.
	The unaudited consolidated financial statements of Community as of and for the three months ended March 31, 2018 and 2017 required by this item are included as Exhibit 99.1 to this amended Current Report on Form 8-K/A.
(b)	***Pro forma financial information.***
	The unaudited pro forma condensed combined balance sheet of the Company as of December 31, 2017, the unaudited pro forma condensed combined statement of earnings for the year ended December 31, 2017, and the unaudited notes related thereto were previously included in the Registration Statement under the heading "Unaudited Pro Forma Condensed Combined Financial Statements," and are incorporated herein by reference.
	The unaudited pro forma condensed combined financial statements of the Company as of and for the three months ended March 31, 2018 and for the year ended December 31, 2017 required by this item are included as Exhibit 99.2 to this amended Current Report on Form 8-K/A.
(d)	***Exhibits.***
23.1	Consent of Independent Auditor.
99.1	Unaudited consolidated financial statements of Community Bank as of and for the three months ended March 31, 2018 and March 31, 2017.
99.2	Unaudited pro forma condensed combined financial statements of the Company as of and for the three months ended March 31, 2018 and for the year ended December 31, 2017.

Exhibit Index

23.1	Consent of Independent Auditor.
99.1	Unaudited consolidated financial statements of Community Bank as of and for the three months ended March 31, 2018 and March 31, 2017.
99.2	Unaudited pro forma condensed combined financial statements of the Company as of and for the three months ended March 31, 2018 and for the year ended December 31, 2017.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CVB FINANCIAL CORP.
(Registrant)

Date: October 26, 2018

By: /s/ E. Allen Nicholson
E. Allen Nicholson
Executive Vice President and Chief Financial Officer

Exhibit 23.1

Consent of Independent Auditor

We consent to the incorporation by reference in the registration statements of CVB Financial Corp. on Form S-8 (Nos. 333-151755, 333-150017, 333-150016 and 333-225173), and on Form S-4 (No. 333-224311) of our report dated February 28, 2018, relating to the consolidated financial statements of Community Bank and its subsidiaries, appearing in this Amendment No. 1 to the current report on Form 8-K/A filed by CVB Financial Corp. on October 26, 2018.

We also consent to the reference of our firm under the heading “Experts” in such Registration Statement.

/s/ RSM US LLP

Los Angeles, California
October 24, 2018

Exhibit 99.1

COMMUNITY BANK

Unaudited Consolidated Financial Statements
As of and for the Three Months Ended March 31, 2018

FINANCIAL STATEMENTS (Unaudited)

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Unaudited)

(IN THOUSANDS, EXCEPT SHARE DATA) AS OF	March 31, 2018	December 31, 2017
ASSETS		
Cash and due from banks	$ 33,320	$ 32,006
Interest bearing bank balances	13,100	12,292
Total cash and cash equivalents	46,420	44,298
Investment securities, available for sale, at fair value	780,183	837,415
Loans and leases, net of allowance for loan losses of $36,026 and $35,346, as of March 31, 2018 and December 31, 2017, respectively	2,728,597	2,704,513
Premises and equipment, net	9,162	9,401
Goodwill	1,435	1,435
Other real estate owned, net	825	825
Bank owned life insurance	70,486	69,863
Accrued interest receivable	11,560	11,749
Federal Home Loan Bank stock, at cost	17,250	17,250
Deferred income taxes, net	19,815	15,355
Other assets	34,640	35,294
Total assets	**$ 3,720,373**	**$ 3,747,398**
LIABILITIES		
Deposits:		
Non-interest bearing	$ 1,206,049	$ 1,177,453
Interest bearing	1,617,713	1,682,761
Total deposits	2,823,762	2,860,214
Short-term borrowings	212,000	197,500
Long-term FHLB advances	305,000	305,000
Accrued interest payable and other liabilities	29,709	32,274
Total liabilities	**3,370,471**	**3,394,988**
Commitments and contingencies	-	-
SHAREHOLDERS' EQUITY		
Common stock, no par value, 30,000,000 shares authorized and 3,134,095 and 3,134,095 issued and outstanding at March 31, 2018 and December 31, 2017, respectively	3,134	3,134
Additional paid-in-capital	10,199	9,773
Retained earnings	351,085	344,351
Accumulated other comprehensive loss, net of tax	(14,516)	(4,848)
Total shareholders' equity	**349,902**	**352,410**
Total liabilities and shareholders' equity	**$ 3,720,373**	**$ 3,747,398**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

THREE MONTHS ENDED MARCH 31,	2018	2017
INTEREST INCOME		
Loans	$ 31,498	$ 26,124
Investment securities:		
Taxable	3,874	4,329
Tax exempt	580	702
FHLB dividends	304	394
Interest bearing bank balances	69	33
Total interest income	**36,325**	**31,582**
INTEREST EXPENSE		
Deposits	2,767	2,056
Short-term borrowings	778	559
Long-term FHLB advances	1,166	1,194
Total interest expense	**4,711**	**3,809**
Net interest income	**31,614**	**27,773**
Provision (release of provision) for loan losses	650	(1,600)
Net interest income after provision for loan losses	**30,964**	**29,373**
NON-INTEREST INCOME		
Service charges on deposits	977	1,021
Fees and commissions	423	502
Bank owned life insurance	603	353
Other non-interest income	78	49
Net loss on sale of premises and equipment	(13)	-
Net gain on sale of OREO	-	8
Net loss on sale of securities	(30)	(15)
Net loss recognized during the period on equity securities	(161)	-
Net gain on sales of loans	118	63
Total non-interest income	**1,995**	**1,981**
NON-INTEREST EXPENSE		
Salaries and employee benefits	15,542	14,595
Deferral of loan origination costs	(986)	(1,256)
Occupancy expense	1,733	1,710
Professional Services	1,905	575
Data processing expense	931	807
FDIC insurance expense	329	308
Net OREO expense	3	39
Other non-interest expense	2,193	1,952
Total non-interest expense	**21,650**	**18,730**
Income before taxes	**11,309**	**12,624**
Income tax expense	3,305	4,837
Net income	**$ 8,004**	**$ 7,787**
EARNINGS PER SHARE		
Basic	$ 2.55	$ 2.49
Diluted	$ 2.54	$ 2.49
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	3,134,095	3,131,569
Diluted	3,154,255	3,132,931

See *accompanying notes to consolidated financial statements.*

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

(IN THOUSANDS)	THREE MONTHS ENDED MARCH 31, 2018	2017
Net income	$8,004	$7,787
Other comprehensive income (loss):		
Reclassification of realized loss on investment securities – AFS sold during the period, net of tax (benefit) of $(9) and $(6), for the three months ended March 31, 2018 and 2017, respectively	21	9
Change in net unrealized holding gain(loss) on investment securities – AFS arising during the period, net of tax (benefit) of $4,009 and $(623) for the three months ended March 31, 2018 and 2017, respectively	(9,392)	858
Total other comprehensive income (loss)	(9,371)	867
Comprehensive income (loss)	**($1,367)**	**$8,654**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

(IN THOUSANDS EXCEPT SHARES AND PER SHARE DATA)	COMMON STOCK SHARES	COMMON STOCK	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	TOTAL
Balance, December 31, 2017	**3,134,095**	**$3,134**	**$9,773**	**$344,351**	**$ (4,848)**	**$352,410**
Reclassification due to adoption of ASU 2016-01	-	-	-	297	(297)	-
Balance, January 1, 2018	**3,134,095**	**3,134**	**9,773**	**344,648**	**(5,145)**	**352,410**
Dividends declared – common ($0.50 per share)	-	-	-	(1,567)	-	(1,567)
Stock based compensation	-	-	426	-	-	426
Net income	-	-	-	8,004	-	8,004
Other comprehensive income (loss)	-	-	-	-	(9,371)	(9,371)
Balance, March 31, 2018	**3,134,095**	**$3,134**	**$10,199**	**$351,085**	**$ (14,516)**	**$349,902**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(IN THOUSANDS) THREE MONTHS ENDED MARCH 31,	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 8,004	$ 7,787
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Net amortization of premiums on investment securities	874	973
(Release of) provision for loan losses	650	(1,600)
Depreciation and amortization	550	528
Amortization of deferred loan (fees)/costs, net	263	44
Amortization of affordable housing investment	411	404
Net loss on sale of loans	(112)	(57)
Originations of loans held for sale	(2,796)	(585)
Proceeds from sale of loans held for sale	2,908	642
Net loss on sale of real estate owned including write-down	-	(8)
Net loss on sale of investment securities	30	15
Net loss on disposal of premises and equipment	13	-
Net (increase) decrease in prepaid expenses	(109)	112
Net (increase) decrease in accrued interest receivable	189	70
Net increase (decrease) in accrued interest payable	(143)	(161)
Net increase (decrease) in accrued expenses	(1,056)	(3,205)
Net (increase) decrease in deferred tax asset	(297)	(496)
Net (increase) decrease in other assets	2,281	2,142
Lease amortization of step up provisions	(108)	(44)
Net increase in cash surrender value of bank owned insurance policies	(623)	(374)
Net increase (decrease) in other liabilities	(2,298)	16
Net cash provided by operating activities	**8,631**	**6,203**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities – AFS	-	(44,730)
Proceeds from the maturity of investment securities – AFS	40,529	33,696
Proceeds from the sale of investment securities – AFS	2,265	498
Net (increase) decrease in loans	(24,998)	(22,177)
Purchase of affordable housing investment	(1,005)	-
Purchase of FHLB stock	-	(1,515)
Purchase of premises and equipment, net	(208)	(155)
Proceeds from sale of real estate owned	-	3,008
Net cash provided by (used in) investment activities	**16,583**	**(31,375)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in non-interest bearing deposits	28,597	8,721
Net increase (decrease) in interest bearing deposits	(65,048)	(44,856)
Net increase (decrease) in short-term borrowings	14,500	72,000
Issuance of restricted stock units	426	141
Issuance of common stock	-	794
Dividends paid	(1,567)	(1,567)
Net cash provided by (used in) financing activities	**(23,092)**	**35,233**
Net increase in cash and cash equivalents	2,122	10,061
Cash and cash equivalents, beginning of year	44,298	47,552
Cash and cash equivalents, end of period	**$ 46,420**	**$ 57,613**

SUPPLEMENTAL CASH FLOW DISCLOSURES

	2018	2017
Interest paid	$ 4,854	$ 3,970
Income taxes paid	-	-

See accompanying notes to consolidated financial statements.

A complete set of Notes to the Consolidated Financial Statements is a part of the Community Bank ("Bank") 2017 Consolidated Financial Statements. The notes below are included due to material changes in the consolidated financial statements or to provide the reader with additional information not otherwise available. In preparing these consolidated financial statements, the Bank has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through October 24, 2018.

On February 26, 2018, the Bank entered into an Agreement and Plan of Reorganization and Merger ("Agreement") with CVB Financial Corp ("CVB") and Citizens Business Bank ("Citizens"). In accordance with the Agreement, the Bank will merge into Citizens, and each outstanding share of the Bank will be converted into cash in the amount of $56.00 per share and 9.4595 shares of CVB common stock, subject to adjustment as set forth in the Agreement. The agreement was approved by the Board of Directors and the shareholders of each Company. Closing of the transaction, which occurred August 10, 2018 was contingent on satisfaction of customary closing conditions.

1. BASIS OF PRESENTATION

The accompanying interim consolidated financial statements include the accounts of the Bank and its wholly owned subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

The accompanying consolidated financial statements have been prepared by the Bank without audit and in conformity with generally accepted accounting principles in the United States of America for interim financial information. The consolidated financial statements include all adjustments and accruals (consisting only of normal recurring adjustments), which the Bank considers necessary for a fair presentation of the results of operations for such interim periods. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, as of the date of the balance sheets and income and expenses for the periods. Material estimates particularly susceptible to material change include allowance for loan losses and fair value determinations for investment securities. Actual results could differ from those estimates.

The balance sheet data as of December 31, 2017, was derived from audited consolidated financial statements, but does not include all disclosures contained in the Bank's 2017 Consolidated Financial Statements. The interim consolidated financial statements should be read in conjunction with the December 31, 2017 consolidated financial statements, including the notes thereto, included in the Bank's 2017 Consolidated Financial Statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as discussed below, our accounting policies are described in Note 1 – Summary of Significant Accounting Policies, of our audited 2017 consolidated financial statements in CVB's Form S-4 registration statement dated April 17, 2018 as filed with the Securities and Exchange Commission.

A. Adoption of New Accounting Standards

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities", which addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The guidance in this ASU among other things, (i) requires equity investments with certain exceptions, to be measured at fair value with changes in fair value recognized in net income, (ii) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, (iii) eliminates the requirement for public entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, (iv) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, (v) requires an entity to present separately in other comprehensive income the portion of the change in fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments, (vi) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or in the accompanying notes to the financial statements and (vii) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities. This amendment is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Entities are required to apply the amendment by means of a cumulative-effect adjustment as of the beginning of the fiscal year of adoption, with the exception of the amendment related to equity securities without readily determinable fair values, which should be applied prospectively to equity investments that exist as of the date of adoption. The Bank adopted ASU 2016-01 effective January 1, 2018 and reclassified $297,000 from accumulated other comprehensive income to retained earnings during the first quarter of 2018.

In August 2016, the FASB issued ASU No. 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.” The new guidance clarifies the classification within the statement of cash flows for certain transactions, including debt extinguishment costs, zero-coupon debt, contingent consideration related to business combinations, insurance proceeds, equity method distributions and beneficial interests in securitizations. The guidance also clarifies that cash flows with aspects of multiple classes of cash flows or that cannot be separated by source or use should be classified based on the activity that is likely to be the predominant source or use of cash flows for the item. This guidance is effective for fiscal years beginning after December 15, 2017 and will require application using a retrospective transition method. The Bank adopted this ASU retrospectively effective January 1, 2018 and it did not have a material impact on the Bank’s consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, “Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting.” The amendments in ASU 2017-09 provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. An entity should account for the effects of a modification unless all the following are met: (1) The fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification. (2) The vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified. (3) The classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The amendments in ASU No. 2017-09 are effective for annual periods and interim within those annual reporting periods, beginning after December 15, 2017; early adoption is permitted. The amendments in this ASU should be applied prospectively to an award modified on or after the adoption date. The Bank adopted this ASU effective January 1, 2018 and it did not have a material impact on the Bank’s consolidated financial statements.

B Recent Accounting Pronouncements

In February 2016, FASB issued ASU No. 2016-02, “Leases (Topic 842)”. ASU 2016-02 establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Bank is currently evaluating the impact of adoption of this ASU on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” This ASU significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard will replace the current “incurred loss” approach with an “expected loss” model. The new model, referred to as the Current Expected Credit Loss (“CECL”) model, will apply to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. This includes, but is not limited to, loans, leases, held-to-maturity securities, loan commitments, and financial guarantees. The CECL model does not apply to available-for-sale debt securities. For AFS debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. As a result, entities will recognize improvements to estimated credit losses immediately in earnings rather than as interest income over time, as they do today. ASU No. 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2019. Entities will apply the standard’s provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., modified retrospective approach). The Bank is currently evaluating the impact of adoption of this ASU on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.” ASU 2017-04 eliminates the second step in the goodwill impairment test which requires an entity to determine the implied fair value of the reporting unit’s goodwill. Instead, an entity should recognized an impairment loss if the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, with the impairment loss not to exceed the amount of goodwill allocated to the reporting unit. The standard will be effective for the Bank beginning January 1, 2020, with early adoption permitted for goodwill impairment tests performed after January 1, 2017. The Bank does not expect this ASU to have a material impact on the Bank’s consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities.” ASU 2017-12 changes the recognition and presentation requirements of hedge accounting and makes certain targeted improvements to simplify the application of the hedge accounting guidance in current GAAP. The amendments in this ASU better align an entity’s financial reporting and risk management activities for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. To meet that objective, the amendments expand and refine hedge accounting for both non-financial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. ASU No. 2017-12 is effective for interim and annual reporting periods beginning after December 15, 2018; early adoption is permitted. The Bank currently does not designate any derivative financial instruments as qualifying hedging relationships, and therefore, does not utilize hedge accounting. The Bank does not expect this ASU to have a material impact on the Bank’s consolidated financial statements.

3. INVESTMENT SECURITIES

A. Portfolio of Investment Securities

The tables below show the structure of the Bank’s portfolio of investment securities as of March 31, 2018 and December 31, 2017:

MARCH 31, 2018

	AVAILABLE FOR SALE			
(IN THOUSANDS)	**AMORTIZED COST**	**UNREALIZED GAINS**	**UNREALIZED LOSSES**	**FAIR VALUE**
Securities of U.S. Government agencies	$ 21,231	$ -	$ (80)	$ 21,151
U.S. Government sponsored - mortgage-backed securities, residential	690,120	1,060	(20,667)	670,513
Municipals	87,508	199	(1,121)	86,586
Equity security	1,740	193	-	1,933
Total	**$ 800,599**	**$ 1,452**	**$(21,868)**	**$ 780,183**

DECEMBER 31, 2017

	AVAILABLE FOR SALE			
(IN THOUSANDS)	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Securities of U.S. Government agencies	$ 30,232	$ -	$ (87)	$ 30,145
U.S. Government sponsored - mortgage-backed securities, residential	722,465	1,781	(9,977)	714,269
Municipals	89,861	1,090	(112)	90,839
Equity security	1,740	422	-	2,162
Total	**$ 844,298**	**$ 3,293**	**$(10,176)**	**$ 837,415**

B. Fair Value of Temporarily Impaired Securities

The table below details the fair value of temporarily impaired securities, the amount of unrealized losses and the length of time these unrealized losses existed as of March 31, 2018 and December 31, 2017:

MARCH 31, 2018

(IN THOUSANDS)	SECURITIES IN CONTINUOUS UNREALIZED LOSS POSITION FOR LESS THAN 12 MONTHS	GROSS UNREALIZED LOSS ON SECURITIES IN LOSS POSITION FOR LESS THAN 12 MONTHS	SECURITIES IN CONTINUOUS UNREALIZED LOSS POSITION FOR 12 MONTHS OR LONGER	UNREALIZED LOSS ON SECURITIES IN LOSS POSITION FOR 12 MONTHS OR LONGER
Securities of U.S. Government agencies	$ 4,112	$ (13)	$ 17,039	$ (67)
U.S. Government sponsored - mortgage-backed securities, residential	366,303	(9,073)	260,275	(11,594)
Municipals	51,651	(992)	2,368	(129)
Total	**$422,066**	**$(10,078)**	**$279,682**	**$(11,790)**

DECEMBER 31, 2017

(IN THOUSANDS)	SECURITIES IN CONTINUOUS UNREALIZED LOSS POSITION FOR LESS THAN 12 MONTHS	GROSS UNREALIZED LOSS ON SECURITIES IN LOSS POSITION FOR LESS THAN 12 MONTHS	SECURITIES IN CONTINUOUS UNREALIZED LOSS POSITION FOR 12 MONTHS OR LONGER	UNREALIZED LOSS ON SECURITIES IN LOSS POSITION FOR 12 MONTHS OR LONGER
Securities of U.S. Government agencies	$ 20,958	$ (38)	$ 9,187	$ (49)
U.S. Government sponsored - mortgage-backed securities, residential	327,358	(2,672)	277,271	(7,305)
Municipals	9,728	(84)	2,668	(28)
Total	**$358,044**	**$(2,794)**	**$289,126**	**$(7,382)**

The unrealized losses associated with U.S. Government agency, U.S. Government sponsored mortgage-backed securities, and municipal securities, are not considered to be other-than-temporary, as such losses are related to fluctuations in the level of market interest rates and do not affect the expected cash flows of the underlying collateral or issuer. In addition, the Bank has the ability and intent to hold such investments until a recovery of the cost basis is reached. The mortgage-backed securities are residential pass-through securities issued by governmental agencies.

C. Investment Securities by Contractual Maturity Date

The amortized cost and estimated fair values of investment securities as of March 31, 2018 by contractual maturity date are shown below:

(IN THOUSANDS)	AVAILABLE FOR SALE AMORTIZED COST	FAIR VALUE
Due in one year or less	$ 21,252	$ 21,172
Due after one year through five years	540	545
Due after five years through ten years	22,384	22,265
Due after ten years	64,563	63,755
Equity security	1,740	1,933
U.S. Government sponsored - mortgage-backed securities, residential *	690,120	670,513
Total	**$ 800,599**	**$ 780,183**

* The duration of the portfolio of mortgage-backed securities was approximately 3.7 years as of both March 31, 2018 and December 31, 2017.

D. Pledged Securities

Securities were pledged to secure public funds and for other purposes as required or permitted by law having a fair value as of March 31, 2018 and December 31, 2017 as follows:

(IN THOUSANDS)	March 31, 2018	December 31, 2017
FHLB / Federal Reserve Bank (FRB)	$ 276,771	$ 267,366
Public Funds	93,526	178,920
Swap	1,004	1,060
Total Pledged	$ 371,301	$ 447,346

E. Gains and Losses on the Sale of Securities

During the three months ended March 31, 2018 and 2017 gains and losses on the sale of securities totaled as follows:

(IN THOUSANDS)	2018	2017
Gains	$ -	$ -
Losses	(30)	(15)
Net gains (losses)	$ (30)	$ (15)

4. LOANS

A. Loan Portfolio

The loan portfolio, excluding loans held for sale, consists of the following as of March 31, 2018 and December 31, 2017:

(IN THOUSANDS)	March 31, 2018	December 31, 2017
Commercial loans	$ 611,868	$ 606,076
Construction and land loans	32,801	29,260
Real estate loans - residential	304,199	288,040
Real estate loans - non-residential - owner occupied	1,040,348	1,020,706
Real estate loans - non-residential - non-owner occupied	749,530	770,946
Other loans and credit cards	22,000	21,339
Total gross loans	2,760,746	2,736,367
Less net deferred loan (fees) costs	3,877	3,492
Total loans	$2,764,623	$2,739,859
Less allowance for loan losses	(36,026)	(35,346)
Net loans	**$2,728,597**	**$2,704,513**

B. Loans serviced for others

Loans serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balance of loans and participations serviced for others as of March 31, 2018 and December 31, 2017 was as follows:

(IN THOUSANDS)	March 31, 2018	December 31, 2017
Unpaid principal balance	$ 144,977	$ 141,833
Fair value of servicing asset	$ 1,800	$ 1,983
Fair value of servicing asset determined as follows:		
Discount rate of the note plus	2%	2%
Prepayment rate	15%	15%

Management has determined that there was no impairment of the servicing asset as of March 31, 2018 and December 31, 2017.

C. Allowance for Loan Losses

An analysis of activity in the allowance for loan losses by loan segment for the three months ended March 31, 2018 and 2017 was as follows:

	MARCH 31, 2018				
(IN THOUSANDS)	BEGINNING BALANCE	PROVISION (RELEASE)	CHARGE-OFFS	RECOVERIES	ENDING BALANCE
Commercial loans	$ 8,615	$ 214	$ -	$ 59	$ 8,888
Construction and land loans	614	55	-	-	669
Real estate loans - residential	3,037	173	-	-	3,210
Real estate loans - non residential - owner occupied	13,513	466	-	-	13,979
Real estate loans - non residential - non-owner occupied	9,391	(302)	-	-	9,089
Other loans and credit cards	176	44	(35)	6	191
Total	**$ 35,346**	**$ 650**	**$ (35)**	**$ 65**	**$ 36,026**

MARCH 31, 2017					
(IN THOUSANDS)	BEGINNING BALANCE	PROVISION (RELEASE)	CHARGE-OFFS	RECOVERIES	ENDING BALANCE
Commercial loans	$ 10,051	($134)	($152)	$ 176	$ 9,941
Construction and land loans	368	(20)	-	-	348
Real estate loans - residential	2,477	(62)	-	-	2,415
Real estate loans - non residential - owner occupied	13,449	(1,196)	-	-	12,253
Real estate loans - non residential - non-owner occupied	8,404	11	(141)	-	8,274
Other loans and credit cards	417	(199)	(2)	2	218
Total	**$35,166**	**$ (1,600)**	**$ (295)**	**$178**	**$33,449**

D. Allowance for Credit Losses by Portfolio Segment

The following table provides a break-down of loans, excluding loans held for sale and the related allowance for credit losses by portfolio segment as of March 31, 2018 and December 31, 2017:

MARCH 31, 2018						
	LOANS			ALLOWANCE FOR CREDIT LOSSES		
(IN THOUSANDS)	INDIVIDUALLY EVALUATED FOR IMPAIRMENT	COLLECTIVELY EVALUATED FOR IMPAIRMENT	TOTAL	INDIVIDUALLY EVALUATED FOR IMPAIRMENT	COLLECTIVELY EVALUATED FOR IMPAIRMENT	TOTAL
Commercial loans	$5,076	$ 606,792	$ 611,868	$ 1	$8,887	$8,888
Construction and land loans	-	32,801	32,801	-	669	669
Real estate loans - residential	2,596	301,603	304,199	-	3,210	3,210
Real estate loans - non residential-owner occupied	1,941	1,038,407	1,040,348	-	13,979	13,979
Real estate loans - non residential-non-owner occupied	632	748,898	749,530	-	9,089	9,089
Other loans and credit cards	-	22,000	22,000	-	191	191
Total	**$10,245**	**$2,750,501**	**$2,760,746**	**$ 1**	**$36,025**	**$36,026**

DECEMBER 31, 2017						
	LOANS			ALLOWANCE FOR CREDIT LOSSES		
(IN THOUSANDS)	INDIVIDUALLY EVALUATED FOR IMPAIRMENT	COLLECTIVELY EVALUATED FOR IMPAIRMENT	TOTAL	INDIVIDUALLY EVALUATED FOR IMPAIRMENT	COLLECTIVELY EVALUATED FOR IMPAIRMENT	TOTAL
Commercial loans	$5,874	$ 600,202	$ 606,076	$ -	$8,615	$8,615
Construction and land loans	-	29,260	29,260	-	614	614
Real estate loans - residential	2,100	285,940	288,040	-	3,037	3,037
Real estate loans - non residential-owner occupied	780	1,019,926	1,020,706	-	13,513	13,513
Real estate loans - non residential-non-owner occupied	5,271	765,675	770,946	-	9,391	9,391
Other loans and credit cards	-	21,339	21,339	-	176	176
Total	**$14,025**	**$2,722,342**	**$2,736,367**	**$ -**	**$35,346**	**$35,346**

E. Impaired Loans by Portfolio Segment

The following tables summarize additional information related to impaired loans by portfolio segment as of March 31, 2018 and December 31, 2017:

	MARCH 31, 2018				
(IN THOUSANDS)	RECORDED INVESTMENT	UNPAID PRINCIPAL BALANCE	ALLOWANCE	AVERAGE RECORDED INVESTMENT	INTEREST INCOME RECOGNIZED
With no specific allowance recorded:					
Commercial loans	$ 4,751	$ 4,860	$ -	$ 5,313	$ 3
Construction and land loans	-	-	-	-	-
Real estate loans - residential	2,596	2,596	-	2,348	-
Real estate loans - non residential - owner occupied	1,941	1,941	-	1,360	-
Real estate loans - non residential - non-owner occupied	632	632	-	2,952	-
Other loans and credit cards	-	-	-	-	-
With an allowance recorded:					
Commercial loans	325	325	1	162	6
Construction and land loans	-	-	-	-	-
Real estate loans - residential	-	-	-	-	-
Real estate loans - non residential - owner occupied	-	-	-	-	-
Real estate loans - non residential - non-owner occupied	-	-	-	-	-
Other loans and credit cards	-	-	-	-	-
Total:					
Commercial loans	5,076	5,185	1	5,475	9
Construction and land loans	-	-	-	-	-
Real estate loans - residential	2,596	2,596	-	2,348	-
Real estate loans - non residential - owner occupied	1,941	1,941	-	1,360	-
Real estate loans - non residential - non-owner occupied	632	632	-	2,952	-
Other loans and credit cards	-	-	-	-	-
Total	**$10,245**	**$10,354**	**$1**	**$12,135**	**$9**

(IN THOUSANDS)	RECORDED INVESTMENT	UNPAID PRINCIPAL BALANCE	ALLOWANCE	AVERAGE RECORDED INVESTMENT	INTEREST INCOME RECOGNIZED
	DECEMBER 31, 2017				
With no specific allowance recorded:					
Commercial loans	$ 5,874	$ 5,999	$ -	$ 7,982	$ 112
Construction and land loans	-	-	-	-	-
Real estate loans - residential	2,100	2,100	-	1,050	76
Real estate loans - non residential - owner occupied	780	793	-	1,346	-
Real estate loans - non residential - non-owner occupied	5,271	5,271	-	6,266	214
Other loans and credit cards	-	-	-	-	-
With an allowance recorded:					
Commercial loans	-	-	-	648	-
Construction and land loans	-	-	-	-	-
Real estate loans - residential	-	-	-	-	-
Real estate loans - non residential - owner occupied	-	-	-	187	-
Real estate loans - non residential - non-owner occupied	-	-	-	-	-
Other loans and credit cards	-	-	-	-	-
Total:					
Commercial loans	5,874	5,999	-	8,630	112
Construction and land loans	-	-	-	-	-
Real estate loans - residential	2,100	2,100	-	1,050	76
Real estate loans - non residential - owner occupied	780	793	-	1,533	-
Real estate loans - non residential - non-owner occupied	5,271	5,271	-	6,266	214
Other loans and credit cards	-	-	-	-	-
Total	**$14,025**	**$14,163**	**$0**	**$17,479**	**$402**

F. *Troubled Debt Restructurings ("TDRs")*

The Bank's TDRs provide for temporary loan payment modifications and/or interest rate reductions and do not provide debt forgiveness or waiving of accrued interest. The following table presents TDRs and the outstanding recorded investment as of March 31, 2018 and December 31, 2017:

MARCH 31, 2018			
(IN THOUSANDS)	NUMBER OF LOANS	PRE-MODIFICATION OUTSTANDING RECORDED INVESTMENT (1)	POST-MODIFICATION OUTSTANDING RECORDED INVESTMENT(2)
Commercial loans	2	$390	$ 324
Construction and land loans	-	-	-
Real estate loans - residential	-	-	-
Real estate loans - non residential - owner occupied	-	-	-
Real estate loans - non residential - non-owner occupied	-	-	-
Other loans and credit cards	-	-	-
Total	**2**	**$390**	**$324**

DECEMBER 31, 2017			
(IN THOUSANDS)	NUMBER OF LOANS	PRE-MODIFICATION OUTSTANDING RECORDED INVESTMENT (1)	POST-MODIFICATION OUTSTANDING RECORDED INVESTMENT(2)
Commercial loans	2	$390	$ 355
Construction and land loans	-	-	-
Real estate loans - residential	-	-	-
Real estate loans - non residential -owner occupied	-	-	-
Real estate loans - non residential -non-owner occupied	1	6,145	4,628
Other loans and credit cards	-	-	-
Total	**3**	**$6,535**	**$4,983**

(1) Recorded investment at the date of modification.
(2) Includes payments subsequent to modification and reflects the balance as of March 31, 2018 and December 31, 2017, respectively.

Performing TDRs included above totaled $324,000 and $4,983,000 as of March 31, 2018 and December 31, 2017, respectively.

During the three months ended March 31, 2018 and the year ended December 31, 2017, there were no significant TDRs for which re-default occurred. The Bank does not have any further commitments to lend additional funds to these borrowers.

There were no new TDRs during 2018.

G. Age Analysis of Past Due Loans

The following table presents an aging analysis of the recorded investment in past due and nonaccrual loans, excluding loans held for sale, by segment as of March 31, 2018 and December 31, 2017:

(IN THOUSANDS)	CURRENT	30-89 DAYS PAST DUE	90 DAYS PAST DUE AND GREATER	TOTAL PAST DUE	NON-ACCRUAL	TOTAL LOANS
			MARCH 31, 2018			
Commercial loans	$ 604,989	$2,128	$ -	$2,128	$4,751	$ 611,868
Construction and land loans	32,801	-	-	-	-	32,801
Real estate loans - residential	301,511	92	-	92	2,596	304,199
Real estate loans - non residential - owner occupied	1,037,025	1,382	-	1,382	1,941	1,040,348
Real estate loans - non residential - non-owner occupied	748,898	-	-	-	632	749,530
Other loans and credit cards	21,949	51	-	51	-	22,000
Total loans	**$2,747,173**	**$3,653**	**$0**	**$3,653**	**$9,920**	**$2,760,746**

(IN THOUSANDS)	CURRENT	30-89 DAYS PAST DUE	90 DAYS PAST DUE AND GREATER	TOTAL PAST DUE	NON-ACCRUAL	TOTAL LOANS
			DECEMBER 31, 2017			
Commercial loans	$ 599,936	$622	$ -	$622	$5,518	$ 606,076
Construction and land loans	29,260	-	-	-	-	29,260
Real estate loans - residential	285,940	-	-	-	2,100	288,040
Real estate loans - non residential - owner occupied	1,016,573	3,353	-	3,353	780	1,020,706
Real estate loans - non residential - non-owner occupied	770,303	-	-	-	643	770,946
Other loans and credit cards	21,139	200	-	200	-	21,339
Total loans	**$2,723,151**	**$4,175**	**$0**	**$4,175**	**$9,041**	**$2,736,367**

Cumulative interest foregone on non-accrual loans as of March 31, 2018 and December 31, 2017 and cash basis interest income recognized on these loans for the three and twelve months ended as of March 31, 2018 and December 31, 2017 was as follows:

(IN THOUSANDS)	March 31, 2018	December 31, 2017
Cumulative interest foregone	$ 585	$ 446
Cash basis interest	$ 50	$ 1,122

H. Loan Portfolio Credit Quality Indicators

As part of the on-going monitoring of the credit quality of the Bank’s loan portfolio, management categorizes loans into risk categories based upon relevant information about the ability of borrowers to service the debt and comply with the various terms of the loan agreements. The Bank considers current financial information, historical payment experience, credit documentation, public information and current economic trends.

Management evaluates and monitors the Bank’s credit portfolio using a loan risk grade system based upon the scale of 1 to 10, with 1 being the highest quality rating and 10 being the lowest quality rating. These 10 risk ratings are measured at the customer level categorized into the following risk categories, based upon the ability of the borrowers to service their debt:

> **Pass** (Levels 1 through 6) - Loans in this category have demonstrated adequate or stronger asset quality, earning history, or other sufficient margins of creditor protection; and represent a moderate credit risk and some degree of financial stability.

Special Mention (Level 7) - Included in this category are loans that do not currently expose the Bank to a sufficient degree of risk to warrant adverse classification, but which possess credit deficiencies deserving management's close attention. Failure to correct deficiencies could result in greater credit risk in the future. Ordinarily, such borderline credits have characteristics which corrective management action would remedy.

Substandard (Level 8) - Substandard loans are inadequately protected by the current net worth and paying capacity of the obligor or by the value of the collateral pledged, if any. Loans so classified: have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt; and are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful (Level 9) - A loan in this category has all the weaknesses inherent in loans classified Substandard, with the added characteristic that the weaknesses make collection or liquidation in full highly improbable, based on currently known facts, conditions and values.

Loss (Level 10) - Loans in this category are considered to be uncollectible and of such little value that they are no longer considered bankable assets. Loans in this category have been graded "Loss" but have not yet been written off against the allowance for loan and lease losses.

As of March 31, 2018 and December 31, 2017, and based upon the most recent analysis performed, the risk category of loans by segment of loans, excluding loans held for sale, is as follows:

MARCH 31, 2018

(IN THOUSANDS)	PASS	SPECIAL MENTION	SUBSTANDARD	DOUBTFUL	LOSS	TOTAL LOANS
Commercial loans	$ 596,248	$8,258	$7,362	$ -	$ -	$ 611,868
Construction and land loans	32,801	-	-	-	-	$ 32,801
Real estate loans - residential	301,603	-	2,596	-	-	$ 304,199
Real estate loans - non residential - owner occupied	1,024,626	14,079	1,643	-	-	$1,040,348
Real estate loans - non residential - non-owner occupied	748,898	-	632	-	-	$ 749,530
Other loans and credit cards	21,796	200	4	-	-	$ 22,000
Total loans	**$2,725,972**	**$22,537**	**$12,237**	**$ -**	**$ -**	**2,760,746**

DECEMBER 31, 2017

(IN THOUSANDS)	PASS	SPECIAL MENTION	SUBSTANDARD	DOUBTFUL	LOSS	TOTAL LOANS
Commercial loans	$ 596,484	$3,590	$6,002	$ -	$ -	$ 606,076
Construction and land loans	29,260	-	-	-	-	$ 29,260
Real estate loans - residential	285,940	-	2,100	-	-	$ 288,040
Real estate loans - non residential - owner occupied	1,015,951	3,022	1,733	-	-	$1,020,706
Real estate loans - non residential - non-owner occupied	770,303	-	643	-	-	$ 770,946
Other loans and credit cards	21,331	-	8	-	-	$ 21,339
Total loans	**$2,719,269**	**$6,612**	**$10,486**	**$ -**	**$ -**	**2,736,367**

I. Concentrations and Lending Limits

The Bank has no specific industry concentration in its loan portfolio; however, a significant portion of the portfolio is secured by commercial real estate properties as stated above. The Bank manages its concentration with any one customer or industry in order to minimize its risk position in any particular segment of the economy. In addition, the amount that the Bank can lend to any one customer is limited by statute and regulation.

The legal lending limits and Bank lending limits as of March 31, 2018 and December 31, 2017 are as follows:

(IN THOUSANDS)	March 31, 2018	December 31, 2017
Legal lending limit - secured	$ 96,482	$ 96,939
Legal lending limit - unsecured	$ 57,889	$ 58,163

J. Loan Collateral Pledged

The Bank has also established borrowing line availability from various sources utilizing loan collateral. As of March 31, 2018 and December 31, 2017, the total amount of loan collateral pledged for FHLB or FRB borrowings follows:

(IN THOUSANDS)	March 31, 2018	December 31, 2017
FHLB	$ 1,736,008	$ 1,678,079
FRB	57,195	64,354
Total Pledged	$ 1,793,203	$ 1,742,433

5. INCOME TAXES

The composition of income tax expense for the three months ended March 31, 2018 and 2017 is as follows:

	Three Months ended, March 31,	
(IN THOUSANDS)	2018	2017
Federal	$ 2,029	$ 3,502
State	1,276	1,335
Income tax expense	**$3,305**	**$4,837**

6. INTEREST BEARING DEPOSITS

A summary of interest bearing deposits as of March 31, 2018 and December 31, 2017 is as follows:

(IN THOUSANDS)	March 31, 2018	December 31, 2017
Time deposits	$ 384,910	$ 494,854
Interest bearing demand	71,958	73,839
Money market accounts	1,112,879	1,066,397
Savings and other	47,966	47,671
Total interest bearing deposits	**$1,617,713**	**$1,682,761**

7. BORROWINGS

A. Short-term borrowings

As of March 31, 2018 and December 31, 2017, the Bank had short-term borrowings (original maturity less than 92 days), consisting of short-term FHLB advances.

The following table sets forth information concerning short-term borrowings:

(IN THOUSANDS)	Three Months Ended March 31, 2018	Year Ended December 31, 2017
Balance outstanding at the end of the period	$ 212,000	$ 197,500
Maximum outstanding at any month-end during the year	$ 212,000	$ 400,000
Average balance outstanding during the period	$ 204,394	$ 233,951
Weighted average interest rate:		
As of period-end	1.87%	1.36%
Paid during the period	1.54%	0.93%

Average balances outstanding during the period represent daily average balances and average interest rates represent interest expense divided by the related average balance.

B. Long-term FHLB advances

As of both March 31, 2018 and December 31, 2017, the Bank had $305,000,000 of long-term FHLB advances (original maturities exceeding 91 days).

The following table presents the remaining periods until maturity, blended interest rates, and rate ranges of the long-term FHLB advances as of March 31, 2018:

	As of March 31, 2018		
(IN THOUSANDS)	BALANCES	RATE	RANGE
Within one year	$50,000	1.51%	1.40% - 1.73%
April 1, 2019 to March 31, 2020	50,000	2.14%	1.62% - 3.17%
April 1, 2020 to March 31, 2021	55,000	1.50%	1.38% - 2.64%
April 1, 2021 to March 31, 2022	150,000	1.34%	1.32% - 1.38%
Thereafter	-	-	
Total Long-term FHLB borrowings	**$305,000**	**1.53%**	

C. Other FHLB Information

The Bank pledged loan collateral totaling $812,628,000 and security collateral totaling $194,073,000 to secure these short-term and long-term FHLB borrowings. As a member bank of FHLB, the Bank is required to maintain FHLB stock which is carried at cost and totaled $17,250,000 as of both March 31, 2018 and December 31, 2017, respectively.

The level of required investment in FHLB stock is based upon the greater of one percent of the membership asset value or the balance of outstanding loans the Bank has from the FHLB. Although FHLB stock is a financial instrument that represents an equity interest in the FHLB, it does not have a readily determinable fair value. Accordingly, when evaluating FHLB stock for impairment, its value should be determined based upon the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

D. Sources of Liquidity

The Bank maintains secondary sources of liquidity available through both unsecured fed fund lines with major financial institutions and secured borrowing facilities with the FRB, FHLB and investment banking sources utilizing loan and investment collateral. The following summarizes activities in FHLB and other borrowings as of March 31, 2018 and December 31, 2017:

(IN THOUSANDS)	March 31, 2018	December 31, 2017
Borrowing capacity available - unsecured facilities	$ 85,000	$ 85,000
Borrowing capacity available - secured facilities		
FRB	$ 117,000	$ 117,000
FHLB	620,000	620,000
Investment banking sources	302,000	302,000
Total secured facilities	$ 1,039,000	$ 1,039,000

8. STOCK-BASED COMPENSATION

The Bank has a Community Bank Stock Incentive Plan (Plan) which permits the issuance of up to 250,000 equity compensation awards to employees and directors of the Bank. The Plan authorizes the issuance of various equity instruments including stock options, restricted stock and restricted stock units (RSUs). The terms and conditions of awards under the plan are determined by the Bank's Compensation Committee at the time of the grant.

The RSUs currently issued consist of a promise to issue shares of stock upon vesting. During 2016, 8,625 restricted stock units were granted with a 3-year cliff vesting period, with a grant date fair value of $139.50. During 2017, 3,600 restricted stock units were granted with a 3-year cliff vesting period with a grant date fair value of $136.23. In addition, during 2017, 26,615 restricted stock units were granted which will vest in equal annual installments over the next three years and will accrue dividend amounts from the effective date of the grant, which are paid upon vesting. These units had a grant date fair value of $158.00. The RSUs fully vest in the event of a change-in-control of the Bank.

The restricted stock awards for the three months ending March 31, 2018 and 2017 are as follows:

	Three Months Ended March 31,	
Restricted Stock Units	**2018**	**2017**
Outstanding - beginning of the period	38,090	8,625
Granted	-	3,600
Forfeitures	(2,350)	-
Outstanding - end of the year	**35,740**	**12,225**
Remaining shares authorized to be awarded - end of period	**211,910**	**62,775**

Compensation expense for the RSUs is measured at the fair value of the stock on the day prior to the grant date and is recognized over the vesting period and is as follows for the three months ending March 31, 2018 and 2017:

	Three Months Ended March 31,	
(IN THOUSANDS)	**2018**	**2017**
Compensation expense related to these awards	**$ 440**	**$ 141**
Unrecognized compensation expense related to unvested RSUs	**$ 4,460**	**$ 1,442**

9. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank is exposed to certain risks relating to its ongoing business operations and utilizes interest rate swap agreements ("swaps") as part of its asset/liability management strategy to help manage its interest rate risk position.

As of March 31, 2018, the Bank has entered into one interest-rate swap agreement with a customer and one offsetting interest-rate swap with a counterparty bank. These swap agreements are not designated as hedging instruments. The purpose of entering into offsetting derivatives not designated as a hedging instrument is to provide the Bank a variable-rate loan receivable and to provide the customer the financial effects of a fixed-rate loan without creating significant volatility in the Bank's earnings.

The changes in the fair value of the swaps primarily offset each other and therefore should not have a significant impact on the Bank's results of operations, although the Bank does incur credit and counterparty risk with respect to performance on the swap agreements by the Bank's customer and counterparty, respectively. Our interest rate swap derivatives are subject to a master netting arrangement with one counterparty bank.

The Bank believes our risk of loss associated with our counterparty borrowers related to interest rate swaps is mitigated as the loans with swaps are underwritten to take into account potential additional exposure, although there can be no assurances in this regard since the performance of our swaps is subject to market and counterparty risk.

A. Balance Sheet Classification of Derivative Financial Instruments

As of March 31, 2018 and December 31, 2017, the total notional amount of the Bank's swaps was $47,306,000 and $47,576,000, respectively. The location of the asset and liability, and their respective fair values are summarized in the tables below:

	AS OF MARCH 31, 2018			
	ASSET DERIVATIVES		LIABILITY DERIVATIVES	
(IN THOUSANDS)	BALANCE SHEET LOCATION	FAIR VALUE	BALANCE SHEET LOCATION	FAIR VALUE
Derivatives not designated as hedging instruments:				
Interest rate swaps	Other assets	$ 467	Other liabilities	$ 467
Total		**$ 467**		**$ 467**

	AS OF DECEMBER 31, 2017			
	ASSET DERIVATIVES		LIABILITY DERIVATIVES	
(IN THOUSANDS)	BALANCE SHEET LOCATION	FAIR VALUE	BALANCE SHEET LOCATION	FAIR VALUE
Derivatives not designated as hedging instruments:				
Interest rate swaps	Other assets	$ 191	Other liabilities	$ 191
Total		**$ 191**		**$ 191**

B. The Effect of Derivative Financial Instruments on the Consolidated Statements of Operations

The derivative financial instruments had no effect on the consolidated statements of operations for the three months ended March 31, 2018 and 2017.

10. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value for GAAP purposes is defined as the price received to sell an asset or the price paid to transfer a liability in an orderly market transaction between market participants at the measurement date.

Fair Value Hierarchy

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 — Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 — Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 — Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Bank's own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flows and similar techniques.

The Bank records value measurements for available-for-sale securities and loans held for sale on a recurring basis, while certain other assets, such as impaired loans, SBA servicing asset and OREO are performed on a nonrecurring basis.

ASSETS & LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

(IN THOUSANDS)	March 31, 2018	LEVEL 1	LEVEL 2	LEVEL 3
Description of Assets				
Securities of U.S. Government agencies	$ 21,151	$9,756	$ 11,395	$ -
U.S. Government sponsored - mortgage-backed securities, residential	670,513	-	670,513	-
Municipals	86,586	-	86,586	-
Equity security	1,933	1,933	-	-
Interest rate swaps	467	-	467	-
Total assets	**$ 780,650**	**$11,689**	**$ 768,961**	**$ -**
Description of Liability				
Interest rate swaps	$ 467	$ -	$ 467	$ -
Total liability	**$ 467**	**$ -**	**$ 467**	**$ -**

ASSETS & LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS				
(IN THOUSANDS)	DECEMBER 31, 2017	LEVEL 1	LEVEL 2	LEVEL 3
Description of Assets				
Securities of U.S. Government agencies	$ 30,145	$18,437	$ 11,708	$ -
U.S. Government sponsored - mortgage-backed securities, residential	714,269	-	714,269	-
Municipals	90,839	-	90,839	-
Equity security	2,162	2,162	-	-
Interest rate swaps	191	-	191	-
Total assets	**$ 837,606**	**$20,599**	**$ 817,007**	**$ -**
Description of Liability				
Interest rate swaps	$ 191	$ -	$ 191	$ -
Total liability	**$ 191**	**$ -**	**$ 191**	**$ -**

ASSETS & LIABILITIES MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS					
(IN THOUSANDS)	March 31, 2018	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL RESERVES
Description of Assets					
Impaired loans	$10,244	$ -	$ -	$10,244	$ (1)
SBA servicing asset	1,800	-	-	1,800	-
OREO	825	-	-	825	-
Total assets	**$12,869**	**$ -**	**$ -**	**$12,869**	**$ (1)**

ASSETS & LIABILITIES MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS					
(IN THOUSANDS)	DECEMBER 31, 2017	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL RESERVES
Description of Assets					
Impaired loans	$14,025	$ -	$ -	$14,025	$ -
SBA servicing asset	1,983	-	-	1,983	-
OREO	825	-	-	825	-
Total assets	**$16,833**	**$ -**	**$ -**	**$16,833**	**$ -**

Determination of Fair Value

Cash and cash equivalents, accrued interest receivable, and accrued interest payable

For those short-term instruments, the carrying amount is a reasonable estimate of fair value.

Investment securities

Investment securities available-for-sale are valued based upon quotes obtained from a reputable third-party pricing service. The service uses evaluated pricing applications and model processes. Market inputs, such as, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data are considered as part of the evaluation. The inputs are related directly to the security being evaluated, or indirectly to a similarly situated security. Market assumptions and market data are utilized in the valuation models. The majority of the investment securities are considered level 2. A portion of the U. S. Agency investments and the equity security are considered level 1 as those securities are based upon quoted prices for identical instruments traded in active markets.

Loans and leases, net
The fair value of loans is calculated using a discounted present value model. The model uses the treasury yield curve or prime rate as a foundation to derive a risk free rate that is modified by credit quality and operating expenses. No adjustments have been made for changes in credit within the loan portfolio. It is management's opinion that the allowance for loan losses pertaining to performing and nonperforming loans results in a fair valuation of credit for such loans.

Impaired loans
The Bank's impaired loans are generally measured using the fair value of the underlying collateral, which is determined based on the most recent appraisal information received, less costs to sell. These loans fall within Level 2 or Level 3 of the fair value hierarchy as appropriate. Level 2 values are measured at fair value based on the most recent valuation information received on the underlying collateral. Level 3, additionally can include adjustments by the Bank for historical knowledge and for changes in market conditions.

Other real estate owned
The Bank's OREO represents properties acquired through foreclosure or through full or partial satisfaction of loans and are recorded at estimated fair value less cost to sell at the time of foreclosure and at the lower of cost or estimated fair value less cost to sell subsequent to acquisition. Any subsequent write downs are charged to non-interest expense and recognized as a valuation allowance. The fair values of OREO properties are based on third party appraisals, broker price opinions or accepted written offers but, additionally can include adjustments by the Bank for historical knowledge and for changes in market conditions. These valuations are reviewed and approved by the Bank's appraisal department. OREO properties are classified as Level 2 or 3 assets in the fair value hierarchy.

Federal Home Loan Bank Stock
Federal Home Loan Bank Stock is considered to be a restricted equity security whose carrying value approximates its fair value.

Swaps
The fair value of the interest rate swap contracts are provided by the counterparty using a proprietary model rather than actual market quotations. The Bank verifies the valuation results provided by the counterparty for reasonableness by estimating the fair value of the swaps using Bloomberg swap manager model which constructs a yield curve based upon LIBOR/Swap rates. The yield curve determines the valuation of the interest rate swaps. These calculated results compare reasonably well and the Bank has not made any adjustments to the valuation provided by the counterparty. Accordingly, the Bank categorized its swaps portfolio within Level 2 of the fair value hierarchy.

Deposits
The fair values of demand deposits, savings accounts, and money market deposits are based on cash flows imputed to these non-contractual deposits based on analyses of historical data. These cash flows are then discounted using a present value model. The fair value of fixed-maturity certificates of deposit is also calculated using a discounted present value model. Both models use the treasury yield curve as a foundation that is then modified by the Bank's funding cost.

Borrowings
For these short-term instruments, the carrying amount is a reasonable estimate of fair value. The fair value of other borrowings is calculated using the treasury yield curve as a foundation that is modified by the Bank's borrowing cost.

The estimated fair value of standby letters of credit outstanding at March 31, 2018 and December 31, 2017 was not significant. Loan commitments on which the committed fixed interest rate is less than the current market rate are also not significant at March 31, 2018 and December 31, 2017.

The carrying amounts and fair values of the Bank's financial instruments at March 31, 2018 and December 31, 2017 were as follows:

MARCH 31, 2018					
		FAIR VALUE			
(IN THOUSANDS)	CARRYING AMOUNT	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Description of Assets					
Cash and cash equivalents	$ 46,420	$ 46,420	$ -	$ -	$ 46,420
Investment securities	$ 780,183	$ 11,689	$ 768,494	$ -	$ 780,183
Loans and Leases	$ 2,728,597	$ -	$2,722,691	$ 10,245	$2,732,936
FHLB Stock	$ 17,250	$ -	$ 17,250	$ -	$ 17,250
Accrued interest receivable	$ 11,560	$ -	$ 11,560	$ -	$ 11,560
Swaps	$ 467	$ -	$ 467	$ -	$ 467
Description of Liabilities					
Deposits	$ 2,823,762	$ -	$2,816,224	$ -	$2,816,224
Borrowings/other	$ 517,000	$ -	$ 508,483	$ -	$ 508,483
Accrued interest payable	$ 821	$ -	$ 821	$ -	$ 821
Swaps	$ 467	$ -	$ 467	$ -	$ 467

DECEMBER 31, 2017					
		FAIR VALUE			
	CARRYING AMOUNT	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Description of Assets					
Cash and cash equivalents	$ 44,298	$ 44,298	$ -	$ -	$ 44,298
Investment securities	$ 837,415	$ 20,599	$ 816,816	$ -	$ 837,415
Loans and Leases	$ 2,704,513	$ -	$2,714,754	$ 14,025	$2,728,779
FHLB Stock	$ 17,250	$ -	$ 17,250	$ -	$ 17,250
Accrued interest receivable	$ 11,749	$ -	$ 11,749	$ -	$ 11,749
Swaps	$ 191	$ -	$ 191	$ -	$ 191
Description of Liabilities					
Deposits	$ 2,860,214	$ -	$2,853,530	$ -	$2,853,530
Borrowings/other	$ 502,500	$ -	$ 496,213	$ -	$ 496,213
Accrued interest payable	$ 964	$ -	$ 964	$ -	$ 964
Swaps	$ 191	$ -	$ 191	$ -	$ 191

11. REGULATORY MATTERS

The Bank is subject to regulation by the Federal Deposit Insurance Corporation (FDIC) and the California Department of Business Oversight (DBO).

The Bank is subject to various capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary action by regulators that, which, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of Total and Tier 1 capital to risk-weighted assets and of Tier 1 capital to average assets. Management believes, as of March 31, 2018, that the Bank meets all capital adequacy requirements to which it is subject.

As of March 31, 2018 the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain certain ratios as set forth in the table below.

In July 2013, the Federal Reserve Board and the FDIC issued final rules implementing the Basel III regulatory capital framework and related Dodd-Frank Wall Street Reform and Consumer Protection Act changes. The rules revise minimum capital requirements and adjust prompt corrective action thresholds. The final rules revise the regulatory capital elements, add a new common equity Tier 1 capital ratio, increase the minimum Tier 1 capital ratio requirement, and implement a new capital conservation buffer which is being phased in effective January 1, 2016, increasing minimum risk-based capital requirement by 0.625% of risk-weighted assets each year until reaching its final level of 2.5% on January 1, 2019. The rules also permit certain banking organizations to retain, through a one-time election, the existing treatment for accumulated other comprehensive income. The final rules took effect for community banks on January 1, 2015, subject to a transition period for certain parts of the rules. Management believes the Bank will remain well-capitalized under the new rules.

The Bank's capital ratios are presented in the following table:

	MINIMUM REGULATORY CAPITAL REQUIREMENT		**WELL CAPITALIZED REGULATORY REQUIREMENT**		**ADEQUATELY CAPITALIZED BASEL III FULLY PHASED IN**		**COMMUNITY BANK CAPITAL**	
(IN THOUSANDS)	**As of March 31, 2018**							
Tier 1 leverage capital	4%	$150,080	5%	$187,600	4.0%	$150,080	9.7%	$362,316
Tier 1 risk based capital	6%	$195,578	8%	$260,771	8.5%	$277,069	11.1%	$362,316
Total risk based capital	8%	$260,771	10%	$325,963	10.5%	$342,261	12.3%	$399,482
Common equity tier 1 capital	4.5%	$146,683	6.5%	$211,876	7.0%	$228,174	11.1%	$362,316
(IN THOUSANDS)	**As of December 31, 2017**							
Tier 1 leverage capital	4%	$150,681	5%	$188,351	4.0%	$150,681	9.4%	$355,230
Tier 1 risk based capital	6%	$195,409	8%	$260,545	8.5%	$276,829	10.9%	$355,230
Total risk based capital	8%	$260,545	10%	$325,681	10.5%	$341,965	12.0%	$392,005
Common equity tier 1 capital	4.5%	$146,556	6.5%	$211,693	7.0%	$227,977	10.9%	$355,230

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial information and explanatory notes illustrate the effect of the merger on CVB Financial Corp.'s ("CVB") consolidated financial position and results of operations and its subsidiaries and of Community and its subsidiaries based upon the companies' respective historical consolidated financial positions and results of operations under the acquisition method of accounting with CVB treated as the acquirer. The unaudited pro forma condensed combined financial information has been derived from and should be read in conjunction with the historical consolidated financial statements and the related notes of CVB and Community Bank ("Community"), which are incorporated by reference herein.

In accordance with generally accepted accounting principles in the United States of America, or GAAP, the assets and liabilities of Community will be recorded by CVB at their estimated fair values as of the acquisition date. The unaudited pro forma condensed combined balance as of March 31, 2018 sheet gives effect to the merger, as if the transaction had occurred on March 31, 2018. The unaudited pro forma condensed combined income statements for the year ended December 31, 2017 and for the three months ended March 31, 2018 are presented as if the merger took place on January 1, 2017. The historical consolidated financial information has been adjusted to reflect factually supportable items that are directly attributable to the merger and, with respect to the income statements only, expected to have a continuing impact on consolidated results of operations.

The pro forma shareholders' equity and net income should not be considered indicative of the market value of CVB common stock or the actual or future results of operations of CVB for any period. Actual results may be materially different than the pro forma information presented.

The unaudited pro forma condensed combined financial statements included herein are presented for informational purposes only and do not necessarily reflect the financial results of the combined company had the companies actually been combined at the beginning of each period presented. The adjustments included in these unaudited pro forma condensed combined financial statements are preliminary and may be revised. Additionally, the unaudited pro forma adjustments do not give effect to any nonrecurring or unusual restructuring charges that may be incurred as a result of the integration of the two companies or any anticipated disposition of assets that may result from such integration. The unaudited pro forma condensed combined financial information also does not consider any potential impacts of potential revenue enhancements, anticipated cost savings and expense efficiencies, or asset dispositions, among other factors.

In addition, as explained in more detail in the accompanying notes to the unaudited pro forma condensed combined financial statements, although the purchase price is indicative of the actual purchase price, the pro forma adjustments reflected in the unaudited pro forma condensed combined financial statements are subject to change and may vary from the actual values that will be recorded at the time the accounting for the merger is completed. Adjustments may include, but not be limited to, changes in (i) Community's balance sheet through the effective time of the merger; (ii) total merger related expenses if consummation and/or implementation costs vary from currently estimated amounts; and (iii) the underlying values of assets and liabilities if market conditions differ from current assumptions.

The preparation of the unaudited pro forma condensed combined financial statements and related adjustments required management to make certain assumptions and estimates. The unaudited pro forma condensed combined financial statements should be read together with:

- the accompanying notes to the unaudited pro forma condensed combined financial statements;
- CVB's separate audited historical consolidated financial statements and accompanying notes as of and for the year ended December 31, 2017 included in CVB's Annual Report on Form 10-K for the year ended December 31, 2017 as filed with the Securities and Exchange Commission (the "SEC").
- CVB's separate unaudited historical consolidated financial statements and accompanying notes as of and for the three months ended March 31, 2018 included in CVB's Quarterly Report on Form 10-Q as filed with the SEC;

- Community’s separate audited historical consolidated financial statements and accompanying notes as of and for the year ended December 31, 2017 and 2016 as previously included as part of Amendment No. 1 to the Company’s Registration Statement on Form S-4 (Registration No. 333-224311), are incorporated herein by reference;

- Community’s separate unaudited historical consolidated financial statements and accompanying notes as of and for the three months ended March 31, 2018 and March 31, 2017; and

- the amended Form S-4 related to the merger of CVB and Community.

Unaudited Pro Forma Condensed Combined Balance Sheet as of March 31, 2018

	CVBF Historical	Community Historical	Pro Forma Adjustments	Notes	Pro Forma Combined
		(Dollars in thousands)			
Assets					
Cash and cash equivalents	$ 456,238	$ 46,420	$ (180,719)	**A**	321,939
Interest-earning balances due from depository institutions	10,100	–	–		10,100
Investment securities	2,739,876	780,183	–		3,520,059
Investment in stock of Federal Home Loan Bank (FHLB)	17,688	17,250	–		34,938
Loans and lease finance receivables	4,794,983	2,764,623	(88,711)	**B**	7,470,895
Allowance for loan losses	(59,935)	(36,026)	36,026	**C**	(59,935)
Net loans and lease finance receivables	4,735,048	2,728,597	(52,685)		7,410,960
Premises and equipment, net	45,542	9,162	6,525	**D**	61,229
Bank owned life insurance	146,702	70,486	–		217,188
Intangibles	6,507	1,800	50,400	**E**	58,707
Goodwill	116,564	1,435	542,077	**F**	660,076
Other assets	81,895	65,040	(3,917)	**G**	143,018
Total assets	$ 8,356,160	$ 3,720,373	$ 361,681		$ 12,438,214
Liabilities and Stockholders' Equity					
Liabilities:					
Deposits:					
Noninterest-bearing	$ 4,062,691	$ 1,206,049	$ –		$ 5,268,740
Interest-bearing	2,646,744	1,617,713	(2,440)	**H**	4,262,017
Total deposits	6,709,435	2,823,762	(2,440)		9,530,757
Customer repurchase agreements	487,277	–	–		487,277
Borrowings	–	517,000	(7,429)	**I**	509,571
Junior subordinated debentures	25,774	–	–		25,774
Other liabilities	66,816	29,709	(1,315)	**J**	95,210
Total liabilities	7,289,302	3,370,471	(11,184)		10,648,589
Commitments and Contingencies					
Stockholders' Equity					
Common stock	574,225	13,333	709,434	**K**	1,296,992
Retained earnings	513,484	351,085	(351,085)	**L**	513,484
Accumulated other comprehensive (loss) income, net of tax	(20,851)	(14,516)	14,516	**M**	(20,851)
Total stockholders' equity	1,066,858	349,902	372,865		1,789,625
Total liabilities and stockholders' equity	$ 8,356,160	$ 3,720,373	$ 361,681		$ 12,438,214

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

Unaudited Pro Forma Condensed Combined Statement of Earnings for the Three Months Ended March 31, 2018

	CVBF Historical	Community Historical	Pro Forma Adjustments for Community Acquisition	Notes	Pro Forma Combined with Community
	(Dollars in thousands, except per share amounts)				
Interest income	$ 72,697	$ 36,325	$ 4,757	**Q**	$ 113,779
Interest expense	2,176	4,711	(1,170)	**R**	5,717
Net interest income before (recapture of) provision for loan losses	70,521	31,614	5,927		108,062
(Recapture of) provision for loan losses	(1,000)	650	–		(350)
Net interest income after (recapture of) provision for loan losses	71,521	30,964	5,927		107,712
Noninterest income	12,916	1,995	–		14,911
Noninterest expense	35,946	21,650	685	**S**	58,281
Earnings before income taxes	48,491	11,309	5,242		64,342
Income taxes	13,578	3,305	1,468	**T**	18,351
Net earnings	$ 34,913	$ 8,004	$ 3,774		$ 45,991
Basic earnings per common share	$ 0.32				$ 0.33
Diluted earnings per common share	$ 0.32				$ 0.33

Unaudited Pro Forma Condensed Combined Statement of Earnings for the Year Ended December 31, 2017

	CVBF Historical	VCBP Historical	Pro Forma Adjustments for VCBP Acquisition	Notes	Pro Forma Combined with VCBP	Community Historical	Pro Forma Adjustments for Community Acquisition	Notes	Pro Forma Combined with VCBP and Community
			(Dollars in thousands, except per share amounts)						
Interest income	$ 287,226	$ 3,046	$ 166	**N**	$ 290,438	$ 136,078	$ 19,028	**Q**	$ 445,544
Interest expense	8,296	122	–		8,418	16,840	(4,009)	**R**	21,249
Net interest income before recapture of provision for loan losses	278,930	2,924	166		282,020	119,238	23,037		424,295
Recapture of provision for loan losses	8,500	–	–		8,500	4,496	–		12,996
Net interest income after recapture of provision for loan losses	287,430	2,924	166		290,520	123,734	23,037		437,291
Noninterest income	42,118	1,444			43,562	9,378	–		52,940
Noninterest expense	140,753	5,341	26	**O**	146,120	78,887	7,569	**S**	232,576
Earnings before income taxes	188,795	(973)	140		187,962	54,225	15,468		257,655
Income taxes	84,384	788	53	**P**	85,225	27,501	5,801	**T**	118,526
Net earnings	$ 104,411	$ (1,761)	$ 88		$ 102,738	$ 26,724	$ 9,668		$ 139,129
Basic earnings per common share	$ 0.95								$ 1.00
Diluted earnings per common share	$ 0.95								$ 0.99

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements

Note 1—Basis of Presentation

The unaudited pro forma condensed combined financial information has been prepared using the acquisition method of accounting giving effect to CVB's acquisition of Community through the merger of Community with and into Citizens. The unaudited pro forma condensed combined financial information is presented for illustrative purposes only and is not necessarily indicative of the financial position had the acquisition been consummated at March 31, 2018 or the results of operations had the acquisition been consummated at January 1, 2017, nor is it necessarily indicative of the results of operation in future periods or the future financial position of the combined entities. The merger was completed on August 10, 2018. The merger consideration included the issuance of $722.8 million in equity consideration as well as total cash consideration of $180.7 million.

Under the acquisition method of accounting, the assets and liabilities of Community will be recorded at the respective fair values on the closing date. The fair value on the closing date represents management's best estimates based on available information and facts and circumstances in existence on the closing date. The pro forma allocation of purchase price reflected in the unaudited pro forma condensed combined financial information is subject to adjustment and may vary from the actual purchase price allocation that will be recorded when the accounting for the merger is completed. Adjustments may include, but not be limited to, changes in (i) Community's balance sheet through the effective time of the acquisition; (ii) total acquisition-related expenses if consummation and/or implementation costs vary from currently estimated amounts; and (iii) the underlying values of assets and liabilities if market conditions differ from current assumptions.

The accounting policies of both CVB and Community are in the process of being reviewed in detail. Upon completion of such review, conforming adjustments or financial statement reclassification may be determined.

Note 2—Estimated Acquisition and Integration Costs

In connection with the acquisition, the plan to integrate CVB and Community's operations is still being developed. Over the next several months, the specific details of these plans will continue to be refined. CVB and Community are currently in the process of assessing the two companies' personnel, benefit plans, premises, equipment, computer systems, supply chain methodologies and service contracts to determine where they may take advantage of redundancies or where it will be beneficial or necessary to convert to one system. Certain decisions arising from these assessments may involve involuntary termination of Community's employees, vacating leased premises, changing information systems, canceling contracts between Community and certain service providers and selling or otherwise disposing of certain premises, furniture and equipment owned by Community. Additionally, as part of our formulation of the integration plan, certain actions regarding existing CVB information systems, premises, equipment, benefit plans, supply chain methodologies, supplier contracts and involuntary termination of personnel may be taken. CVB expects to incur acquisition-related expenses including system conversion costs, employee retention and severance agreements, branch consolidations, communications to customers and others. To the extent there are costs associated with these actions, the costs will be recorded based on the nature and timing of these integration actions. Most acquisition and restructuring costs are recognized separately from a business combination and generally will be expensed as incurred. Acquisition-related costs were estimated to be approximately $38-$42 million and expect that such acquisition-related costs will be incurred in 2018 and 2019. These costs are not reflected in the accompanying pro forma financial information.

Note 3—Estimated Annual Cost Savings

CVB expects to realize approximately $40-$45 million in annual pre-tax cost savings following the acquisition, which management expects to be phased-in after the systems conversions and consolidation of branches which is expected to be completed in the first quarter of 2019. However, there is no assurance that the anticipated cost savings will be realized on the anticipated time schedule or at all. These cost savings are not reflected in the presented pro forma financial information.

Note 4—Pro Forma Adjustments
(dollars in thousands)

The following pro forma adjustments have been reflected in the unaudited pro forma condensed combined financial information. All taxable adjustments were calculated using the appropriate tax rate to arrive at deferred tax asset or liability adjustments. All adjustments are based on current assumptions and valuations, which are subject to change.

Balance Sheet

A. To reflect cash consideration paid to acquire Community.

B. Adjustments to loans, net of unearned income

To reflect the elimination of Community's net deferred loan fees/costs	$ (3,854)
To reflect the estimated fair value of loans acquired at the closing date	
Credit loss discount	$(54,939)
Interest rate discount related to current market rates	(29,918)
	$(84,857)

C. To reflect the elimination of Community's allowance for loan and lease losses, or ALLL.

D. To reflect estimated fair value of Community's premises and equipment.

E. To reflect the elimination of Community's intangible assets and the estimated fair value of acquired identifiable intangible assets of Community's core deposits. The acquired core deposit intangible ("CDI") will be amortized over 10 years using a sum-of-the-years-digits method.

To reflect the estimated fair value of acquired identifiable assets of Community's core deposits	$ 52,200
To reflect the elimination of Community's intangible assets	(1,800)
	$ 50,400

F. Adjustment to goodwill: To reflect elimination of Community's goodwill of $1.4 million and $541.7 million of estimated goodwill associated with the acquisition of Community. Refer to Note 5.

G. To reflect the net deferred tax liability created due to the acquisition related accounting adjustments, calculated using an estimated tax rate of 28%.

H. To reflect the estimated fair value of time deposits based on current market rates.

I. To reflect the estimated fair value of term FHLB advances based on current market rates.

J. Adjustments to other liabilities

To reflect fair value adjustment of the reserve for unfunded commitment	$ 3,038
To reflect the elimination of Community's reserve for unfunded commitment	(1,140)
To reflect elimination of Community's straight-line lease liability	(3,466)
To reflect elimination of Community's other deferred liabilities	253
	$ (1,315)

K. To reflect stock consideration of $722.8 million using the stock price of $24.22 as of August 10, 2018, and the elimination of Community's common stock of $13.3 million.

L. To reflect the elimination of Community's retained earnings.

M. To reflect the elimination of Community's accumulated other comprehensive income.

Income Statement
(dollars in thousands)

Material nonrecurring charges as a direct result of the merger, which will be reflected in the income statement of CVB within 12 months of the closing of the merger, are not included in the pro forma income statement.

N. To reflect accretion of loan discount resulting from loan fair value pro forma adjustment for acquired Valley Commerce Bancorp ("VCBP") loans, as if acquired on January 1, 2017 rather than the acquisition date of March 10, 2017.

O. To reflect $52,600 of amortization of intangible assets resulting from the fair value of acquired identifiable intangible assets, offset by $26,900 of discount accretion of VCBP acquired premises and equipment, as if acquired on January 1, 2017 rather than the acquisition date of March 10, 2017.

P. To reflect income tax effect of pro forma adjustments using an effective tax rate of 37.5%.

	Three Months Ended March 31, 2018	Year Ended December 31, 2017
Q. Adjustment to loan interest income		
To reflect accretion of loan discount resulting from loan fair value pro forma adjustment based on an average life of approximately six years	$ 4,757	$ 19,028
R. Adjustments to interest expense		
To reflect the discount accretion resulting from the fair value of time deposits	(229)	(244)
To reflect the discount accretion resulting from the fair value of term FHLB advances	(941)	(3,765)
	(1,170)	(4,009)
S. Adjustments to noninterest expense		
To reflect amortization of intangible assets (CDI) resulting from the fair value of acquired identifiable intangible assets	2,373	9,491
To reflect additional depreciation resulting from fair value adjustments of acquired premises and equipment.	109	435
Adjustment to remove acquisition expenses incurred	(1,797)	(2,357)
	685	7,569

T. To reflect income tax effect of pro forma adjustments using an estimated tax rate of 28% and 37.5% for the three months ended March 31, 2018 and the year ended December 31, 2017, respectively.

Note 5—Preliminary Purchase Price Allocation

The unaudited pro forma condensed combined financial information reflects the transfer of approximately $722.8 million in equity consideration as well as $180.7 million in cash consideration. The equity consideration transferred was measured at fair value on the acquisition date of August 10, 2018. The merger will be accounted for using the acquisition method of accounting; accordingly the consideration transferred, acquired assets (including identifiable intangible assets) and liabilities are recorded at their respective estimated fair values as of the merger date. The fair value estimates summarized in the following table are preliminary and subject to change.

	March 31, 2018
	(Dollars in thousands)
Merger Consideration	
Cash paid (1)	$ 180,719
CVB common stock exchanged with Community common shareholders	722,767
Total purchase price	903,486
Identifiable net assets acquired, at fair value	
Fair value of assets acquired	
Cash and cash equivalents	46,420
Investment securities	780,183
FHLB stock	17,250
Loans	2,675,912
Premises and equipment	15,687
BOLI	70,486
Core deposit intangible	52,200
Other assets	61,123
Total assets acquired	3,719,261
Liabilities assumed	
Deposits	2,821,322
FHLB advances	297,571
Other borrowings	212,000
Other liabilities	28,394
Total liabilities assumed	3,359,287
Total fair value of identifiable net assets, at fair value	359,974
Goodwill	$ 543,512

(1) The purchase price is based on $180.7 million in cash and issuance of 29,841,759 of CVB common shares based on a fixed exchange ratio of 9.45950 and a $24.22 per share closing price of CVB common stock on August 10, 2018.