

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

**Form 10-K**

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

For the fiscal year ended December 31, 2021  
or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
**Commission file number:** 000-10140

**CVB FINANCIAL CORP.**

(Exact name of registrant as specified in its charter)

**California**  
(State or other jurisdiction of  
incorporation or organization)

**701 N. Haven Avenue, Suite 350**  
**Ontario, California**  
(Address of Principal Executive Offices)

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

**91764**  
(Zip Code)

Registrant's telephone number, including area code: **(909) 980-4030**  
Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, no par value	CVBF	NASDAQ Stock Market, LLC

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

**None**

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

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

As of June 30, 2021, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately \$2,644,183,695.

Number of shares of common stock of the registrant outstanding as of February 11, 2022: 141,920,400.

**DOCUMENTS INCORPORATED BY REFERENCE**

Definitive Proxy Statement for the Annual Meeting of Stockholders which will be filed within 120 days of the fiscal year ended December 31, 2021

**PART OF**

Part III of Form 10-K

Auditor Firm Id: 185 Auditor Name: KPMG LLP Auditor Location: Los Angeles, California

CVB FINANCIAL CORP.

2021 ANNUAL REPORT ON FORM 10-K

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## Forward-Looking Statements Safe Harbor

Certain statements set forth herein constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “will likely result”, “aims”, “anticipates”, “believes”, “could”, “estimates”, “expects”, “hopes”, “intends”, “may”, “plans”, “projects”, “seeks”, “should”, “will,” “strategy”, “possibility”, and variations of these words and similar expressions help to identify these forward-looking statements, which involve risks and uncertainties that could cause actual results or performance to differ materially from those projected. These forward-looking statements are based on management’s current expectations and beliefs concerning future developments and their potential effects on the Company including, without limitation, plans, strategies and goals, and statements about the Company’s outlook regarding revenue and asset growth, financial performance and profitability, loan and deposit growth, yields and returns, loan diversification and credit management, stockholder value creation, tax rates, and the impact of acquisitions we have made or may make. Such statements involve inherent risks and uncertainties, many of which are difficult to predict and may be beyond the control of the Company, and there can be no assurance that future developments affecting the Company will be the same as those anticipated by management. The Company cautions readers that a number of important factors in addition to those set forth below could cause actual results to differ materially from those expressed in, or implied or projected by, such forward-looking statements.

Given the ongoing and dynamic nature of the COVID-19 pandemic, the ultimate extent of the impacts on our business, financial position, results of operations, liquidity, workforce, operating platform and prospects remains uncertain. In addition, changes to statutes, regulations, or regulatory policies or practices, as a result of, or in response to the COVID-19 pandemic, could affect us in substantial and unpredictable ways, including the potential adverse impact of loan modifications and payment deferrals implemented consistent with recent regulatory guidance.

General risks and uncertainties include, but are not limited to, the following: the strength of the United States economy in general and the strength of the local economies in which we conduct business; the effects of, and changes in, trade, monetary, and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System; inflation/deflation, interest rate, market, and monetary fluctuations; the effect of acquisitions we have made or may make, including, without limitation, the failure to obtain the necessary regulatory approvals, the failure to achieve the expected revenue growth and/or expense savings from such acquisitions, and/or the failure to effectively integrate an acquisition target into our operations; the timely development of competitive new products and services and the acceptance of these products and services by new and existing customers; the impact of changes in financial services policies, laws, and regulations, including those concerning taxes, banking, securities, compliance and insurance, and the application thereof by regulatory bodies; the effectiveness of our risk management framework and quantitative models; changes in the levels of our nonperforming assets and charge-offs; the transition away from USD LIBOR and uncertainties regarding potential alternative reference rates, including SOFR; the effect of changes in accounting policies and practices or accounting standards, as may be adopted from time-to-time by bank regulatory agencies, the U.S. Securities and Exchange Commission (“SEC”), the Public Company Accounting Oversight Board, the Financial Accounting Standards Board or other accounting standards setters, including ASU 2016-13 (Topic 326), “Measurement of Credit Losses on Financial Instruments,” commonly referenced as the CECL model, which has changed how we estimate credit losses and may further increase the required level of our allowance for credit losses in future periods; possible credit related impairments of securities held by us; possible impairment charges to goodwill; changes in consumer spending, borrowing, and savings habits; the effects of our lack of a diversified loan portfolio, including the risks of geographic and industry concentrations; periodic fluctuations in commercial or residential real estate prices or values; our ability to attract deposits and other sources of liquidity; the possibility that we may reduce or discontinue the payments of dividends on our common stock; changes in the financial performance and/or condition of our borrowers; changes in the competitive environment among financial and bank holding companies and other financial service providers; technological changes in banking and financial services; geopolitical conditions, including acts or threats of terrorism, actions taken by the United States or other governments in response to acts or threats of terrorism, and/or military conflicts, which could impact business and economic conditions in the United States and abroad; catastrophic events or natural disasters, including earthquakes, drought, climate change or extreme weather events that may affect our assets, communications or computer services, customers, employees or third party vendors; public health crises and pandemics, such as the COVID-19 pandemic, and their effects on the economic and business environments in which we operate, including on our credit quality and business operations, and on our employees and managers, as well as the impact on general economic and financial market conditions; cybersecurity and fraud threats and the costs of defending against them, including the costs of compliance with potential legislation to combat cybersecurity and fraud threats at a state, national, or global level; our ability to recruit and retain key executives, board members and other employees, and changes in employment laws and regulations; unanticipated regulatory or legal proceedings; and our ability to manage the risks involved in the foregoing.

*The Company does not undertake, and specifically disclaims any obligation, to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements, except as required by law. Any statements about future operating results, such as those concerning accretion and dilution to the Company’s earnings or shareholders, are for illustrative purposes only, are not forecasts, and actual results may differ.*

**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”, “our” or the “Company”) is a bank holding company incorporated in California on April 27, 1981 and registered with the Board of Governors of the Federal Reserve System (“Federal Reserve”) 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 (“CBB” or the “Bank”). The Bank is our principal asset. The Company has one inactive subsidiary, Chino Valley Bancorp.

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. CVB has not engaged in any other material activities to date. As a legal entity separate and distinct from its subsidiaries, CVB’s principal source of funds is, and will continue to be, dividends paid by and other funds advanced from the Bank and capital raised directly by CVB. Legal limitations are imposed on the amount of dividends that may be paid and loans that may be made by the Bank to CVB. See “Item 1. Business — Regulation and Supervision — Dividends.” As of December 31, 2021, the Company had \$15.88 billion in total consolidated assets, \$7.82 billion in net loans, \$12.98 billion in deposits, and \$2.08 billion in shareholders’ equity.

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, 2021, the Bank had \$15.88 billion in assets, \$7.82 billion in net loans, \$13.04 billion in deposits, and \$2.04 billion in total equity.

As of December 31, 2021, the Bank had 58 Banking Centers (“Centers”) located in the Inland Empire, Los Angeles County, Orange County, San Diego County, Ventura County, Santa Barbara County, and the Central Valley area of California.

On January 7, 2022 we completed the acquisition of Suncrest Bank, Visalia, California. At time of acquisition, Suncrest Bank had approximately \$1.4 billion in total assets, \$0.8 billion in net loans, \$1.2 billion in total deposits and \$179.0 million in total equity. In connection with the acquisition, the Bank will acquire seven Centers and two loan production offices in California’s Central Valley and the Sacramento area. Of the seven acquired centers, two centers, that are each within two miles of the Bank’s existing centers, will be consolidated into existing Citizens Business Bank centers during the second quarter of 2022.

We also have three trust offices located in Ontario, Newport Beach and Pasadena. These offices serve as sales offices for the Bank’s wealth management, trust and investment products.

Through our network of Centers, we emphasize personalized service combined with a wide range of banking and trust services for businesses, professionals and individuals located in the service areas of our Centers. Although we focus the marketing of our services to small-and medium-sized businesses, a wide range of banking, investment and trust services are made available to the markets we serve.

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

We provide a full complement of lending products, including commercial, agribusiness, consumer, SBA loans, 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 bank qualified lease financing for municipal governments. Commercial real estate and construction loans are secured by a range of property types and include both owner-occupied and investor owned properties. We also offer borrowers the ability to enter into interest rate swaps.

Financing products for consumers include automobile leasing and financing, lines of credit, credit cards, home mortgages, and home equity loans and lines of credit.

We also offer a wide range of specialized services designed for the needs of our commercial customers. These services include treasury management systems for monitoring and managing cash flow, a merchant card processing program, armored pick-up and delivery, payroll services, remote deposit capture, electronic funds transfers, domestic and international wires and automated clearinghouse, and on-line account access. We make available investment products offered by other providers to our 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.

In addition, we offer a wide range of financial services and trust services through our CitizensTrust division. These services include fiduciary services, mutual funds, annuities, 401(k) plans and individual investment accounts.

## **Business Segments**

We are a community bank with one reportable operating segment. See the sections captioned "Business Segments" in Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* and Note 3 — *Summary of Significant Accounting Policies — Business Segments* of the notes to consolidated financial statements.

## **Human Capital**

We employed 1,015 associates as of December 31, 2021. This was a 3.5% decrease from 1,052 associates at December 31, 2020. Our Code of Personal and Business Conduct and Ethics ("Code") addresses both business and social relationships that may present legal and ethical concerns and also sets forth a code of conduct to guide the members of the Board of Directors and associates. Our associates acknowledge annually they have read and understood their responsibility to conduct business in accordance with the highest ethical standards in order to merit and maintain the confidence and trust of our customers and the public in general.

The Company promotes Five Core Values that we believe provides a continuing commitment and direction to our business activities and our underlying culture. These core values are fundamental to the Company's performance and strategy.

Our Five Core Values are:

- 1) Financial Strength;
- 2) Superior People;
- 3) Customer Focus;
- 4) Cost-Effective Operation; and
- 5) Having Fun.

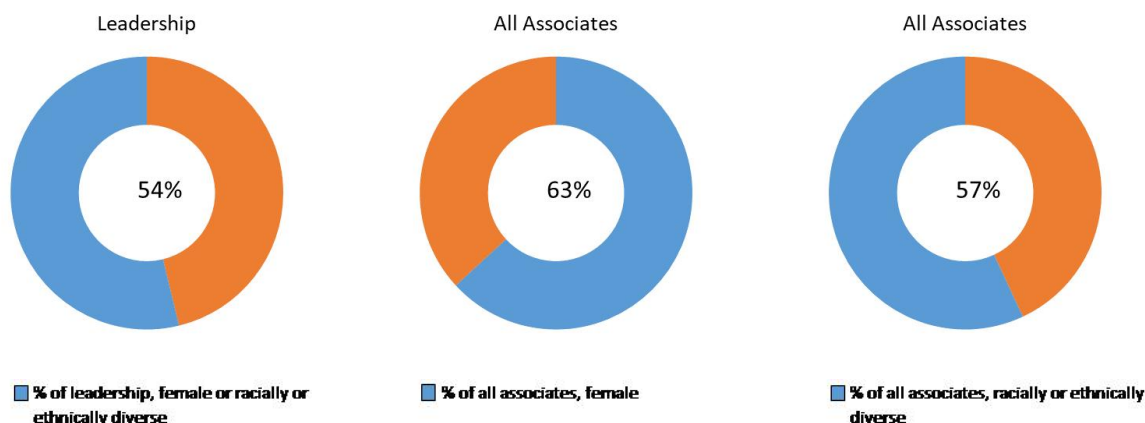
The Company's Citizens Experience Service Awards and Recognition Program resulted in 396 nominations of associates who were recognized for exemplifying our Five Core Values in 2021. In addition, the Company has a long held tradition of an annual awards program that recognizes outstanding job performance. In 2021, we held our annual virtual awards ceremony that recognized 33 associates, who stood out for their commitment to our high standards of performance.

The Company is committed to supporting the physical and financial wellness of our associates and their families. We offer a comprehensive set of health insurance and retirement benefits, as well as wellness programs and resources. As of December 2021, 76% of our associates were enrolled in our medical insurance plans and 53% of our associates participated in at least one wellness activity during 2021. The Company makes an annual 401(k) retirement contribution to all eligible associates, which includes a profit sharing component. For 2021, the combined Company 401(k) contribution was 5% of associate's eligible salary. In addition, 93% of our associates made individual participant contributions to the 401(k) plan during 2021. During 2021, with oversight by the Company's Business Continuity Committee, we took numerous actions to promote the health and safety of our associates during the COVID-19 pandemic. These actions included certain individual protocols such as required facial coverings, social distancing, and virus testing, as well as providing greater opportunities for our associates to work remotely where possible.

Recruiting, training and development, and retention of key associates is vital to the Company's strategy and success. The Company promotes leadership and associate development through various programs, including succession planning, top talent program, and leadership essentials training. At December 31, 2021, we had approximately 132 positions within the Company designated as "leadership" positions. This represents approximately 13% of our total associates. The average tenure at the Company among our leadership group at the end of 2021 was greater than 10 years. In 2021, turnover among

our leadership group was 11% and during the year we promoted 1 associate and hired 9 new associates into our leadership group.

The Company's Diversity and Inclusion Program is designed to invest in the professional development of our associates and values an inclusive and diverse workplace. We strive to reward talent, with a commitment to equal opportunity. Oversight is provided by the Company's Diversity and Inclusion Committee, which is guided by our Diversity and Inclusion Policy. The Policy provides a framework which we use to create and strengthen our diversity policies and practices, including our organizational commitment to diversity, positive workforce and employment practices, sound procurement and business practices, and practices to promote transparency of organizational diversity and inclusion. The Diversity and Inclusion Committee is co-chaired by our Chief Operating Officer and Human Resources Director and includes our Chief Financial Officer, Chief Risk Officer, and General Counsel. In 2021, the Company launched a Diversity, Engagement, and Inclusion ("DEI") Council to continue our commitment to fostering, cultivating, and preserving a culture of diversity and inclusion. The DEI Council is led by our Director of Human Resources and the Associate Engagement Manager, as well as an additional member of our Senior Leadership team. Members of the Council represent a cross section of our associates across numerous departments. The DEI Council discusses ways to encourage diversity and inclusion among associates and serve as ambassadors when it comes to implementing our Core Values regarding diversity and inclusion. We monitor progress in enhancing diversity throughout our organization, including the percentage of our total associates who are female and racially or ethnically diverse. Our Human Resources Director provides updates on our progress to the Board of Directors on a regular basis. The following represents the Company's diversity at December 31, 2021:



In addition, 40% of our Board of Directors are female or ethnically diverse.

The Board of Directors oversees executive compensation, as well as the Company's compensation and benefit plans, through the Board's Compensation Committee. The Management Compensation Compliance Committee, under the direction of the Compensation Committee, identifies, assesses, and manages exposure to and compliance with applicable compensation laws, regulations, and other related issues. In general, the Management Compensation Compliance Committee is responsible for ensuring that the Company has designed and implemented risk management processes that (1) evaluate the nature of inherent risks in compensation programs; (2) are consistent with the Company's strategic plan; and (3) foster a culture of risk-awareness and risk-adjusted decision making throughout the Company. All of our associates are eligible for incentive compensation awards. For 2021, 91% of our associates earned an incentive bonus, which compares to 92% in 2020. In 2020, we also paid all eligible associates a "Thank You" Award, which totaled approximately \$1.1 million. This award was in recognition of our associates commitments and efforts as essential workers to support our customers and communities during the pandemic.

### Competition

The banking and financial services business is highly competitive. The competitive environment faced by banks is a result primarily of changes in laws and regulations, changes in technology and product delivery systems, and the ongoing consolidation among insured financial institutions. 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, blockchain and cryptocurrency companies, money market funds, credit unions, and other nonbank financial service providers, including online banks and "peer-to-peer" or "marketplace" payment processors, FinTech companies, lenders and other small business and consumer lenders. Many competitors are much larger in total assets

and capitalization, have greater access to capital markets and/or offer a broader range of financial products and services. Additionally, some smaller competitors, including non-bank entities, may be more nimble and responsive to customer preferences or requirements.

## **Economic Conditions/Government Policies**

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

Opportunity for banks to earn fees and other noninterest income have also been limited by restrictions imposed by the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”) and other government regulations. As the following sections indicate, the impact of current and future changes in government laws and regulations on our ability to maintain current levels of fees and other noninterest income could be material and 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 Federal Reserve. The Federal Reserve implements national monetary policies (with objectives such as curbing inflation, increasing employment and combating recession) through its open-market operations in U.S. Government securities by buying and selling treasury and mortgage-backed 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 Federal Reserve in these areas influence the growth and performance of bank loans, investments, and deposits and also affect interest earned on interest-earning assets and paid on interest-bearing liabilities. In recent years, the impact of the Federal Reserve’s actions and policies have tended to assume even greater importance and impact on the lending and securities markets, and these actions and policies are continuing to evolve and change based on political and economic events and incoming data. Government fiscal and budgetary policies, including deficit spending, can also have a significant impact on the capital markets and interest rates. The nature and impact of any future changes in monetary and fiscal policies on us cannot be predicted.

## **Regulation and Supervision**

### ***General***

The Bank is subject to significant regulation and restrictions under federal and state laws and regulatory agencies. These regulations and restrictions are intended primarily for the protection of depositors and the Federal Deposit Insurance Corporation (“FDIC”) Deposit Insurance Fund (“DIF”) and for the protection of borrowers, and secondarily for the stability of the U.S. banking system. The following discussion of statutes and regulations is a summary and does not purport to be complete nor does it address all applicable statutes and regulations. This discussion is qualified in its entirety by reference to the statutes and regulations referred to in this discussion. From time to time, federal and state legislation is enacted and implemented by regulations 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 other legislation or new regulations may be enacted, and if enacted, the effect that new legislation or any implemented regulations and supervisory policies would have on our financial condition and results of operations. Such developments may further alter the structure, regulation, and competitive relationship among financial institutions, may limit the types or pricing of the products and services we offer, and may subject us to increased regulation, disclosure, and reporting requirements.

### ***Legislation and Regulatory Developments***

The federal banking agencies continue to implement the remaining requirements in the Dodd-Frank Act as well as promulgating other regulations and guidelines intended to assure the financial strength and safety and soundness of banks and the stability of the U.S. banking system. Former President Trump issued an executive order identifying certain “core principles” for the administration’s financial services regulatory policy and directing the Secretary of the Treasury, in consultation with the heads of other financial regulatory agencies, to evaluate how the current regulatory framework promotes or inhibits the principles and what actions have been, and are being, taken to promote the principles. The scope and breadth of regulatory changes that will be implemented as a result of the election of President Biden have yet to be fully

determined, though we believe there will be increased focus on perceived regulatory gaps, regulatory compliance, supervision and examination during President Biden's term.

### **Capital Adequacy Requirements**

Bank holding companies and banks are subject to similar regulatory capital requirements administered by state and federal banking agencies. The current capital rule changes (the "Current Capital Rules") adopted by the federal bank regulatory agencies, which were fully effective on January 1, 2015, have been fully phased in. The risk-based capital guidelines for bank holding companies, and additionally for banks, require capital ratios that vary based on the perceived degree of risk associated with a banking organization's operations, both for transactions reported on the balance sheet as assets, such as loans, and for those recorded as off-balance sheet items, such as commitments, letters of credit and recourse arrangements. 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 risks, and with the applicable ratios calculated by dividing qualifying capital by total risk-adjusted assets and off-balance sheet items. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting and other factors. Bank holding companies and banks engaged in significant trading activity may also be subject to the market risk capital guidelines and be required to incorporate additional market and interest rate risk components into their risk-based capital standards. Bank holding companies are also required to act as a source of financial strength to their subsidiary banks. Under this policy, the Company must commit resources to support the Bank even when the Company may not be in a financial position to provide it.

#### *Regulatory Capital and Risk-weighted Assets*

The Federal Reserve monitors our capital adequacy on a consolidated basis, and the FDIC and the California Department of Financial Protection and Innovation ("DFPI") monitor the capital adequacy of our Bank. These rules implement the Basel III international regulatory capital standards in the United States, as well as certain provisions of the Dodd-Frank Act. These quantitative calculations are minimums, and the Federal Reserve, FDIC or DFPI may determine that a banking organization, based on its size, complexity or risk profile, must maintain a higher level of capital in order to operate in a safe and sound manner.

Under the Basel III Capital Rules, the Company's and the Bank's assets, exposures and certain off-balance sheet items are subject to risk weights used to determine the institutions' risk-weighted assets. These risk-weighted assets are used to calculate the following minimum capital ratios for the Company and the Bank:

- **Tier 1 Leverage Ratio**, equal to the ratio of Tier 1 capital to quarterly average assets (net of goodwill, certain other intangible assets and certain other deductions).
- **CET1 Risk-Based Capital Ratio**, equal to the ratio of CET1 capital to risk-weighted assets. CET1 capital primarily includes common stockholders' equity subject to certain regulatory adjustments and deductions, including with respect to goodwill, intangible assets and certain deferred tax assets. Certain of these adjustments and deductions were subject to phase-in periods that began on January 1, 2015 and ended on January 1, 2018. The last phase of the Basel III Capital Rules' transition provisions relating to capital deductions for mortgage servicing assets, certain deferred tax assets and investments in the capital instruments of unconsolidated financial institutions, and the recognition of minority interests in regulatory capital was delayed for certain bank holding companies and banks, including us and the Bank, but a revised rule was finalized in July 2019 that was effective in April 2020. Although the Company repaid and retired its trust preferred securities in 2021, hybrid securities, such as trust preferred securities, generally are excluded from being counted as Tier 1 capital. In addition, because we are not an advanced approach banking organization, we were permitted to make a one-time permanent election to exclude accumulated other comprehensive income items from regulatory capital. We made this election in order to avoid significant variations in our levels of capital depending upon the impact of interest rate fluctuations on the fair value of our Bank's available-for-sale securities portfolio.
- **Tier 1 Risk-Based Capital Ratio**, equal to the ratio of Tier 1 capital to risk-weighted assets. Tier 1 capital is primarily comprised of CET1 capital, perpetual preferred stock and certain qualifying capital instruments.
- **Total Risk-Based Capital Ratio**, equal to the ratio of total capital, including CET1 capital, Tier 1 capital and Tier 2 capital, to risk-weighted assets. Tier 2 capital primarily includes qualifying subordinated debt and qualifying allowance for credit losses. Tier 2 capital also includes, among other things, certain trust preferred securities.



The total minimum regulatory capital ratios and well-capitalized minimum ratios are reflected in the charts below. For purposes of the Federal Reserve’s Regulation Y, including determining whether a bank holding company meets the requirements to be a financial holding company, bank holding companies, such as the Company, must maintain a Tier 1 Risk-Based Capital Ratio of 6.0% or greater and a Total Risk-Based Capital Ratio of 10.0% or greater.

Failure to be well-capitalized or to meet minimum capital requirements could result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a material adverse effect on our operations or financial condition. Failure to be well-capitalized or to meet minimum capital requirements could also result in restrictions on the Company’s or the Bank’s ability to pay dividends or otherwise distribute capital or to receive regulatory approval of applications.

In addition to meeting the minimum capital requirements, under the Basel III Capital Rules, the Company and the Bank must also maintain the required Capital Conservation Buffer to avoid becoming subject to restrictions on capital distributions and certain discretionary bonus payments to management. The Capital Conservation Buffer is calculated as a ratio of CET1 capital to risk-weighted assets, and it effectively increases the required minimum risk-based capital ratios. The Capital Conservation Buffer requirement was phased in over a three-year period that began on January 1, 2016. The phase-in period ended on January 1, 2019, and the Capital Conservation Buffer is now at its fully phased-in level of 2.5%.

The Tier 1 Leverage Ratio is not impacted by the Capital Conservation Buffer, and a banking institution may be considered well-capitalized while remaining out of compliance with the Capital Conservation Buffer.

The table below summarizes the capital requirements that the Company and the Bank must satisfy to avoid limitations on capital distributions and certain discretionary bonus payments (i.e., the required minimum capital ratios plus the Capital Conservation Buffer):

	<b>Minimum Basel III Regulatory Capital Ratio Plus Capital Conservation Buffer</b>
	<b>Effective January 1, 2019</b>
CET1 risk-based capital ratio	7.0 %
Tier 1 risk-based capital ratio	8.5 %
Total risk-based capital ratio	10.5 %

As of December 31, 2021 the Company and the Bank are well-capitalized for regulatory purposes. For a tabular presentation of the Company’s and Bank’s capital ratios as of December 31, 2021, see Note 17 — *Regulatory Matters* of the notes to the consolidated financial statements.

In December 2017, the Basel Committee published standards that it described as the finalization of the Basel III post-crisis regulatory reforms (the standards are commonly referred to as “Basel IV”). Among other things, these standards revise the Basel Committee’s standardized approach for credit risk (including by recalibrating risk weights and introducing new capital requirements for certain “unconditionally cancellable commitments,” such as unused credit card lines of credit) and provides a new standardized approach for operational risk capital. Under the Basel framework, these standards will generally be effective on January 1, 2023, with an aggregate output floor phasing in through January 1, 2028. Under the current U.S. capital rules, operational risk capital requirements and a capital floor apply only to advanced approaches institutions, and not to the Company and the Bank. The impact of Basel IV on us will depend on the manner in which it is implemented by the federal bank regulators.

#### *Prompt Corrective Action Provisions*

The Federal Deposit Insurance Act requires the federal bank regulatory agencies to take “prompt corrective action” with respect to a depository institution if that institution does not meet certain capital adequacy standards, including requiring the prompt submission of an acceptable capital restoration plan. Depending on the bank’s capital ratios, the agencies’ regulations define five categories in which an insured depository institution will be placed: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. At each successive lower capital category, an insured bank is subject to more restrictions, including restrictions on the bank’s activities, operational practices or the ability to pay dividends or executive bonuses. Based upon its capital levels, a bank that is classified as well-capitalized, adequately capitalized, or undercapitalized may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition, or an unsafe or unsound practice, warrants such treatment.

The prompt corrective action standards were changed to conform with the New Capital Rules. Under the new standards, in order to be considered well-capitalized, the bank will be required to meet the new common equity Tier 1 ratio of 6.5%, an increased Tier 1 ratio of 8% (increased from 6%), a total capital ratio of 10% (unchanged) and a leverage ratio of 5% (unchanged).

The federal banking agencies also may require banks and bank holding companies subject to enforcement actions to maintain capital ratios in excess of the minimum ratios otherwise required to be deemed well capitalized, in which case institutions may no longer be deemed to be well capitalized and may therefore be subject to certain restrictions such as taking brokered deposits.

#### ***Coronavirus Aid, Relief, and Economic Security Act (CARES Act)***

In response to the COVID-19 pandemic, the CARES Act was signed into law on March 27, 2020 to provide national emergency economic relief measures. Many of the CARES Act's programs are dependent upon the direct involvement of U.S. financial institutions, such as the Company and the Bank, and have been implemented through rules and guidance adopted by federal departments and agencies, including the U.S. Department of Treasury, the Federal Reserve and other federal banking agencies, including those with direct supervisory jurisdiction over the Company and the Bank. Furthermore, as the on-going COVID-19 pandemic evolves, federal regulatory authorities continue to issue additional guidance with respect to the implementation, lifecycle, and eligibility requirements for the various CARES Act programs as well as industry-specific recovery procedures for COVID-19. On December 21, 2020, Congress passed, and on December 27, 2020 the President signed, a \$900 billion aid package which provided additional funds for the PPP and extended the time of the PPP to March 31, 2021. This legislation also permits second PPP loans to certain entities which are subject to forgiveness subject to meeting certain required criteria. It is possible that Congress could enact supplementary COVID-19 response legislation, including amendments to the CARES Act or new bills comparable in scope to the CARES Act. The Company continues to assess the impact of the CARES Act and other statutes, regulations and supervisory guidance related to the COVID-19 pandemic.

*Paycheck Protection Program.* The CARES Act amended the SBA's loan program, in which the Bank participates, to create a guaranteed, unsecured loan program, the PPP, to fund operational costs of eligible businesses, organizations and self-employed persons during COVID-19. In June 2020, the Paycheck Protection Program Flexibility Act was enacted, which among other things, gave borrowers additional time and flexibility to use PPP loan proceeds. The PPP Second Draw loan program was authorized by the Economic Aid Act enacted on December 27, 2020. Further, on January 13, 2021, the SBA reopened the PPP for Second Draw loans to small businesses and non-profit organizations that did not receive a loan through the initial PPP phase.

*Troubled Debt Restructuring and Loan Modifications for Affected Borrowers.* The CARES Act permits banks to suspend requirements under GAAP for loan modifications to borrowers affected by COVID-19 that would otherwise be characterized as TDRs and suspend any determination related thereto if (i) the loan modification is made between March 1, 2020 and the earlier of December 31, 2020 or 60 days after the end of the COVID-19 emergency declaration and (ii) the applicable loan was not more than 30 days past due as of December 31, 2019. The federal banking agencies also issued guidance to encourage banks to make loan modifications for borrowers affected by COVID-19 and to assure banks that they will not be criticized by examiners for doing so. The Company applied this guidance to qualifying loan modifications. See Note 6 — *Loans and Lease Finance Receivables and Allowance for Credit Losses* of the Notes to the consolidated financial statements included in this report, which is included in Part II, Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K for further information about the COVID-19-related loan modifications completed by the Company.

#### ***Federal Reserve Programs and Other Recent Initiatives Related to COVID-19***

*Main Street Lending Program.* The CARES Act encouraged the Federal Reserve, in coordination with the Secretary of the Treasury, to establish or implement various programs to help midsize businesses, nonprofits, and municipalities. On April 9, 2020, the Federal Reserve proposed the creation of the Main Street Lending Program ("MSLP") to implement certain of these recommendations. On June 15, 2020, the Federal Reserve Bank of Boston opened the MSLP for lender registration. The MSLP supported lending to small and medium-sized businesses that were in sound financial condition before the onset of the COVID-19 pandemic.

*Temporary Regulatory Capital Relief related to Impact of CECL.* Concurrent with enactment of the CARES Act, federal banking agencies issued an interim final rule that delays the estimated impact on regulatory capital resulting from the adoption of CECL. The interim final rule provides banking organizations that implement CECL before the end of 2020 the option to delay for two years the estimated impact of CECL on regulatory capital relative to regulatory capital determined

under the prior incurred loss methodology, followed by a three-year transition period to phase out the aggregate amount of capital benefit provided during the initial two-year delay. The federal banking agencies have since issued a final rule that makes certain technical changes to the interim final rule. The changes in the final rule apply only to those banking organizations that elect the CECL transition relief provided under the rule. The Company did not elect this option.

#### *Volcker Rule*

In December 2013, the federal bank regulatory agencies adopted final rules that implement a part of the Dodd-Frank Act commonly referred to as the “Volcker Rule.” Under these rules and subject to certain exceptions, banking entities are restricted from engaging in activities that are considered proprietary trading and from sponsoring or investing in certain entities, including hedge or private equity funds that are considered “covered funds.” These rules became effective on April 1, 2014, although certain provisions are subject to delayed effectiveness under rules promulgated by the FRB. The Company and the Bank held no investment positions at December 31, 2021 which were subject to the final rule. Therefore, while these new rules may require us to conduct certain internal analysis and reporting to ensure continued compliance, they did not require any material changes in our operations or business.

#### *Brokered Deposits*

The FDIC limits the ability to accept brokered deposits to those insured depository institutions that are well capitalized. Institutions that are less than well capitalized cannot accept, renew or roll over any brokered deposit unless they have applied for and been granted a waiver by the FDIC. The FDIC has defined the “national rate” for all interest-bearing deposits held by less-than-well-capitalized institutions as “a simple average of rates paid by all insured depository institutions and branches for which data are available” and has stated that its presumption is that this national rate is the prevailing rate in any market. As such, institutions that are less than well capitalized that are permitted to accept, renew or rollover brokered deposits via FDIC waiver generally may not pay an interest rate in excess of the national rate plus 75 basis points on such brokered deposits. As of December 31, 2021, the Bank had no deposit liabilities categorized as brokered deposits.

The FDIC has previously published industry guidance in the form of Frequently Asked Questions with respect to the categorization of deposit liabilities as brokered deposits. The FDIC published a proposed rule to modify the “national rate” definition that would apply to insured depository institutions that are less than well-capitalized in August 2019. In addition, in December 2019 and in connection with the Regulatory Relief Act, the FDIC published proposed revisions to its regulations relating to the brokered deposits restrictions. Specifically, the FDIC proposed to (i) revise the definition of the “facilitation” prong of the “deposit broker” definition; (ii) provide that a wholly-owned operating subsidiary be eligible for the insured depository institution exception to the deposit broker definition under certain circumstances; and (iii) amend the “primary purpose” exception. On December 15, 2020, the FDIC released a final rule, effective April 1, 2021 (with full compliance by January 1, 2022), which may encourage the update of certain bank services. The changes introduced by the final rule include, among other things, (i) adding definitions of “engaged in the business of placing deposits” and “engaged in the business of facilitating the placement of deposits,” (ii) establishing certain designated business exceptions that would automatically meet the “primary purpose” exception from the deposit broker definition (Designated Business Exceptions), and (iii) formalizing an application process for the “primary purpose” exception for parties that do not qualify for the Designated Business Exceptions.

#### *Bank Holding Company Regulation*

Bank holding companies and their subsidiaries are subject to significant regulation and restrictions by Federal and State laws and regulatory agencies, which may affect the cost of doing business, and may limit permissible activities and expansion or impact the competitive balance between banks and other financial services providers.

A wide range of requirements and restrictions are contained in both federal and state banking laws, which together with implementing regulatory authority:

- Require periodic reports and such additional reports of information as the Federal Reserve may require;
- Require bank holding companies to meet or exceed increased levels of capital (See “Capital Adequacy Requirements”);
- Require that bank holding companies serve as a source of financial and managerial strength to subsidiary banks and commit resources as necessary to support each subsidiary bank;
- Limit of dividends payable to shareholders and restrict the ability of bank holding companies to obtain dividends or other distributions from their subsidiary banks. The Company’s ability to pay dividends on both its common and preferred stock is subject to legal and regulatory restrictions. Substantially all of CVB’s funds to

- pay dividends or to pay principal and interest on our debt obligations are derived from dividends paid by the Bank to CVB;
- Require a bank holding company to terminate an activity or terminate control of or liquidate or divest certain subsidiaries, affiliates or investments if the Federal Reserve 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;
- Require the prior approval of senior executive officer or director changes and prohibit golden parachute payments, including change in control agreements, or new employment agreements with such payment terms, which are contingent upon termination if an institution is in “troubled condition”;
- Regulate provisions of certain bank holding company debt, including the authority to impose interest ceilings and reserve requirements on such debt and require prior approval to purchase or redeem securities in certain situations;
- Require prior approval for the acquisition of 5% or more of the voting stock of a bank or bank holding company by bank holding companies or other acquisitions and mergers with banks and consider certain competitive, management, financial, anti-money-laundering compliance, potential impact on U.S. financial stability or other factors in granting these approvals, in addition to similar California or other state banking agency approvals which may also be required; and
- Require prior notice and/or prior approval of the acquisition of control of a bank or a bank holding company by a shareholder or individuals acting in concert with ownership or control of certain percentage thresholds of the voting stock being a presumption of control.

#### *Change in Bank Control*

Federal law and regulation set forth the types of transactions that require prior notice under the Change in Bank Control Act (“CIBCA”). Pursuant to CIBCA and Regulation Y, any person (acting directly or indirectly) that seeks to acquire control of a bank or its holding company must provide prior notice to the Federal Reserve. A “person” includes an individual, bank, corporation, partnership, trust, association, joint venture, pool, syndicate, sole proprietorship, unincorporated organization, or any other form of entity. A person acquires “control” of a banking organization whenever the person acquires ownership, control, or the power to vote 25 percent or more of any class of voting securities of the institution. The applicable regulations also provide for certain other “rebuttable” presumptions of control.

In April 2020, the Federal Reserve adopted a final rule to revise its regulations related to determinations of whether a company has the ability to exercise a controlling influence over another company for purposes of the BHCA. The final rule expands and codifies the presumptions for use in such determinations. By codifying the presumptions, the final rule provides greater transparency on the types of relationships that the Federal Reserve generally views as supporting a facts-and-circumstances determination that one company controls another company. The Federal Reserve’s final rule applies to questions of control under the BHCA, but does not extend to CIBCA or applicable provisions of California law.

#### *Other Restrictions on the Company’s Activities*

Subject to prior notice or Federal Reserve approval, bank holding companies may generally engage in, or acquire shares of companies engaged in, activities determined by the Federal Reserve to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Bank holding companies which elect and retain “financial holding company” status pursuant to the Gramm-Leach-Bliley Act of 1999 (“GLBA”) may engage in these nonbanking activities and broader securities, insurance, merchant banking and other activities that are determined to be “financial in nature” or are incidental or complementary to activities that are financial in nature without prior Federal Reserve approval. Pursuant to GLBA and Dodd-Frank, in order to elect and retain financial holding company status, a bank holding company and all depository institution subsidiaries of a bank holding company must be considered well capitalized and well managed, and, except in limited circumstances, depository subsidiaries must be in satisfactory compliance with the Community Reinvestment Act (“CRA”), which requires banks to help meet the credit needs of the communities in which they operate. Failure to sustain compliance with these requirements or correct any non-compliance within a fixed time period could lead to divestiture of subsidiary banks or require all activities to conform to those permissible for a bank holding company. CVB has not elected financial holding company status and neither CVB nor the Bank has engaged in any activities determined by the Federal Reserve to be financial in nature or incidental or complementary to activities that are financial in nature.

CVB is also a bank holding company within the meaning of Section 3700 of the California Financial Code. Therefore, CVB and any of its subsidiaries are subject to examination by, and may be required to file reports with, the California DFPI. DFPI approvals may also be required for certain mergers and acquisitions.

## *Securities Exchange Act of 1934*

CVB's common stock is publicly held and listed on the NASDAQ Stock Market ("NASDAQ"), and CVB is subject to the periodic reporting, information, proxy solicitation, insider trading, corporate governance and other requirements and restrictions of the Securities Exchange Act of 1934 and the regulations of the Securities and Exchange Commission ("SEC") promulgated thereunder as well as listing requirements of NASDAQ.

## *Sarbanes-Oxley Act*

The Company is subject to the accounting oversight and corporate governance requirements of the Sarbanes-Oxley Act of 2002, including, among other things, required executive certification of financial presentations, requirements for board audit committees and their members, and disclosure of controls and procedures and internal control over financial reporting.

## **Bank Regulation**

As a California commercial bank whose deposits are insured by the FDIC, the Bank is subject to regulation, supervision, and regular examination by the DFPI and by the FDIC, as the Bank's primary Federal regulator, and must additionally comply with certain applicable regulations of the Federal Reserve. Specific federal and state laws and regulations which are applicable to banks regulate, among other things, the scope of their business, their investments, their reserves against deposits, the timing of the availability of deposited funds, their activities relating to dividends, investments, loans, the nature and amount of and collateral for certain loans, servicing and foreclosing on loans, borrowings, capital requirements, certain check-clearing activities, branching, and mergers and acquisitions. California banks are also subject to statutes and regulations including Federal Reserve Regulation O and Federal Reserve Act Sections 23A and 23B and Regulation W, which restrict or limit loans or extensions of credit to "insiders", including officers, directors, and principal shareholders, and loans or extension of credit by banks to affiliates or purchases of assets from affiliates, including parent bank holding companies, except pursuant to certain exceptions and only on terms and conditions at least as favorable to those prevailing for comparable transactions with unaffiliated parties. Failure to comply with applicable bank regulation or adverse results from any examinations of the Bank could affect the cost of doing business, and may limit or impede otherwise permissible activities and expansion activities by the Bank.

Pursuant to the Federal Deposit Insurance Act ("FDI Act") and the California Financial Code, California state chartered commercial banks may generally engage in any activity permissible for national banks. Therefore, the Bank may form subsidiaries to engage in the many so-called "closely related to banking" or "nonbanking" activities commonly conducted by national banks in operating subsidiaries or in subsidiaries of bank holding companies. Further, California banks may conduct certain "financial" activities permitted under GLBA in a "financial subsidiary" to the same extent as may a national bank, provided the bank is and remains "well-capitalized," "well-managed" and in satisfactory compliance with the CRA. The Bank currently has no financial subsidiaries.

## *FDIC and DFPI Enforcement Authority*

The federal and California regulatory structure gives the bank regulatory agencies extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of appropriate loan loss reserves for regulatory purposes. The regulatory agencies have adopted guidelines to assist in identifying and addressing potential safety and soundness concerns before an institution's capital becomes impaired. The guidelines establish operational and managerial standards generally relating to: (1) internal controls, information systems, and internal audit systems; (2) loan documentation; (3) credit underwriting; (4) interest-rate exposure; (5) asset growth and asset quality; and (6) compensation, fees, and benefits. Further, the regulatory agencies have adopted safety and soundness guidelines for asset quality and for evaluating and monitoring earnings to ensure that earnings are sufficient for the maintenance of adequate capital and reserves. If, as a result of an examination, the DFPI or the FDIC should determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of the Bank's operations are unsatisfactory or that the Bank or its management is violating or has violated any law or regulation, the DFPI and the FDIC, and separately the FDIC as insurer of the Bank's deposits, have residual authority to:

- Require affirmative action to correct any conditions resulting from any violation or practice;
- Direct an increase in capital and the maintenance of higher specific minimum capital ratios, which could preclude the Bank from being deemed well capitalized and restrict its ability to accept certain brokered deposits;
- Restrict the Bank's growth geographically, by products and services, or by mergers and acquisitions, including bidding in FDIC receiverships for failed banks;

- Enter into or issue informal or formal enforcement actions, including required Board resolutions, Matters Requiring Board Attention (MRBA), written agreements and consent or cease and desist orders or prompt corrective action orders to take corrective action and cease unsafe and unsound practices;
- Require prior approval of senior executive officer or director changes; remove officers and directors and assess civil monetary penalties; and
- Terminate FDIC insurance, revoke the charter and/or take possession of and close and liquidate the Bank or appoint the FDIC as receiver.

### *Mergers and Acquisitions*

On July 9, 2021, President Biden signed an “Executive Order on Promoting Competition in the American Economy.” Included within the order is a sweeping recommendation that the Attorney General, in consultation with the heads of the FRB, FDIC and OCC review current practices and adopt a plan within 180 days for the “revitalization” of bank merger oversight to provide more extensive scrutiny of mergers. We will continue to evaluate the impact of any changes to the regulations implementing this executive order and their impact to our financial condition, results of operations and/or business strategies, which cannot be predicted at this time.

### *Deposit Insurance*

The FDIC is an independent federal agency that insures deposits, up to prescribed statutory limits, of federally insured banks and savings institutions and safeguards the safety and soundness of the banking and savings industries. The FDIC insures our customer deposits through the DIF up to prescribed limits for each depositor. The Dodd-Frank Act revised the FDIC’s DIF management authority by setting requirements for the Designated Reserve Ratio (the DIF balance divided by estimated insured deposits) and redefining the assessment base, which is used to calculate banks’ quarterly assessments. The amount of FDIC assessments paid by each DIF member institution is based on its asset size and relative risk of default as measured by regulatory capital ratios and other supervisory factors. 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 a bank would also result in the revocation of the bank’s charter by the DFPI.

We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance, which can be affected by the cost of bank failures to the FDIC among other factors. The FDIC is an independent federal agency that insures deposits through the DIF up to prescribed statutory limits of federally insured banks and savings institutions and safeguards the safety and soundness of the banking and savings industries. The Dodd-Frank Act revised the FDIC’s DIF management authority by setting requirements for the Designated Reserve Ratio (the “DRR”, calculated as the DIF balance divided by estimated insured deposits) and redefining the assessment base which is used to calculate banks’ quarterly assessments. The amount of FDIC assessments paid by each DIF member institution is based on its asset size and its relative risk of default as measured by regulatory capital ratios and other supervisory factors.

On September 30, 2018, the DRR reached 1.36%. Because the reserve ratio has exceeded 1.35%, two deposit insurance assessment changes occurred under the FDIC regulations: 1) surcharges on large banks (total consolidated assets of \$10 billion or more) ended; the last surcharge on large banks was collected on December 28, 2018. and 2) small banks (total consolidated assets of less than \$10 billion) were awarded assessment credits for the portion of their assessments that contributed to the growth in the reserve ratio from 1.15% to 1.35%, to be applied when the reserve ratio is at least 1.38%. The FDIC will, at least semi-annually, update its income and loss projections for the Deposit Insurance Fund and, if necessary, propose rules to further increase assessment rates. Any future increases in FDIC insurance premiums may have a material and adverse effect on our earnings and could have a material adverse effect on the value of, or market for, our common stock.

### *Dividends*

It is the Federal Reserve’s policy that bank holding companies should generally pay dividends on common stock only out of income available over the past year, and only if prospective earnings retention is consistent with the organization’s expected future needs and financial condition. It is also the Federal Reserve’s policy that bank holding companies should not maintain dividend levels that undermine their ability to be a source of strength to its banking subsidiaries. The Federal Reserve also discourages dividend payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong. In addition, a bank holding company may be unable to pay dividends on its common stock if it fails to maintain an adequate capital conservation buffer under the Current Capital Rules.

The Federal Reserve also maintains a policy that redemptions of instruments included in regulatory capital and repurchases of common stock from investors be consistent with an organization's current and prospective capital needs. We consult with the Federal Reserve regarding our plans for common stock repurchases.

The Bank is a legal entity that is separate and distinct from its holding company. CVB relies on dividends received from the Bank for use in the operation of the Company and the ability of CVB to pay dividends to shareholders. Future cash dividends by the Bank will also depend upon management's assessment of future capital requirements, contractual restrictions, and other factors. The Current Capital Rules may restrict dividends by the Bank if the additional capital conservation buffer is not achieved. See "Capital Adequacy Requirements".

The ability of the Bank to declare a cash dividend to CVB is subject to California law, which restricts the amount available for cash dividends to the lesser of a bank's retained earnings or net income for its last three fiscal years (less any distributions to shareholders made during such period). Where the above test is not met, cash dividends may still be paid, with the prior approval of the DFPI, in an amount not exceeding the greatest of (1) retained earnings of the bank; (2) the net income of the bank for its last fiscal year; or (3) the net income of the bank for its current fiscal year.

### ***Compensation***

Under regulatory guidance applicable to all banking organizations, incentive compensation policies must be consistent with safety and soundness principles. Under this guidance, financial institutions must review their compensation programs to ensure that they: (i) provide employees with incentives that appropriately balance risk and reward and that do not encourage imprudent risk, (ii) are compatible with effective controls and risk management, and (iii) are supported by strong corporate governance, including active and effective oversight by the banking organization's board of directors. Monitoring methods and processes used by a banking organization should be commensurate with the size and complexity of the organization and its use of incentive compensation. During 2016, as required by the Dodd-Frank Act, the federal bank regulatory agencies and the SEC proposed revised rules on incentive-based payment arrangements at specified regulated entities having at least \$1 billion of total assets (including the Company and Citizens Business Bank). These proposed rules have not been finalized. In October 2021, the SEC reopened the comment period on its 2015 proposed rule to implement its provisions on incentive compensation which would require (i) national securities exchanges to establish listing standards that would require each issuer to develop and implement a policy providing for the recovery of incentive-based compensation based on financial information required to be reported under the securities laws that is received by current or former executive officers and (ii) disclosure of the policy.

### ***Cybersecurity and Data Breaches***

Federal regulators have issued multiple statements regarding cybersecurity and that financial institutions need to design multiple layers of security controls to establish lines of defense and to ensure that their risk management processes also address the risk posed by compromised customer credentials, including security measures to reliably authenticate customers accessing internet-based services of the financial institution. In addition, a financial institution's management is expected to maintain sufficient business continuity planning processes to ensure the rapid recovery, resumption and maintenance of the institution's operations in the event of a cyber-attack. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the institution or one of its critical service providers fall victim to a cyber-attack. In November 2021, the federal banking agencies adopted a final rule, with compliance required by May 1, 2022, that requires banking organizations to notify their primary banking regulator within 36 hours of determining that a "computer-security incident" has materially disrupted or degraded, or is reasonably likely to materially disrupt or degrade, the banking organization's ability to carry out banking operations or deliver banking products and services to a material portion of its customer base, its businesses and operations that would result in material loss. If we fail to observe the regulatory guidance, we could be subject to various regulatory sanctions, including financial penalties.

State regulators have also been increasingly active in implementing privacy and cybersecurity standards and regulations. Recently, several states, notably including California where we conduct substantially all our banking business, have adopted laws and/or regulations requiring certain financial institutions to implement cybersecurity programs and providing detailed requirements with respect to these programs, including data encryption requirements. Many such states have also implemented or modified their data breach notification and data privacy requirements including California and New York. We expect this trend of state-level activity in those areas to continue, and we continue to monitor relevant legislative and regulatory developments in California where nearly all our customers are located.

In the ordinary course of business, we rely on electronic communications and information systems to conduct our operations and to store sensitive data. We employ a layered, defensive approach that leverages people, processes and

technology to manage and maintain cybersecurity controls. We employ a variety of preventative and detective tools to monitor, block, and provide alerts regarding suspicious activity, as well as to report on any suspected advanced persistent threats. Notwithstanding the strength of our defensive measures, the threat from cyber-attacks is severe, attacks are sophisticated and increasing in volume, and attackers respond rapidly to changes in defensive measures. While to date we have not detected a significant compromise, significant data loss or any material financial losses related to cybersecurity attacks, our systems and those of our customers and third-party service providers are under constant threat and it is possible that we could experience a significant event in the future. Risks and exposures related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of Internet banking, mobile banking and other technology-based products and services by us and our customers. In addition, to the extent we experience any data breaches, we may become subject to governmental fines or enforcement actions as well as potential liability arising out of governmental or private litigation. See Item 1A. Risk Factors for a further discussion of risks related to cybersecurity and data breaches.

### ***Operations and Consumer Compliance Laws***

The Bank must comply with numerous federal and state anti-money laundering and consumer protection statutes and implementing regulations, including the USA PATRIOT Act of 2001, the Bank Secrecy Act, the Foreign Account Tax Compliance Act, the CRA, the California Consumer Privacy Act, the Fair Debt Collection Practices Act, the Fair Credit Reporting Act, the Equal Credit Opportunity Act, the Truth in Lending Act, the Fair Housing Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the National Flood Insurance Act, the California Homeowner Bill of Rights and various federal and state privacy protection laws, including the Telephone Consumer Protection Act, CAN-SPAM Act. Noncompliance with any of these laws could subject the Bank to compliance enforcement actions as well as lawsuits and could also result in administrative penalties, including, fines and reimbursements. The Bank and the Company are also subject to federal and state laws prohibiting unfair or fraudulent business practices, untrue or misleading advertising and unfair competition.

These laws and regulations mandate certain disclosure and reporting requirements and regulate the manner in which financial institutions must deal with customers when taking deposits, making loans, servicing, collecting and foreclosure of loans, and providing other services. Failure to comply with these laws and regulations can subject the Bank and the Company to various penalties, including but not limited to enforcement actions, injunctions, fines or criminal penalties, punitive damages to consumers, and the loss of certain contractual rights.

The Anti-Money Laundering Act of 2020 (“AMLA”), which amends the Bank Secrecy Act of 1970 (“BSA”), was enacted in January 2021. The AMLA is intended to be a comprehensive reform and modernization to U.S. bank secrecy and anti-money laundering laws. Among other things, it codifies a risk-based approach to anti-money laundering compliance for financial institutions; requires the development of standards for evaluating technology and internal processes for BSA compliance; expands enforcement and investigation-related authority, including increasing available sanctions for certain BSA violations and instituting BSA whistleblower incentives and protections.

The Bank received an overall “Satisfactory” rating in its most recent FDIC CRA performance evaluation, which measures how financial institutions support their communities in the areas of lending, investment and service tests. The Bank received a “High Satisfactory” rating for both the lending and the investment tests and an “Outstanding” rating for the service test.

In December 2019, the FDIC and the Office of the Comptroller of the Currency (“OCC”) jointly proposed rules that would significantly change existing CRA regulations. The proposed rules are intended to increase bank activity in low- and moderate-income communities where there is significant need for credit, more responsible lending, greater access to banking services, and improvements to critical infrastructure. The proposals change four key areas: (i) clarifying what activities qualify for CRA credit; (ii) updating where activities count for CRA credit; (iii) providing a more transparent and objective method for measuring CRA performance; and (iv) revising CRA-related data collection, record keeping, and reporting. However, the Federal Reserve Board did not join in that proposed rulemaking. In June 2020, the OCC issued its final CRA rule, effective October 1, 2020, while the FDIC did not finalize any revisions to its CRA rule. In September 2020, the Federal Reserve Board issued an Advance Notice of Proposed Rulemaking (“ANPR”) that invited public comment on an approach to modernize the regulations that implement the CRA by strengthening, clarifying, and tailoring them to reflect the current banking landscape and better meet the core purpose of the CRA. The ANPR sought feedback on ways to evaluate how banks meet the needs of low- and moderate-income communities and address inequities in credit access. In December 2021, the OCC issued a final rule to rescind its June 2020 final rule in favor of working with other agencies to put forward a joint rule. We will continue to evaluate the impact of any changes to the regulations implementing the CRA and their impact to our financial condition, results of operations, and/or liquidity, which cannot be predicted at this time.



The Dodd-Frank Act provided for the creation of the Bureau of Consumer Finance Protection (“CFPB”) as an independent entity within the Federal Reserve with broad rulemaking, supervisory and enforcement authority over consumer financial products and services, including deposit products, residential mortgages, home-equity loans and credit cards. The CFPB’s functions include investigating consumer complaints, conducting market research, rulemaking, and enforcing rules related to consumer financial products and services. CFPB regulations and guidance apply to all covered persons and banks with \$10 billion or more in assets, such as the Bank. Accordingly, the Bank is subject to CFPB supervision including examination by the CFPB.

The CFPB has finalized a number of significant rules which impact nearly every aspect of the lifecycle of a residential mortgage loan. These rules implement the Dodd-Frank Act amendments to the Equal Credit Opportunity Act, the Truth in Lending Act and the Real Estate Settlement Procedures Act. Among other things, the rules adopted by the CFPB require covered persons including banks making residential mortgage loans to: (i) develop and implement procedures to ensure compliance with an “ability-to-repay” test and identify whether a loan meets a new definition for a “qualified mortgage”, in which case a rebuttable presumption exists that the creditor extending the loan has satisfied the ability-to-repay test; (ii) implement new or revised disclosures, policies and procedures for originating and servicing mortgages including, but not limited to, pre-loan counseling, early intervention with delinquent borrowers and specific loss mitigation procedures for loans secured by a borrower’s principal residence; (iii) comply with additional restrictions on mortgage loan originator hiring and compensation; (iv) comply with new disclosure requirements and standards for appraisals and certain financial products; and (v) maintain escrow accounts for higher-priced mortgage loans for a longer period of time.

The review of products and practices to prevent unfair, deceptive or abusive acts or practices (“UDAAP”) is a continuing focus of the CFPB, and of banking regulators more broadly. The ultimate impact of this heightened scrutiny is uncertain but could result in changes to pricing, practices, products and procedures. It could also result in increased costs related to regulatory oversight, supervision and examination, additional remediation efforts and possible penalties. In addition, the Dodd-Frank Act provides the CFPB with broad supervisory, examination and enforcement authority over various consumer financial products and services, including the ability to require reimbursements and other payments to customers for alleged violations of UDAAP and other legal requirements and to impose significant penalties, as well as injunctive relief that prohibits lenders from engaging in allegedly unlawful practices. The CFPB also has the authority to obtain cease and desist orders providing for affirmative relief or monetary penalties. The Dodd-Frank Act does not prevent states from adopting stricter consumer protection standards. State regulation of financial products and potential enforcement actions could also adversely affect the Bank’s business, financial condition or results of operations.

The federal bank regulators have adopted rules limiting the ability of banks and other financial institutions to disclose non-public information about consumers to unaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party. These regulations affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors. In addition, consumers may also prevent disclosure of certain information among affiliated companies that is assembled or used to determine eligibility for a product or service, such as that shown on consumer credit reports and asset and income information from applications. Consumers also have the option to direct banks and other financial institutions not to share information about transactions and experiences with affiliated companies for the purpose of marketing products or services.

Under the Durbin Amendment to the Dodd-Frank Act, the Federal Reserve adopted rules establishing standards for assessing whether the interchange fees that may be charged with respect to certain electronic debit transactions are “reasonable and proportional” to the costs incurred by issuers for processing such transactions.

Interchange fees, or “swipe” fees, are charges that merchants pay to us and other card-issuing banks for processing electronic payment transactions. Under the final rules, the maximum permissible interchange fee is equal to no more than 21 cents plus 5 basis points of the transaction value for many types of debit interchange transactions. The Federal Reserve also adopted a rule to allow a debit card issuer to recover one cent per transaction for fraud prevention purposes if the issuer complies with certain fraud-related requirements required by the Federal Reserve. The Federal Reserve also has rules governing routing and exclusivity that require issuers to offer two unaffiliated networks for routing transactions on each debit or prepaid product.

#### ***Commercial Real Estate Concentration Limits***

In December 2006, the federal banking regulators issued guidance entitled “Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices” to address increased concentrations in commercial real estate, or CRE, loans. In addition, in December 2015, the federal bank agencies issued additional guidance entitled “Statement on Prudent Risk Management for Commercial Real Estate Lending.” Together, these guidelines describe the criteria the agencies will

use as indicators to identify institutions potentially exposed to CRE concentration risk. An institution that has (i) experienced rapid growth in CRE lending, (ii) notable exposure to a specific type of CRE, (iii) total reported loans for construction, land development, and other land representing 100% or more of the institution's capital, or (iv) total CRE loans (which excludes owner-occupied CRE loans) representing 300% or more of the institution's capital, and the outstanding balance of the institutions CRE portfolio has increased by 50% or more in the prior 36 months, may be identified for further supervisory analysis of the level and nature of its CRE concentration risk. As of December 31, 2021, the Bank's total CRE loan concentration based on total outstanding loans is 263% of risk-based capital.

### ***Office of Foreign Assets Control Regulation***

The U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"), administers and enforces economic and trade sanctions against targeted foreign countries and regimes, under authority of various laws, including designated foreign countries, nationals and others. OFAC publishes lists of specially designated targets and countries. We are responsible for, among other things, blocking accounts of, and transactions with, such targets and countries, prohibiting unlicensed trade and financial transactions with them and reporting blocked transactions after their occurrence. Failure to comply with these sanctions could have serious financial, legal and reputational consequences, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required. Regulatory authorities have imposed cease and desist orders and civil money penalties against institutions found to be violating these obligations.

### ***Tax Cuts and Jobs Act of 2017 (the "Tax Reform Act")***

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 ("Tax Reform Act") was signed into law. The Tax Reform Act included a number of provisions that impact us, including the following:

- **Tax Rate.** The Tax Reform Act replaces the corporate tax rates applicable under prior law, which imposed a maximum tax rate of 35%, with a reduced 21% tax rate for 2018. Generally accepted accounting principles ("GAAP") requires that the impact of the provisions of the Tax Reform Act be accounted for in the period of enactment;
- **FDIC Insurance Premiums.** The Tax Reform Act prohibits taxpayers with consolidated assets over \$50 billion from deducting any FDIC insurance premiums and prohibits taxpayers with consolidated assets between \$10 and \$50 billion from deducting the portion of their FDIC premiums equal to the ratio, expressed as a percentage, that (i) the taxpayer's total consolidated assets over \$10 billion, as of the close of the taxable year, bears to (ii) \$40 billion. As a result our ability to deduct FDIC premiums is limited;
- **Employee Compensation.** A "publicly held company" is not permitted to deduct compensation in excess of \$1 million per year paid to certain employees. The Tax Reform Act eliminates certain exceptions to the \$1 million limit applicable under prior law related to performance-based compensation, such as equity grants and cash bonuses that are paid only on the attainment of performance goals. As a result, our ability to deduct certain compensation paid to our most highly compensated employees is limited; and
- **Business Asset Expensing.** The Tax Reform Act allows taxpayers immediately to expense the entire cost (instead of only 50%, as under prior law) of certain depreciable tangible property and real property improvements acquired and placed in service after September 27, 2017 and before January 1, 2023 (with an additional year for certain property). This 100% "bonus" depreciation is phased out proportionately for property placed in service on or after January 1, 2023 and before January 1, 2027 (with an additional year for certain property).

The foregoing description of the impact of the Tax Reform Act on us should be read in conjunction with Note 11 — *Income Taxes* of the notes to consolidated financial statements for more information.

### ***Future Legislation and Regulation***

Congress may enact, modify or repeal legislation from time to time that affects the regulation of the financial services industry, and state legislatures may enact, modify or repeal legislation from time to time affecting the regulation of financial institutions chartered by or operating in those states. Federal and state regulatory agencies also periodically propose and adopt changes to their regulations or change the manner in which existing regulations are applied. The substance or impact of pending or future legislation or regulation, or the application thereof, cannot be predicted, although enactment of proposed legislation (or modification or repeal of existing legislation) could impact the regulatory structure under which the Company and Bank operate and may significantly increase its costs, impede the efficiency of its internal business processes, require the Bank to increase its regulatory capital and modify its business strategy, and limit its ability to pursue business opportunities

in an efficient manner. The Company's business, financial condition, results of operations or prospects may be adversely affected, perhaps materially.

### **Available Information**

Reports filed with the SEC include our proxy statements, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. The SEC maintains a website that contains the reports, proxy and information statements and other information we file with them. The address of the site is <http://www.sec.gov>. The Company also maintains an Internet website at <http://www.cbbank.com>. We make available, free of charge through our website, our Proxy Statement, Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, and any amendments thereto, 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.

### **Executive Officers of the Company**

The following sets forth certain information regarding our executive officers, their positions and their ages.

#### **Executive Officers:**

<b>Name</b>	<b>Position</b>	<b>Age</b>
David A. Brager	President and Chief Executive Officer of the Company and the Bank	54
E. Allen Nicholson	Chief Financial Officer of the Company and Executive Vice President and Chief Financial Officer of the Bank	54
David F. Farnsworth	Executive Vice President and Chief Credit Officer of the Bank	65
David C. Harvey	Executive Vice President and Chief Operations Officer of the Bank	54
Richard H. Wohl	Executive Vice President and General Counsel	63
Yamynn DeAngelis	Executive Vice President and Chief Risk Officer	65

*Mr. Brager* was appointed Chief Executive Officer of the Company and the Bank on March 16, 2020. Effective November 19, 2021, Mr. Brager was also named President of the Company and the Bank. Mr. Brager also serves on the Board of Directors of the Company and the Bank. Mr. Brager assumed the position of Executive Vice President and Sales Division Manager of the Bank on November 22, 2010. From 2007 to 2010, he served as Senior Vice President and Regional Manager of the Central Valley Region for the Bank. From 2003 to 2007, he served as Senior Vice President and Manager of the Fresno Business Financial Center for the Bank. From 1997 to 2003, Mr. Brager held management positions with Westamerica Bank.

*Mr. Nicholson* was appointed Chief Financial Officer of the Company and Executive Vice President and Chief Financial Officer of the Bank on May 4, 2016. Previously, Mr. Nicholson served as Executive Vice President and Chief Financial Officer of Pacific Premier Bank and its holding company, Pacific Premier Bancorp Inc. from June of 2015 to May of 2016, and from 2008 to 2014, Mr. Nicholson was Chief Financial Officer of 1st Enterprise Bank. From 2005 to 2008, he was the Chief Financial Officer of Mellon First Business Bank.

*Mr. Farnsworth* was appointed Executive Vice President and Chief Credit Officer of the Bank on July 18, 2016. Prior to his appointment, Mr. Farnsworth was Executive Vice President, Global Risk Management, and National CRE Risk Executive at BBVA Compass. Previously, Mr. Farnsworth held senior credit management positions with US Bank and AmSouth.

*Mr. Harvey* was appointed Executive Vice President and Chief Operating Officer of the Bank on February 23, 2022. He previously assumed the position of Executive Vice President and Chief Operations Officer of the Bank on December 31, 2009. From 2000 to 2008, he served as Senior Vice President and Operations Manager at Bank of the West. From 2008 to 2009 he served as Executive Vice President and Commercial and Treasury Services Manager at Bank of the West.

*Mr. Wohl* was initially appointed Executive Vice President and General Counsel of the Company and the Bank on October 11, 2011, and he rejoined the Company and the Bank in the same position on July 10, 2017 after a one-year hiatus at another financial institution. Prior to his initial appointment in 2011, Mr. Wohl served in senior business and legal roles at Indymac Bank, the law firm of Morrison & Foerster, and the U.S. Department of State.

*Ms. DeAngelis* assumed the position of Executive Vice President and Chief Risk Officer of the Bank on January 5, 2009. From 2006 to 2008, she served as Executive Vice President and Service Division Manager for the Bank. From 1995 to 2005, she served as Senior Vice President and Division Service Manager for the Bank.

## 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.

### **Risks relating to the COVID-19 Pandemic**

***The COVID-19 pandemic has significantly impacted the banking industry and our business. The ultimate impact on our business and financial results will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities in response to the pandemic.***

The COVID-19 pandemic has negatively impacted the global, U.S., California and local economies, disrupted supply chains, affected equity market valuations, and created significant volatility and disruption in financial markets, although economic growth and employment levels had largely rebounded by the end of 2021. Similarly, the initial imposition of temporary business closures of many businesses and the institution of social distancing and sheltering in place requirements in many states and communities have been relaxed or rescinded as the COVID-19 pandemic has become more endemic. Our operations, like those of other financial institutions that operate in our markets, are significantly influenced by economic conditions in California, including the strength of the real estate market and business conditions in the industries to which we lend or from which we gather deposits. The COVID-19 pandemic has resulted in heightened volatility with respect to the revenues of many business sectors as well as in commercial and residential property sales and construction activities. As a result, the demand for our products and services has been, and may continue to be, significantly impacted, depending on developments related to the pandemic and the actions of federal, state and local governments in response to the pandemic.

As there continues to be a degree of uncertainty around the epidemiological assumptions and impact of government responses to the pandemic that impact our economic forecast, no assurance can be given that economic conditions that adversely affect the Company's service areas or other circumstances will not be reflected in an increased allowance for credit losses in future periods. For the year ended December 31, 2021, our allowance for credit losses decreased \$25.5 million, compared to an increase of \$23.5 million in provision for credit losses for 2020. The decrease in our allowance for credit losses was due to the improved outlook in our forecast of certain macroeconomic variables that were influenced by the economic impact of the pandemic: including various government responses, availability of vaccines, and fiscal and monetary stimulus. Depending on the scope and duration of the COVID-19 pandemic, there is a possibility that increased provisions for credit losses may be necessary in the future.

Similarly, because of changing economic and market conditions affecting bond issuers, we may be required to recognize credit losses in future periods on the securities we hold as well as reductions in other comprehensive income. Our business operations may also be disrupted if significant or critical portions of our workforce or managers are unable to work effectively, including because of illness, quarantines, government actions, or other restrictions in connection with the pandemic. In response to the pandemic, and to comply with or follow various government recommendations or mandates, we have also suspended certain real property foreclosure actions and sales, and in certain instances, we are providing fee waivers, payment deferrals, and other expanded assistance for our business and mortgage customers.

We also could be adversely affected if key personnel or a significant number of employees were to become unavailable due to the effects and restrictions of the COVID-19 pandemic in our market areas. Although we have business continuity plans and other safeguards in place, there is no assurance that such plans and safeguards will be effective. In addition, we rely upon our third-party vendors to conduct business and to process, record, and monitor transactions. If any of these vendors are unable to continue to provide us with these services, it could negatively impact our ability to serve our customers.

The extent to which the COVID-19 pandemic impacts our business, results of operations, and financial condition, as well as our regulatory capital and liquidity ratios, will depend on future developments, which are uncertain and cannot be predicted, including the scope and duration of the pandemic, the effectiveness, distribution and uptake rates of vaccines, boosters and medical treatments, and actions taken by governmental authorities and other third parties in response to the pandemic.

***Our bank elected to participate as a lender in the Small Business Administration's Paycheck Protection Program (PPP) and to register as an Eligible Lender under the Federal Reserve's Main Street Lending Program (MSLP), and has accordingly become subject to a number of significant risks applicable to lenders under the PPP and MSLP, respectively.***

As one set of responses to the COVID-19 pandemic, our federal, state and local governments have promulgated a wide variety of laws, regulations, executive orders and programs designed to ameliorate the severe and widespread economic distress caused by the mandatory closings of many businesses throughout the State of California and counties in which we operate. One such program is the PPP enacted under the federal CARES Act and Economic Aid Act. This program is designed, among other things, to provide employee payroll maintenance support for small and medium-sized businesses throughout the United States, including in the State of California, through loans made by authorized lenders and guaranteed by the federal Small Business Administration (SBA). Because the Company is an authorized SBA lender and our primary customer base consists of small and medium-sized businesses, the Company has actively participated in the PPP. Including the second round of funding, after legislation passed on April 24, 2020, we originated and funded approximately 4,100 PPP loans totaling approximately \$1.1 billion, of which \$1.1 billion was forgiven through December 31, 2021. On January 13, 2021, the SBA reopened the PPP for Second Draw loans to small businesses and non-profit organizations that did receive a loan through the initial PPP phase. At least \$25 billion has been set aside for Second Draw PPP loans to eligible borrowers with a maximum of 10 employees or for loans of \$250,000 or less to eligible borrowers in low or moderate income neighborhoods. Generally speaking, businesses with more than 300 employees and/or less than a 25% reduction in gross receipts between comparable quarters in 2019 and 2020 are not eligible for Second Draw loans. Further, maximum loan amounts have been increased for accommodation and food service businesses. We originated and funded more than 1,900 Second Draw loan applications totaling approximately \$420 million, of which \$186.6 million was outstanding at December 31, 2021.

Under interim final regulations promulgated by the SBA, PPP lenders are entitled to rely on borrower certifications with respect to issues such as program eligibility and eligible loan amounts, and PPP loans are designed to be subsequently forgivable, in whole or part, if certain additional criteria are met by the borrower with respect to employee payroll maintenance. However, in view of the fact that the PPP was by design intended to support economically distressed businesses, the SBA's guarantee of PPP loan amounts to participating lenders is a critical feature of the program. In this regard, because the PPP was quickly implemented into operation and the SBA's interim regulations have been repeatedly revised and are continuing to evolve, there are significant risks to the Company's participation in the PPP, including whether certain borrowers will ultimately be found to have been eligible for PPP loans, whether eligible PPP loan amounts for certain borrowers were correctly calculated, whether certain PPP loans will ultimately be determined to be forgivable, and if not, whether the SBA's guarantee will continue to apply to any unforgiven PPP loan amounts. To date, our customers who have had their forgiveness requests reviewed by the SBA have received nearly 100% loan forgiveness. As of December 31, 2021, approximately 99% of PPP loans originated in Round 1 have received forgiveness and a total of \$239 million of Second Draw PPP have been submitted to the SBA and granted forgiveness.

### **Credit Risks**

#### ***Our allowance for credit losses may not be sufficient to cover actual losses***

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

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

For the year ended December 31, 2021, we recorded \$25.5 million in recapture of loan loss provision. During 2021, we experienced charge-offs of \$3.4 million and recoveries of \$198,000. Because we have a significant amount of real estate loans, decreases in real estate values could adversely affect the value of property used as collateral for our loans. As of December 31, 2021, we had \$5.79 billion in commercial real estate loans, \$62.3 million in construction loans, and \$240.7 million in single-family residential mortgages. Although the U.S. economy has emerged from a prior period of severe recession followed by slower than normal growth, business activity and real estate values continue to grow more slowly than in past economic recoveries, and may not recover fully or could again decline from current levels, and this in turn could

affect the ability of our loan customers to service their debts, including those customers whose loans are secured by commercial or residential real estate. This, in turn, could result in loan charge-offs and provisions for credit losses in the future, which could have a material adverse effect on our financial condition, net income and capital. In addition, the Federal Reserve Board and other government officials have expressed concerns about banks' concentration in commercial real estate lending and the ability of commercial real estate borrowers to perform pursuant to the terms of their loans.

***Dairy & livestock and agribusiness lending presents unique credit risks.***

As of December 31, 2021, approximately 4.9% of our total gross loan portfolio was comprised of dairy & livestock and agribusiness loans. As of December 31, 2021, we had \$386.2 million in dairy & livestock and agribusiness loans, including \$351.7 million in dairy & livestock loans and \$34.5 million in agribusiness loans. Repayment of dairy & livestock and agribusiness loans depends primarily on the successful raising and feeding of livestock or planting and harvest of crops and marketing the harvested commodity (including milk production). Collateral securing these loans may be illiquid. In addition, the limited purpose of some agricultural-related collateral affects credit risk because such collateral may have limited or no other uses to support values when loan repayment problems emerge. Our dairy & livestock and agribusiness lending staff have specific technical expertise that we depend on to mitigate our lending risks for these loans and we may have difficulty retaining or replacing such individuals. Many external factors can impact our agricultural borrowers' ability to repay their loans, including adverse weather conditions, water issues, commodity price volatility (i.e. milk prices), diseases, land values, production costs, changing government regulations and subsidy programs, changing tax treatment, technological changes, labor market shortages/increased wages, and changes in consumers' preferences, over which our borrowers may have no control. These factors, as well as recent volatility in certain commodity prices, including milk prices, could adversely impact the ability of those to whom we have made dairy & livestock and agribusiness loans to perform under the terms of their borrowing arrangements with us, which in turn could result in credit losses and adversely affect our business, financial condition and results of operations.

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

A renewed downturn in our real estate markets could hurt our business because most 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, prolonged drought and disasters particular to California. Substantially all of our real estate collateral is located in the state of California. If real estate values, including values of land held for development, should again start to decline, the value of real estate collateral securing our loans could be significantly reduced. Our ability to recover on defaulted loans by foreclosing and selling the real estate collateral would then be diminished and we would be more likely to suffer losses on defaulted loans. Commercial real estate loans typically involve large balances to single borrowers or a group of related borrowers. Since payments on these loans are often dependent on the successful operation or management of the properties, as well as the business and financial condition of the borrower(s), repayment of such loans may be subject to adverse conditions in the real estate market, adverse economic conditions or changes in applicable government regulations.

Additional risks associated with our real estate construction loan portfolio include failure of developers and/or contractors to complete construction on a timely basis or at all, market deterioration during construction, cost overruns and failure to sell or lease the security underlying the construction loans so as to generate the cash flow anticipated by our borrower.

A decline in the economy may cause renewed declines in real estate values and increases in unemployment, which may result in higher than expected loan delinquencies or problem assets, a decline in demand for our products and services, or a lack of growth or decrease in deposits, which may cause us to incur losses, adversely affect our capital or hurt our business.

***Our commercial real estate loan portfolio exposes us to risks that may be greater than the risks related to our other loans***

Federal and state banking regulators are examining commercial real estate lending activity with heightened scrutiny and may require banks with higher levels of commercial real estate loans to implement more stringent underwriting, internal controls, risk management policies and portfolio stress testing, as well as possibly higher levels of allowances for losses and capital levels as a result of commercial real estate lending growth and exposures. Because a significant portion of our loan portfolio is comprised of commercial real estate loans, the banking regulators may require us to maintain higher levels of

capital than we would otherwise be expected to maintain, which could limit our ability to leverage our capital and have a material adverse effect on our business, financial condition, results of operations and prospects.

***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. While we will take steps to mitigate this risk, 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 we may be required to investigate or clean-up hazardous or toxic substances, or chemical releases at one or more properties. The costs associated with investigation or remediation activities could be substantial. In addition, while there are certain statutory protections afforded lenders who take title to property through foreclosure on a loan, 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.

**Liquidity and Interest Rate Risks**

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

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a material adverse effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities could be impaired by factors that affect us specifically or the financial services industry in general. Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity due to a market downturn or adverse regulatory action against us. Our ability to acquire deposits or borrow could also be impaired by factors that are not specific to us, such as a severe disruption of the financial markets or negative views and expectations about the prospects for the financial services industry as a whole. Many if not all of these same factors could also significantly raise the cost of deposits to our Company and/or to the banking industry in general. This in turn could negatively affect the amount of interest we pay on our interest-bearing liabilities, which could have an adverse impact on our interest rate spread and profitability.

***The actions and commercial soundness of other financial institutions could affect our ability to engage in routine funding transactions***

Financial service institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to different industries and counterparties, and execute transactions with various counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mutual funds, and other institutional clients. Defaults by financial services institutions, even rumors or questions about one or more financial institutions or the financial services industry in general, could lead to market wide liquidity problems and further, could lead to losses or defaults by the Company or other institutions. Many of these transactions expose us to credit risk in the event of default of the applicable counterparty or client. In addition, our credit risk may increase when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to us. Any such losses could materially and adversely affect our consolidated financial statements.

***Changes in interest rates could reduce the value of our investment securities holdings.***

The Bank maintains an investment portfolio consisting of various high quality liquid fixed-income securities. The total book value of the securities portfolio as of December 31, 2021 was \$5.11 billion, of which \$3.18 billion is available for sale. The nature of fixed-income securities is such that changes in market interest rates impact the value of these assets.

***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 the 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, 2021 our balance sheet was positioned with an asset sensitive bias over both a one and two-year horizon assuming no balance sheet growth, and as a result, our net interest margin tends to expand in a rising interest rate environment and decrease in a declining interest rate environment. Accordingly, fluctuations



in interest rates could adversely affect our interest rate spread and, in turn, our profitability. Loan origination volumes may be affected by changes in market interest rates. In addition, 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, as well as loan origination and prepayment volume.

***We may be adversely impacted by the transition from LIBOR as a reference rate***

In 2017, the United Kingdom's Financial Conduct Authority announced that after 2021 it would no longer compel banks to submit the rates required to calculate the London Interbank Offered Rate ("LIBOR"). This announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. Consequently, at this time, it is not possible to predict whether and to what extent banks will continue to provide submissions for the calculation of LIBOR. Similarly, it is not possible to predict whether LIBOR will continue to be viewed as an acceptable market benchmark, what rate or rates may become accepted alternatives to LIBOR or what the effect of any such changes in views or alternatives may be on the markets for LIBOR-indexed financial instruments.

We have a number of loans, derivative contracts, and other financial instruments with attributes that are either directly or indirectly dependent on LIBOR. The Company established a LIBOR Transition Task Force in 2020, which has inventoried our instruments that reflect exposure to LIBOR, created a framework to manage the transition and established a timeline for key decisions and actions to complete the transition from LIBOR. The transition from LIBOR could create additional costs and risk. Since proposed alternative rates are calculated differently, payments under contracts referencing new rates will differ from those referencing LIBOR. The transition could change our market risk profiles, requiring changes to risk and pricing models, valuation tools, product design and hedging strategies. Furthermore, failure to adequately manage this transition process with our customers could adversely impact our reputation. Although we are currently unable to assess what the ultimate impact of the transition from LIBOR will be, failure to adequately manage the transition could have a material adverse effect on our business, financial condition and results of operations.

**Operational Risks**

***Failure to manage our growth may adversely affect our performance***

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

***The occurrence of fraudulent activity, breaches or failures of our information security controls or cybersecurity-related incidents could have a material adverse effect on our business, financial condition and results of operations***

As a financial institution, we are susceptible to fraudulent activity, information security breaches and cybersecurity-related incidents that may be committed against us or our clients, including by our own employees, which may result in financial losses or increased costs to us or our clients, disclosure or misuse of our information or our client information, misappropriation of assets, privacy breaches against our clients, litigation, or damage to our reputation. Such fraudulent activity may take many forms, including check fraud, electronic fraud, wire fraud, on-line banking, takeover, phishing, social engineering and other dishonest acts. Information security breaches and cybersecurity-related incidents may include fraudulent or unauthorized access to systems used by us or our clients, denial or degradation of service attacks, and malware or other cyber-attacks. There continues to be a rise in electronic fraudulent activity, security breaches and cyber-attacks within the financial services industry, especially in the commercial banking sector due to cyber criminals targeting commercial bank accounts. In recent periods, several large corporations, including financial institutions, medical providers and retail companies, have suffered major data breaches, in some cases exposing not only confidential and proprietary corporate information, but also sensitive financial and other personal information of their customers and employees and subjecting them to potential fraudulent activity. Some of our clients may have been affected by these breaches, which increase their risks of identity theft, credit card fraud and other fraudulent activity that could involve their accounts with us.

Information pertaining to us and our clients is maintained, and transactions are executed, such as our online banking or core systems on the networks and systems of ours, our clients and certain of our third party providers. The secure maintenance and transmission of confidential information, as well as execution of transactions over these systems, are essential to protect us and our clients against fraud and security breaches and to maintain our clients' confidence. In addition, increases in criminal activity levels and sophistication, advances in computer capabilities, new discoveries, vulnerabilities in third-party technologies (including browsers and operating systems) or other developments could result in a compromise or

breach of the technology, processes and controls that we use to prevent fraudulent transactions and to protect data about us, our clients and underlying transactions, as well as the technology used by our clients to access our systems. Although we continue to invest in systems and processes that are designed to detect and prevent security breaches and cyber-attacks and periodically test our security, our inability to anticipate, or failure to adequately mitigate, breaches of security could result in: losses to us or our clients; our loss of business and/or clients; damage to our reputation; the incurrence of additional expenses; disruption to our business; our inability to grow our online services or other businesses; additional regulatory scrutiny or penalties; or our exposure to civil litigation and possible financial liability — any of which could have a material adverse effect on our business, financial condition and results of operations.

More generally, continued publicized information concerning security and cyber-related problems could inhibit the use or growth of electronic or web-based applications or solutions as a means of conducting commercial transactions for us and other financial institutions. Such publicity may also cause damage to our reputation as a financial institution. As a result, our business, financial condition and results of operations could be adversely affected.

***Our business is exposed to the risk of changes in technology***

The rapid pace of technology changes and the impact of such changes on financial services generally and on our Company specifically could impact our cost structure and our competitive position with our customers. Such developments include the rapid movement by customers and some competitor financial institutions to web-based services, mobile banking and cloud computing. Our failure or inability to anticipate, plan for or implement technology change could adversely affect our competitive position, financial condition and profitability.

***Our controls and procedures could fail or be circumvented***

Management regularly reviews and updates our internal controls, disclosure controls and procedures and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and on the conduct of individuals, and can provide only reasonable, but not absolute, assurances of the effectiveness of these systems and controls, and that the objectives of these controls have been met. Any failure or circumvention of our controls and procedures, and any failure to comply with regulations related to controls and procedures could adversely affect our business, results of operations and financial condition.

***Failure to maintain effective internal control over financial reporting or disclosure controls and procedures could adversely affect our ability to report our financial condition and results of operations accurately and on a timely basis***

A failure to maintain effective internal control over financial reporting or disclosure controls and procedures could adversely affect our ability to report our financial results accurately and on a timely basis, which could result in a loss of investor confidence in our financial reporting or adversely affect our access to sources of liquidity. Furthermore, because of the inherent limitations of any system of internal control over financial reporting, including the possibility of human error, the circumvention or overriding of controls and fraud, even effective internal controls may not prevent or detect all misstatements.

***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 the security of these systems could result in failures or interruptions to serve our customers, including deposit, servicing and/or loan origination systems. The occurrence of any failures or interruptions may require us to identify alternative sources of such services, which may result in increased costs or other consequences that in turn could have an adverse effect on our business, including damage to the Bank's reputation.

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

Competition for qualified employees and personnel in the banking industry is intense and there are a limited number of qualified persons with knowledge of, and experience in, the California community banking industry. The process of recruiting personnel with the combination of skills and attributes required to carry out our strategies is often lengthy. In addition, legislation and regulations which impose restrictions on executive compensation may make it more difficult for us to retain and recruit key personnel. Our success depends to a significant degree upon our ability to attract and retain qualified management, loan origination, finance, administrative, risk management, marketing and technical personnel and upon the

continued contributions of our management and personnel. In particular, our success has been and continues to be highly dependent upon the abilities of key executives, including our President and Chief Executive Officer, and certain other employees.

***If our enterprise risk management framework is not effective at mitigating risk and loss to us, we could suffer unexpected losses and our results of operations could be materially adversely affected.***

Our enterprise risk management framework seeks to achieve an appropriate balance between risk and return, which is critical to optimizing shareholder value. We have established processes and procedures intended to identify, measure, monitor, report and analyze the types of risk to which we are subject, including credit, liquidity, operational, regulatory, compliance and reputational risks. However, as with any risk management framework, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately managed, anticipated or identified. If our risk management framework proves ineffective, we could suffer unexpected losses and our business and results of operations could be materially adversely affected.

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

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

***We may experience goodwill impairment***

If our estimates of fair value change due to changes in our businesses or other factors, we may determine that impairment charges on goodwill recorded as a result of acquisitions are necessary. Estimates of fair value are determined based on a complex model using cash flows, the fair value of our Company as determined by our stock price, and peer company comparisons. If management's estimates of future cash flows are inaccurate, fair value determined could be inaccurate and impairment may not be recognized in a timely manner. If the fair value of the Company declines, we may need to recognize goodwill impairment in the future which would have a material adverse effect on our results of operations and capital levels.

***Our accounting estimates and risk management processes rely on analytical and forecasting models***

The processes we use to estimate our expected credit losses and to measure the fair value of financial instruments, as well as the processes used to estimate the effects of changing interest rates and other market measures on our financial condition and results of operations, depends upon the use of analytical and forecasting models. These models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are adequate, the models may prove to be inadequate or inaccurate because of other flaws in their design or their implementation. If the models we use for interest rate risk and asset-liability management are inadequate, we may incur increased or unexpected losses upon changes in market interest rates or other market measures. If the models we use for determining our expected credit losses are inadequate, the allowance for credit losses may not be sufficient to support future charge-offs. If the models we use to measure the fair value of financial instruments are inadequate, the fair value of such financial instruments may fluctuate unexpectedly or may not accurately reflect what we could realize upon sale or settlement of such financial instruments. Any such failure in our analytical or forecasting models could have a material adverse effect on our business, financial condition and results of operations.

***Our decisions regarding the fair value of assets acquired could be different than initially estimated, which could materially and adversely affect our business, financial condition, results of operations, and future prospects***

In business combinations, we acquire significant portfolios of loans that are marked to their estimated fair value. The fluctuations in national, regional and local economic conditions, including those related to local residential, commercial real estate and construction markets, may increase the level of charge-offs or the allowance for credit losses in the loan portfolio that we acquire and correspondingly reduce our net income. These fluctuations are not predictable, cannot be controlled and may have a material adverse impact on our operations and financial condition, even if other favorable events occur.

## **Strategic and External Risks**

### ***Changes in economic, market and political conditions can adversely affect our liquidity, results of operations and financial condition.***

Our success depends, to a certain extent, upon local, national and global economic and political conditions, as well as governmental monetary policies. Conditions such as an economic recession, rising unemployment, changes in interest rates, money supply and other factors beyond our control may adversely affect our asset quality, deposit levels and loan demand and, therefore, our earnings. Because we have a significant amount of real estate loans, decreases in real estate values could adversely affect the value of property used as collateral. Adverse changes in the economy may also have a negative effect on the ability of our borrowers to make timely repayments of their loans, which could have an adverse impact on our earnings. In addition, we may face the following risks in connection with any downward turn in the economy:

- The process we use to estimate losses inherent in our credit exposure requires difficult, subjective and complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of our borrowers to repay their loans. The level of uncertainty concerning economic conditions may adversely affect the accuracy of our estimates which may, in turn, impact the reliability of the process;
- The Company's commercial, residential and consumer borrowers may be unable to make timely repayments of their loans, or the decrease in value of real estate collateral securing the payment of such loans could result in significant credit losses, increasing delinquencies, foreclosures and customer bankruptcies, any of which could have a material adverse effect on the Company's operating results;
- A sustained environment of low interest rates would continue to cause lending margins to stay compressed, which in turn may limit our revenues and profitability;
- The value of the portfolio of investment securities that we hold may be adversely affected by increasing interest rates and defaults by debtors;
- Further disruptions in the capital markets or other events, including actions by rating agencies and deteriorating investor expectations, may result in changes in applicable rates of interest, difficulty in accessing capital or an inability to borrow on favorable terms or at all from other financial institutions; and
- Increased competition among financial services companies due to expected further consolidation in the industry may adversely affect the Company's ability to market its products and services.

Although the Company and the Bank exceed the minimum capital ratio requirements to be deemed "well-capitalized" for regulatory purposes and have not suffered any significant liquidity issues as a result of these types of events, the cost and availability of funds may be adversely affected by illiquid credit markets and the demand for our products and services may decline if we experience slower than expected economic growth or higher rates of unemployment. 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 adverse economic conditions in the state of California, where our business is concentrated. In addition, adverse economic conditions may exacerbate our exposure to credit risk and adversely affect the ability of borrowers to perform, and thereby, adversely affect our liquidity, financial condition, results or operations and profitability.

### ***Our earnings are significantly affected by the fiscal and monetary policies of the federal government and its agencies.***

The policies of the Federal Reserve impact us significantly. Its policies directly and indirectly influence the rate of interest earned on loans and paid on borrowings and interest-bearing deposits and can also affect the value of financial instruments we hold. Changes in those policies are beyond our control and are difficult to predict. Federal Reserve policies can also affect our borrowers, potentially increasing the risk that they may fail to repay their loans. As an example, monetary tightening and increases in the federal funds rate by the Federal Reserve could adversely affect our borrowers' earnings and ability to repay their loans, which could have a material adverse effect on our financial condition and results of operations. In addition, the Federal Reserve's recent actions to reduce its own balance sheet of government and mortgage-backed securities could impact the credit markets and thus prevailing interest rates.

### ***Future legislation, regulatory reform or policy changes under the new U.S. administration could have a material effect on our business and results of operations.***

New legislation, regulatory reform or policy changes under the new U.S. administration led by President Biden, including financial services regulatory reform, enforcement priorities, antitrust and merger review policies, and increased

infrastructure spending, could impact our business. At this time, we cannot predict the scope or nature of these changes or assess what the overall effect of such potential changes could be on our results of operations or cash flows.

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

We conduct most of our operations in the state of California. The banking and financial services businesses in the state of California are highly competitive and increased competition in our primary market area may adversely impact the level of our loans and deposits. Ultimately, we may not be able to compete successfully against current and future competitors. These competitors include national banks, regional banks and other community banks. We also face competition from many other types of financial institutions, including savings and loan associations, finance companies, brokerage firms, insurance companies, credit unions, mortgage companies and other financial intermediaries. In addition, as noted below, we face competition from certain non-traditional entities, including so called “FinTech” companies which specialize in the provision of technology-based financial services, such as payment processing and lending marketplaces, and which may offer or be perceived to offer more responsive or currently desirable financial products and services.

In particular, our competitors include major financial companies whose greater resources may afford them a marketplace advantage by enabling them to offer products at lower costs, maintain numerous locations, provide more extensive on-line products and services, 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.

***Potential acquisitions may disrupt our business and dilute shareholder value***

We generally seek merger or acquisition partners that are culturally similar and have experienced management and possess either significant market presence or have potential for improved profitability through financial management, economies of scale or expanded services. Acquiring other banks, businesses, or branches including our acquisition of Suncrest Bank in early 2022, involves various risks commonly associated with acquisitions, including, among other things:

- Potential exposure to unknown or contingent liabilities of the target company;
- Exposure to potential asset quality issues of the target company;
- Potential disruption to our business;
- Potential diversion of our management’s time and attention;
- The possible loss of key employees and customers of the target company;
- Difficulty in estimating the value of the target company; and
- Potential changes in banking or tax laws or regulations that may affect the target company.

Acquisitions typically involve the payment of a premium over book and market values, and, therefore, some dilution of our tangible book value and net income per common share may occur in connection with any future transaction. Furthermore, failure to realize the expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits from an acquisition could have a material adverse effect on our business, financial condition and results of operations.

***Consumers may decide not to use banks to complete their financial transactions.***

Technology and other changes are allowing parties to complete financial transactions through alternative methods that historically have involved banks. For example, consumers can now maintain funds that would have historically been held as bank deposits in brokerage accounts, mutual funds or general-purpose reloadable prepaid cards. Consumers can also complete transactions, such as paying bills and/or transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries, known as “disintermediation,” could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the lower cost of deposits as a source of funds could have a material adverse effect on our financial condition and results of operations.

**Legal, Regulatory, Compliance and Reputational Risks**

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

Our operations are subject to extensive regulation by federal, state and local governmental authorities, including the FDIC, FRB, DFPI and CFPB, and we are subject to various laws and judicial and administrative decisions imposing

requirements and restrictions on part or all of our operations. Similarly, the lending, credit and deposit products we offer are subject to broad oversight and regulation. 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. Current and future federal and state legal and regulatory requirements, restrictions and regulations, including those imposed under Dodd-Frank and those adopted to facilitate data privacy or consumer protection, may adversely impact our profitability and may have a material and adverse effect on our business, financial condition, and results of operations, may require us to invest significant management attention and resources to evaluate and make any changes required by the legislation and accompanying rules, and may make it more difficult for us to attract and retain qualified executive officers and employees. The implementation of certain final Dodd-Frank rules is delayed or phased in over several years; therefore, as yet we cannot definitively assess what may be the short or longer term specific or aggregate effect of the full implementation of Dodd-Frank on us.

***We face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations***

The Bank Secrecy Act, the USA PATRIOT Act of 2001, and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports as appropriate. The federal Financial Crimes Enforcement Network is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration, and Internal Revenue Service. We are also subject to scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control and compliance with the Foreign Corrupt Practices Act. If our policies, procedures and systems are deemed deficient, we would be subject to liability, including fines and regulatory actions, which may include restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us. Any of these results could materially and adversely affect our business, financial condition and results of operations.

***Mortgage regulations may adversely impact our business***

Revisions made pursuant to Dodd-Frank to Regulation Z, which implements the Truth in Lending Act (TILA), effective in January 2014, apply to all consumer mortgages (except home equity lines of credit, timeshare plans, reverse mortgages, or temporary loans), and mandate specific underwriting criteria and “ability to repay” requirements for home loans. This may impact our offering and underwriting of single family residential loans in our residential mortgage lending operation and could have a resulting unknown effect on potential delinquencies. In addition, the relatively uniform requirements may make it difficult for regional and community banks to compete against the larger national banks for single family residential loan originations.

***The impact of current capital rules imposed enhanced capital adequacy requirements on us and may materially affect our operations***

We are subject to more stringent capital requirements. Pursuant to Dodd-Frank and to implement for U.S. banking institutions the principles of the international “Basel III” standards, the federal banking agencies have adopted a set of rules on minimum leverage and risk-based capital that will apply to both insured banks and their holding companies.

The current capital rules, which have now been fully implemented, may adversely affect our ability to pay dividends, or require us to reduce business levels or raise capital, including in ways that may adversely affect our business, liquidity, financial condition and results of operations.

Under the current capital standards, if our Common Equity Tier 1 Capital does not include the required “capital conservation buffer,” we will be prohibited from making distributions to our stockholders. The capital conservation buffer requirement, which is measured in addition to the minimum Common Equity Tier 1 capital of 4.5%, was phased in over four years, starting at 0.625% for 2016, and is now 2.5%. Additionally, under the capital standards, if our Common Equity Tier 1 Capital does not include the “capital conservation buffer,” we will also be prohibited from paying discretionary bonuses to our executive employees. This may affect our ability to attract or retain employees, or alter the nature of the compensation arrangements that we may enter into with them.

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

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

***We depend on the accuracy and completeness of information provided by customers and counterparties.***

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by, or on behalf of, customers and counterparties, including financial statements and other financial information. We also may rely on representations of customers and counterparties as to the accuracy and completeness of that information. In deciding whether to extend credit, we may rely upon our customers' representations that their financial statements are accurate. We also may rely on customer representations and certifications, or other audit or accountants' reports, with respect to the business and financial condition of our commercial clients. Our financial condition, results of operations, financial reporting and reputation could be materially adversely affected if we rely on materially misleading, false, inaccurate or fraudulent information.

***We are subject to legal and litigation risk which could adversely affect us***

Because our Company is extensively regulated by a variety of federal and state agencies, and because we are subject to a wide range of business, consumer and employment laws and regulations at the federal, state and local levels, we are at risk of governmental investigations and lawsuits as well as claims and litigation from private parties. We are from time to time involved in disputes with and claims from investors, customers, government agencies, vendors, employees and other business parties, and such disputes and claims may result in investigations, litigation or settlements, any one of which or in the aggregate could have an adverse impact on the Company's operating flexibility, employee relations, financial condition or results of operations, as a result of the costs of any judgment, the terms of any settlement and/or the expenses incurred in defending the applicable claim.

We are unable, at this time, to estimate our potential liability in these matters, but we may be required to pay judgments, settlements or other penalties and incur other costs and expenses in connection with any one or more of these investigations or lawsuits, which in turn could have a material adverse effect on our business, results of operations and financial condition. In addition, responding to requests for information in connection with discovery demanded by a government agency or private plaintiffs in any of these lawsuits may be costly and divert internal resources away from managing our business. See Item 3 — *Legal Proceedings* below.

We may be subject to customer claims and government or legal actions pertaining to our ability to safeguard our customers' information and the performance of our fiduciary responsibilities. Whether or not such customer claims and legal actions are founded or unfounded, if such claims and legal actions are not resolved in a manner favorable to us, they may result in significant financial liability and/or adversely affect the market perception of us and our products and services, as well as impact customer demand for those products and services. Any financial liability or reputation damage could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations.

***Federal and state laws and regulations may restrict our ability to pay dividends***

The ability of the Bank to pay dividends to the Company and of the Company to pay dividends to its shareholders is limited by applicable federal and California law and regulations. . If the Bank is unable to meet regulatory requirements to pay dividends or make other distributions to CVB, CVB will be unable to pay dividends to its shareholders.

See "Business — Regulation and Supervision" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Cash Flow."

## **Risks Associated with our Common Stock**

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

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

- actual or anticipated fluctuations in our operating results and financial condition;
- changes in revenue or earnings estimates or publication of research reports and recommendations by financial analysts;
- credit events or losses;
- failure to meet analysts' revenue or earnings estimates;
- speculation in the press or investment community;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- actions or trades by institutional shareholders or other large shareholders;
- our capital position;
- fluctuations in the stock price and operating results of our competitors;
- actions by hedge funds, short term investors, activist shareholders or shareholder representative organizations;
- general market conditions and, in particular, developments related to market conditions for the financial services industry;
- proposed or adopted regulatory changes or developments;
- anticipated or pending investigations, proceedings or litigation that involve or affect the Company and/or the Bank;
- fraud losses or data or privacy breaches; or
- domestic and international economic factors, whether related or unrelated to the Company's performance.

The market price of our common stock and the trading volume in our common stock may fluctuate and cause significant price variations to occur. The trading price of the shares of our common stock and the value of our other securities will depend on many factors, which may change from time to time, including, without limitation, our financial condition, performance, creditworthiness and prospects, future sales of our equity or equity related securities, and other factors identified above in "Cautionary Note Regarding Forward-Looking Statements". A significant decline in our stock price could result in substantial losses for individual shareholders and could lead to costly and disruptive securities litigation. Extensive sales by large shareholders could also exert sustained downward pressure on our stock price.

### ***An investment in our common stock is not an insured deposit***

Our common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC, any other deposit insurance fund or by any other public or private entity. Investment in our common stock is inherently risky for the reasons described in this "Risk Factors" section and elsewhere in this report and is subject to the same market forces that affect the price of common stock in any company. As a result, if you acquire our common stock, you could lose some or all of your investment.

### ***Our common stock is subordinate to our existing and future indebtedness and preferred stock.***

Shares of our common stock are equity interests and do not constitute indebtedness. As such, our common stock ranks junior to all our customer deposits and indebtedness, whether now existing or hereafter incurred, and other non-equity claims on us, with respect to assets available to satisfy claims. Additionally, holders of common stock are subject to the prior liquidation rights of the holders of any debt we may issue in the future and may be subject to the prior dividend and liquidation rights of any series of preferred stock we may issue in the future.

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

Various provisions of our articles of incorporation and by-laws and certain other actions we have taken could delay or prevent a third-party from acquiring us, even if doing so might be beneficial to our shareholders. 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, regulatory approval and/or appropriate regulatory filings may be required from either or all the Federal Reserve, the FDIC, the DFPI prior to any person or entity acquiring “control” (as defined in the applicable regulations) of a state non-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.

***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 SEC. For further discussion on additional areas of risk, see “Item 7. *Management’s Discussion and Analysis of Financial Condition and Results of Operations.*”

## 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.

As of December 31, 2021, the Bank occupied a total of 60 premises consisting of (i) 58 Banking Centers (“Centers”) of which one Center is located at our Corporate Headquarters in Ontario California, and (ii) three operation and technology centers. We own 14 of these locations and the remaining properties are leased under various agreements with expiration dates ranging from 2022 through 2028. All properties are located in Southern and Central California.

For additional information concerning properties, see Note 8 — *Premises and Equipment* of the Notes to the consolidated financial statements included in this report. See “Item 8 — *Financial Statements and Supplemental Data*.”

## ITEM 3. LEGAL PROCEEDINGS

The Company and its subsidiaries are parties to various lawsuits and threatened lawsuits in the ordinary and non-ordinary course of business. From time to time, such lawsuits and threatened lawsuits may include, but are not limited to, actions involving securities litigation, employment matters, wage-hour and labor law claims, consumer claims, regulatory compliance claims, data privacy claims, lender liability claims and negligence claims, some of which may be styled as “class action” or representative cases. Some of these lawsuits may be similar in nature to other lawsuits pending against the Company’s competitors. For additional information concerning legal proceedings, see Note 13 *Commitments and Contingencies* of the Notes to the consolidated financial statements included in this report.

For lawsuits where the Company has determined that a loss is both probable and reasonably estimable, a liability representing the best estimate of the Company’s financial exposure based on known facts has been recorded in accordance with FASB guidance over loss contingencies (ASC 450). However, as a result of inherent uncertainties in judicial interpretation and application of a myriad of laws and regulations applicable to the Company’s business, and the unique, complex factual issues presented in any given lawsuit, the Company often cannot determine the probability of loss or estimate the amount of damages which a plaintiff might successfully prove if the Company were found to be liable. For lawsuits or threatened lawsuits where a claim has been asserted or the Company has determined that it is probable that a claim will be asserted, and there is a reasonable possibility that the outcome will be unfavorable, the Company will disclose the existence of the loss contingency, even if the Company is not able to make an estimate of the possible loss or range of possible loss with respect to the action or potential action in question, unless the Company believes that the nature, potential magnitude or potential timing (if known) of the loss contingency is not reasonably likely to be material to the Company’s liquidity, consolidated financial position, and/or results of operations.

Our accruals and disclosures for loss contingencies are reviewed quarterly and adjusted as additional information becomes available. We disclose a loss contingency and/or the amount accrued if we believe it is reasonably likely to be material or if we believe such disclosure is necessary for our financial statements to not be misleading. If we determine that an exposure to loss exists in excess of an amount previously accrued or disclosed, we assess whether there is at least a reasonable possibility that a loss, or additional loss, may have been incurred, and we adjust our accruals and disclosures accordingly.

We do not presently believe that the ultimate resolution of any lawsuits currently pending against the Company will have a material adverse effect on the Company’s results of operations, financial condition, or cash flows. The outcome of litigation and other legal and regulatory matters is inherently uncertain, however, and it is possible that one or more of the legal matters currently pending or threatened against the Company could have a material adverse effect on our results of operations, financial condition or cash flows.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

CVB's common stock is traded on the NASDAQ Global Select National Market under the symbol "CVBF." CVB had approximately 141,920,400 shares of common stock outstanding with 1,741 registered shareholders of record as of February 11, 2022.

For information on the statutory and regulatory limitations on the ability of the Company to pay dividends to its shareholders and on the Bank to pay dividends to CVB, see "Item 1. *Business-Regulation and Supervision — Dividends*" and "Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Cash Flow*."

#### Issuer Purchases of Equity Securities

On August 11, 2016, our Board of Directors approved a program to repurchase up to 10,000,000 shares of CVB common stock in the open market or in privately negotiated transactions, at times and at prices considered appropriate by us, depending upon prevailing market conditions and other corporate and legal considerations. For the year ended December 31, 2021, the Company repurchased 390,336 shares of CVB common stock outstanding under this program. As of December 31, 2021, we had 4,194,809 shares of CVB common stock remaining that were eligible for repurchase under the common stock repurchase program. On February 1, 2022 we announced a new repurchase program authorizing the Company to repurchase up to 10,000,000 shares of our common stock. This new program replaces in its entirety our 2016 stock repurchase program. There is no expiration date for this repurchase program.

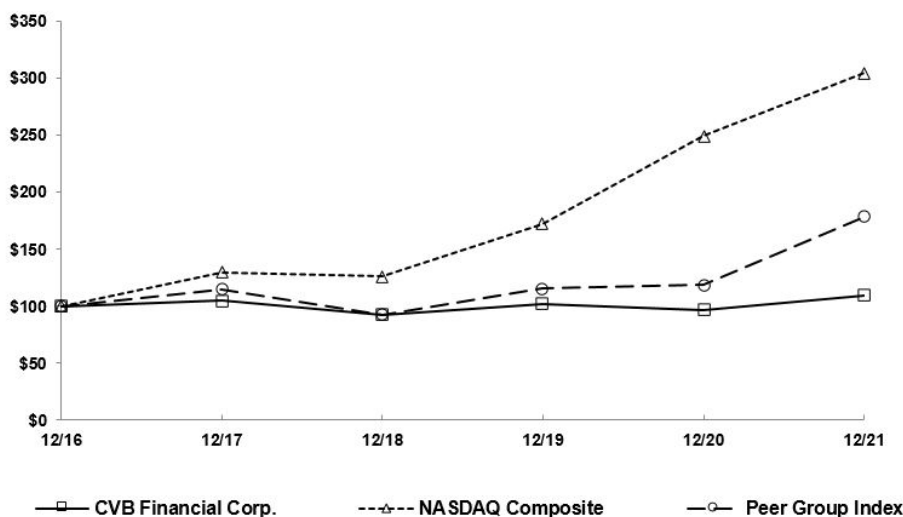
## Performance Graph

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

The following graph compares the yearly percentage change in CVB’s cumulative total shareholder return (stock price appreciation plus reinvested dividends) on common stock (i) the cumulative total return of the Nasdaq Composite Index; and (ii) a published index comprised by Morningstar (formerly Hemscott, Inc.) of banks and bank holding companies in the Pacific region (the peer group line depicted below). The graph assumes an initial investment of \$100 on December 31, 2016, and reinvestment of dividends through December 31, 2021. Points on the graph represent the performance as of the last business day of each of the years indicated. The graph is not necessarily indicative of future price performance.

### COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\*

Among CVB Financial Corp., the NASDAQ Composite Index, and Peer Group Index



\* \$100 invested on 12/31/16 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

### ASSUMES \$100 INVESTED ON DECEMBER 31, 2015 ASSUMES DIVIDEND REINVESTED FISCAL YEAR ENDING DECEMBER 31, 2021

Company/Market/Peer Group	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
CVB Financial Corp.	100.00	105.09	92.50	101.95	96.62	109.74
NASDAQ Composite	100.00	129.64	125.96	172.17	249.51	304.85
Peer Group Index	100.00	114.39	92.17	115.34	118.34	178.40

Source: Research Data Group, Inc., [www.researchdatagroup.com](http://www.researchdatagroup.com)

## **ITEM 6. RESERVED**

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

The following discussion provides information about the results of operations, financial condition, liquidity, and capital resources of CVB Financial Corp. and its wholly owned subsidiary. This information is intended to facilitate the understanding and assessment of significant changes and trends related to our financial condition and the results of our operations. This discussion and analysis should be read in conjunction with this Annual Report on Form 10-K, and the audited consolidated financial statements and accompanying notes presented elsewhere in this report.

### **IMPACT OF COVID-19**

The spread of COVID-19 created a global public health crisis that has resulted in unprecedented volatility and disruption in financial markets and deterioration in economic activity and market conditions in the markets we serve. The pandemic affected our customers and the communities we serve. In response to the anticipated effects of the pandemic on the U.S. economy, the Board of Governors of the Federal Reserve System ("FRB") took significant actions, including a reduction in the target range of the federal funds rate to 0.0% to 0.25% and established a program of purchases of Treasury and mortgage-backed securities.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law. It contains substantial tax and spending provisions intended to address the impact of the COVID-19 pandemic. The CARES Act includes the Paycheck Protection Program ("PPP"), a \$349 billion program designed to aid small- and medium-sized businesses through 100% Small Business Administration ("SBA") guaranteed loans distributed through banks. These loans were intended to guarantee 24 weeks of payroll and other costs to help those businesses remain viable and keep their workers employed. Legislation passed on April 24, 2020 provided additional PPP funds of \$310 billion. During 2020, we originated and funded approximately 4,100 loans, totaling \$1.1 billion. Greater than 99% of these loans have been granted forgiveness as of December 31, 2021. In response to the COVID-19 pandemic and the CARES Act, we also implemented a short-term loan modification program to provide temporary payment relief to certain of our borrowers who meet the program's qualifications. On January 13, 2021, the SBA reopened the PPP for Second Draw loans to small businesses and non-profit organizations that did not receive a loan through the initial PPP phase. At least \$25 billion was set aside for Second Draw ("round two") PPP loans to eligible borrowers with a maximum of 10 employees or for loans of \$250,000 or less to eligible borrowers in low or moderate income neighborhoods. Generally speaking, businesses with more than 300 employees and/or less than a 25% reduction in gross receipts between comparable quarters in 2019 and 2020 are not eligible for Second Draw loans. Further, maximum loan amounts have been increased for accommodation and food service businesses. As of December 31, 2021, we had originated approximately 1,900 round two loans totaling \$420 million, with a remaining loan balance, at amortized cost, of \$183.6 million at December 31, 2021. The Paycheck Protection Program officially ended on May 31, 2021. As of December 31, 2021, approximately 4,800 loans, representing approximately \$1.3 billion in PPP loan balances were submitted to the SBA and granted forgiveness.

No recapture of provision for credit losses was recorded in the fourth quarter of 2021, compared to a recapture of \$4.0 million of provision for credit losses in the third quarter of 2021. For the year ended December 31, 2021, a \$25.5 million recapture of provision for credit losses was recorded as a result of the improvements in our economic forecast of certain macroeconomic variables. In comparison, the Company recorded a provision for credit losses of \$23.5 million in 2020 due to the forecast of a severe economic downturn as a result of the onset of the COVID-19 pandemic. We continue to monitor the impact of COVID-19 closely. The extent to which the COVID-19 pandemic will impact our future operations and financial results is uncertain, but we may experience increased provision for credit losses if this pandemic results in future economic stress greater than forecasted on our borrowers and loan portfolios and lower interest income if the current low interest rate environment continues.

## CRITICAL ACCOUNTING POLICIES

The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and are essential to understanding Management's Discussion and Analysis of Financial Condition and Results of Operations. The following is a summary of the more judgmental and complex accounting estimates and principles. In each area, we have identified the variables most important in the estimation process. We have used the best information available to make the necessary estimates to value the related assets and liabilities. Actual performance that differs from our estimates and future changes in the key variables could change future valuations and impact the results of operations.

### **Adoption of New Accounting Standard**

**Allowance for Credit Losses ("ACL")** — On January 1, 2020, the Company adopted 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. We adopted this ASU using a modified retrospective approach, as required, and have not adjusted prior period comparative information and will continue to disclose prior period financial information in accordance with the previous accounting guidance. The adoption of ASU 2016-13, resulted in a reduction to our opening retained earnings of approximately \$1.3 million, net of tax.

This ASU replaced the current "incurred loss" approach with an "expected loss" model. The new model, referred to as the Current Expected Credit Loss ("CECL") model, applies 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, held-to-maturity ("HTM") securities, loan commitments, and financial guarantees. For loans and HTM debt securities, this ASU requires a CECL measurement to estimate the allowance for credit losses ("ACL") for the remaining contractual term, adjusted for prepayments, of the financial asset (including off-balance sheet credit exposures) using historical experience, current conditions, and reasonable and supportable forecasts. This ASU also eliminated the existing guidance for purchased credit-impaired ("PCI") loans, but requires an allowance for purchased financial assets with more than an insignificant deterioration of credit since origination. Purchase Credit Deteriorated ("PCD") assets are recorded at their purchase price plus an ACL estimated at the time of acquisition. Under this ASU, there is no provision for credit losses recognized at acquisition; instead, there is a gross-up of the purchase price of the financial asset for the estimate of expected credit losses and a corresponding ACL recorded. Changes in estimates of expected credit losses after acquisition are recognized as provision for credit losses (or reversal of provision for credit losses) in subsequent periods. In addition, this ASU modifies the OTTI model for available-for-sale ("AFS") debt securities to require an allowance for credit impairment instead of a direct write-down, which allows for reversal of credit impairments in future periods based on improvements in credit. As a policy election, we excluded the accrued interest receivable balance from the amortized cost basis of financing receivables and HTM securities, as well as AFS securities, and disclose total accrued interest receivable separately on the condensed consolidated balance sheet.

For a full discussion of our methodology of assessing the adequacy of the allowance for credit losses, see "Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operation — Risk Management*" and Note 3 — *Summary of Significant Accounting Policies* and Note 5 — *Loans and Lease Finance Receivables and Allowance for Credit Losses* of our consolidated financial statements presented elsewhere in this report.

**Business Combinations** — The Company applies the acquisition method of accounting for business combinations. Under the acquisition method, the acquiring entity in a business combination recognizes the assets acquired and liabilities assumed at their acquisition date fair values. Management utilizes prevailing valuation techniques appropriate for the asset or liability being measured in determining these fair values. These fair values are estimates and are subject to adjustment for up to one year after the acquisition date or when additional information relative to the closing date fair values becomes available and such information is considered final, whichever is earlier. Any excess of the purchase price over amounts allocated to assets acquired, including identifiable intangible assets, and liabilities assumed is recorded as goodwill. Where amounts allocated to assets acquired and liabilities assumed is greater than the purchase price, a bargain purchase gain would be recognized. Acquisition related costs are expensed as incurred.

**Valuation and Recoverability of Goodwill** — Goodwill represented \$663.7 million of our \$15.88 billion in total assets as of December 31, 2021. The Company has one reportable segment. Goodwill has an indefinite useful life and is not amortized, but is tested for impairment at least annually, or more frequently, if events and circumstances exist that indicate that a goodwill impairment test should be performed. Such events and circumstances may include among others, a significant adverse change in legal factors or in the general business climate, significant decline in our stock price and market capitalization, unanticipated competition, the testing for recoverability of a significant asset group within the reporting unit, and an adverse action or assessment by a regulating body. Any adverse change in these factors could have a significant impact on the recoverability of goodwill and could have a material impact on our consolidated financial statements.

Based on the results of our annual goodwill impairment test, we determined that no goodwill impairment charges were required as our single reportable segment's fair value exceeded its carrying amount. As of December 31, 2021, we determined there were no events or circumstances which would more likely than not reduce the fair value of our reportable segment below its carrying amount. Note 3 — *Summary of Significant Accounting Policies* of our consolidated financial statements presented elsewhere in this report

**Income Taxes** — Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Future realization of deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character (for example, ordinary income or capital gain) within the carryback or carryforward periods available under the tax law. Based on historical and future expected taxable earnings, the Company considers the future realization of these deferred tax assets more likely than not.

The tax effects from an uncertain tax position are recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities.

For complete discussion and disclosure of other accounting policies see Note 3 — *Summary of Significant Accounting Policies* of the Company's consolidated financial statements presented elsewhere in this report.

**Recently Issued Accounting Pronouncements but Not Adopted as of December 31, 2021**

Standard	Description	Adoption Timing	Impact on Financial Statements
<p>ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting</p> <p><i>Issued March 2020</i></p>	<p>The FASB issued ASU 2020-04, Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in this update provide temporary, optional guidance to ease the potential burden in accounting for transitioning away from reference rates such as LIBOR. The amendments provide optional expedients and exceptions for applying GAAP to transactions affected by reference rate reform if certain criteria are met. The amendments primarily include relief related to contract modifications and hedging relationships, as well as providing a one-time election for the sale or transfer of debt securities classified as held-to-maturity. This guidance is effective immediately and the amendments may be applied prospectively through December 31, 2022.</p>	<p>1st Quarter 2020 through the 4th Quarter 2022</p>	<p>The Company established a LIBOR Transition Task Force in 2020, which has inventoried our instruments that reflect exposure to LIBOR, created a framework to manage the transition and established a timeline for key decisions and actions, and started the transition from LIBOR in 2021. Although the Company is assessing the impacts of this transition and exploring alternatives to use in place of LIBOR for various financial instruments, primarily related to our variable-rate loans and our interest rate swap derivatives that are indexed to LIBOR, we do not expect this ASU to have a material impact on the Company's consolidated financial statements.</p>
<p>ASU 2020-06, Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity</p> <p><i>Issued August 2020</i></p>	<p>The FASB issued ASU 2020-06, Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. This ASU reduces the number of accounting models for convertible instruments and allows more contracts to qualify for equity classification.</p>	<p>1st Quarter 2022</p>	<p>The adoption of this ASU is not expected to have a material impact on our consolidated financial statements.</p>



## OVERVIEW

For the year ended December 31, 2021, we reported net earnings of \$212.5 million, compared with \$177.2 million for 2020. This represented a \$35.4 million, or 19.96%, increase from the prior year. Diluted earnings per share were \$1.56 for 2021, compared to \$1.30 for 2020.

The Company adopted ASU 2016-13, commonly referred to as CECL which replaced the “incurred loss” approach with an “expected loss” model over the life of the loan, effective on January 1, 2020. A \$23.5 million provision for credit losses was recorded in 2020, due to the severe economic disruption and forecasted impact resulting from the initial onset of the COVID-19 pandemic. Based on the magnitude of government economic stimulus and the wide availability of vaccines, our economic forecasts in 2021 reflected improvements in key macroeconomic variables and therefore lower projected loan losses, which resulted in a \$25.5 million recapture of provision for credit losses for the year ended December 31, 2021. For the year ended December 31, 2021, we experienced charge-offs of \$3.4 million and total recoveries of \$198,000, resulting in net charge-offs of \$3.2 million for the year. Of the approximately 4,100 SBA PPP loans we originated in 2020, \$1.1 billion have been forgiven. As of December 31, 2021, the Company originated approximately 1,900 PPP loans in round two, with a remaining loan balance, at amortized cost, of \$183.6 million at December 31, 2021. Interest and fee income from all PPP loans was approximately \$30.5 million for 2021, compared to \$28.5 million for 2020.

At December 31, 2021, total assets of \$15.88 billion increased \$1.46 billion, or 10.16%, from total assets of \$14.42 billion at December 31, 2020. Interest-earning assets of \$14.68 billion at December 31, 2021 increased \$1.46 billion, or 11.04%, when compared with \$13.22 billion at December 31, 2020. The increase in interest-earning assets includes a \$2.13 billion increase in investment securities, partially offset by a \$461.1 million decrease in total loans and a \$193.3 million decrease in interest-earning balances due from the Federal Reserve. The decrease in total loans was due to a \$696.4 million decrease in PPP loans. Excluding PPP loans, total loans increased by \$235.3 million, or 3.15%, from December 31, 2020. Our tax equivalent yield on interest-earning assets was 3.02% for 2021, compared to 3.71% for 2020. This decline reflects the net impact of lower loan yields, lower yields on investment securities, and a reduction in average loans as a percentage of average earning assets from 69.02% in 2020 to 57.22% in 2021.

Total investment securities were \$5.11 billion at December 31, 2021, an increase of \$2.13 billion, or 71.61%, from \$2.98 billion at December 31, 2020. We deployed some of our excess liquidity during 2021 by purchasing \$3.16 billion of additional investment securities with a non-tax equivalent weighted average yield of approximately 1.61%. At December 31, 2021, investment securities HTM totaled \$1.93 billion. At December 31, 2021, investment securities AFS totaled \$3.18 billion, inclusive of a pre-tax net unrealized loss of \$1.3 million, which decreased \$56.1 million from December 31, 2020. HTM securities increased by \$1.35 billion, or 232.85%, and AFS securities increased by \$785.0 million, or 32.72%, from December 31, 2020. During the fourth quarter of 2021, we purchased approximately \$452 million in new AFS securities with an average tax equivalent yield of approximately 1.61% and \$259 million in new HTM securities with an expected average tax equivalent yield of approximately 1.84%. Our tax equivalent yield on investments was 1.56% for 2021, compared to 2.10% for 2020.

Total loans and leases, at amortized cost, of \$7.89 billion at December 31, 2021, decreased by \$461.1 million, or 5.52%, from \$8.35 billion at December 31, 2020. The decrease in total loans included a \$696.4 million decline in PPP loans. The \$461.1 million decrease in loans also included decreases of \$29.9 million in SFR mortgage loans, \$22.9 million in construction loans, \$15.3 million in SBA loans, and \$11.3 million in consumer and other loans. Partially offsetting these declines were increases in commercial real estate loans of \$288.2 million, as well as a \$25.1 million increase in dairy & livestock and agribusiness loans. Our core loans, excluding PPP loans, grew by \$235.3 million, or 3.15% from December 31, 2020. Our yield on loans was 4.42% for the year ended December 31, 2021, compared to 4.68% for 2020. Interest income for yield adjustments related to discount accretion on acquired loans was \$12.3 million for 2021, compared to \$17.4 million for 2020. The significant decline in interest rates since the start of the pandemic has had a negative impact on loan yields, which, after excluding discount accretion, nonaccrual interest income and the impact from PPP loans (“core loan yield”), declined by 27 basis points for the year ended December 31, 2021 when compared to the same period of 2020.

Noninterest-bearing deposits were \$8.10 billion at December 31, 2021, an increase of \$648.7 million, or 8.70%, compared to \$7.46 billion at December 31, 2020. The deposit growth in 2021 was partly due to our customers maintaining greater liquidity in their bank accounts. At December 31, 2021, noninterest-bearing deposits were 62.45% of total deposits, compared to 63.52% at December 31, 2020. Our average cost of total deposits for 2021 was 0.04%, compared to 0.12% for 2020.

Customer repurchase agreements totaled \$642.4 million at December 31, 2021, compared to \$439.4 million at December 31, 2020. Our average cost of total deposits including customer repurchase agreements was 0.05% for 2021, compared to 0.13% for 2020.

At December 31, 2021, we had \$2.3 million in overnight borrowings, compared to \$5.0 million in short short-term borrowings with 0% cost, at December 31, 2020. We redeemed our \$25.8 million junior subordinated debentures on June 15, 2021. The debentures, bearing interest at three-month LIBOR plus 1.38%, had an original maturity of 2036. These debentures had a borrowing cost of 2.10% for the year ended December 31, 2020. The Bank's funding is now entirely core customer deposits and customer repurchase agreements. Our average cost of funds was 0.05% for 2021, compared to 0.13% for 2020.

The allowance for credit losses totaled \$65.0 million at December 31, 2021, compared to \$93.7 million at December 31, 2020. The allowance for credit losses was decreased by \$25.5 million in 2021, due to the improved outlook in our forecast of certain macroeconomic variables that were influenced by the economic impact of the pandemic and government stimulus, and by \$3.2 million in year-to-date net charge-offs. At December 31, 2021, ACL as a percentage of total loans and leases outstanding was 0.82%, or 0.84% when PPP loans are excluded. This compares to 1.12% at December 31, 2020, or 1.25% when PPP loans are excluded. As of December 31, 2021, total discounts remaining on acquired loans were \$18.6 million.

The Company's total equity was \$2.08 billion at December 31, 2021. This represented an increase of \$73.5 million, or 3.66%, from total equity of \$2.01 billion at December 31, 2020. This increase was primarily due to net earnings of \$212.5 million, partially offset by \$97.8 million in cash dividends and a \$39.3 million decrease in other comprehensive income from the tax effected impact of the decline in market value of available-for-sale securities. During the third quarter of 2021, we repurchased 390,336 shares of common stock for \$7.4 million, or an average repurchase price of \$18.97. Our tangible book value per share at December 31, 2021 was \$10.27.

Our capital ratios under the revised capital framework referred to as Basel III remain well-above regulatory requirements. As of December 31, 2021, the Company's Tier 1 leverage capital ratio totaled 9.18%, our common equity Tier 1 ratio totaled 14.86%, our Tier 1 risk-based capital ratio totaled 14.86%, and our total risk-based capital ratio totaled 15.63%. We did not elect to phase in the impact of CECL on regulatory capital, as allowed under the interim final rule of the FDIC and other U.S. banking agencies. Refer to our *Analysis of Financial Condition — Capital Resources*.

### **Acquisition Related**

On January 7, 2022, the Company completed the previously announced merger transaction whereby Suncrest Bank ("Suncrest") merged with and into the Company's wholly-owned subsidiary Citizens Business Bank ("Citizens"), in accordance with the terms and conditions of that certain Agreement and Plan of Reorganization and Merger ("Merger Agreement"), dated as of July 27, 2021, by and among the Company, Citizens and Suncrest, in a stock and cash transaction valued at approximately \$237 million in aggregate, or \$18.63 per Suncrest share based on CVB Financial Corp.'s closing stock price of \$22.87 on January 7, 2022. Under the terms of the Merger Agreement, the Company issued approximately 8.6 million shares of Company common stock and approximately \$39.6 million in aggregate cash consideration, including cash paid out in settlement of outstanding incentive stock option awards at Suncrest.

Suncrest Bank, headquartered in Visalia, California, had approximately \$1.4 billion in total assets, \$0.8 billion in net loans, \$1.2 billion in total deposits and \$179.0 million in total equity as of December 31, 2021. Tangible book value per share was \$11.16 at December 31, 2021. Suncrest's seven branch locations and two loan production offices in California's Central Valley and the Sacramento area opened as Citizens Business Bank locations on January 10, 2022. Citizens Business Bank will consolidate two of the former Suncrest branch locations during the second quarter of 2022.

## ANALYSIS OF THE RESULTS OF OPERATIONS

### Financial Performance

	Year Ended December 31,			Variance			
				2021		2020	
	2021	2020	2019	\$	%	\$	%
	<i>(Dollars in thousands, except per share amounts)</i>						
Net interest income	\$ 414,550	\$ 416,053	\$ 435,772	\$ (1,503)	-0.36 %	\$ (19,719)	-4.53 %
Recapture of (provision for) credit losses	25,500	(23,500)	(5,000)	49,000	208.51 %	(18,500)	-370.00 %
Noninterest income	47,385	49,870	59,042	(2,485)	-4.98 %	(9,172)	-15.53 %
Noninterest expense	(189,787)	(192,903)	(198,740)	3,116	1.62 %	5,837	2.94 %
Income taxes	(85,127)	(72,361)	(83,247)	(12,766)	-17.64 %	10,886	13.08 %
Net earnings	<u>\$ 212,521</u>	<u>\$ 177,159</u>	<u>\$ 207,827</u>	<u>\$ 35,362</u>	<u>19.96 %</u>	<u>\$ (30,668)</u>	<u>-14.76 %</u>
Earnings per common share:							
Basic	\$ 1.57	\$ 1.30	\$ 1.48	\$ 0.27		\$ (0.18)	
Diluted	\$ 1.56	\$ 1.30	\$ 1.48	\$ 0.26		\$ (0.18)	
Return on average assets	1.38 %	1.37 %	1.84 %	0.01 %		-0.47 %	
Return on average shareholders' equity	10.30 %	8.90 %	10.71 %	1.40 %		-1.81 %	
Efficiency ratio	41.09 %	41.40 %	40.16 %	-0.31 %		1.24 %	
Noninterest expense to average assets	1.24 %	1.49 %	1.76 %	-0.25 %		-0.27 %	

### Return on Average Tangible Common Equity Reconciliations (Non-GAAP)

The return on average tangible common equity is a non-GAAP disclosure. The Company uses certain non-GAAP financial measures to provide supplemental information regarding the Company's performance. The following is a reconciliation of net income, adjusted for tax-effected amortization of intangibles, to net income computed in accordance with GAAP; a reconciliation of average tangible common equity to the Company's average stockholders' equity computed in accordance with GAAP; as well as a calculation of return on average tangible common equity.

	Year Ended December 31,		
	2021	2020	2019
	<i>(Dollars in thousands)</i>		
Net Income	\$ 212,521	\$ 177,159	\$ 207,827
Add: Amortization of intangible assets	8,240	9,352	10,798
Less: Tax effect of amortization of intangible assets (1)	(2,436)	(2,765)	(3,192)
Tangible net income	<u>\$ 218,325</u>	<u>\$ 183,746</u>	<u>\$ 215,433</u>
Average stockholders' equity	\$ 2,063,360	\$ 1,991,664	\$ 1,939,961
Less: Average goodwill	(663,707)	(663,707)	(665,026)
Less: Average intangible assets	(29,328)	(38,203)	(48,296)
Average tangible common equity	<u>\$ 1,370,325</u>	<u>\$ 1,289,754</u>	<u>\$ 1,226,639</u>
Return on average equity, annualized	10.30 %	8.90 %	10.71 %
Return on average tangible common equity	15.93 %	14.25 %	17.56 %

(1) Tax effected at respective statutory rates.

### 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 (interest-earning assets) and the interest paid on deposits and borrowed funds (interest-bearing liabilities). Net interest margin is net interest income as a percentage of average interest-earning assets for the period. The level of interest rates and the volume and mix of interest-earning assets and interest-bearing liabilities impact net interest income and net interest margin. The net interest spread is the yield on average interest-earning assets minus the cost of average interest-bearing liabilities. Net interest margin and net interest spread are included on a tax equivalent (TE) basis by adjusting interest income utilizing the federal statutory tax rates of 21% in effect for the years ended December 31, 2021, 2020 and 2019. 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 international, national and state economies, in general, and more specifically, 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. We manage net interest income through affecting changes in the mix of interest-earning assets as well as the mix of interest-bearing liabilities, changes in the level of interest-bearing liabilities in

proportion to interest-earning assets, and in the growth and maturity of earning assets. See Item 7 — *Management's Discussion and Analysis of Financial Condition and Results of Operations — Asset/Liability and Market Risk Management — Interest Rate Sensitivity Management* included herein.

The tables below present the interest rate spread, net interest margin and 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 average yield/rate between these respective periods.

### Interest-Earning Assets and Interest-Bearing Liabilities

	Year Ended December 31,								
	2021			2020			2019		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
	<i>(Dollars in thousands)</i>								
<b>INTEREST-EARNING ASSETS</b>									
Investment securities (1)									
Available-for-sale securities:									
Taxable	\$ 2,820,050	\$ 37,532	1.36 %	\$ 1,854,964	\$ 35,129	1.94 %	\$ 1,580,850	\$ 38,189	2.42 %
Tax-advantaged	29,855	741	2.97 %	37,110	923	3.50 %	41,991	1,141	3.76 %
Held-to-maturity securities:									
Taxable	1,007,982	17,747	1.86 %	438,190	9,542	2.18 %	504,814	11,498	2.28 %
Tax-advantaged	200,572	4,428	2.67 %	173,756	4,681	3.26 %	211,899	5,890	3.36 %
Investment in FHLB stock	17,688	1,019	5.76 %	17,688	978	5.53 %	17,688	1,235	6.98 %
Interest-earning deposits with other institutions	1,953,209	2,569	0.13 %	1,098,814	1,682	0.15 %	120,247	2,269	1.89 %
Loans (2)	8,065,877	356,594	4.42 %	8,066,483	377,402	4.68 %	7,552,505	397,628	5.26 %
Total interest-earning assets	14,095,233	420,630	3.02 %	11,687,005	430,337	3.71 %	10,029,994	457,850	4.58 %
Total noninterest-earning assets	1,255,288			1,242,808			1,272,907		
Total assets	\$ 15,350,521			\$ 12,929,813			\$ 11,302,901		
<b>INTEREST-BEARING LIABILITIES</b>									
Savings deposits (3)	\$ 4,249,379	4,145	0.10 %	\$ 3,530,606	8,803	0.25 %	\$ 3,048,785	12,698	0.42 %
Time deposits	375,666	1,201	0.32 %	445,962	3,799	0.85 %	487,221	4,422	0.91 %
Total interest-bearing deposits	4,625,045	5,346	0.12 %	3,976,568	12,602	0.32 %	3,536,006	17,120	0.48 %
FHLB advances, other borrowings, and customer repurchase agreements	624,068	734	0.12 %	511,404	1,682	0.33 %	537,964	4,958	0.91 %
Interest-bearing liabilities	5,249,113	6,080	0.12 %	4,487,972	14,284	0.32 %	4,073,970	22,078	0.54 %
Noninterest-bearing deposits	7,817,627			6,281,989			5,177,035		
Other liabilities	220,421			168,188			111,935		
Stockholders' equity	2,063,360			1,991,664			1,939,961		
Total liabilities and stockholders' equity	\$ 15,350,521			\$ 12,929,813			\$ 11,302,901		
Net interest income		\$ 414,550		\$ 416,053			\$ 435,772		
Net interest spread - tax equivalent			2.90 %			3.39 %			4.04 %
Net interest margin			2.96 %			3.57 %			4.35 %
Net interest margin - tax equivalent			2.97 %			3.59 %			4.36 %

- (1) Includes tax equivalent (TE) adjustments utilizing a federal statutory rate of 21% in effect for the years ended December 31, 2021, 2020 and 2019. The non TE rates for tax-advantaged HTM investment securities were 2.21%, 2.69% and 2.78% for the years ended December 31, 2021, 2020 and 2019, respectively. The non-tax equivalent (TE) rates for total investment securities was 1.53%, 2.04% and 2.43% for the years ended December 31, 2021, 2020 and 2019, respectively.
- (2) Includes loan fees of \$27.5 million, \$23.9 million and \$3.1 million for the years ended December 31, 2021, 2020 and 2019, respectively. Prepayment penalty fees of \$9.0 million, \$8.2 million and \$5.4 million are included in interest income for the years ended December 31, 2021, 2020 and 2019, respectively.
- (3) Includes interest-bearing demand and money market accounts.

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

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

	Comparison of Year Ended December 31,							
	2021 Compared to 2020 Increase (Decrease) Due to				2020 Compared to 2019 Increase (Decrease) Due to			
	Volume	Rate	Rate/ Volume	Total	Volume	Rate	Rate/ Volume	Total
	<i>(Dollars in thousands)</i>							
<b>Interest income:</b>								
Available-for-sale securities:								
Taxable investment securities	\$ 18,449	\$ (10,522)	\$ (5,524)	\$ 2,403	\$ 5,679	\$ (7,608)	\$ (1,131)	\$ (3,060)
Tax-advantaged investment securities	(180)	(2)	0	(182)	(132)	(97)	11	(218)
Held-to-maturity securities:								
Taxable investment securities	11,119	(1,267)	(1,647)	8,205	(1,499)	(525)	68	(1,956)
Tax-advantaged investment securities	721	(844)	(130)	(253)	(1,061)	(181)	33	(1,209)
Investment in FHLB stock	—	41	—	41	—	(257)	—	(257)
Interest-earning deposits with other institutions	1,308	(237)	(184)	887	18,465	(2,085)	(16,967)	(587)
Loans	(28)	(20,782)	2	(20,808)	27,060	(44,273)	(3,013)	(20,226)
<b>Total interest income</b>	<b>31,389</b>	<b>(33,613)</b>	<b>(7,483)</b>	<b>(9,707)</b>	<b>48,512</b>	<b>(55,026)</b>	<b>(20,999)</b>	<b>(27,513)</b>
<b>Interest expense:</b>								
Savings deposits	1,792	(5,359)	(1,091)	(4,658)	2,007	(5,097)	(805)	(3,895)
Time deposits	(599)	(2,373)	374	(2,598)	(374)	(272)	23	(623)
FHLB advances, other borrowings, and customer repurchase agreements	372	(1,081)	(239)	(948)	(245)	(3,188)	157	(3,276)
<b>Total interest expense</b>	<b>1,565</b>	<b>(8,813)</b>	<b>(956)</b>	<b>(8,204)</b>	<b>1,388</b>	<b>(8,557)</b>	<b>(625)</b>	<b>(7,794)</b>
<b>Net interest income</b>	<b>\$ 29,824</b>	<b>\$ (24,800)</b>	<b>\$ (6,527)</b>	<b>\$ (1,503)</b>	<b>\$ 47,124</b>	<b>\$ (46,469)</b>	<b>\$ (20,374)</b>	<b>\$ (19,719)</b>

#### 2021 Compared to 2020

Net interest income of \$414.6 million for 2021 decreased \$1.5 million, or 0.36%, compared to \$416.1 million for 2020. Interest-earning assets increased on average by \$2.41 billion, or 20.61%, from \$11.69 billion for 2020 to \$14.10 billion for 2021. Our net interest margin (TE) was 2.97% for 2021, compared to 3.59% for 2020.

Interest income for 2021 of \$420.6 million declined by \$9.7 million, or 2.26%, when compared to 2020, as interest income and fees on loans declined by \$20.8 million, or 5.51%, year-over-year. Compared to 2020, average interest-earning assets increased by \$2.41 billion and the yield on average earning assets was 3.02% for 2021, compared to 3.71% for 2020. The 69 basis point decrease in the interest-earning asset yield over 2020 resulted from a 26 basis point decrease in loan yields from 4.68% for 2020 to 4.42% for 2021, and a 51 basis point decline in the non-tax equivalent investment yields, as well as a change in mix of earning assets, resulting from an \$857.5 million increase in average balances at the Federal Reserve. The decrease in earning asset yield was impacted by a change in asset mix with average loan balances declining to 57.22% of earning assets for 2021, compared to 69.02% for 2020, as well as lower loan and investment yields. Conversely the average balances at the Federal Reserve grew as a percentage of average earning assets to 13.64% for 2021, compared to 9.11% for 2020.

Interest income and fees on loans for 2021 of \$356.6 million decreased \$20.8 million, or 5.51% when compared to 2020. The average balance of loans was essentially the same in 2021 when compared to 2020, as core loans grew on average by \$85.1 million, while PPP loans on average decreased \$85.7 million. Loan yields decreased by 26 basis points from 2020. PPP loans resulted in approximately \$24.3 million in fee income and \$6.2 million in loan interest during 2021, compared to \$21.4 million in fee income and \$7.1 million in loan interest during 2020. Discount accretion on acquired loans and nonrecurring nonaccrual interest paid decreased by \$5.2 million compared to 2020. The decline in interest rates since the start

of the pandemic has had a negative impact on loan yields, which, after excluding discount accretion, nonaccrual interest income and the impact from PPP loans, declined by 27 basis points compared to 2020. The decline in loan yields was due to lower rates on loans indexed to variable interest rates such as the Bank's prime rate and lower yields on new loans in the low rate environment experienced for much of the last two years.

In general, we stop accruing interest on a loan after its principal or interest becomes 90 days or more past due. When a loan is placed on nonaccrual, all interest previously accrued but not collected is charged against earnings. There was no interest income that was accrued and not reversed on nonaccrual loans at December 31, 2021 and 2020. As of December 31, 2021 and 2020, we had \$6.9 million and \$14.3 million of nonaccrual loans, respectively.

Interest income from investment securities was \$60.4 million for 2021, a \$10.2 million, or 20.23%, increase from \$50.3 million for 2020. Investment income growth resulted from higher levels of investment securities as a result of purchases of investment securities funded by the growth in the Bank's deposits. This increase was the net result of a \$1.55 billion increase in average investment securities, partially offset by a 51 basis point decline in the non TE yield on securities, compared to 2020. The significant decline in interest rates over the past two years decreased yields on investment securities due partly to higher levels of premium amortization, as well as lower yields on investments purchased during the past two years. We continued to maintain a significant amount of funds at the Federal Reserve. Our Federal Reserve balance averaged more than \$1.9 billion for 2021, which was \$857,000 greater than the average for 2020.

Interest expense of \$6.1 million for 2021 decreased \$8.2 million, or 57.43%, compared to \$14.3 million for 2020. The average rate paid on interest-bearing liabilities decreased by 20 basis points, to 0.12% for 2021, from 0.32% for 2020. Average interest-bearing liabilities were \$761.1 million higher for 2021 when compared to 2020. Noninterest-bearing deposits grew on average by \$1.54 billion, or 24.45% compared to 2020, while interest-bearing deposits and customer repurchase agreements grew on average by \$779.0 million for 2021. On average, noninterest-bearing deposits were 62.83% of our total deposits for 2021, compared to 61.24% for 2020. Total cost of funds was 0.05% for 2021, compared with 0.13% for 2020.

#### *2020 Compared to 2019*

Net interest income of \$416.1 million for 2020 decreased \$19.7 million, or 4.53%, compared to \$435.8 million for 2019. Interest-earning assets increased on average by \$1.66 billion, or 16.52%, from \$10.03 billion for 2019 to \$11.69 billion for 2020. Our net interest margin (TE) was 3.59% for 2020, compared to 4.36% for 2019.

Interest income for 2020 was \$430.3 million, which represented a \$27.5 million, or 6.01%, decrease when compared to 2019. Average interest-earning assets increased to \$11.69 billion and the average earning asset yield was 3.71% for 2020, compared to 4.58% for 2019. The 87 basis point decrease in the interest-earning asset yield over 2019 was primarily due to a combination of a 58 basis point decrease in loan yields, a 39 basis point decline in the non-tax equivalent investment yields, and a change in mix of earning assets, with average balances at the Federal Reserve growing to 9.11% of earning assets for 2020, compared to 1.14% for 2019. The increase in balances at the Federal Reserve was impacted by \$1.54 billion in average deposit growth for 2020. The net interest margin for 2020 would have been about 30 basis points higher without the \$950.7 million year-over-year increase in average deposits at the Federal Reserve, earning just 10 basis points.

Interest income and fees on loans for 2020 of \$377.4 million decreased \$20.2 million, or 5.09% when compared to 2019. Average loans increased \$514.0 million for 2020 when compared to 2019, primarily due to \$702.1 million in average PPP loans originated in the second quarter of 2020. The PPP loans we originated resulted in approximately \$21.4 million in fee income and \$7.1 million in loan interest during 2020. Discount accretion on acquired loans and nonrecurring nonaccrual interest paid decreased by \$12.6 million compared to 2019. Loan yields decreased by 58 basis points from 2019. The significant decline in interest rates since the start of the pandemic has had a negative impact on loan yields, which after excluding the impact from PPP loans, discount accretion and nonaccrual interest income, causing loan yields to decline by 36 basis points from 2019.

There was no interest income that was accrued and not reversed on nonaccrual loans at December 31, 2020 and 2019. As of December 31, 2020 and 2019, we had \$14.3 million and \$5.3 million of nonaccrual loans, respectively. Had these nonaccrual loans for which interest was no longer accruing complied with the original terms and conditions, interest income would have been approximately \$843,000 and \$526,000 greater for 2020 and 2019, respectively.

Interest income from investment securities was \$50.3 million for 2020, a \$6.4 million, or 11.36%, decrease from \$56.7 million for 2019. The decrease was primarily the result of a 39 basis point decline in the non-tax equivalent yield on investments as the decline in interest rates over the past four quarters decreased yields on investment securities due to higher

levels of premium amortization, as well as lower yields on investments purchased during 2020. Partially offsetting the decline from lower rates was a \$164.5 million increase in the average investment securities for 2020 compared to 2019.

Interest expense of \$14.3 million for 2020 decreased \$7.8 million, or 35.30%, compared to \$22.1 million for 2019. The average rate paid on interest-bearing liabilities decreased by 22 basis points, to 0.32% for 2020, from 0.54% for 2019. The rate on interest-bearing deposits for 2020 decreased by 16 basis points from 2019. Average interest-bearing liabilities were \$414.0 million higher for 2020 when compared to 2019. On average, noninterest-bearing deposits were 61.24% of our total deposits for 2020, compared to 59.42% for 2019. In comparison to 2020, our overall cost of funds decreased 11 basis points, as our average noninterest-bearing deposits grew by \$1.10 billion. Average interest-bearing deposits increased by \$440.6 million for 2020, while the cost of interest-bearing deposits decreased by 16 basis points.

#### ***Provision for (Recapture of) Credit Losses***

The provision for (recapture of) credit losses is a charge (credit) to earnings to reflect the allowance for credit losses at a level consistent with management's assessment of expected lifetime losses in the loan portfolio at the balance sheet date. On January 1, 2020, we adopted ASU 2016-13, commonly referred to as CECL, which replaced the "incurred loss" approach with an "expected loss" model over the life of the loan.

The allowance for credit losses totaled \$65.0 million at December 31, 2021, compared to \$93.7 million at December 31, 2020. Upon adoption of CECL, a transition adjustment of \$1.8 million was added to the beginning balance of the allowance, with no impact on the consolidated statement of earnings, and was increased by \$23.5 million in provision for credit losses in the first half of 2020, due to the severe economic disruption forecasted as a result of the onset of the COVID-19 pandemic. We recorded a recapture of provision for credit losses of \$25.5 million in 2021, as our economic forecasts reflected continual improvements in key macroeconomic variables throughout the year, resulting in lower projected loan losses. For 2021, we experienced credit charge-offs of \$3.4 million and total recoveries of \$198,000, resulting in net charge-offs of \$3.2 million. This compares to a \$23.5 million loan loss provision and net charge-offs of \$308,000 for 2020 and a \$5.0 million loan loss provision and net recoveries of \$47,000 for 2019. The ratio of the allowance for credit losses to total loans and leases outstanding, at amortized cost, as of December 31, 2021, was 0.82%. This compares to 1.12% and 0.91%, as of December 31, 2020 and 2019, respectively. When PPP loans are excluded, allowance for credit losses as a percentage of total adjusted loans and leases outstanding was 0.84% at December 31, 2021, compared to 1.25% at December 31, 2020 and 0.91%, at December 31, 2019, respectively. As of December 31, 2021, remaining discounts on acquired loans were \$18.6 million.

No assurance can be given that economic conditions which adversely affect the Company's service areas or other circumstances will or will not be reflected in increased provisions for credit losses in the future, as the nature of this process requires considerable judgment. We may experience increases in the provision for credit losses, in future periods, due to further deterioration in economic conditions, including the impact of the COVID-19 pandemic. See "Allowance for Credit Losses" under *Analysis of Financial Condition* herein.

#### ***Noninterest Income***

Noninterest income includes income derived from financial services offered to our customers, such as CitizensTrust, BankCard services, international banking, and other business services. Also included in noninterest income are service charges and fees, primarily from deposit accounts, gains (net of losses) from the disposition of investment securities when applicable, loans, other real estate owned, and fixed assets, and other revenues not included as interest on earning assets.

The following table sets forth the various components of noninterest income for the periods presented.

	Year Ended December 31,			Variance				
	2021		2020	2021		2020		
	\$	%	\$	\$	%	\$	%	
(Dollars in thousands)								
<b>Noninterest income:</b>								
Service charges on deposit accounts	\$ 17,152		\$ 16,561	\$ 20,010	\$ 591	3.57 %	\$ (3,449)	-17.24 %
Trust and investment services	11,571		9,978	9,525	1,593	15.97 %	453	4.76 %
Bankcard services	1,789		1,886	3,163	(97)	-5.14 %	(1,277)	-40.37 %
BOLI income	8,500		8,100	5,798	400	4.94 %	2,302	39.70 %
Swap fee income	382		5,025	1,806	(4,643)	-92.40 %	3,219	178.24 %
Gain on OREO, net	1,177		388	129	789	203.35 %	259	200.78 %
Gain on sale of building, net	189		1,680	4,776	(1,491)	-88.75 %	(3,096)	-64.82 %
Gain on eminent domain condemnation, net	—		—	5,685	—	—	(5,685)	-100.00 %
Other	6,625		6,252	8,150	373	5.97 %	(1,898)	-23.29 %
<b>Total noninterest income</b>	<b>\$ 47,385</b>		<b>\$ 49,870</b>	<b>\$ 59,042</b>	<b>\$ (2,485)</b>	<b>-4.98 %</b>	<b>\$ (9,172)</b>	<b>-15.53 %</b>

#### 2021 Compared to 2020

The \$2.5 million decrease in noninterest income was primarily due to a \$4.6 million decrease in swap fee income from 2020 due to lower volume of swap transactions. Partially offsetting the overall decrease in noninterest income was a \$1.6 million increase in Trust and investment services income and a \$591,000 year-over-year increase in service charges on deposit accounts. Noninterest income for 2021 also included \$1.2 million in net gain on the sale of three OREO properties, while 2020 included \$1.7 million net gain on the sale of one of our owned buildings and a \$365,000 net gain on the sale of two OREO properties. The \$373,000 increase in other income in 2021 included \$890,000 for recovery of an acquired loan charged off prior to a previous acquisition.

The Bank enters into interest rate swap agreements with our customers to manage our interest rate risk and enters into identical offsetting swaps with a counterparty. The changes in the fair value of the swaps primarily offset each other resulting in swap fee income (refer to Note 20 — *Derivative Financial Instruments* of the notes to the consolidated financial statements of this report for additional information). Swap fee income decreased \$4.6 million compared to 2020, due to lower volume of swap transactions. We executed on swap agreements related to new loan originations with a notional amount totaling \$25.3 million for 2021, compared to \$280.4 million for 2020. The volume of interest rate swaps can be impacted by competitive factors, as well as the current and forecasted interest rate environment.

CitizensTrust consists of Wealth Management and Investment Services income. The Wealth Management group provides a variety of services, which include asset management, financial planning, estate planning, retirement planning, private, and corporate trustee services, and probate services. Investment Services provides self-directed brokerage, 401(k) plans, mutual funds, insurance and other non-insured investment products. At December 31, 2021, CitizensTrust had approximately \$3.45 billion in assets under management and administration, including \$2.50 billion in assets under management. CitizensTrust generated fees of \$11.6 million for 2021, an increase of \$1.6 million compared to \$10.0 million for 2020, due to the growth in assets under management.

The Bank's investment in BOLI includes life insurance policies acquired through acquisitions and the purchase of life insurance by the Bank on a selected group of employees. The Bank is the owner and beneficiary of these policies. BOLI is recorded as an asset at its cash surrender value. Increases in the cash value of these policies, as well as insurance proceeds received, are recorded in noninterest income and are not subject to income tax, as long as they are held for the life of the covered parties. Income from our BOLI policies for 2021 included \$3.9 million of death benefits that exceeded cash surrender values, compared to \$2.8 million of death benefits for 2020.

#### 2020 Compared to 2019

Noninterest income for 2019 included a \$5.7 million net gain from the legal settlement of an eminent domain condemnation of one of our banking center buildings in Bakersfield and \$4.8 million in net gains on the sale of bank owned buildings, compared with a \$1.7 million net gain on the sale of one of our owned buildings in 2020. Service charges on deposit accounts decreased by \$3.4 million from 2019. This decrease was primarily due to the higher earnings credits generated by the significant increase in our customer's noninterest-bearing deposits held at the Bank. In addition, bankcard services decreased by approximately \$1.3 million when compared to 2019, primarily due to the Durbin Amendment's cap on debit card interchange fees. The \$1.9 million decrease in other income in 2020 included decreases in dividend income from various equity investments, other banking fee income and SBA servicing income when compared to 2019.



Swap fee income increased \$3.2 million compared to 2019, due to higher volume of swap transactions. We executed on swap agreements related to new loan originations with a notional amount totaling \$280.4 million for 2020, compared to \$96.4 million for 2019.

At December 31, 2020, CitizensTrust had approximately \$3.04 billion in assets under management and administration, including \$2.18 billion in assets under management. CitizensTrust generated fees of \$10.0 million for 2020, an increase of \$453,000 compared to \$9.5 million for 2019, due to the growth in assets under management.

Income from our BOLI policies for 2020 included \$2.8 million of death benefits that exceeded cash surrender values, compared to \$502,000 of death benefits for 2019.

### Noninterest Expense

The following table summarizes the various components of noninterest expense for the periods presented.

	Year Ended December 31,			Variance			
	2021	2020	2019	2021		2020	
				\$	%	\$	%
(Dollars in thousands)							
Noninterest expense:							
Salaries and employee benefits	\$ 117,871	\$ 119,759	\$ 119,475	\$ (1,888)	-1.58 %	\$ 284	0.24 %
Occupancy	16,765	16,677	16,565	88	0.53 %	112	0.68 %
Equipment	2,991	3,945	3,892	(954)	-24.18 %	53	1.36 %
Professional services	7,967	9,460	7,752	(1,493)	-15.78 %	1,708	22.03 %
Computer software expense	11,584	11,302	10,658	282	2.50 %	644	6.04 %
Marketing and promotion	4,623	4,488	5,890	135	3.01 %	(1,402)	-23.80 %
Amortization of intangible assets	8,240	9,352	10,798	(1,112)	-11.89 %	(1,446)	-13.39 %
Telecommunications expense	2,105	2,566	2,785	(461)	-17.97 %	(219)	-7.86 %
Regulatory assessments	4,695	2,375	1,958	2,320	97.68 %	417	21.30 %
Insurance	1,840	1,636	1,475	204	12.47 %	161	10.92 %
Loan expense	1,113	1,159	1,439	(46)	-3.97 %	(280)	-19.46 %
OREO expense	49	1,247	64	(1,198)	-96.07 %	1,183	1848.44 %
Recapture of provision for unfunded loan commitments	(1,000)	—	—	(1,000)	—	—	—
Directors' expenses	1,539	1,420	1,230	119	8.38 %	190	15.45 %
Stationery and supplies	962	1,172	1,179	(210)	-17.92 %	(7)	-0.59 %
Acquisition related expenses	962	—	6,447	962	-	(6,447)	-100.00 %
Other	7,481	6,345	7,133	1,136	17.90 %	(788)	-11.05 %
Total noninterest expense	\$ 189,787	\$ 192,903	\$ 198,740	\$ (3,116)	-1.62 %	\$ (5,837)	-2.94 %
Noninterest expense to average assets	1.24 %	1.49 %	1.76 %				
Efficiency ratio (1)	41.09 %	41.40 %	40.16 %				

(1) Noninterest expense divided by net interest income before provision for credit losses plus noninterest income.

Our ability to control noninterest expenses in relation to asset growth can be measured in terms of total noninterest expenses as a percentage of average assets. Noninterest expense as a percentage of average assets was 1.24% for 2021, compared to 1.49% for 2020 and 1.76% for 2019, respectively. The decline in this ratio for 2021 reflects the \$2.42 billion growth in average assets that resulted primarily from \$2.18 billion in average deposit growth.

Our ability to control noninterest expenses in relation to the level of total revenue (net interest income before provision for credit losses plus noninterest income) is measured by the efficiency ratio and indicates the percentage of net revenue that is used to cover expenses. The efficiency ratio was 41.09% for 2021, compared to 41.40% for 2020 and 40.16% for 2019.

### 2021 Compared to 2020

Noninterest expense of \$189.8 million for the year ended December 31, 2021 was \$3.1 million, or 1.62% lower than 2020. This year-over-year decrease included a \$1.9 million decrease in salaries and employee benefits, partially due to a \$1.1 million in additional bonus expense for "Thank You Awards" paid to all Bank employees during the third quarter of 2020. The year-over-year decrease also included a \$1.5 million decrease in professional services expense, a \$1.1 million decrease in Core Deposit Intangible ("CDI") amortization, a \$1.2 million decrease in OREO expense primarily due to a \$700,000 write-down of one OREO property in 2020, and a \$1.0 million recapture of provision for unfunded loan commitments recorded in

2021, compared to no recapture of provision in 2020. These decreases were partially offset by a \$2.3 million increase in regulatory assessment expense compared to the prior year, which resulted from the final application of assessment credits provided by the FDIC at the end of the second quarter of 2020. Additionally, there were \$962,000 in acquisition related expenses for the year ended December 31, 2021, compared to no merger related expenses for 2020.

#### *2020 Compared to 2019*

Noninterest expense of \$192.9 million for the year ended December 31, 2020 was \$5.8 million, or 2.9% lower than 2019. There were no merger related expenses related to the Community Bank acquisition for 2020, compared to \$6.4 million for 2019 and the year-over-year decrease also included a \$1.4 million decrease in CDI amortization. A decrease in marketing and promotion expense in 2020 of \$1.4 million was primarily due to COVID-19 restrictions on travel and entertainment. These decreases were partially offset by a \$1.7 million increase in professional services expense, related to legal, audit, and other professional services. OREO expense also increased in 2020 by \$1.2 million primarily due to a \$700,000 write-down of one OREO property.

#### ***Income Taxes***

The Company's effective tax rate for the year ended December 31, 2021 was 28.60%, compared with 29.00% and 28.60% for the year ended December 31, 2020 and 2019, respectively. Our estimated annual effective tax rate also varies depending upon the level of tax-advantaged income as well as available tax credits. Refer to Note 10 — *Income Taxes* of the notes to consolidated financial statements for more information.

The effective tax rates are below the nominal combined Federal and State tax rate as a result of tax-advantaged income from certain municipal security investments, municipal loans and leases and BOLI, as well as available tax credits for each period.

## ANALYSIS OF FINANCIAL CONDITION

Total assets of \$15.88 billion at December 31, 2021 increased \$1.46 billion, or 10.16%, from total assets of \$14.42 billion at December 31, 2020. Interest-earning assets totaled \$14.68 billion at December 31, 2021, an increase of \$1.46 billion, or 11.04%, when compared with \$13.22 billion at December 31, 2020. The increase in interest-earning assets includes a \$2.13 billion increase in investment securities, that was partially offset by a \$461.1 million decrease in total loans and a \$193.3 million decrease in interest-earning balances due from the Federal Reserve. The decrease in total loans was due to a \$696.4 million decrease in PPP loans with a remaining outstanding balance totaling \$186.6 million as of December 31, 2021. Excluding PPP loans, total loans increased by \$235.3 million, or 3.15%, from December 31, 2020.

Total liabilities were \$13.80 billion at December 31, 2021, an increase of \$1.39 billion, or 11.21%, from total liabilities of \$12.41 billion at December 31, 2020. Total deposits grew by \$1.24 billion, or 10.56%. Deposit growth in 2021 was partly due to our customers maintaining greater liquidity in their deposit accounts. Total equity increased \$73.5 million, or 3.66%, to \$2.08 billion at December 31, 2021, compared to total equity of \$2.01 billion at December 31, 2020. The \$73.5 million increase in equity was primarily due to net earnings of \$212.5 million, partially offset by \$97.8 million in cash dividends and a \$39.3 million decrease in other comprehensive income from the tax effected impact of the decline in market value of available-for-sale securities. During the third quarter of 2021, we repurchased 390,336 shares of common stock for \$7.4 million, or an average repurchase price of \$18.97, under our 10b5-1 stock repurchase program.

### Investment Securities

The Company maintains a portfolio of investment securities to provide interest income and to serve as a source of liquidity for its ongoing operations. At December 31, 2021, total investment securities were \$5.11 billion. This represented an increase of \$2.13 billion, or 71.61%, from total investment securities of \$2.98 billion at December 31, 2020. The increase in investment securities was primarily due to new securities purchased exceeding the cash outflow from the portfolio in 2021. At December 31, 2021, investment securities HTM totaled \$1.93 billion. At December 31, 2021, our AFS investment securities totaled \$3.18 billion, inclusive of a pre-tax net unrealized loss of \$1.3 million. The after-tax unrealized loss reported in AOCI on AFS investment securities was \$934,000. The changes in the net unrealized holding gain (loss) resulted primarily from fluctuations in market interest rates. For the years ended December 31, 2021 and 2020, repayments/maturities of investment securities totaled \$928.4 million and \$798.7 million, respectively. The Company purchased additional investment securities totaling \$3.16 billion and \$1.28 billion for the years ended December 31, 2021 and 2020, respectively. We deployed some of our excess liquidity during 2021 by purchasing \$3.16 billion of additional investment securities with a non-tax equivalent weighted average yield of approximately 1.61%. There were no investment securities sold during the years ended December 31, 2021 and 2020.

The tables below set forth our investment securities AFS and HTM portfolio by type for the dates presented.

	December 31,			
	2021		2020	
	Fair Value	Percent	Fair Value	Percent
	<i>(Dollars in thousands)</i>			
<b>Investment securities available-for-sale</b>				
Mortgage-backed securities	\$ 2,563,214	80.50 %	\$ 1,904,935	79.41 %
CMO/REMIC	590,158	18.53 %	462,814	19.29 %
Municipal bonds	29,468	0.93 %	30,285	1.26 %
Other securities	1,083	0.04 %	889	0.04 %
Total available-for-sale securities	<u>\$ 3,183,923</u>	<u>100.00 %</u>	<u>\$ 2,398,923</u>	<u>100.00 %</u>

	December 31,			
	2021		2020	
	Amortized Cost	Percent	Amortized Cost	Percent
	<i>(Dollars in thousands)</i>			
<b>Investment securities held-to-maturity</b>				
Government agency/GSE	\$ 576,899	29.95 %	\$ 98,663	17.05 %
Mortgage-backed securities	647,390	33.61 %	146,382	25.30 %
CMO/REMIC	490,670	25.48 %	145,309	25.11 %
Municipal bonds	211,011	10.96 %	188,272	32.54 %
Total held-to-maturity securities	<u>\$ 1,925,970</u>	<u>100.00 %</u>	<u>\$ 578,626</u>	<u>100.00 %</u>
Fair Value	<u>\$ 1,921,693</u>		<u>\$ 604,223</u>	

The maturity distribution of the AFS and HTM portfolios consist of the following as of the date presented.

December 31, 2021						
	One Year or Less	After One Year Through Five Years	After Five Years Through Ten Years	After Ten Years	Total	Percent to Total
<i>(Dollars in thousands)</i>						
<b>Investment securities available-for-sale:</b>						
Mortgage-backed securities	\$ 2,400	\$ 1,539,600	\$ 1,019,802	\$ 1,412	\$ 2,563,214	80.50 %
CMO/REMIC	15,590	203,493	36,947	334,128	590,158	18.54 %
Municipal bonds (1)	-	1,106	17,857	10,505	29,468	0.93 %
Other securities	1,083	-	-	-	1,083	0.03
Total	<u>\$ 19,073</u>	<u>\$ 1,744,199</u>	<u>\$ 1,074,606</u>	<u>\$ 346,045</u>	<u>\$ 3,183,923</u>	<u>100.00 %</u>
<b>Weighted average yield:</b>						
Mortgage-backed securities	3.77 %	1.60 %	1.61 %	3.41 %	1.61 %	
CMO/REMIC	1.42 %	1.76 %	1.77 %	1.42 %	1.56 %	
Municipal bonds (1)	-	3.93 %	2.56 %	2.49 %	2.59 %	
Other securities	2.74 %	-	-	-	2.74 %	
Total	1.79 %	1.62 %	1.63 %	1.46 %	1.61 %	

- (1) The weighted average yield for the portfolio is based on projected duration and is not tax-equivalent. The tax-equivalent yield at December 31, 2021 was 3.27%.

December 31, 2021						
	One Year or Less	After One Year Through Five Years	After Five Years Through Ten Years	After Ten Years	Total	Percent to Total
<i>(Dollars in thousands)</i>						
<b>Investment securities held-to-maturity:</b>						
Government agency/GSE	\$ —	\$ —	\$ 72,510	\$ 504,389	\$ 576,899	29.95 %
Mortgage-backed securities	1,323	100,941	543,832	1,294	647,390	33.61 %
CMO/REMIC	—	280,854	209,816	—	490,670	25.48 %
Municipal bonds (1)	4,263	21,007	74,920	110,821	211,011	10.96 %
Total	<u>\$ 5,586</u>	<u>\$ 402,802</u>	<u>\$ 901,078</u>	<u>\$ 616,504</u>	<u>\$ 1,925,970</u>	<u>100.00 %</u>
<b>Weighted average yield:</b>						
Government agency/GSE	-	-	1.37 %	1.87 %	1.81 %	
Mortgage-backed securities	0.68 %	2.24 %	1.84 %	2.75 %	1.90 %	
CMO/REMIC	-	1.88 %	1.68 %	-	1.79 %	
Municipal bonds (1)	3.37 %	2.67 %	2.53 %	1.75 %	2.15 %	
Total	2.73 %	2.01 %	1.82 %	1.85 %	1.87 %	

- (1) The weighted average yield for the portfolio is based on projected duration and is not tax-equivalent. The tax equivalent yield at December 31, 2021 was 2.72%.

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

The weighted-average yield on the total investment portfolio at December 31, 2021 was 1.71% with a weighted-average life of 5.5 years. This compares to a weighted-average yield of 1.92% at December 31, 2020 with a weighted-average life of 2.9 years. The weighted average life is the average number of years that each dollar of unpaid principal due remains outstanding. Average life is computed as the weighted-average time to the receipt of all future cash flows, using as the weights the dollar amounts of the principal pay-downs.

Approximately 95% of the securities in the total investment portfolio, at December 31, 2021, are issued by the U.S. government or U.S. government-sponsored agencies and enterprises, which have the implied guarantee of payment of principal and interest. As of December 31, 2021, approximately \$49.6 million in U.S. government agency bonds are callable.

The Agency CMO/REMIC are backed by agency-pooled collateral. Municipal bonds, which represented approximately 5% of the total investment portfolio, are predominately AA or higher rated securities.

The Company held investment securities in excess of 10% of shareholders' equity from the following issuers as of the dates presented.

	<b>December 31,</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Book Value</b>	<b>Market Value</b>	<b>Book Value</b>	<b>Market Value</b>
	<i>(Dollars in thousands)</i>			
<b>Major issuer:</b>				
Federal National Mortgage Association	\$ 1,889,580	\$ 1,894,361	\$ 1,133,321	\$ 1,166,735
Federal Home Loan Mortgage Corporation	1,459,217	1,461,769	1,058,957	1,084,494
Government National Mortgage Association	1,028,444	1,010,558	413,991	421,025

Municipal securities held by the Company are issued by various states and their various local municipalities. The following tables present municipal securities by the top holdings by state as of the dates presented.

	<b>December 31, 2021</b>			
	<b>Amortized Cost</b>	<b>Percent of Total</b>	<b>Fair Value</b>	<b>Percent of Total</b>
	<i>(Dollars in thousands)</i>			
<b>Municipal Securities available-for-sale:</b>				
Minnesota	\$ 11,043	38.9%	\$ 11,387	38.7%
Connecticut	5,639	19.9%	5,816	19.7%
Massachusetts	4,144	14.6%	4,341	14.7%
Iowa	2,341	8.2%	2,378	8.1%
Ohio	1,775	6.3%	1,821	6.2%
Maine	1,502	5.3%	1,569	5.3%
All other states (2 states)	1,921	6.8%	2,156	7.3%
<b>Total</b>	<b>\$ 28,365</b>	<b>100.0%</b>	<b>\$ 29,468</b>	<b>100.0%</b>
<b>Municipal Securities held-to-maturity:</b>				
Minnesota	\$ 38,905	18.4%	\$ 39,724	18.5%
Texas	25,160	11.9%	25,083	11.7%
Massachusetts	20,667	9.8%	21,508	10.0%
Ohio	17,617	8.4%	18,105	8.4%
Washington	12,930	6.1%	13,369	6.2%
Tennessee	11,347	5.4%	11,217	5.2%
All other states (20 states)	84,385	40.0%	85,564	40.0%
<b>Total</b>	<b>\$ 211,011</b>	<b>100.0%</b>	<b>\$ 214,570</b>	<b>100.0%</b>

	December 31, 2020			
	Amortized Cost	Percent of Total	Fair Value	Percent of Total
	(Dollars in thousands)			
<b>Municipal Securities available-for-sale:</b>				
Minnesota	\$ 11,055	38.5 %	\$ 11,588	38.3 %
Connecticut	5,653	19.7 %	5,910	19.5 %
Massachusetts	4,147	14.4 %	4,394	14.5 %
Iowa	2,345	8.2 %	2,430	8.0 %
Ohio	2,115	7.4 %	2,194	7.2 %
Maine	1,506	5.2 %	1,598	5.3 %
All other states (2 states)	1,886	6.6 %	2,171	7.2 %
Total	<u>\$ 28,707</u>	<u>100.0 %</u>	<u>\$ 30,285</u>	<u>100.0 %</u>
<b>Municipal Securities held-to-maturity:</b>				
Minnesota	\$ 44,820	23.8 %	\$ 46,243	23.7 %
Massachusetts	22,361	11.9 %	23,573	12.1 %
Ohio	17,781	9.4 %	18,502	9.5 %
Texas	17,135	9.1 %	17,706	9.1 %
Wisconsin	12,236	6.5 %	12,755	6.5 %
Connecticut	8,759	4.7 %	9,001	4.6 %
All other states (20 states)	65,180	34.6 %	67,398	34.5 %
Total	<u>\$ 188,272</u>	<u>100.0 %</u>	<u>\$ 195,178</u>	<u>100.0 %</u>

We adopted ASU 2016-13 on January 1, 2020, on a prospective basis. Under this guidance, once it is determined that a credit loss has occurred, an allowance for credit losses is established on our available-for-sale and held-to-maturity securities. Prior to adoption of this standard, when a decline in fair value of a debt security was determined to be other than temporary, an impairment charge for the credit component was recorded, and a new cost basis in the investment was established. As of December 31, 2021 and 2020, management determined that credit losses did not exist for securities in an unrealized loss position.

The following tables present the Company's available-for-sale investment securities, by investment category, in an unrealized loss position for which an allowance for credit losses has not been recorded as of December 31, 2021 and December 31, 2020.

	December 31, 2021					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
(Dollars in thousands)						
<b>Investment securities available-for-sale:</b>						
Mortgage-backed securities	\$ 1,465,647	\$ (15,099)	\$ 44,244	\$ (806)	\$ 1,509,891	\$ (15,905)
CMO/REMIC	450,393	(11,515)	53,745	(2,468)	504,138	(13,983)
Municipal bonds	—	—	—	—	—	—
Total available-for-sale securities	<u>\$ 1,916,040</u>	<u>\$ (26,614)</u>	<u>\$ 97,989</u>	<u>\$ (3,274)</u>	<u>\$ 2,014,029</u>	<u>\$ (29,888)</u>

	December 31, 2020					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
(Dollars in thousands)						
<b>Investment securities available-for-sale:</b>						
Mortgage-backed securities	\$ 72,219	\$ (101)	\$ —	\$ —	\$ 72,219	\$ (101)
CMO/REMIC	96,974	(249)	—	—	96,974	(249)
Municipal bonds	—	—	—	—	—	—
Total available-for-sale securities	<u>\$ 169,193</u>	<u>\$ (350)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 169,193</u>	<u>\$ (350)</u>

Once it is determined that a credit loss has occurred, an allowance for credit losses is established on our available-for-sale and held-to-maturity securities. Management determined that credit losses did not exist for securities in an unrealized loss position as of December 31, 2021 and 2020.

## Loans

Total loans and leases, at amortized cost, of \$7.89 billion at December 31, 2021, decreased by \$461.1 million, or 5.52%, from \$8.35 billion at December 31, 2020. The decrease in total loans included \$696.4 million in PPP loans, \$29.9 million in SFR mortgage loans, \$22.9 million in construction loans, \$15.3 million in SBA loans, and \$11.3 million in consumer and other loans. Partially offsetting these declines were increases in commercial real estate loans of \$288.2 million and \$25.1 million in dairy & livestock and agribusiness loans. Our core loans, excluding PPP loans, grew by \$235.3 million, or 3.15%, from the end of the fourth quarter of 2020.

Total loans, at amortized cost, comprised 53.72% of our total earning assets as of December 31, 2021. The following table presents our loan portfolio by type as of the dates presented.

### Distribution of Loan Portfolio by Type

	December 31,				
	2021	2020	2019 (1)	2018	2017
	<i>(Dollars in thousands)</i>				
Commercial real estate	\$ 5,789,730	\$ 5,501,509	\$ 5,374,617	\$ 5,394,229	\$ 3,376,713
Construction	62,264	85,145	116,925	122,782	77,982
SBA	288,600	303,896	305,008	350,043	122,055
SBA - PPP	186,585	882,986	—	—	—
Commercial and industrial	813,063	812,062	935,127	1,002,209	513,325
Dairy & livestock and agribusiness	386,219	361,146	383,709	393,843	347,289
Municipal lease finance receivables	45,933	45,547	53,146	64,186	70,243
SFR mortgage	240,654	270,511	283,468	296,504	236,202
Consumer and other loans	74,665	86,006	116,319	128,429	64,229
Gross loans (Non-PCI)	7,887,713	8,348,808	7,568,319	7,752,225	4,808,038
Less: Deferred loan fees, net (2)	—	—	(3,742)	(4,828)	(6,289)
Total loans, at amortized cost (Non-PCI)	7,887,713	8,348,808	7,564,577	7,747,397	4,801,749
Less: Allowance for credit losses	(65,019)	(93,692)	(68,660)	(63,409)	(59,218)
Net loans (Non-PCI)	<u>\$ 7,822,694</u>	<u>\$ 8,255,116</u>	<u>\$ 7,495,917</u>	7,683,988	4,742,531
PCI Loans				17,214	30,908
Discount on PCI loans				—	(2,026)
Less: Allowance for credit losses				(204)	(367)
PCI loans, net				<u>17,010</u>	<u>28,515</u>
Total loans and lease finance receivables, net				<u>\$ 7,700,998</u>	<u>\$ 4,771,046</u>

- (1) Beginning with June 30, 2019, PCI loans were accounted for and combined with Non-PCI loans and were reflected in total loans and lease finance receivables.
- (2) Beginning with March 31, 2020, gross loans are presented net of deferred loan fees (at amortized cost) by respective class of financing receivables.

As of December 31, 2021, \$364.4 million, or 6.29% of the total commercial real estate loans included loans secured by farmland, compared to \$314.4 million, or 5.72%, at December 31, 2020. The loans secured by farmland included \$134.9 million for loans secured by dairy & livestock land and \$229.5 million for loans secured by agricultural land at December 31, 2021, compared to \$132.9 million for loans secured by dairy & livestock land and \$181.5 million for loans secured by agricultural land at December 31, 2020. As of December 31, 2021, dairy & livestock and agribusiness loans of \$386.2 million were comprised of \$351.7 million for dairy & livestock loans and \$34.5 million for agribusiness loans, compared to \$361.1 million for dairy & livestock loans and \$41.0 million for agribusiness loans at December 31, 2020.

Real estate loans are loans secured by conforming trust deeds on real property, including property under construction, land development, commercial property and single-family and multi-family residences. Our real estate loans are comprised of industrial, office, retail, medical, single family residences, multi-family residences, and farmland. Consumer loans include installment loans to consumers as well as home equity loans, auto and equipment leases and other loans secured by junior liens on real property. Municipal lease finance receivables are leases to municipalities. Dairy & livestock and agribusiness loans are loans to finance the operating needs of wholesale dairy farm operations, cattle feeders, livestock raisers and farmers.

As of December 31, 2021, the Company had \$200.6 million of total SBA 504 loans. SBA 504 loans include term loans to finance capital expenditures and for the purchase of commercial real estate. Initially the Bank provides two separate loans to the borrower representing a first and second lien on the collateral. The loan with the first lien is typically at a 50% advance to the acquisition costs and the second lien loan provides the financing for 40% of the acquisition costs with the borrower's down payment of 10% of the acquisition costs. The Bank retains the first lien loan for its term and sells the second lien loan to the SBA subordinated debenture program. A majority of the Bank's 504 loans are granted for the purpose of commercial real estate acquisition. As of December 31, 2021, the Company had \$88.0 million of total SBA 7(a) loans that include a guarantee of payment from the SBA (typically 75% of the loan amount, but up to 90% in certain cases) in the event of default. The SBA 7(a) loans include revolving lines of credit (SBA Express) and term loans of up to ten (10) years to finance long-term working capital requirements, capital expenditures, and/or for the purchase or refinance of commercial real estate.

As an active participant in the SBA's Paycheck Protection Program, we initially originated approximately 4,100 PPP loans totaling \$1.1 billion ("round one"), with a remaining outstanding balance of \$3.0 million as of December 31, 2021. We originated approximately 1,900 PPP loans in round two with a remaining outstanding balance of \$183.6 million, as of December 31, 2021.

As of December 31, 2021, the Company had \$62.3 million in construction loans. This represents 0.79% of total gross loans held-for-investment. Although our construction loans are located throughout our market footprint, the majority of construction loans consist of commercial land development and construction projects in Los Angeles County, Orange County, and the Inland Empire region of Southern California. There were no nonperforming construction loans at December 31, 2021.

Our loan portfolio is geographically disbursed throughout our marketplace. The following is the breakdown of our total held-for-investment commercial real estate loans, by region as of December 31, 2021.

	<b>December 31, 2021</b>			
	<b>Total Loans</b>		<b>Commercial Real Estate Loans</b>	
	<i>(Dollars in thousands)</i>			
Los Angeles County	\$ 3,237,514	41.1 %	\$ 2,249,732	38.8 %
Central Valley	1,469,141	18.6 %	1,101,841	19.0 %
Orange County	1,019,756	12.9 %	678,081	11.7 %
Inland Empire	977,683	12.4 %	833,567	14.4 %
Central Coast	451,032	5.7 %	368,527	6.4 %
San Diego	261,551	3.3 %	229,445	4.0 %
Other California	148,431	1.9 %	93,954	1.6 %
Out of State	322,605	4.1 %	234,583	4.1 %
	<u>\$ 7,887,713</u>	<u>100.0 %</u>	<u>\$ 5,789,730</u>	<u>100.0 %</u>

The table below breaks down our real estate portfolio.

	<b>December 31, 2021</b>			
	<b>Loan Balance</b>	<b>Percent</b>	<b>Percent Owner-Occupied (1)</b>	<b>Average Loan Balance</b>
	<i>(Dollars in thousands)</i>			
<b>Commercial real estate:</b>				
Industrial	\$ 1,967,852	34.0 %	50.3 %	\$ 1,503
Office	1,034,854	17.9 %	23.8 %	1,664
Retail	820,021	14.2 %	10.2 %	1,741
Multi-family	644,484	11.1 %	1.1 %	1,534
Secured by farmland (2)	364,409	6.3 %	97.1 %	2,249
Medical	303,008	5.2 %	35.8 %	1,693
Other (3)	655,102	11.3 %	52.4 %	1,472
Total commercial real estate	<u>\$ 5,789,730</u>	<u>100.0 %</u>	36.8 %	\$ 1,605

(1) Represents percentage of reported owner-occupied at origination in each real estate loan category.

(2) The loans secured by farmland included \$134.9 million for loans secured by dairy & livestock land and \$229.5 million for loans secured by agricultural land at December 31, 2021.

(3) Other loans consist of a variety of loan types, none of which exceeds 2.0% of total commercial real estate loans.



At December 31, 2021, commercial real estate loans on retail properties comprised \$820.0 million and approximately 17.9% of total commercial real estate loans; none of these loans are on deferment and \$3.6 million of these loans were classified. At origination, these loans on retail properties were underwritten with loan-to-values averaging approximately 48%. Approximately 36% of these loans were originated prior to 2017.

The table below provides the maturity distribution for held-for-investment total gross loans as of December 31, 2021. The loan amounts are based on contractual maturities although the borrowers have the ability to prepay the loans. Amounts are also classified according to repricing opportunities or rate sensitivity.

#### Loan Maturities and Interest Rate Category

	Within One Year	After One But Within Five Years	After Five Years	Total
	<i>(Dollars in thousands)</i>			
<b>Loan Portfolio by Type:</b>				
Commercial real estate	\$ 288,737	\$ 1,429,549	\$ 4,071,444	\$ 5,789,730
Construction	52,214	10,050	—	62,264
SBA	17,808	22,437	248,355	288,600
SBA - PPP	2,929	183,656	—	186,585
Commercial and industrial	280,222	322,483	210,358	813,063
Dairy & livestock and agribusiness	251,591	134,126	502	386,219
Municipal lease finance receivables	538	6,708	38,687	45,933
SFR mortgage	2,515	69	238,070	240,654
Consumer and other loans	6,633	12,299	55,733	74,665
<b>Total gross loans</b>	<b>\$ 903,187</b>	<b>\$ 2,121,377</b>	<b>\$ 4,863,149</b>	<b>\$ 7,887,713</b>
<b>Amount of Loans based upon:</b>				
Fixed Rates	\$ 226,612	\$ 1,426,808	\$ 2,935,999	\$ 4,589,419
Floating or adjustable rates	676,575	694,569	1,927,150	3,298,294
<b>Total loans, at amortized cost</b>	<b>\$ 903,187</b>	<b>\$ 2,121,377</b>	<b>\$ 4,863,149</b>	<b>\$ 7,887,713</b>

As a normal practice in extending credit for commercial and industrial purposes, we may accept trust deeds on real property as collateral. In some cases, when the primary source of repayment for the loan is anticipated to come from the cash flow from normal operations of the borrower, and real property has been taken as collateral, the real property is considered a secondary source of repayment for the loan. Since we lend primarily in Southern and Central California, our real estate loan collateral is concentrated in this region.

#### Nonperforming Assets

The following table provides information on nonperforming assets as of the dates presented.

	December 31,				
	2021	2020	2019	2018 (1)	2017 (1)
	<i>(Dollars in thousands)</i>				
Nonaccrual loans	\$ 6,893	\$ 14,347	\$ 5,033	\$ 16,442	\$ 6,516
Loans past due 90 days or more and still accruing interest	—	—	—	—	—
Nonperforming troubled debt restructured loans (TDRs)	—	—	244	3,509	4,200
<b>Total nonperforming loans</b>	<b>6,893</b>	<b>14,347</b>	<b>5,277</b>	<b>19,951</b>	<b>10,716</b>
OREO, net	—	3,392	4,889	420	4,527
<b>Total nonperforming assets</b>	<b>\$ 6,893</b>	<b>\$ 17,739</b>	<b>\$ 10,166</b>	<b>\$ 20,371</b>	<b>\$ 15,243</b>
<b>Performing TDRs</b>	<b>\$ 5,293</b>	<b>\$ 2,159</b>	<b>\$ 3,112</b>	<b>\$ 3,594</b>	<b>\$ 4,809</b>
<b>Total nonperforming loans and performing TDRs</b>	<b>\$ 12,186</b>	<b>\$ 16,506</b>	<b>\$ 8,389</b>	<b>\$ 23,545</b>	<b>\$ 15,525</b>
Percentage of nonperforming loans and performing TDRs to total loans, at amortized cost	0.15 %	0.20 %	0.11 %	0.30 %	0.32 %
Percentage of nonperforming assets to total loans, at amortized cost, and OREO	0.09 %	0.21 %	0.13 %	0.26 %	0.32 %
Percentage of nonperforming assets to total assets	0.04 %	0.12 %	0.09 %	0.18 %	0.18 %

(1) Excludes PCI loans.

### Troubled Debt Restructurings

Total TDRs were \$5.3 million at December 31, 2021, compared to \$2.2 million at December 31, 2020. At December 31, 2021, all of our TDRs were performing and accruing interest as restructured loans. Our performing TDRs were generally provided a modification of loan repayment terms in response to borrower financial difficulties. The performing restructured loans represent the only loans accruing interest at each respective reporting date. A performing restructured loan is categorized as such if we believe that it is reasonably assured of repayment and is performing in accordance with the modified terms.

In accordance with regulatory guidance, if borrowers were less than 30 days past due on their loans and entered into loan modifications offered as a result of COVID-19, their loans generally continued to be considered performing loans and continued to accrue interest during the period of the loan modification. For borrowers who were 30 days or more past due when entering into loan modifications offered as a result of COVID-19, we evaluated the loan modifications under our existing troubled debt restructuring framework, and where such a loan modification would result in a concession to a borrower experiencing financial difficulty, the loan would be accounted for as a TDR and generally would not accrue interest. For all borrowers who enrolled in these loan modification programs offered as a result of COVID-19, the delinquency status of the borrowers was frozen, resulting in a static delinquency metric during the deferral period. Upon exiting the deferral program, the measurement of loan delinquency resumed where it had left off upon entry into the program.

The following table provides a summary of TDRs as of the dates presented.

	December 31,			
	2021		2020	
	Balance	Number of Loans	Balance	Number of Loans
	<i>(Dollars in thousands)</i>			
<b>Performing TDRs:</b>				
Commercial real estate	\$ 2,394	1	\$ 320	1
Construction	—	—	—	—
SBA	—	—	—	—
Commercial and industrial	1,885	3	43	1
Dairy & livestock and agribusiness	—	—	—	—
SFR mortgage	1,014	5	1,796	7
Consumer and other	—	—	—	—
Total performing TDRs	<u>\$ 5,293</u>	<u>9</u>	<u>\$ 2,159</u>	<u>9</u>
<b>Nonperforming TDRs:</b>				
Commercial real estate	\$ —	—	\$ —	—
Construction	—	—	—	—
SBA	—	—	—	—
Commercial and industrial	—	—	—	—
Dairy & livestock and agribusiness	—	—	—	—
SFR mortgage	—	—	—	—
Consumer and other	—	—	—	—
Total nonperforming TDRs	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>—</u>
Total TDRs	<u>\$ 5,293</u>	<u>9</u>	<u>\$ 2,159</u>	<u>9</u>

At December 31, 2021 and 2020, there was no ACL specifically allocated to TDRs. Impairment amounts identified are typically charged off against the allowance at the time a probable loss is determined. There were no charge-offs on TDRs for 2021 and 2020.

## Nonperforming Assets and Delinquencies

The table below provides trends in our nonperforming assets and delinquencies as of the dates presented.

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
<i>(Dollars in thousands)</i>					
<b>Nonperforming loans (1):</b>					
Commercial real estate	\$ 3,607	\$ 4,073	\$ 4,439	\$ 7,395	\$ 7,563
Construction	—	—	—	—	—
SBA	1,034	1,513	1,382	2,412	2,273
Commercial and industrial	1,714	2,038	1,818	2,967	3,129
Dairy & livestock and agribusiness	—	118	118	259	785
SFR mortgage	380	399	406	424	430
Consumer and other loans	158	305	308	312	167
<b>Total</b>	<b>\$ 6,893</b>	<b>\$ 8,446</b>	<b>\$ 8,471</b>	<b>\$ 13,769</b>	<b>\$ 14,347</b>
<b>% of Total loans</b>	<b>0.09 %</b>	<b>0.11 %</b>	<b>0.10 %</b>	<b>0.17 %</b>	<b>0.17 %</b>
<b>Past due 30-89 days:</b>					
Commercial real estate	\$ 438	\$ —	\$ —	\$ 178	\$ —
Construction	—	—	—	—	—
SBA	979	—	—	258	1,965
Commercial and industrial	—	122	415	952	1,101
Dairy & livestock and agribusiness	—	1,000	—	—	—
SFR mortgage	1,040	—	—	266	—
Consumer and other loans	—	—	—	21	—
<b>Total</b>	<b>\$ 2,457</b>	<b>\$ 1,122</b>	<b>\$ 415</b>	<b>\$ 1,675</b>	<b>\$ 3,066</b>
<b>% of Total loans</b>	<b>0.03 %</b>	<b>0.01 %</b>	<b>0.01 %</b>	<b>0.02 %</b>	<b>0.04 %</b>
<b>OREO:</b>					
Commercial real estate	\$ —	\$ —	\$ —	\$ 1,575	\$ 1,575
SBA	—	—	—	—	—
SFR mortgage	—	—	—	—	1,817
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,575</b>	<b>\$ 3,392</b>
<b>Total nonperforming, past due, and OREO</b>	<b>\$ 9,350</b>	<b>\$ 9,568</b>	<b>\$ 8,886</b>	<b>\$ 17,019</b>	<b>\$ 20,805</b>
<b>% of Total loans</b>	<b>0.12 %</b>	<b>0.12 %</b>	<b>0.11 %</b>	<b>0.21 %</b>	<b>0.25 %</b>

Nonperforming loans, defined as nonaccrual loans, nonperforming TDR loans and loans past due 90 days or more and still accruing interest, were \$6.9 million at December 31, 2021, or 0.09% of total loans. This compares to nonperforming loans of \$14.3 million, or 0.17% of total loans, at December 31, 2020. The \$7.5 million decrease in nonperforming loans was primarily due to decreases of \$4.0 million in nonperforming commercial real estate loans, \$1.4 million in nonperforming commercial and industrial loans, \$1.2 million in nonperforming SBA loans, and \$785,000 in nonperforming dairy & livestock and agribusiness loans.

At December 31, 2021, we had no OREO properties, compared to two OREO properties with a carrying value of \$3.4 million, at December 31, 2020. During the fourth quarter of 2021, we acquired an OREO property, which was sold during the fourth quarter at a net gain of approximately \$700,000.

Changes in economic and business conditions have had an impact on our market area and on our loan portfolio. We continually monitor these conditions in determining our estimates of needed reserves. However, we cannot predict the extent to which the deterioration in general economic conditions, real estate values, changes in general rates of interest and changes in the financial conditions or business of a borrower may adversely affect a specific borrower's ability to pay or the value of our collateral. See "Risk Management – Credit Risk Management" included herein.

## Allowance for Credit Losses

We adopted CECL on January 1, 2020, which replaced the “incurred loss” approach with an “expected loss” model over the life of the loan, as further described in Note 3 – *Summary of Significant Accounting Policies* of the notes to the unaudited condensed consolidated financial statements. The allowance for credit losses totaled \$65.0 million as of December 31, 2021, compared to \$93.7 million as of December 31, 2020. Our allowance for credit losses at December 31, 2021 was 0.82%, or 0.84% of total loans when excluding the \$186.6 million in PPP loans. The allowance for credit losses for 2021 was decreased by \$25.5 million, due to the improved outlook in our forecast of certain macroeconomic variables that were influenced by the economic impact of the pandemic: including various government responses, availability of vaccines, and fiscal and monetary stimulus, as well as \$3.2 million in year-to-date net charge-offs. Upon implementation of CECL, a transition adjustment of \$1.8 million was added to the beginning balance of the allowance and was increased by a \$23.5 million credit loss provision for 2020 due to the forecast of severe economic disruption resulting from the initial onset of the COVID-19 pandemic. Net charge-offs were \$308,000 for 2020.

The allowance for credit losses as of December 31, 2021 is based upon lifetime loss rate models developed from an estimation framework that uses historical lifetime loss experiences to derive loss rates at a collective pool level. We measure the expected credit losses on a collective (pooled) basis for those loans that share similar risk characteristics. We have three collective loan pools: Commercial Real Estate, Commercial and Industrial, and Consumer. Our ACL amounts are largely driven by portfolio characteristics, including loss history and various risk attributes, and the economic outlook for certain macroeconomic variables. The allowance for credit loss is sensitive to both changes in these portfolio characteristics and the forecast of macroeconomic variables. Risk attributes for commercial real estate loans include OLTV, origination year, loan seasoning, and macroeconomic variables that include GDP growth, commercial real estate price index and unemployment rate. Risk attributes for commercial and industrial loans include internal risk ratings, borrower industry sector, loan credit spreads and macroeconomic variables that include unemployment rate and BBB spread. The macroeconomic variables for Consumer include unemployment rate and GDP. The Commercial Real Estate methodology is applied over commercial real estate loans, a portion of construction loans, and a portion of SBA loans (excluding Payment Protection Program loans). The Commercial and Industrial methodology is applied over a substantial portion of the Company’s commercial and industrial loans, all dairy & livestock and agribusiness loans, municipal lease receivables, as well as the remaining portion of Small Business Administration (SBA) loans (excluding Payment Protection Program loans). The Consumer methodology is applied to SFR mortgage loans, consumer loans, as well as the remaining construction loans. In addition to determining the quantitative life of loan loss rate to be applied against the portfolio segments, management reviews current conditions and forecasts to determine whether adjustments are needed to ensure that the life of loan loss rates reflect both the current state of the portfolio, and expectations for macroeconomic changes.

Based on the magnitude of government economic stimulus and the wide availability of vaccines, our latest economic forecast reflects continued improvement in key macroeconomic variables, including GDP, the commercial real estate price index and the unemployment rate. Our economic forecast continues to be a blend of multiple forecasts produced by Moody’s. These U.S. economic forecasts include a baseline forecast, as well as upside and downside forecasts. The baseline forecast continues to represent the largest weighting in our multi-weighted forecast scenario, with downside risks weighted heavier than the more optimistic forecasts. Our weighted forecast assumes GDP will increase by 2.7% in 2022, 2% for 2023 and then grow by 3% in 2024. The unemployment rate is forecasted to be over 5% in 2022 and 2023 and then declining to 4.8% in 2024. Management believes that the ACL was appropriate at December 31, 2021 and 2020. As there continues to be a degree of uncertainty around the epidemiological assumptions and impact of government responses to the pandemic that impact our economic forecast, no assurance can be given that economic conditions that adversely affect the Company’s service areas or other circumstances will not be reflected in an increased allowance for credit losses in future periods.

The table below presents a summary of charge-offs and recoveries by type, the provision for credit losses on loans, and the resulting allowance for credit losses for the periods presented.

	<b>Year Ended December 31,</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<i>(Dollars in thousands)</i>				
Allowance for credit losses at beginning of period	\$ 93,692	\$ 68,660	\$ 63,613	\$ 59,585	\$ 61,540
Impact of adopting ASU 2016-13	—	1,840	—	—	—
Charge-offs:					
Commercial real estate	—	—	—	—	—
Construction	—	—	—	—	—
SBA	(223)	(362)	(321)	(257)	—
Commercial and industrial	(3,019)	(195)	(48)	(10)	(138)
Dairy & livestock and agribusiness	(118)	—	(78)	—	—
SFR mortgage	—	—	—	(13)	—
Consumer and other loans	(11)	(109)	(7)	(11)	(13)
Total charge-offs	<u>(3,371)</u>	<u>(666)</u>	<u>(454)</u>	<u>(291)</u>	<u>(151)</u>
Recoveries:					
Commercial real estate	—	—	—	—	154
Construction	58	11	12	2,506	6,036
SBA	23	72	9	20	78
Commercial and industrial	12	10	255	82	118
Dairy & livestock and agribusiness	—	—	19	19	19
SFR mortgage	79	206	196	51	212
Consumer and other loans	26	59	10	141	79
Total recoveries	<u>198</u>	<u>358</u>	<u>501</u>	<u>2,819</u>	<u>6,696</u>
Net (charge-offs) recoveries	<u>(3,173)</u>	<u>(308)</u>	<u>47</u>	<u>2,528</u>	<u>6,545</u>
(Recapture of) provision for credit losses	<u>(25,500)</u>	<u>23,500</u>	<u>5,000</u>	<u>1,500</u>	<u>(8,500)</u>
Allowance for credit losses at end of period	<u>\$ 65,019</u>	<u>\$ 93,692</u>	<u>\$ 68,660</u>	<u>\$ 63,613</u>	<u>\$ 59,585</u>
Summary of reserve for unfunded loan commitments:					
Reserve for unfunded loan commitments at beginning of period	\$ 9,000	\$ 8,959	\$ 8,959	\$ 6,306	\$ 6,706
Impact of adopting ASU 2016-13		41			
Estimated fair value of reserve for unfunded loan commitment assumed from Community Bank	—	—	—	2,903	—
(Recapture of) provision for unfunded loan commitments	<u>(1,000)</u>	<u>—</u>	<u>—</u>	<u>(250)</u>	<u>(400)</u>
Reserve for unfunded loan commitments at end of period	<u>\$ 8,000</u>	<u>\$ 9,000</u>	<u>\$ 8,959</u>	<u>\$ 8,959</u>	<u>\$ 6,306</u>
Reserve for unfunded loan commitments to total unfunded loan commitments	0.49 %	0.54 %	0.56 %	0.51 %	0.66 %
Amount of total loans at end of period (1)	\$ 7,887,713	\$ 8,348,808	\$ 7,564,577	\$ 7,764,611	\$ 4,830,631
Average total loans outstanding (1)	\$ 8,065,877	\$ 8,066,483	\$ 7,552,505	\$ 5,905,674	\$ 4,623,244
Net (charge-offs) recoveries to average total loans	(0.04)%	(0.00)%	0.00%	0.04%	0.14%
Net (charge-offs) recoveries to total loans at end of period	(0.04)%	(0.00)%	0.00%	0.03%	0.14%
Allowance for credit losses to average total loans	0.81%	1.16%	0.91%	1.08%	1.29%
Allowance for credit losses to total loans at end of period	0.82%	1.12%	0.91%	0.82%	1.23%
Net (charge-offs) recoveries to allowance for credit losses	(4.88)%	(0.33)%	0.07%	3.97%	10.98%
Net (charge-offs) recoveries to (recapture of) provision for credit losses	12.44%	(1.31)%	0.94%	168.53%	(77.00)%

(1) Net of deferred loan origination fees, costs and discounts (amortized cost).

The ACL/Total Loan Coverage Ratio as of December 31, 2021 decreased to 0.82%, compared to 1.12% as of December 31, 2020 due to the forecasted impact of improved economic conditions on future life of loan loss rates.

The Bank's ACL methodology also produced an allowance of \$8.0 million for our off-balance sheet credit exposures as of December 31, 2021, compared to \$9.0 million as of December 31, 2020. The year-over-year decrease included a \$1.0 million recapture of provision for unfunded loan commitments in the second quarter of 2021.

While we believe that the allowance at December 31, 2021 was appropriate to absorb losses from known or inherent risks in the portfolio, no assurance can be given that economic conditions, interest rate fluctuations, conditions of our borrowers (including fraudulent activity), or natural disasters, which adversely affect our service areas or other circumstances or conditions, including those defined above, will not be reflected in increased provisions for credit losses in the future.

Changes in economic and business conditions have had an impact on our market area and on our loan portfolio. We continually monitor these conditions in determining our estimates of needed reserves. However, we cannot predict the extent to which the deterioration in general economic conditions, real estate values, changes in general rates of interest and changes in the financial conditions or business of a borrower may adversely affect a specific borrower's ability to pay or the value of our collateral. See "Risk Management – Credit Risk Management" contained herein.

The following table provides a summary of the allocation of the allowance for credit losses by loan type at the dates indicated for total loans. The allocations presented should not be interpreted as an indication that loans charged to the allowance for credit losses will occur in these amounts or proportions.

#### Allowance for Credit Losses by Loan Type

	2021		2020		2019		2018		2017	
	Allowance Amount	Loans as % of Total Loans	Allowance Amount	Loans as % of Total Loans	Allowance Amount	Loans as % of Total Loans	Allowance Amount	Loans as % of Total Loans	Allowance Amount	Loans as % of Total Loans
	(Dollars in thousands)									
Commercial real estate	\$ 50,950	73.4 %	\$ 75,439	65.9 %	\$ 48,629	71.0 %	\$ 44,934	69.4 %	\$ 41,722	69.8 %
Construction	765	0.8 %	1,934	1.0 %	858	1.5 %	981	1.6 %	984	1.6 %
SBA	2,668	3.6 %	2,992	3.6 %	1,453	4.0 %	1,062	4.5 %	869	2.5 %
SBA - PPP	—	2.4 %	—	10.6 %	—	—	—	—	—	—
Commercial and industrial	6,669	10.3 %	7,142	9.7 %	8,880	12.4 %	7,520	12.9 %	7,280	10.6 %
Dairy & livestock and agribusiness	3,066	4.9 %	3,949	4.4 %	5,255	5.1 %	5,215	5.1 %	4,647	7.2 %
Municipal lease finance receivables	100	0.6 %	74	0.5 %	623	0.7 %	775	0.8 %	851	1.5 %
SFR mortgage	188	3.1 %	367	3.2 %	2,339	3.8 %	2,196	3.8 %	2,112	4.9 %
Consumer and other loans	613	0.9 %	1,795	1.1 %	623	1.5 %	726	1.7 %	753	1.3 %
PCI loans	—	—	—	—	—	—	204	0.2 %	367	0.6 %
Total	\$ 65,019	100.0 %	\$ 93,692	100.0 %	\$ 68,660	100.0 %	\$ 63,613	100.0 %	\$ 59,585	100.0 %

#### Deposits

The primary source of funds to support earning assets (loans and investments) is the generation of deposits.

Total deposits were \$12.98 billion at December 31, 2021. This represented an increase of \$1.24 billion, or 10.56%, over total deposits of \$11.74 billion at December 31, 2020.

The average balance of deposits by category and the average effective interest rates paid on deposits is summarized for the periods presented in the table below.

	Year Ended December 31,					
	2021		2020		2019	
	Balance	Rate	Balance	Rate	Balance	Rate
	(Dollars in thousands)					
Noninterest-bearing deposits	\$ 7,817,627	—	\$ 6,281,989	—	\$ 5,177,035	—
Interest-bearing deposits						
Investment checking	599,978	0.03 %	478,458	0.08 %	452,437	0.11 %
Money market	3,114,222	0.12 %	2,599,553	0.31 %	2,197,194	0.54 %
Savings	535,179	0.05 %	452,595	0.09 %	399,154	0.10 %
Time deposits	375,666	0.32 %	445,962	0.85 %	487,221	0.91 %
Total deposits	\$ 12,442,672		\$ 10,258,557		\$ 8,713,041	

The amount of noninterest-bearing deposits in relation to total deposits is an integral element in our strategy of seeking to achieve a low cost of funds. Average noninterest-bearing deposits totaled \$7.82 billion for 2021, representing an increase of \$1.54 billion, or 24.45%, from average demand deposits of \$6.28 billion for 2020. Average noninterest-bearing deposits represented 62.83% of total average deposits for 2021, compared to 61.24% of total average deposits for 2020.

Average savings deposits, which include savings, interest-bearing demand, and money market accounts, were \$4.25 billion for 2021, representing an increase of \$718.8 million, or 20.36%, from average savings deposits of \$3.53 billion for 2020.

Average time deposits totaled \$375.7 million for 2021, representing a decrease of \$70.3 million, or 15.76%, from total average time deposits of \$446.0 million for 2020.

The following table provides the remaining maturities of large denomination (\$250,000 or more) time deposits, including public funds, at December 31, 2021.

#### Maturity Distribution of Large Denomination Time Deposits

	<b>December 31, 2021</b>	
	<i>(Dollars in thousands)</i>	
3 months or less	\$	29,201
Over 3 months through 6 months		16,366
Over 6 months through 12 months		23,558
Over 12 months		12,476
Total	<u>\$</u>	<u>81,601</u>

Time deposits totaled \$327.7 million at December 31, 2021, representing a decrease of \$74.0 million, or 18.42%, from total time deposits of \$401.7 million for December 31, 2020.

#### Borrowings

The following table summarizes information about our term FHLB advances, repurchase agreements and other borrowings outstanding for the periods presented.

	<u>Repurchase Agreements</u>		<u>FHLB Advances</u>		<u>Other Borrowings</u>		<u>Total</u>
	<i>(Dollars in thousands)</i>						
<b>At December 31, 2021</b>							
Amount outstanding	\$	642,388	\$	—	\$	2,281	\$ 644,669
Weighted-average interest rate		0.08 %		—		1.45 %	0.09 %
<b>Year ended December 31, 2021</b>							
Highest amount at month-end	\$	659,579	\$	—	\$	5,000	\$ 664,579
Daily-average amount outstanding	\$	610,479	\$	—	\$	2,008	\$ 612,487
Weighted-average interest rate		0.09 %		—		0.01 %	0.09 %
<b>At December 31, 2020</b>							
Amount outstanding	\$	439,406	\$	—	\$	5,000	\$ 444,406
Weighted-average interest rate		0.10 %		—		—	0.10 %
<b>Year ended December 31, 2020</b>							
Highest amount at month-end	\$	501,881	\$	—	\$	10,000	\$ 511,881
Daily-average amount outstanding	\$	479,956	\$	—	\$	5,674	\$ 485,630
Weighted-average interest rate		0.24 %		—		0.04 %	0.23 %
<b>At December 31, 2019</b>							
Amount outstanding	\$	428,659	\$	—	\$	—	\$ 428,659
Weighted-average interest rate		0.44 %		—		—	0.44 %
<b>Year ended December 31, 2019</b>							
Highest amount at month-end	\$	547,730	\$	—	\$	295,000	\$ 842,730
Daily-average amount outstanding	\$	435,317	\$	—	\$	76,873	\$ 512,190
Weighted-average interest rate		0.47 %		—		2.51 %	0.77 %

At December 31, 2021, our borrowings included \$642.4 million of repurchase agreements and \$2.3 million in overnight borrowings. At December 31, 2020, our borrowings included \$439.4 million in repurchase agreements and \$5.0 million in other short-term borrowing at an interest rate of 0%.

We offer a repurchase agreement product to our deposit customers. This product, known as Citizens Sweep Manager, sells our investment securities overnight to our customers under an agreement to repurchase them the next day at a price which reflects the market value of the use of funds by the Bank for the period concerned. These repurchase agreements are signed with customers who want to invest their excess deposits, above a pre-determined balance in a demand deposit account, in order to earn interest. As of December 31, 2021, total funds borrowed under these agreements were \$642.4 million with a

weighted average interest rate of 0.08%, compared to \$439.4 million with a weighted average rate of 0.10% as of December 31, 2020.

We had \$2.3 million in overnight borrowings at December 31, 2021, compared to \$5.0 million in zero-interest rate short-term borrowings at December 31, 2020.

On June 15, 2021, we redeemed our junior subordinated debentures of \$25.8 million, representing the amounts that are due from the Company to CVB Statutory Trust III, which had a borrowing cost of approximately 1.60% at the time of repayment. The debentures and the Trust Preferred Securities had an original maturity date of 2036. The interest rate on these debentures were based on three-month LIBOR plus 1.38%. Refer to Note 12 — *Borrowings* of the notes to the consolidated financial statements for a more detailed discussion.

At December 31, 2021, \$3.96 billion of loans and \$2.18 billion of investment securities, at carrying value, were pledged to secure public deposits of \$718.9, short and long-term borrowings, and for other purposes as required or permitted by law, with a remaining borrowing capacity at December 31, 2021 of \$4.52 billion.

### **Aggregate Contractual Obligations**

The following table summarizes the aggregate contractual obligations as of December 31, 2021.

	<b>Total</b>	<b>Maturity by Period</b>			
		<b>Less Than One Year</b>	<b>One Year Through Three Years</b>	<b>Four Years Through Five Years</b>	<b>Over Five Years</b>
		<i>(Dollars in thousands)</i>			
Deposits (1)	\$ 12,976,442	\$ 12,952,767	\$ 13,138	\$ 10,005	\$ 532
Customer repurchase agreements (1)	642,388	642,388	—	—	—
Deferred compensation	21,111	652	767	621	19,071
Operating leases	21,908	6,515	8,742	5,213	1,438
Affordable housing investment	1,350	1,259	55	30	6
<b>Total</b>	<b>\$ 13,663,199</b>	<b>\$ 13,603,581</b>	<b>\$ 22,702</b>	<b>\$ 15,869</b>	<b>\$ 21,047</b>

(1) Amounts exclude accrued interest.

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

Customer repurchase agreements represent excess amounts swept from customer demand deposit accounts, which mature the following business day and are collateralized by investment securities. These amounts are due to customers.

Deferred compensation represents the amounts that are due to former employees based on salary continuation agreements as a result of acquisitions and amounts due to current and retired employees under our deferred compensation plans.

Operating leases represent the total minimum lease payments due under non-cancelable operating leases. Refer to Note 22 — *Leases* of the notes to the consolidated financial statements for a more detailed discussion about leases.



## Off-Balance Sheet Arrangements

The following table summarizes the off-balance sheet items at December 31, 2021.

	Total	Maturity by Period			
		Less Than One Year	One Year to Three Years	Four Years to Five Years	After Five Years
<i>(Dollars in thousands)</i>					
Commitment to extend credit:					
Commercial real estate	\$ 330,045	\$ —	\$ 107,736	\$ 145,152	\$ 77,157
Construction	81,319	—	81,319	—	—
SBA	1,872	—	1,275	—	597
SBA - PPP	—	—	—	—	—
Commercial and industrial	891,508	29,604	785,997	11,649	64,258
Dairy & livestock and agribusiness (1)	143,236	—	143,236	—	—
Municipal lease finance receivables	17,948	—	—	—	17,948
SFR Mortgage	5,585	—	2,550	—	3,035
Consumer and other loans	113,204	—	18,935	3,724	90,545
Total commitment to extend credit	1,584,717	29,604	1,141,048	160,525	253,540
Obligations under letters of credit	44,914	5,753	39,161	—	—
Total	\$ 1,629,631	\$ 35,357	\$ 1,180,209	\$ 160,525	\$ 253,540

(1) Total commitments to extend credit to agribusiness were \$23.9 million at December 31, 2021.

As of December 31, 2021, we had commitments to extend credit of approximately \$1.58 billion, and obligations under letters of credit of \$44.9 million. Commitments to extend credit are agreements to lend to customers, provided there is no violation of any material condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Commitments are generally variable rate, and many of these commitments are expected to expire without being drawn upon. As such, the total commitment amounts do not necessarily represent future cash requirements. We use the same credit underwriting policies in granting or accepting such commitments or contingent obligations as we do for on-balance sheet instruments, which consist of evaluating customers' creditworthiness individually. Due to the adoption of CECL on January 1, 2020, a transition adjustment of \$41,000 was added to the beginning balance of the reserve for unfunded loan commitments. As of December 31, 2021 and 2020, the balance in this reserve was \$8.0 million and \$9.0 million, respectively, and was included in other liabilities. The year-over-year decrease included a \$1.0 million recapture of provision for unfunded loan commitments in the second quarter of 2021. There was no provision or recapture of provision for unfunded commitments for the year ended December 31, 2020.

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

### Capital Resources

Our primary source of capital has been the retention of operating earnings and issuance of common stock in connection with periodic acquisitions. In order to ensure adequate levels of capital, we conduct an ongoing assessment of projected sources, needs and uses of capital in conjunction with projected increases in assets and the level of risk. As part of this ongoing assessment, the Board of Directors reviews the various components of our capital.

Total equity increased \$73.5 million, or 3.66%, to \$2.08 billion at December 31, 2021, compared to total equity of \$2.01 billion at December 31, 2020. The \$73.5 million increase in equity was primarily due to \$212.5 million, partially offset by \$97.8 million in cash dividends and a \$39.3 million decrease in other comprehensive income from the tax effected impact of the decline in market value of available-for-sale securities. During the third quarter of 2021, we repurchased 390,336 shares of common stock for \$7.4 million, or an average repurchase price of \$18.97, under our 10b5-1 stock repurchase program. Our tangible common equity ratio was 9.16% at December 31, 2021.

During 2021, the Board of Directors of CVB declared quarterly cash dividends totaling \$0.72 per share. Dividends are payable at the discretion of the Board of Directors and there can be no assurance that the Board of Directors will continue to pay dividends at the same rate, or at all, in the future. CVB's ability to pay cash dividends to its shareholders is subject to restrictions under federal and California law, including restrictions imposed by the Federal Reserve, and covenants set forth in various agreements we are a party to including covenants set forth in our junior subordinated debentures.

On August 11, 2016, our Board of Directors approved a program to repurchase up to 10,000,000 shares of CVB common stock in the open market or in privately negotiated transactions, at times and at prices considered appropriate by us, depending upon prevailing market conditions and other corporate and legal considerations. As of December 31, 2021, the Company had cumulatively repurchased 5,805,191 shares of CVB common stock outstanding under this program. As of December 31, 2021, we had 4,194,809 shares of CVB common stock remaining eligible for repurchase under the common stock repurchase program.

On February 1, 2022, the Company announced that our Board of Directors approved a new program (the "2022 Repurchase Program") to repurchase up to 10,000,000 shares of CVB common stock, replacing the previous 2016 repurchase plan. The 2022 Repurchase Program includes an initial accelerated share repurchase agreement involving \$70 million of the Company's common stock and one or more rule 10b5-1 plans or other appropriate buy-back arrangements, including open market and private transactions.

The Bank and the Company are required to meet risk-based capital standards under the revised capital framework referred to as Basel III set by their respective regulatory authorities. The risk-based capital standards require the achievement of a minimum total risk-based capital ratio of 8.0%, a Tier 1 risk-based capital ratio of 6.0% and a common equity Tier 1 ("CET1") capital ratio of 4.5%. In addition, the regulatory authorities require the highest rated institutions to maintain a minimum leverage ratio of 4.0%. To be considered "well-capitalized" for bank regulatory purposes, the Bank and the Company are required to have a CET1 capital ratio equal to or greater than 6.5%, a Tier 1 risk-based capital ratio equal to or greater than 8.0%, a total risk-based capital ratio equal to or greater than 10.0% and a Tier 1 leverage ratio equal to or greater than 5.0%. At December 31, 2021, the Bank and the Company exceeded the minimum risk-based capital ratios and leverage ratios required to be considered "well-capitalized" for regulatory purposes. For further information about capital requirements and our capital ratios, see "Item 1. *Business—Regulation and Supervision—Capital Adequacy Requirements*".

At December 31, 2021, the Bank and the Company exceeded the minimum risk-based capital ratios and leverage ratios, under the revised capital framework referred to as Basel III, required to be considered "well-capitalized" for regulatory purposes. We did not elect to phase in the impact of CECL on regulatory capital, as allowed under the interim final rule of the FDIC and other U.S. banking agencies.

The table below presents the Company's and the Bank's risk-based and leverage capital ratios for the periods presented.

Capital Ratios	Adequately Capitalized Ratios	Minimum Required Plus Capital Conservation Buffer	Well Capitalized Ratios	December 31, 2021		December 31, 2020	
				CVB Financial Corp. Consolidated	Citizens Business Bank	CVB Financial Corp. Consolidated	Citizens Business Bank
Tier 1 leverage capital ratio	4.00%	4.00%	5.00%	9.18%	8.90%	9.90%	9.58%
Common equity Tier 1 capital ratio	4.50%	7.00%	6.50%	14.86%	14.41%	14.77%	14.57%
Tier 1 risk-based capital ratio	6.00%	8.50%	8.00%	14.86%	14.41%	15.06%	14.57%
Total risk-based capital ratio	8.00%	10.50%	10.00%	15.63%	15.18%	16.24%	15.75%

## RISK MANAGEMENT

All financial institutions must manage and control a variety of business risks that can significantly affect their financial performance. Our Board of Directors (Board) and executive management team have overall and ultimate responsibility for management of these risks, which they carry out through committees with specific and well-defined risk management functions. The Risk Management Plan that we have adopted seeks to implement the proper control and management of key risk factors inherent in the operation of the Company and the Bank. Some of the key risks that we must manage are credit risks, interest rate risk, liquidity risk, market risks, transaction risk, compliance risk, strategic risk, and cybersecurity risk. These specific risk factors are not mutually exclusive. It is recognized that any product or service offered by us may expose the Bank to one or more of these risks. Our Risk Management Committee and Risk Management Division monitor these risks to minimize exposure to the Company. The Board and its committees work closely with management in overseeing risk. Each Board committee receives reports and information regarding risk issues directly from management.

## **Credit Risk Management**

Loans represent the largest component of assets on our balance sheet and their related credit risk is among the most significant risks we manage. We define credit risk as the risk of loss associated with a borrower or counterparty default (failure to meet obligations in accordance with agreed upon terms). Credit risk is found in all activities where success depends on a counter party, issuer, or borrower performance. Credit risk arises through the extension of loans and leases, certain securities, and letters of credit.

Natural disasters, such as storms, earthquakes, drought and other weather conditions, effects of pandemics, as well as natural disasters and problems related to possible climate changes, may from time-to-time cause or create the risk of damage to facilities, buildings, property or other assets of Bank customers, borrowers or municipal debt issuers. This could in turn affect their financial condition or results of operations and as a consequence their ability or capacity to repay debt or fulfill other obligations to the Bank.

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

The Bank's loan policy is updated annually and approved by the Board of Directors. It prescribes underwriting guidelines and procedures for all loan categories in which the Bank participates to establish risk tolerance and parameters that are communicated throughout the Bank to ensure consistent and uniform lending practices. The underwriting guidelines include, among other things, approval limitation and hierarchy, documentation standards, loan-to-value limits, debt coverage ratio, overall credit-worthiness of the borrower, guarantor support, etc. All loan requests considered by the Bank should be for a clearly defined legitimate purpose with a determinable primary source, as well as alternate sources of repayment. All loans should be supported by appropriate documentation including, current financial statements, credit reports, collateral information, guarantor asset verification, tax returns, title reports, appraisals (where appropriate), and other documents of quality that will support the credit.

The major lending categories are commercial and industrial loans, SBA loans, owner-occupied and non owner-occupied commercial real estate loans, construction loans, dairy & livestock and agribusiness loans, residential real estate loans, and various consumer loan products. Loans underwritten to borrowers within these diverse categories require underwriting and documentation suited to the unique characteristics and inherent risks involved.

Commercial and industrial loans require credit structures that are tailored to the specific purpose of the business loan, involving a thorough analysis of the borrower's business, cash flow, collateral, industry risks, economic risks, credit, character, and guarantor support. Owner-occupied real estate loans are primarily based upon the capacity and stability of the cash flow generated by the occupying business and the market value of the collateral, among other things. Non owner-occupied real estate is typically underwritten to the income produced by the subject property and many considerations unique to the various types of property (i.e. office, retail, warehouse, shopping center, medical, etc.), as well as, the financial support provided by sponsors in recourse transactions. Construction loans will often depend on the specific characteristics of the project, the market for the specific development, real estate values, and the equity and financial strength of the sponsors. Dairy & livestock and agribusiness loans are largely predicated on the revenue cycles and demand for milk and crops, commodity prices, collateral values of herd, feed, and income-producing dairies or croplands, and the financial support of the guarantors. Underwriting of residential real estate and consumer loans are generally driven by personal income and debt service capacity, credit history and scores, and collateral values.

SBA loans require credit structures that conform to the various requirements of the SBA programs specific to the type of loan request and the Bank's loan policy as it relates to these loans. The SBA 7(a) loans are similar to the commercial and industrial loans that are tailored to the specific purpose of the business loan, involving a thorough analysis of the borrower's business, cash flow, collateral, industry risks, economic risks, credit, character, and guarantor support for both the Bank and the SBA. Once granted the SBA 7(a) loans require the Bank to follow SBA servicing guidelines to maintain the SBA guaranty which typically ranges from 75% to 90% depending on the type of 7(a) loan. SBA 504 loans are similar to the Bank's Owner-occupied real estate loans. As such they are primarily based upon the capacity and stability of the cash flow generated by the occupying business and the market value of the collateral, among other things. When the Bank funds an SBA 504 transaction, which includes the 50% first trust deed loan and the 40% second trust deed loan, the initial risk is centered in completing the SBA's requirements to provide for the payoff of the second trust deed loan from the subordinated debenture. Once the 504 second is paid off, the remaining first trust deed loan is then managed under the same requirements applied to the Bank's owner-occupied commercial real estate loan. It should be noted that both the SBA 7(a) and 504

programs provide loans for commercial real estate acquisition. However, the terms and advances rates available under the 7(a) program are outside of the Bank's standard loan programs and risk profile and therefore require a credit enhancement in the form of the SBA guaranty. Additionally, the interest rates for the 7(a) program are typically variable and can adjust as often as monthly with quarterly adjustment the most typical. SBA 504 loan interest rates for the first trust deed loan are at the Bank's discretion and subject to competitive pressures from other banks.

Implicit in lending activities is the risk that losses will occur and that the amount of such losses will vary over time. Consequently, we maintain an allowance for credit losses by charging a provision for credit losses to earnings. Loans determined to be losses are charged against the allowance for credit losses. In this regard, it is important to note that the Bank's practice with regard to these loans, including modified loans or troubled debt restructurings that are classified as impaired, is to generally charge off any loss amount against the ACL upon evaluating the loan at the time a probable loss becomes recognized. As such, the Bank's specific allowance for loans, including troubled debt restructurings, is relatively low since any known loss amount will generally have been charged off.

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

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

The Company obtains a semi-annual independent credit review by engaging an outside party to review a sample of our loans and leases. The primary purpose of this review is to evaluate our existing loan ratings.

Refer to additional discussion concerning loans, nonperforming assets, allowance for credit losses and related tables under the Analysis of Financial Condition contained herein.

### ***Transaction Risk***

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

In general, transaction risk is defined as high, medium or low by the Company. The audit plan ensures that high risk areas are reviewed annually. We utilize internal auditors and independent audit firms to test key controls of operational processes and to audit information systems, compliance management programs, loan credit reviews and trust services.

The key to monitoring transaction risk is in the design, documentation and implementation of well-defined procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, but not absolute, assurances of the effectiveness of these systems and controls, and that the objectives of these controls have been met.

### ***Compliance Risk Management***

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

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

Our Risk Management Policy and Program and the Code of Ethical Conduct are cornerstones for controlling compliance risk. An integral part of controlling this risk is the proper training of associates. The Chief Risk Officer is responsible for developing and executing a comprehensive compliance training program. The Chief Risk Officer, in consultation with our internal and external legal counsel, seeks to provide our associates with adequate training commensurate to their job functions to ensure compliance with banking laws and regulations.

Our Risk Management Policy and Program includes a risk-based audit program aimed at identifying internal control deficiencies and weaknesses. The Compliance Management Program includes a monitoring process to address external and internal risks, including regulatory change management, the evolving products and services, and strategies of the front-line units and control functions. Additionally, in-depth audits performed by our internal audit department under the direction of our Chief Audit Executive and supplemented by independent external firms. Annually, an Audit Plan for the Company is developed and presented for approval to the Audit Committee of the Board.

The Risk Management Division conducts periodic monitoring of our compliance efforts with a special focus on business and control functions, assessing the inherent compliance risk of activities and the effectiveness of controls, and identifying control weaknesses that are to be strengthened or enhanced. Any material exceptions identified are brought forward to the appropriate department head, and appropriate management and board committees. This reporting provides an independent view of compliance risk across the company, support transparent communication and management awareness of compliance risk.

We recognize that customer complaints can often identify weaknesses in our compliance program which could expose us to risk. Therefore, we attempt to ensure that all complaints are given prompt attention. Our Compliance Management Policy and Program include provisions on how customer complaints are to be addressed. The Chief Risk Officer reviews formal complaints to determine if a significant compliance risk exists and communicates those findings to the Compliance Management and Risk Management Committees.

### ***Strategic Risk***

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

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

### ***Cybersecurity Risk***

Cybersecurity and fraud risk refers to the risk of failures, interruptions of services, or breaches of security with respect to the Company's or the Bank's communication, information, operations, devices, financial control, customer internet banking, customer information, email, data processing systems, or other bank or third party applications. The ability of the Company's customers to bank remotely, including online and through mobile devices, requires secure transmission of confidential information and increases the risk of data security breaches. In addition, the Company and the Bank rely primarily on third party providers to develop, manage, maintain and protect our systems and applications. Any such failures, interruptions or fraud or security breaches, depending on the scope, duration, affected system(s) or customers(s), could expose the Company and/or the Bank to financial loss, reputation damage, litigation, or regulatory action. We continue to invest in technologies and training to protect our associates, our clients and our assets. While we have implemented various detective and preventative measures which seek to protect our Company, our customers' information and the Bank from the risk of fraud, data security breaches or service interruptions, there can be no assurance that these measures will be effective in preventing potential breaches or losses for us or our customers.

## ASSET/LIABILITY AND MARKET RISK MANAGEMENT

### *Liquidity and Cash Flow*

The objective of liquidity management is to ensure that funds are available in a timely manner to meet our financial obligations when they come due without incurring unnecessary cost or risk, or causing a disruption to our normal operating activities. This includes the ability to manage unplanned decreases or changes in funding sources, accommodating loan demand and growth, funding investments, repurchasing securities, paying creditors as necessary, and other operating or capital needs.

We regularly assess the amount and likelihood of projected funding requirements through a review of factors such as historical deposit volatility and funding patterns, present and forecasted market and economic conditions, individual customer funding needs, as well as current and planned business activities. Management has an Asset/Liability Committee that meets monthly. This committee analyzes the cash flows from loans, investments, deposits and borrowings. In addition, the Company has a Balance Sheet Management Committee of the Board of Directors that meets quarterly to review the Company's balance sheet and liquidity position. This committee provides oversight to the balance sheet and liquidity management process and recommends policy guidelines for the approval of our Board of Directors, and courses of action to address our actual and projected liquidity needs.

Our primary sources and uses of funds for the Company are deposits, investment securities and loans. Our deposit levels and cost of deposits may fluctuate from period-to-period due to a variety of factors, including the stability of our deposit base, prevailing interest rates, and market conditions. Total deposits of \$12.98 billion at December 31, 2021 increased \$1.24 billion, or 10.56%, over total deposits of \$11.74 billion at December 31, 2020. This deposit growth was partly due to our customers maintaining greater liquidity during the current pandemic induced economic cycle.

In general, our liquidity is managed daily by controlling the level of liquid assets as well as the use of funds provided by the cash flow from the investment portfolio, loan demand and deposit fluctuations. Our definition of liquid assets includes cash and cash equivalents in excess of minimum levels needed to fulfill normal business operations, short-term investment securities, and other anticipated near term cash flows from investments. Our balance sheet has significant liquidity and our assets are funded almost entirely with core deposits. Furthermore, we have significant off-balance sheet sources of liquidity. To meet unexpected demands, lines of credit are maintained with correspondent banks, the Federal Home Loan Bank and the Federal Reserve, although availability under these lines of credit are subject to certain conditions. The Bank has available lines of credit exceeding \$4 billion, most of which is secured by pledged loans. The sale of investment securities can also serve as a contingent source of funds. We can obtain additional liquidity from deposit growth by offering competitive interest rates on deposits from both our local and national wholesale markets. At December 31, 2021, the Bank had no borrowings.

CVB is a holding company separate and apart from the Bank that must provide for its own liquidity and must service its own obligations. On June 15, 2021, we redeemed our \$25.8 million in subordinated debt with an interest rate of three month LIBOR plus 1.38% at par. Substantially all of CVB's revenues are obtained from dividends declared and paid by the Bank to CVB. There are statutory and regulatory provisions that could limit the ability of the Bank to pay dividends to CVB. In addition, our regulators could limit the ability of the Bank or CVB to pay dividends or make other distributions.

Below is a summary of our average cash position and statement of cash flows for the years ended December 31, 2021 and 2020. For further details, see our "Consolidated Statements of Cash Flows" under Part IV consolidated financial statements of this report.

#### *Consolidated Summary of Cash Flows*

	<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<i>(Dollars in thousands)</i>	
Average cash and cash equivalents	\$ 2,078,439	\$ 1,226,262
Percentage of total average assets	13.54 %	9.48 %
Net cash provided by operating activities	\$ 195,242	\$ 185,096
Net cash (used in) provided by investing activities	(1,730,491)	(1,268,758)
Net cash provided by (used in) financing activities	1,309,637	2,856,304
Net (decrease) increase in cash and cash equivalents	\$ (225,612)	\$ 1,772,642

Average cash and cash equivalents increased by \$852.2 million, or 69.49%, to \$2.08 billion for the year ended December 31, 2021, compared to \$1.23 billion for 2020.

At December 31, 2021, cash and cash equivalents totaled \$1.73 billion. This represented a decrease of \$225.6 million, or 11.52%, from \$1.96 billion at December 31, 2020.

### Market Risk

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

The table below provides the actual balances as of December 31, 2021 of interest-earning assets and interest-bearing liabilities, including the average rate earned or incurred for 2021, the projected contractual maturities over the next five years, and the estimated fair value of each category determined using available market information and appropriate valuation methodologies.

	December 31, 2021	Average Rate	Maturing					Estimated Fair Value
			One Year	Two Years	Three Years	Four Years	Five Years and Beyond	
<i>(Dollars in thousands)</i>								
<b>Interest-earning assets:</b>								
Investment securities available-for-sale (1)	\$ 3,183,923	1.38 %	\$ 19,073	\$ 315,386	\$ 605,595	\$ 234,084	\$ 2,009,785	\$ 3,183,923
Investment securities held-to-maturity (1)	1,925,970	1.89 %	5,586	27,336	122,168	114,251	1,656,629	1,921,693
Investment in FHLB stock	17,688	5.76 %	—	—	—	—	17,688	17,688
Interest-earning deposits due from Federal Reserve and with other institutions	1,668,535	0.13 %	1,667,795	740	—	—	—	1,668,535
Loans and lease finance receivables (2)	7,887,713	4.42 %	903,187	609,421	354,685	453,789	5,566,631	7,761,229
<b>Total interest-earning assets</b>	<b>\$ 14,683,829</b>		<b>\$ 2,595,641</b>	<b>\$ 952,883</b>	<b>\$ 1,082,448</b>	<b>\$ 802,124</b>	<b>\$ 9,250,733</b>	<b>\$ 14,553,068</b>
<b>Interest-bearing liabilities:</b>								
Interest-bearing deposits	\$ 4,872,386	0.12 %	\$ 4,848,711	\$ 11,457	\$ 1,681	\$ 7,984	\$ 2,553	\$ 4,871,531
Borrowings	644,669	0.09 %	644,669	—	—	—	—	586,645
Junior subordinated debentures	—	1.58 %	—	—	—	—	—	—
<b>Total interest-bearing liabilities</b>	<b>\$ 5,517,055</b>		<b>\$ 5,493,380</b>	<b>\$ 11,457</b>	<b>\$ 1,681</b>	<b>\$ 7,984</b>	<b>\$ 2,553</b>	<b>\$ 5,458,176</b>

- (1) These include mortgage-backed securities which generally prepay before maturity.
- (2) Gross loans, at amortized cost.

### Interest Rate Sensitivity Management

During periods of changing interest rates, the ability to re-price interest-earning assets and interest-bearing liabilities can influence net interest income, the net interest margin, and consequently, our earnings. Interest rate risk is managed by attempting to control the spread between rates earned on interest-earning assets and the rates paid on interest-bearing liabilities within the constraints imposed by market competition in our service area. The primary goal of interest rate risk management is to control exposure to interest rate risk, within policy limits approved by the Board of Directors. These limits and guidelines reflect our risk appetite for interest rate risk over both short-term and long-term horizons. We measure these risks and their impact by identifying and quantifying exposures through the use of sophisticated simulation and valuation models, which, as described in additional detail below, are employed by management to understand net interest income (NII) at risk and economic value of equity (EVE) at risk. Net interest income at risk sensitivity captures asset and liability repricing mismatches and is considered a shorter term measure, while EVE sensitivity captures mismatches within the period end balance sheets through the financial instruments' respective maturities or estimated durations and is considered a longer term measure.

One of the primary methods that we use to quantify and manage interest rate risk is simulation analysis, which we use to model NII from the Company's balance sheet under various interest rate scenarios. We use simulation analysis to project rate sensitive income under many scenarios. The analyses may include rapid and gradual ramping of interest rates, rate shocks, basis risk analysis, and yield curve scenarios. Specific balance sheet management strategies are also analyzed to determine their impact on NII and EVE. Key assumptions in the simulation analysis relate to the behavior of interest rates and pricing spreads, the changes in product balances, and the behavior of loan and deposit clients in different rate environments. This analysis incorporates several assumptions, the most material of which relate to the re-pricing characteristics and balance fluctuations of deposits with indeterminate or non-contractual maturities, and prepayment of loans and securities.

Our interest rate risk policy measures the sensitivity of our net interest income over both a one-year and two-year cumulative time horizon.

The simulation model estimates the impact of changing interest rates on interest income from all interest-earning assets and interest expense paid on all interest-bearing liabilities reflected on our balance sheet. This sensitivity analysis is compared to policy limits, which specify a maximum tolerance level for net interest income exposure over a one-year horizon assuming no balance sheet growth, given a 200 basis point upward and a 100 basis point downward shift in interest rates depending on the level of current market rates. The simulation model uses a parallel yield curve shift that ramps rates up or down on a pro rata basis over the 12-month and 24-month time horizon.

The following depicts the Company's net interest income sensitivity analysis for the periods presented below, when rates are ramped up 200bps or ramped down 100bps over a 12-month time horizon.

Interest Rate Scenario	Estimated Net Interest Income Sensitivity (1)					
	December 31, 2021			December 31, 2020		
	12-month Period	24-month Period (Cumulative)	Interest Rate Scenario	12-month Period	24-month Period (Cumulative)	Interest Rate Scenario
+ 200 basis points	9.85 %	16.84 %	+ 200 basis points	11.10 %	19.60 %	+ 200 basis points
- 100 basis points	-4.30 %	-4.99 %	- 100 basis points	-1.20 %	-2.40 %	- 100 basis points

(1) Percentage change from base scenario, but the current low interest rate environment limits the absolute decline in rates as the model does not assume rates go below zero.

Based on our current simulation models, we believe that the interest rate risk profile of the balance sheet is asset sensitive over both a one-year and a two-year horizon. The estimated sensitivity does not necessarily represent a forecast and the results may not be indicative of actual changes to our net interest income. These estimates are based upon a number of assumptions including: the nature and timing of interest rate levels including yield curve shape, re-pricing characteristics and balance fluctuations of deposits with indeterminate or non-contractual maturities, prepayments on loans and securities, pricing strategies on loans and deposits, and replacement of asset and liability cash flows. While the assumptions used are based on current economic and local market conditions, there is no assurance as to the predictive nature of these conditions including how customer preferences or competitor influences might change. Our exposure in the rates down scenario is impacted by the current low interest rate environment and the model does not assume that rates go below zero.

We also perform valuation analysis, which incorporates all cash flows over the estimated remaining life of all material balance sheet and derivative positions. The valuation of the balance sheet, at a point in time, is defined as the discounted present value of all asset cash flows and derivative cash flows minus the discounted present value of all liability cash flows, the net of which is referred to as EVE. The sensitivity of EVE to changes in the level of interest rates is a measure of the longer-term re-pricing risk and options risk embedded in the balance sheet. EVE uses instantaneous changes in rates, as shown in the table below. Assumptions about the timing and variability of balance sheet cash flows are critical in the EVE analysis. Particularly important are the assumptions driving prepayments and the expected duration and pricing of the indeterminate deposit portfolios. EVE sensitivity is reported in both upward and downward rate shocks. At December 31, 2021 and December 31, 2020, the EVE profile indicates a decline in net balance sheet value due to instantaneous downward changes in rates, compared to an increase resulting from an increase in rates.

#### ***Economic Value of Equity Sensitivity***

Instantaneous Rate Change	December 31, 2021	December 31, 2020
100 bp decrease in interest rates	-14.1 %	-21.0 %
100 bp increase in interest rates	5.3 %	16.1 %
200 bp increase in interest rates	11.8 %	28.4 %
300 bp increase in interest rates	13.6 %	34.4 %
400 bp increase in interest rates	16.8 %	41.6 %

As EVE measures the discounted present value of cash flows over the estimated lives of instruments, the change in EVE does not directly correlate to the degree that earnings would be impacted over a shorter time horizon (i.e., the current year). Further, EVE does not take into account factors such as future balance sheet growth, changes in asset and liability mix, changes in yield curve relationships, and changing product spreads that could mitigate the adverse impact of changes in interest rates.



## **Counterparty Risk**

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

- We do not have any investments in the preferred stock of any other company;
- Most of our investment securities are either municipal securities or securities either issued or guaranteed by government, agencies, including Fannie Mae, Freddie Mac, SBA or FHLB;
- All of our commercial line insurance policies are with companies with the highest AM Best ratings of A or above;
- We have no significant exposure to our Cash Surrender Value of Life Insurance since the Cash Surrender Value balance is predominately supported by insurance companies that carry an AM Best rating of B+ or greater;
- We have no significant Counterparty exposure related to derivatives such as interest rate swaps. Our Counterparty is a major financial institution and our agreement requires the Counterparty to post cash collateral for mark-to-market balances due to us;
- We believe our risk of loss associated with our counterparty borrowers related to interest rate swaps is generally mitigated as the loans with swaps are underwritten to take into account potential additional exposure;
- As of December 31, 2021, we had \$389.0 million in Fed Funds lines of credit with other major U.S. banks. These lines of credit are available for overnight borrowings; and
- At December 31, 2021, we had no FHLB short-term borrowings. Our secured borrowing capacity with the FHLB and FRB totaled \$4.14 billion, of which \$4.14 billion was available as of December 31, 2021.

## **Price and Foreign Exchange Risk**

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

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

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

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

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk is the risk of loss from adverse changes in the market prices and interest rates. Our market risk arises primarily from interest rate risk inherent in our lending and deposit taking activities. We currently do not enter into futures, forwards, or option contracts. LIBOR is expected to be completely phased out by 2023, as such the Company continues to assess the impacts of this transition and exploring alternatives to use in place of LIBOR for various financial instruments, primarily related to our variable-rate loans and interest rate swap derivatives that are indexed to LIBOR. The Bank will use multiple alternative indices as replacements for LIBOR for new instruments originated after 2021. For further quantitative and qualitative disclosures about market risks in our portfolio, see "Asset/Liability Management and Interest Rate Sensitivity Management" included in Item 7 — *Management's Discussion and Analysis of Financial Condition and the Results of Operations* presented elsewhere in this report. Our analysis of market risk and market-sensitive financial information contain forward looking statements and is subject to the disclosure at the beginning of Part I regarding such forward-looking information.

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

	<u>Page</u>
Consolidated Financial Statements	
<a href="#">Consolidated Balance Sheets — December 31, 2021 and 2020</a>	82
<a href="#">Consolidated Statements of Earnings and Comprehensive Income — Years Ended December 31, 2021, 2020 and 2019</a>	83
<a href="#">Consolidated Statements of Stockholders' Equity — Three Years Ended December 31, 2021, 2020 and 2019</a>	84
<a href="#">Consolidated Statements of Cash Flows — Years Ended December 31, 2021, 2020 and 2019</a>	85
<a href="#">Notes to Consolidated Financial Statements</a>	87
<a href="#">Report of Independent Registered Public Accounting Firm</a>	134

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

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

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

None

**ITEM 9A. CONTROLS AND PROCEDURES**

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

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

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

As of December 31, 2021, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2020 is effective. KPMG LLP, an independent registered public accounting firm, has issued their report on the effectiveness of internal control over financial reporting as of December 31, 2021.

## 2) Auditor attestation

### Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors  
CVB Financial Corp.:

#### *Opinion on Internal Control Over Financial Reporting*

We have audited CVB Financial Corp. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, the related consolidated statements of earnings and comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements), and our report dated March 1, 2022 expressed an unqualified opinion on those consolidated financial statements.

#### *Basis for Opinion*

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

#### *Definition and Limitations of Internal Control Over Financial Reporting*

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

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

/s/ KPMG LLP

Los Angeles, California  
March 1, 2022

### **3) Evaluation of Disclosure Controls and Procedures; Changes in Internal Control over Financial Reporting**

We maintain controls and procedures designed to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Such information is reported to our management, including our Chief Executive Officer and Chief Financial Officer to allow timely and accurate disclosure based on the definition of "disclosure controls and procedures" in SEC Rule 13a-15(e) and 15d-15(e) promulgated pursuant to the Exchange Act.

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

During the fiscal quarter ended December 31, 2021, there have been no changes in our internal control over financial reporting that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

#### **ITEM 9B. OTHER INFORMATION**

None.

#### **ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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

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

### ITEM 11. EXECUTIVE COMPENSATION

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

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

The following table summarizes information as of December 31, 2021 relating to our equity compensation plans pursuant to which grants of options, restricted stock, or other rights to acquire shares may be granted from time to time.

#### Equity Compensation Plan Information

Plan category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	414,300	\$ 17.98	6,607,285
Equity compensation plans not approved by security holders	—	—	—
Total	414,300	\$ 17.98	6,607,285

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

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

Information concerning certain relationships and related transactions with management and others and information regarding director independence is incorporated by reference from the section entitled “Executive Compensation — Certain Relationships and Related Transactions” and “Director Independence” of our definitive Proxy Statement to be filed pursuant to Regulation 14A within 120 days after the end of the last fiscal year.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

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

PART IV

ITEM 15. **EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

**Financial Statements**

- (a) (1) **All Financial Statements**  
Reference is made to the Index to Financial Statements on page [82](#) for a list of financial statements filed as part of this Annual Report on Form 10-K.
- (2) **Financial Statement Schedules**  
Reference is made to the Index to Financial Statements on page [82](#) for the listing of supplementary financial statement schedules required by this item.
- (3) **Exhibits**  
The listing of exhibits required by this item is set forth in the Index to Exhibits on page [79](#) of this Annual Report on Form 10-K.
- (b) **Exhibits**  
See Index to Exhibits on Page [79](#) of this Form 10-K.
- (c) **Financial Statement Schedules**  
There are no financial statement schedules required by Regulation S-X that have been excluded from the annual report to shareholders.

ITEM 16. **FORM 10-K SUMMARY**

None

INDEX TO EXHIBITS

<u>Exhibit No.</u>	
2.1	<a href="#">Agreement and Plan of Reorganization and Merger by and among CVB Financial Corp., Citizens Business Bank and Suncrest Bank, dated July 27, 2021(1)</a>
3.1	<a href="#">Articles of Incorporation of CVB Financial Corp., as amended (2)</a>
3.2	<a href="#">Amended and Restated Bylaws of CVB Financial Corp. (3)</a>
4.1	<a href="#">Form of CVB Financial Corp.'s Common Stock certificate (4)</a>
4.2	<a href="#">Description of CVB Financial Corp. Common Stock (5)</a>
10.1	<a href="#">CVB Financial Corp. 401(k) &amp; Profit Sharing Plan, as amended†(6)</a>
10.2	<a href="#">Form of Indemnification Agreement (7)</a>
10.3(a)	<a href="#">CVB Financial Corp. 2008 Equity Incentive Plan†(8)</a>
10.3(b)	<a href="#">CVB Financial Corp. Amendment No. 1 to the 2008 Equity Incentive Plan†(9)</a>
10.3(c)	<a href="#">CVB Financial Corp. Amendment No. 2 to the 2008 Equity Incentive Plan†(10)</a>
10.3(d)	<a href="#">CVB Financial Corp. Amendment No. 3 to the 2008 Equity Incentive Plan†(11)</a>
10.3(e)	<a href="#">CVB Financial Corp. Amendment No. 4 to the 2008 Equity Incentive Plan†(12)</a>
10.3(f)	<a href="#">CVB Financial Corp. Amendment No. 5 to the 2008 Equity Incentive Plan†(13)</a>
10.3(g)	<a href="#">Form of Notice of Non-Qualified Stock Option Grant and Agreement pursuant to the 2008 Equity Incentive Plan†(14)</a>
10.3(h)	<a href="#">Form of Notice of Grant and Restricted Stock Agreement pursuant to the 2008 Equity Incentive Plan†(15)</a>
10.4(a)	<a href="#">CVB Financial Corp. 2018 Equity Incentive Plan†(16)</a>
10.4(b)	<a href="#">Form of Stock Option Agreement under 2018 Equity Incentive Plan†(17)</a>
10.4(c)	<a href="#">Form of Restricted Stock Agreement under 2018 Equity Incentive Plan†(18)</a>
10.4(d)	<a href="#">Form of Restricted Stock Unit Agreement under 2018 Equity Incentive Plan†(19)</a>
10.5(a)	<a href="#">The Executive Non Qualified Excess Plan(SM) Plan Document effective February 21, 2007†(20)</a>
10.5(b)	<a href="#">CVB Financial Corp. Deferred Compensation Plan effective December 1, 2020†(27)</a>
10.6	<a href="#">CVB Financial Corp. 2015 Executive Incentive Plan†(21)</a>
10.7	<a href="#">Employment Agreement by and among CVB Financial Corp. and Citizens Business Bank, on the one hand, and David A. Brager, on the other hand, dated as of February 14, 2020. †(22)</a>
10.8(a)	<a href="#">Offer letter for David C. Harvey, dated December 7, 2009†(23)</a>
10.9(a)	<a href="#">Offer Letter for E. Allen Nicholson executed April 30, 2016†(24)</a>
10.10(a)	<a href="#">Offer Letter for David Farnsworth dated July 1, 2016†(25)</a>
10.11	<a href="#">Form of Severance Compensation Agreement by and between each of Yamynn De Angelis, David Farnsworth, David C. Harvey, E. Allen Nicholson, Richard Wohl and Citizens Business Bank, effective February 1, 2022*, †</a>
10.16	<a href="#">Offer Letter for Former President Brian Mauntel, dated March 24, 2021† (26)</a>
21	<a href="#">Subsidiaries of the Company *</a>
23	<a href="#">Consent of KPMG LLP*</a>
31.1	<a href="#">Certification of David A. Brager pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</a>
31.2	<a href="#">Certification of E. Allen Nicholson pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</a>
32.1	<a href="#">Certification of David A. Brager pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**</a>
32.2	<a href="#">Certification of E. Allen Nicholson pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**</a>
101.INS	Inline XBRL Instance Document*
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*
104	The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2021, has been formatted in Inline XBRL

\* Filed herewith.

\*\* Furnished herewith.

† Indicates a management contract or compensation plan.

‡ Except as noted below, Form 8-A12G, Form 8-K, Form 10-Q, Form 10-K and Form DEF 14A identified in the exhibit index have SEC file number 001-10140.



- (1) Incorporated herein by reference to Exhibit 2.1 to our Form 8-K filed with the SEC on July 28, 2021.
- (2) Incorporated herein by reference to Exhibit 3.1 to our Form 10-Q filed with the SEC on August 9, 2010.
- (3) Incorporated herein by reference to Exhibits 3.1 to our Form 8-K filed with the SEC on January 23, 2020.
- (4) Incorporated herein by reference to Exhibit 4.1 to our Form 8-A12G filed with the SEC on June 11, 2001.
- (5) Incorporated herein by reference to Exhibit 4.2 to our Annual Report on Form 10-K filed with the SEC on March 2, 2020.
- (6) Incorporated herein by reference to Exhibit 10.2 to the Annual Report on Form 10-K filed with the SEC on February 29, 2016.
- (7) Incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed June 29, 2016.
- (8) Incorporated herein by reference to Annex A to our Definitive Proxy Statement on Form DEF 14A filed with the SEC on April 16, 2008.
- (9) Incorporated herein by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on September 22, 2009
- (10) Incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on November 24, 2009.
- (11) Incorporated herein by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on February 6, 2014.
- (12) Incorporated herein by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed with the SEC on May 10, 2017.
- (13) Incorporated herein by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed with the SEC on May 10, 2017.
- (14) Incorporated herein by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on May 23, 2008.
- (15) Incorporated herein by reference to Exhibit 10.3 to our Current Report on Form 8-K filed with the SEC on May 23, 2008.
- (16) Incorporated herein by reference to Annex A to our Definitive Proxy Statement on Form DEF 14A filed with the SEC on April 4, 2018.
- (17) Incorporated herein by reference to Exhibit 10.2 to our Form 8-K filed with the SEC on May 24, 2018.
- (18) Incorporated herein by reference to Exhibit 10.3 to our Form 8-K filed with the SEC on May 24, 2018.
- (19) Incorporated hereby by reference to Exhibit 10.4 to our Form 8-K filed with the SEC on May 24, 2018.
- (20) Incorporated herein by reference to Exhibit 10.26 to our Annual Report on Form 10-K filed with the SEC on March 1, 2007.
- (21) Incorporated herein by reference to Exhibit A to our Definitive Proxy Statement on Form DEF 14A filed with the SEC on April 3, 2015
- (22) Incorporated herein by reference to Exhibit 10.1 to our Form 8-K filed with the SEC on February 20, 2020
- (23) Incorporated herein by reference to Exhibit 10.21(A) to our Annual Report on Form 10-K filed with the SEC on March 4, 2010.
- (24) Incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed May 5, 2016.
- (25) Incorporated herein by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q filed November 9, 2016.
- (26) Incorporated herein by reference to Exhibit 10.1 to Current Report on Form 8-K filed April 13, 2021.
- (27) Incorporated herein by reference to Exhibit 10.5(b) to our Annual Report on Form 10-K filed with the SEC on March 1, 2021.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 1st day of March 2022.

CVB FINANCIAL CORP.

By: /s/ DAVID A. BRAGER  
David A. Brager  
*President and Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ RAYMOND V. O'BRIEN III</u> Raymond V. O'Brien III	Chairman of the Board	March 1, 2022
<u>/s/ GEORGE A. BORBA, JR.</u> George A. Borba, Jr.	Vice Chairman	March 1, 2022
<u>/s/ STEPHEN A. DEL GUERCIO</u> Stephen A. Del Guercio	Director	March 1, 2022
<u>/s/ RODRIGO GUERRA, JR.</u> Rodrigo Guerra, Jr.	Director	March 1, 2022
<u>/s/ ANNA KAN</u> Anna Kan	Director	March 1, 2022
<u>/s/ MARSHALL V. LAITSCH</u> Marshall V. Laitsch	Director	March 1, 2022
<u>/s/ KRISTINA M. LESLIE</u> Kristina M. Leslie	Director	March 1, 2022
<u>/s/ JANE OLVERA</u> Jane Olvera	Director	March 1, 2022
<u>/s/ HAL W. OSWALT</u> Hal W. Oswald	Director	March 1, 2022
<u>/s/ DAVID A. BRAGER</u> David A. Brager	Director and Chief Executive Officer (Principal Executive Officer)	March 1, 2022
<u>/s/ E. ALLEN NICHOLSON</u> E. Allen Nicholson	Chief Financial Officer (Principal Financial Officer )	March 1, 2022
<u>/s/ F. LaPOINT</u> Francene LaPoint	Chief Accounting Officer (Principal Accounting Officer)	March 1, 2022

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

	December 31, 2021	December 31, 2020
<b>Assets</b>		
Cash and due from banks	\$ 90,012	\$ 122,305
Interest-earning balances due from Federal Reserve	1,642,536	1,835,855
Total cash and cash equivalents	1,732,548	1,958,160
Interest-earning balances due from depository institutions	25,999	43,563
Investment securities available-for-sale, at fair value (with amortized cost of \$3,185,249 at December 31, 2021, and \$2,344,174 at December 31, 2020)	3,183,923	2,398,923
Investment securities held-to-maturity (with fair value of \$1,921,693 at December 31, 2021, and \$604,223 at December 31, 2020)	1,925,970	578,626
Total investment securities	5,109,893	2,977,549
Investment in stock of Federal Home Loan Bank (FHLB)	17,688	17,688
Loans and lease finance receivables	7,887,713	8,348,808
Allowance for credit losses	(65,019)	(93,692)
Net loans and lease finance receivables	7,822,694	8,255,116
Premises and equipment, net	49,096	51,144
Bank owned life insurance (BOLI)	251,570	226,818
Accrued interest receivable	34,204	31,306
Intangibles	25,394	33,634
Goodwill	663,707	663,707
Other real estate owned (OREO)	-	3,392
Income taxes	32,603	29,540
Other assets	118,301	127,697
<b>Total assets</b>	<b>\$ 15,883,697</b>	<b>\$ 14,419,314</b>
<b>Liabilities and Stockholders' Equity</b>		
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 8,104,056	\$ 7,455,387
Interest-bearing	4,872,386	4,281,114
<b>Total deposits</b>	<b>12,976,442</b>	<b>11,736,501</b>
Customer repurchase agreements	642,388	439,406
Other borrowings	2,281	5,000
Deferred compensation	20,879	21,611
Junior subordinated debentures	-	25,774
Payable for securities purchased	50,340	60,113
Other liabilities	109,864	122,919
<b>Total liabilities</b>	<b>13,802,194</b>	<b>12,411,324</b>
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity</b>		
Common stock, authorized, 225,000,000 shares without par; issued and outstanding 135,526,025 at December 31, 2021 and 135,600,501 at December 31, 2020	1,209,903	1,211,780
Retained earnings	875,568	760,861
Accumulated other comprehensive (loss) income, net of tax	(3,968)	35,349
<b>Total stockholders' equity</b>	<b>2,081,503</b>	<b>2,007,990</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 15,883,697</b>	<b>\$ 14,419,314</b>

See accompanying notes to the consolidated financial statements.

**CVB FINANCIAL CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME**  
*(Dollars in thousands, except per share amounts)*

	Year Ended December 31,		
	2021	2020	2019
<b>Interest income:</b>			
Loans and leases, including fees	\$ 356,594	\$ 377,402	\$ 397,628
<b>Investment securities:</b>			
Investment securities available-for-sale	38,273	36,052	39,330
Investment securities held-to-maturity	22,175	14,223	17,388
<b>Total investment income</b>	<b>60,448</b>	<b>50,275</b>	<b>56,718</b>
Dividends from FHLB stock	1,019	978	1,235
Interest-earning deposits with other institutions	2,569	1,682	2,269
<b>Total interest income</b>	<b>420,630</b>	<b>430,337</b>	<b>457,850</b>
<b>Interest expense:</b>			
Deposits	5,346	12,602	17,120
Borrowings and customer repurchase agreements	548	1,131	3,959
Junior subordinated debentures	186	551	999
<b>Total interest expense</b>	<b>6,080</b>	<b>14,284</b>	<b>22,078</b>
Net interest income before (recapture of) provision for credit losses	414,550	416,053	435,772
(Recapture of) provision for credit losses	(25,500)	23,500	5,000
<b>Net interest income after (recapture of) provision for credit losses</b>	<b>440,050</b>	<b>392,553</b>	<b>430,772</b>
<b>Noninterest income:</b>			
Service charges on deposit accounts	17,152	16,561	20,010
Trust and investment services	11,571	9,978	9,525
Bankcard services	1,789	1,886	3,163
BOLI income	8,500	8,100	5,798
Gain on OREO, net	1,177	388	129
Gain on sale of building, net	189	1,680	4,776
Gain on eminent domain condemnation, net	—	—	5,685
Other	7,007	11,277	9,956
<b>Total noninterest income</b>	<b>47,385</b>	<b>49,870</b>	<b>59,042</b>
<b>Noninterest expense:</b>			
Salaries and employee benefits	117,871	119,759	119,475
Occupancy and equipment	19,756	20,622	20,457
Professional services	7,967	9,460	7,752
Computer software expense	11,584	11,302	10,658
Marketing and promotion	4,623	4,488	5,890
(Recapture of) provision for unfunded loan commitments	(1,000)	—	—
Amortization of intangible assets	8,240	9,352	10,798
Acquisition related expenses	962	—	6,447
Other	19,784	17,920	17,263
<b>Total noninterest expense</b>	<b>189,787</b>	<b>192,903</b>	<b>198,740</b>
Earnings before income taxes	297,648	249,520	291,074
Income taxes	85,127	72,361	83,247
<b>Net earnings</b>	<b>\$ 212,521</b>	<b>\$ 177,159</b>	<b>\$ 207,827</b>
<b>Other comprehensive (loss) income:</b>			
Unrealized (loss) gain on securities arising during the period, before tax	\$ (55,819)	\$ 32,277	\$ 43,872
Less: Reclassification adjustment for net gain on securities included in net income	—	—	(5)
Other comprehensive (loss) income, before tax	(55,819)	32,277	43,867
Less: Income tax benefit (expense) related to items of other comprehensive income	16,502	(9,542)	(12,969)
Other comprehensive (loss) income, net of tax	(39,317)	22,735	30,898
Comprehensive income	\$ 173,204	\$ 199,894	\$ 238,725
Basic earnings per common share	\$ 1.57	\$ 1.30	\$ 1.48
Diluted earnings per common share	\$ 1.56	\$ 1.30	\$ 1.48

See accompanying notes to the consolidated financial statements.

**CVB FINANCIAL CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
*(Dollars and shares in thousands)*

	Common Shares Outstanding	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance, January 1, 2019</b>	140,000	\$ 1,293,669	\$ 575,805	\$ (18,284)	\$ 1,851,190
Repurchase of common stock	(125)	(2,640)	—	—	(2,640)
Exercise of stock options	160	2,215	—	—	2,215
Shares issued pursuant to stock-based compensation plan	67	5,548	—	—	5,548
Cash dividends declared on common stock (\$0.72 per share)	—	—	(100,940)	—	(100,940)
Net earnings	—	—	207,827	—	207,827
Other comprehensive income	—	—	—	30,898	30,898
<b>Balance, December 31, 2019</b>	<u>140,102</u>	<u>\$ 1,298,792</u>	<u>\$ 682,692</u>	<u>\$ 12,614</u>	<u>\$ 1,994,098</u>
Cumulative adjustment upon adoption of ASU 2016-13	—	—	(1,325)	—	(1,325)
Repurchase of common stock	(5,008)	(92,772)	—	—	(92,772)
Exercise of stock options	20	231	—	—	231
Shares issued pursuant to stock-based compensation plan	487	5,529	—	—	5,529
Cash dividends declared on common stock (\$0.72 per share)	—	—	(97,665)	—	(97,665)
Net earnings	—	—	177,159	—	177,159
Other comprehensive income	—	—	—	22,735	22,735
<b>Balance, December 31, 2020</b>	<u>135,601</u>	<u>\$ 1,211,780</u>	<u>\$ 760,861</u>	<u>\$ 35,349</u>	<u>\$ 2,007,990</u>
Repurchase of common stock	(435)	(8,337)	—	—	(8,337)
Exercise of stock options	68	1,277	—	—	1,277
Shares issued pursuant to stock-based compensation plan	292	5,183	—	—	5,183
Cash dividends declared on common stock (\$0.72 per share)	—	—	(97,814)	—	(97,814)
Net earnings	—	—	212,521	—	212,521
Other comprehensive loss	—	—	—	(39,317)	(39,317)
<b>Balance, December 31, 2021</b>	<u>135,526</u>	<u>\$ 1,209,903</u>	<u>\$ 875,568</u>	<u>\$ (3,968)</u>	<u>\$ 2,081,503</u>

See accompanying notes to the consolidated financial statements.

**CVB FINANCIAL CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(Dollars in thousands)*

	Year Ended December 31,		
	2021	2020	2019
<b>Cash Flows from Operating Activities</b>			
Interest and dividends received	\$ 410,155	\$ 400,867	\$ 438,795
Service charges and other fees received	37,782	39,525	42,489
Interest paid	(6,010)	(13,627)	(21,193)
Net cash paid to vendors, employees and others	(176,807)	(168,036)	(182,568)
Income taxes	(69,878)	(73,633)	(69,341)
Net cash provided by operating activities	<u>195,242</u>	<u>185,096</u>	<u>208,182</u>
<b>Cash Flows from Investing Activities</b>			
Net change in interest-earning balances from depository institutions	17,564	(40,632)	4,739
Proceeds from sale of investment securities held-for-sale	—	—	152,644
Proceeds from repayment of investment securities available-for-sale	775,538	642,578	364,126
Proceeds from maturity of investment securities available-for-sale	330	9,807	7,109
Purchases of investment securities available-for-sale	(1,648,575)	(1,231,163)	(492,995)
Proceeds from repayment and maturity of investment securities held-to-maturity	152,575	146,309	114,569
Purchases of investment securities held-to-maturity	(1,510,112)	(52,855)	(47,587)
Net increase in equity investments	(4,010)	(3,608)	(16,488)
Net decrease (increase) in loan and lease finance receivables	497,293	(743,290)	231,105
Proceeds on eminent domain condemnation, net	—	—	5,685
Proceeds from sale of building, net of selling costs	1,157	2,131	5,755
Purchase of premises and equipment	(4,677)	(4,672)	(5,522)
Purchase of BOLI	(25,000)	—	—
Proceeds from BOLI death benefit	12,414	5,477	1,660
Proceeds from sales of other real estate owned	5,012	1,162	523
Net cash (used in) provided by investing activities	<u>(1,730,491)</u>	<u>(1,268,758)</u>	<u>325,323</u>
<b>Cash Flows from Financing Activities</b>			
Net increase (decrease) in other deposits	1,313,953	3,076,187	(36,926)
Net decrease in time deposits	(74,012)	(44,614)	(85,636)
Net (decrease) increase in other borrowings	(2,719)	5,000	(280,000)
Net increase (decrease) in customer repurchase agreements	202,982	10,747	(13,596)
Repayment of junior subordinated debentures	(25,774)	—	—
Cash dividends on common stock	(97,733)	(98,475)	(95,352)
Repurchase of common stock	(8,337)	(92,772)	(2,640)
Proceeds from exercise of stock options	1,277	231	2,215
Net cash provided by (used in) financing activities	<u>1,309,637</u>	<u>2,856,304</u>	<u>(511,935)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<u>(225,612)</u>	<u>1,772,642</u>	<u>21,570</u>
<b>Cash and cash equivalents, beginning of period</b>	<u>1,958,160</u>	<u>185,518</u>	<u>163,948</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 1,732,548</u>	<u>\$ 1,958,160</u>	<u>\$ 185,518</u>

See accompanying notes to the consolidated financial statements.

**CVB FINANCIAL CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
*(Dollars in thousands)*

	Year Ended December 31,		
	2021	2020	2019
<b>Reconciliation of Net Earnings to Net Cash Provided by Operating Activities</b>			
Net earnings	\$ 212,521	\$ 177,159	\$ 207,827
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Gain on sale of investment securities, net	—	—	(5)
Gain on eminent domain condemnation, net	—	—	(5,685)
Gain on sale of building, net	(189)	(1,680)	(4,776)
Gain on sale of other real estate owned	(1,177)	(365)	(105)
Increase in BOLI	(8,500)	(5,303)	(5,670)
Net amortization of premiums and discounts on investment securities	32,232	15,045	10,298
Accretion of discount for acquired loans, net	(12,270)	(17,412)	(28,831)
(Recapture of) provision for credit losses	(25,500)	23,500	5,000
(Recapture of) provision for unfunded loan commitments	(1,000)	—	—
Valuation allowance on other real estate owned	—	700	—
Stock-based compensation	5,183	5,529	5,548
Depreciation and amortization, net	(6,426)	(1,157)	22,036
Change in other assets and liabilities	368	(10,920)	2,545
Total adjustments	<u>(17,279)</u>	<u>7,937</u>	<u>355</u>
Net cash provided by operating activities	<u>\$ 195,242</u>	<u>\$ 185,096</u>	<u>\$ 208,182</u>
<b>Supplemental Disclosure of Non-cash Investing Activities</b>			
Securities purchased and not settled	\$ 50,340	\$ 60,113	\$ —
Transfer of loans to other real estate owned	\$ 443	\$ —	\$ 4,889

See accompanying notes to the consolidated financial statements.

**CVB FINANCIAL CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE YEARS ENDED DECEMBER 31, 2020**

**1. BUSINESS**

The consolidated financial statements include CVB Financial Corp. (referred to herein on an unconsolidated basis as “CVB” and on a consolidated basis as “we” “our” or the “Company”) and its wholly owned subsidiary: Citizens Business Bank (the “Bank” or “CBB”), after elimination of all intercompany transactions and balances. The Company has one inactive subsidiary, Chino Valley Bancorp.

The Company’s primary operations are related to traditional banking activities. This includes the acceptance of deposits and the lending and investing of money through the operations of the Bank. The Bank also provides trust and investment-related services to customers through its CitizensTrust Division. The Bank’s customers consist primarily of small to mid-sized businesses and individuals located in the Inland Empire, Los Angeles County, Orange County, San Diego County, Ventura County, Santa Barbara County, and the Central Valley area of California. As of December 31, 2021, the Bank operated 58 banking centers, and three trust office locations. The Company is headquartered in the city of Ontario, California.

**2. BASIS OF PRESENTATION**

The accompanying consolidated financial statements and notes thereto have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”) for Form 10-K and conform to practices within the banking industry and include all of the information and disclosures required by accounting principles generally accepted in the United States of America (“GAAP”) for financial reporting.

**Reclassification** — Certain amounts in the prior periods’ financial statements and related footnote disclosures have been reclassified to conform to the current presentation with no impact on previously reported net income or stockholders’ equity.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Use of Estimates in the Preparation of Financial Statements** — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the allowance for credit losses. Other significant estimates which may be subject to change include fair value determinations and disclosures, impairment of investments, goodwill, and loans, as well as valuation of deferred tax assets.

**Adoption of New Accounting Standard** — On January 1, 2020, the Company adopted 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. This ASU replaces the current “incurred loss” approach with an “expected loss” model. The new model, referred to as the Current Expected Credit Loss (“CECL”) model, applies 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, held-to-maturity (“HTM”) securities, loan commitments, and financial guarantees. For loans and HTM debt securities, this ASU requires a CECL measurement to estimate the allowance for credit losses (“ACL”) for the remaining contractual term, adjusted for prepayments, of the financial asset (including off-balance sheet credit exposures) using historical experience, current conditions, and reasonable and supportable forecasts. This ASU also eliminated the existing guidance for purchased credit-impaired (“PCI”) loans, but requires an allowance for purchased financial assets with more than an insignificant deterioration of credit since origination. Purchase Credit Deteriorated (“PCD”) assets are recorded at their purchase price plus an ACL estimated at the time of acquisition. Under this ASU, there is no provision for credit losses recognized at acquisition; instead, there is a gross-up of the purchase price of the financial asset for the estimate of expected credit losses and a corresponding ACL recorded. Changes in estimates of expected credit losses after acquisition are recognized as provision for credit losses (or reversal of provision for credit losses) in subsequent periods. In addition, this ASU modifies the OTTI model for available-for-sale (“AFS”) debt securities to require an allowance for credit impairment instead of a direct write-down, which allows for reversal of credit impairments in future periods based on improvements in



credit. As a policy election, we excluded the accrued interest receivable balance from the amortized cost basis of financing receivables and HTM securities, as well as AFS securities, and disclose total accrued interest receivable separately on the condensed consolidated balance sheet.

The Company adopted this ASU using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for reporting periods beginning after January 1, 2020 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a net decrease to beginning retained earnings of \$1.3 million, net of tax as of January 1, 2020 for the cumulative adjustment upon adoption of ASC 326. The transition adjustment of \$1.8 million was added to the beginning balance of the ACL for loans and \$41,000 was added to the beginning balance of reserve for unfunded loan commitments. Upon adoption of CECL there was no impact on the accounting for AFS or HTM investment securities.

**Business Segments** — We regularly assess our strategic plans, operations and reporting structures to identify our reportable segments. Changes to our reportable segments are expected to be infrequent.

As of December 31, 2021, we operated as one reportable segment. The factors considered in making this determination included the nature of products and offered services, geographic regions in which we operate, the applicable regulatory environment, and the materiality of discrete financial information reviewed by our key decision makers. Through our network of banking centers, we provide relationship-based banking products, services and solutions for small to mid-sized companies, real estate investors, non-profit organizations, professionals and other individuals. Our products include loans for commercial businesses, commercial real estate, multi-family, construction, land, dairy & livestock and agribusiness, consumer and government-guaranteed small business loans. We also provide business deposit products and treasury cash management services, as well as deposit products to the owners and employees of the businesses we serve.

**Cash and cash equivalents** — Cash on hand, cash items in the process of collection, and amounts due from correspondent banks, the Federal Reserve Bank and interest-bearing balances due from depository institutions with initial terms of ninety days or less, are included in Cash and cash equivalents.

**Investment Securities** — The Company classifies as HTM those debt securities that the Company has 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 AFS. 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 gains and losses being included in current earnings. Available-for-sale securities 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. Realized gains and losses on sales of securities are recognized in earnings at the time of sale and are determined on a specific-identification basis. Purchase premiums and discounts are recognized in interest income using the effective-yield method over the estimated terms of the securities. 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 Company's investment in the Federal Home Loan Bank of San Francisco ("FHLB") stock is carried at cost.

Effective January 1, 2020, upon the adoption of ASU No. 2016-13, "Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", AFS debt securities are measured at fair value and are subject to impairment testing. A security is impaired if the fair value of the security is less than its amortized cost basis. When an available-for-sale debt security is considered impaired, the Company must determine if the decline in fair value has resulted from a credit-related loss or other factors and then, (1) recognize allowance for credit losses by a charge to earnings for the credit-related component (if any) of the decline in fair value, and (2) recognize in other comprehensive income (loss) non-credit related components of the fair value decline (if any). If the amount of the amortized cost basis expected to be recovered increases in a future period, the valuation allowance would be reduced, but not more than the amount of the current existing allowance for that security.

Prior to January 1, 2020, AFS debt securities were measured at fair value and declines in the fair value were reviewed to determine whether the impairment was other-than-temporary ("OTTI"). If the decline in fair value was considered temporary, the decline in fair value below the amortized cost basis of a security was recognized in other comprehensive income (loss). If the entire amortized cost basis of the security was not expected to be recovered, then an other-than-temporary impairment was considered to have occurred. The cost basis of the security was written down to its estimated fair value and the amount of the write-down was recognized through a charge to earnings. If the amount of the amortized cost basis expected to be recovered increased in a future period, the cost basis of the security would not be increased but rather recognized prospectively through interest income.

**Loans and Lease Finance Receivables** — Loans and lease finance receivables that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of nonaccrual interest paid (“NAIP”), deferred loan origination fees and costs, and purchase price discounts and premiums (amortized cost basis). Refer to Note 5 — *Loans and Lease Finance Receivables and Allowance for Credit Losses* for total loans, by type.

In the ordinary course of business, the Company enters into commitments to extend credit to its customers. To the extent that such commitments are unfunded, the related unfunded amounts are not reflected in the accompanying consolidated financial statements.

The Company receives collateral to support loans, lease finance receivables, and commitments to extend credit for which collateral is deemed necessary. The most significant categories for which collateral is deemed necessary are real estate, principally commercial and industrial income-producing properties, Small Business Administration (“SBA”) loans, real estate mortgages, assets utilized in dairy & livestock and agribusiness, and various personal property assets utilized in commercial and industrial business governed by the Uniform Commercial Code.

Nonrefundable fees and direct costs associated with the origination or purchase of loans are deferred and netted against outstanding loan balances. The deferred net loan fees and costs and purchase price discounts are recognized in interest income over the loan term using the effective-yield method.

**Nonaccrual, Past Due, Charge-Offs and Recoveries** — Interest on loans and lease finance receivables, is credited to income based on the principal amounts of such loans or receivables outstanding. Loans are considered delinquent when principal or interest payments are past due 30 days or more and generally remain on accrual status between 30 and 89 days past due. Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. In general, interest shall not accrue on any loan for which payment in full of principal and interest is not expected, or when the loan becomes 90 days past due, unless the loan is both well secured and in the process of collection. Factors considered in determining that the full collection of principal and interest is no longer probable include cash flow and liquidity of the borrower or property, the financial position of the guarantors and their willingness to support the loan as well as other factors, and this determination involves significant judgment. When an asset is placed on nonaccrual status, previously accrued but unpaid interest is reversed against income. Subsequent collections of cash are applied as reductions to the principal balance unless the loan is returned to accrual status. Interest is not recognized using a cash-basis method. Nonaccrual loans may be restored to accrual status when principal and interest become current and when the borrower is able to demonstrate payment performance for a sustained period, typically for six months. A nonaccrual loan may return to accrual status sooner based on other significant events or mitigating circumstances. Interest income is not recognized on loans and lease finance receivables when collection of interest is deemed by management to be doubtful. Charge-offs are recognized in the period an obligation becomes uncollectible. The charge-off of a credit does not necessarily mean that the loan has no potential recovery or salvage value, but rather that it is not practical or desirable to defer writing off the loan even though partial recovery may be affected in the future. When determining the amount of the charge-off, management considers all components of the loan’s amortized cost basis, excluding accrued interest receivable (as disclosed herein); however, the non-principal portion of charge-offs have been determined to be immaterial. This policy is consistently applied to all types of loans and lease finance receivables.

Charge-offs of unsecured consumer loans are recorded when the loan reaches 120 days past due or sooner as circumstances indicate.

**Purchased Loans** — All purchased loans are initially measured and recorded at their fair value on the acquisition date. A component of the initial fair value measurement is an estimate of the credit losses over the life of the purchased loans. Purchased loans are also evaluated to determine if there is a more than insignificant deterioration of credit since origination. With the adoption of ASU 2016-13 on January 1, 2020, PCD assets are recorded at their purchase price plus an ACL estimated at the time of acquisition as described below.

#### *Purchased Loans with Credit Deterioration*

Effective January 1, 2020, ASU 2016-13 eliminated the existing guidance for PCI loans, but requires an allowance for purchased financial assets with more than an insignificant deterioration of credit since origination. The acquisition-date allowance for credit losses (“ACL”) for PCD loans will be allocated to the individual PCD loans (assuming it was originally determined on a collective basis). The sum of the purchase price of the loan (the acquisition date fair value for a loan acquired in a business combination) and the ACL becomes the loan’s new amortized cost basis. The difference between the new amortized cost basis and the unpaid principal balance of the loan represents the non-credit purchase premium or discount that will be amortized or accreted into interest income over the remaining life of the loan.

Subsequent to acquisition, the ACL for PCD loans will generally follow the same estimation, provision and charge-off process as non-PCD acquired and originated loans. Additionally, TDR identification for acquired loans (PCD and non-PCD) will be consistent with the TDR identification for originated loans.

Prior to January 1, 2020, purchased credit impaired loans were accounted for in accordance with ASC Subtopic 310-30, “Loans and Debt Securities Acquired with Deteriorated Credit Quality.” At the time of acquisition, these loans were recorded at estimated fair value based upon estimated future cash flows with no related allowance for credit losses.

**Acquired non-impaired loans (prior to adoption of CECL)** — Acquired non-impaired loans are those loans for which there was no evidence of credit deterioration at their acquisition date and it was probable that we would be able to collect all contractually required payments. Acquired non-impaired loans, together with originated loans, were referred to as Non-PCI loans. Purchase discounts or premiums on acquired non-impaired loans were recognized as an adjustment to interest income over the contractual life of such loans using the effective interest method or were taken into income when the related loans were paid off or sold.

**Troubled Debt Restructurings** — Loans are reported as a Troubled Debt Restructuring (“TDR”) if the borrower is deemed to be financially troubled, and the Company grants a concession to the debtor that it would not otherwise consider. Types of modifications that may be considered concessions, which in turn result in a TDR include, but are not limited to, (i) a reduction of the stated interest rate for the remaining original life of the debt, (ii) an extension of the maturity date or dates at a stated interest rate lower than the current market rate for new debt with similar risk, (iii) a reduction of the face amount or maturity amount of the debt as stated in the instrument or other agreement, or (iv) a reduction of interest. As a result of these concessions, restructured loans are considered impaired.

In situations where the Company has determined that the borrower is experiencing financial difficulties and is evaluating whether a concession is insignificant, and therefore does not result in a TDR, such analysis is based on an evaluation of both the amount and the timing of the restructured payments, including the following factors:

1. Whether the amount of the restructured payments subject to delay is insignificant relative to the unpaid principal balance or collateral value of the debt and will result in an insignificant shortfall in the contractual amount due; and
2. The delay is insignificant relative to any of the following:
  - The frequency of payments due;
  - The debt’s original contractual maturity; or
  - The debt’s original expected duration.

Nonaccrual restructured loans are included and treated with all other nonaccrual loans. In addition, all accruing restructured loans are reported as TDRs, which are considered and accounted for as impaired loans. A loan that has been placed on nonaccrual status that is subsequently restructured will remain on nonaccrual status until the borrower is able to demonstrate repayment performance in compliance with the restructured terms for a sustained period of time, generally for a minimum of six months. A restructured loan may return to accrual status sooner based on other significant events or circumstances.

**Impaired Loans (prior to adoption of CECL)** — Following the adoption of CECL as of January 1, 2020, the definitions of impairment and related impaired loan disclosures were removed. Prior to January 1, 2020, a loan was generally considered impaired when based on current events and information it was probable that the Company would be unable to collect all amounts due according to the contractual terms of the loan agreement. A loan, including a restructured loan, for which there is an insignificant delay relative to the frequency of payments due, and/or the original contractual maturity, was not considered an impaired loan. Generally, impaired loans include loans on nonaccrual status and TDRs.

The Company’s policy was to record a specific valuation allowance, which was included in the allowance for loan losses, or to charge off that portion of an impaired loan that represented the impairment or shortfall amount as determined utilizing one of the three methods described in ASC 310-10-35-22. Impairment on non-collateral dependent restructured loans was measured by comparing the present value of expected future cash flows on the restructured loans discounted at the interest rate of the original loan agreement to the loan’s carrying value. The impairment amount, if any, was generally charged off and recorded against the allowance for loan losses at the time impairment was measurable and a probable loss was determined. The Company measured impairment based on the present value of expected future cash flows discounted at the loan’s effective interest rate, except that as a practical expedient, the Company may also have measured impairment based on an observable market price for the loan, or the value of the collateral, for collateral dependent loans. Impairment on collateral dependent restructured loans was measured by determining the amount by which our recorded investment in the

impaired loan exceeded the fair value of the collateral less estimated selling costs. The fair value was generally determined by one or more appraisals of the collateral, performed by a Company-approved third-party independent appraiser. The majority of impaired loans that were collateral dependent were charged off down to their estimated fair value of the collateral (less selling costs) at each reporting date based on current appraised value.

Charge-offs of unsecured consumer loans are recorded when the loan reaches 120 days past due or sooner as circumstances indicate. Except for the charge-offs of unsecured consumer loans, the charge-off policy is applied consistently across all portfolio segments. Impaired single-family mortgage loans that have been modified in accordance with the various government modification programs are also measured based on the present value of the expected cash flows discounted at the loan's pre-modification interest rate. The Company recognizes the change in present value attributable to the passage of time as interest income on such performing SFR mortgage loans and the amount of interest income recognized to date has been insignificant.

**Provision and Allowance for Credit Losses** — On January 1, 2020, the Company adopted 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. This ASU replaces the current "incurred loss" approach with an "expected loss" model. The new model, referred to as the CECL model, applies 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, HTM securities, loan commitments, and financial guarantees. AFS debt securities are measured at fair value and are subject to impairment testing. This ASU modifies the OTTI model for AFS debt securities to require an allowance for credit impairment instead of a direct write-down, which allows for reversal of credit impairments in future periods based on improvements in credit. When an AFS debt security is considered impaired, and the Company determines that the decline in fair value has resulted from a credit-related loss (as described previously under **Investment Securities**), then an allowance for credit losses will be recognized by a charge to earnings for the credit-related component of the decline in fair value. As a result, we will recognize improvements to estimated credit losses immediately in earnings rather than as interest income over time, as required prior to the adoption of CECL. As a policy election, we exclude the accrued interest receivable balance from the amortized cost basis of financing receivables and HTM securities, as well as AFS securities, and disclose total accrued interest receivable separately on the condensed consolidated balance sheet. If accrued interest is not received, it is reversed against interest income, which was zero for 2021 and 2020.

The Company developed allowance models that calculate reserves over the average life of the loan, which includes the remaining time to maturity, adjusted for estimated prepayments applied as an adjustment to our commercial real estate and commercial and industrial loans. The allowance is based upon lifetime loss rate models developed from an estimation framework that uses historical lifetime loss experiences to derive loss rates at a collective pool level, for those loans that share similar risk characteristics. We have three collective loan pools: Commercial Real Estate, Commercial and Industrial, and Consumer. A substantial portion of the ACL relates to loans within the Commercial Real Estate and Commercial and Industrial methodologies, each evaluated on a collective basis. The Commercial Real Estate methodology is applied over commercial real estate loans, a portion of construction loans, and a portion of SBA loans (excluding Payment Protection Program loans). The Commercial and Industrial methodology is applied over a substantial portion of the Company's commercial and industrial loans, all dairy & livestock and agribusiness loans, municipal lease receivables, as well as the remaining portion of SBA loans (excluding Payment Protection Program loans). The collective ACL methodologies include an estimation framework that uses loss experiences of data sets of unique loans aggregated by each pool, respectively, to derive loss rates at the pool level during the average life of the underlying loans. Our ACL amounts are largely driven by portfolio characteristics, including loss history, Original Loan to Value Ratios ("OLTV"), internal risk grading, macroeconomic variables and the associated economic outlook, as well as other key methodology assumptions. The Company's ACL estimate incorporates a reasonable and supportable forecast of various macroeconomic variables over the remaining average life of our loans. This forecast incorporates an assumption that each macroeconomic variable will revert to a long-term expectation, starting in years 2-3, of the reasonable and supportable forecast period, with the reversion largely completed within the first five years of the forecast. The economic forecast is based on probability weighted scenarios to address macroeconomic uncertainty. In addition to determining the quantitative life of loan loss rate to be applied against the amortized cost basis of the portfolio segments, management reviews current conditions and forecasts to determine whether adjustments are needed to ensure that the life of loan loss rates reflect both the current state of the portfolio, and expectations for macroeconomic changes.

We monitor credit quality by evaluating various risk attributes and utilize such information in our evaluation of the appropriateness of the allowance for credit losses. An important element of our approach to credit risk management is our loan risk rating system (Pass, Special Mention, Substandard, Doubtful and Loss). Loan risk ratings are updated as facts related to the loan or borrower become available. In addition, all term loans in excess of \$1.0 million are subject to an annual

internal credit review process where all factors underlying the loan, borrower and guarantors are subject to review which may result in changes to the loan's risk rating.

Our methodology for assessing the appropriateness of the allowance is conducted on a regular basis and considers the Bank's overall loan portfolio. Refer to Note 5 — *Loans and Lease Finance Receivables and Allowance for Credit Losses, Credit Quality Indicators*

**Provision and Allowance for Loan Losses ("ALLL")** — Prior to adoption of CECL, the allowance for loan losses was management's estimate of probable losses inherent in the loan and lease receivables portfolio. The allowance was increased by the provision for loan losses and recoveries of prior loan losses, and it was decreased by recapture of provision for loan losses and by charge-offs taken when management believed the uncollectability of any loan was confirmed. Subsequent recoveries, if any, were added to the allowance. The determination of the balance in the allowance for loan losses was based on an analysis of the loan and lease finance receivables portfolio using a systematic methodology and reflected an amount that, in management's judgment, was appropriate to provide for probable loan losses inherent in the portfolio, after giving consideration to the character of the loan portfolio, current economic conditions, past loan loss experience, and such other factors that would deserve current recognition in estimating inherent loan losses.

There were different qualitative risks for the loans in each portfolio segment. The construction and real estate segments' predominant risk characteristic was the collateral and the geographic location of the property collateralizing the loan as well as the operating cash flow for commercial real estate properties. The commercial and industrial segment's predominant risk characteristics were the cash flows of the businesses we lend to, the global cash flows and liquidity of the guarantors, as well as economic and market conditions. SBA 504 loans had risk characteristics that were similar to the real estate loan segment, while SBA 7(a) loans had risks that were similar to commercial and industrial loans. The dairy & livestock segment's predominant risk characteristics were milk and beef prices in the market as well as the cost of feed and cattle. The Agribusiness segment's predominant risk characteristics were the supply and demand conditions of the product, production seasonality, the scale of operations and ability to control costs, the availability and cost of water, and operator experience. The municipal lease segment's predominant risk characteristics were the municipality's general financial condition and tax revenues or if applicable the specific project related financial condition. The consumer, auto and other segment's predominant risk characteristics were employment and income levels as they relate to consumers and cash flows of the businesses as they relate to equipment and vehicle leases to businesses.

The Company's methodology is consistently applied across all portfolio segments taking into account the applicable historical loss rates and the qualitative factors applicable to each pool of loans. A key factor in the Company's methodology is the loan risk rating (Pass, Special Mention, Substandard, Doubtful and Loss). Loan risk ratings are updated as facts related to the loan or borrower become available. In addition, all term loans in excess of \$1.0 million are subject to an annual internal credit review process where all factors underlying the loan, borrower and guarantors are subject to review which may result in changes to the loan's risk rating.

Our methodology for assessing the appropriateness of the allowance is conducted on a regular basis and considers the Bank's overall loan portfolio. Periodically, we assess various attributes utilized in adjusting our historical loss factors to reflect current economic conditions. The methodology is consistently applied across all the portfolio segments taking into account the applicable historical loss rates and the qualitative factors applicable to each pool of loans.

Prior to January 1, 2020, performing loans acquired through business combinations were evaluated separately by each acquired portfolio using the ALLL methodology. The results of the ALLL methodology were compared to the remaining fair value discounts by portfolio. If the remaining fair value discounts were determined to be insufficient, the allowance was increased to reflect the additional risk in the portfolio.

**Reserve for Unfunded Loan Commitments** — The reserve for off-balance sheet credit exposure relates to commitments to extend credit, letters of credit and undisbursed funds on lines of credit. The Company evaluates credit risk associated with the off-balance sheet loan commitments in the same manner as it evaluates credit risk associated with the loan and lease portfolio. Effective January 1, 2020, the reserve was calculated on the expected portion of the commitment to be funded over its life and the life of the commitment loss expectation, utilizing the same three collective pool methodologies described for the Allowance for Credit Losses. We include the reserve for unfunded loan commitments in other liabilities and the related provision in other noninterest expense.

Prior to adoption of CECL, we used the historical loan loss factors described under our allowance for loan losses to calculate the loan loss experience if unfunded loan commitments were funded. Separately, we used historical trends to calculate a probability of an unfunded loan commitment being funded. We applied the loan funding probability factor to risk-factor adjusted unfunded loan commitments by credit risk-rating to derive the reserve for unfunded loan commitments,

similar to funded loans. The reserve for unfunded loan commitments also included certain qualitative allocations as deemed appropriate by management.

**Other Real Estate Owned** — Other real estate owned (“OREO”) represents real estate acquired through foreclosure in lieu of repayment of commercial and real estate loans and is stated at fair value, less estimated costs to sell (fair value at time of foreclosure). Loan balances in excess of fair value of the real estate acquired at the date of acquisition are charged against the allowance for credit losses. Any subsequent operating expenses or income, reduction in estimated values, and gains or losses on disposition of such properties are charged to current operations. Gain recognition upon disposition of a property is dependent on the sale having met certain criteria relating to the buyer’s initial investment in the property sold.

**Premises and Equipment** — Premises and equipment are stated at cost, less accumulated depreciation, which is provided for in amounts sufficient to relate the cost of depreciable assets to operations over the estimated service lives of the respective asset and are computed on a straight-line basis. The ranges of useful lives of the principal classes of assets are as follows:

Bank premises	15 - 39 years
Leasehold improvements	Shorter of estimated economic lives of 15 years or term of the lease.
Computer equipment	3 - 7 years
Furniture, fixtures and equipment	5 - 10 years

Long-lived assets are reviewed periodically for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The existence of impairment is based on undiscounted cash flows. To the extent impairment exists, the impairment is calculated as the difference in fair value of assets and their carrying value. The impairment loss, if any, would be recorded in noninterest expense.

Long-lived assets classified as held-for-sale are measured at the lower of its carrying amount or fair value less cost to sell. Assets-held-for sale include long-lived assets transferred from our “held-and-used” portfolio in the period in which the following criteria are met:

- Management, having the authority to approve the action, commits to a plan to sell the asset;
- The asset is available for immediate sale, an active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated;
- The sale of the asset is probable, and transfer of the asset is expected to qualify for recognition as a completed sale, within one year;
- The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value;
- Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

**Goodwill and Intangible Assets** — Goodwill resulting from business combinations prior to January 1, 2009, represents the excess of the purchase price over the fair value of the net assets of the businesses acquired. Goodwill resulting from business combinations after January 1, 2009, is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any non-controlling interest in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but are tested for impairment at least annually, or more frequently, if events and circumstances exist that indicate that a goodwill impairment test should be performed.

Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. Goodwill is the only intangible asset with an indefinite life on our balance sheets. Based on the Company’s annual impairment test, there was no recorded impairment as of December 31, 2021.

Other intangible assets consist of core deposit intangible assets arising from business combinations and are amortized using an accelerated method over their estimated useful lives.

**Use of Fair Value** — We use fair value measurements to record fair value adjustments to certain financial instruments and to determine fair value disclosures. Investment securities available-for-sale and interest-rate swaps are financial instruments recorded at fair value on a recurring basis. Additionally, from time to time, we may be required to record at fair value other assets on a non-recurring basis, such as impaired loans and OREO. These non-recurring fair value adjustments typically involve application of lower-of-cost-or-market accounting or write-downs of individual assets. Further,

we include in Note 18 — *Fair Value Information* of the consolidated financial statements information about the extent to which fair value is used to measure assets and liabilities, the valuation methodologies used and its impact to earnings. Additionally, for financial instruments not recorded at fair value we disclose the estimate of their fair value.

**Bank Owned Life Insurance** — The Company invests in Bank Owned Life Insurance (“BOLI”). BOLI involves the purchasing of life insurance by the Company on a select group of employees. The Company is the owner and primary beneficiary of these policies. BOLI is recorded as an asset at the cash surrender value. Increases in the cash value of these policies, as well as insurance proceeds received, are recorded in other noninterest income and are not subject to income tax for as long as they are held for the life of the covered employee.

**Income Taxes** — Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Future realization of deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character (for example, ordinary income or capital gain) within the carryback or carryforward periods available under the tax law. Based on historical and future expected taxable earnings, the Company considers the future realization of these deferred tax assets more likely than not.

The tax effects from an uncertain tax position are recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities.

**Operating Leases** — The Company’s leasing portfolio consists of real estate leases, which are used primarily for the banking operations of the Company. All leases in the current portfolio have been classified as operating leases, although this may change in the future. Operating leases with a term of more than one year are included in operating lease right-of-use (“ROU”) assets and operating lease liabilities on the Company’s consolidated balance sheets. The Company made a policy election to apply the short-term lease exemption to any operating leases with an original term of less than 12 months, therefore no ROU asset or lease liability is recorded for these operating leases. ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. The Company determines if an arrangement is a lease at inception by assessing whether there is an identified asset and whether the contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration.

Operating lease ROU assets and lease liabilities are included in *other assets* and *other liabilities*, respectively, on the Company’s consolidated balance sheet. The Company uses its incremental borrowing rate, factoring in the lease term, to determine the lease liability, which is measured at the present value of future lease payments. The ROU asset, at adoption of this ASU, was recorded at the amount of the lease liability plus any prepaid rent and initial direct costs, less any lease incentives and accrued rent. The lease terms include periods covered by options to extend or terminate the lease depending on whether the Company is reasonably certain to exercise such options. Refer to Note 22 — *Leases* for more information.

**Earnings per Common Share** — The Company calculates earnings per common share (“EPS”) using the two-class method. The two-class method requires the Company to present EPS as if all of the earnings for the period are distributed to common shareholders and any participating securities. All outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends are considered participating securities. The Company grants restricted shares under the 2008 Equity Incentive Plan that qualify as participating securities. Restricted shares issued under this plan are entitled to dividends at the same rate as common stock. A reconciliation of the numerator and the denominator used in the computation of basic and diluted earnings per common share is included in Note 15 — *Earnings Per Share Reconciliation* of these consolidated financial statements.

**Stock-Based Compensation** — Consistent with the provisions of ASC 718, *Stock Compensation*, we recognize expense for the grant date fair value of stock options and restricted shares issued to employees, officers and non-employee directors over the requisite service periods (generally the vesting period). The service periods may be subject to performance conditions.

The fair value of each stock option grant is estimated as of the grant date using the Black-Scholes option-pricing model. Management assumptions used at the time of grant impact the fair value of the option calculated under the Black-Scholes option-pricing model, and ultimately, the expense that will be recognized over the life of the option.

The grant date fair value of restricted stock awards is measured at the fair value of the Company's common stock as if the restricted share was vested and issued on the date of grant.

Additional information is included in Note 16 — *Stock-Based Compensation Plans* of the consolidated financial statements included herein.

**Derivative Financial Instruments** — All derivative instruments, including certain derivative instruments embedded in other contracts, are recognized on the consolidated balance sheets at fair value. For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. Upon adoption of ASU 2017-12, all changes in fair value for cash flow hedges, are recorded in "Other Comprehensive Income," net of deferred taxes, including any ineffectiveness as long as the hedge remains highly effective. The Company currently does not designate any derivative financial instruments as qualifying hedging relationships, and therefore, does not utilize hedge accounting.

**Statement of Cash Flows** — Cash and cash equivalents, as reported in the statements of cash flows, include cash and due from banks, interest-bearing balances due from depository institutions and federal funds sold with original maturities of three months or less. Cash flows from loans and deposits are reported net.

**Other Contingencies** — In the ordinary course of business, the Company becomes involved in litigation. Based upon the Company's internal records and discussions with legal counsel, the Company records accruals as appropriate, for estimates of the probable outcome of all cases brought against the Company. Except as discussed in Note 13 — *Commitments and Contingencies* at December 31, 2021, the Company does not have any material litigation accruals and is not aware of any material pending legal action or complaints asserted against the Company.

#### 4. INVESTMENT SECURITIES

The amortized cost and estimated fair value of investment securities are summarized below. The majority of securities held are available-for-sale securities with fair value based on quoted prices for similar assets in active markets or quoted prices for identical assets in markets that are not active. Estimated fair values were obtained from an independent pricing service based upon market quotes.

	<b>December 31, 2021</b>				
	<u>Amortized Cost</u>	<u>Gross Unrealized Holding Gain</u>	<u>Gross Unrealized Holding Loss</u>	<u>Fair Value</u>	<u>Total Percent</u>
	<i>(Dollars in thousands)</i>				
<b>Investment securities available-for-sale:</b>					
Mortgage-backed securities	\$ 2,553,246	\$ 25,873	\$ (15,905)	\$ 2,563,214	80.50 %
CMO/REMIC	602,555	1,586	(13,983)	590,158	18.53 %
Municipal bonds	28,365	1,103	-	29,468	0.93 %
Other securities	1,083	-	-	1,083	0.04 %
Total available-for-sale securities	<u>\$ 3,185,249</u>	<u>\$ 28,562</u>	<u>\$ (29,888)</u>	<u>\$ 3,183,923</u>	<u>100.00 %</u>
<b>Investment securities held-to-maturity:</b>					
Government agency/GSE	\$ 576,899	\$ 5,907	\$ (7,312)	\$ 575,494	29.95 %
Mortgage-backed securities	647,390	4,109	(6,106)	645,393	33.61 %
CMO/REMIC	490,670	596	(5,030)	486,236	25.48 %
Municipal bonds	211,011	4,714	(1,155)	214,570	10.96 %
Total held-to-maturity securities	<u>\$ 1,925,970</u>	<u>\$ 15,326</u>	<u>\$ (19,603)</u>	<u>\$ 1,921,693</u>	<u>100.00 %</u>



**December 31, 2020**

	<b>Amortized Cost</b>	<b>Gross Unrealized Holding Gain</b>	<b>Gross Unrealized Holding Loss</b>	<b>Fair Value</b>	<b>Total Percent</b>
	<i>(Dollars in thousands)</i>				
<b>Investment securities available-for-sale:</b>					
Mortgage-backed securities	\$ 1,857,030	\$ 48,006	\$ (101)	\$ 1,904,935	79.41 %
CMO/REMIC	457,548	5,515	(249)	462,814	19.29 %
Municipal bonds	28,707	1,578	—	30,285	1.26 %
Other securities	889	—	—	889	0.04 %
Total available-for-sale securities	<u>\$ 2,344,174</u>	<u>\$ 55,099</u>	<u>\$ (350)</u>	<u>\$ 2,398,923</u>	<u>100.00 %</u>
<b>Investment securities held-to-maturity:</b>					
Government agency/GSE	\$ 98,663	\$ 5,877	\$ —	\$ 104,540	17.05 %
Mortgage-backed securities	146,382	7,644	(32)	153,994	25.30 %
CMO/REMIC	145,309	5,202	—	150,511	25.11 %
Municipal bonds	188,272	6,980	(74)	195,178	32.54 %
Total held-to-maturity securities	<u>\$ 578,626</u>	<u>\$ 25,703</u>	<u>\$ (106)</u>	<u>\$ 604,223</u>	<u>100.00 %</u>

The following table provides information about the amount of interest income earned on investment securities which is fully taxable and which is exempt from regular federal income tax.

	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<i>(Dollars in thousands)</i>		
<b>Investment securities available-for-sale:</b>			
Taxable	\$ 37,532	\$ 35,129	\$ 38,189
Tax-advantaged	741	923	1,141
Total interest income from available-for-sale securities	<u>38,273</u>	<u>36,052</u>	<u>39,330</u>
<b>Investment securities held-to-maturity:</b>			
Taxable	17,747	9,542	11,498
Tax-advantaged	4,428	4,681	5,890
Total interest income from held-to-maturity securities	<u>22,175</u>	<u>14,223</u>	<u>17,388</u>
Total interest income from investment securities	<u>\$ 60,448</u>	<u>\$ 50,275</u>	<u>\$ 56,718</u>

The adoption of CECL did not have a material impact on the accounting for investment securities, as approximately 95% of the total investment securities portfolio at December 31, 2021 represents securities issued by the U.S. government or U.S. government-sponsored enterprises, with the implied guarantee of payment of principal and interest. The remaining securities are predominately AA- or better general-obligation municipal bonds. The allowance for credit losses for held-to-maturity investment securities under the new CECL model was zero at December 31, 2021.

We adopted ASU 2016-13 on January 1, 2020, on a prospective basis. Under this ASU, once it is determined that a credit loss has occurred, an allowance for credit losses is established on our AFS and HTM securities. Prior to adoption of this standard, when a decline in fair value of a debt security was determined to be other than temporary, an impairment charge for the credit component was recorded, and a new cost basis in the investment was established. Management determined that there were no credit losses for securities in an unrealized loss position for 2021 and 2020.

The following table presents the Company's available-for-sale investment securities, by investment category, in an unrealized loss position for which an allowance for credit losses has not been recorded as of December 31, 2021.

	December 31, 2021					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
<i>(Dollars in thousands)</i>						
Investment securities available-for-sale:						
Mortgage-backed securities	\$ 1,465,647	\$ (15,099)	\$ 44,244	\$ (806)	\$ 1,509,891	\$ (15,905)
CMO/REMIC	450,393	(11,515)	53,745	(2,468)	504,138	(13,983)
Municipal bonds	-	-	-	-	-	-
Total available-for-sale securities	<u>\$ 1,916,040</u>	<u>\$ (26,614)</u>	<u>\$ 97,989</u>	<u>\$ (3,274)</u>	<u>\$ 2,014,029</u>	<u>\$ (29,888)</u>

The following table presents the Company's available-for-sale investment securities, by investment category, in an unrealized loss position for which an allowance for credit losses has not been recorded as of December 31, 2020.

	December 31, 2020					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
<i>(Dollars in thousands)</i>						
Investment securities available-for-sale:						
Mortgage-backed securities	\$ 72,219	\$ (101)	\$ —	\$ —	\$ 72,219	\$ (101)
CMO/REMIC	96,974	(249)	—	—	96,974	(249)
Municipal bonds	—	—	—	—	—	—
Total available-for-sale securities	<u>\$ 169,193</u>	<u>\$ (350)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 169,193</u>	<u>\$ (350)</u>

The following summarizes our analysis of these securities and the unrealized losses.

Government Agency & Government-Sponsored Enterprise (“GSE”) — The government agency bonds are backed by the full faith and credit of agencies of the U.S. Government. While the Government-Sponsored Enterprise bonds are not expressly guaranteed by the U.S. Government, they are currently being supported by the U.S. Government under a conservatorship arrangement. These securities are bullet securities, that is, they have a defined maturity date on which the principal is paid. The contractual term of these investments provides that the Company will receive the face value of the bond at maturity which will equal the amortized cost of the bond. Interest is received throughout the life of the security. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the bonds.

Mortgage-Backed Securities (“MBS”) and CMO/REMIC — Most of the Company's mortgage-backed and CMO/REMIC securities are issued by Government Agencies or Government-Sponsored Enterprises such as Ginnie Mae, Fannie Mae and Freddie Mac. These securities are collateralized or backed by the underlying residential or commercial mortgages. All mortgage-backed securities are considered to be rated investment grade with a weighted average life of approximately 4.7 years. Of the total MBS/CMO, 100% have the implied guarantee of U.S. Government-Sponsored Agencies and Enterprises. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the bonds. There were no credit-related impairments for the year ended December 31, 2021 and 2020.

Municipal Bonds — The majority of the Company's municipal bonds, with maturities of approximately 10.7 years, represented approximately 5% of the total investment portfolio and are predominately AA or higher rated securities. The Company diversifies its holdings by owning selections of securities from different issuers and by holding securities from geographically diversified municipal issuers, thus reducing the Company's exposure to any single adverse event. The decline in fair value is primarily due to the changes in interest rates. Since the Company does not intend to sell the investments and it

is not more likely than not that the Company will be required to sell the investments before recovery of their amortized costs, these investments were not considered impaired for the year ended December 31, 2021 and December 31, 2020.

At December 31, 2021 and 2020, investment securities having a carrying value of approximately \$2.18 billion and \$1.81 billion, respectively, were pledged to secure public deposits, short and long-term borrowings, and for other purposes as required or permitted by law.

The amortized cost and fair value of debt securities at December 31, 2021, by contractual maturity, are shown in the table below. Although mortgage-backed and CMO/REMIC securities have weighted average remaining contractual maturities of approximately 23 years, expected maturities will differ from contractual maturities because borrowers may have the right to prepay such obligations without penalty. Mortgage-backed and CMO/REMIC securities are included in maturity categories based upon estimated average lives which incorporate estimated prepayment speeds.

	<b>December 31, 2021</b>			
	<b>Available-for-sale</b>		<b>Held-to-maturity</b>	
	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Amortized Cost</b>	<b>Fair Value</b>
	<i>(Dollars in thousands)</i>			
Due in one year or less	\$ 18,887	\$ 19,073	\$ 5,586	\$ 5,701
Due after one year through five years	1,731,066	1,744,199	402,803	405,175
Due after five years through ten years	1,079,941	1,074,606	901,078	893,932
Due after ten years	355,355	346,045	616,503	616,885
<b>Total investment securities</b>	<b>\$ 3,185,249</b>	<b>\$ 3,183,923</b>	<b>\$ 1,925,970</b>	<b>\$ 1,921,693</b>

The investment in FHLB stock is periodically evaluated for impairment based on, among other things, the capital adequacy of the FHLB and its overall financial condition. No impairment losses have been recorded through December 31, 2021.

## 5. LOANS AND LEASE FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES

The following table provides a summary of total loans and lease finance receivables by type.

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
	<i>(Dollars in thousands)</i>	
Commercial real estate	\$ 5,789,730	\$ 5,501,509
Construction	62,264	85,145
SBA	288,600	303,896
SBA - Paycheck Protection Program (PPP)	186,585	882,986
Commercial and industrial	813,063	812,062
Dairy & livestock and agribusiness	386,219	361,146
Municipal lease finance receivables	45,933	45,547
SFR mortgage	240,654	270,511
Consumer and other loans	74,665	86,006
Total loans, at amortized cost	7,887,713	8,348,808
Less: Allowance for credit losses	(65,019)	(93,692)
Total loans and lease finance receivables, net	<b>\$ 7,822,694</b>	<b>\$ 8,255,116</b>

As of December 31, 2021, 77.24% of the Company's total gross loan portfolio consisted of real estate loans, with commercial real estate loans representing 73.40% of total loans. Substantially all of the Company's real estate loans and construction loans are secured by real properties located in California. As of December 31, 2021, \$364.4 million, or 6.29% of the total commercial real estate loans included loans secured by farmland, compared to \$314.4 million, or 5.72%, at December 31, 2020. The loans secured by farmland included \$134.9 million for loans secured by dairy & livestock land and \$229.5 million for loans secured by agricultural land at December 31, 2021, compared to \$132.9 million for loans secured by dairy & livestock land and \$181.5 million for loans secured by agricultural land at December 31, 2020. As of December 31, 2021, dairy & livestock and agribusiness loans of \$386.2 million were comprised of \$351.7 million for dairy & livestock loans and \$34.5 million for agribusiness loans, compared to \$361.1 million comprised of \$320.1 million for dairy & livestock loans and \$41.0 million for agribusiness loans at December 31, 2020.

At December 31, 2021 and 2020, loans totaling \$3.96 billion and \$6.07 billion, respectively, were pledged to secure the borrowings and available lines of credit from the FHLB and the Federal Reserve Bank.

There were no outstanding loans held-for-sale as of December 31, 2021 and 2020.

### ***Credit Quality Indicators***

We monitor credit quality by evaluating various risk attributes and utilize such information in our evaluation of the appropriateness of the allowance for credit losses. Internal credit risk ratings, within our loan risk rating system, are the credit quality indicators that we most closely monitor.

An important element of our approach to credit risk management is our loan risk rating system. The originating officer assigns each loan an initial risk rating, which is reviewed and confirmed or changed, as appropriate, by credit management. Approvals are made based upon the amount of inherent credit risk specific to the transaction and are reviewed for appropriateness by senior line and credit management personnel. Credits are monitored by line and credit management personnel for deterioration or improvement in a borrower's financial condition, which would impact the ability of the borrower to perform under the contract. Risk ratings are adjusted as necessary.

Loans are risk rated into the following categories: Pass, Special Mention, Substandard, Doubtful and Loss. Each of these groups is assessed for the proper amount to be used in determining the adequacy of our allowance for losses. These categories can be described as follows:

**Pass** — These loans, including loans on the Bank's internal watch list, range from minimal credit risk to lower than average, but still acceptable, credit risk. Watch list loans usually require more than normal management attention. Loans on the watch list may involve borrowers with adverse financial trends, higher debt/equity ratios, or weaker liquidity positions, but not to the degree of being considered a defined weakness or problem loan where risk of loss may be apparent.

**Special Mention** — Loans assigned to this category have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in the deterioration of the repayment prospects for the asset or the Company's credit position at some future date. Special mention assets are not adversely classified and do not expose the Company to sufficient risk to warrant adverse classification.

**Substandard** — Loans classified as substandard are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt. Substandard loans are characterized by the distinct possibility that the Company will sustain some loss if deficiencies are not corrected.

**Doubtful** — Loans classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or the liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.

**Loss** — Loans classified as loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this asset with insignificant value even though partial recovery may be affected in the future.

The following table summarizes loans by type and origination year, according to our internal risk ratings as of the dates presented.

December 31, 2021	Origination Year					Prior	Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2021	2020	2019	2018	2017				
<i>(Dollars in thousands)</i>									
<b>Commercial real estate loans:</b>									
Risk Rating:									
Pass	\$ 1,137,714	\$ 963,697	\$ 591,202	\$ 534,468	\$ 484,721	\$ 1,704,267	\$ 156,841	\$ 33,564	\$ 5,606,474
Special Mention	3,133	20,640	14,477	16,097	43,262	44,045	6,970	6,800	155,424
Substandard	-	-	2,859	6,933	4,646	7,329	5,951	114	27,832
Doubtful & Loss	-	-	-	-	-	-	-	-	-
<b>Total Commercial real estate loans:</b>	<b>\$ 1,140,847</b>	<b>\$ 984,337</b>	<b>\$ 608,538</b>	<b>\$ 557,498</b>	<b>\$ 532,629</b>	<b>\$ 1,755,641</b>	<b>\$ 169,762</b>	<b>\$ 40,478</b>	<b>\$ 5,789,730</b>
<b>Construction loans:</b>									
Risk Rating:									
Pass	\$ 10,511	\$ 15,896	\$ 7,236	\$ -	\$ -	\$ -	\$ 25,262	\$ -	\$ 58,905
Special Mention	-	-	-	3,359	-	-	-	-	3,359
Substandard	-	-	-	-	-	-	-	-	-
Doubtful & Loss	-	-	-	-	-	-	-	-	-
<b>Total Construction loans:</b>	<b>\$ 10,511</b>	<b>\$ 15,896</b>	<b>\$ 7,236</b>	<b>\$ 3,359</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,262</b>	<b>\$ -</b>	<b>\$ 62,264</b>
<b>SBA loans:</b>									
Risk Rating:									
Pass	\$ 70,929	\$ 36,468	\$ 11,129	\$ 36,068	\$ 38,504	\$ 78,527	\$ -	\$ -	\$ 271,625
Special Mention	-	-	-	-	4,056	2,700	-	-	6,756
Substandard	-	-	-	785	4,092	5,342	-	-	10,219
Doubtful & Loss	-	-	-	-	-	-	-	-	-
<b>Total SBA loans:</b>	<b>\$ 70,929</b>	<b>\$ 36,468</b>	<b>\$ 11,129</b>	<b>\$ 36,853</b>	<b>\$ 46,652</b>	<b>\$ 86,569</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 288,600</b>
<b>SBA - PPP loans:</b>									
Risk Rating:									
Pass	\$ 183,614	\$ 2,969	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 186,583
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	2	-	-	-	-	-	-	2
Doubtful & Loss	-	-	-	-	-	-	-	-	-
<b>Total SBA - PPP loans:</b>	<b>\$ 183,614</b>	<b>\$ 2,971</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 186,585</b>
<b>Commercial and industrial loans:</b>									
Risk Rating:									
Pass	\$ 145,494	\$ 81,944	\$ 126,647	\$ 54,690	\$ 32,455	\$ 73,600	\$ 267,659	\$ 6,992	\$ 789,481
Special Mention	1,556	1,929	127	1,396	394	26	9,369	177	14,974
Substandard	244	6	602	1,712	505	475	1,991	3,073	8,608
Doubtful & Loss	-	-	-	-	-	-	-	-	-
<b>Total Commercial and industrial loans:</b>	<b>\$ 147,294</b>	<b>\$ 83,879</b>	<b>\$ 127,376</b>	<b>\$ 57,798</b>	<b>\$ 33,354</b>	<b>\$ 74,101</b>	<b>\$ 279,019</b>	<b>\$ 10,242</b>	<b>\$ 813,063</b>

December 31, 2021	Origination Year						Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2021	2020	2019	2018	2017	Prior			
	(Dollars in thousands)								
<b>Dairy &amp; livestock and agribusiness loans:</b>									
Risk Rating:									
Pass	\$ 1,756	\$ 942	\$ 1,285	\$ 1,035	\$ 95	\$ 295	\$ 364,312	\$ 454	\$ 370,174
Special Mention	1,052	-	-	-	-	-	6,979	1,301	9,332
Substandard	-	-	-	37	-	-	-	6,676	6,713
Doubtful & Loss	-	-	-	-	-	-	-	-	-
<b>Total Dairy &amp; livestock and agribusiness loans:</b>	<b>\$ 2,808</b>	<b>\$ 942</b>	<b>\$ 1,285</b>	<b>\$ 1,072</b>	<b>\$ 95</b>	<b>\$ 295</b>	<b>\$ 371,291</b>	<b>\$ 8,431</b>	<b>\$ 386,219</b>
<b>Municipal lease finance receivables loans:</b>									
Risk Rating:									
Pass	\$ 9,310	\$ 7,666	\$ -	\$ 279	\$ 9,528	\$ 18,811	\$ -	\$ -	\$ 45,594
Special Mention	-	-	-	-	-	339	-	-	339
Substandard	-	-	-	-	-	-	-	-	-
Doubtful & Loss	-	-	-	-	-	-	-	-	-
<b>Total Municipal lease finance receivables loans:</b>	<b>\$ 9,310</b>	<b>\$ 7,666</b>	<b>\$ -</b>	<b>\$ 279</b>	<b>\$ 9,528</b>	<b>\$ 19,150</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 45,933</b>
<b>SFR mortgage loans:</b>									
Risk Rating:									
Pass	\$ 48,813	\$ 49,261	\$ 41,776	\$ 19,877	\$ 16,046	\$ 61,965	\$ 451	\$ -	\$ 238,189
Special Mention	8	-	-	-	-	-	-	-	8
Substandard	-	-	-	-	-	2,052	-	405	2,457
Doubtful & Loss	-	-	-	-	-	-	-	-	-
<b>Total SFR mortgage loans:</b>	<b>\$ 48,821</b>	<b>\$ 49,261</b>	<b>\$ 41,776</b>	<b>\$ 19,877</b>	<b>\$ 16,046</b>	<b>\$ 64,017</b>	<b>\$ 451</b>	<b>\$ 405</b>	<b>\$ 240,654</b>
<b>Consumer and other loans:</b>									
Risk Rating:									
Pass	\$ 5,145	\$ 1,947	\$ 1,415	\$ 469	\$ 386	\$ 1,611	\$ 58,060	\$ 3,378	\$ 72,411
Special Mention	839	-	-	-	-	150	591	403	1,983
Substandard	-	-	-	-	-	15	5	251	271
Doubtful & Loss	-	-	-	-	-	-	-	-	-
<b>Total Consumer and other loans:</b>	<b>\$ 5,984</b>	<b>\$ 1,947</b>	<b>\$ 1,415</b>	<b>\$ 469</b>	<b>\$ 386</b>	<b>\$ 1,776</b>	<b>\$ 58,656</b>	<b>\$ 4,032</b>	<b>\$ 74,665</b>
<b>Total Loans:</b>									
Risk Rating:									
Pass	\$ 1,613,286	\$ 1,160,790	\$ 780,690	\$ 646,886	\$ 581,735	\$ 1,939,076	\$ 872,585	\$ 44,388	\$ 7,639,436
Special Mention	6,588	22,569	14,604	20,852	47,712	47,260	23,909	8,681	192,175
Substandard	244	8	3,461	9,467	9,243	15,213	7,947	10,519	56,102
Doubtful & Loss	-	-	-	-	-	-	-	-	-
<b>Total Loans:</b>	<b>\$ 1,620,118</b>	<b>\$ 1,183,367</b>	<b>\$ 798,755</b>	<b>\$ 677,205</b>	<b>\$ 638,690</b>	<b>\$ 2,001,549</b>	<b>\$ 904,441</b>	<b>\$ 63,588</b>	<b>\$ 7,887,713</b>

December 31, 2020	Origination Year					Prior	Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2020	2019	2018	2017	2016				
<i>(Dollars in thousands)</i>									
<b>Commercial real estate loans:</b>									
Risk Rating:									
Pass	\$ 979,499	\$ 691,091	\$ 607,753	\$ 617,640	\$ 550,105	\$ 1,646,876	\$ 192,583	\$ 24,548	\$ 5,310,095
Special Mention	9,332	7,162	30,049	43,870	17,398	49,840	5,720	994	164,365
Substandard	-	491	2,157	7,382	2,528	13,790	360	341	27,049
Doubtful & Loss	-	-	-	-	-	-	-	-	-
<b>Total Commercial real estate loans:</b>	<b>\$ 988,831</b>	<b>\$ 698,744</b>	<b>\$ 639,959</b>	<b>\$ 668,892</b>	<b>\$ 570,031</b>	<b>\$ 1,710,506</b>	<b>\$ 198,663</b>	<b>\$ 25,883</b>	<b>\$ 5,501,509</b>
<b>Construction loans:</b>									
Risk Rating:									
Pass	\$ 14,511	\$ 9,350	\$ 14,945	\$ 2,258	\$ -	\$ 4	\$ 44,077	\$ -	\$ 85,145
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful & Loss	-	-	-	-	-	-	-	-	-
<b>Total Construction loans:</b>	<b>\$ 14,511</b>	<b>\$ 9,350</b>	<b>\$ 14,945</b>	<b>\$ 2,258</b>	<b>\$ -</b>	<b>\$ 4</b>	<b>\$ 44,077</b>	<b>\$ -</b>	<b>\$ 85,145</b>
<b>SBA loans:</b>									
Risk Rating:									
Pass	\$ 47,901	\$ 12,821	\$ 44,950	\$ 58,839	\$ 26,136	\$ 86,085	\$ -	\$ 2,976	\$ 279,708
Special Mention	-	-	-	5,446	1,336	5,648	-	-	12,430
Substandard	-	-	904	5,503	1,554	3,797	-	-	11,758
Doubtful & Loss	-	-	-	-	-	-	-	-	-
<b>Total SBA loans:</b>	<b>\$ 47,901</b>	<b>\$ 12,821</b>	<b>\$ 45,854</b>	<b>\$ 69,788</b>	<b>\$ 29,026</b>	<b>\$ 95,530</b>	<b>\$ -</b>	<b>\$ 2,976</b>	<b>\$ 303,896</b>
<b>SBA - PPP loans:</b>									
Risk Rating:									
Pass	\$ 882,986	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 882,986
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful & Loss	-	-	-	-	-	-	-	-	-
<b>Total SBA - PPP loans:</b>	<b>\$ 882,986</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 882,986</b>
<b>Commercial and industrial loans:</b>									
Risk Rating:									
Pass	\$ 104,478	\$ 168,050	\$ 62,453	\$ 56,043	\$ 32,149	\$ 76,019	\$ 257,250	\$ 6,058	\$ 762,500
Special Mention	1,995	1,081	1,892	1,028	95	4,882	17,395	1,132	29,500
Substandard	4,346	860	3,996	2,282	285	94	6,677	1,522	20,062
Doubtful & Loss	-	-	-	-	-	-	-	-	-
<b>Total Commercial and industrial loans:</b>	<b>\$ 110,819</b>	<b>\$ 169,991</b>	<b>\$ 68,341</b>	<b>\$ 59,353</b>	<b>\$ 32,529</b>	<b>\$ 80,995</b>	<b>\$ 281,322</b>	<b>\$ 8,712</b>	<b>\$ 812,062</b>

December 31, 2020	Origination Year					Prior	Revolving loans amortized cost basis	Revolving loans converted to term loans	Total
	2020	2019	2018	2017	2016				
<i>(Dollars in thousands)</i>									
<b>Dairy &amp; livestock and agribusiness loans:</b>									
Risk Rating:									
Pass	\$ 1,041	\$ 1,765	\$ 1,199	\$ 5,680	\$ 120	\$ 320	\$ 319,211	\$ 363	\$ 329,699
Special Mention	878	-	364	-	-	-	13,255	1,511	16,008
Substandard	-	-	784	693	2,285	-	-	11,677	15,439
Doubtful & Loss	-	-	-	-	-	-	-	-	-
<b>Total Dairy &amp; livestock and agribusiness loans:</b>	<b>\$ 1,919</b>	<b>\$ 1,765</b>	<b>\$ 2,347</b>	<b>\$ 6,373</b>	<b>\$ 2,405</b>	<b>\$ 320</b>	<b>\$ 332,466</b>	<b>\$ 13,551</b>	<b>\$ 361,146</b>
<b>Municipal lease finance receivables loans:</b>									
Risk Rating:									
Pass	\$ 8,478	\$ -	\$ 2,556	\$ 10,249	\$ 3,586	\$ 20,266	\$ -	\$ -	\$ 45,135
Special Mention	-	-	-	-	-	412	-	-	412
Substandard	-	-	-	-	-	-	-	-	-
Doubtful & Loss	-	-	-	-	-	-	-	-	-
<b>Total Municipal lease finance receivables loans:</b>	<b>\$ 8,478</b>	<b>\$ -</b>	<b>\$ 2,556</b>	<b>\$ 10,249</b>	<b>\$ 3,586</b>	<b>\$ 20,678</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 45,547</b>
<b>SFR mortgage loans:</b>									
Risk Rating:									
Pass	\$ 65,463	\$ 59,596	\$ 29,142	\$ 22,452	\$ 27,192	\$ 62,593	\$ 3	\$ -	\$ 266,441
Special Mention	-	-	-	-	-	452	-	-	452
Substandard	-	-	-	-	229	2,957	-	432	3,618
Doubtful & Loss	-	-	-	-	-	-	-	-	-
<b>Total SFR mortgage loans:</b>	<b>\$ 65,463</b>	<b>\$ 59,596</b>	<b>\$ 29,142</b>	<b>\$ 22,452</b>	<b>\$ 27,421</b>	<b>\$ 66,002</b>	<b>\$ 3</b>	<b>\$ 432</b>	<b>\$ 270,511</b>
<b>Consumer and other loans:</b>									
Risk Rating:									
Pass	\$ 8,557	\$ 2,077	\$ 871	\$ 969	\$ 1,586	\$ 961	\$ 67,774	\$ 1,688	\$ 84,483
Special Mention	-	-	-	-	-	91	517	22	630
Substandard	-	-	-	-	-	172	-	721	893
Doubtful & Loss	-	-	-	-	-	-	-	-	-
<b>Total Consumer and other loans:</b>	<b>\$ 8,557</b>	<b>\$ 2,077</b>	<b>\$ 871</b>	<b>\$ 969</b>	<b>\$ 1,586</b>	<b>\$ 1,224</b>	<b>\$ 68,291</b>	<b>\$ 2,431</b>	<b>\$ 86,006</b>
<b>Total Loans:</b>									
Risk Rating:									
Pass	\$ 2,112,914	\$ 944,750	\$ 763,869	\$ 774,130	\$ 640,874	\$ 1,893,124	\$ 880,898	\$ 35,633	\$ 8,046,192
Special Mention	12,205	8,243	32,305	50,344	18,829	61,325	36,887	3,659	223,797
Substandard	4,346	1,351	7,841	15,860	6,881	20,810	7,037	14,693	78,819
Doubtful & Loss	-	-	-	-	-	-	-	-	-
<b>Total Loans:</b>	<b>\$ 2,129,465</b>	<b>\$ 954,344</b>	<b>\$ 804,015</b>	<b>\$ 840,334</b>	<b>\$ 666,584</b>	<b>\$ 1,975,259</b>	<b>\$ 924,822</b>	<b>\$ 53,985</b>	<b>\$ 8,348,808</b>

### Allowance for Credit Losses

Our allowance for credit losses is based upon lifetime loss rate models developed from an estimation framework that uses historical lifetime loss experiences to derive loss rates at a collective pool level. We measure the expected credit losses on a collective (pooled) basis for those loans that share similar risk characteristics. We have three collective loan pools: Commercial Real Estate, Commercial and Industrial, and Consumer. Our ACL amounts are largely driven by portfolio characteristics, including loss history and various risk attributes, and the economic outlook for certain macroeconomic variables. Risk attributes for commercial real estate loans include OLTV, origination year, loan seasoning, and macroeconomic variables that include GDP growth, commercial real estate price index and unemployment rate. Risk attributes for commercial and industrial loans include internal risk ratings, borrower industry sector, loan credit spreads and macroeconomic variables that include unemployment rate and BBB spread. The macroeconomic variables for Consumer include unemployment rate and GDP. The Commercial Real Estate methodology is applied over commercial real estate loans, a portion of construction loans, and a portion of SBA loans (excluding Payment Protection Program loans). The Commercial and Industrial methodology is applied over a substantial portion of the Company's commercial and industrial loans, all dairy & livestock and agribusiness loans, municipal lease receivables, as well as the remaining portion of SBA loans (excluding Payment Protection Program loans). The Consumer methodology is applied to SFR mortgage loans, consumer loans, as well as the remaining construction loans. In addition to determining the quantitative life of loan loss rate to be applied against the amortized cost basis of the portfolio segments, management reviews current conditions and forecasts to determine whether adjustments are needed to ensure that the life of loan loss rates reflect both the current state of the portfolio, and expectations for macroeconomic changes. Our methodology for assessing the appropriateness of the allowance



is reviewed on a regular basis and considers overall risks in the Bank's loan portfolio. Refer to Note 3 – *Summary of Significant Accounting Policies* contained herein for a more detailed discussion concerning the allowance for credit losses.

The allowance for credit losses totaled \$65.0 million as of December 31, 2021, compared to \$93.7 million as of December 31, 2020. Our allowance for credit losses at December 31, 2021 was 0.82%, or 0.84% of total loans when excluding the \$186.6 million in PPP loans. The allowance for credit losses for 2021 was decreased by \$25.5 million, due to the improved outlook in our forecast of certain macroeconomic variables that were influenced by the economic impact of the pandemic, including various government responses, availability of vaccines, and fiscal and monetary stimulus, as well as \$3.2 million in year-to-date net charge-offs. Upon implementation of CECL, a transition adjustment of \$1.8 million was added to the beginning balance of the allowance and was increased by a \$23.5 million credit loss provision for 2020 due to the forecast of severe economic disruption resulting from the initial onset of the COVID-19 pandemic. Net charge-offs were \$308,000 for 2020. Based on the magnitude of government economic stimulus and the wide availability of vaccines, our latest economic forecast reflects continued improvement in key macroeconomic variables, including GDP, the commercial real estate price index and the unemployment rate. Our economic forecast continues to be a blend of multiple forecasts produced by Moody's. These U.S. economic forecasts include a baseline forecast, as well as upside and downside forecasts. The baseline forecast continues to represent the largest weighting in our multi-weighted forecast scenario, with downside risks weighted heavier than the more optimistic forecasts. Our weighted forecast assumes GDP will increase by 2.7% in 2022, 2% for 2023 and then grow by 3% in 2024. The unemployment rate is forecasted to be over 5% in 2022 and 2023 and then declining to 4.8% in 2024.

Management believes that the ACL was appropriate at December 31, 2021 and 2020. Due to the uncertainty around the epidemiological assumptions and ongoing impact of government responses to the pandemic that impact our economic forecast, no assurance can be given that economic conditions that adversely affect the Company's service areas or other circumstances will not be reflected in increased provisions for credit losses in the future.

The following tables present the balance and activity related to the allowance for credit losses for held-for-investment loans by type for the periods presented.

	Year Ended December 31, 2021				Ending Balance December 31, 2021
	Ending Balance December 31, 2020	Charge-offs	Recoveries	(Recapture of) Provision for Credit Losses	
	<i>(Dollars in thousands)</i>				
Commercial real estate	\$ 75,439	\$ —	\$ —	\$ (24,489)	\$ 50,950
Construction	1,934	—	58	(1,227)	765
SBA	2,992	(223)	23	(124)	2,668
SBA - PPP	—	—	—	—	—
Commercial and industrial	7,142	(3,019)	12	2,534	6,669
Dairy & livestock and agribusiness	3,949	(118)	—	(765)	3,066
Municipal lease finance receivables	74	—	—	26	100
SFR mortgage	367	—	79	(258)	188
Consumer and other loans	1,795	(11)	26	(1,197)	613
Total allowance for credit losses	<u>\$ 93,692</u>	<u>\$ (3,371)</u>	<u>\$ 198</u>	<u>\$ (25,500)</u>	<u>\$ 65,019</u>

Year Ended December 31, 2020

	Ending Balance, prior to adoption of ASU 2016-13 December 31, 2019	Impact of Adoption of ASU 2016-13	Charge- offs	Recoveries	Provision for (Recapture of) Credit Losses	Ending Balance December 31, 2020
	<i>(Dollars in thousands)</i>					
Commercial real estate	\$ 48,629	\$ 3,547	\$ —	\$ —	\$ 23,263	\$ 75,439
Construction	858	655	—	11	410	1,934
SBA	1,453	1,818	(362)	72	11	2,992
SBA - PPP	—	—	—	—	—	—
Commercial and industrial	8,880	(2,442)	(195)	10	889	7,142
Dairy & livestock and agribusiness	5,255	(186)	—	—	(1,120)	3,949
Municipal lease finance receivables	623	(416)	—	—	(133)	74
SFR mortgage	2,339	(2,043)	—	206	(135)	367
Consumer and other loans	623	907	(109)	59	315	1,795
Total allowance for credit losses	<u>\$ 68,660</u>	<u>\$ 1,840</u>	<u>\$ (666)</u>	<u>\$ 358</u>	<u>\$ 23,500</u>	<u>\$ 93,692</u>

**Year Ended December 31, 2019**

	<b>Ending Balance December 31, 2018</b>	<b>Charge-offs</b>		<b>Recoveries</b>		<b>Provision for (Recapture of) Loan Losses</b>	<b>Ending Balance December 31, 2019</b>
		<i>(Dollars in thousands)</i>					
Commercial real estate	\$ 45,097	\$ —	\$ —	\$ —	\$ 3,532	\$ 48,629	
Construction	981	—	—	12	(135)	858	
SBA	1,078	(321)	—	9	687	1,453	
Commercial and industrial	7,528	(48)	—	255	1,145	8,880	
Dairy & livestock and agribusiness	5,225	(78)	—	19	89	5,255	
Municipal lease finance receivables	775	—	—	—	(152)	623	
SFR mortgage	2,197	—	—	196	(54)	2,339	
Consumer and other loans	732	(7)	—	10	(112)	623	
<b>Total allowance for loan losses</b>	<b>\$ 63,613</b>	<b>\$ (454)</b>	<b>\$ —</b>	<b>\$ 501</b>	<b>\$ 5,000</b>	<b>\$ 68,660</b>	

**Past Due and Nonperforming Loans**

We seek to manage asset quality and control credit risk through diversification of the loan portfolio and the application of policies designed to promote sound underwriting and loan monitoring practices. The Bank's Credit Management Division is in charge of monitoring asset quality, establishing credit policies and procedures and enforcing the consistent application of these policies and procedures across the Bank. Reviews of nonperforming, past due loans and larger credits, designed to identify potential charges to the allowance for credit losses, are conducted on an ongoing basis. These reviews consider such factors as the financial strength of borrowers and any guarantors, the value of the applicable collateral, loan loss experience, estimated credit losses, growth in the loan portfolio, prevailing economic conditions and other factors. Refer to Note 3 – *Summary of Significant Accounting Policies*, included herein, for additional discussion concerning the Bank's policy for past due and nonperforming loans.

The following table presents the recorded investment in, and the aging of, past due loans (including nonaccrual loans), by type of loans as of the date presented.

	<b>December 31, 2021</b>					
	<b>30-59 Days Past Due</b>	<b>60-89 Days Past Due</b>	<b>Greater than 89 Days Past Due</b>	<b>Total Past Due</b>	<b>Loans Not Past Due</b>	<b>Total Loans and Financing Receivables</b>
	<i>(Dollars in thousands)</i>					
Commercial real estate						
Owner occupied	\$ 438	\$ -	\$ 3,383	\$ 3,821	\$ 2,127,979	\$ 2,131,800
Non-owner occupied	-	-	-	-	3,657,930	3,657,930
Construction						
Speculative (1)	-	-	-	-	44,859	44,859
Non-speculative	-	-	-	-	17,405	17,405
SBA	417	1,145	339	1,901	286,699	288,600
SBA - PPP	-	-	-	-	186,585	186,585
Commercial and industrial	-	16	1,356	1,372	811,691	813,063
Dairy & livestock and agribusiness	-	-	-	-	386,219	386,219
Municipal lease finance receivables	-	-	-	-	45,933	45,933
SFR mortgage	1,040	-	-	1,040	239,614	240,654
Consumer and other loans	-	-	42	42	74,623	74,665
<b>Total loans</b>	<b>\$ 1,895</b>	<b>\$ 1,161</b>	<b>\$ 5,120</b>	<b>\$ 8,176</b>	<b>\$ 7,879,537</b>	<b>\$ 7,887,713</b>

(1) Speculative construction loans are generally for properties where there is no identified buyer or renter.

December 31, 2020						
	30-59 Days Past Due	60-89 Days Past Due	Greater than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total Loans and Financing Receivables
<i>(Dollars in thousands)</i>						
Commercial real estate						
Owner occupied	\$ -	\$ -	\$ 7,208	\$ 7,208	\$ 2,136,051	\$ 2,143,259
Non-owner occupied	-	-	-	-	3,358,250	3,358,250
Construction						
Speculative (1)	-	-	-	-	72,126	72,126
Non-speculative	-	-	-	-	13,019	13,019
SBA	531	2,415	1,025	3,971	299,925	303,896
SBA - PPP	-	-	-	-	882,986	882,986
Commercial and industrial	608	811	2,338	3,757	808,305	812,062
Dairy & livestock and agribusiness	-	-	784	784	360,362	361,146
Municipal lease finance receivables	-	-	-	-	45,547	45,547
SFR mortgage	-	-	229	229	270,282	270,511
Consumer and other loans	-	-	-	-	86,006	86,006
Total loans	<u>\$ 1,139</u>	<u>\$ 3,226</u>	<u>\$ 11,584</u>	<u>\$ 15,949</u>	<u>\$ 8,332,859</u>	<u>\$ 8,348,808</u>

(1) Speculative construction loans are generally for properties where there is no identified buyer or renter.

Following the adoption of CECL on January 1, 2020, the definitions of impairment and related impaired loan disclosures were removed. Under CECL, amortized cost of our finance receivables and loans that are on nonaccrual status, including loans with no allowance, and are reflected by loan type as of the dates presented.

December 31, 2021			
	Nonaccrual with No Allowance for Credit Losses	Total Nonaccrual (1)	Loans Past Due Over 89 Days Still Accruing
<i>(Dollars in thousands)</i>			
Commercial real estate			
Owner occupied	\$ 3,607	\$ 3,607	\$ -
Non-owner occupied	-	-	-
Construction			
Speculative (2)	-	-	-
Non-speculative	-	-	-
SBA	521	1,034	-
SBA - PPP	-	-	-
Commercial and industrial	1,326	1,714	-
Dairy & livestock and agribusiness	-	-	-
Municipal lease finance receivables	-	-	-
SFR mortgage	380	380	-
Consumer and other loans	158	158	-
Total loans	<u>\$ 5,992</u>	<u>\$ 6,893</u>	<u>\$ -</u>

(1) As of December 31, 2021, \$1.2 million of nonaccruing loans were current, \$332,000 were 30-59 days past due, \$267,000 were 60-89 days past due, and \$5.1 million were 90+ days past due.

(2) Speculative construction loans are generally for properties where there is no identified buyer or renter.

	<b>December 31, 2020</b>		
	<b>Nonaccrual with No Allowance for Credit Losses</b>	<b>Total Nonaccrual (1) (3)</b>	<b>Loans Past Due Over 89 Days Still Accruing</b>
	<i>(Dollars in thousands)</i>		
Commercial real estate			
Owner occupied	\$ 7,563	\$ 7,563	\$ -
Non-owner occupied	-	-	-
Construction			
Speculative (2)	-	-	-
Non-speculative	-	-	-
SBA	2,035	2,273	-
SBA - PPP	-	-	-
Commercial and industrial	1,576	3,129	-
Dairy & livestock and agribusiness	785	785	-
Municipal lease finance receivables	430	-	-
SFR mortgage	-	430	-
Consumer and other loans	167	167	-
Total loans	<u>\$ 12,556</u>	<u>\$ 14,347</u>	<u>\$ -</u>

- (1) As of December 31, 2020, \$1.4 million of nonaccruing loans were current, \$2,000 were 30-59 days past due, \$1.3 million were 60-89 days past due, and \$11.6 million were 90+ days past due.
- (2) Speculative construction loans are generally for properties where there is no identified buyer or renter.
- (3) Excludes \$184,000 of guaranteed portion of nonaccrual SBA loans that are in process of collection.

**Impaired Loans (prior to adoption of CECL)**

Following the adoption of CECL on January 1, 2020, the definitions of impairment and related impaired loan disclosures were removed. As a result of the change, the following tables present information about our impaired loans and lease finance receivables, individually evaluated for Impairment by loan type, as of December 31, 2019, prior to the date of adoption of the amendments to the credit loss standard.

	Year Ended December 31, 2019				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
<i>(Dollars in thousands)</i>					
<b>With no related allowance recorded:</b>					
Commercial real estate					
Owner occupied	\$ 479	\$ 613	\$ —	\$ 505	\$ —
Non-owner occupied	642	643	—	681	26
Construction					
Speculative	—	—	—	—	—
Non-speculative	—	—	—	—	—
SBA	2,243	2,734	—	2,389	41
Commercial and industrial	1,091	1,261	—	1,369	4
Dairy & livestock and agribusiness	—	—	—	—	—
Municipal lease finance receivables	—	—	—	—	—
SFR mortgage	2,979	3,310	—	3,043	86
Consumer and other loans	377	514	—	396	—
Total	<u>7,811</u>	<u>9,075</u>	<u>—</u>	<u>8,383</u>	<u>157</u>
<b>With a related allowance recorded:</b>					
Commercial real estate					
Owner occupied	—	—	—	—	—
Non-owner occupied	—	—	—	—	—
Construction					
Speculative	—	—	—	—	—
Non-speculative	—	—	—	—	—
SBA	325	324	257	327	—
Commercial and industrial	253	347	251	699	—
Dairy & livestock and agribusiness	—	—	—	—	—
Municipal lease finance receivables	—	—	—	—	—
SFR mortgage	—	—	—	—	—
Consumer and other loans	—	—	—	—	—
Total	<u>578</u>	<u>671</u>	<u>508</u>	<u>1,026</u>	<u>—</u>
Total impaired loans	<u>\$ 8,389</u>	<u>\$ 9,746</u>	<u>\$ 508</u>	<u>\$ 9,409</u>	<u>\$ 157</u>

(1) Excludes PCI loans.

### Collateral Dependent Loans

A loan is considered collateral-dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The following table presents the recorded investment in collateral-dependent loans by type of loans as of the date presented.

	December 31, 2021			Number of Loans Dependent on Collateral
	Real Estate	Business Assets	Other	
	<i>(Dollars in thousands)</i>			
Commercial real estate	\$ 6,001	\$ -	\$ -	6
Construction	-	-	-	-
SBA	405	517	112	10
SBA - PPP	-	-	-	-
Commercial and industrial	688	5,133	96	19
Dairy & livestock and agribusiness	-	-	-	-
Municipal lease finance receivables	-	-	-	-
SFR mortgage	380	-	-	2
Consumer and other loans	158	-	-	2
Total collateral-dependent loans	<u>\$ 7,632</u>	<u>\$ 5,650</u>	<u>\$ 208</u>	<u>39</u>
	<b>December 31, 2020</b>			
	Real Estate	Business Assets	Other	Number of Loans Dependent on Collateral
	<i>(Dollars in thousands)</i>			
Commercial real estate	\$ 7,883	\$ -	\$ -	8
Construction	-	-	-	-
SBA	1,761	326	185	10
SBA - PPP	-	-	-	-
Commercial and industrial	470	5,542	95	18
Dairy & livestock and agribusiness	-	785	-	1
Municipal lease finance receivables	-	-	-	-
SFR mortgage	430	-	-	2
Consumer and other loans	168	-	-	2
Total collateral-dependent loans	<u>\$ 10,712</u>	<u>\$ 6,653</u>	<u>\$ 280</u>	<u>41</u>

### Reserve for Unfunded Loan Commitments

The allowance for off-balance sheet credit exposure relates to commitments to extend credit, letters of credit and undisbursed funds on lines of credit. The Company evaluates credit risk associated with the off-balance sheet loan commitments in the same manner as it evaluates credit risk associated with the loan and lease portfolio. The Bank's ACL methodology produced an allowance of \$8.0 million for the off-balance sheet credit exposures as of December 31, 2021. As a result of the adoption of ASU 2016-13, the reserve for unfunded loan commitments included a transition adjustment of \$41,000 as of January 1, 2020. There was a \$1.0 million recapture of provision for unfunded commitments for the year ended December 31, 2021, compared to no provision or recapture of provision for unfunded commitments for the year ended December 31, 2020. As of December 31, 2021 the balance in this reserve was \$8.0 million compared to \$9.0 million at December 31, 2020, and was included in other liabilities.

### Troubled Debt Restructurings

Loans that are reported as TDRs are considered impaired and charge-off amounts are taken on an individual loan basis, as deemed appropriate. The majority of restructured loans are loans for which the terms of repayment have been renegotiated, resulting in a reduction in interest rate or deferral of principal. Refer to Note 3 — *Summary of Significant Accounting Policies, Troubled Debt Restructurings*, included herein.

As of December 31, 2021, there were \$5.3 million of loans classified as a TDR, all of which were performing. TDRs on accrual status are comprised of loans that were accruing interest at the time of restructuring or have demonstrated repayment performance in compliance with the restructured terms for a sustained period and for which the Company anticipates full repayment of both principal and interest. At December 31, 2021, performing TDRs were comprised of one commercial real estate loan of \$2.4 million, three commercial and industrial loan of \$1.9 million, and five SFR mortgage loans of \$1.0 million.

The majority of TDRs have no specific allowance allocated as any impairment amount is normally charged off at the time the loan is considered uncollectible. We have no allocated allowance to TDRs as of December 31, 2021 and December 31, 2020.

The following table provides a summary of the activity related to TDRs for the periods presented.

	Year Ended December 31,	
	2021	2020
<i>(Dollars in thousands)</i>		
<b>Performing TDRs:</b>		
Beginning balance	\$ 2,159	\$ 3,112
New modifications	7,340	—
Payoffs/payments, net and other	(4,206)	(953)
TDRs returned to accrual status	—	—
TDRs placed on nonaccrual status	—	—
Ending balance	<u>\$ 5,293</u>	<u>\$ 2,159</u>
<b>Nonperforming TDRs:</b>		
Beginning balance	\$ —	\$ 244
New modifications	—	—
Charge-offs	—	—
Transfer to OREO	—	—
Payoffs/payments, net and other	—	(244)
TDRs returned to accrual status	—	—
TDRs placed on nonaccrual status	—	—
Ending balance	<u>\$ —</u>	<u>\$ —</u>
Total TDRs	<u>\$ 5,293</u>	<u>\$ 2,159</u>



The following table summarize loans modified as TDRs for the period presented. There were no loans that were modified as TDRs for the years ended December 31, 2020 and 2019.

**Modifications (1)**

For the Year Ended December 31, 2021						
Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Outstanding Recorded Investment at December 31, 2021	Financial Effect Resulting From Modifications (2)		
<i>(Dollars in thousands)</i>						
<b>Commercial real estate:</b>						
Interest rate reduction	1	\$ 2,453	\$ 2,453	\$ 2,394	\$ -	
Change in amortization period or maturity	-	-	-	-	-	
<b>Commercial and industrial:</b>						
Interest rate reduction	-	-	-	-	-	
Change in amortization period or maturity	3	4,887	4,887	1,859	-	
<b>SFR mortgage:</b>						
Interest rate reduction	-	-	-	-	-	
Change in amortization period or maturity	-	-	-	-	-	
Total loans	<u>4</u>	<u>\$ 7,340</u>	<u>\$ 7,340</u>	<u>\$ 4,253</u>	<u>\$ -</u>	

(1) The tables above exclude modified loans that were paid off prior to the end of the period.

(2) Financial effects resulting from modifications represent charge-offs and current allowance for credit losses at modification date.

As of December 31, 2021 and 2020, there were no loans that were modified as a TDR within the previous 12 months that subsequently defaulted.

In accordance with regulatory guidance, if borrowers are less than 30 days past due on their loans, upon implementation of the modification program, or as allowed under the CARES Act if borrowers are less than 30 days past due on their loans as of December 31, 2019, and enter into short-term loan modifications offered as a result of COVID-19, their loans generally continue to be considered performing loans and continue to accrue interest during the period of the loan modification. For borrowers who are 30 days or more past due when entering into loan modifications offered as a result of COVID-19, we evaluate the loan modifications under our existing troubled debt restructuring framework, and where such a loan modification would result in a concession to a borrower experiencing financial difficulty, the loan will be accounted for as a TDR and will generally not accrue interest. For all borrowers who enroll in these loan modification programs offered as a result of COVID-19, the delinquency status of the borrowers is frozen, resulting in a static delinquency metric during the deferral period. Upon exiting the deferral program, the measurement of loan delinquency will resume where it had left off upon entry into the program.

## 6. OTHER REAL ESTATE OWNED

The following table summarizes the activity related to total OREO for the periods presented.

	<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<i>(Dollars in thousands)</i>	
Balance, beginning of period	\$ 3,392	\$ 4,889
Additions	443	—
Dispositions	(4,535)	(797)
Valuation adjustments	700	(700)
Balance, end of period	<u>\$ —</u>	<u>\$ 3,392</u>

## 7. GOODWILL AND OTHER INTANGIBLE ASSETS

The following table presents the changes in the carrying amount of goodwill for the periods presented.

	<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<i>(Dollars in thousands)</i>	
Balance, beginning of period	\$ 663,707	\$ 663,707
Purchase accounting adjustments	—	—
Balance, end of period	<u>\$ 663,707</u>	<u>\$ 663,707</u>

The following summarizes changes in CDI and the related accumulated amortization for the periods presented.

	<b>Year Ended December 31,</b>					
	<b>2021</b>			<b>2020</b>		
	<b>Gross CDI Amount</b>	<b>Accumulated Amortization</b>	<b>Net CDI Amount</b>	<b>Gross CDI Amount</b>	<b>Accumulated Amortization</b>	<b>Net CDI Amount</b>
	<i>(Dollars in thousands)</i>					
Balance of intangible assets, beginning of period	\$ 93,297	\$ (59,663)	\$ 33,634	\$ 93,297	\$ (50,311)	\$ 42,986
Amortization		(8,240)	(8,240)		(9,352)	(9,352)
Balance of intangible assets, end of period	\$ 93,297	<u>\$ (67,903)</u>	<u>\$ 25,394</u>	\$ 93,297	<u>\$ (59,663)</u>	<u>\$ 33,634</u>

The following table reflects the estimated amortization expense for the periods presented, as of December 31, 2021.

<b>Year:</b>	<b>December 31, 2021</b>
	<i>(Dollars in thousands)</i>
2022	\$ 7,126
2023	6,010
2024	4,892
2025	3,773
2026	2,415
Thereafter	1,178
Total	<u>\$ 25,394</u>

At December 31, 2021 the weighted average remaining life of intangible assets is approximately 2.19 years.

## 8. PREMISES AND EQUIPMENT

Premises and equipment were comprised of the following as of the dates presented.

	December 31,	
	2021	2020
	<i>(Dollars in thousands)</i>	
Land	\$ 18,566	\$ 18,798
Bank premises	70,081	70,130
Furniture and equipment	31,174	29,058
Premises and equipment, gross	119,821	117,986
Accumulated depreciation and amortization	(70,725)	(66,842)
Premises and equipment, net	\$ 49,096	\$ 51,144

Total depreciation and amortization expense was approximately \$6.4 million, \$6.9 million and \$6.8 million for the years ended December 31, 2021, 2020 and 2019, respectively.

## 9. OTHER ASSETS

Other assets were comprised of the following as of the dates presented.

	December 31,	
	2021	2020
	<i>(Dollars in thousands)</i>	
Prepaid expenses	\$ 7,955	\$ 6,929
Interest rate swaps	14,163	30,181
ROU assets	19,274	19,112
Affordable housing investments	8,818	10,617
Other investments	55,941	48,017
Other assets	12,150	12,841
Total	\$ 118,301	\$ 127,697

## 10. INCOME TAXES

The current and deferred amounts of income tax expense consist of the following.

	Year Ended December 31,		
	2021	2020	2019
	<i>(Dollars in thousands)</i>		
Current provision:			
Federal	\$ 44,514	\$ 48,328	\$ 51,564
State	27,526	28,469	29,487
	72,040	76,797	81,051
Deferred provision:			
Federal	8,782	(2,997)	486
State	4,305	(1,439)	1,710
	13,087	(4,436)	2,196
Total	\$ 85,127	\$ 72,361	\$ 83,247

Income tax asset consists of the following.

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<i>(Dollars in thousands)</i>	
<b>Current:</b>		
Federal	\$ 5,452	\$ 5,408
State	2,150	2,610
	<u>7,602</u>	<u>8,018</u>
<b>Deferred:</b>		
Federal	16,500	14,779
State	8,501	6,743
	<u>25,001</u>	<u>21,522</u>
<b>Total</b>	<b>\$ 32,603</b>	<b>\$ 29,540</b>

Temporary differences between the amounts reported in the financial statements and the tax bases of assets and liabilities resulted in deferred taxes. The components of the net deferred tax asset are as follows.

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<i>(Dollars in thousands)</i>	
<b>Deferred tax assets:</b>		
Bad debt and credit loss deduction	\$ 23,228	\$ 32,671
Net operating loss carryforward	—	10
Deferred compensation	6,367	6,607
PCI loans	657	663
California franchise tax	3,873	4,584
Accrued expense	5,071	4,662
Unrealized loss on investment securities, net	423	—
Acquired loan discounts	5,863	9,709
Lease liability	6,472	6,369
Other, net	1,784	3,865
Gross deferred tax asset	<u>53,738</u>	<u>69,140</u>
<b>Deferred tax liabilities:</b>		
Depreciation	3,443	2,675
Intangibles - acquisitions	12,812	15,376
FHLB Stock	2,525	2,525
Deferred income	3,825	3,544
Right of use asset	6,132	6,080
Unrealized gain on investment securities, net	—	17,418
Gross deferred tax liability	<u>28,737</u>	<u>47,618</u>
<b>Net deferred tax asset</b>	<b>\$ 25,001</b>	<b>\$ 21,522</b>

## Annual Effective Tax Rate

The annual consolidated effective tax rate for the periods presented, is reconciled to the U.S. statutory income rate as follows.

	Year Ended December 31,					
	2021		2020		2019	
	Amount	Percent	Amount	Percent	Amount	Percent
	<i>(Dollars in thousands)</i>					
Federal income tax at statutory rate	\$ 62,506	21.0 %	\$ 52,399	21.0 %	\$ 61,126	21.0 %
State franchise taxes, net of federal benefit	24,600	8.3 %	20,950	8.4 %	24,430	8.4 %
Tax-exempt income	(3,165)	(1.1)%	(3,191)	(1.3)%	(3,081)	(1.1)%
Tax credits	(1,640)	(0.6)%	(1,946)	(0.8)%	(2,153)	(0.7)%
Other, net	2,826	1.0 %	4,149	1.7 %	2,925	1.0 %
Provision for income taxes	<u>\$ 85,127</u>	<u>28.6 %</u>	<u>\$ 72,361</u>	<u>29.0 %</u>	<u>\$ 83,247</u>	<u>28.6 %</u>

There were no significant unrecognized tax benefits at December 31, 2021 and 2020. We do not expect the total amount of unrecognized tax benefits to significantly increase or decrease within the next twelve months.

The Company is subject to federal income tax and franchise tax of the state of California. Our federal income tax returns for the years ended December 31, 2015 through 2021 are open to audit by the federal authorities and our California state tax returns for the years ended December 31, 2015 through 2021 are open to audit by state authorities.

## 11. DEPOSITS

The composition of deposits is summarized for the periods presented in the table below.

	December 31,			
	2021		2020	
	Amount	Percent	Amount	Percent
	<i>(Dollars in thousands)</i>			
Noninterest-bearing deposits	\$ 8,104,056	62.45 %	\$ 7,455,387	63.52 %
Interest-bearing deposits				
Investment checking	655,333	5.05 %	517,976	4.42 %
Money market	3,342,531	25.76 %	2,869,348	24.45 %
Savings	546,840	4.21 %	492,096	4.19 %
Time deposits	327,682	2.53 %	401,694	3.42 %
Total deposits	<u>\$ 12,976,442</u>	<u>100.00 %</u>	<u>\$ 11,736,501</u>	<u>100.00 %</u>

Time deposits with balances of \$250,000 or more amounted to approximately \$79.9 million and \$100.3 million at December 31, 2021 and 2020, respectively.

At December 31, 2020, the scheduled maturities of time certificates of deposit are as follows.

Year of maturity:	December 31, 2021
	<i>(Dollars in thousands)</i>
2022	\$ 304,007
2023	11,457
2024	1,681
2025	7,984
2026 and thereafter	2,553
Total	<u>\$ 327,682</u>

## 12. BORROWINGS

### *Customer Repurchase Agreements*

The Bank offers a repurchase agreement product to its customers. This product, known as Citizens Sweep Manager, sells our investment securities overnight to our customers under an agreement to repurchase them the next day at a price which reflects the market value of the use of funds by the Bank for the period concerned. These repurchase agreements are signed with customers who want to invest their excess deposits, above a pre-determined balance in a demand deposit account, in order to earn interest. As of December 31, 2021, total funds borrowed under these agreements were \$642.4 million with a weighted average interest rate of 0.08%, compared to \$439.4 million with a weighted average rate of 0.10% at December 31, 2020.

### *Federal Home Loan Bank Advances*

At December 31, 2021 and 2020, there were no outstanding FHLB advances.

At December 31, 2021, \$3.96 billion of loans and \$2.18 billion of investment securities, at carrying value, were pledged to secure public deposits, short and long-term borrowings, and for other purposes as required or permitted by law.

### *Other Borrowings*

At December 31, 2021, the Bank had \$2.3 million in overnight borrowings. We had \$5.0 million in short-term borrowings that were interest-free advances from the FHLB at December 31, 2020.

### *Junior Subordinated Debentures*

On January 31, 2006, CVB Statutory Trust III completed a \$25,000,000 offering of Trust Preferred Securities and used the gross proceeds from the offering and other cash totaling \$25,774,000 to purchase a like amount of junior subordinated debentures of the Company. The junior subordinated debentures were issued concurrent with the issuance of the Trust Preferred Securities. The interest on junior subordinated debentures, paid by the Company to CVB Statutory Trust III, represents the sole revenues of CVB Statutory Trust III and the sole source of dividend distributions to the holders of the Trust Preferred Securities. The Company has fully and conditionally guaranteed all of CVB Statutory Trust III's obligations under the Trust Preferred Securities. The Company has the right, assuming no default has occurred, to defer payments of interest on the junior subordinated debenture at any time for a period not to exceed 20 consecutive quarters. The Trust Preferred Securities will mature on March 15, 2036, but became callable in part or in total on March 15, 2011 by CVB Statutory Trust III. The Trust Preferred Securities have a variable per annum rate equal to LIBOR (as defined in the indenture dated as of January 31, 2006 ("Indenture") between the Company and U.S. Bank National Association, as debenture trustee) plus 1.38% (the "Variable Rate"). These securities were redeemed on June 15, 2021.

## 13. COMMITMENTS AND CONTINGENCIES

### *Commitments*

At December 31, 2021 and 2020, the Bank had commitments to extend credit of approximately \$1.58 billion and \$1.61 billion, respectively, and obligations under letters of credit of \$44.9 million and \$53.2 million, respectively. Commitments to extend credit are agreements to lend to customers, provided there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Commitments are generally variable rate, and many of these commitments are expected to expire without being drawn upon. As such, the total commitment amounts do not necessarily represent future cash requirements. The Bank uses the same credit underwriting policies in granting or accepting such commitments or contingent obligations as it does for on-balance-sheet instruments, which consist of evaluating customers' creditworthiness individually. The Bank had a reserve for unfunded loan commitments of \$8.0 million and \$9.0 million as of December 31, 2021 and 2020, respectively, and is included in other liabilities.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the financial performance of a customer to a third party. Those guarantees are primarily issued to support private borrowing or purchase arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to

customers. When deemed necessary, the Bank holds appropriate collateral supporting those commitments. Management does not anticipate any material losses as a result of these transactions.

At December 31, 2021, the Bank has available lines of credit totaling \$4.52 billion from correspondent banks, FHLB and Federal Reserve Bank of which \$3.96 billion were secured.

### ***Other Contingencies***

The Company and its subsidiaries are parties to various lawsuits and threatened lawsuits in the ordinary and non-ordinary course of business. From time to time, such lawsuits and threatened lawsuits may include, but are not limited to, actions involving securities litigation, employment matters, wage-hour and labor law claims, consumer claims, regulatory compliance claims, data privacy claims, lender liability claims and negligence claims, some of which may be styled as “class action” or representative cases. Some of these lawsuits may be similar in nature to other lawsuits pending against the Company’s competitors.

For lawsuits where the Company has determined that a loss is both probable and reasonably estimable, a liability representing the best estimate of the Company’s financial exposure based on known facts has been recorded in accordance with FASB guidance over loss contingencies (ASC 450). However, as a result of inherent uncertainties in judicial interpretation and application of a myriad of laws and regulations applicable to the Company’s business, and the unique, complex factual issues presented in any given lawsuit, the Company often cannot determine the probability of loss or estimate the amount of damages which a plaintiff might successfully prove if the Company were found to be liable. For lawsuits or threatened lawsuits where a claim has been asserted or the Company has determined that it is probable that a claim will be asserted, and there is a reasonable possibility that the outcome will be unfavorable, the Company will disclose the existence of the loss contingency, even if the Company is not able to make an estimate of the possible loss or range of possible loss with respect to the action or potential action in question, unless the Company believes that the nature, potential magnitude or potential timing (if known) of the loss contingency is not reasonably likely to be material to the Company’s liquidity, consolidated financial position, and/or results of operations.

Our accruals and disclosures for loss contingencies are reviewed quarterly and adjusted as additional information becomes available. We disclose a loss contingency and/or the amount accrued if we believe it is reasonably likely to be material or if we believe such disclosure is necessary for our financial statements to not be misleading. If we determine that an exposure to loss exists in excess of an amount previously accrued or disclosed, we assess whether there is at least a reasonable possibility that a loss, or additional loss, may have been incurred, and we adjust our accruals and disclosures accordingly.

We do not presently believe that the ultimate resolution of any lawsuits currently pending against the Company will have a material adverse effect on the Company’s results of operations, financial condition, or cash flows. The outcome of litigation and other legal and regulatory matters is inherently uncertain, however, and it is possible that one or more of the legal matters currently pending or threatened against the Company could have a material adverse effect on our results of operations, financial condition or cash flows.

## **14. EMPLOYEE BENEFIT PLANS**

### ***Deferred Compensation Plans***

As of December 31, 2021 the Company had various deferred compensation plans, which included a deferred compensation plan for its former President and Chief Executive Officer, Christopher D. Myers, and severance arrangements it assumed through the acquisition of other banks in prior years. We also offer a non-qualified deferred compensation plan for our executives and key members of management in order to assist us in attracting and retaining these individuals. Participants in the plan may elect to defer a portion of their annual salary and/or short-term incentive payouts into deferral accounts to provide a means by which they may elect to defer receipt of compensation in order to provide retirement benefits. The plan is intended to be unfunded and allows us to make discretionary contributions on behalf of a participant. No discretionary payments were made by the Company during the years ended December 31, 2021, 2020 and 2019. The Bank, however, does fund the cost of these plans through the purchase of bank owned life insurance policies, which are reflected as assets on the Company’s consolidated balance sheets. At December 31, 2021 and 2020, the total deferred compensation liability was \$20.9 million and \$21.6 million, respectively. Total expense for these deferred compensation agreements was approximately \$1.4 million for each of the years ended December 31, 2021, 2020 and 2019, respectively.

## 401(k) and Profit Sharing Plan

The Bank sponsors a 401(k) and profit-sharing plan for the benefit of its employees. Employees are eligible to participate in the plan immediately upon hire. Employees may make contributions to the plan under the plan's 401(k) component. The Bank contributes 3%, non-matching, to the plan to comply with ERISA's safe harbor provisions. The Bank may make additional contributions under the plan's profit-sharing component, subject to certain limitations, which was 3% for 2021, and 2% for both 2020 and 2019. The Bank's total contributions are determined by the Board of Directors and amounted to approximately \$5.0 million for 2021, \$4.3 million for 2020, and \$4.1 million for 2019.

## 15. EARNINGS PER SHARE RECONCILIATION

Basic earnings per common share are computed by dividing income allocated to common stockholders by the weighted-average number of common shares outstanding during each period. The computation of diluted earnings per common share considers the number of shares issuable upon the assumed exercise of outstanding common stock options. Antidilutive common shares are not included in the calculation of diluted earnings per common share. For the years ended December 31, 2021, 2020 and 2019, shares deemed to be antidilutive, and thus excluded from the computation of earnings per common share were 114,000, 291,000 and 183,000, respectively.

The table below shows earnings per common share and diluted earnings per common share, and reconciles the numerator and denominator of both earnings per common share calculations.

	Year Ended December 31,		
	2021	2020	2019
	<i>(In thousands, except per share amounts)</i>		
<b>Earnings per common share:</b>			
Net earnings	\$ 212,521	\$ 177,159	\$ 207,827
Less: Net earnings allocated to restricted stock	970	572	488
Net earnings allocated to common shareholders	<u>\$ 211,551</u>	<u>\$ 176,587</u>	<u>\$ 207,339</u>
Weighted average shares outstanding	135,165	136,031	139,757
Basic earnings per common share	<u>\$ 1.57</u>	<u>\$ 1.30</u>	<u>\$ 1.48</u>
<b>Diluted earnings per common share:</b>			
Net income allocated to common shareholders	<u>\$ 211,551</u>	<u>\$ 176,587</u>	<u>\$ 207,339</u>
Weighted average shares outstanding	135,165	136,031	139,757
Incremental shares from assumed exercise of outstanding options	217	175	177
Diluted weighted average shares outstanding	135,382	136,206	139,934
Diluted earnings per common share	<u>\$ 1.56</u>	<u>\$ 1.30</u>	<u>\$ 1.48</u>

## 16. STOCK-BASED COMPENSATION PLANS

In May 2018, the shareholders approved the 2018 Equity Plan which authorizes the issuance of up to 9,000,000 shares of CVB's common stock for eligible participants, which include all of the Company's employees, officers, and directors, and expires in 2028. The plan authorizes the issuance of a variety of types of equity awards, which include incentive stock options, non-qualified stock options, restricted stock awards ("RSAs"), restricted stock units ("RSUs"), and other stock-based awards. The 2018 Equity Plan replaced the 2008 Equity Incentive Plan. No further grants will be made under the 2008 Equity Incentive Plan, but shares may continue to be issued under such plan pursuant to grants previously made. As of December 31, 2021, we have 152,700 outstanding options, unvested RSAs and RSUs under our 2008 Equity Incentive Plan.

### Stock Options

The Company expensed \$220,000, \$183,000, and \$352,000, for the years ended December 31, 2021, 2020 and 2019, respectively.

The estimated fair value of the options granted during 2021 and prior years was calculated using the Black-Scholes options pricing model. There were 64,500, 217,500 and 1,500 options granted during 2021, 2020 and 2019, respectively. The options will vest, in equal installments, over a five-year period. The fair value of each stock option granted in 2020, 2019 and 2018, was estimated on the date of grant using the following weighted-average assumptions.



	Year Ended December 31,		
	2021	2020	2019
Dividend yield	3.6%	4.0%	2.4%
Volatility	29.6%	27.1%	23.3%
Risk-free interest rate	0.4%	0.4%	2.5%
Expected life	5.5 years	5.3 years	5.4 years
Weighted average grant date fair value	\$ 3.45	\$ 2.56	\$ 4.35

The expected volatility is solely based on the daily historical stock price volatility over the expected option life. The expected life of options granted is derived from the output of the option valuation model and represents the period of time an optionee will hold an option before exercising it. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury five-year constant maturity yield curve in effect at the time of the grant. In connection with the adoption of ASU 2016-09 in 2017, the Company elected to account for forfeitures as they occur, rather than to estimate forfeitures over the vesting period.

The following table presents option activity under the Company's stock option plans as of and for the year ended December 31, 2021.

	Number of Stock Options Outstanding <i>(In thousands)</i>	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term <i>(In years)</i>	Aggregate Intrinsic Value <i>(In thousands)</i>
Outstanding at January 1, 2021	428	\$ 17.57		
Granted	65	19.95		
Exercised	(68)	18.88		
Forfeited or expired	(11)	18.98		
Outstanding at December 31, 2021	414	\$ 17.98	6.57	\$ 1,492
Vested or expected to vest at December 31, 2021	414	\$ 17.98	6.57	\$ 1,492
Exercisable at December 31, 2021	212	\$ 17.03	4.75	\$ 975

The total intrinsic value of options exercised during the years ended December 31, 2021, 2020 and 2019 was \$262,000, \$144,000 and \$1.3 million, respectively.

As of December 31, 2021, there was a total of \$480,000 in unrecognized compensation cost related to nonvested options granted under the Plan. That cost is expected to be recognized over a weighted-average period of approximately 2.8 years. The total fair value of options vested was \$258,000, \$183,000 and \$520,000 during 2021, 2020 and 2019, respectively. Cash received from stock option exercises was \$1.3 million, \$232,000 and \$2.2 million, in 2021, 2020 and 2019, respectively.

At December 31, 2021, options for the purchase of 414,300 shares of CVB's common stock were outstanding under the above plans, of which options to purchase 212,100 shares were exercisable at prices ranging from \$11.03 to \$24.83.

The Company has a policy of issuing new shares to satisfy share option exercises.

#### **Restricted Stock Awards and Restricted Stock Units**

The Company granted 394,884, 358,464 and 217,000 restricted stock awards during 2021, 2020 and 2019 respectively. The weighted average grant date fair value of RSAs and RSUs granted in 2021, 2020 and 2019 was \$20.43 per share, \$18.20 per share and \$20.76 per share, respectively. These awards will vest, in equal installments, over a period of approximately one to five years.

Compensation cost is recognized over the requisite service period, which is approximately one to five years, and amounted to \$5.0 million, \$5.3 million and \$5.2 million during the years ended December 31, 2021, 2020 and 2019, respectively. Total unrecognized compensation cost related to RSAs and RSUs was \$9.4 million at December 31, 2021.

The table below summarizes activity related to the Company's non-vested RSAs and RSUs for the year ended December 31, 2021.

	<u>Shares</u>	<u>Weighted Average Fair Value</u>
	<i>(In thousands)</i>	
Nonvested at January 1, 2021	491	\$ 19.36
Granted	395	20.43
Vested	(176)	19.51
Forfeited	(47)	21.23
Nonvested at December 31, 2021	<u>663</u>	<u>\$ 19.83</u>

Under the 2018 Equity Incentive Plan, 6,607,285 shares of common stock were available for the granting of future stock-based awards as of December 31, 2021.

## 17. REGULATORY MATTERS

The Company (on a consolidated basis) and the Bank are subject to various regulatory capital requirements administered by the federal banking regulatory agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct, material effect on the Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgment by the regulators about components, risk-weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

The Bank and the Company are required to meet risk-based capital standards under the revised capital framework referred to as Basel III set by their respective regulatory authorities. The risk-based capital standards require the achievement of a minimum total risk-based capital ratio of 8.0%, a Tier 1 risk-based capital ratio of 6.0% and a common equity Tier 1 ("CET1") capital ratio of 4.5%. In addition, the regulatory authorities require the highest rated institutions to maintain a minimum leverage ratio of 4.0%. To be considered "well-capitalized" for bank regulatory purposes, the Bank and the Company are required to have a CET1 capital ratio equal to or greater than 6.5%, a Tier 1 risk-based capital ratio equal to or greater than 8.0%, a total risk-based capital ratio equal to or greater than 10.0% and a Tier 1 leverage ratio equal to or greater than 5.0%.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the table below) of total capital, Tier 1 capital and CET1 capital to risk-weighted assets, and of Tier 1 capital to average assets. Management believes that, as of December 31, 2021 and 2020, the Company and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2021 and 2020, the most recent notifications from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the minimum total risk-based, Tier 1 risk-based, CET1 risk-based, and Tier 1 leverage (tangible Tier 1 capital divided by average total assets) ratios as set forth in the table below must be maintained. There are no conditions or events since said notification that management believes have changed the Bank's category.

As of December 31, 2020, the Company had \$25.8 million of trust-preferred securities, which were included in Tier 1 capital for regulatory purposes, respectively. These securities were redeemed on June 15, 2021.

The following table summarizes regulatory capital amounts and ratios for the Company and the Bank as of December 31, 2021 and 2020.

	Actual		For Capital Adequacy Purposes			To Be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	
<b>As of December 31, 2021:</b>							
Total Capital (to Risk-Weighted Assets)							
Company	\$ 1,479,453	15.63 %	\$ 757,166	≥ 8.00 %			N/A
Bank	\$ 1,436,988	15.18 %	\$ 757,136	≥ 8.00 %	\$ 946,420	≥	10.00 %
Tier 1 Capital (to Risk-Weighted Assets)							
Company	\$ 1,406,434	14.86 %	\$ 567,875	≥ 6.00 %			N/A
Bank	\$ 1,363,879	14.41 %	\$ 567,852	≥ 6.00 %	\$ 757,136	≥	8.00 %
Common equity Tier 1 capital ratio							
Company	\$ 1,406,434	14.86 %	\$ 425,906	≥ 4.50 %			N/A
Bank	\$ 1,363,879	14.41 %	\$ 425,889	≥ 4.50 %	\$ 615,173	≥	6.50 %
Tier 1 Capital (to Average-Assets)							
Company	\$ 1,406,434	9.18 %	\$ 613,072	≥ 4.00 %			N/A
Bank	\$ 1,363,879	8.90 %	\$ 612,983	≥ 4.00 %	\$ 766,229	≥	5.00 %
<b>As of December 31, 2020:</b>							
Total Capital (to Risk-Weighted Assets)							
Company	\$ 1,415,008	16.24 %	\$ 697,258	≥ 8.00 %			N/A
Bank	\$ 1,372,184	15.75 %	\$ 696,849	≥ 8.00 %	\$ 871,061	≥	10.00 %
Tier 1 Capital (to Risk-Weighted Assets)							
Company	\$ 1,312,316	15.06 %	\$ 522,944	≥ 6.00 %			N/A
Bank	\$ 1,269,492	14.57 %	\$ 522,636	≥ 6.00 %	\$ 696,849	≥	8.00 %
Common equity Tier 1 capital ratio							
Company	\$ 1,287,316	14.77 %	\$ 392,208	≥ 4.50 %			N/A
Bank	\$ 1,269,492	14.57 %	\$ 391,977	≥ 4.50 %	\$ 566,189	≥	6.50 %
Tier 1 Capital (to Average-Assets)							
Company	\$ 1,312,316	9.90 %	\$ 530,424	≥ 4.00 %			N/A
Bank	\$ 1,269,492	9.58 %	\$ 530,164	≥ 4.00 %	\$ 662,705	≥	5.00 %

In addition, the California Financial Code limits the amount of dividends a bank can pay without obtaining prior approval from bank regulators. Under this law, the Bank could, as of December 31, 2021, declare and pay additional dividends of approximately \$160.3 million.

## 18. FAIR VALUE INFORMATION

### Fair Value Hierarchy

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The following disclosure provides the fair value information for financial assets and liabilities as of December 31, 2021. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels (Level 1, Level 2 and Level 3).

- *Level 1* — Quoted prices in active markets for identical assets or liabilities in active markets that are accessible at the measurement date.
- *Level 2* — Observable inputs other than Level 1, including quoted prices for similar assets and liabilities in active markets, quoted prices in less active markets, or other observable inputs or model-derived

valuations that can be corroborated by observable market data, either directly or indirectly, for substantially the full term of the financial instrument.

- *Level 3* — Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. These valuation methodologies generally include pricing models, discounted cash flow models, or a determination of fair value that requires significant management judgment or estimation.

### Assets and Liabilities Measured at Fair Value on a Recurring Basis

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis for the dates presented.

	Carrying Value at December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<i>(Dollars in thousands)</i>			
<b>Description of assets</b>				
Investment securities - AFS:				
Mortgage-backed securities	\$ 2,563,214	\$ —	\$ 2,563,214	\$ —
CMO/REMIC	590,158	—	590,158	—
Municipal bonds	29,468	—	29,468	—
Other securities	1,083	—	1,083	—
Total investment securities - AFS	3,183,923	—	3,183,923	—
Interest rate swaps	14,163	—	14,163	—
Total assets	\$ 3,198,086	\$ —	\$ 3,198,086	\$ —
<b>Description of liability</b>				
Interest rate swaps	\$ 14,163	\$ —	\$ 14,163	\$ —
Total liabilities	\$ 14,163	\$ —	\$ 14,163	\$ —
<b>Description of assets</b>				
Investment securities - AFS:				
Mortgage-backed securities	\$ 1,904,935	\$ —	\$ 1,904,935	\$ —
CMO/REMIC	462,814	—	462,814	—
Municipal bonds	30,285	—	30,285	—
Other securities	889	—	889	—
Total investment securities - AFS	2,398,923	—	2,398,923	—
Interest rate swaps	30,181	—	30,181	—
Total assets	\$ 2,429,104	\$ —	\$ 2,429,104	\$ —
<b>Description of liability</b>				
Interest rate swaps	\$ 30,181	\$ —	\$ 30,181	\$ —
Total liabilities	\$ 30,181	\$ —	\$ 30,181	\$ —

**Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis**

We may be required to measure certain assets at fair value on a non-recurring basis in accordance with GAAP. These adjustments to fair value usually result from application of lower of cost or fair value accounting or write-downs of individual assets.

For assets measured at fair value on a non-recurring basis that were held on the balance sheet at December 31, 2021 and 2020, respectively, the following tables provide the level of valuation assumptions used to determine each adjustment and the carrying value of the related assets that had losses during the period.

Description of assets	Carrying Value at December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses For the Year Ended December 31, 2021
	<i>(Dollars in thousands)</i>				
Loans:					
Commercial real estate	\$ —	\$ —	\$ —	\$ —	\$ —
Construction	—	—	—	—	—
SBA	646	—	—	646	255
Commercial and industrial	340	—	—	340	3,275
Dairy & livestock and agribusiness	38	—	—	38	118
Municipal lease finance receivables	—	—	—	—	—
SFR mortgage	—	—	—	—	—
Consumer and other loans	—	—	—	—	11
Other real estate owned	—	—	—	—	—
Asset held-for-sale	—	—	—	—	—
<b>Total assets</b>	<b>\$ 1,024</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,024</b>	<b>\$ 3,659</b>

Description of assets	Carrying Value at December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses For the Year Ended December 31, 2020
	<i>(Dollars in thousands)</i>				
Impaired loans:					
Commercial real estate	\$ —	\$ —	\$ —	\$ —	\$ —
Construction	—	—	—	—	—
SBA	76	—	—	76	24
Commercial and industrial	4,266	—	—	4,266	2,316
Dairy & livestock and agribusiness	—	—	—	—	—
Municipal lease finance receivables	—	—	—	—	—
SFR mortgage	—	—	—	—	—
Consumer and other loans	—	—	—	—	—
Other real estate owned	2,275	—	—	2,275	700
Asset held-for-sale	—	—	—	—	—
<b>Total assets</b>	<b>\$ 6,617</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 6,617</b>	<b>\$ 3,040</b>

## Fair Value of Financial Instruments

The following disclosure presents estimated fair value of our financial instruments. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to develop the estimates of fair value. Accordingly, the estimates presented below are not necessarily indicative of the amounts the Company may realize in a current market exchange as December 31, 2021 and 2020, respectively. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

	<b>December 31, 2021</b>				
	<b>Carrying Amount</b>	<b>Estimated Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
			<i>(Dollars in thousands)</i>		
<b>Assets</b>					
Total cash and cash equivalents	\$ 1,732,548	\$ 1,732,548	\$ —	\$ —	\$ 1,732,548
Interest-earning balances due from depository institutions	25,999	—	25,999	—	25,999
Investment securities available-for-sale	3,183,923	—	3,183,923	—	3,183,923
Investment securities held-to-maturity	1,925,970	—	1,921,693	—	1,921,693
Total loans, net of allowance for credit losses	7,822,694	—	-	7,696,210	7,696,210
Swaps	14,163	—	14,163	—	14,163
<b>Liabilities</b>					
Deposits:					
Interest-bearing	\$ 4,872,386	\$ —	\$ 4,871,531	\$ —	\$ 4,871,531
Borrowings	644,669	—	586,645	—	586,645
Junior subordinated debentures	-	—	-	—	-
Swaps	14,163	—	14,163	—	14,163

	<b>December 31, 2020</b>				
	<b>Carrying Amount</b>	<b>Estimated Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
			<i>(Dollars in thousands)</i>		
<b>Assets</b>					
Total cash and cash equivalents	\$ 1,958,160	\$ 1,958,160	\$ —	\$ —	\$ 1,958,160
Interest-earning balances due from depository institutions	43,563	—	43,600	—	43,600
Investment securities available-for-sale	2,398,923	—	2,398,923	—	2,398,923
Investment securities held-to-maturity	578,626	—	604,223	—	604,223
Total loans, net of allowance for loan losses	8,255,116	—	—	8,256,178	8,256,178
Swaps	30,181	—	30,181	—	30,181
<b>Liabilities</b>					
Deposits:					
Interest-bearing	\$ 4,281,114	\$ —	\$ 4,281,952	\$ —	\$ 4,281,952
Borrowings	444,406	—	444,349	—	444,349
Junior subordinated debentures	25,774	—	—	19,431	19,431
Swaps	30,181	—	30,181	—	30,181

The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2021 and 2020. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and therefore, current estimates of fair value may differ significantly from the amounts presented above.

## 19. 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 December 31, 2021, the Bank has entered into 140 interest-rate swap agreements with customers with a notional amount totaling \$493.2 million. The Bank then entered into identical offsetting swaps with a counterparty. The 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 structure of the swaps is as follows. The Bank enters into an interest rate swap with its customers in which the Bank pays the customer a variable rate and the customer pays the Bank a fixed rate, therefore allowing customers to convert variable rate loans to fixed rate loans. At the same time, the Bank enters into a swap with the counterparty bank in which the Bank pays the counterparty a fixed rate and the counterparty in return pays the Bank a variable rate. The net effect of the transaction allows the Bank to receive interest on the loan from the customer at a variable rate based on LIBOR plus a spread. The changes in the fair value of the swaps primarily offset each other and therefore should not have a significant impact on the Company’s results of operations, although the Company does incur credit and counterparty risk with respect to performance on the swap agreements by the Bank’s customer and counterparty, respectively. As a result of the Bank exceeding \$10 billion in assets, federal regulations required the Bank, beginning in January 2019, to clear most interest rate swaps through a clearing house (“centrally cleared”). These instruments contain language outlining collateral pledging requirements for each counterparty, in which collateral must be posted if market value exceeds certain agreed upon threshold limits. Cash or securities are pledged as collateral. Our interest rate swap derivatives are subject to a master netting arrangement with our counterparties. None of our derivative assets and liabilities are offset in the Company’s consolidated balance sheet.

We believe 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.

### Balance Sheet Classification of Derivative Financial Instruments

As of December 31, 2021 and 2020, the total notional amount of the Company’s swaps was \$493.2 million and \$503.8 million, respectively. The location of the asset and liability, and their respective fair values are summarized in the tables below.

	December 31, 2021			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	<i>(Dollars in thousands)</i>			
Derivatives not designated as hedging instruments:				
Interest rate swaps	Other assets	\$ 14,163	Other liabilities	\$ 14,163
Total derivatives		<u>\$ 14,163</u>		<u>\$ 14,163</u>

	December 31, 2020			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	<i>(Dollars in thousands)</i>			
Derivatives not designated as hedging instruments:				
Interest rate swaps	Other assets	\$ 30,181	Other liabilities	\$ 30,181
Total derivatives		<u>\$ 30,181</u>		<u>\$ 30,181</u>

## The Effect of Derivative Financial Instruments on the Consolidated Statements of Earnings

The following table summarizes the effect of derivative financial instruments on the consolidated statements of earnings for the periods presented.

Derivatives Not Designated as Hedging Instruments	Location of Gain Recognized in Income on Derivative Instruments	Amount of Gain Recognized in Income on Derivative Instruments		
		Year Ended December 31,		
		2021	2020	2019
			(Dollars in thousands)	
Interest rate swaps	Other income	\$ 382	\$ 5,025	\$ 1,806
Total		\$ 382	\$ 5,025	\$ 1,806

## 20. OTHER COMPREHENSIVE INCOME (LOSS)

The tables below provide a summary of the components of OCI for the periods presented.

	Year Ended December 31,								
	2021			2020			2019		
	Before-tax	Tax effect	After-tax	Before-tax	Tax effect	After-tax	Before-tax	Tax effect	After-tax
	(Dollars in thousands)								
Investment securities:									
Net change in fair value recorded in accumulated OCI	\$ (56,075)	\$ 16,578	\$ (39,497)	\$ 32,849	\$ (9,711)	\$ 23,138	\$ 45,486	\$ (13,447)	\$ 32,039
Amortization of unrealized (losses) gains on securities transferred from available-for-sale to held-to-maturity	256	(76)	180	(572)	169	(403)	(1,614)	477	(1,137)
Net realized gain reclassified into earnings (1)	—	—	—	—	—	—	(5)	1	(4)
Net change	\$ (55,819)	\$ 16,502	\$ (39,317)	\$ 32,277	\$ (9,542)	\$ 22,735	\$ 43,867	\$ (12,969)	\$ 30,898

(1) Included in other noninterest income.

## 21. BALANCE SHEET OFFSETTING

Assets and liabilities relating to certain financial instruments, including, derivatives and securities sold under repurchase agreements (“repurchase agreements”), may be eligible for offset in the consolidated balance sheets as permitted under accounting guidance. As noted above, our interest rate swap derivatives are subject to master netting arrangements. Our interest rate swap derivatives require the Company to pledge investment securities as collateral based on certain risk thresholds. Investment securities that have been pledged by the Company to counterparties continue to be reported in the Company’s consolidated balance sheets unless the Company defaults. We offer a repurchase agreement product to our customers, which include master netting agreements that allow for the netting of collateral positions. This product, known as Citizens Sweep Manager, sells certain of our securities overnight to our customers under an agreement to repurchase them the next day. The repurchase agreements are not offset in the Company’s consolidated balances.



	Gross Amounts Recognized in the Condensed Consolidated Balance Sheets	Gross Amounts Offset in the Condensed Consolidated Balance Sheets	Net Amounts Presented in the Condensed Consolidated Balance Sheets	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets		Net Amount
				Financial Instruments	Collateral Pledged	
<i>(Dollars in thousands)</i>						
<b>December 31, 2021</b>						
<b>Financial assets:</b>						
Derivatives not designated as hedging instruments	\$ 14,163	\$ -	\$ -	\$ 14,163	\$ -	\$ 14,163
Total	<u>\$ 14,163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,163</u>	<u>\$ -</u>	<u>\$ 14,163</u>
<b>Financial liabilities:</b>						
Derivatives not designated as hedging instruments	\$ 23,502	\$ (9,339)	\$ 14,163	\$ 9,339	\$ (37,285)	\$ (13,783)
Repurchase agreements	642,388	-	642,388	-	(683,923)	(41,535)
Total	<u>\$ 665,890</u>	<u>\$ (9,339)</u>	<u>\$ 656,551</u>	<u>\$ 9,339</u>	<u>\$ (721,208)</u>	<u>\$ (55,318)</u>
<b>December 31, 2020</b>						
<b>Financial assets:</b>						
Derivatives not designated as hedging instruments	\$ 30,181	\$ -	\$ -	\$ 30,181	\$ -	\$ 30,181
Total	<u>\$ 30,181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,181</u>	<u>\$ -</u>	<u>\$ 30,181</u>
<b>Financial liabilities:</b>						
Derivatives not designated as hedging instruments	\$ 30,434	\$ (253)	\$ 30,181	\$ 253	\$ (63,730)	\$ (33,296)
Repurchase agreements	439,406	-	439,406	-	(483,603)	(44,197)
Total	<u>\$ 469,840</u>	<u>\$ (253)</u>	<u>\$ 469,587</u>	<u>\$ 253</u>	<u>\$ (547,333)</u>	<u>\$ (77,493)</u>

## 22. LEASES

The Company's operating leases, where the Company is a lessee, include real estate, such as office space and banking centers. Lease expense for operating leases is recognized on a straight-line basis over the term of the lease and is reflected in the consolidated statement of earnings. Right-of-use ("ROU") assets and lease liabilities are included in other assets and other liabilities, respectively, on the Company's condensed consolidated balance sheet.

While the Company has, as a lessor, certain equipment finance leases, such leases are not material to the Company's consolidated financial statements.

The tables below present the components of lease costs and supplemental information related to leases as of and for the periods presented.

	December 31,	
	2021	2020
<i>(Dollars in thousands)</i>		
<b>Lease Assets and Liabilities</b>		
ROU assets	\$ 19,274	\$ 19,112
Total lease liabilities	20,864	21,164
<b>Year Ended December 31,</b>		
<b>2021                      2020</b>		
<i>(Dollars in thousands)</i>		
<b>Lease Cost</b>		
Operating lease expense (1)	\$ 6,613	\$ 6,558
Sublease income	—	—
Total lease expense	<u>\$ 6,613</u>	<u>\$ 6,558</u>

(1) Includes short-term leases and variable lease costs, which are immaterial.

## Other Information

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash outflows from operating leases, net	\$	7,081	\$	7,387
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	December 31,	
	2020	2019
<b>Lease Term and Discount Rate</b>		
Weighted average remaining lease term (years)	4.26	4.16
Weighted average discount rate	2.41 %	2.80 %

The Company's lease arrangements that have not yet commenced as of December 31, 2021 and the Company's short-term lease costs and variable lease costs, for the year ended December 31, 2021 are not material to the consolidated financial statements. The future lease payments required for leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2021, excluding property taxes and insurance, are as follows:

	December 31, 2021 (Dollars in thousands)	
<b>Year:</b>		
2022	\$	6,515
2023		4,947
2024		3,795
2025		3,112
2026		2,101
Thereafter		1,438
Total future lease payments		21,908
Less: Imputed interest		(1,044)
Present value of lease liabilities	\$	20,864

## 23. REVENUE RECOGNITION

On January 1, 2018, the Company adopted ASU No. 2014-09 "Revenue from Contracts with Customers (Topic 606)" and all subsequent ASUs that modified Topic 606. As stated in Note 3 – *Summary of Significant Accounting Policies*, the implementation of the new standard did not have a material impact on the measurement or recognition of revenue; as such, a cumulative effect adjustment to opening retained earnings was not deemed necessary. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606.

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain noninterest income streams such as fees associated with mortgage servicing rights, financial guarantees, derivatives, and certain credit card fees are also not in scope of the new guidance. Topic 606 is applicable to noninterest revenue streams such as trust and asset management income, deposit related fees, interchange fees, and merchant income. However, the recognition of these revenue streams did not change significantly upon adoption of Topic 606. Substantially all of the Company's revenue is generated from contracts with customers. Noninterest revenue streams in-scope of Topic 606 are discussed below.

### *Trust and Investment Services*

Trust and asset management income is primarily comprised of fees earned from the management and administration of trusts and customer assets. The Company's performance obligation is generally satisfied over time and the resulting fees are recognized monthly, based upon the monthly market value of the assets under management and the applicable fee rate. Payment is generally received at month end through a direct charge to customers' accounts. The Company does not earn performance-based incentives. Other services related to real estate and tax return preparation services are also provided to existing trust and asset management customers. The Company's performance obligation for these transactional-based services is generally satisfied, and related revenue recognized, at a point in time (i.e., as incurred). Payment is received shortly after services are rendered.

Wealth Management contracts with customers have no clauses that would entitle customers to additional services. Fees are generally earned based on market value of assets under management (AUM) and miscellaneous fees are transaction driven and are charged based on an agreed upon fee schedule. Performance obligation is satisfied upon execution of the

transaction and there is no need to allocate transaction price to the performance obligation(s) in the contract. Wealth Management customers can also terminate the contract at will.

For Investment Services, the fees are earned based on services performed for customers as provided through an affiliated broker-dealer. Fees are earned from gross dealer commission based on trade date. Performance obligation is satisfied upon execution of the transaction and there is no need to allocate transaction price to the performance obligation(s) in the contract.

#### *Deposit-related Fees*

Service charges on deposit accounts consist of account analysis fees earned on analyzed business checking accounts, monthly service fees, and other deposit account related fees. The Company's performance obligation for account analysis fees and monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Other deposit account related fees are largely transactional based, and therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.

#### *Bankcard Services*

The Bank generates revenues from merchant servicing to its clients. A fee schedule is part of the contract and is calculated based on sales of merchants on a monthly basis. There is no future promise or claim to deliver services as merchant fees are based on monthly merchant transactions. The Company's performance obligations are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month. Therefore, the new revenue standard has no impact on revenues generated from bankcard services.

The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the periods presented.

	Year Ended December 31,		
	2021	2020	2019
	<i>(Dollars in thousands)</i>		
<b>Noninterest income:</b>			
<i>In-scope of Topic 606:</i>			
Service charges on deposit accounts	\$ 17,152	\$ 16,561	\$ 20,010
Trust and investment services	11,571	9,978	9,525
Bankcard services	1,789	1,886	3,163
Gain on OREO, net	1,177	388	129
Other	7,007	11,277	9,951
Noninterest Income (in-scope of Topic 606)	38,696	40,090	42,778
Noninterest Income (out-of-scope of Topic 606)	8,689	9,780	16,264
<b>Total noninterest income</b>	<b>\$ 47,385</b>	<b>\$ 49,870</b>	<b>\$ 59,042</b>

#### *Contract Acquisition Costs*

In connection with the adoption of Topic 606, an entity is required to capitalize, and subsequently amortize into expense, certain incremental costs of obtaining a contract with a customer if these costs are expected to be recovered. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, sales commission). The Company utilizes the practical expedient, which allows entities to immediately expense contract acquisition costs when the asset that would have resulted from capitalizing these costs would have been amortized in one year or less.

## 24. CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY

The following tables provide the parent company only condensed balance sheets, condensed statements of earnings and condensed statements of cash flows for the periods presented.

### CVB FINANCIAL CORP. CONDENSED BALANCE SHEETS

	December 31,	
	2021	2020
	<i>(Dollars in thousands)</i>	
<b>Assets</b>		
Investment in subsidiaries	\$ 2,038,948	\$ 1,990,166
Other assets, net	67,998	68,679
Total assets	\$ 2,106,946	\$ 2,058,845
<b>Liabilities</b>		
Stockholders' equity	25,443	50,855
Total liabilities and stockholders' equity	\$ 2,106,946	\$ 2,058,845

**CVB FINANCIAL CORP.  
CONDENSED STATEMENTS OF EARNINGS**

	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<i>(Dollars in thousands)</i>		
Equity in net earnings of subsidiaries	\$ 88,099	\$ (34,936)	\$ 107,185
Dividends from the Bank	129,000	217,000	106,000
Other expense, net	(4,578)	(4,905)	(5,358)
Net earnings	\$ 212,521	\$ 177,159	\$ 207,827

**CVB FINANCIAL CORP.  
CONDENSED STATEMENTS OF CASH FLOWS**

	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<i>(Dollars in thousands)</i>		
<b>Cash Flows from Operating Activities</b>			
Net earnings	\$ 212,521	\$ 177,159	\$ 207,827
Adjustments to reconcile net earnings to cash used in operating activities:			
Earnings of subsidiaries	(217,099)	(182,064)	(213,185)
Tax settlement received from the Bank	7,659	—	1,008
Stock-based compensation	5,183	5,529	5,548
Other operating activities, net	(888)	(2,018)	(2,417)
Total adjustments	(205,145)	(178,553)	(209,046)
Net cash used in operating activities	7,376	(1,394)	(1,219)
<b>Cash Flows from Investing Activities</b>			
Dividends received from the Bank	129,000	217,000	106,000
Net cash provided by investing activities	129,000	217,000	106,000
<b>Cash Flows from Financing Activities</b>			
Repayment of junior subordinated debentures	(25,774)	—	—
Cash dividends on common stock	(97,733)	(98,475)	(95,352)
Proceeds from exercise of stock options	1,277	231	2,215
Repurchase of common stock	(8,337)	(92,772)	(2,640)
Net cash used in financing activities	(130,567)	(191,016)	(95,777)
<b>Net increase in cash and cash equivalents</b>	5,809	24,590	9,004
<b>Cash and cash equivalents, beginning of period</b>	55,644	31,054	22,050
<b>Cash and cash equivalents, end of period</b>	\$ 61,453	\$ 55,644	\$ 31,054

## 25. SUBSEQUENT EVENTS

On January 7, 2022, the Company completed the previously announced merger transaction whereby Suncrest Bank ("Suncrest") merged with and into the Company's wholly-owned subsidiary Citizens Business Bank ("Citizens"), in accordance with the terms and conditions of that certain Agreement and Plan of Reorganization and Merger ("Merger Agreement"), dated as of July 27, 2021, by and among the Company, Citizens and Suncrest, in a stock and cash transaction valued at approximately \$237 million in aggregate, or \$18.63 per Suncrest share based on CVB Financial Corp's closing stock price of \$22.87 on January 7, 2022. Under the terms of the Merger Agreement, the Company issued approximately 8.6 million shares of Company common stock and approximately \$39.6 million in aggregate cash consideration, including cash paid out in settlement of outstanding incentive stock option awards at Suncrest.

Suncrest Bank, headquartered in Visalia, California, had approximately \$1.4 billion in total assets, \$0.8 billion in net loans, \$1.2 billion in total deposits and \$179.0 million in total equity as of December 31, 2021. Tangible book value per share was \$11.16 at December 31, 2021. Suncrest's seven branch locations and two loan production offices in California's Central Valley and the Sacramento area opened as Citizens Business Bank locations on January 10, 2022.

## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors  
CVB Financial Corp.:

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of CVB Financial Corp. and subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of earnings and comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 1, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

### *Change in Accounting Principle*

As discussed in Note 3 and Note 5 to the consolidated financial statements, the Company has changed its method of accounting for the recognition and measurement of credit losses as of January 1, 2020 due to the adoption of ASU No. 2016-13, "*Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*".

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### *Critical Audit Matter*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of the allowance for credit losses for loans evaluated on a collective basis using the Commercial Real Estate methodology.

As discussed in Note 3 and Note 5 to the consolidated financial statements, the Company's total allowance for credit losses as December 31, 2021 was \$65.0 million, a substantial portion of which relates to the allowance for credit losses on loans evaluated on a collective basis using the commercial real estate methodology (commercial ACL). The commercial ACL includes the measure of expected credit losses on a collective basis by pooling those loans that share similar risk characteristics into segments. The commercial ACL methodology includes an estimation framework that uses loss experience of data sets of unique loans to derive lifetime loss rates at the pool level during the average life, inclusive of prepayments. The methodology to estimate the commercial ACL is largely driven by portfolio characteristics, including loss history, original loan-to-value ratios, and macroeconomic variables and the associated

economic outlook. The commercial ACL incorporates a reasonable and supportable forecast of various macroeconomic variables over the remaining average life of the loan. The forecast incorporates an assumption that each macroeconomic variable will revert to a long-term expectation, starting in years 2-3, of the reasonable and supportable forecast period, with the reversion largely completed within the first five years of the forecast. The commercial ACL methodology incorporates unique macroeconomic variables based on risk drivers to the underlying portfolio. The Company reviews current conditions and forecasts to determine whether adjustments are needed to ensure that the life of loan loss rates reflect both the current state of the portfolio, and expectations for macroeconomic changes.

We identified the assessment of the December 31, 2021 commercial ACL as a critical audit matter. A high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgment was involved in the assessment due to significant measurement uncertainty. Specifically, the assessment encompassed the evaluation of the commercial ACL methodology, including the method used to estimate lifetime loss rates and the key assumptions: portfolio segmentation, prepayments, the economic forecast scenarios and their weightings and macroeconomic variables, and the length of the reasonable and supportable forecast period. The assessment also included the evaluation of the adjustments performed to align the life of loan loss rates with the current state of the portfolio. In addition, auditor judgment was required to evaluate the sufficiency of audit evidence obtained.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's measurement of the commercial ACL estimates, including controls over the:

- development of the commercial ACL methodology
- development of the lifetime loss rate methodology
- ongoing monitoring of the lifetime loss rate methodology
- identification and determination of the key assumptions used in the lifetime loss rate methodology
- development of the adjustments performed to align the life of loan loss rates with the current state of the portfolio
- analysis of the commercial ACL results, trends, and ratios.

We evaluated the Company's process to develop the commercial ACL estimate by testing certain sources of data, factors, and assumptions used, and considered the relevance and reliability of such data, factors, and assumptions. In addition, we involved credit risk professionals with specialized skills and knowledge, who assisted in:

- evaluating the commercial ACL methodology for compliance with U.S. generally accepted accounting principles
- evaluating judgments made relative to the development and performance monitoring of the lifetime loss rate methodology, including prepayments, by comparing them to Company-specific metrics and trends and the applicable industry and regulatory guidance
- assessing the conceptual soundness and performance of the lifetime loss rate methodology, including their key assumptions, to determine whether the methodology was suitable for its intended use
- evaluating the weighted economic forecast scenarios and underlying assumptions driving the macroeconomic variable changes, including the determination of the reasonable and supportable forecast period and weightings used by comparing it to the Company's business environment and relevant industry practice
- determining whether the loan portfolio is segmented by similar risk characteristics by comparing to specific portfolio risk characteristics and trends
- evaluating the methodology used to develop the adjustments and the effect of those adjustments on the commercial ACL compared with relevant credit risk factors and consistency with credit trends and identified limitations of the underlying pool level metrics.

We also assessed the sufficiency of audit evidence obtained related to the December 31, 2021 commercial ACL by evaluating the:

- cumulative results of the audit procedures



- qualitative aspects of the Company's accounting practices
- potential bias in the accounting estimates

/s/ KPMG LLP

We have served as the Company's auditor since 2007.

Los Angeles, California  
March 1, 2022

**SEVERANCE COMPENSATION AGREEMENT (SEC EXECUTIVE VICE PRESIDENT)**

This Severance Compensation Agreement (the "Agreement") is entered into as of February 1, 2022 ("Effective Date"), by and between Citizens Business Bank (the "Bank"), and [Insert Name and Job Title] of the Bank (the "Executive").

Whereas, the Bank's Board of Directors has determined that it is appropriate to reinforce and encourage the continued attention and dedication of members of the Bank's senior management, including the Executive, to their assigned duties without distraction in potentially disturbing circumstances arising from the possibility of a Change in Control (as defined herein) of CVB Financial Corp. (the "Company") or the Bank, a wholly owned subsidiary of the Company; and

Whereas, this Agreement sets forth the compensation which the Bank agrees it will pay to the Executive upon a Change in Control and subsequent termination of the Executive's employment or resignation for good reason by the Executive; and

Now, therefore, in consideration of these promises and the mutual covenants and agreements contained herein and to induce the Executive to remain employed by the Bank and to continue to exert Executive's best efforts on behalf of the Bank, the parties agree as follows:

**1. Compensation Upon a Change in Control.**

A. In the event that a Change in Control occurs during the Bank's employment of the Executive and

(i) the Executive's employment is terminated by the Bank or any successor to the Company or the Bank other than for Cause (as defined below), within one hundred and twenty (120) days prior to the completion of such Change of Control or within one (1) year after the completion of such Change in Control; or

(ii) the Executive resigns his or her employment for Good Reason (as defined below) within one (1) year after the completion of such Change in Control;

the Executive shall be paid in aggregate the following (subject to reduction as set forth elsewhere in this Agreement): (i) an amount equal to two (2) times the Executive's annual base compensation for the last calendar year ended immediately preceding the Change in Control, plus (ii) an amount equal to two (2) times the average annual bonus received for the last two calendar years ended immediately preceding the Change in Control, plus (iii) all obligations accrued with respect to employment prior to any such termination pursuant to section 1A(i) or 1A(ii) of this Agreement (such as earned but unused vacation pay) and vested benefits (including but not limited to any awards of stock options or restricted stock under any Bank or Company equity incentive plan as determined in accordance with the terms of such equity incentive plan). The Bank shall pay such amounts and/or provide such vested benefits, less applicable withholdings, employment and payroll taxes (which taxes shall be paid upon termination or

resignation of the Executive's employment or at the time payments are made hereunder, as required by law), in twenty-four (24) equal monthly installments (without interest or other adjustment) on the first day of each month commencing with the first such date that is at least six (6) months after the date of the Executive's "separation from service" (as such term is defined for purposes of Section 409A of the Internal Revenue Code pursuant to Treasury Regulations and other guidance promulgated thereunder) and continuing for twenty-three (23) successive months thereafter. This payment schedule is intended to comply with the requirements of Section 409A of the Internal Revenue Code and shall be interpreted consistently therewith.

B. If Executive's employment by the Bank or any successor to the Company or the Bank shall be terminated, or Executive shall resign for Good Reason, in either case as provided in section 1.A(i) or 1.A(ii) above of this Agreement, then the Bank or any successor to the Company or the Bank (as applicable) shall pay Executive, in addition to the other payments and benefits provided under this Agreement, a lump sum amount (adjusted for any applicable payroll and other taxes due) equal to twenty-four (24) months of the cost of the equivalent medical and dental plan coverage available under the health care continuation rules of the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), to the extent that Executive or any of Executive's dependents may be covered under the terms of any medical and dental plans of the Bank or any successor to the Company or the Bank (as applicable) for active employees immediately prior to any such termination or resignation.

C. The Executive may designate in writing (on a form provided by the Bank and delivered by the Executive to the Bank before Executive's death, substantially in the form attached to this Agreement), primary and contingent beneficiaries to receive the balance of any payments or vested or accrued benefits under Sections 1.A and 1.B that are not made prior to the Executive's death and the proportions in which such beneficiaries are to receive such payment. The total amount of the balance of such payment or the sum of such benefits shall be paid or transferred to such beneficiaries in a single unreduced lump sum payment or transfer made within ninety (90) days following the Executive's death. The Executive may change beneficiary designations from time to time by completing and delivering additional such forms to the Bank. The last written beneficiary designation on such form delivered by the Executive to the Bank prior to the Executive's death will control. If the Executive fails to designate a beneficiary in such manner, or if no designated beneficiary survives the Executive, then Executive's payment balance shall be paid to the Executive's estate in an unreduced lump sum payment or vested benefit transfer within ninety (90) days following the Executive's death.

## **2. Definitions.**

A. Change in Control. For purposes of this Agreement, a "Change in Control" shall deemed to have occurred if:

- (i) any one person, or more than one person acting as a group, acquires (or has acquired during the 12 month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company or the Bank possessing more than 50% of the total voting power of the Company's or the Bank's stock;

(ii) a majority of the members of the Company's Board of Directors is replaced during any twelve (12) month period by directors whose appointment for election is not endorsed by a majority of the members of the Company's Board of Directors prior to the date of the appointment or election;

(iii) a merger or consolidation where the holders of the Bank's or the Company's voting stock immediately prior to the effective date of such merger or consolidation own less than 50% of the voting stock of the entity surviving such merger or consolidation;

(iv) any one person, or more than one person acting as a group, acquired (or has acquired during the twelve month period ending on the date of the most recent acquisition by such person or persons) assets from the Bank that have a total gross fair market value greater than 50% of the total gross fair market value of all of the Bank's assets immediately before the acquisition or acquisitions; provided, however, transfer of assets which otherwise would satisfy the requirements of this subsection (iv) will not be treated as a Change in Control if the assets are transferred to:

(a) a shareholder of the Bank (immediately before the asset transfer) in exchange for or with respect to its stock;

(b) an entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company or the Bank;

(c) a person, or more than one person acting as a group, that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding stock of the Company or the Bank; or

(d) an entity, at least 50% of the total value or voting power is owned, directly or indirectly by a person, or more than one person acting as a group, that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding stock of the Bank.

Each event comprising a Change in Control is intended to constitute a "change in ownership or effective control", or a "change in the ownership of a substantial portion of the assets," of the Company or the Bank as such terms are defined for purposes of Section 409A of the Internal Revenue Code and "Change in Control" as used herein shall be interpreted consistently therewith.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur as a result of any transaction which principally undertaken to change the jurisdiction of incorporation of the Company or the Bank.

B. "Good Reason" shall mean, for purposes of this Agreement:

(i) Executive's then current level of annual base salary is reduced without Executive's written consent;

(ii) there is an (relative to Executive's annual base salary) overall reduction in the employee benefits provided to Executive (including, without limitation, medical, dental,

life and health insurance and incentive bonus opportunity) from the plans in effect immediately prior to the Change in Control;

(iii) Executive suffers a diminution in his or her title, authority, duties or responsibilities;

(iv) Any of Executive's salary payments, bonus payments and/or stock option grants are not made or provided timely and in accordance either with the Executive's Employment Agreement or applicable law;

(v) the relocation of the location to which Executive is required to report to a location more than fifty (50) miles from the Executive's work location at the time immediately preceding a change in control;

(vi) the Bank or any successor to the Bank either fails to assume or communicates that it intends to refuse to assume any part of this Agreement, including all of the Bank's or its successor's obligations as set forth herein, except as otherwise required by law or regulation; or

(vii) any material breach of this Agreement by the Bank or its successor.

C. Cause. For purposes of this Agreement, the Bank shall have "Cause" to terminate the Executive's employment and shall not be obligated to make any payments hereunder or otherwise in the event the Executive has:

(i) committed a significant act of dishonesty, deceit or breach of fiduciary duty in the performance of Executive's duties as an employee of the Bank;

(ii) grossly neglected or willfully failed in any way to perform substantially the duties of such employment; or

(iii) acted or failed to act in any other way that reflects materially and adversely on the Bank.

In the event of a termination of Executive's employment by the Bank for Cause, the Bank shall deliver to Executive at the time the Executive is notified of the termination of his employment a written statement setting forth in reasonable detail the facts and circumstances claimed by the Bank to provide a basis for the termination of the Executive's employment for Cause.

D. Person. For purposes of this Agreement, "person" shall mean any individual, corporation, limited liability company, trust, partnership or any other form of entity.

### **3. Term.**

This agreement shall terminate, except to the extent that any obligation of the Bank hereunder remains unpaid as of such time, upon the earliest of the following (the "Term"):

(i) the termination or resignation of the Executive's employment from the Bank for any reason (unless a Change in Control has occurred and the Executive either has been terminated within one hundred and twenty (120) prior to such Change in Control or one (1) year after such Change in Control or has resigned for Good Reason within one (1) year after such Change in Control, and with otherwise be titled to the payments set forth in Section 1 above);

(ii) March 15, 2025, if a Change in Control has not occurred during such period;

(iii) the termination of Executive's employment from the Bank for Cause whether or not within one hundred and twenty (120) days prior to a Change in Control or within one (1) year after a Change in Control;

(iv) one (1) year after a Change in Control if Executive is still employed with the Bank or its successor; or

(v) after a Change in Control upon satisfaction of all of the Bank's obligations hereunder.

#### **4. No Obligation to Mitigate Damages; No Effect on Other Contractual Rights.**

A. The Executive shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by the Executive as the result of employment by another employer after the effective date of termination or resignation, or otherwise, by his or her engagement as a consultant or his conduct of any other business activities.

B. The provisions of this Agreement, and any payment provided for hereunder, shall not reduce any amounts otherwise payable, or in any way diminish the Executive's existing rights, or rights which would accrue solely as a result of the passage of time, under any employment agreement or other plan, arrangement or deferred compensation agreement, except as set forth in Sections 9 or 10 below or as otherwise agreed to in writing by the Bank and the Executive.

#### **5. Successor to the Bank.**

A. The Bank will require any successor or assign (whether direct or indirect by purchase or otherwise) to all or substantially all of the business and/or assets of the Bank, by written agreement with the Executive, to assume and agree to perform this Agreement in full. As used in this Agreement, "Bank" shall mean the Bank as herein before defined and any successor or assign to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Section 5 or which otherwise becomes bound by all the terms and provisions of this Agreement by operations of law. Notwithstanding the assumption of this Agreement by a successor or assign of the Bank, if a Change in Control (as defined in Section 2.A above) has occurred, the Executive shall have and be entitled from such successor to all rights under Section 1 of this Agreement.

B. If the Executive should die while any amounts are still payable or benefits are still transferable to the Executive hereunder, all such amounts shall be paid or benefits transferred in accordance with the terms of Section 1.C of this Agreement to the Executive's designated beneficiary(ies) or, if there are no such designated beneficiary(ies), to the Executive's estate. This Agreement shall, therefore, inure to the benefit of and be enforceable by the Executive's designated beneficiaries, personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

**6. Confidentiality and Non-Solicitation.**

(A) During the Executive's employment with the Bank, the Executive has had access to and has become acquainted with, and, following the Effective Date, will continue to have access to and to become acquainted with, what the Executive and the Bank acknowledge are trade secrets and other confidential and proprietary information of the Bank, including but not limited to, knowledge or data concerning the Bank, its operations and business, the identity of customers of the Bank, including knowledge of their financial conditions or their financial needs, as well as their methods of doing business, pricing information for the purchase or sale of assets, financing and securitization arrangements, research materials, manuals, computer programs, formulas for analyzing asset portfolios, marketing plans and tactics, Bank employee, salary and wage information, and other business information (collectively and hereinafter "Confidential Information"). The Executive acknowledges that all Confidential Information is and shall continue to be the exclusive property of the Bank, whether or not prepared in whole or in part by the Executive. The Executive shall not disclose any of the aforesaid Confidential Information, directly or indirectly, under any circumstances or by any means, to third persons without the prior written consent of the Bank, or use it in any way, except as required in the course of the Executive's employment with the Bank.

(B) The Executive agrees that all inventions, discoveries, improvements, trade secrets, formulae, techniques, processes, and know-how, whether or not patentable, and whether or not reduced to practice, that are conceived or developed during the Executive's employment with the Bank, either alone or jointly with others, if on the Bank's time, using the Bank's facilities, relating to the Bank or to the banking industry shall be owned exclusively by the Bank, and the Executive hereby assigns to the Bank all of the Executive's right, title and interest in all such intellectual property. The Executive agrees that the Bank shall be the sole owner of all domestic and foreign patents or other rights pertaining thereto, and further agrees to execute all documents that the Bank reasonably determines to be necessary or convenient for use in applying for, prosecuting, perfecting, or enforcing patents or other intellectual property rights, including the execution of any assignments, patent applications, or other documents that the Bank may reasonable request. This provision is intended to be applied consistent with applicable law.

(C) The Executive understands that the Bank is hereby advising the Executive that any provision in this Agreement requiring the Executive to assign rights in any invention does not apply to an invention that qualifies fully under the provisions of Section 2870 of the California Labor Code. That Section provides as follows:

"(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information, except for those inventions that either:

- (1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or
- (2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of the state and is unenforceable."

By signing this Agreement, the Executive acknowledges that this paragraph shall constitute written notice of the provisions in Section 2870.

(D) The Executive agrees that, (i) for the one (1) year period following termination of the Executive's employment with the Bank, the Executive shall not use the Bank's Confidential Information to solicit the banking business of any customer with whom the Bank or the Company is doing or has done business preceding such termination, use such Confidential Information to encourage any such customers to stop using the facilities or services of the Bank, or use such Confidential Information to encourage any such customers to use the facilities or services of any competitor of the Bank; and (ii) for a one (1) year period following the termination of the Executive's employment with the Bank for any reason, including a Change in Control, not to solicit the services of any officer, employee or independent contractor of the Bank.

The covenants contained in this Section 6 shall be considered as a series of separate covenants, one for each political subdivision of California, and one for each entity or individual with respect to whom solicitation is prohibited. Except as provided in the previous sentence, each such separate covenant shall be deemed identical in terms to the covenant contained in this Section 6. If in any arbitration or judicial proceeding an arbitrator or a court refuses to enforce any of such separate covenants (or any part thereof), then such unenforceable covenant (or such part) shall be eliminated from this Agreement to the extent necessary to permit the remaining separate covenants (or portions thereof) to be enforced. In the event that a provision of this Section 6 or any such separate covenant or portion thereof, is determined to exceed the time, geographic or scope limitations permitted by applicable law, then such provision shall be reformed to the maximum time, geographic or scope limitations, as the case may be, permitted by applicable law. The Executive hereby consents, to the extent the Executive may lawfully do so, to the arbitral or judicial modification of this Agreement as described in this Section 6.

## **7. Release.**



As a condition to the Executive's receiving any payments pursuant to Section 1 of this Agreement, the Executive must sign and deliver, and not thereafter revoke, a general waiver and release to the Company and the Bank, not later than forty-five (45) days following the date of termination of employment, in form and substance acceptable to the Company and the Bank, releasing and holding harmless the Company, the Bank, their respective employees, officers, directors, shareholders and agents, and each person who controls any of them within the meaning of Section 15 of the Securities Act of 1933, as amended, from any and all claims of any kind or nature, whether known or unknown (other than claims with respect to payments pursuant to Section 1 of this Agreement, payments of vested benefits or accrued obligations under any employee benefit plan or equity incentive plan of the Bank or the Company, or valid claims for indemnification), from the beginning of time to the date of termination.

#### **8. Legal Fees and Expenses.**

In the event of any judicial or non-judicial proceeding (including arbitration) of any dispute between the Bank and the Executive concerning the validity, enforceability, interpretation or enforcement of this Agreement, the party that does not prevail in such dispute shall pay to the prevailing party all legal fees and expenses which the prevailing party may incur as a result of such proceeding.

#### **9. Limitation on Payments.**

Notwithstanding anything contained herein to the contrary, in no event shall the total compensation paid out upon the departure of the Executive be in excess of that considered by either the FDIC or the California Department of Financial Protection and Innovation to be safe and sound at the time of such payment, taking into consideration all applicable laws, regulations, or other regulatory guidance. Any payments made to the Executive, pursuant to this Agreement or otherwise, are subject to and conditioned upon compliance with all applicable banking regulations, including, but not limited to, 12 U.S.C. Section 1828(k) and any regulations promulgated thereunder. The Executive agrees that should any payments that are made or benefits that are provided pursuant to this Agreement be considered unsafe or unsound or otherwise prohibited by applicable law, regulation or regulatory order, the Executive agrees that he/she shall return or otherwise reimburse the Company for the amount of such prohibited payments or benefits to the maximum extent required by such law, regulation or regulatory order. Without limiting the foregoing, the Executive agrees to promptly comply with any applicable rule or regulation which requires the return or reimbursement to the Company of any payments, benefits or other compensation, including, but not limited to, return or reimbursement in connection with any incentive compensation previously paid prior to the issuance of a financial restatement or defalcation, as required under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Sarbanes-Oxley Act of 2002, any regulations promulgated by any self-regulatory organization on which the Company's common stock may then be listed, and/or any compensation "claw-back" policy previously adopted by the Company or the Bank.

Notwithstanding any other provisions of this Agreement, if the Company's principal tax advisor determines that the total amounts payable pursuant to this Agreement, together with other payments to which the Executive is entitled, would constitute an "excess parachute payment" (as

defined in Section 280G of the Internal Revenue Code), as amended, then the total payment under section 1.A above (and proportionally each monthly installment thereof) shall be reduced to the largest amount which may be paid without any portion of such amount being subject to the excise tax imposed by Section 4999 of the Internal Revenue Code.

#### **10. Regulatory Provisions.**

(a) Suspension and Removal Orders. If the Executive is suspended and/or temporarily prohibited from participating in the conduct of the Bank's affairs by notice served under Section 8(e)(3) or 8(g)(1) of the Federal Deposit Insurance Act (12 U.S.C. Section 1818(e)(3) and (g)(1)), the Bank's obligations under this Agreement shall be suspended as of the date of any such service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Bank shall (to the fullest extent permitted by law): (i) pay the Executive any compensation withheld while its obligations under this Agreement were suspended, as though the Executive was never suspended; and (ii) reinstate (in whole or in part) any of its obligations under this Agreement which were suspended. If the Executive is removed and/or permanently prohibited from participating in the conduct of the Bank's affairs by an order issued under Section 8(e)(3) or 8(g)(1) of the Federal Deposit Insurance Act (12 U.S.C. Section 1818(e)(3) or (g)(1)), all obligations of the Bank under this Agreement shall terminate as of the effective date of the order, but any vested rights of the Executive shall not be affected.

(b) Termination by Default. If the Bank is in default (as defined in Section 3(x)(1) of the Federal Deposit Insurance Act (12 U.S.C. Section 1813(x)(1))), all obligations under this Agreement shall terminate as of the date of default, but any vested rights of the (Insert Job Title) shall not be affected.

#### **11. Notice.**

For purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid as follows:

If the Bank:           Citizens Business Bank  
                              701 N. Haven Avenue, Suite 350  
                              Ontario, California 91764  
                              Attention: David A. Brager, CEO

If to the Executive: At the address below his signature or such other address as either party may have been furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

#### **12. Arbitration.**

Any dispute or controversy arising out of or relating to any interpretation, construction, performance, termination or breach of this Agreement, will be governed by the Federal Arbitration

Act, 9 U.S.C §§ 1 et seq. and will be settled by final binding arbitration by a single arbitrator to be held in Ontario, California, in accordance with the JAMS rules for resolution of employment disputes then In effect, except as provided herein. The rules can be found online at <http://www.jamsadr.com/rules-employment-arbitration/#one>. The arbitrator selected shall have the authority to grant any party all remedies otherwise available by law, including injunctions, but shall not have the power to grant any remedy that would not be available in a state or federal court in California. The arbitrator shall make a good faith effort to apply the substantive law (and the law of remedies, if applicable) of the state of California, or federal law, or both, as applicable, without reference to its conflicts of laws provisions, but an arbitration decision shall not be subject to review because of errors of law. The arbitrator is without jurisdiction to apply any different substantive law. The arbitrator shall have the authority to hear and rule on dispositive motions (such as motions for summary adjudication or summary judgment). The arbitrator shall have the powers granted by California law and the rules of JAMS which conducts the arbitration, except as modified or limited herein. Notwithstanding anything to the contrary in the rules of JAMS, the arbitration shall provide (i) for written discovery and depositions as provided under California law, and (ii) for a written decision by the arbitrator that includes the essential findings and conclusions upon which the decision is based which shall be issued no later than thirty (30) days after a dispositive motion is heard and/or an arbitration hearing has completed. The Bank shall pay all fees and administrative costs charged by the arbitrator and JAMS. The Executive and the Bank shall have the same amount of time to file any claim against any other party as such party would have if such a claim had been filed in state or federal court. In conducting the arbitration, the arbitrator shall follow the rules of evidence of the State of California {Including but not limited to all applicable privileges}, and the award of the arbitrator must follow California and/or federal law, as applicable. The arbitrator shall be selected by the mutual agreement of the parties. If the parties cannot agree on an arbitrator, the parties shall alternately strike names from a list provided by JAMS until only one name remains. The decision of the arbitrator will be final, conclusive, and binding on the parties to the arbitration. The prevailing party in the arbitration, as determined by the arbitrator, shall be entitled to recover his/her or its reasonable attorneys; fees and costs, including the costs or fees charged by the arbitrator and JAMS to the extent allowed by law. Judgment may be entered on the arbitrator's decision in any court having jurisdiction.

### **13. Validity.**

The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

### **14. Counterparts.**

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

### **15. Miscellaneous.**

No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Bank. No waiver

by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior to subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without reference to its conflicts of laws principles. Upon execution hereof, this Agreement shall amend and restate and supersede, in its entirety, any prior agreement between the Company and/or the Bank, on the one hand, and the Executive, on the other hand, that provides similar rights and benefits to the Executive as this Agreement.

**IN WITNESS WHEREOF**, the parties have executed this Agreement as of the Effective Date.

**Citizens Business Bank**

**By:** \_\_\_\_\_  
David A. Brager  
Chief Executive Officer

Address: Citizens Business Bank  
Attn: Director of Human Resources  
701 N. Haven Avenue  
Ontario, California 91764

**Executive**

**By:** \_\_\_\_\_  
(Insert Name)  
(Insert Job Title)

Address: \_\_\_\_\_  
\_\_\_\_\_

*Subsidiaries of the Registrant*

<u>Name</u>	<u>Jurisdiction of Incorporation</u>
Citizens Business Bank	California
Chino Valley Bancorp (Inactive)	California

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**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the registration statements (No. 333-151755, 333-150017, 333-150016, and 333-225173) on Form S-8 of CVB Financial Corp. (the Company) of our reports dated March 1, 2022, with respect to the consolidated financial statements of CVB Financial Corp. and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Los Angeles, California

March 1, 2022

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**CERTIFICATION**

I, David A. Brager, certify that:

1. I have reviewed this Annual Report on Form 10-K of CVB Financial Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2022

By: /s/ David A. Brager  
David A. Brager  
President and Chief Executive Officer

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**CERTIFICATION**

I, E. Allen Nicholson, certify that:

1. I have reviewed this Annual Report on Form 10-K of CVB Financial Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2022

By: /s/ E. Allen Nicholson  
E. Allen Nicholson  
Chief Financial Officer

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**CERTIFICATION**

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of CVB Financial Corp. (the "Company") on Form 10-K for the fiscal year ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David A. Brager, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2022

By: /s/ David A. Brager  
David A. Brager  
President and Chief Executive Officer

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**CERTIFICATION**

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of CVB Financial Corp. (the "Company") on Form 10-K for the fiscal year ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, E. Allen Nicholson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2022

By: /s/ E. Allen Nicholson  
E. Allen Nicholson  
Chief Financial Officer

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