BBCN BANCORP INC
Form 10-K/A
April 20, 2016
Table of Contents

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

FORM 10-K/A
Amendment No. 1

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

For the fiscal year ended December 31, 2015

Commission File # 000-50245

BBCN BANCORP, INC.
(Exact name of registrant as specified in its charter)

Delaware	95-4849715
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3731 Wilshire Boulevard
Suite 1000
Los Angeles, California 90010
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (213) 639-1700
Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Exchange on Which Registered
Common Stock, par value $0.001 per share	NASDAQ Global Select Market

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 x No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x
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 x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). x Yes o No

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

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

Table of Contents

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller Reporting Company o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x
The aggregate market value of the Common Stock held by non-affiliates of the Registrant based upon the closing sale price of the Common Stock as of the last business day of the Registrant’s most recently completed second fiscal quarter, June 30, 2015, as reported on the NASDAQ Global Select Market, was approximately $1,176,550,460.
Number of shares outstanding of the Registrant’s Common Stock as of February 22, 2016: 79,566,356
Documents Incorporated by Reference: The information required in Part III, Items 10 through 14 are incorporated herein by reference to the registrant’s definitive proxy statement for the 2016 annual meeting of stockholders which will be filed with the Securities and Exchange Commission within 120 days of the registrant’s fiscal year end.

Table of Contents

Table of Contents

Explanatory Note

This Amendment No. 1 on Form 10-K/A (this “Amendment”) amends BBCN Bancorp, Inc.’s Annual Report on Form 10-K (the “Original Annual Report”) for the year ended December 31, 2015, which was originally filed by BBCN Bancorp, Inc. with the Securities and Exchange Commission (the “SEC”) on March 4, 2016. This Amendment is filed in response to a comment letter received from the SEC (the “SEC Comment Letter”) in connection with its review of BBCN Bancorp, Inc.’s registration statement on Form S-4. Pursuant to the SEC Comment Letter, changes and revisions have been made to the following items: (i) Item 6 (Selected Financials) has been revised to include asset quality ratios for BBCN Bancorp, Inc.’s legacy and acquired loans (see page 32 of this Amendment); (ii) the loan information included in the tables on pages 46 and 51 of Item 7 (Management’s Discussion and Analysis of Financial Condition and Results of Operations) of the Original Annual Report has been revised to provide information on BBCN Bancorp’s legacy loans and acquired loans separately (see pages 49 and 55 of this Amendment); and (iii) Note 14 of the Consolidated Financial Statements has been revised to include the disclosure requirements of ASC 820-10-50-2.bbb (see page F-53 of this Amendment). These revised items are filed herewith in this amended report in their entirety.

Except as described above, no attempt has been made in this Amendment to modify or update other disclosures presented in the Original Annual Report. The disclosures in this Amendment continue to speak as of the date of the Original Annual Report, and do not reflect events occurring after the filing of the Original Annual Report. Accordingly, this Amendment should be read in conjunction with our other filings made with the SEC subsequent to the filing of the Original Annual Report and any other amendments to those filings. The filing of this Amendment shall not be deemed to be an admission that the Original Annual Report, when made, included any untrue statement of a material fact or omitted to state a material fact necessary to make a statement not misleading.

Table of Contents

PART I

Forward-Looking Information

Certain statements in this Annual Report on Form 10-K constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements relate to, among other things, expectations regarding the business environment in which we operate, projections of future performance, perceived opportunities in the market and statements regarding our pending merger with Wilshire Bancorp, Inc., and our business strategies, objectives and vision. Forward-looking statements include, but are not limited to, statements preceded by, followed by or that include the words “will,” “believes,” “expects,” “anticipates,” “intends,” “plans,” “estimates,” or similar expressions. With respect to any such forward-looking statements BBCN Bancorp, Inc. claims the protection provided for in the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties. Our actual results, performance or achievements may differ significantly from the results, performance or achievements expressed or implied in any forward-looking statements. The risks and uncertainties include: inability to consummate our proposed merger with Wilshire on the terms we have proposed; failure to realize the benefits from the merger with Wilshire we currently expect if the merger is consummated; deterioration in economic conditions in our areas of operation; interest rate risk associated with volatile interest rates and related asset-liability matching risk; liquidity risks; risk of significant non-earning assets, and net credit losses that could occur, particularly in times of weak economic conditions or times of rising interest rates; and regulatory risks associated with current and future regulations. For a more detailed discussion of factors that might cause such a difference, see Item 1A, “Risk Factors” herein. BBCN Bancorp, Inc. does not undertake, and specifically disclaims any obligation, to update any forward looking statements to reflect the occurrence of events or circumstances after the date of such statements except as required by law.

Item 1. BUSINESS

General

BBCN Bancorp, Inc. (“BBCN Bancorp” on a parent-only basis, and the “Company,” “we” or “our” on a consolidated basis) is a bank holding company headquartered in Los Angeles, California. We offer commercial and retail banking loan and deposit products through our wholly owned subsidiary, BBCN Bank, a California state-chartered bank (the “Bank” or “BBCN Bank”). BBCN Bank primarily focuses its business in Korean communities in California, New Jersey, and the New York City, Chicago, Seattle and Washington, D.C. metropolitan areas. Our headquarters are located at 3731 Wilshire Boulevard, Suite 1000, Los Angeles, California 90010, and our telephone number at that address is (213) 639-1700.

BBCN Bancorp exists primarily for the purpose of holding the stock of the Bank and of such other subsidiaries as it may acquire or establish. BBCN Bank’s deposits are insured by the Federal Deposit Insurance Corporation (the “FDIC”), up to applicable limits.

We file reports with the Securities and Exchange Commission (the “SEC”), which include annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as proxy statements and information statements in connection with our stockholders meetings and other information. The public may read and copy any materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC, 20549. The SEC maintains a website that contains the reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The address of the site is http://www.sec.gov. Our website address is http://www.bbcnbank.com. Electronic copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and other information and reports we file with the SEC and amendments to those reports, are available free of charge by visiting the Investor Relations section of our website. These reports are generally posted as soon as reasonably practicable after they are electronically filed with the SEC. None of the information on or hyperlinked from the Company’s website is incorporated into this Annual Report on Form 10-K.

Pending Merger Transaction

On December 7, 2015 we announced the signing of a definitive agreement and plan of merger (the “Merger Agreement”) with Wilshire Bancorp, Inc. (“Wilshire”) pursuant to which Wilshire will merge (the “merger”) with and into BBCN Bancorp with BBCN Bancorp as the surviving corporation. As part of the merger, Wilshire Bank, a wholly-owned subsidiary of Wilshire, will merge with and into the Bank. Under the terms of the Merger Agreement, Wilshire shareholders will receive a fixed exchange ratio of 0.7034 of a share of our common stock in exchange for each share of Wilshire common stock they own in a 100% stock-for-stock transaction. Based on the closing price of our common stock on February 22, 2015, this represents a value of $10.10 per share of Wilshire common stock and an overall transaction value of approximately $794 million. If the

5

Table of Contents

merger is consummated, our shareholders will own approximately 59% of the combined entity and Wilshire shareholders will ownapproximately 41% of the combined entity.

As of December 31, 2015, on a pro forma consolidated basis, the combined company would have had approximately $13 billion in assets with 85 branches throughout California, New York, New Jersey, Washington, Georgia, Alabama, Illinois and Texas.

The Merger Agreement contains customary representations and warranties, and each party has agreed to customary covenants, including, among others, covenants relating to the conduct of its business during the interim period between execution of the Merger Agreement and the closing time. In addition, the consummation of the Merger Agreement is subject to customary conditions, including approval by our and Wilshire's shareholders and the receipt of requisite regulatory approvals. We currently expect to close the merger in mid-2016 subject to satisfaction of the conditions set forth in the Merger Agreement.

Additional Information and Where to Find It

In connection with the proposed Merger, we will file with the SEC a Registration Statement on Form S-4 that will include a Joint Proxy Statement/Prospectus of Wilshire and us as well as other relevant documents concerning the proposed transaction. Shareholders are urged to read the Registration Statement and the Joint Proxy Statement/Prospectus regarding the merger when it becomes available and any other relevant documents filed with the Securities and Exchange Commission ("SEC"), as well as any amendments or supplements to those documents, because they will contain important information. You will be able to obtain a free copy of the Joint Proxy Statement/Prospectus, as well as other filings containing information about BBCN Bancorp and Wilshire at the SEC's Internet site (www.sec.gov). You will also be able to obtain these documents, free of charge, from BBCN Bancorp at www.BBCNbank.com in the "Investor Relations" section under the "About" tab.

Participants in Solicitation

BBCN Bancorp, Wilshire and their respective directors, executive officers, management and employees may be deemed to be participants in the solicitation of proxies in respect of the merger. Information concerning BBCN Bancorp's participants is set forth in the proxy statement, dated May 1, 2015, and supplemental proxy materials, dated May 20, 2015, for BBCN Bancorp's 2015 annual meeting of stockholders, as filed with the SEC on Schedules 14A. Information concerning Wilshire's participants is set forth in the proxy statement, dated April 9, 2015, for Wilshire 2015 annual meeting of stockholders as filed with the SEC on Schedule 14A. Additional information regarding the interests of participants of BBCN Bancorp and Wilshire in the solicitation of proxies in respect of the merger will be included in the registration statement and joint proxy statement/prospectus to be filed with the SEC.

Business Overview

Our principal business activities are conducted through the Bank and primarily consist of earning interest on loans and investment securities that are funded by customer deposits and other borrowings. Operating revenues consist of the difference between interest received and interest paid, gains and losses on the sale of financial assets and fees earned for financial services provided. Interest rates are highly sensitive to many factors that are beyond our control, such as general economic conditions, new legislation affecting the banking industry and the policies of various governmental and regulatory authorities. Although our business may vary with local and national economic conditions, such variations are not generally seasonal in nature.

Through our current network of 50 branches and eight loan production offices, we offer core business banking products for small and medium-sized businesses and individuals. We accept deposits and originate a variety of loans, including commercial business loans, commercial real estate loans, trade finance loans, Small Business Administration ("SBA") loans, auto loans, single-family mortgages, and credit cards. We offer cash management services to our business customers, which include remote deposit capture, lock box and ACH origination services. We offer comprehensive investment and wealth management services to high-net-worth clients. We also offer a mobile banking application for smartphones that extends convenient banking services, such as mobile deposits and bill payment, into the hands of customers at all times. To better meet our customers' needs, our mini-market branches generally offer extended hours from 9 a.m. to 6 p.m. Most of our branches operate 24-hour automated teller machines ("ATMs"). We also offer debit card services with a rewards program to all customers. Our banking officers focus on

customers to better support their banking needs. In addition, most of our branches offer travelers' checks, safe deposit boxes and other customary bank services. Our website at www.bbcnbank.com offers internet banking services and applications in both English and Korean.
Lending Activities
Commercial Business Loans
We provide commercial loans to businesses for various purposes such as for working capital, purchasing inventory, debt refinancing, business acquisitions and other business related financing needs. Commercial loans are typically classified as (1) short-term loans (or lines of credit) or (2) long-term loans (or term loans to businesses). Short-term loans are often used to

Table of Contents

finance current assets such as inventory and accounts receivable and typically have terms of one year with interest paid monthly on the outstanding balance and the principal balance due at maturity. Long-term loans typically have terms of 5 to 7 years with principal and interest paid monthly. The credit worthiness of our borrowers is determined before a loan is originated and is periodically reviewed to ascertain whether credit quality changes have occurred. Commercial business loans are typically collateralized by the borrower's business assets and/or real estate.

Our commercial business loan portfolio includes trade finance loans from our Corporate Banking Center, which generally serves businesses involved in international trade activities. These loans are typically collateralized by business assets and are used to meet the short-term working capital needs (accounts receivable and inventory financing) of our borrowers. Our International Operations Department issues and advises on letters of credit for export and import businesses. The underwriting procedure for this type of credit is the same as for commercial business loans. We offer the following types of letters of credit to customers:

- Commercial: An undertaking by the issuing bank to pay for a commercial transaction.
- Standby: An undertaking by the issuing bank to pay for the non-performance of the applicant customer.
- Revocable: Letter of credit that can be modified or cancelled by the issuing bank at any time with notice to the beneficiary (does not provide the beneficiary with a firm promise of payment).
- Irrevocable: Letter of credit that cannot be altered or cancelled without mutual consent of all parties.
- Sight: Letter of credit requiring payment upon presentation of conforming shipping documents.
- Usance: Letter of credit which allows the buyer to delay payment up to a designated number of days after presentation of shipping documents.
- Import: Letter of credit issued to assist customers in purchasing goods from overseas.
- Export: Letter of credit issued to assist customers in selling goods to overseas.
- Transferable: Letter of credit which allows the beneficiary to transfer its drawing (payment) rights, in part or full, to another party.
- Non-transferable: Letter of credit which does not allow the beneficiary to transfer their right, in part or full, to another.

Our trade finance services include the issuance and negotiation of letters of credit, as well as the handling of documentary collections. On the export side, we provide advice and negotiation of commercial letters of credit and we transfer and issue back-to-back letters of credit. We also provide importers with trade finance lines of credit, which allow for the issuance of commercial letters of credit and the financing of documents received under such letters of credit, as well as documents received under documentary collections. Exporters are assisted through export lines of credit as well as through immediate financing of clean documents presented under export letters of credit.

Commercial Real Estate Loans

Real estate loans are extended for the purchase and refinance of commercial real estate and are generally secured by first deeds of trust. The maturities on the majority of such loans are generally five to seven years with a 25-year principal amortization schedule and a balloon payment due at maturity. We offer both fixed and floating rate commercial real estate loans. It is our general policy to restrict commercial real estate loan amounts to 75% of the appraised value of the property at the date of origination.

Small Business Administration Loans

We extend loans partially guaranteed by the SBA. We primarily extend SBA loans known as SBA 7(a) loans and SBA 504 loans. SBA 7(a) loans are typically extended for working capital needs, purchase of inventory, purchase of machinery and equipment, debt refinance, business acquisitions, start-up financing or to purchase or construct owner-occupied commercial property. SBA 7(a) loans are typically term loans with maturities up to 10 years for loans not secured by real estate and up to 25 years for real estate secured loans. SBA loans are fully amortizing with monthly payments of principal and interest. SBA 7(a) loans are typically floating rate loans that are secured by business assets and/or real estate. Depending on the loan amount, each loan is typically guaranteed 75% to 85% by the SBA, with a maximum gross loan amount to any one small business borrower of $5.0 million and a maximum SBA guaranteed amount of $3.75 million.

We are generally able to sell the guaranteed portion of the SBA 7(a) loans in the secondary market at a premium, while earning servicing fee income on the sold portion over the remaining life of the loan. In addition to the interest yield earned on the unguaranteed portion of the SBA 7(a) loans that are not sold, we recognize income from gains on sales and from loan servicing on the SBA 7(a) loans that are sold.

Table of Contents

SBA 504 loans are typically extended for the purpose of purchasing owner-occupied commercial real estate or long-term capital equipment. SBA 504 loans are typically extended for up to 20 years or the life of the asset being financed. SBA 504 loans are financed as a participation loan between the Bank and the SBA through a Certified Development Company ("CDC"). Generally, the loans are structured to give the Bank a 50% first deed of trust ("TD"), the CDC a 40% second TD, and the remaining 10% is funded by the borrower. Interest rates for the first TD Bank loans are subject to normal bank commercial rates and terms and the second TD CDC loans are fixed for the life of the loans based on certain indices.

All of our SBA loans are originated through our SBA Loan Departments. The SBA Loan Departments are staffed by loan officers who provide assistance to qualified businesses. The Bank has been designated as an SBA Preferred Lender, which is the highest designation awarded by the SBA. This designation generally facilitates a more efficient marketing and approval process for SBA loans. We have attained SBA Preferred Lender status nationwide.

Consumer Loans

Our consumer loans consist of auto loans, home equity, single-family mortgages, and signature loans, with a majority of our consumer loan portfolio currently consisting of single-family mortgages.

Investing Activities

The main objectives of our investment strategy are to provide a source of on-balance sheet liquidity while providing a means to manage our interest rate risk, and to generate an adequate level of interest income without taking undue risks. Subject to various restrictions, our investment policy permits investment in various types of securities, certificates of deposit ("CDs") and federal funds sold. Our investment portfolio consists of government sponsored agency bonds, mortgage backed securities, collateralized mortgage obligations ("CMOs"), trust preferred securities, municipal bonds and mutual funds. For a detailed breakdown of our investment portfolio, see Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition – Investment Security Portfolio."

Our securities are classified for accounting purposes as available-for-sale. We do not maintain held-to-maturity or trading portfolios. Securities purchased to meet investment-related objectives, such as liquidity management or interest rate risk and which may be sold as necessary to implement management strategies, are designated as available-for-sale at the time of purchase.

Deposit Activities

We attract both short-term and long-term deposits from the general public by offering a wide range of deposit products and services. Through our branch network, we provide our banking customers with personal and business checking accounts, money market accounts, savings accounts, CDs, individual retirement accounts, 24-hour ATMs, internet banking and bill-pay, remote deposit capture, lock boxes and ACH origination services. In addition to our retail deposits, we obtain both secured and unsecured wholesale deposits including public deposits such as State of California Treasurer's time deposits, brokered money market and time deposits, and deposits gathered from outside of the Bank's normal market area through deposit listing services.

FDIC-insured deposits are our primary source of funds. As part of our asset-liability management, we analyze our retail and wholesale deposit maturities and interest rates to monitor and manage our cost of funds, to the extent feasible in the context of changing market conditions, as well as to promote stability in our supply of funds. For more deposit information, see Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition – Deposits."

Borrowing Activities

When we have more funds than required for our reserve requirements or short-term liquidity needs, we may sell federal funds to other financial institutions. Conversely, when we have less funds than required, we may borrow funds from the Federal Home Loan Bank of San Francisco (the "FHLB"), the Federal Reserve Bank of San Francisco or our correspondent banks. In addition, we may borrow from the FHLB on a longer term basis to provide funding for certain loan or investment securities strategies, as well as asset-liability management strategies.

The FHLB functions in a reserve credit capacity for qualifying financial institutions. As a member, we are required to own capital stock in the FHLB and may apply for advances from the FHLB utilizing qualifying mortgage loans and certain securities as collateral. The FHLB offers a full range of borrowing programs on its advances, with terms ranging from one day to thirty years, at competitive market rates. A prepayment penalty is usually imposed for early repayment of these advances. Information concerning FHLB advances is included in Note 8 of “Notes to Consolidated Financial Statements.”

We may also borrow from the Federal Reserve Bank of San Francisco. The maximum amount that we may borrow from the Federal Reserve Bank’s discount window is up to 95% of the outstanding principal balance of the qualifying loans and the fair value of the securities that we pledge.

Table of Contents

Market Area and Competition

We currently have 50 banking offices in areas having high concentrations of Korean Americans, of which 28 are located in the Los Angeles, Orange County, Oakland and Silicon Valley (Santa Clara County) areas of California, 8 are located in the New York City metropolitan area and New Jersey, 4 are in the Seattle metropolitan area, 8 are in the Chicago metropolitan area and 2 are in Virginia. We also have eight loan production offices located in Dallas, Seattle, Atlanta, Northern California, Denver, Portland, and Annandale, Virginia. The banking and financial services industry generally, and in our market areas specifically, is highly competitive. The increasingly competitive environment is a result primarily of strong competition among the banks servicing the Korean-American community, changes in regulation, changes in technology and product delivery systems and consolidation among financial services companies. In addition, federal legislation may have the effect of further increasing the pace of consolidation within the financial services industry. See “Supervision and Regulation.”

We compete for loans, deposits and customers with other commercial banks, savings and loan associations, securities and brokerage companies, mortgage companies, insurance companies, marketplace platforms finance companies, money market funds, credit unions and other non-bank financial service providers. Many of these competitors are much larger in total assets and capitalization, have greater access to capital markets, are more widely recognized, have broader geographic scope and offer a broader range of financial services than we do. Even if we successfully complete our pending merger with Wilshire, we believe we will still face substantial competition in our market areas.

Economic Conditions, Government Policies and Legislation

Our profitability, like that of most financial institutions, depends, among other things, on interest rate differentials. In general, the difference between the interest expense on interest bearing liabilities, such as deposits and borrowings, and the interest income on our interest earning assets, such as loans we extend to our customers and securities held in our investment portfolio, as well as the level of noninterest bearing deposits, have a significant impact on our profitability. Interest rates are highly sensitive to many factors that are beyond our control, such as the economy, inflation, unemployment, consumer spending and political events. The impact that future changes in domestic and foreign economic and political conditions might have on our performance 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 Board (the “FRB”). The FRB implements national monetary policies (with objectives such as curbing inflation or preventing recession) through its open-market operations in U.S. government securities, by adjusting the required level of reserves for depository institutions subject to its reserve requirements and by varying the targeted federal funds and discount rates applicable to borrowings by depository institutions. The actions of the FRB in these areas influence the growth of bank loans, investments, and deposits and also affect interest rates earned on interest earning assets and paid on interest bearing liabilities. The nature and impact on BBCN Bancorp and the Bank of future changes in monetary and fiscal policies cannot be predicted.

From time to time, legislation and regulations are enacted or adopted which have the effect of increasing the cost of doing business, limiting or expanding permissible activities, or affecting the competitive balance between banks and other financial services providers. Proposals to change the laws and regulations governing the operations and taxation of banks, bank holding companies, financial holding companies and other financial institutions and financial services providers are frequently made in the U.S. Congress, in state legislatures, and by various regulatory agencies. These proposals may result in changes in banking statutes and regulations and our operating environment in substantial and unpredictable ways. If enacted, such legislation could increase the cost of doing business, limit permissible activities or affect the competitive balance among banks, savings associations, credit unions and other financial institutions. We cannot predict whether any of this potential legislation will be enacted, and if enacted, the effect that it, or any implementing regulations, would have on our financial condition or results of operations. See “Supervision and Regulation.”

Supervision and Regulation

General

The Company is registered with and subject to examination by the FRB as a bank holding company and is also subject to certain provisions of the California Financial Code as applicable to bank holding companies. As a California state-chartered bank whose accounts are insured by the FDIC, the Bank is subject to regulation, supervision and regular examination by the California Department of Business Oversight (the “DBO”) and the FDIC. Such supervision and regulation covers substantially all of its business activities, including, among others, capital standards, general investment authority, deposit taking and borrowing authority, mergers, establishment of branch offices and permitted subsidiary investments and activities. In addition, while the Bank is not a member of the FRB, the Bank is subject to certain regulations of the FRB. The federal and state regulatory systems are intended primarily for the protection of depositors, the FDIC deposit insurance fund (the “DIF”) and the banking system as a whole, rather than for the protection of shareholders or other investors.

Table of Contents

The following paragraphs summarize certain of the laws and regulations that apply to the Company and to the Bank. These descriptions of statutes and regulations and their possible effects do not purport to be complete descriptions of all of the provisions of those statutes and regulations and their possible effects on us, nor do they purport to identify every statute and regulation that may apply to us.

Legislation and Regulatory Developments

The federal banking agencies continue to implement the remaining requirements in the Dodd-Frank Wall Street Reform and Consumer Protection Act ("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. Following on the implementation in 2014 and effectiveness in 2015 of new capital rules ("the New Capital Rules") and the so called Volcker Rule restrictions on certain proprietary trading and investment activities, developments in 2015 included:

(i) the extension of the Volcker Rule conformance period until July 21, 2016 and a possible additional extension until 2017 for banking institutions to conform existing investments, including certain collateralized loan obligations, and relationships, with certain exceptions, with "covered funds", including hedge funds, private equity funds and certain other private funds. The Company and the Bank held no investment positions at December 31, 2015 which were subject to the final rule. - See "Volcker Rule"

(ii) the shift in the stress testing cycle and reporting dates required by the banking agencies for institutions with total consolidated assets of $10 billion to $50 billion to assess the potential impact of different scenarios on earnings, losses, liquidity and capital. The Bank conducts stress testing but is not currently subject to these requirements. These requirements will apply if we successfully complete the merger.

(iii) the implementation of an additional "capital conservation buffer" of 0.625% in 2016 for minimum risk-weighted asset ratios under the New Capital Rules. - See "Capital Adequacy" and "Management's Discussion and Analysis of Financial Condition and Results of Operations"

(iv) the effectiveness in October, 2015 of the final TILA-RESPA Integrated Disclosure ("TRID") rules promulgated by the CFPB, as required by the Dodd-Frank Act, which require new mortgage disclosures and training of staff for most mortgage loan applications. The Bank has fully implemented the TRID requirements. - See "CFPB"

(v) the release by the Interagency Federal Financial Institutions Examinations Council (FFIEC) of a cybersecurity assessment tool for voluntary use by banks which provides guidelines to measure a bank's individual risk profile" and "Cybersecurity maturity." The Bank has completed a Cybersecurity Risk Assessment per FFIEC's guidance in 2015 and intends to perform this risk assessment at least once annually.

(vi) the enactment in 2015 of the Cybersecurity Information Sharing Act authorizing the Department of Homeland Security to enhance the coordination and information sharing about cybersecurity threats between banks and government agencies consistent with customers' rights of privacy; and

(vii) the adoption of the Fixing America's Surface Transportation Act (the "FAST Act"), highway legislation which contains financial services provisions, including (a) expanding the extended 18 months examination cycle for banks with up to $1 billion in assets; (b) deleting the annual privacy notice for banks which have not changed their policy or practices of sharing of information with third parties and (c) limiting the percentage payment of dividends on reserve bank stock held by banks with more than $10 billion in assets. The Bank as a nonmember state bank holds no reserve bank stock.

In the exercise of their supervisory and examination authority, the regulatory agencies have recently emphasized corporate governance, capital planning and stress testing, liquidity management, enterprise risk management and other board responsibilities, anti-money laundering compliance; information technology adequacy; cyber security preparedness; vendor management and fair lending and other consumer compliance obligations.

Capital Adequacy Requirements

Bank holding companies and banks are subject to similar regulatory capital requirements administered by their state and federal supervisory banking agencies. The basic capital rule changes in the New Capital Rules adopted by the federal bank regulatory agencies were fully effective on January 1, 2015, but many elements are being phased in over multiple years. The risk-based capital guidelines for bank holding companies and banks and, additionally for banks, prompt corrective action regulations (see "Prompt Corrective Action Provisions"), require capital ratios that vary based on the perceived degree of risk associated with a banking organization's operations for both transactions reported on the balance sheet as assets, such as loans, and 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 dividing its qualifying capital by its 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

Table of Contents

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. To the extent that the new rules are not fully phased in, the prior capital rules continue to apply.

The New Capital Rules revised the previous risk-based and leverage capital requirements for banking organizations to meet requirements of the Dodd-Frank Act and to implement the international Basel Committee on Banking Supervision Basel III agreements. Many of the requirements in the New Capital Rules and other regulations and rules are applicable only to larger or internationally active institutions and not to all banking organizations, including institutions currently with less than $10 billion of assets, which includes the Company and the Bank. These include required annual stress tests for institutions with $10 billion or more assets with reporting requirements and Enhanced Prudential Standards, both of which will apply to the Company and the Bank following the merger, Comprehensive Capital Analysis and Review requirements; capital plan and Resolution Plan or living will submissions, an additional countercyclical capital buffer, a supplementary leverage ratio and the Liquidity Coverage Ratio rule requiring sufficient high-quality liquid assets which may apply to institutions with $50 billion or more or $250 billion or more assets or which may be identified as Global Systematically Important Banking Institutions (G-SIBs).

Under the risk-based capital guidelines in place prior to the effectiveness of the New Capital Rules, which trace back to the 1988 Basel I accord, there were three fundamental capital ratios: a total risk-based capital ratio, a Tier 1 risk-based capital ratio and a Tier 1 leverage ratio. To be deemed “well capitalized,” a bank must have a total risk-based capital ratio, a Tier 1 risk-based capital ratio and a Tier 1 leverage ratio of at least ten percent, six percent and five percent, respectively. Under the prior capital rules there was no Tier 1 leverage requirement for a holding company to be deemed well-capitalized.

The following are the New Capital Rules applicable to the Company and the Bank beginning January 1, 2015:

- an increase in the minimum Tier 1 capital ratio from 4.00% to 6.00% of risk-weighted assets;
- a new category and a required 4.50% of risk-weighted assets ratio is established for “common equity Tier 1” as a subset of Tier 1 capital limited to common equity;
- a minimum non-risk-based leverage ratio is set at 4.00%;
- changes in the permitted composition of Tier 1 capital to exclude trust preferred securities subject to certain grandfathering exceptions for organizations like the Company which were under $15 billion in assets as of December 31, 2009, mortgage servicing rights and certain deferred tax assets and to include unrealized gains and losses on available for sale debt and equity securities unless the organization opts out of including such unrealized gains and losses.
- the risk-weights of certain assets for purposes of calculating the risk-based capital ratios are changed for high volatility commercial real estate acquisition, development and construction loans, certain past due non-residential mortgage loans and certain mortgage-backed and other securities exposures; and
- an additional capital conservation buffer of 2.5% of risk weighted assets above the regulatory minimum capital ratios, which will be phased in until 2019 beginning at 0.625% of risk-weighted assets for 2016 and must be met to avoid limitations on the ability of the Bank to pay dividends, repurchase shares or pay discretionary bonuses.

Management believes that, as of December 31, 2015, the Company and the Bank would meet all requirements under the New Capital Rules applicable to them on a fully phased-in basis if such requirements were currently in effect. Including the capital conservation buffer of 2.5%, the New Capital Rules would result in the following minimum ratios to be considered well capitalized: (i) a Tier 1 capital ratio of 8.5%, (ii) a common equity Tier 1 capital ratio of 7.0%, and (iii) a total capital ratio of 10.5%. At December 31, 2015, the respective capital ratios of the Company and the Bank exceeded the minimum percentage requirements to be deemed “well-capitalized” for regulatory purposes. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

While the New Capital Rules set higher regulatory capital standards for the Company and the Bank, bank regulators may also continue their past policies of expecting banks to maintain additional capital beyond the new minimum requirements. The implementation of the New Capital Rules or more stringent requirements to maintain higher levels of capital or to maintain higher levels of liquid assets could adversely impact the Company’s net income and return on equity, restrict the ability to pay dividends or executive bonuses and require the raising of additional capital. See

"Management's Discussion and Analysis of Financial Condition and Results of Operations."

Prompt Corrective Action Provisions

The Federal Deposit Insurance Act ("FDI 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'

Table of Contents

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 also changed as the New Capital Rules ratios became effective. 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%), an unchanged total capital ratio of 10% and an unchanged leverage ratio of 5%.

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.

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 had no investment positions or relationships at December 31, 2015 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.

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 FRB 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 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 the Company's funds to pay dividends or to pay principal and interest on our debt obligations are derived from dividends paid by the Bank;
- Require a bank holding company to terminate an activity or terminate control of or liquidate or divest certain subsidiaries, affiliates or investments if the FRB believes the activity or the control of the subsidiary or affiliate constitutes a significant risk to the financial safety, soundness or stability of any bank subsidiary;
- 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 has been deemed to be 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

Table of Contents

- Require prior notice and/or prior approval of the acquisition of control of a bank or bank holding company by a shareholder or individuals acting in concert with ownership or control of 10% of the voting stock being a presumption of control.

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 FRB 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 FRB 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. The Company has not elected financial holding company status and neither the Company nor the Bank has engaged in any activities determined by the FRB to be financial in nature or incidental or complementary to activities that are financial in nature.

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

Securities Exchange Act of 1934

The Company's common stock is publicly held and listed on the NASDAQ Stock Market ("NASDAQ"), and the Company 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 DBO and by the FDIC, as the Bank's primary Federal regulator, and must additionally comply with certain applicable regulations of the FRB. 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 FRB 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. The Dodd-Frank Act expanded definitions and restrictions on transactions with affiliates and insiders under Sections 23A and 23B and also lending limits for derivative transactions, repurchase agreements and securities lending and borrowing transactions.

Pursuant to the 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 by 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 conducts no nonbanking or financial activities through subsidiaries.

Table of Contents

FDIC and DBO 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 DBO 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 DBO and the FDIC have residual authority to:

- Require affirmative action to correct any conditions resulting from any violation or practice;
- Direct an increase in capital and the maintenance of 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 precluding 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), memoranda of understanding, 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.

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 its 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 DBO.

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. In October 2015, the FDIC published for comment a proposed rule that would enable the FDIC to reach a 1.35% DIF reserve ratio by September 30, 2020, as required by the Dodd-Frank Act, by imposing a surcharge on the quarterly assessments of depository institutions with total consolidated assets of $10 billion or more, which could have potential impact on the Bank's deposit insurance assessments in future years. 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 FRB'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 FRB'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 FRB also discourages dividend payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong.

The Bank is a legal entity that is separate and distinct from its holding company. The Company is dependent on the performance of the Bank for funds which may be received as dividends from the Bank for use in the operation of the Company and the ability of the Company to pay dividends to shareholders. Future cash dividends by the Bank will also depend upon

Table of Contents

management's assessment of future capital requirements, contractual restrictions, and other factors. When effective, the new capital rules may restrict dividends by the Bank if the additional capital conservation buffer is not achieved.

The power of the board of directors of the Bank to declare a cash dividend to BBCN Bancorp 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 DBO, 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.

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, but not limited to, the USA PATRIOT Act of 2001, the Bank Secrecy Act, the Foreign Account Tax Compliance Act, the CRA, 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 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 Bank received a "Satisfactory" rating in its most recent 2015 FDIC public CRA performance evaluation, which measures how financial institutions support their communities in the areas of lending, investment and service.

Dodd-Frank provided for the creation of the Consumer Finance Protection Bureau ("CFPB") as an independent entity within the FRB 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 bureau's functions include investigating consumer complaints, conducting market research, rulemaking, supervising and examining bank consumer transactions, and enforcing rules related to consumer financial products and services. CFPB regulations and guidance apply to all financial institutions and banks with $10 billion or more in assets are subject to examination by the CFPB. Banks with less than $10 billion in assets, including the Bank, continue to be examined for compliance by their primary federal banking agency. Following the merger, the Bank will be subject to examination by the CFPB.

In 2014, the CFPB adopted revisions to Regulation Z, which implement the Truth in Lending Act, pursuant to the Dodd-Frank Act, and apply to all consumer mortgages (except home equity lines of credit, timeshare plans, reverse mortgages, or temporary loans). The revisions mandate specific underwriting criteria for home loans in order for creditors to make a reasonable, good faith determination of a consumer's ability to repay and establish certain protections from liability under this requirement for "qualified mortgages" meeting certain standards. In general, a "qualified mortgage" is a mortgage loan without negative amortization, interest-only payments, balloon payments, or terms exceeding 30 years. In addition, to be a qualified mortgage the points and fees paid by a consumer cannot exceed 3% of the total loan amount. The Bank primarily makes qualified mortgages and has fully implemented the TRID requirements.

Employees

As of December 31, 2015, we had 938 full-time equivalent employees. None of our employees are represented by a union or covered by a collective bargaining agreement. Management believes that its relations with its employees are good.

Table of Contents

Item 1A. RISK FACTORS

In the course of conducting its business operations, the Company is exposed to a variety of risks, some of which are inherent in the financial services industry and others of which are more specific to its own business. The following discussion addresses the most significant risks that could affect the Company's business, financial condition, liquidity, results of operations, and capital position. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occurs, our business, financial condition and results of operations may be seriously harmed. In that event, the market price for our common stock will likely decline.

Risk relating to our business

Economic conditions in the markets in which we operate may adversely affect our loan portfolio and reduce the demand for our services. We focus our business primarily in Korean-American communities in California, the greater New York City, Chicago and Seattle metropolitan areas, New Jersey and Virginia. Adverse economic conditions in our market areas have had a material adverse impact on the quality of our business. A renewed economic slowdown in the markets in which we operate currently and in the future may have any or all of the following consequences, any of which may reduce our net income and adversely affect our financial condition:

- loan delinquencies may increase;
- problem assets and foreclosures may increase;
- the level and duration of deposits may decline;
- demand for our products and services may decline; and
- collateral for loans may decline in value below the principal amount owed by the borrower.

We have a high level of loans secured by real estate collateral. A downturn in the real estate market may seriously impair our loan portfolio. As of December 31, 2015, approximately 80% of our loan portfolio consisted of loans secured by various types of real estate. Following the financial crisis of 2008, there was a general slowdown in the economy and declines in value in real estate. Although the economy has rebounded and real estate prices have gradually recovered from their earlier low levels, it is possible that that there will be renewed deterioration in the real estate market generally and in commercial real estate values in particular, along with higher levels of unemployment. Such developments may result in additional loan charge-offs and provisions for loan losses, which may have a material and adverse effect on our net income and capital levels.

Our commercial loan and commercial real estate loan portfolios expose us to risks that may be greater than the risks related to our other loans . Our loan portfolio includes commercial loans and commercial real estate loans, which are secured by hotels & motels, shopping/retail centers, service station & car wash, industrial & warehouse properties and other types of commercial properties. Commercial and commercial real estate loans carry more risk as compared to other types of lending, because they typically involve larger loan balances often concentrated with a single borrower or groups of related borrowers.

Accordingly, charge-offs on commercial and commercial real estate loans may be larger on a per loan basis than those incurred with our residential or consumer loan portfolios. In addition, these loans expose a lender to greater credit risk than loans secured by residential real estate. The payment experience on commercial real estate loans that are secured by income producing properties are typically dependent on the successful operation of the related real estate project and thus, may subject us to adverse conditions in the real estate market or to the general economy. The collateral securing these loans typically cannot be liquidated as easily as residential real estate. If we foreclose on these loans, our holding period for the collateral typically is longer than residential properties because there are fewer potential purchasers of the collateral.

Unexpected deterioration in the credit quality of our commercial or commercial real estate loan portfolios would require us to increase our provision for loan losses, which would reduce our profitability and could materially adversely affect our business, financial condition, results of operations and prospects.

In addition, with respect to commercial real estate 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.

Table of Contents

Our allowance for loan losses may not cover actual loan losses. If our actual loan losses exceed the amount we have allocated for estimated probable incurred losses, including loans we may acquire in our acquisition of Wilshire, our business will be adversely affected. We attempt to limit the risk that borrowers will fail to repay loans by carefully underwriting our loans, but losses nevertheless occur in the ordinary course of business operations. We create allowances for estimated loan losses through provisions that are recorded as reductions in income in our accounting records. We base these allowances on estimates of the following:

- historical experience with our loans;
- evaluation of current economic conditions and other factors;
- reviews of the quality, mix and size of the overall loan portfolio;
- reviews of delinquencies; and
- the quality of the collateral underlying our loans.

If our allowance estimates are inadequate, we may incur losses, our financial condition may be materially and adversely affected and we may be required to raise additional capital to enhance our capital position. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the adequacy of our allowance. These agencies may require us to establish additional allowances based on their judgment of the information available at the time of their examinations. No assurance can be given that we will not sustain loan losses in excess of present or future levels of the allowance for loan losses.

Changes in interest rates affect our profitability. The interest rate risk inherent in our lending, investing, and deposit taking activities is a significant market risk to us and our business. We derive our income mainly from the difference or “spread” between the interest earned on loans, securities and other interest earning assets, and interest paid on deposits, borrowings and other interest bearing liabilities. In general, the wider the spread, the more net interest income we earn. When market rates of interest change, the interest we receive on our assets and the interest we pay on our liabilities will fluctuate. This can cause decreases in our spread and can greatly affect our income. In addition, interest rate fluctuations can affect how much money we may be able to lend. There can be no assurance that we will be successful in minimizing the adverse effects of changes in interest rates.

If we lose key employees, our business may suffer. There is intense competition for experienced and highly qualified personnel in the Korean-American banking industry. Our future success depends on the continued employment of existing senior management personnel. If we lose key employees temporarily or permanently, it may hurt our business. We may be particularly hurt if our key employees, including any of our executive officers, became employed by our competitors in the Korean-American banking industry.

Environmental laws may force us to pay for environmental problems. The cost of cleaning up or paying damages and penalties associated with environmental problems may increase our operating expenses. When a borrower defaults on a loan secured by real property, we often purchase the property in foreclosure or accept a deed to the property surrendered by the borrower. We may also take over the management of commercial properties whose owners have defaulted on loans. We also lease premises where our branches and other facilities are located, all where environmental problems may exist. Although we have lending, foreclosure and facilities guidelines that are intended to exclude properties with an unreasonable risk of contamination, hazardous substances may exist on some of the properties that we own, lease, manage or occupy. We may face the risk that environmental laws may force us to clean up the properties at our expense. The cost of cleaning up a property may exceed the value of the property. We may also be liable for pollution generated by a borrower’s operations if we take a role in managing those operations after a default. We may find it difficult or impossible to sell contaminated properties.

We are exposed to the risks of natural disasters. A significant portion of our operations is concentrated in Southern California, which is an earthquake-prone region. A major earthquake may result in material loss to us. A significant percentage of our loans are and will be secured by real estate. Many of our borrowers may suffer uninsured property damage, experience interruption of their businesses or lose their jobs after an earthquake. Those borrowers might not be able to repay their loans, and the collateral for such loans may decline significantly in value. Unlike a bank with operations that are more geographically diversified, we are vulnerable to greater losses if an earthquake, fire, flood, mudslide or other natural catastrophe occurs in Southern California.

An increase in nonperforming assets would reduce our income and increase our expenses. If the level of nonperforming assets increases in the future, it may adversely affect our operating results and financial condition. Nonperforming assets are mainly loans on which the borrowers are not making their required payments. Nonperforming assets also include loans that have been restructured to permit the borrower to make payments and real estate that has been acquired

Table of Contents

through foreclosure or deed in lieu of foreclosure of unpaid loans. To the extent that assets are nonperforming, we have less earning assets generating interest income and an increase in credit related expenses, including provisions for loan losses.

We may experience adverse effects from acquisitions. We have acquired other banking companies and bank offices in the past, anticipate closing the acquisition with Wilshire in mid-2016, and will consider additional acquisitions as opportunities arise. If we do not adequately address the financial and operational risks associated with acquisitions of other companies, we may incur material unexpected costs and disruption of our business. Future acquisitions may increase the degree of such risks.

Risks involved in acquisitions of other companies include:

- the risk of failure to adequately evaluate the asset quality of the acquired company;
- difficulty in assimilating the operations, technology and personnel of the acquired company;
- diversion of management's attention from other important business activities;
- difficulty in maintaining good relations with the loan and deposit customers of the acquired company;
- inability to maintain uniform standards, controls, procedures and policies;
- potentially dilutive issuances of equity securities or the incurrence of debt and contingent liabilities; and
- amortization of expenses related to acquired intangible assets that have finite lives.

Liquidity risks may 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 may have a material adverse effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities may be impaired by factors that affect us specifically or the financial services industry in general. Factors that may 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 may 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 banking industry or the general financial services industry as a whole.

Increases in the level of our problem assets, occurrence of operating losses or a failure to comply with requirements of the agencies which regulate us may result in regulatory actions against us which may materially and adversely affect our business and the market price of our common stock. The DBO, the FDIC and the FRB each have authority to take actions to require that we comply with applicable regulatory capital requirements, cease engaging in what they perceive to be unsafe or unsound practices or make other changes in our business. Among others, the corrective measures that such regulatory authorities may take include requiring us to enter into informal or formal agreements regarding our operations, the issuance of cease and desist orders to refrain from engaging in unsafe and unsound practices, removal of officers and directors and the assessment of civil monetary penalties. See "Item 1. Business – Supervision and Regulation" for a further description of such regulatory powers.

Changes in accounting standards may affect how we record and report our financial condition and results of operations. Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time, the Financial Accounting Standards Board and SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes and their impacts on us can be hard to predict and may result in unexpected and materially adverse impacts on our reported financial condition and results of operations.

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 increased 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.

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. As a financial institution, we are susceptible to

Table of Contents

fraudulent activity, information security breaches and cybersecurity-related incidents that may be committed against us or our clients, 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, 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. In recent periods, 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. Consistent with industry trends, we have also experienced an increase in attempted electronic fraudulent activity, security breaches and cybersecurity-related incidents in recent periods. Moreover, in recent periods, several large corporations, including financial institutions 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, on the networks and systems of us, our clients and certain of our third party partners, such as our online banking or reporting systems. 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. Breaches of information security also may occur, and in infrequent cases have occurred, through intentional or unintentional acts by those having access to our systems or our clients' or counterparties' confidential information, including employees. 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 have developed, and 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, 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. 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.

We are subject to operational risks relating to our technology and information systems. The continued efficacy of our technology and information systems, related operational infrastructure and relationships with third party vendors in our ongoing operations is integral to our performance. Failure of any of these resources, including but not limited to operational or systems failures, interruptions of client service operations and ineffectiveness of or interruption in third party data processing or other vendor support, may cause material disruptions in our business, impairment of customer relations and exposure to liability for our customers, as well as action by bank regulatory authorities.

Our business reputation is important and any damage to it may have a material adverse effect on our business. Our reputation is very important for our business, as we rely on our relationships with our current, former and potential clients and stockholders, and in the communities we serve. Any damage to our reputation, whether arising from regulatory, supervisory or enforcement actions, matters affecting our financial reporting or compliance with SEC and exchange listing requirements, negative publicity, our conduct of our business or otherwise may have a material adverse effect on our business.

As we expand outside our California markets, we may encounter additional risks that may adversely affect us. Currently, the majority of our offices are located in California, but we also have offices in the New York City, Chicago and Seattle metropolitan areas, New Jersey and Virginia. If we are able to successfully consummate the merger, we will branch into Alabama, Georgia and Texas, and we will increase our banking presence in New Jersey and New York. Over time, we may seek to establish offices to serve Korean-American communities in other parts of the United States as well. In the course of these expansion activities, we may encounter significant risks, including unfamiliarity with the characteristics and business dynamics of new markets, increased marketing and administrative expenses and operational difficulties arising from our efforts to attract business in new markets, manage operations in noncontiguous geographic markets, comply with local laws and

Table of Contents

regulations and effectively and consistently manage our non-California personnel and business. If we are unable to manage these risks, our operations may be materially and adversely affected.

Adverse conditions in South Korea or globally may adversely affect our business. A substantial number of our customers have economic and cultural ties to South Korea and, as a result, we are likely to feel the effects of adverse economic and political conditions there. If economic conditions in South Korea deteriorate, we may, among other things, be exposed to economic and transfer risk, and may experience an outflow of deposits by our customers with connections to South Korea. Transfer risk may result when an entity is unable to obtain the foreign exchange needed to meet its obligations or to provide liquidity. This may materially and adversely impact the recoverability of investments in or loans made to such entities. Adverse economic conditions in South Korea may also negatively impact asset values and the profitability and liquidity of our customers who operate in this region. In addition, a general overall decline in global economic conditions may materially and adversely affect our profitability and overall results of operations

Our use of appraisals in deciding whether to make loans secured by real property does not ensure that the value of the real property collateral will be sufficient to repay our loans. In considering whether to make a loan secured by real property, we require an appraisal of the property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made and requires the exercise of a considerable degree of judgment. If the appraisal does not accurately reflect the amount that may be obtained upon sale or foreclosure of the property, whether due to a decline in property value after the date of the original appraisal or defective preparation of the appraisal, we may not realize an amount equal to the indebtedness secured by the property and as a result, we may suffer losses.

Governmental regulation and regulatory actions against us may further impair our operations or restrict our growth. We are subject to significant governmental supervision and regulation. These regulations affect our lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. Statutes and regulations affecting our business may be changed at any time and the interpretation of these statutes and regulations by examining authorities may also change. In addition, regulations may be adopted which increase our deposit insurance premiums and enact special assessments which could increase expenses associated with running our business and adversely affect our earnings.

There can be no assurance that such statutes and regulations, any changes thereto or to their interpretation will not adversely affect our business. In particular, these statutes and regulations, and any changes thereto, could subject us to additional costs (including legal and compliance costs), limit the types of financial services and products we may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. In addition to governmental supervision and regulation, we are subject to changes in other federal and state laws, including changes in tax laws, which could materially affect us and the banking industry generally. We are subject to the rules and regulations of the FRB, the FDIC and the DBO, and may become subject to examination by the CFPB. In addition, we are subject to the rules and regulation of the Nasdaq Stock Market and the SEC and are subject to enforcement actions and other punitive actions by these agencies. If we fail to comply with federal and state regulations, the regulators may limit our activities or growth, impose fines on us or in the case of our bank regulators, ultimately require our bank to cease its operations. Bank regulations can hinder our ability to compete with financial services companies that are not regulated in the same manner or are less regulated. Federal and state bank regulatory agencies regulate many aspects of our operations. These areas include:

- the capital that must be maintained;
- the kinds of activities that can be engaged in;
- the kinds and amounts of investments that can be made;
- the locations of offices;
- insurance of deposits and the premiums that we must pay for this insurance;
- procedures and policies we must adopt;
- conditions and restrictions on our executive compensation; and
- how much cash we must set aside as reserves for deposits.

In addition, bank regulatory authorities have the authority to bring enforcement actions against banks and bank holding companies, including the Bank and BBCN, for unsafe or unsound practices in the conduct of their businesses or for violations of any law, rule or regulation, any condition imposed in writing by the appropriate bank regulatory agency or any written agreement with the authority. Enforcement actions against us could include a federal conservatorship or receivership for the bank, the issuance of additional orders that could be judicially enforced, the imposition of civil monetary penalties, the issuance of directives to enter into a strategic transaction, whether by merger or otherwise, with a third party, the termination of insurance of deposits, the issuance of removal and prohibition orders against institution-affiliated parties, and the enforcement of such actions through injunctions or restraining orders. In addition, if we were able to grow beyond $10 billion in assets, including as a result of our proposed merger with Wilshire, we would be subject to enhanced CFPB examination as well as be required to perform more comprehensive stress-testing on our business and operations. See “Additional risks relating to our proposed merger with Wilshire” below.

SBA lending is an important part of our business. Our SBA lending program is dependent upon the federal government, and we face specific risks associated with originating SBA loans. Our SBA lending program is dependent upon the federal government. As an SBA Preferred Lender, we enable our clients to obtain SBA loans without being subject to the potentially lengthy SBA approval process necessary for lenders that are not SBA Preferred Lenders. The SBA periodically reviews the lending operations of participating lenders to assess, among other things, whether the lender exhibits prudent risk management. When weaknesses are identified, the SBA may request corrective actions or impose enforcement actions, including revocation of the lender’s Preferred Lender status. If we lose our status as a Preferred Lender, we may lose some or all of our customers to lenders who are SBA Preferred Lenders, and as a result we could experience a material adverse effect to our financial results. Any changes to the SBA program, including changes to the level of guarantee provided by the federal government on SBA loans, may also have a material adverse effect on our business.

We generally sell the guaranteed portion of our SBA 7(a) loans in the secondary market. These sales have resulted in both premium income for us at the time of sale, and created a stream of future servicing income. We may not be able to continue originating these loans or selling them in the secondary market. Furthermore, even if we are able to continue originating and selling SBA 7(a) loans in the secondary market, we might not continue to realize premiums upon the sale of the guaranteed portion of these loans. When we sell the guaranteed portion of our SBA 7(a) loans, we incur credit risk on the non-guaranteed portion of the loans, and if a customer defaults on the non-guaranteed portion of a loan, we share any loss and recovery related to the loan pro-rata with the SBA. If the SBA establishes that a loss on an SBA guaranteed loan is attributable to significant technical deficiencies in the manner in which the loan was originated, funded or serviced by us, the SBA may seek recovery of the principal loss related to the deficiency from us, which could materially adversely affect our business, financial condition, results of operations and prospects.

The laws, regulations and standard operating procedures that are applicable to SBA loan products may change in the future. We cannot predict the effects of these changes on our business and profitability. Because government regulation greatly affects the business and financial results of all commercial banks and bank holding companies and especially our organization, changes in the laws, regulations and procedures applicable to SBA loans could adversely affect our ability to operate profitably.

Our stock price may be volatile, which may result in substantial losses for our stockholders. The market price of our common stock may be subject to fluctuations in response to a number of factors, including:

- issuing new equity securities;
- the amount of our common stock outstanding and the trading volume of our stock;
- actual or anticipated changes in our future financial performance;
- changes in financial performance estimates of us or by securities analysts;
- competitive developments, including announcements by us or our competitors of new products or services or acquisitions, strategic partnerships, joint ventures or capital commitments;
- the operating and stock performance of our competitors;
- changes in interest rates;
- changes in key personnel;
- changes in economic conditions that affect the Bank’s performance; and
- changes in legislation or regulations that affect the Bank.

We may raise additional capital, which could have a dilutive effect on the existing holders of our common stock and adversely affect the market price of our common stock. We periodically evaluate opportunities to access capital markets, taking into account our financial condition, regulatory capital ratios, business strategies, anticipated asset growth and other relevant considerations. It is possible that future acquisitions, organic growth or changes in regulatory capital requirements could require us to increase the amount or change the composition of our current capital, including our common equity. For all of these reasons and others, and always subject to market conditions, we may issue additional shares of common stock or other capital securities in public or private transactions.

The issuance of additional common stock or securities convertible into or exchangeable for our common stock or that represent the right to receive common stock, or the exercise of such securities, could be substantially dilutive to holders of our common stock. Holders of our common stock have no preemptive or other rights that would entitle them to purchase their pro rata share of any offering of shares of any class or series and, therefore, such sales or offerings could result in dilution of the ownership interests of our stockholders.

Our ability to declare and pay dividends in the future, as well as the ability of the Bank to make dividend payments to us, will be subject to regulatory, statutory and other restrictions. There can be no assurance that we will continue payment of regular cash dividends. Our ability to pay dividends at that time will be subject to statutory and other limitations applicable to us or to the Bank.

Our results of operations or financial condition could be adversely affected as a result of future impairment of our intangible assets. Future acquisitions could result in increases in the amount of our goodwill or other intangible assets. We assess the carrying value of intangible assets, including goodwill, at least annually in order to determine whether such assets are impaired. We make a qualitative assessment of whether it is more likely than not that the fair value of goodwill or other intangible assets is less than its carrying amount.

If we fail to maintain an effective system of internal controls and disclosure controls and procedures, we may not be able to accurately report our financial results or prevent fraud. Effective internal controls and disclosure controls and procedures are necessary for us to provide reliable financial reports and disclosures to stockholders, to prevent fraud and to operate successfully as a public company. If we cannot provide reliable financial reports and disclosures or prevent fraud, our business may be adversely affected and our reputation and operating results would be harmed. Any failure to develop or maintain effective internal controls and disclosure controls and procedures or difficulties encountered in their implementation may also result in regulatory enforcement action against us, adversely affect our operating results or cause us to fail to meet our reporting obligations.

Anti-takeover provisions in our charter documents and applicable federal and state law may limit
the ability of another party to acquire us, which could cause our stock price to decline. Various provisions of our charter documents could delay or prevent a third-party from acquiring us, even if doing so might be beneficial to our shareholders. These include, among other things, advance notice requirements to submit stockholder proposals at stockholder meetings and the authorization to issue “blank check” preferred stock by action of the Board of Directors acting alone, thus without obtaining stockholder approval. In addition, applicable provisions of federal and state law require regulatory approval in connection with certain acquisitions of our common stock and supermajority voting provisions in connection with certain transactions. In particular, both federal and state law limit the acquisition of ownership of, generally, 10% or more of our common stock without providing prior notice to the regulatory agencies and obtaining prior regulatory approval or nonobjection or being able to rely on an exemption from such acquisition. Collectively, these provisions of our charter documents and applicable federal and state law may prevent a merger or acquisition that would be attractive to stockholders and could limit the price investors would be willing to pay in the future for our common stock.

Our common stock is equity and therefore is subordinate to our subsidiaries’ indebtedness and preferred stock. Our common stock constitutes equity interests and does not constitute indebtedness. As such, common stock will rank junior to all current and future indebtedness and other non-equity claims on us with respect to assets available to satisfy claims against us, including in the event of our liquidation. We may, and the bank and our other subsidiaries may also, incur additional indebtedness from time to time and may increase our aggregate level of outstanding indebtedness. Additionally, holders of common stock are subject to the prior dividend and liquidation rights of any holders of our preferred stock that may be outstanding from time to time. The Board of Directors is authorized to cause us to issue additional classes or series of preferred stock without any action on the part of our stockholders. If we issue preferred shares in the future that have a preference over our common stock with respect to the payment of dividends or upon liquidation, or if we issue preferred shares with voting rights that dilute the voting power of the common stock, then the rights of holders of our common stock or the market price of our common stock could be adversely affected.

Our common stock is not insured and you could lose the value of your entire investment. An investment in our common stock is not a deposit and is not insured against loss by any government agency.

Additional risks relating to our proposed merger with Wilshire

Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated, cannot be met or may have a material adverse effect on the combined company following the merger. Before the merger may be completed, we must obtain various approvals or consents from bank regulatory authorities, including the FRB, the FDIC and the DBO. These approvals or consents require consideration by the bank regulatory authorities of various factors, including assessments of the managerial and financial resources and future prospects of the resulting institutions and the competitive effect of the contemplated transactions. The Community Reinvestment Act of 1977, as amended, also requires that the bank regulatory authorities, in deciding whether to approve the merger, assess the records of performance of BBCN Bank and Wilshire Bank in meeting the credit needs of the communities they serve, including low and

Table of Contents

moderate income neighborhoods. As part of the review process under the Community Reinvestment Act, it is not unusual for the bank regulatory authorities to receive protests and other adverse comments from community groups and others. Any such protests or adverse comments could prolong the period during which the merger is subject to review by the bank regulatory authorities. The bank regulatory authorities also may impose conditions on the completion of the merger or require changes to the terms of the merger. Although we do not currently expect that any such conditions or changes would be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying completion of the merger or imposing additional costs on or limiting the growth, revenues or other aspects of the business of the combined company following the merger.

There can be no assurance as to whether the regulatory approvals or consents will be received, the timing of those approvals and consents, or whether any conditions will be imposed. The Merger Agreement contains a condition to the obligation of each of BBCN and Wilshire to close the merger that the required regulatory approvals and consents generally do not require any action, condition or restriction reasonably expected to have a material adverse effect on the combined company after the merger. Accordingly, if we do not receive the required regulatory approvals and consents, the Merger Agreement may be terminated and the merger may not be completed.

We will be subject to business uncertainties and contractual restrictions while the merger is pending. Uncertainty about the effect of the merger on employees and customers may have an adverse effect on us. These uncertainties may impair both our ability and Wilshire’s ability to attract or motivate key personnel until the merger is completed and could cause customers, vendors and others that deal with us to seek to change existing business relationships with either us or Wilshire. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the business, the combined company’s business following the merger could be negatively affected. In addition, the Merger Agreement restricts us from making acquisitions and taking other specified actions until the merger occurs, without the consent of Wilshire. These restrictions may prevent us from pursuing attractive business opportunities that may arise prior to the completion of the merger.

The merger may distract our management and management of Wilshire from their other responsibilities which could adversely affect our business now and following the merger. The merger of Wilshire with us could cause the management of both us and Wilshire to focus their time and energies on matters related to the merger that otherwise would be directed to their respective businesses and operations. Any such distraction on the part of management, if significant, could affect the ability of us and/or Wilshire to service existing business and develop new business and may adversely affect their businesses and earnings. As a result, the business of the combined company following the merger may be less than valuable than we currently expect.

Combining the two companies may be more difficult, costly or time-consuming than expected. We and Wilshire have operated and, until the completion of the merger, will continue to operate, independently. The success of the merger will depend, in part, on our ability to successfully combine the businesses of BBCN and Wilshire upon the completion of the merger. It is possible that the integration process could result in:

- the loss of key employees,
- the disruption of each company’s ongoing businesses, or
- inconsistencies in standards, controls, procedures and policies that adversely affect the combined company’s ability to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits of the merger.

The loss of key employees could adversely affect the ability of us, Wilshire and/or the combined company to successfully conduct businesses in the markets in which we and Wilshire now operate, which could have an adverse effect on their financial results and the value of our common stock. In addition, if the combined company experiences difficulties with the integration process, the anticipated benefits of the merger may not be realized fully or at all, or may take longer to realize than expected. As with any merger of financial institutions, there also may be business disruptions that cause us, Wilshire and/or the combined company to lose customers or cause customers to remove their accounts from us, Wilshire and/or the combined company and move their business to competing financial institutions. These integration matters could have an adverse effect on us each of us and Wilshire during this transition period and for an undetermined period after consummation of the merger.

The combined company may fail to realize cost savings for the merger. Although we expect to realize cost savings from the merger when fully phased in, it is possible that these potential cost savings may not be realized fully or realized at all, or may take longer to realize than expected. For example, future business developments may require the combined company to continue to operate or maintain some facilities or support functions that are currently expected to be combined or reduced. Cost savings also depend on our ability to combine the businesses of BBCN and Wilshire in a manner that permits those costs savings to be realized. If we are not able to combine the two companies successfully, these anticipated cost savings may not be fully realized or realized at all, or may take longer to realize than expected.

Table of Contents

The Merger Agreement may be terminated in accordance with its terms and the merger may not be completed. The Merger Agreement is subject to a number of conditions which must be fulfilled in order to close. Those conditions include BBCN Bancorp stockholder approval, Wilshire shareholder approval, regulatory approvals, the continued accuracy of certain representations and warranties by both parties and the performance by both parties of certain covenants and agreements. In addition, BBCN Bancorp or Wilshire may choose to terminate the Merger Agreement if the other party makes a change in recommendation. In addition to the foregoing, if the Merger Agreement is terminated and our board of directors or Wilshire's board of directors seeks another merger or business combination, under certain circumstances BBCN or Wilshire may be required to pay a $40 million termination fee. There can be no assurance that the conditions to closing the merger will be fulfilled or that the merger will be completed.

Failure to complete the merger could negatively affect the market price of our common stock and result in other adverse consequences. If the merger is not completed for any reason, we will be subject to a number of material risks, including the following:

- the market price of our common stock may decline to the extent that the current market prices of its shares reflect a market assumption that the merger will be completed;
- costs relating to the merger, such as legal, accounting and financial advisory fees, and, in specified circumstances, termination fees, must be paid even if the merger is not completed and its anticipated benefits not realized;
- the diversion of management's attention from the day-to-day business operations or pursuit of other strategic opportunities and the potential disruption to our employees and business relationships during the period before the completion of the merger may make it difficult to regain financial and market positions if the merger does not occur; and
- if our board of directors seeks another merger or business combination, holders of our common stock cannot be certain that we will be able to find a party willing to pay an equivalent or greater consideration than that which it is expected to receive in the merger.

The termination fee and the restrictions on solicitation contained in the Merger Agreement may discourage other companies from trying to acquire us. Until the completion of the merger, with certain exceptions, we and Wilshire are each prohibited from initiating, soliciting, encouraging or knowingly facilitating any inquiries with respect to an acquisition proposal, such as a merger, business combination or similar transaction, with any person or entity other than each other. In addition, we and Wilshire have each agreed to pay a termination fee of $40 million to the other if it terminates the Merger Agreement to, among other things, enter into a definitive agreement relating to an acquisition proposal or if the other party terminates the Merger Agreement because, among other things, its board of directors fails to recommend the merger or makes a change in its recommendation of the merger, fails to prepare and mail to its stockholders this document or fails to comply with the provisions of the Merger Agreement prohibiting solicitation of other acquisition proposals. These provisions could discourage other companies from trying to acquire us even though such other companies might be willing to offer greater value to our stockholders than offered in the Merger Agreement. The payment of the termination fee also could have a material adverse effect on our financial condition.

Goodwill resulting from the merger may adversely affect our results of operations. Goodwill and other intangible assets are expected to increase substantially as a result of the merger. Potential impairment of goodwill and amortization of other intangible assets could adversely affect each of our financial condition and results of operations. We assess our goodwill and other intangible assets and long-lived assets for impairment annually and more frequently when required by generally accepted accounting principles. We are required to record an impairment charge if circumstances indicate that the asset carrying values exceed their fair values. Our assessment of goodwill, other intangible assets, or long-lived assets could indicate that an impairment of the carrying value of such assets may have occurred that could result in a material, non-cash write-down of such assets, which could have a material adverse effect on our results of operations and future earnings.

The market price of our common stock after the merger may be affected by factors different from those affecting our shares currently. Upon completion of the merger, holders of Wilshire common stock will become holders of our common stock. Our business differs in important respects from that of Wilshire, and, accordingly, the results of operations of the combined company and the market price of ourcommon stock after the completion of the merger may be affected by factors different from those currently affecting the independent results of operations of each of BBCN and Wilshire.

Holders of our common stock will have a reduced ownership and voting interest after the merger and will exercise less influence over management. Holders of our common stock currently have the right to vote in the election of the board of directors and on other matters affecting us. Upon the completion of the merger, Wilshire shareholders will own approximately 41% of the outstanding shares of BBCN common stock immediately after the merger. As a result, our current stockholders as a group will own approximately 59% of the outstanding shares of our common stock immediately after the merger. Because of

Table of Contents

this, our current stockholders may have less influence on the combined company than they now have on our management and policies.

Litigation may be filed against the board of directors of Wilshire and/or BBCN that could prevent or delay the completion of the merger or result in the payment of damages following completion of the Merger. In connection with the merger, it is possible that Wilshire shareholders and/or BBCN stockholders may file putative class action lawsuits against boards of directors of Wilshire and/or BBCN. Among other remedies, these shareholders and/or stockholders could seek to enjoin the merger. The outcome of any such litigation is uncertain. If a dismissal is not granted or a settlement is not reached, such potential lawsuits could prevent or delay completion of the merger and result in substantial costs to BBCN and Wilshire, including any costs associated with indemnification obligations of BBCN and/or Wilshire. The defense or settlement of any lawsuit or claim that remains unresolved at the time the merger is consummated may adversely affect the combined company's business, financial condition, results of operations, cash flows and market price.

Implementation of the various provisions of the Dodd-Frank Act-in particular provisions that are applicable to banks and bank holding companies with $10 billion or more in assets-may delay the receipt of regulatory approvals and increase our operating costs or otherwise have a material effect on our business, financial condition or results of operations after the merger. The Dodd-Frank Act enacted in 2010 significantly changes the bank regulatory structure and affects the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new implementing rules and regulations and to prepare numerous studies and reports for Congress. The federal agencies are given significant discretion in drafting the implementing rules and regulations, and the rule-making process is still underway.

Several requirements in the Dodd-Frank Act for new banking regulations are applicable to certain banks and bank holding companies with $10 billion or more in assets. As a result of the merger, the combined company is expected to surpass this threshold, and these provisions, subject to a phase in period, may significantly increase compliance or operating costs of the combined company or otherwise have a significant impact on the business, financial condition and results of operations of the combined company. Such provisions include the following:

- The Dodd-Frank Act created the CFPB, which has broad powers to supervise and enforce consumer protection laws. The CFPB has broad rule-making authority for a wide range of consumer protection laws that apply to all banks, including the authority to prohibit "unfair, deceptive or abusive" acts and practices. Currently, the FDIC and the DBO examine both Wilshire Bank and BBCN Bank for compliance with consumer protection laws. However, the CFPB has examination and enforcement authority over all banks with more than $10 billion in assets, and accordingly will assume examination and enforcement authority over the combined company following the merger.
- The Dodd-Frank Act increased the authority of the FRB to examine BBCN and its non-bank subsidiaries and gave the FRB the authority to establish rules regarding interchange fees charged for an electronic debit transaction by a payment card issuer that, together with its affiliates, has assets of $10 billion or more, and to enforce a new statutory requirement that such fees be reasonable and proportional to the actual cost of a transaction to the issuer (the "Durbin Amendment"). By regulation, the FRB has limited the fees for such a transaction to the sum of 21 cents plus five basis points times the value of the transaction, plus up to one cent for fraud prevention costs. [Following the merger, the effect of the Durbin Amendment will be to lower our interchange or "swipe" revenue, but such lower fees are not expected to have a material adverse effect on our results of operation.
- The Dodd-Frank Act established 1.35% as the minimum Designated Reserve Ratio ("DRR"). The FDIC has determined that the DRR should be 2.0% and has adopted a plan under which it will meet the statutory minimum DRR of 1.35% by the statutory deadline of September 30, 2020. The Dodd-Frank Act requires the FDIC to offset the effect of the increase in the statutory minimum DRR to 1.35% from the former statutory minimum of 1.15% on institutions with assets less than $10 billion. Following the Merger, we will not be entitled to benefit from the offset. The FDIC has not announced how it will implement this offset or how larger institutions will be affected by it.
-

The Dodd-Frank Act requires a publicly traded bank holding company with $10 billion or more in assets to establish and maintain a risk committee responsible for enterprise-wide risk management practices, comprised of an independent chairman and at least one risk management expert. The risk committee must approve and periodically review the risk-management policies of the bank holding company's global operations and oversee the operations of its risk-management framework. The bank holding company's risk-management framework must be commensurate with its structure, risk profile, complexity, activities and size. Assuming that the merger is consummated in the second half of 2016, these requirements should first apply to the combined company commencing on October 1, 2018. However, the combined company will need to build the necessary infrastructure to comply with these enhanced risk management requirements well before the effective date.

- A bank holding company with more than $10 billion in assets is required under the Dodd-Frank Act to conduct annual stress tests using various scenarios established by the FRB, including a baseline, adverse and severely adverse

Table of Contents

economic conditions (known as “Dodd-Frank Act Stress Tests” or “DFAST”). The stress tests are designed to determine whether the capital planning of the combined company, assessment of its capital adequacy and risk management practices adequately protect it and its affiliates in the event of an economic downturn. The combined company must establish adequate internal controls, documentation, policies and procedures to ensure the annual stress adequately meets these objectives. The board of directors of the combined company will be required to review the combined company’s policies and procedures at least annually. The combined company will be required to report the results of its annual stress tests to the FRB, and it will be required to consider the results of the combined company’s stress tests as part of its capital planning and risk management practices. Assuming the merger is consummated in the second half of 2016, the combined company is anticipated to be subject to the DFAST regime commencing on January 1, 2018, but well in advance of that date, the combined company will need to undertake the planning and other actions that it deems reasonably necessary to achieve timely compliance.

It is difficult to predict the overall compliance cost of these provisions, which will become effective (with a phase-in period) when the combined company surpasses $10 billion in consolidated assets as a result of the merger. However, compliance with these provisions will likely require additional staffing, engagement of external consultants and other operating costs that could have a material adverse effect on the future financial condition and results of operations of the combined company.

Table of Contents

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Our principal executive offices are located at 3731 Wilshire Blvd., Suite 1000, Los Angeles, California 90010. As of December 31, 2015, we operated full-service branches at 47 leased operations and 3 owned facilities operations, and we operated Loan Production Offices at 8 leased operations. Expiration dates of our leases range from April 2016 to September 2030. We believe our present facilities are adequate for our current needs.

Item 3. LEGAL PROCEEDINGS

We are involved in routine litigation incidental to our business, none of which is expected to have a material adverse effect on us.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents

Part II

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

Our common stock is traded on the NASDAQ Global Select Market under the symbol "BBCN."

The following table sets forth, the range of high and low sales prices for, and quarterly dividend paid on our common stock for the calendar quarters indicated.

Quarters ended:	High Sales Price	Low Sales Price	Dividends
December 31, 2015	$19.63	$14.33	$ 0.11
September 30, 2015	$15.84	$13.83	$ 0.11
June 30, 2015	$15.50	$13.97	$ 0.10
March 31, 2015	$14.67	$12.77	$ 0.10
December 31, 2014	$15.07	$13.16	$ 0.10
September 30, 2014	$16.48	$14.26	$ 0.10
June 30, 2014	$17.81	$14.64	$ 0.08
March 31, 2014	$18.43	$14.32	$ 0.08

The closing price for our common stock on the NASDAQ Global Select Market on February 22, 2016 was $14.36 per share.

BBCN Bancorp's ability to pay dividends is subject to restrictions set forth in the Delaware General Corporation Law. The Delaware General Corporation Law provides that a Delaware corporation may pay dividends either (i) out of the corporation's surplus (as defined by Delaware law), or (ii) if there is no surplus, out of the corporation's net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. In addition, the payment of dividends by BBCN Bancorp is subject to review and possible limitation by the FRB under its authority as regulator of bank holding companies, including any limitations which may be imposed as a condition in connection with any regulatory approvals we may apply for. In general, the FRB discourages the payment of dividends on common stock in amounts exceeding a holding company's net income available to common stockholders for the four quarters preceding a dividend payment. If we defer interest on the subordinated debentures issued in connection with our trust preferred securities, BBCN Bancorp would also be prohibited from paying any dividends on common stock or preferred stock until BBCN Bancorp is current on its interest payments.

BBCN Bancorp's ability to pay cash dividends in the future will depend in large part on the ability of the Bank to pay dividends on its capital stock to BBCN Bancorp. The ability of the Bank to declare a cash dividend to BBCN Bancorp is subject to compliance with its minimum capital requirements and, additional limitations under California law and regulations.

The applicable statutory and regulatory limitations on the declaration and payment of dividends are further described in "Item 1. Business – Supervision and Regulation – Dividends."

We did not repurchase any of our shares of common stock during the fourth quarter ended December 31, 2015. We currently do not have a common stock repurchase program in place

Table of Contents

Stock Performance Graph

The following graph compares the yearly percentage change in the cumulative total shareholder return (stock price appreciation plus reinvested dividends) on the common stock of the Company with (i) the cumulative total return of the NASDAQ Composite Index, (ii) the cumulative total return of the S&P Small Cap 600 Index, (iii) a published index comprised of banks and thrifts selected by SNL Financial LLC , and (iv) the cumulative total return of the S&P 500 Index. The graph assumes an initial investment of $100 and reinvestment of dividends. 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.

The following graph does not constitute soliciting material and shall not be deemed filed or incorporated by reference into any filing by BBCN Bancorp under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we may specifically incorporate this graph by reference.

COMPARATIVE CUMULATIVE TOTAL RETURN
AMONG BBCN BANCORP, NASDAQ MARKET INDEX, S&P SMALLCAP 600 INDEX,
SNL BANK & THRIFT INDEX AND, S&P 500 INDEX

ASSUMES $100 INVESTED ON DECEMBER 31, 2010
ASSUMES DIVIDENDS REINVESTED
FISCAL YEAR ENDING DECEMBER 31, 2015

	Period Ending					
Index	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
BBCN Bancorp, Inc.	100.00	95.89	117.89	172.15	152.82	188.16
NASDAQ Composite	100.00	99.21	116.82	163.75	188.03	201.40
S&P 600 Index	100.00	101.01	117.50	166.05	175.58	172.05
SNL Bank and Thrift	100.00	77.76	104.42	142.97	159.60	162.83
S&P 500	100.00	102.11	118.45	156.82	178.28	180.75

Table of Contents

Item 6. SELECTED FINANCIAL DATA

The following table presents selected financial and other data of the Company as of and for each of the years in the five-year period ended December 31, 2015. The information below should be read in conjunction with, and is qualified in its entirety by: the more detailed information included elsewhere herein, including our Audited Consolidated Financial Statements and Notes thereto.

	For The Year Ended December 31,				
	2015	2014	2013	2012	2011
	(Dollars in thousands, except share and per share data)				
Income Statement Data:					
Interest income	$313,660	$302,657	$283,073	$267,885	$161,895
Interest expense	40,618	36,060	30,018	29,647	32,077
Net interest income	273,042	266,597	253,055	238,238	129,818
Provision for loan losses	8,000	12,638	20,000	19,104	27,939
Net interest income after provision for loan losses	265,042	253,959	233,055	219,134	101,879
Noninterest income	43,691	44,187	42,719	39,449	22,922
Noninterest expense	153,384	151,624	141,620	120,950	82,026
Income before income tax provision	155,349	146,522	134,154	137,633	42,775
Income tax provision	63,091	57,907	52,399	54,410	15,660
Net income	$92,258	$88,615	$81,755	$83,223	$27,115
Dividends and discount accretion on preferred stock	—	—	—	(5,640)	(4,568)
Net income available to common stockholders	$92,258	$88,615	$81,755	$77,583	$22,547
Per Common Share Data:					
Earnings—basic	$1.16	$1.11	$1.03	$0.99	$0.53
Earnings—diluted	$1.16	$1.11	$1.03	$0.99	$0.53
Book value (period end, excluding preferred stock and warrants)	$11.79	$11.10	$10.18	$9.62	$8.64
Cash dividends declared per common share	$0.42	$0.35	$0.25	$0.05	$—
Number of common shares outstanding (period end)	79,566,356	79,503,552	79,441,525	78,041,511	77,984,252
Balance Sheet Data—At Period End:					
Assets	$7,912,648	$7,140,330	$6,475,199	$5,640,661	$5,166,604
Securities available for sale	$1,010,556	$792,523	$701,751	$700,403	$736,920
Loans receivable, net of unearned loan fees and discounts (excludes loans held for sale)	$6,248,341	$5,565,192	$5,074,176	$4,296,252	$3,738,826
Deposits	$6,340,976	$5,693,452	$5,148,057	$4,384,035	$3,940,892
FHLB advances	$530,591	$480,975	$421,352	$420,722	$344,402
Subordinated debentures	$42,327	$42,158	$57,410	$41,846	$52,102
Stockholders’ equity	$938,095	$882,773	$809,374	$751,104	$795,939
Average Balance Sheet Data:					
Assets	$7,389,530	$6,830,244	$6,042,674	$5,228,557	$3,168,124
Securities available for sale	$871,010	$713,775	$699,812	$690,719	$516,460
Gross loans, including loans held for sale	$5,846,658	$5,355,243	$4,692,089	$3,974,626	$2,352,253
Deposits	$5,879,704	$5,439,920	$4,739,261	$3,989,401	$2,360,786
Stockholders’ equity	$912,609	$848,443	$788,570	$775,718	$414,768

30

Table of Contents

	For The Year Ended December 31,				
	2015	2014	2013	2012	2011
	(Dollars in thousands)				
Selected Performance Ratios:					
Return on average assets[1]	1.25%	1.30%	1.35%	1.59%	0.86%
Return on average stockholders' equity[2]	10.11%	10.44%	10.37%	10.73%	6.54%
Average stockholders' equity to average assets	12.35%	12.42%	13.05%	14.84%	13.09%
Dividend payout ratio (dividends per share/earnings per share)	36.21%	21.53%	24.27%	5.05%	0.00%
Net interest spread[3]	3.62%	3.88%	4.23%	4.59%	3.92%
Net interest margin[4]	3.88%	4.13%	4.46%	4.88%	4.29%
Yield on interest earning assets[5]	4.46%	4.68%	4.99%	5.48%	5.35%
Cost of interest bearing liabilities[6]	0.80%	0.80%	0.76%	0.89%	1.43%
Efficiency ratio[7]	48.44%	48.79%	47.88%	43.56%	53.70%
Regulatory Capital Ratios:					
BBCN Bancorp:					
Common Equity Tier 1	12.08%	12.96%	12.65%	14.03%	16.91%
Leverage	11.53%	11.62%	11.97%	12.76%	19.81%
Tier 1 risk-based	12.67%	13.64%	13.66%	14.91%	18.15%
Total risk-based	13.80%	14.80%	14.90%	16.16%	19.41%
BBCN Bank:					
Common Equity Tier 1	12.56%	13.44%	13.46%	14.47%	16.62%
Leverage	11.43%	11.45%	11.79%	12.38%	18.13%
Tier I risk-based	12.56%	13.44%	13.46%	14.47%	16.62%
Total risk-based	13.69%	14.61%	14.70%	15.73%	17.88%

31

Table of Contents

	For The Year Ended December 31,				
	2015	2014	2013	2012	2011
	(Dollars in thousands)				
Asset Quality Data:					
Nonaccrual loans	$40,801	$46,353	$39,154	$29,653	$32,291
Loans 90 days or more past due and still accruing (8)	375	361	5	—	6
Restructured loans (accruing)	47,984	57,128	33,903	29,849	18,776
Total nonperforming loans	89,160	103,842	73,062	59,502	51,073
Other real estate owned	21,035	21,938	24,288	2,698	7,624
Total nonperforming assets	$110,195	$125,780	$97,350	$62,200	$58,697
Asset Quality Ratios:					
Nonaccrual loans to loans receivable	0.65 %	0.83 %	0.77 %	0.69 %	0.86 %
Nonperforming loans to loans receivable	1.43 %	1.87 %	1.44 %	1.38 %	1.37 %
Nonperforming assets to total assets	1.39 %	1.76 %	1.50 %	1.10 %	1.14 %
Nonperforming assets to loans receivable and other real estate owned	1.76 %	2.25 %	1.91 %	1.45 %	1.57 %
Allowance for loan losses to loans receivable	1.22 %	1.22 %	1.33 %	1.56 %	1.66 %
Allowance for loan losses to nonaccrual loans	187.27 %	146.18 %	171.94 %	225.75 %	191.86 %
Allowance for loan losses to nonperforming loans	85.70 %	65.25 %	92.14 %	112.50 %	121.30 %
Allowance for loan losses to nonperforming assets	69.34 %	53.87 %	69.15 %	107.62 %	105.55 %
Net charge-offs (recoveries) to average gross loans	(0.01)%	0.23 %	0.42 %	0.36 %	1.20 %
Legacy Portfolio:					
Nonaccrual loans to loans receivable	0.48 %	0.59 %	0.45 %	0.55 %	1.35 %
Nonperforming loans to loans receivable	1.25 %	1.70 %	1.23 %	1.40 %	2.13 %
Allowance for loan losses to loans receivable	1.08 %	1.19 %	1.46 %	1.82 %	2.59 %
Allowance for loan losses to nonaccrual loans	222.38 %	203.52 %	325.26 %	329.03 %	191.86 %
Allowance for loan losses to nonperforming loans	86.23 %	70.14 %	118.68 %	129.76 %	121.30 %
Acquired Portfolio:					
Nonaccrual loans to loans receivable	3.30 %	2.70 %	2.12 %	1.18 %	n/a
Nonperforming loans to loans receivable	4.21 %	3.12 %	2.30 %	1.33 %	n/a
Allowance for loan losses to loans receivable	3.50 %	1.41 %	0.75 %	0.63 %	n/a
Allowance for loan losses to nonaccrual loans	106.22 %	51.97 %	35.44 %	53.44 %	n/a
Allowance for loan losses to nonperforming loans	83.20 %	45.00 %	32.60 %	47.60 %	n/a

(1) Net income divided by the average assets

(2) Net income divided by the average stockholders' equity

(3) Difference between the average yield earned on interest earning assets and the average rate paid on interest bearing liabilities

(4) Net interest income expressed as a percentage of average interest earning assets

(5) Interest income divided by the average interest earning assets

(6) Interest expense divided by the average interest bearing liabilities

(7) Noninterest expense divided by the sum of net interest income plus noninterest income

(8) Excludes acquired credit impaired loans totaling $12.2 million, $30.4 million, $43.8 million, $17.7 million, and $23.9 million as of December 31, 2015, 2014, 2013, 2012, and 2011, respectively.

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our Consolidated Financial Statements and accompanying notes presented elsewhere in this Report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those set forth under Item 1A “Risk Factors” and elsewhere in this Report.

Overview

We offer a full range of commercial banking and consumer deposit products through BBCN Bank. We now have 50 banking offices in California, the New York City, Chicago and Seattle metropolitan areas, New Jersey and Virginia. We have eight loan production offices located in the Atlanta, Dallas, Seattle, Northern California, Denver, Portland, and Annandale. We offer our banking services through our network of banking offices and loan production offices to our customers who typically are small- to medium-sized businesses in our market areas. We accept deposits and originate a variety of loans including commercial business loans, commercial real estate loans, trade finance, SBA loans, and consumer loans.

Our results are affected by economic conditions in our markets and in South Korea. A decline in economic and business conditions in our market areas and in South Korea may have a material impact on the quality of our loan portfolio or the demand for our products and services, which in turn may have a material adverse effect on our results of operations.

Our principal business involves earning interest on loans and investment securities that are funded by customer deposits and other borrowings. Our operating income and net income are derived primarily from the difference between interest income received from interest earning assets and interest expense paid on interest bearing liabilities and, to a lesser extent, from fees received in connection with servicing loan and deposit accounts and income from the sale of SBA loans. Our major expenses are the interest we pay on deposits and borrowings, provisions for loan losses and general operating expenses, which primarily consist of salaries and employee benefits and occupancy costs. Interest rates are highly sensitive to many factors that are beyond our control, such as changes in the national economy and in the related monetary policies of the Board of Governors of the Federal Reserve System, inflation, unemployment, consumer spending and political events. We cannot predict the impact that these factors and future changes in domestic and foreign economic and political conditions might have on our performance.

Recently Announced and Completed Mergers and Acquisitions

On December 7, 2015 we announced the signing of the Merger Agreement with Wilshire. As part of the merger, Wilshire Bank will merge with and into BBCN Bank. Under the terms of the Merger Agreement, Wilshire shareholders will receive a fixed exchange ratio of 0.7034 of a share of our common stock in exchange for each share of Wilshire common stock they own in a 100% stock-for-stock transaction. Based on the closing price of $14.36 of our common stock on February 22, 2015, this represents a value of $10.10 per share of Wilshire common stock and an overall transaction value of approximately $794 million. We anticipate that our shareholders will own approximately 59% of the combined entity and Wilshire shareholders will own 41%. We currently expect to close the transaction in mid-2016 subject to receipt of applicable regulatory and shareholder approvals and satisfaction of other conditions set forth in the Merger Agreement.

On February 15, 2013, we completed the acquisition of Pacific International Bancorp, Inc. (“PIB”), the holding company of Pacific International Bank, a Washington state-chartered bank. Through the acquisition, we acquired PIB’s four full-service branch offices in the Seattle metropolitan area. Under the terms of the acquisition agreement, we issued an aggregate of 632,050 shares of BBCN common stock for each share of PIB common stock that they owned as of the close of business February 15, 2013.

On August 13, 2013, we completed the acquisition of Foster Bankshares, Inc. (“Foster”), the holding company of Foster Bank. Through the acquisition, we acquired Foster’s nine full-service branch offices, eight of which were located in Illinois and one in Virginia. Under the terms of the acquisition agreement, we issued an aggregate of 189,838 shares of our common stock and $2.0 million in cash to Foster Shareholders.

Each acquisition was accounted for as acquisition in accordance with the acquisition method of accounting as detailed in Accounting Standards Codification ("ASC") 805, Business Combinations. The acquisition method of accounting requires an acquirer to recognize the assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree based on their fair values as of the date of acquisition. This process is heavily reliant on measuring and estimating the fair values of all the assets and liabilities of the acquired entities. To the extent we did not have the requisite expertise to determine the fair values of the assets acquired and liabilities assumed, we engaged third party valuation specialists to assist us in determining such values.

Table of Contents

Critical Accounting Policies

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and general practices within the banking industry. The financial information contained within these statements is, to a significant extent, financial information that is based on approximate measures of the financial effects of transactions and events that have already occurred. All of our significant accounting policies are described in Note 1 of our Consolidated Financial Statements presented elsewhere herein and are essential to understanding Management's Discussion and Analysis of Financial Condition and Results of Operations. GAAP 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.

The following is a summary of the more judgmental and complex accounting estimates and principles affecting the financial condition and results reported in our financial statements. In each area, we have identified the variables we believe to be the most important in the estimation process. We use the best information available to us to make the estimations necessary to value the related assets and liabilities in each of these areas.

Investment Securities

The fair values of investment securities are generally determined by quoted market prices obtained from independent external brokers or external pricing services providers who have experience in valuing these securities. We perform a monthly analysis on the broker quotes received from third parties to assess whether the prices represent a reasonable estimate of the fair value. The procedures include, but are not limited to, initial and on-going review of third party pricing methodologies as well as independent auditors' reports from the third party regarding its controls over valuation of financial instruments, review of pricing trends and monitoring of trading volumes. We also compare the market prices obtained from one source to another reputable independent external brokers or independent external pricing service providers for the reasonableness of the initial market prices obtained on a quarterly basis. We did not adjust any of the prices provided to us by the independent pricing services at December 31, 2015 or 2014.

We evaluate securities for other-than-temporary impairment on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the financial condition and near-term prospects of the issuer; the length of time and the extent to which the fair value has been less than cost, and our intention to sell, or whether it is more likely than not that we will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. In analyzing an issuer's financial condition, we consider whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. We do not believe that we had any investment securities available for sale with unrealized losses that would be deemed to be other-than-temporarily impaired as of December 31, 2015. Investment securities are discussed in more detail under "Financial Condition—Investment Securities Portfolios" below.

Allowance for Loan Losses

Accounting for the allowance for loan losses involves significant judgments and assumptions by management, which has a material impact on the carrying value of net loans. The judgments and assumptions used by management are based on historical data and management's analysis of other qualitative factors, including the current economic environment as described under "Financial Condition—Allowance for Loan Losses" below.

Acquired Loans

Loans that we acquired were recorded at fair value with no carryover of the related allowance for loan losses. We evaluated acquired loans for credit impairment and accounted for the credit impaired loans ("Acquired Credit Impaired Loans" or "ACILs") under the provisions of ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality. Loans from the acquisitions that were not determined to be credit impaired ("Acquired Performing Loans" or "APLs") were placed in pools with similar risk characteristics. We periodically reassess the net realizable value of each loan pool and record interest income resulting from the accretion of the purchase discount in accordance with ASC 310-20.

Acquired Credit Impaired Loans

In accordance with ASC 310-30, ACILs were aggregated into pools based on individually evaluated common risk characteristics and expected cash flows were estimated on a pool basis. Each pool is accounted for as a single asset with a single interest rate, cumulative loss rate and cash flow expectation. A loan will be removed from a pool of loans at its carrying value only if the loan is sold or foreclosed, assets are received in satisfaction of the loan or the loan is written off.

Table of Contents

The cash flows expected to be received over the life of the pools were estimated by management with the assistance of a third party valuation specialist. These cash flows were utilized in calculating the carrying values of the pools and underlying loans, book yields, effective interest income and impairment, if any, based on actual and projected events. Default rates, loss severity and prepayment speeds assumptions are periodically reassessed and updated within the accounting model to update the expectation of future cash flows. The excess of the cash expected to be collected over the pool's carrying value is considered to be the accretable yield and is recognized as interest income over the estimated life of the loan pool using the effective interest yield method. The accretable yield will change due to changes in the timing and amounts of expected cash flows. Changes in the accretable yield are disclosed quarterly.
The excess of the contractual balances due over the cash flows expected to be collected is considered to be nonaccretable difference. The nonaccretable difference represents our estimate of the credit losses expected to occur and was considered in determining the fair value of the loans as of their acquisition date. Subsequent to their acquisition date, any increases in expected cash flows over those expected at the acquisition date in excess of fair value are adjusted through the accretable difference on a prospective basis. Any subsequent decreases in expected cash flows over those expected at their acquisition date are recognized by recording a provision for loan losses.
ACILs that met the criteria for nonaccrual of interest prior to the acquisition are considered performing upon acquisition, regardless of whether the customer is contractually delinquent, if we can reasonably estimate the timing and amount of the expected cash flows on such loans and if we expect to collect the new carrying value of the loans in full. As such, we no longer consider the loan to be nonaccrual or nonperforming and accrue interest on these loans, including the impact of any accretable discount. We have determined that we can reasonably estimate future cash flows on any such acquired loans that are past due 90 days or more and on which we are accruing interest and we expect to fully collect the carrying value of the loans.

FDIC Loss Share Receivable

In conjunction with our FDIC-assisted acquisition of Innovative Bank, we entered into shared-loss agreements with the FDIC for amounts receivable covered by the shared-loss agreements. We elected to account for amounts receivable under the loss sharing agreement with the FDIC as an FDIC loss share receivable in accordance with ASC 805. The FDIC loss share receivable was recorded at fair value, based on the discounted value of expected future cash flows under the loss sharing agreement. The difference between the present value and the undiscounted cash flows we expect to collect from the FDIC are accreted into other income over the life of the FDIC loss share receivable.
The FDIC loss share receivable is reviewed quarterly and adjusted for any changes in expected cash flows based on recent performance and expectations for future performance of the covered portfolio. These adjustments are measured on the same basis as the related covered loans and covered other real estate owned. Any increases in the cash flows of the covered assets over those expected will reduce the FDIC loss share receivable and any decreases in cash flows of the covered assets under those expected will increase the FDIC loss share receivable. Increase and decrease to the FDIC loss share receivable are recorded as adjustments to noninterest income.
The loss sharing provisions of the agreements expired on June 30, 2015, however, the Company will continue to reimburse the FDIC for recoveries on its covered assets until June 30, 2018.

Goodwill

We test goodwill for impairment annually. Before applying the two-step goodwill impairment test, in accordance with Accounting Standards Update ("ASU") 2011-08, Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment, we make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount. If we conclude that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, we do not perform the two-step impairment test. We assessed certain qualitative factors to determine whether impairment was likely including: the Company's market capitalization, capital adequacy, continued performance compared to peers, and continued improvement in asset quality trends, among others. Based on our qualitative assessment, we were not required to perform the two-step impairment test as of December 31, 2015.
Goodwill is also tested for impairment on an interim basis if circumstances change or an event occurs between annual tests that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Significant judgment is applied when goodwill is assessed for impairment. This judgment includes developing cash flow

projections, selecting appropriate discount rates, identifying relevant market comparables, incorporating general economic and market conditions and selecting an appropriate control premium. The selection and weighting of the various fair value techniques may result in a higher or lower fair value. Judgment is applied in determining the weighting that is most representative of fair value.

Table of Contents

Income Taxes

The provision for income taxes is based on income reported for financial statement purposes, and differs from the amount of taxes currently payable, since certain income and expense items are reported for financial statement purposes in different periods than those for tax reporting purposes. Taxes are discussed in more detail in Note 10 to our Consolidated Financial Statements presented elsewhere herein. Accrued taxes represent the net estimated amount due or to be received from taxing authorities. In estimating accrued taxes, we assess the relative merits and risks of the appropriate tax treatment of transactions taking into account statutory, judicial, and regulatory guidance in the context of our tax position. We account for income taxes using the asset and liability approach, the objective of which is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of our assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. In assessing the realization of deferred tax assets, management evaluates both positive and negative evidence, including the existence of any cumulative losses in the current year and the prior two years, the amount of taxes paid in available carry-back years, the forecasts of future income and taxable income, applicable tax planning strategies, and assessments of current and future economic and business conditions. This analysis is updated quarterly and adjusted as necessary.

Section 382 of the Internal Revenue Code imposes limitations on a corporation’s ability to use any net unrealized built in losses and other tax attributes, such as net operating loss and tax credit carryforwards, when it undergoes a 50% “ownership change” over a designated testing period (not to exceed three years). As a result of the acquisition on February 14, 2013 of PIB and on August 12, 2013 of Foster, both PIB and Foster underwent a greater than 50% ownership change. Except for the limitation on PIB’s net operating loss carryforward, there is expected to be no limitation on the use of either PIB’s or Foster’s tax attributes because neither company has a net unrealized built in loss. PIB is expected to fully utilized the net operating loss carryforward before it expires with the application of the annual limitation. However, future transactions, such as issuances of common stock or sales of shares of our stock by certain holders of our shares, including persons who have held, currently hold or may accumulate in the future 5% or more of our outstanding common stock for their own account, could trigger future Section 382 limitations on the Company’s use of tax attributes.

Results of Operations

Operations Summary

Our most significant source of income is net interest income, which is the difference between our interest income and our interest expense. Generally, interest income is generated from the loans we extend to our customers and investments, and interest expense is generated from interest bearing deposits our customers have with us and borrowings that we may have, such as FHLB advances and subordinated debentures. Our ability to generate profitable levels of net interest income is largely dependent on our ability to manage the levels of interest earning assets and interest bearing liabilities, and the rates received or paid on them, as well as our ability to maintain sound asset quality and appropriate levels of capital and liquidity. As mentioned above, interest income and interest expense may fluctuate based on factors beyond our control, such as economic or political conditions.

We attempt to minimize the effect of interest rate fluctuations on net interest margin by monitoring our interest sensitive assets and our interest sensitive liabilities. Net interest income can be affected by a change in the composition of assets and liabilities, such as replacing higher yielding loans with a like amount of lower yielding investment securities. Changes in the level of nonaccrual loans and changes in volume and interest rates can also affect net interest income. Volume changes are caused by differences in the level of interest earning assets and interest bearing liabilities. Interest rate changes result from differences in yields earned on assets and rates paid on liabilities.

The other significant source of our income is noninterest income, including service charges and fees on deposit accounts, loan servicing fees, fees from trade finance activities and the issuance of letters of credit and net gains on sale of loans that were held for sale and investment securities available for sale. Our noninterest income can be reduced by charges for other than temporary impairment on investment securities.

In addition to interest expense, our income is impacted by provisions for loan losses and noninterest expenses, primarily salaries and benefits and occupancy expense. The following table presents our condensed consolidated statements of income and the increases (decreases) year over year.

Table of Contents

	Year Ended December 31,						
		Increase (Decrease)			Increase (Decrease)		
(Dollars in thousands)	2015	Amount	%	2014	Amount	%	2013
Interest income	$313,660	$11,003	4 %	$302,657	$19,584	7 %	$283,073
Interest expense	40,618	4,558	13 %	36,060	6,042	20 %	30,018
Net interest income	273,042	6,445	2 %	266,597	13,542	5 %	253,055
Provision for loan losses	8,000	(4,638)	(37)%	12,638	(7,362)	(37)%	20,000
Noninterest income	43,691	(496)	(1)%	44,187	1,468	3 %	42,719
Noninterest expense	153,384	1,760	1 %	151,624	10,004	7 %	141,620
Income before income tax provision	155,349	8,827	6 %	146,522	12,368	9 %	134,154
Income tax provision	63,091	5,184	9 %	57,907	5,508	11 %	52,399
Net income	$92,258	$3,643	4 %	$88,615	$6,860	8 %	$81,755

Net Income Available to Common Stockholders

Our net income available to common stockholders was $92.3 million for 2015 compared to $88.6 million for 2014 and $81.8 million for 2013. Our earnings per common share based on fully diluted shares were $1.16, $1.11 and $1.03 for 2015, 2014 and 2013, respectively. The return on average assets was 1.25%, 1.30% and 1.35% and the return on average stockholders’ equity was 10.11%, 10.44% and 10.37% for 2015, 2014 and 2013, respectively.

Impact of Acquisitions

The comparability of our operating results is affected by acquisitions. We completed the following acquisitions during the five years ended December 31, 2015: Center Financial Corporation ($2.25 billion in assets) acquired in November 2011, Pacific International Bancorp ($183.6 million in assets) acquired in February 2013, and Foster Bancshares ($350.0 million in assets) acquired in August 2013. These acquisitions have been accounted for using the acquisition method of accounting and, accordingly, their operating results have been included in the consolidated financial statements from their respective acquisition dates.

Net income for the year ended December 31, 2015 and 2014 was impacted by the accretion of discounts and the amortization of premiums relating to past acquisitions. The following table summarizes the accretion and amortization adjustments that are included in net income for the year ended December 31, 2015 and 2014:

	For the Year Ended December 31,	
	2015	2014
	(Dollars in thousands)	
Accretion of discounts on acquired performing loans	$9,840	$15,124
Accretion of discounts on acquired credit impaired loans	7,179	8,274
Amortization of premiums on assumed FHLB advances	384	378
Accretion of discounts on assumed subordinated debt	(169)	(214)
Amortization of premiums on assumed time deposits	186	669
Amortization of core deposit intangible assets	(1,068)	(1,296)
Total	$16,352	$22,935

Net Interest Margin and Net Interest Rate Spread

We analyze our earnings performance using, among other measures, the net interest spread and net interest margin. The net interest spread represents the difference between the weighted average yield earned on interest earning assets and average rate paid on interest bearing liabilities. Net interest income, when expressed as a percentage of average total interest earning assets, is referred to as the net interest margin. Our net interest margin is affected by changes in the yields earned on assets and rates paid on liabilities, as well as the ratio of the amounts of interest earning assets to interest bearing liabilities.

Table of Contents

Interest rates charged on our loans are affected principally by the demand for such loans, the supply of money available for lending purposes and other competitive factors. These factors are in turn affected by general economic conditions and other factors including those beyond our control, such as federal economic policies, the general supply of money in the economy, legislative tax policies, governmental budgetary matters and the actions of the FRB.
The following table presents our net interest margin, net interest rate spread, and our condensed consolidated average balance sheet information, together with interest rates earned and paid on the various sources and uses of funds, for the periods indicated:

Table of Contents

	Year Ended December 31,								
	2015			2014			2013		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
	(Dollars in thousands)								
INTEREST EARNING ASSETS:									
Loans(1)(2)(3)	$5,846,658	$291,344	4.98 %	$5,355,243	$283,817	5.30 %	$4,692,089	$266,684	5.68 %
Securities(3)	871,010	18,611	2.14 %	713,775	16,084	2.25 %	699,812	14,663	2.10 %
FRB and FHLB stock and other investments	313,904	3,705	1.16 %	389,298	2,736	0.69 %	280,109	1,726	0.61 %
Federal funds sold	—	—	—	3,342	20	0.60 %	—	—	—
Total interest earning assets	7,031,572	313,660	4.46 %	6,461,658	302,657	4.68 %	5,672,010	283,073	4.99 %
Noninterest earning assets:									
Cash and due from banks	92,708			90,978			94,914		
Premises and equipment, net	33,276			31,292			26,140		
Accrued interest receivable	14,082			12,973			12,455		
Intangible assets	108,773			109,969			107,944		
Other assets	109,119			123,374			129,211		
Total noninterest earning assets	357,958			368,586			370,664		
Total assets	$7,389,530			$6,830,244			$6,042,674		
INTEREST BEARING LIABILITIES:									
Deposits:									
Demand, interest bearing	$1,697,033	12,430	0.73 %	$1,514,386	10,270	0.68 %	$1,289,082	7,818	0.61 %
Savings	193,610	1,670	0.86 %	206,667	2,095	1.01 %	200,735	2,800	1.39 %
Time certificates	2,377,993	19,312	0.81 %	2,270,726	16,813	0.74 %	1,988,848	12,703	0.64 %
FHLB advances	503,127	5,645	1.12 %	452,923	5,245	1.16 %	421,729	4,899	1.16 %
Other borrowings	40,694	1,561	3.78 %	43,459	1,637	3.72 %	47,678	1,798	3.72 %
Total interest bearing liabilities	4,812,457	40,618	0.84 %	4,488,161	36,060	0.80 %	3,948,072	30,018	0.76 %
Noninterest bearing liabilities and equity:									
Demand deposits	1,611,068			1,448,141			1,260,596		
Other liabilities	53,396			45,499			45,436		
Stockholders' equity	912,609			848,443			788,570		
Total liabilities and stockholders' equity	$7,389,530			$6,830,244			$6,042,674		
NET INTEREST INCOME AND YIELD:									

Net interest income	$273,042	$266,597	$253,055
Net interest margin	3.88 %	4.13 %	4.46 %
Net interest margin, excluding nonaccrual interest	3.88 %	4.13 %	4.47 %
Net interest margin, excluding nonaccrual interest and loan prepayment fee income	3.85 %	4.10 %	4.44 %
Net interest spread[(4)]	3.62 %	3.88 %	4.23 %
Cost of funds[(5)]	0.63 %	0.61 %	0.58 %

39

Table of Contents

(1) Interest income on loans includes accretion of net deferred loan origination fees and costs, prepayment fees received on loan pay-offs and accretion of discounts on acquired loans. See the table below for detail. The average balance of loans is net of deferred loan origination fees and costs.

Year ended December 31,	Net Loan Origination Fees	Loan Prepayment Fee Income	Interest Reversed for Nonaccrual Loans, Net of Income Recognized	Accretion of Discounts on Acquired Loans
	(In thousands)			
2015	$1,540	$ 2,202	$ 27	$ 17,019
2014	$1,523	$ 1,566	$ (26)	$ 23,398
2013	$1,263	$ 1,485	$ (274)	$ 27,462

(2) Average balances of loans are net of deferred loan origination fees and costs and include nonaccrual loans and loans held for sale.
(3) Interest income and yields are not presented on a tax-equivalent basis.
(4) Interest on interest earning assets minus interest on interest bearing liabilities
(5) Interest on interest bearing liabilities and noninterest bearing deposits

Net Interest Income

Net interest income was $273.0 million for 2015, compared to $266.6 million for 2014 and $253.1 million for 2013. Changes in net interest income are a function of changes in interest rates and volume of interest earning assets and interest bearing liabilities. The following table sets forth information regarding the changes in interest income and interest expense for the periods indicated. The total change for each category of interest earning assets and interest bearing liabilities is segmented into the change attributable to variations in volume (changes in volume multiplied by the old rate) and the change attributable to variations in interest rates (changes in rates multiplied by the old volume). Nonaccrual loans are included in average loans used to compute this table.

	Year Ended December 31,					
	2015 Compared to 2014			2014 Compared to 2013		
	Net Increase (Decrease)	Change due to Rate	Change due to Volume	Net Increase (Decrease)	Change due to Rate	Change due to Volume
	(In thousands)					
INTEREST INCOME:						
Interest and fees on loans	$7,527	$(17,574)	$25,101	$17,133	$(18,836)	$35,969
Interest on other investments	949	1,566	(617)	1,033	279	754
Interest on securities	2,527	(848)	3,375	1,418	1,121	297
TOTAL INTEREST INCOME	$11,003	$(16,856)	$27,859	$19,584	$(17,436)	$37,020
INTEREST EXPENSE:						
Interest on demand deposits	$2,160	$832	$1,328	$2,452	$989	$1,463
Interest on savings	(425)	(292)	(133)	(705)	(786)	81
Interest on time certificates of deposit	2,499	1,690	809	4,111	2,176	1,935
Interest on FHLB advances	400	(177)	577	347	(14)	361
Interest on other borrowings	(76)	28	(104)	(161)	(4)	(157)
TOTAL INTEREST EXPENSE	$4,558	$2,081	$2,477	$6,044	$2,361	$3,683
NET INTEREST INCOME	$6,445	$(18,937)	$25,382	$13,540	$(19,797)	$33,337

Net interest income increased $6.4 million, or 2%, during 2015. The increase was primarily due an increase in average interest earning assets by 9% during the year which resulted in an increase of $27.9 million in interest income due to volume. Interest bearing liabilities increased during the year by 7%. The corresponding increase in interest expense due to volume was $2.5 million. The growth in interest earning assets was partially offset by decreasing yields in both loans and investment securities throughout the period.

Net interest income increased $13.5 million, or 5%, during 2014. The increase resulted from an increase in loans. The growth in interest earning assets was partially offset by decreasing yields on the interest earning assets throughout the period.

Table of Contents

Interest Income
Interest income was $313.7 million for 2015, compared to $302.7 million for 2014 and $283.1 million for 2013. The yield on average interest earning assets was 4.46% for 2015, compared to 4.68% for 2014 and 4.99% for 2013.

Comparison of 2015 with 2014
The increase in interest income of $11.0 million, or 4%, for 2015 compared to 2014 was primarily a result of organic growth in our loans receivable. The average balances of gross loans increased by $491.4 million during the year, resulting in an increase in interest income of $25.1 million due to volume. This increase was offset by a $17.6 million decrease due to a decreasing interest rate environment along with decreasing discount accretion recorded from our acquired loan portfolios. Loan discount accretion decreased by $6.4 million, from $23.4 million during the year ended December 31, 2014 to $17.0 million for the year ended December 31, 2015.

Average balances of investments securities increased by 22% during the year. We purchased $229.0 million in investment securities, net of securities that were sold, matured, called or paid down. The corresponding increase in interest expense due to volume was $3.4 million.

Comparison of 2014 with 2013
The increase in interest income of $19.6 million, or 7%, for 2014 compared to 2013 was primarily due to the increase in average interest earning assets as a result of the net growth in loans receivable. The average balances of gross loans increased by $789.6 million during the year, resulting in an increase in interest income of $37.0 million. In addition, the increase in interest income for the year ended December 31, 2014 was attributable to $23.4 million of loan interest income resulting from the accretion of discounts on acquired loans. This increase was offset by a $18.8 million decrease due to a decreasing interest rate environment along with higher customer demand for fixed rate loans.

Interest Expense
Deposits
Interest expense on deposits was $33.4 million for 2015 compared to $29.2 million for 2014 and $23.3 million for 2013. The average cost of deposits was 0.57% for 2015, compared to 0.54% for 2014 and 0.49% for 2013. The average cost of interest bearing deposits was 0.78%, compared to 0.73% for 2014 and 0.67% for 2013.

Comparison of 2015 with 2014
The increase in interest expense on total deposits of $4.2 million, or 14.5%, for 2015, compared to 2014 was due to an increase in average interest bearing deposits and a change in the deposit mix. The average balance of our time deposits increased by $107.3 million during the year. In addition, the average rate on average deposits increased by 7 basis points. The average balance of noninterest bearing deposits accounted for 27.4% of total average deposits at December 31, 2015, compared to 27.0% at December 31, 2014.

Comparison of 2014 with 2013
The increase in interest expense on total deposits of $5.8 million, or 25%, for 2014, compared to 2013 was due to an increase in interest bearing deposits and also a slight change in the deposit mix. Noninterest bearing deposits accounted for 27.0% of total deposits at December 31, 2014, compared to 27.2% at December 31, 2013. There was also an increase in money market deposits, increasing up to 29.2% of the total deposit portfolio compared to 26.7% in 2013.

Borrowings
Borrowings include borrowings from the FHLB and subordinated debentures. As part of our asset-liability management, we utilize FHLB advances to supplement our deposit source of funds. Therefore, there may be fluctuations in these balances depending on the short-term liquidity and longer-term financing needs of the Bank. Average FHLB advances were $503.1 million in 2015, compared to $452.9 million in 2014 and $421.7 million in 2013. Interest expense on FHLB advances was $5.6 million for 2015, compared to $5.2 million for 2014 and $4.9 million for 2013. The average cost of FHLB advances was 1.12% for 2015, compared to 1.16% for 2014 and 1.16% for 2013. The decrease in the average cost of FHLB advances in 2015 was primarily due to the replacement of maturing borrowings with lower rate advances. We repaid $300.0 million in FHLB advances during the year. In 2015, we borrowed $350.0 million with an average rate of 0.48%, compared to $90 million with an average rate of 1.68% in 2014.

Other borrowings include subordinated debentures which bear interest at 3-month LIBOR plus spread. There were no changes in our balance of subordinate debentures during the year, except for an increase related to the discount accretion from an acquired trust preferred security.

Provision for Loan Losses

The provision for loan losses reflects our judgment of the current period cost associated with credit risk inherent in our loan portfolio. The loan loss provision for each period is dependent upon many factors, including loan growth, net charge-offs, changes in the composition of the loan portfolio, delinquencies, assessments by management, third parties' and regulators' examination of the loan portfolio, the value of the underlying collateral on problem loans and the general economic conditions in our market areas. Specifically, the provision for loan losses represents the amount charged against current period earnings to achieve an allowance for loan losses that, in our judgment, is adequate to absorb probable incurred losses inherent in our loan portfolio. Periodic fluctuations in the provision for loan losses result from management's assessment of the adequacy of the allowance for loan losses; however, actual loan losses may vary in material respects from current estimates. If the allowance for loan losses is inadequate, we may be required to record additional loan loss provision, which may have a material adverse effect on our business and our financial condition.

Comparison of 2015 with 2014

The provision for loan losses was $8.0 million for 2015, a decrease of $4.6 million, or 37%, from $12.6 million for 2014. The provision was calculated based on a net recovery of $650 thousand during the year and an increase in the required allowance for loan losses primarily due to an increase in loan volume. The decrease in the provision reflects a decrease in quantitative reserves due to declining historical loss rates. The decrease in provision also reflects a decreasing trend in classified loans and a decrease in specific reserves on impaired loans.

Comparison of 2014 with 2013

The provision for loan losses was $12.6 million for 2014, a decrease of $7.4 million, or 37%, from $20.0 million for 2013. The provision for loan losses for 2014 reflects growth in the loan portfolio and a decreasing trend net charge offs, which decreased by $7.4 million during the year.

See "Financial Condition—Allowance for Loan Losses" for a description of our methodology for determining the allowance for loan losses.

Noninterest Income

Noninterest income is primarily comprised of service charges on deposit accounts, net gains on sales of SBA loans, and other fees and income. Noninterest income was $43.7 million for 2015, compared to $44.2 million for 2014 and $42.7 million for 2013.

Comparison of 2015 with 2014

The decrease in noninterest income for 2015 over 2014 primarily reflected decreases in service charges on deposit accounts and net gains on sales of SBA loans. These decreases were offset by an increase in other income and fees and net gains on sales of securities available for sale.

Service charges on deposits decreased primarily due to a decrease of $1.6 million in non-sufficient funds collected from business and personal accounts. The decrease was partially offset by increases in stop payment fees and returned item charges.

Net gains on sales of SBA loans decreased by $509 thousand, or 4%, to $12.7 million in 2015 from $13.2 million in 2014. The volume of sales of SBA loans and the net gains recorded from the sales are primarily driven by the production of SBA loans which decreased slightly during the year. Proceeds from SBA loans sold during the year decreased by $619 thousand, down to $165.2 million in 2015 compared to $165.8 million in 2014.

Other income and fees increased by $1.3 million, or 20% during the year. Fee income from our loan hedging product increased by $960 thousand during the year, due to an increase in the volume of transactions. Credit card processing fees increased by $225 thousand as we launched new credit card products in 2015.

During the year ended December 31, 2015, we sold 75 investment securities at a net gain of $424 thousand. We did not sell any securities during 2014.

Comparison of 2014 with 2013

The increase in noninterest income for 2014 over 2013 primarily reflected increases in net gains on sales of SBA loans and other income and fees. These increases were offset by a decrease in net gains on sales of securities available for sale.

Net gains on sales of SBA loans increased by $1.7 million, or 14%, to $13.2 million in 2014 from $11.5 million in 2013 primarily due to a steady increase in SBA loan production throughout the year. SBA loans sold during the year increased by $21.9 million, to $150.1 million in 2014 compared to $128.2 million in 2013.

Table of Contents

Other income and fees increased by $802 thousand, or 14% during the year. The increase in other income and fees are comprised of increases in earnings on bank owned life insurance and other loan processing fees collected.
A breakdown of noninterest income by category is shown below:

	Year Ended December 31,						
		Increase (Decrease)			Increase (Decrease)		
(Dollars in thousands)	2015	Amount	%	2014	Amount	%	2013
Noninterest Income:							
Service charges on deposit accounts	$12,206	$(1,480)	(11)%	$13,686	$848	7 %	$12,838
International service fees	3,448	(481)	(12)%	3,929	(987)	(20)%	4,916
Loan servicing fees, net	3,135	(93)	(3)%	3,228	(727)	(18)%	3,955
Wire transfer fees	3,632	64	2 %	3,568	(11)	— %	3,579
Other income and fees	7,911	1,309	20 %	6,602	802	14 %	5,800
Net gains on sales of SBA loans	12,665	(509)	(4)%	13,174	1,659	14 %	11,515
Net gains on sales of other loans	270	270	—	—	(62)	(100)%	62
Net gains on sales and calls of securities available for sale	424	424	—	—	(54)	(100)%	54
Total noninterest income	$43,691	$(496)	(1)%	$44,187	$1,468	3 %	$42,719

Noninterest Expense
Noninterest expense is primarily comprised of salaries and benefit expense, occupancy expense, and furniture and equipment expense. Noninterest expense was $153.4 million for 2015, compared to $151.6 million for 2014 and $141.6 million for 2013. The increases were $1.8 million, or 1%, for 2015 as compared to 2014 and $10.0 million, or 7%, for 2014 as compared to 2013.
Comparison of 2015 with 2014
The increase in noninterest expense for 2015 over 2014 was due to increases in salaries and employee benefits, merger related expenses, and furniture and equipment. The increase was partially offset by decreases in credit related expense, OREO expense, and other expenses.
Salaries and employee benefits amounted to $84.9 million for 2015, an increase of $9.2 million, or 12%, compared to $75.7 million for 2014. The increase was comprised of a $6.2 million increase in employee salaries, a $1.2 million increase in insurance benefits, and a $386 thousand increase in employer 401(k) contributions. These increases primarily reflect increases in the number of full-time equivalent employees to 938 at December 31, 2015, from 915 as of December 31, 2014 and 835 at December 31, 2013. In addition, expenses for temporary personnel increased by $732 thousand and the provision for bonuses increased by $1.0 million.
Furniture and equipment expense increased $1.1 million, or 14%, to $9.2 million for 2015, compared to $8.1 million in 2014. These expenses were comprised primarily of depreciation expense and building and equipment maintenance costs. Depreciation for furniture and equipment increased by $348 thousand primarily due to increases in fixed assets for our branches. Maintenance costs for hardware equipment and software increased by $777 thousand during the year.
Merger related expenses increased $1.2 million, to $1.5 million for 2015, compared to $322 thousand in 2014. The merger related expenses in 2015, primarily consisting of fees for legal counsel and financial advisors, were associated with the announced plan of merger agreement with Wilshire Bancorp, Inc. on December 7, 2015.
Credit related expenses decreased $5.0 million, or 72%, to $1.9 million for 2015, compared to $6.9 million in 2014. The allowance for unused lines of credit and uncollected escrow advances decreased during the year, resulting in a $1.6 million decrease in provision compared to 2014. In addition, loan collection and foreclosure expenses decreased by $2.1 million during the year.

OREO expense decreased $1.7 million, or 53%, to $1.5 million in 2015, compared to $3.3 million in 2014. The decrease was caused by an increase of $1.6 million in income from our OREO properties and an increase of $633 thousand in gains on

43

Table of Contents

the sales of OREO properties during the year. The decrease was offset by an increase of $904 thousand in management and maintenance fees related to our OREO properties.

Other expenses decreased $2.7 million, or 20%, to $10.9 million in 2015, compared to $13.6 million in 2014. The decrease in other expenses was attributed to decreases in amortization on our core deposit intangible assets, a decrease in director fees, and a decrease in payables due to the expiration of FDIC loss sharing agreements for our covered assets.

Comparison of 2014 with 2013

The increase in noninterest expense for 2014 over 2013 primarily reflected increases in salaries and employee benefits, occupancy expense, furniture and equipment and credit related expenses.

Salaries and employee benefits amounted to $75.7 million for 2014, an increase of $8.9 million, or 13%, compared to $66.8 million for 2013. We incurred a full year of salary expenses in 2014 compared to a partial year of salary expenses in 2013 related to our acquisitions of PIB and Foster in the prior year. In addition, the number of full-time equivalent employees increased to 915 at December 31, 2014 from 835 as of December 31, 2013. The result was an increase in salary expense by $6.5 million during the year. Employee benefit expenses also increased by a total of $2.4 million. These expenses were comprised mainly of group insurance expenses and 401(k) plan employer contributions.

Our occupancy expense increased $1.5 million, or 8%, to $19.1 million for 2014, compared to $17.7 million for 2013. The increase is primarily due to an increase in the number of branches from our acquisitions in 2013 and is also due to several branch openings and relocations throughout the year. Lease expenses and other occupancy costs such as utilities related to our branches increased by a total of $1.6 million during the year. Occupancy expense were also comprised of property taxes which decreased by $416 thousand during the year.

Furniture and equipment expense increased $1.3 million, or 19%, to $8.1 million for 2014, compared to $6.8 million in 2013. These expenses were comprised primarily of depreciation expense and building and equipment maintenance costs. Depreciation for furniture and equipment increased by $916 thousand primarily due to increases in fixed assets for our branches. Maintenance costs for hardware equipment and software increased by $423 thousand during the year.

Credit related expenses increased $1.0 million, or 17%, to $6.9 million for 2014, compared to $5.9 million in 2013. The allowance for unused lines of credit and uncollected escrow advances increased during the year, resulting in a $1.9 million additional provision compared to 2013.

A breakdown of noninterest expense by category is provided below:

	Year Ended December 31,						
		Increase (Decrease)			Increase (Decrease)		
(Dollars in thousands)	2015	Amount	%	2014	Amount	%	2013
Noninterest Expense:							
Salaries and employee benefits	$84,899	$ 9,198	12 %	$75,701	$ 8,896	13 %	$66,805
Occupancy	19,391	261	1 %	19,130	1,454	8 %	17,676
Furniture and equipment	9,245	1,113	14 %	8,132	1,323	19 %	6,809
Advertising and marketing	5,090	(336)	(6)%	5,426	242	5 %	5,184
Data processing and communications	9,179	283	3 %	8,896	1,301	17 %	7,595
Professional fees	5,585	(297)	(5)%	5,882	688	13 %	5,194
FDIC assessment	4,088	(265)	(6)%	4,353	1,044	32 %	3,309
Credit related expense	1,924	(4,952)	(72)%	6,876	1,008	17 %	5,868
OREO expense	1,523	(1,747)	(53)%	3,270	237	8 %	3,033
Merger and integration expense	1,540	1,218	378 %	322	(4,839)	(94)%	5,161
Other	10,920	(2,716)	(20)%	13,636	(1,350)	(9)%	14,986
Total noninterest expense:	$153,384	$ 1,760	1 %	$151,624	$ 10,004	7 %	$141,620

44

Table of Contents

Income Tax Provision

The provision for income taxes for 2015 was $63.1 million compared to $57.9 million in 2014 and $52.4 million in 2013. The effective income tax rate was 41% for 2015 compared to 40% for 2014 and 39% for 2013. See Note 10 of Notes to Consolidated Financial Statements for more detailed information on income taxes.

Table of Contents

Financial Condition

Our total assets were $7.91 billion at December 31, 2015 compared to $7.14 billion at December 31, 2014, an increase of $772.3 million, or 11%. The increase in total assets is comprised mainly of increases in net loans receivable of $674.5 million, securities available for sale of $218.0 million, investments in affordable housing partnerships of $14.6 million, and other assets of $5.1 million which were partially offset by decreases in cash and cash equivalents of $163.8 million, loans held for sale of $20.0 million, FHLB stock of $9.4 million, and other intangible assets of $1.1 million.

Loan Portfolio

We offer various products designed to meet the credit needs of our borrowers. Our lending activities primarily consist of commercial real estate loans, commercial business loans and trade finance loans. Gross loans receivable rose by $683.1 million to $6.25 billion at December 31, 2015 from $5.57 billion at December 31, 2014.

During 2015, new loans originated were $1.7 billion, compared to $1.3 billion for 2014. Loan growth remained concentrated in commercial real estate loans. The rates of interest charged on adjustable rate loans are set at specified spreads based on the prime lending rate and vary as the prime lending rate varies. Approximately 47% of our total loans were adjustable rate loans at December 31, 2015, compared to 48% at December 31, 2014.

With certain exceptions, we are permitted under applicable law to make unsecured loans to single borrowers (including certain related persons and entities) in aggregate amounts of up to 15% of the sum of our total capital and our allowance for loan losses (as defined for regulatory purposes) and certain capital notes and debentures issued by us, if any. As of December 31, 2015, our lending limit was approximately $141.8 million per borrower for unsecured loans. For lending limit purposes, a secured loan is defined as a loan secured by collateral having a current fair value of at least 100% of the amount of the loan or extension of credit at all times and satisfying certain other requirements. In addition to unsecured loans, we are permitted to make such collateral-secured loans in an additional amount up to 10% (for a total of 25%) of our total capital and the allowance for loan losses for a total limit of approximately $236.3 million to one borrower. The largest aggregate amount of loans that the Bank had outstanding to any one borrower and related entities was $84.9 million, which were performing as agreed at December 31, 2015.

The following table shows the composition of our loan portfolio by type of loan on the dates indicated:

(Dollars in thousands)	December 31, 2015		2014		2013		2012		2011	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Loan portfolio composition:										
Real estate loans:										
Residential	$33,797	0 %	$21,415	0 %	$10,039	0 %	$9,247	0 %	$2,043	0 %
Commercial	4,912,655	78 %	4,324,349	78 %	3,821,163	75 %	3,100,466	72 %	2,631,880	70 %
Construction	123,030	2 %	94,086	2 %	72,856	2 %	65,045	2 %	44,756	1 %
Total real estate loans	5,069,482	80 %	4,439,850	80 %	3,904,058	77 %	3,174,758	74 %	2,678,679	71 %
Commercial business	980,153	16 %	903,621	16 %	949,093	19 %	921,556	21 %	849,576	23 %
Trade finance	99,163	2 %	134,762	2 %	124,685	2 %	152,070	4 %	146,684	4 %
Consumer and other	102,573	2 %	89,849	2 %	98,507	2 %	49,954	1 %	66,631	2 %
Total loans outstanding	6,251,371	100 %	5,568,082	100 %	5,076,343	100 %	4,298,338	100 %	3,741,570	100 %
	(3,030)		(2,890)		(2,168)		(2,086)		(2,744)	

Less: deferred loan fees					
Gross loans receivable	6,248,341	5,565,192	5,074,175	4,296,252	3,738,826
Less: allowance for loan losses	(76,408)	(67,758)	(67,320)	(66,941)	(61,952)
Loans receivable, net	$6,171,933	$5,497,434	$5,006,855	$4,229,311	$3,676,874

Real Estate Loans

Our real estate loans consist primarily of loans secured by deeds of trust on commercial real estate, including SBA loans secured by commercial real estate. It is our general policy to restrict commercial real estate loan amounts to 75% of the appraised value of the property at the time of loan funding. We offer both fixed and floating interest rate loans. The maturities on such loans are generally up to seven years (with payments determined on the basis of principal amortization schedules of up to 25 years and a balloon payment due at maturity). Residential real estate loans comprise less than 1% of the total loan portfolio. Construction loans are also a small portion of the total real estate portfolio, comprising approximately 2% of total loans outstanding. Total real estate loans, consisting primarily of commercial real estate loans, increased $629.6 million or, 14.2%, to $5.1 billion at December 31, 2015 from $4.4 billion at December 31, 2014.

Table of Contents

Other Loans

Commercial business loans include term loans to businesses, lines of credit, trade finance facilities, and SBA loans. Business term loans are generally provided to finance business acquisitions, working capital and/or equipment purchases. Lines of credit are generally provided to finance short-term working capital needs. Trade finance facilities are generally provided to finance import and export activities. SBA loans are provided to small businesses under the U.S. SBA guarantee program. Short-term credit facilities (payable within one year) typically provide for periodic interest payments, with principal payable at maturity. Term loans (usually 5 to 7 years) normally provide for monthly payments of both principal and interest. SBA commercial loans usually have a longer maturity (7 to 10 years). These credits are regularly reviewed on a periodic basis, and most loans are secured by business assets and/or real estate. During 2015, commercial business loans increased by $76.5 million, or 8%, to $980.2 million at December 31, 2015 from $903.6 million at December 31, 2014 primarily due to loan payoffs and paydowns. Consumer loans comprise 2% of the total loan portfolio. Most of our consumer loan portfolio consists of automobile loans, home equity lines and loans, signature (unsecured) lines of credit and loans, single-family mortgages, and credit card loans.

We provide lines of credit to business customers usually on an annual renewal basis. We normally do not make loan commitments in material amounts for periods in excess of one year.

The following table shows our loan commitments and letters of credit outstanding at the dates indicated:

	December 31,				
(In thousands)	2015	2014	2013	2012	2011
Commitments to extend credit	$802,251	$586,714	$668,306	$690,917	$458,096
Standby letters of credit	45,083	41,987	44,190	39,176	29,028
Other commercial letters of credit	36,256	37,439	56,380	51,257	49,457
	$883,590	$666,140	$768,876	$781,350	$536,581

47

Table of Contents

Nonperforming Assets

Nonperforming assets consist of nonaccrual loans, accruing loans that are 90 days or more past due, accruing restructured loans and OREO.

Loans are placed on nonaccrual status when they become 90 days or more past due, unless the loan is both well-secured and in the process of collection. Loans may be placed on nonaccrual status earlier if the full and timely collection of principal or interest becomes uncertain. When a loan is placed on nonaccrual status, unpaid accrued interest is charged against interest income. Loans are charged off when the collection is determined unlikely. Loans are restructured when, for economic or legal reasons related to the borrower's financial difficulties, the Bank grants a concession to the borrower that it would not otherwise consider. OREO consists of real estate acquired by the Bank through foreclosure or similar means, including by deed from the owner in lieu of foreclosure, and is held for sale.

Nonperforming assets were $110.2 million at December 31, 2015, compared to $125.8 million at December 31, 2014. The decrease in nonperforming assets in 2015 was primarily due to decreases of $5.6 million in nonaccrual loans, $9.1 million in restructured loans, $903 thousand in OREO and offset by an increase in loans past due 90 days or more by $14 thousand. The following table illustrates the composition of nonperforming assets as of the dates indicated:

	December 31,				
(In thousands)	2015	2014	2013	2012	2011
Nonaccrual loans	$40,801	$46,353	$39,154	$29,653	$32,291
Loans past due 90 days or more, still accruing	375	361	5	—	6
Accruing restructured loans	47,984	57,128	33,904	29,849	18,776
Total nonperforming loans	$89,160	$103,842	$73,063	$59,502	$51,073
Other real estate owned	21,035	21,938	24,288	2,698	7,624
Total nonperforming assets	$110,195	$125,780	$97,351	$62,200	$58,697
Nonaccrual loans:					
Legacy Portfolio	$28,469	$28,815	$18,440	$18,540	$32,291
Acquired Portfolio	12,332	17,538	20,714	11,113	—
Total nonaccrual loans	$40,801	$46,353	$39,154	$29,653	$32,291
Nonperforming loans:					
Legacy Portfolio	$73,422	$83,609	$50,536	$47,013	$51,073
Acquired Portfolio	15,738	20,233	22,527	12,489	—
Total nonperforming loans	$89,160	$103,842	$73,063	$59,502	$51,073

Table of Contents

Maturity and Repricing of Loans

The following table illustrates the maturity distribution and repricing intervals of loans outstanding as of December 31, 2015.

	December 31, 2015 Loans Maturing and repricing			
(In thousands)	Within One Year	Between One and Five Years	After Five Years	Total Loans Outstanding
Real estate loans:				
Residential	$1,406	$ 23,678	$8,713	$33,797
Commercial	255,672	2,853,498	1,803,485	4,912,655
Construction	92,158	30,872	—	123,030
Total real estate loans	349,236	2,908,048	1,812,198	5,069,482
Commercial business loans	393,940	415,317	170,896	980,153
Trade finance loans	98,388	775	—	99,163
Consumer loans	24,026	28,340	50,207	102,573
Total	$865,590	$ 3,352,480	$2,033,301	$6,251,371

Concentrations

Our lending activities are predominately in California, New Jersey and the New York City, Chicago and Seattle metropolitan areas. At December 31, 2015, California represented 75.9% of the total loans outstanding and New York and New Jersey represented 16.2%. The remaining 7.9% of total loans outstanding represented other states. Although we have a diversified loan portfolio, a substantial portion of the loan portfolio and credit performance depends on the economic stability of Southern California. Within the Southern California market, most of our business activity is with customers located within Los Angeles County (68.2%). Therefore, the Company’s exposure to credit risk is significantly affected by changes in the economy in the Los Angeles County area. Within our commercial real estate loan portfolio, the largest industry concentrations are retail building (26.2%), hotel/motel (20.9%), gas station & car wash (13.2%), and industrial & warehouse (10.4%). Within our commercial and industrial loan portfolio, the largest industry concentrations are wholesalers (32.2%), retail trade (22.7%), and manufacturing (14.1%).

Allowance for Loan Losses

The Bank has implemented a multi-faceted process to identify, manage and mitigate the credit risks that are inherent in the loan portfolio. For new loans, each loan application package is fully analyzed by experienced reviewers and approvers. In accordance with current lending approval authority guidelines, a majority of loans are approved by the Management Loan Committee (“MLC”) and Directors Loan Committee. For existing loans, the Bank maintains a systematic loan review program, which includes internally conducted reviews and periodic reviews by external loan review consultants. Based on these reviews, loans are graded as to their overall credit quality, which is measured based on: the sufficiency of credit and collateral documentation; proper lien perfection; proper approval by loan committee(s); adherence to any loan agreement covenants; compliance with internal policies and procedures, and with laws and regulations; adequacy and strength of repayment sources including borrower or collateral generated cash flow; payment performance; and liquidation value of the collateral. We closely monitor loans that management has determined require further supervision because of the loan size, loan structure, and/or specific circumstances of the borrower.

When principal or interest on a loan is 90 days or more past due, a loan is generally placed on nonaccrual status unless it is considered to be both well-secured and in the process of collection. Further, a loan is considered a loss in whole or in part when (1) it appears that loss exposure on the loan exceeds the collateral value for the loan, (2) servicing of the unsecured portion has been discontinued or (3) collection is not anticipated due to the borrower’s financial condition and general economic conditions in the borrower’s industry. Any loan or portion of a loan judged by management to be uncollectible is charged against the allowance for loan losses, while any recoveries are credited to such allowance.

The allowance for loan losses was $76.4 million at December 31, 2015, compared to $67.8 million at December 31, 2014. We recorded provisions for loan losses of $8.0 million in 2015, compared to $12.6 million in 2014 and $20.0 million in 2013.

Table of Contents

During 2015, we charged off $4.9 million in loans outstanding and recovered $5.6 million in loans previously charged off. Total Criticized Loans at December 31, 2015 were $307.8 million compared to $346.4 million at December 31, 2014. The allowance for loan losses was 1.22% of gross loans at December 31, 2015, compared to 1.22% at December 31, 2014.

For loans not classified as impaired loans, general loan loss allowances are provided to cover probable and inherent losses. The allowance is determined based first on a quantitative analysis using a loss migration methodology. The loans are classified by type and loan grade and the historical loss migration is tracked for the various stratifications. We further segregate these stratifications between loans accounted for under the amortized cost method (referred to as “Legacy Loans”) and loans acquired (referred to as “Acquired Loans”), as acquired loans were originally recorded at fair value with no carryover of the related allowance for loan losses. See “Financial Condition—Allowance for Loan Losses Methodology” for a detailed description of our loan loss methodology.

Impaired loans as defined by FASB ASC 310-10-35, Accounting by Creditors for Impairment of a Loan, totaled $138.1 million and $127.1 million, respectively, as of December 31, 2015 and December 31, 2014, with specific allowances of $8.8 million and $10.9 million, respectively. The MLC, and Directors Loan Committee and the Management ALLL Committee of the Bank review the adequacy of the allowance for loan losses at least quarterly. Based upon these evaluations, and internal and external reviews of the overall quality of our loan portfolio, we believe that the allowance for loan losses was adequate to absorb estimated probable incurred losses inherent in the loan portfolio as of December 31, 2015. However, no assurances can be given that the Bank will not experience further losses in excess of the allowance, which may require additional future provisions for loan losses.

The following table illustrates total delinquent loans as of the dates indicated:

DELINQUENT LOANS BY TYPE	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011
	(In thousands)				
Real estate—Residential	$—	$ —	$ —	$ —	$ 36
Real estate—Commercial	28,085	34,051	35,492	25,502	26,985
Real estate—Construction	1,369	1,521	—	—	128
Commercial business	15,893	12,875	11,366	8,421	15,038
Trade finance	1,731	3,194	1,031	869	117
Consumer and other	2,087	1,211	1,364	1,275	1,227
Total Delinquent Loans	$49,165	$ 52,852	$ 49,253	$ 36,067	$ 43,531
Nonaccrual loans included above	$40,801	$ 46,353	$ 39,154	$ 29,653	$ 32,291

Table of Contents

	As of December 31, 2015					
	30-59 Days Past Due	60-89 Days Past Due	90 or More Days Past Due	Total Past Due	Nonaccrual loans [2]	Total Delinquent loans
Legacy Loans	(In thousands)					
Real estate—Residential	$—	$ —	$—	$ —	$ —	$ —
Real estate—Commercial						
Retail	574	—	—	574	2,383	2,957
Hotel & Motel	854	—	—	854	318	1,172
Gas Station & Car Wash	—	640	330	970	2,418	3,388
Mixed Use	—	—	—	—	1,407	1,407
Industrial & Warehouse	—	110	—	110	2,275	2,385
Other	—	—	—	—	2,930	2,930
Real estate—Construction	—	—	—	—	1,369	1,369
Commercial business	905	770	—	1,675	13,393	15,068
Trade finance	—	—	—	—	1,731	1,731
Consumer and other	770	158	45	973	245	1,218
Subtotal	$3,103	$ 1,678	$375	$ 5,156	$ 28,469	$ 33,625
Acquired Loans[1]						
Real estate—Residential	$—	$ —	$—	$ —	$ —	$ —
Real estate—Commercial						
Retail	2,572	—	—	2,572	2,113	4,685
Hotel & Motel	—	—	—	—	5,072	5,072
Gas Station & Car Wash	—	—	—	—		—
Mixed Use	—	—	—	—	415	415
Industrial & Warehouse	—	—	—	—	990	990
Other	—	—	—	—	2,684	2,684
Real estate—Construction	—	—	—	—	—	—
Commercial business	310	39	—	349	476	825
Trade finance	—	—	—	—	—	—
Consumer and other	287	—	—	287	582	869
Subtotal	$3,169	$ 39	$—	$ 3,208	$ 12,332	$ 15,540
TOTAL	$6,272	$ 1,717	$375	$ 8,364	$ 40,801	$ 49,165

(1) The Acquired Loan balances exclude ACILs.

(2) Nonaccrual loans exclude the guaranteed portion of delinquent SBA loans that are in liquidation totaling $18.7 million.

We categorize loans into risk categories based on relevant information about the ability of borrowers to service their debt including but not limited to: current financial information, historical payment experience, credit documentation, public information, and current economic trends. We analyze loans individually by classifying the loans as to credit risk. This analysis includes all non-homogeneous loans. This analysis is performed at least on a quarterly basis. We use the following definitions for risk ratings:

- Pass: Loans that meet a preponderance or more of the Company's underwriting criteria and evidence an acceptable level of risk.
- Special Mention: Loans classified as Special Mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

- Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Table of Contents

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

Loans assigned a risk rating of Special Mention or worse are referred to as Criticized Loans and loans assigned a risk rating of Substandard or worse are referred to as Classified Loans. The following table provides the detail of Criticized Loans by risk rating as of the dates indicated:

	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011
	(In thousands)				
Special Mention	$104,186	$ 122,335	$ 89,489	$ 79,589	$ 97,785
Substandard	201,362	221,875	258,500	207,945	208,555
Doubtful	2,214	2,187	7,861	1,134	7,282
Loss	—	—	—	—	—
Total Criticized Loans	$307,762	$ 346,397	$ 355,850	$ 288,668	$ 313,622

The following table shows the provision made for loan losses, the amount of loans charged off, the recoveries on loans previously charged off together with the balance in the allowance for loan losses at the beginning and end of each year, the amount of average and total loans outstanding and other pertinent ratios as of the dates and for the years indicated:

Table of Contents

(In thousands)	December 31, 2015	2014	2013	2012	2011
LOANS:					
Average gross loans receivable, including loans held for sale (net of deferred fees)	$5,846,658	$5,355,243	$4,692,089	$3,974,626	$2,352,253
Total gross loans receivables, excluding loans held for sale at end of year (net of deferred fees)	6,248,341	5,565,192	5,074,175	4,296,252	3,738,826
ALLOWANCE:					
Balance—beginning of year	$67,758	$67,320	$66,941	$61,952	$62,320
Loans charged off:					
Residential real estate	—	—	—	—	—
Commercial and industrial real estate	741	2,726	8,529	7,182	18,698
Construction	—	—	—	—	3,489
Commercial business loans and Trade Finance	3,530	$14,933	$12,973	$10,650	$9,756
Consumer and other loans	641	100	567	948	256
Total loans charged off	4,912	17,759	22,069	18,780	32,199
Less: recoveries:					
Commercial and industrial real estate	1,947	963	311	2,442	1,328
Commercial business loans and Trade Finance	3,011	4,366	1,937	1,832	2,320
Consumer and other loans	604	230	200	391	244
Total loan recovered	5,562	5,559	2,448	4,665	3,892
Net loans (recovered) charged off	(650)	12,200	19,621	14,115	28,307
Provision for loan losses	8,000	12,638	20,000	19,104	27,939
Balance—end of year	$76,408	$67,758	$67,320	$66,941	$61,952

Table of Contents

	December 31, 2015	2014	2013	2012	2011
RATIOS:					
Net loan (recoveries) charge-offs to average gross loans	(0.01)%	0.23 %	0.22 %	0.36 %	1.20 %
Allowance for loan losses to gross loans	1.22 %	1.22 %	1.33 %	1.56 %	1.66 %
Net loan charge-offs to beginning allowance	(0.96)%	18.12 %	29.31 %	21.09 %	45.42 %
Net loan charge-offs to provision for loan losses	(8.13)%	96.53 %	98.11 %	73.89 %	101.32 %
Allowance for loan losses to nonperforming loans	85.70 %	65.25 %	92.14 %	112.50 %	121.30 %
Legacy Loans:					
Allowance for loan losses to legacy loans	1.08 %	1.19 %	1.46 %	1.82 %	2.59 %
Net loan charge-offs to beginning allowance	(1.39)%	18.20 %	19.45 %	20.70 %	45.42 %
Net loan charge-offs to provision for loan losses	(21.11)%	113.92 %	109.44 %	108.00 %	101.32 %
Acquired Credit Impaired Loans:					
Allowance for loan losses to acquired credit impaired loans	11.01 %	4.60 %	2.12 %	2.87 %	n/a
Net loan charge-offs to beginning allowance	—	—	—	—	n/a
Net loan charge-offs to provision for loan losses	—	—	—	—	n/a
Acquired Performing Loans:					
Allowance for loan losses to acquired performing loans	0.42 %	0.36 %	0.34 %	0.18 %	n/a
Net loan charge offs to beginning allowance	9.22 %	50.12 %	512.68 %	—	n/a
Net loan charge offs to provision for loan losses	(33.47)%	263.32 %	86.12 %	47.90 %	n/a

Table of Contents

Allowance for Loan Losses Methodology

We maintain an allowance for loan losses to provide for estimated probable losses that are inherent in our loan portfolio. The allowance is based on our regular quarterly assessments. Our methodologies for measuring the appropriate level of the allowance include the combination of: (1) a quantitative historical loss migration analysis ("Migration Analysis") for pools of loans and a qualitative analysis of subjective factors and (2) a specific allowance method for impaired loans.

The following table reflects our allocation of the allowance for loan losses by loan category and the ratio of each loan category to total loans as of the dates indicated:

	Allocation of Allowance for Loan Losses									
	12/31/2015		12/31/2014		12/31/2013		12/31/2012		12/31/2011	
	Amount of allowance for loan losses	Percent of loans to total loans	Amount of allowance for loan losses	Percent of loans to total loans	Amount of allowance for loan losses	Percent of loans to total loans	Amount of allowance for loan losses	Percent of loans to total loans	Amount of allowance for loan losses	Percent of loans to total loans
	(Dollars in thousands)									
Loan Type										
Real estate—Residential	$230	— %	$146	— %	$25	— %	$74	—%	$9	—%
Real estate—Commercial	54,505	78 %	46,535	78 %	45,897	75 %	45,163	72 %	38,307	70 %
Real estate—Construction	917	2 %	667	2 %	628	1 %	986	2 %	724	1 %
Commercial business	16,547	16 %	16,471	16 %	17,592	19 %	17,606	21 %	20,681	23 %
Trade finance	3,592	2 %	3,456	2 %	2,653	3 %	2,352	4 %	1,786	4 %
Consumer and other	617	2 %	483	2 %	525	2 %	760	1 %	445	2 %
Unallocated	—	— %	—	— %	—	— %	—	—%	—	—%
Total	$76,408	100 %	$67,758	100 %	$67,320	100 %	$66,941	100 %	$61,952	100 %

The adequacy of the allowance for loan losses is determined by management based upon an evaluation and review of the credit quality of the loan portfolio, consideration of historical loan loss experience, relevant internal and external factors that affect the collection of a loan and other pertinent factors.

The Migration Analysis is a formula methodology based on the Bank's actual historical net charge off experience for each loan pool and loan risk grade (Pass, Special Mention, Substandard and Doubtful). The migration analysis is centered on the Bank's internal credit risk rating system. Our internal loan review and external contracted credit review examinations are used to determine and validate loan risk grades. This credit review system takes into consideration factors such as: borrower's background and experience; historical and current financial condition; credit history and payment performance; economic conditions and their impact on various industries; type, fair value and volatility of the fair value of collateral; lien position; and the financial strength of any guarantors.

A general loan loss allowance is provided on loans not specifically identified as impaired ("non-impaired loans"). For the acquired loans, the allowance is determined first based on a quantitative analysis using a loss migration methodology. The loans are classified by type and loan grade and the historical loss migration is tracked for the various stratifications. Loss experience is quantified for a specified period determined by management and then weighted to give more weight to the most recent losses. That loss experience is then applied to the stratified portfolio at each quarter end. As of December 31, 2015, we utilized nineteen non-homogeneous loan pools in the quantitative analysis process. The non-impaired commercial real estate loan portfolio was stratified into fourteen different loan pools based on property types and the non-impaired commercial and industrial loan portfolio was stratified into five different loan pools based on loan type in order to allocate historic loss experience to more granular loan pools. Additionally, in order to systematically quantify the credit risk impact of other trends and changes within the loan portfolio, the Bank utilizes qualitative adjustments to the Migration Analysis within established parameters. The parameters for making adjustments are established under a Credit Risk Matrix that provides seven possible scenarios for each of the factors below. The matrix allows for up to three positive (major, moderate and minor), three negative (major, moderate and minor), and one neutral credit risk scenarios within each factor for each loan type pool. Generally, the factors are considered to have no significant impact (neutral) to our historical migration ratios. However, if information exists to warrant adjustment to the Migration Analysis changes are made in accordance with the established parameters supported by narrative and/or statistical analysis. The Credit Risk Matrix and the nine possible scenarios enable the Bank to qualitatively adjust the Loss Migration Ratio or individual specific reserve allocations by as much as 50 basis points in either direction (positive or negative) for each loan type pool. This matrix considers the following nine factors, which are patterned after the guidelines provided under the FFIEC Interagency Policy Statement on the Allowance for Loan and Lease Losses:

- Changes in lending policies and procedures, including underwriting standards and collection, charge-off and recovery practices.
- Changes in national and local economic and business conditions and developments, including the condition of various market segments.
- Changes in the nature and volume of the loan portfolio.
- Changes in the experience, ability and depth of lending management and staff.
- Changes in the trends of the volume and severity of past due and classified loans and changes in trends in the volume of nonaccrual loans, troubled debt restructurings and other loan modifications.
- Changes in the quality of our loan review system and the degree of oversight by the Directors.
- Changes in the value of underlying collateral for collateral dependent loans.
- The existence and effect of any concentrations of credit, and changes in the level of such concentrations.
- The effect of external factors such as competition and legal and regulatory requirements on the level of estimated losses in our loan portfolio.

We also establish specific loss allowances for loans where we have identified potential credit risk conditions or circumstances related to a specific individual credit. The specific allowance amounts are determined by a method prescribed by FASB ASC 310-10-35-22, Measurement of Impairment. The loans identified as impaired are accounted for in accordance with one of the three acceptable valuation methods: 1) the present value of future cash flows discounted at the loan's effective interest rate; 2) the loan's observable market price; or 3) the fair value of the collateral, if the loan is collateral dependent. For the collateral dependent impaired loans, we obtain an appraisal to determine the amount of impairment as of the date that the loan became impaired. The appraisals are based on an "as is" valuation. To ensure that appraised values remain current, we generally obtain either an internally prepared evaluation report or an updated appraisal every twelve months from a qualified independent appraiser. If the fair value of the collateral, less cost to sell, is less than the recorded amount of the loan, we then recognize impairment by creating or adjusting an existing valuation allowance with a corresponding charge to the provision for loan losses. If an impaired loan is expected to be collected through liquidation of the collateral, the loan is deemed to be collateral dependent and the amount of impairment is charged off against the allowance for loan losses.

We consider a loan to be impaired when it is probable that not all amounts due (principal and interest) will be collectible in accordance with the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. The significance of payment delays and payment shortfalls is determined on a case-by-case basis by taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed.

For commercial business loans, real estate loans and certain consumer loans, we base the measurement of loan impairment on the present value of the expected future cash flows, discounted at the loan's effective interest rate or on the fair value of the loan's collateral if the loan is collateral dependent. We evaluate most consumer loans for impairment on a collective basis, because these loans have generally smaller balances and are homogeneous in the underwriting terms and conditions, and in the type of collateral. If a loan is deemed to be impaired, the amount of the impairment is supported by a specific allowance amount which is included in the allowance for loan losses through a charge to the provision for loan losses.

The scope for evaluation of individual impairment includes all loans risk graded Doubtful or Loss, all TDRs and all loans risk graded Substandard that are greater than $1.0 million regardless of performance under their contractual terms. We utilize a preliminary non-impairment test, that is applied to loans for $1.0 million or more that are graded Substandard and are less than 60 days past due and accruing and are not TDRs. We use a five-step test with the following criteria: (1) the loan is current with no 30-day late payments in the past six months; (2) the loan payments are the contractual, non-modified amount; (3) the financial information that supports payment capacity is not aged over one year; (4) the global cash flow supports the current payment amount at a ratio of 1:1 or better; and (5) for CRE loans secured by a first lien on real estate collateral, the most current LTV is below 100%.

If the loan meets all of these criteria, it is not considered impaired and is subject to the general loan loss allowance for non-impaired loans. Impaired loans at December 31, 2015, were $138.1 million, a net increase of $11.0 million from $127.1 million at December 31, 2014. This net increase in impaired loans is due primarily to an increase in Legacy loans that became impaired during they year.

Covered Loans

On April 16, 2010, the Department of Financial Institutions closed Innovative Bank, California and appointed the FDIC as its receiver. On the same date, the Company assumed the banking operations of Innovative Bank from the FDIC under a purchase and assumption agreement and two related loss sharing agreements with the FDIC. These agreements provide for the sharing of losses and recoveries on the covered assets. The loss sharing provisions of the agreements expired on June 30, 2015,
however, the Company will continue to reimburse the FDIC for recoveries on its covered assets until June 30, 2018. Under the terms of the agreement, the Company’s FDIC clawback liability was $2.1 million as of December 31, 2015. Covered nonperforming assets totaled $1.3 million at December 31, 2015. These covered nonperforming assets are subject to the loss sharing agreements with the FDIC. The covered nonperforming assets at December 31, 2015 were as follows:

(In thousands)	December 31, 2015	
Covered loans on nonaccrual status	$ 1,118	
Covered other real estate owned	220	
Total covered nonperforming assets	$ 1,338	
Acquired covered loans	$ 22,989	
Covered nonperforming assets to net covered loans	5.82	%

Investment Security Portfolio

The main objectives of our investment strategy are to provide a source of liquidity while managing our interest rate risk and to generate an adequate level of interest income without taking undue risks. Our investment policy permits investments in various types of securities, certificates of deposits and federal funds sold in compliance with various restrictions in the policy. Securities are classified as held to maturity or available for sale. We do not maintain a trading portfolio. The securities for which we have the ability and intent to hold to maturity are classified as held to maturity securities. All other securities are classified as available for sale.

Our available-for-sale securities totaled $1.0 billion at December 31, 2015, compared to $792.5 million at December 31, 2014. We had no securities in the held to maturity category at December 31, 2015 or 2014. We paid down $146.4 million and purchased $397.9 million in available-for-sale securities during the year. We sold securities and received proceeds totaling $22.5 million which resulted in a net gain on sale of $424 thousand during the year. Securities with a carrying value of $1.0 million were pledged to the FRB at December 31, 2015 and no securities were pledged to the FHLB. We also pledged securities with a carrying value of $358.6 million to the California State Treasurer’s Office as collateral for time certificates deposit. Our investment portfolio consists of U.S. Treasury bills, government sponsored enterprise (“GSE”) bonds, mortgage backed securities (“MBS”), collateralized mortgage obligations (“CMOs”), mutual funds, a corporate note and municipal bonds.

Our available-for-sale securities portfolio is primarily invested in CMOs and residential MBS, which comprised 94% and 97% of our total available-for-sale portfolio as of December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, all of our CMOs and MBS were issued by GNMA, FNMA or FHLMC, which guarantee the contractual cash flows of these investments.

Table of Contents

Investment Portfolio Balance and Fair Value

	December 31, 2015			2014		
	Amortized Cost	Estimated Fair Value	Unrealized/ Unrecognized Gain (Loss)	Amortized Cost	Estimated Fair Value	Unrealized/ Unrecognized Gain (Loss)
	(In thousands)					
Available-for-sale:						
Debt securities*:						
GSE CMOs	$454,096	$449,980	$ (4,116)	$304,947	$302,774	$ (2,173)
GSE MBS	497,889	498,047	158	460,487	465,489	5,002
Trust Preferred Securities	4,545	3,749	(796)	4,531	3,987	(544)
Municipal Bonds	44,105	45,511	1,406	6,487	6,930	443
Total debt securities	1,000,635	997,287	(3,348)	776,452	779,180	2,728
Mutual funds	13,425	13,269	(156)	13,425	13,343	(82)
Total available-for-sale	$1,014,060	$1,010,556	$ (3,504)	$789,877	$792,523	$ 2,646

* GSE bonds were issued by GNMA, FNMA, and FHLMC and are all mortgage-backed securities.

The following table summarizes the maturity of securities based on carrying value and their related weighted average yield at December 31, 2015.

Investment Portfolio Maturities and Weighted Average Yields

	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(Dollars in thousands)									
Available-for-sale										
GSE CMOs	$—	—%	$ 2,298	1.55 %	$12,095	1.85 %	$435,587	2.25 %	$449,980	2.24 %
GSE MBS	—	—%	5,095	2.8 %	77,282	1.97 %	415,670	2.39 %	498,047	2.33 %
Trust Preferred Securities	—	—%	—	— %	—	— %	3,749	1.73 %	3,749	0.00 %
Municipal Bonds	—	—%	2,332	5.4 %	28,209	3.18 %	14,970	3.52 %	45,511	3.40 %
Mutual funds	—	—%	—	— %	—	— %	13,269	2.05 %	13,269	1.73 %
Total available-for-sale	$—	—%	$ 9,725	3.10 %	$117,586	2.24 %	$883,245	2.33 %	$1,010,556	2.33 %

The following table shows our investments with gross unrealized losses and their estimated fair values, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2015.

Table of Contents

Description of Securities	Less than 12 months Number of Securities	Fair Value	Gross Unrealized Losses	12 months or longer Number of Securities	Fair Value	Gross Unrealized Losses	Total Number of Securities	Fair Value	Gross Unrealized Losses
	(Dollars in thousands)								
Collateralized mortgage obligations*	31	$300,202	$(2,611)	8	$70,857	$(2,344)	39	$371,059	$(4,955)
Mortgage-backed securities*	28	247,160	(1,487)	3	27,947	(1,358)	31	275,107	(2,845)
Municipal bonds	1	127	—	—	—	—	1	127	—
Trust preferred securities	—	—	—	1	3,750	(796)	1	3,750	(796)
Mutual funds	1	13,269	(156)	—	—	—	1	13,269	(156)
	61	$560,758	$(4,254)	12	$102,554	$(4,498)	73	$663,312	$(8,752)

* Investments in U.S. Government agency and U.S. Government sponsored enterprises

ASC Topic 320 requires an entity to assess whether the entity has the intent to sell a debt security or more likely than not will be required to sell the debt security before its anticipated recovery. If either of these conditions is met, an entity must recognize an other than temporary impairment (“OTTI”). If an entity does not intend to sell the debt security and will not be required to sell the debt security, the entity must consider whether it will recover the amortized cost basis of the security. If the present value of expected cash flows is less than the amortized cost basis of the security, OTTI shall be considered to have occurred. OTTI is then separated into the amount of the total impairment related to credit losses and the amount of the total impairment related to all other factors. An entity determines the impairment related to credit losses by comparing the present value of cash flows expected to be collected from the security with the amortized cost basis of the security. OTTI related to the credit loss is then recognized in earnings. OTTI related to all other factors is recognized in other comprehensive income.

ASC Topic 320 requires an entity to assess whether the entity plans to sell an equity security and does not expect the fair value of the equity security to recover by the time of the sale. If both of these conditions are met, an entity must recognize OTTI when the decision to sell is made. The entity considers facts and circumstances present at the time of assessment, which include the consideration of general market conditions, and the duration and extent to which the fair value is below cost. OTTI related to equity securities is recognized in earnings.

We evaluate securities for OTTI on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the financial condition and near-term prospects of the issuer, the length of time and the extent to which the fair value of the securities has been less than our cost for the securities, and our intention to sell, or whether it is more likely than not that we will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. In analyzing an issuer’s financial condition, we consider whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer’s financial condition.

We consider the losses on our investments in an unrealized loss position at December 31, 2015 to be temporary based on: 1) the likelihood of recovery; 2) the information available to us relative to the extent and duration of the decline in market value; and 3) our intention not to sell, and our determination that it is more likely than not that we will not be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis.

Deposits

Deposits are our primary source of funds for loans and investments. We offer a wide variety of deposit account products to commercial and consumer customers. Total deposits increased to $6.3 billion at December 31, 2015 from $5.7 billion at December 31, 2014.

The increase in deposits during 2015 was primarily due to the completion of marketing campaigns during the year. The increases reflect higher balances of noninterest bearing demand deposits, money market accounts and jumbo time deposits. At December 31, 2015, we had $374.6 million in brokered deposits and $300.0 million in California State Treasurer deposits, compared to $206.3 million and $300.0 million, respectively, at December 31, 2014. The brokered deposits represented approximately 5.9% of our total deposits as of December 31, 2015 compared to 3.6% as of

December 31, 2014. The California

59

Table of Contents

State Treasurer deposits have three months maturities with a weighted average interest rate of 0.15% at December 31, 2015 compared to 0.07% at December 31, 2014.

Although our deposits may vary with local and national economic conditions, we do not believe that our deposits are seasonal in nature. The following table sets forth the balances of our deposits by category for the periods indicated.

	December 31,								
	2015			2014			2013		
	Amount	Percent		Amount	Percent		Amount	Percent	
	(Dollars in thousands)								
Demand, noninterest bearing	$1,694,427	27	%	$1,543,018	27	%	$1,399,454	27	%
Demand, interest bearing	1,983,250	31	%	1,663,855	29	%	1,376,068	27	%
Savings	187,498	3	%	198,205	4	%	222,446	4	%
Time deposit of $100,000 or more	1,772,975	28	%	1,667,367	29	%	1,498,784	29	%
Other time deposits	702,826	11	%	621,007	11	%	651,305	13	%
Total Deposits	$6,340,976	100	%	$5,693,452	100	%	$5,148,057	100	%

The following table indicates the maturity schedules of our time deposits, for the years indicated.

	December 31,								
	2015			2014			2013		
	Amount	Percentage		Amount	Percentage		Amount	Percentage	
	(Dollars in thousands)								
Three months or less	$700,991	28	%	$612,548	27	%	$605,332	28	%
Over three months through six months	467,615	19	%	684,470	30	%	426,824	20	%
Over six months through twelve months	1,083,248	44	%	714,901	31	%	862,334	40	%
Over twelve months	223,947	9	%	276,455	12	%	255,599	12	%
Total time deposits	$2,475,801	100	%	$2,288,374	100	%	$2,150,089	100	%

The following table indicates the maturity schedules of our time deposits in amounts of $100,000 or more and $250,000 or more as of December 31, 2015.

	$100,000 or more			$250,000 or more		
	Amount	Percentage		Amount	Percentage	
	(Dollars in thousands)					
Three months or less	$585,587	33	%	$407,342	44	%
Over three months through six months	319,386	18	%	128,818	14	%
Over six months through twelve months	714,720	40	%	338,569	36	%
Over twelve months	153,282	9	%	57,945	6	%
Total time deposits	$1,772,975	100	%	$932,674	100	%

There can be no assurance that we will be able to continue to replace maturing CDs at competitive rates. However, if we are unable to replace these maturing CDs with new deposits, we believe that we have adequate liquidity resources to fund these obligations through secured credit lines with the FHLB and FRB, as well as with liquid assets.

Table of Contents

Borrowings

We utilize a combination of short-term and long-term borrowings to help manage our liquidity position.

Federal Funds Purchased

Federal funds purchased generally mature within one to three business days from the transaction date. At December 31, 2015 and 2014, we did not have any federal funds purchased.

FHLB Advances

We may borrow from the FHLB on a longer term basis to provide funding for certain loan or investment securities strategies, as well as for asset liability management strategies. As of December 31, 2015 and 2014, FHLB advances totaled $530.6 million and $481.0 million with average remaining maturities of 1.9 years and 2.6 years, respectively. The weighted average rate for FHLB advances was 1.15% at year-end 2015, compared to 1.09% at year-end 2014. As of December 31, 2015, our remaining available FHLB borrowing capacity based on pledged collateral was $1.83 billion. See Note 8 of Notes to Consolidated Financial Statements for more detailed information on FHLB advances.

Subordinated Debentures

At December 31, 2015, five wholly owned subsidiary grantor trusts ("Trusts") established by us had issued $46.0 million of pooled trust preferred securities ("Trust Preferred Securities"). The Trust Preferred Securities accrue and pay distributions periodically at specified annual rates as provided in the related indentures for the securities. The trusts used the net proceeds from the offering to purchase a like amount of subordinated debentures (the "Debentures") issued by us. The Debentures are the sole assets of the trusts. Our obligations under the Debentures and related documents, taken together, constitute a full and unconditional guarantee by us of the obligations of the trusts. The Trust Preferred Securities are mandatorily redeemable upon the maturity of the Debentures, or upon earlier redemption as provided in the indentures. We have the right to redeem the Debentures in whole (but not in part) on or after specific dates, at a redemption price specified in the indentures plus any accrued but unpaid interest to the redemption date.

As of December 31, 2015 and 2014, Trusts are not reported on a consolidated basis pursuant to ASC 810, Consolidation. Therefore, the capital securities of $46.0 million are not presented on the consolidated statements of financial condition. Instead, the long-term subordinated debentures of $42.3 million as of December 31, 2015, issued by us to the Trust and the investment in Trusts' common stock of $1.6 million (included in other assets) are separately reported.

The following table summarizes our outstanding Debentures related to the trust preferred securities at December 31, 2015.

TRUST NAME	ISSUANCE DATE	AMOUNT	PRINCIPAL BALANCE OF DEBENTURES	STATED MATURITY	ANNUALIZED COUPON RATE	RATE AT 12/31/2015	INTEREST DISTRIBUTION DATES
(Dollars in thousands)							
Nara Capital Trust III	6/5/2003	$ 5,000	$ 5,155	6/15/2033	3 month LIBOR + 3.15%	3.66 %	Every 15th of March, June, September, and December
Nara Statutory Trust IV	12/22/2003	$ 5,000	$ 5,155	1/7/2034	3 month LIBOR + 2.85%	3.17 %	Every 7th of January, April, July and October
Nara Statutory Trust V	12/17/2003	$ 10,000	$ 10,310	12/17/2033	3 month LIBOR + 2.95%	3.48 %	Every 17th of March, June, September and December
Nara Statutory Trust VI	3/22/2007	$ 8,000	$ 8,248	6/15/2037	3 month LIBOR +1.65%	2.16 %	Every 15th of March, June, September and December

Center Capital Trust I	12/30/2003	$	18,000	$ 13,459	1/7/2034	3 month LIBOR +2.85%	3.17 %	Every 7th of January, April, July and October
Total Trust		$	46,000	$ 42,327				

61

Table of Contents

Capital Resources

Historically, our primary source of capital has been the retention of earnings, net of dividend payments to shareholders. We seek to maintain capital at a level sufficient to assure our stockholders, our customers, and our regulators that our company and our bank subsidiary are financially sound. For this purpose, we perform ongoing assessments of our components of capital as well as projected sources and uses of capital in conjunction with projected increases in assets and levels of risk.

In conjunction with the acquisition of PIB, we assumed a warrant (related to the TARP Capital Purchase Plan) to purchase shares of its common stock. At the acquisition date, the warrants were canceled and converted into a warrant to purchase BBCN Bancorp common stock which expires on December 12, 2018. As of December 31, 2015, the U.S. Treasury Department held the warrant for the purchase of 19,276 shares of our common stock.

Our total stockholders' equity increased $55.3 million, or 6%, to $938.1 million at December 31, 2015 from $882.8 million at December 31, 2014 primarily due to net income of $92.3 million during the year and partially offset by other comprehensive loss of $3.5 million and dividends on common stock of $33.4 million. At December 31, 2015, our ratio of common equity to total assets was 11.88% compared to 12.36% at December 31, 2014, and our tangible common equity represented 10.63% of tangible assets at December 31, 2015, compared with 11.00% of tangible assets at December 31, 2014. Tangible common equity per share was $10.43 at December 31, 2015, compared with $9.72 at December 31, 2014. Tangible common equity to tangible assets is a non-GAAP financial measure that represents common equity less goodwill and net other intangible assets divided by total assets less goodwill and net other intangible assets. We review tangible common equity to tangible assets in evaluating the capital levels.

The following tables compare BBCN Bancorp's and the Bank's actual capital at December 31, 2015 to those required by our regulatory agencies to be deemed "adequately capitalized" for capital adequacy classification purposes:

	As of December 31, 2015 (Dollars in thousands)					
	Actual		Required		Excess	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
BBCN Bancorp						
Common equity tier 1 capital (to risk-weighted assets):	$833,868	12.08%	$310,732	4.50%	$523,136	7.58%
Total capital (to risk-weighted assets	$953,132	13.80%	$552,412	8.00%	$400,720	5.80%
Tier 1 capital (to risk weighted assets)	$874,771	12.67%	$414,309	6.00%	$460,462	6.67%
Tier 1 capital (to average assets)	$874,771	11.53%	$303,528	4.00%	$571,243	7.53%

	As of December 31, 2015 (Dollars in thousands)					
	Actual		Required		Excess	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
BBCN Bank						
Common equity tier 1 capital (to risk-weighted assets):	$866,652	12.56%	$310,627	4.50%	$556,025	8.06%
Total capital (to risk-weighted assets	$945,013	13.69%	$552,226	8.00%	$392,787	5.69%
Tier 1 capital (to risk weighted assets)	$866,652	12.56%	$414,170	6.00%	$452,482	6.56%
Tier 1 capital (to average assets)	$866,652	11.43%	$303,410	4.00%	$563,242	7.43%

Liquidity Management

Liquidity risk is the risk of reduction in our earnings or capital that would result if we were not able to meet our obligations when they come due without incurring unacceptable losses. Liquidity risk includes the risk of unplanned decreases or changes in funding sources and changes in market conditions that affect our ability to liquidate assets quickly and with minimum loss of value. Factors considered in liquidity risk management are the stability of the deposit base; the marketability, maturity, and pledging of our investments; the availability of alternative sources of funds; and our demand for credit.

Table of Contents

The objective of our liquidity management is to have funds available to meet cash flow requirements arising from fluctuations in deposit levels and the demands of daily operations, which include funding of securities purchases, providing for customers' credit needs, and ongoing repayment of borrowings.

We manage our liquidity actively on a daily basis and it is reviewed periodically by our management-level Asset/Liability Management Committee ("ALM") and the Board Asset Liability Committee ("ALCO"). This process is intended to ensure the maintenance of sufficient funds to meet our liquidity needs, including adequate cash flow for off-balance-sheet commitments. In general, our liquidity is managed daily by controlling the level of federal funds and the funds provided by cash flow from operations. To meet unexpected demands, lines of credit are maintained with the Federal Home Loan Bank of San Francisco, the Federal Reserve Bank of San Francisco and other correspondent banks. The sale of investment securities also serves as a source of funds.

Our primary sources of liquidity are derived from financing activities, which include customer and broker deposits, federal funds facilities, and borrowings from the FHLB and the FRB Discount Window. These funding sources are augmented by payments of principal and interest on loans, proceeds from sale of loans and the liquidation or sale of securities from our available for sale portfolio. Primary uses of funds include withdrawal of and interest payments on deposits, originations of loans, purchases of investment securities, and payment of operating expenses.

Net cash inflows from operating activities totaled $122.9 million, $135.5 million and $134.2 million during 2015, 2014 and 2013, respectively. Net cash inflows from operating activities for 2015 were primarily attributable to proceeds from sales of loans and net income.

Net cash outflows from investing activities totaled $949.8 million, $553.0 million and $377.4 million during 2015, 2014 and 2013, respectively. Net cash outflows for investing activities during 2015 were primarily from purchases of securities and the change in gross loans. These outflows were offset by proceeds received for securities available for sale that were paid down during the year.

Net cash inflows from financing activities totaled $663.1 million, $562.9 million and $247.0 million during 2015, 2014 and 2013, respectively. Net cash inflows from financing activities for 2015 was primarily attributable to an increase in deposits and proceeds from FHLB advances.

When we have more funds than required for our reserve requirements or short-term liquidity needs, we sell federal funds to other financial institutions. Conversely, when we have less funds than required, we may borrow funds from the FHLB or the FRB's Discount Window. The maximum amount that we are currently available to borrow on an overnight basis from the FHLB and the FRB is $2.4 billion, and currently we have $530.6 million in borrowings from the FHLB. The Federal Home Loan Bank System functions as a line of credit facility for qualifying financial institutions. As a member, we are required to own capital stock in the FHLB and may apply for advances from the FHLB utilizing as collateral, qualifying mortgage loans and certain securities as collateral for these advances.

At times we maintain a portion of our liquid assets in interest bearing cash deposits with other banks, in overnight federal funds sold to other banks, and in investment securities available-for-sale that are not pledged. Our liquid assets, consisted of cash and cash equivalent, interest bearing cash deposits with other banks, overnight federal funds sold to other banks, liquid investment securities available for sale, and loan repayments within 30 days. Liquid assets totaled $1.0 billion and $929.1 million at December 31, 2015 and 2014, respectively. Cash and cash equivalents, including federal funds sold totaled $298.4 million at December 31, 2015 compared to $462.2 million at December 31, 2014.

Because our primary sources and uses of funds are deposits and loans, the relationship between gross loans and total deposits provides one measure of our liquidity. Typically, the closer the ratio of loans to deposits is to, or the more it exceeds, 100%, the more we rely on borrowings and other sources to provide liquidity. Alternative sources of funds such as FHLB advances, brokered deposits and other collateralized borrowings, that provide liquidity as needed from diverse liability sources are an important part of our asset/liability management strategy. For 2015, our gross loan to deposit ratio averaged 99%, compared to an average ratio of 98% and 99% for 2014 and 2013.

We believe our liquidity sources to be stable and adequate to meet our day-to-day cash flow requirements. At December 31, 2015, we are not aware of any trends, events or uncertainties that had or were reasonably likely to have a material effect on our liquidity position. As of December 31, 2015, we are not aware of any material commitments for capital expenditures in the foreseeable future.

Off-Balance- Sheet Activities and Contractual Obligations

The Bank routinely engages in activities that involve, to varying degrees, elements of risk that are not reflected, in whole or in part, in the Consolidated Financial Statements. These activities are part of our normal course of business and include traditional off-balance-sheet credit-related financial instruments, interest rate swap contracts, operating leases and long-term debt.

Table of Contents

Traditional off-balance-sheet credit-related financial instruments are primarily commitments to extend credit and standby letters of credit. These activities may require us to make cash payments to third parties in the event specified future events occur. The contractual amounts represent the extent of our exposure in these off-balance-sheet activities. However, since certain off-balance-sheet commitments, particularly standby letters of credit, are expected to expire or be only partially used, the total amount of commitments does not necessarily represent future cash requirements. These activities are necessary to meet the financing needs of our customers.

We do not anticipate that our current off-balance-sheet activities will have a material impact on our future results of operations or financial condition. Further information regarding risks from our off-balance-sheet financial instruments can be found in Note 13 of the Notes to Consolidated Financial Statements and in Item 7A. — "Quantitative and Qualitative Disclosures about Market Risk."

We lease our banking facilities and equipment under non-cancelable operating leases, which have remaining terms of up to 15 years. Our facility lease obligations are discussed in Note 13 of the Notes to Consolidated Financial Statements.

The following table summarizes BBCN Bancorp's contractual obligations and commitments to make future payments as of December 31, 2015. Payments shown for time deposits and FHLB advances do not include interest.

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	Over 5 years
	(In thousands)				
Contractual Obligations and Commitments					
Time Deposits	$2,475,801	$ 2,251,854	$218,828	$4,668	$ 451
Subordinated Debentures	47,630	205	—	—	47,425
Federal Home Loan Bank Advances	530,591	175,000	235,591	120,000	—
Operating Lease Obligations	44,143	8,645	15,445	9,181	10,872
Unused commitments to extend credit	802,251	546,532	223,793	3,918	28,008
Standby letters of credit	45,083	42,457	2,626	—	—
Other commercial letters of credit	36,256	35,945	311	—	—
Total	$3,981,755	$ 3,060,638	$696,594	$137,767	$ 86,756

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The objective of our asset and liability management activities is to improve our earnings by adjusting the type and mix of assets and liabilities to effectively address changing conditions and risks. Through overall management of our balance sheet and by controlling various risks, we seek to optimize our financial returns within safe and sound parameters. Our operating strategies for attaining this objective include managing our net interest margin through appropriate risk/return pricing of assets and liabilities and emphasizing growth in retail deposits, as a percentage of interest bearing liabilities, to reduce our cost of funds. We also seek to improve earnings by controlling noninterest expense, and enhancing noninterest income. We use risk management instruments to modify interest rate characteristics of certain assets and liabilities to hedge against our exposure to interest rate fluctuations, reducing the effects these fluctuations might have on associated cash flows or values. We also perform periodic internal analyses to measure, evaluate and monitor market risk.

Interest Rate Risk

Market risk is the risk of loss to future earnings, to the fair value of our assets and liabilities, or to future cash flows that may result from changes in the price of a financial instrument. Interest rate risk is the most significant market risk impacting us. Interest rate risk occurs when interest rate sensitive assets and liabilities do not reprice simultaneously or at the same rate of interest or in equal volume. A key objective of our asset and liability management is to manage interest rate risk associated with changing asset and liability cash flows, values of our assets and liabilities, and market interest rate movements. The management of our interest rate risk is governed by policies reviewed and approved annually by the Board of Directors of the Bank. The Board delegates responsibility for interest rate risk management to the ALCO ALM, which is composed of the Bank’s senior executives and other designated officers.

The fundamental objective of our ALM is to manage our exposure to interest rate fluctuations while maintaining adequate levels of liquidity and capital. The ALM meets regularly to monitor the interest rate risk, the sensitivity of our assets and

Table of Contents

liabilities to interest rate changes, the book and fair values of assets and liabilities, and our investment activities and directs changes in the composition of our interest earning assets and interest bearing liabilities. The ALM reports at least quarterly to the ALCO. Our strategy has been to reduce the sensitivity of our earnings to interest rate fluctuations by more closely matching the effective maturities or repricing characteristics of our assets and liabilities. Certain assets and liabilities, however, may react in different degrees to changes in market interest rates. Further, interest rates on certain types of assets and liabilities may fluctuate prior to changes in market interest rates, while interest rates on other types may lag behind. We consider the anticipated effects of these factors when implementing our interest rate risk management objectives.

Derivative Activity

As part of our asset and liability management strategy, we may enter into derivative financial instruments, such as interest rate swaps, caps and floors, with the overall goal of minimizing the impact of interest rate fluctuations on our net interest margin. Interest rate swaps and caps involve the exchange of fixed-rate and variable-rate interest payment obligations without the exchange of the underlying notional amounts.

Our monitoring activities related to managing interest rate risk include both interest rate sensitivity “gap” analysis and the use of a simulation model. While traditional gap analysis provides a simple picture of the interest rate risk embedded in the statement of financial condition, it provides only a static view of interest rate sensitivity at a specific point in time and does not measure the potential volatility in forecasted results relating to changes in market interest rates over time. Accordingly, we combine the use of gap analysis with the use of a simulation model, which provides a dynamic assessment of interest rate sensitivity.

The interest rate sensitivity gap is defined as the difference between the amount of interest earning assets anticipated to reprice within a specific time period and the amount of interest bearing liabilities anticipated to reprice within that same time period. A gap is considered positive when the amount of interest rate sensitive assets repricing within a specific time period exceeds the amount of interest bearing liabilities repricing within that same time period. A positive cumulative gap suggests that earnings will increase when interest rates rise and decrease when interest rates fall. A negative cumulative gap suggests that earnings will increase when interest rates fall and decrease when interest rates rise.

The following table illustrates our combined asset and liability repricing as of December 31, 2015:

	0 - 90 days or Less	Over 90 Days to 365 days	1 - 5 years Amount	Over 5 years Amount	Total
	(In thousands)				
Rate Sensitive Assets					
Investments[1]	$278,854	$134,604	$446,665	$420,747	$1,280,870
Loans[2]	2,312,821	267,439	3,245,146	434,238	6,259,644
Total rate sensitive assets	$2,591,675	$402,043	$3,691,811	$854,985	$7,540,514
Rate Sensitive Liabilities					
TCD $100,000 or more	$585,587	$1,034,106	$153,282	$—	$1,772,975
TCD under $100,000	115,403	516,758	70,665	—	702,826
Money Market accounts and other	1,983,250	—	—	—	1,983,250
Savings accounts	137,155	29,583	20,754	6	187,498
Borrowings from FHLB	50,000	125,000	355,591	—	530,591
Subordinated Debentures	42,327	—	—	—	42,327
Total rate sensitive liabilities	$2,913,722	$1,705,447	$600,292	$6	$5,219,467
Net Gap Position	$(322,047)	$(1,303,404)	$3,091,519	$854,979	
Cumulative Gap Position	$(322,047)	$(1,625,451)	$1,466,068	$2,321,047	

(1) Includes investment securities, other investments term federal funds sold and FHLB stocks, and interest bearing deposits with other financial institutions.
(2) Includes loans held for sale of $8.2 million.

The simulation model discussed above provides our ALM with the ability to simulate our net interest income. In order to measure, at December 31, 2015, the sensitivity of our forecasted net interest income to changing interest rates, both in rising and falling interest rate scenarios, were projected and compared to base market interest rate forecasts. One application of our

Table of Contents

simulation model measures the impact of market interest rate changes on the net present value of estimated cash flows from our assets and liabilities, defined as our market value of equity. This analysis assesses the changes in market values of interest rate sensitive financial instruments that would occur in response to an instantaneous and sustained increase in market interest rates.

Our net interest income and market value of equity exposure related to these hypothetical changes in market interest rates are illustrated in the following table.

Simulated Rate Changes	December 31, 2015 Estimated Net Interest Income Sensitivity	December 31, 2015 Market Value Of Equity Volatility	December 31, 2014 Estimated Net Interest Income Sensitivity	December 31, 2014 Market Value Of Equity Volatility
+ 200 basis points	3.38 %	(5.57)%	5.74 %	(2.77)%
+ 100 basis points	1.49 %	(2.47)%	2.68 %	(1.07)%
- 100 basis points	0.37 %	1.33 %	(1.02)%	0.06 %
- 200 basis points	(0.71)%	0.41 %	(1.39)%	(2.09)%

The estimated sensitivity does not necessarily represent our forecast of future results and the estimated 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, prepayment 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 may change. The ALCO, which oversees our interest rate risk management, has established the exposure limits for acceptable changes in net interest income and market value of equity related to these hypothetical changes in market interest rates. Given the limitations of the analyses, management believes that these hypothetical changes are considered tolerable and manageable as of December 31, 2015.

Table of Contents

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following Consolidated Financial Statements of BBCN Bancorp, together with the reports thereon of BDO USA, LLP and KPMG LLP begin on page F-1 of this Report and are incorporated herein by reference:

See “Item 15. Exhibits and Financial Statement Schedules” for exhibits filed as a part of this Report.

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

None

Table of Contents

Item 9A. CONTROLS AND PROCEDURES

a. Evaluation of disclosure controls and procedures

We conducted an evaluation under the supervision and with the participation of our management, including our Chairman, President and Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of December 31, 2015. Based upon that evaluation, our Chairman, President and Chief Executive Officer and our Chief Financial Officer determined that our disclosure controls and procedures were effective as of December 31, 2015.

b. Management's Annual Report on Internal Control Over Financial Reporting

The management of BBCN Bancorp, Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rule 13a-15(f) under the Exchange Act. This system, which management has chosen to base on the framework set forth in the 2013 Internal Control-Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and which is effected by the Company's board of directors, management and other personnel, is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The 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 the 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, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changes in conditions, effectiveness of internal controls over financial reporting may vary over time.

With the participation of our Chairman, President and Chief Executive Officer and our Chief Financial Officer, management has conducted an evaluation of the effectiveness of the Company's system of internal control over financial reporting. Based on this evaluation, management determined that the Company's system of internal control over financial reporting was effective as of December 31, 2015.

Our independent registered public accounting firm has issued an audit report on our internal control over financial reporting which is included in the section herein.

/S/ KEVIN S. KIM	/S/ DOUGLAS J. GODDARD
Kevin S. Km	Douglas J. Goddard
Chairman, President and Chief Executive Officer	Executive Vice President and Chief Financial Officer
Los Angeles, California	Los Angeles, California
March 3, 2016	March 3, 2016

c. Evaluation of Changes in Internal Control Over Financial Reporting

The Company completed remediation efforts related to a control deficiency that, during the quarter ended September 30, 2015, could have resulted in a material misstatement of the Company's consolidated financial statements. During the quarter ended September 30, 2015, the Company concluded the control deficiency resulted in a material weakness. The material weakness did not result in any material misstatement of the Company's financial statements and disclosures for the years ended December 31, 2014, 2013, and 2012.

The Company took certain actions to remediate the material weakness. Among other things, the Company:

- re-designed controls and procedures around the review by management of asset classifications for investments
-

created new general ledger accounts and descriptions specifically for time deposits due from banks that have original maturities greater than ninety days

68

As a result of the completed remediation efforts, there were improvements in internal control over financial reporting during the Company's fiscal quarter ended December 31, 2015 that have materially affected or were reasonably likely to materially affect the Company's internal control over financial reporting. There were no other changes in internal control over financial reporting during the fiscal quarter ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

Report of Independent Registered Public Accounting Firm
Board of Directors and Stockholders
BBCN Bancorp, Inc.
Los Angeles, California

We have audited BBCN Bancorp, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). BBCN Bancorp, Inc.'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 item 9A Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, BBCN Bancorp Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial condition of BBCN Bancorp Inc. and subsidiaries as of December 31, 2015 and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the year ended December 31, 2015 and our report dated March 3, 2016 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
Los Angeles, California
March 3, 2016

Table of Contents

Item 9B. OTHER INFORMATION

None.

Table of Contents

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated herein by reference to the section of BBCN Bancorp’s definitive Proxy Statement for its 2016 Annual Meeting of Stockholders (the “2016 Proxy Statement”) entitled “Election of Directors” and the discussion in the 2016 Proxy Statement of the Code of Ethics and Business Conduct in the Nomination and Governance Committee Report.

Item 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the sections of the 2016 Proxy Statement entitled “Election of Directors, “Director Compensation,” “Compensation Discussion and Analysis” and “Compensation Committee Interlocks and Insider Participation.”

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

The information required by this Item is incorporated herein by reference to the sections of the 2016 Proxy Statement entitled “Security Ownership of Certain Beneficial Owners.”

Securities Authorized for Issuance Under Equity Compensation Plans

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	487,851	$ 19.07	2,533,850
Equity compensation plans not approved by security holders	—	—	—
Total	487,851	$ 19.07	2,533,850

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

The information required by this Item is incorporated herein by reference to the sections of the 2016 Proxy Statement entitled “Certain Relationships and Related Transactions.”

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated herein by reference to the section of the 2016 Proxy Statement entitled “Ratification of the Selection of the Independent Registered Public Accounting Firm.”

Table of Contents

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) and (c) Financial Statements and Schedules.

The financial statements listed under Item 8. "Financial Statements and Supplementary Data" are filed as part of this Annual Report on Form 10-K. All schedules have been omitted since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule or because the information required is included in the Financial Statements and related notes.

(b) List of Exhibits

Number	Description
2.1	Agreement and Plan of Merger, dated as of December 7, 2015, between BBCN Bancorp, Inc. and Wilshire Bancorp, Inc. (incorporated herein by reference to the Current Report on Form 8-K, Exhibit 2.1, filed with the SEC on December 7, 2015)
3.1	Certificate of Incorporation of the Company, filed with the Delaware Secretary of State on June 5, 2000 (incorporated herein by reference to Appendix III to the prospectus included in the Registration Statement on Form S-4 filed with the SEC on November 16, 2000, SEC file number 333-50126)
3.2	Certificate of Amendment of Certificate of Incorporation of the Company, filed with the Delaware Secretary of State on May 31, 2002 (incorporated herein by reference to the Registration Statement on Form S-8, Exhibit 3.3, filed with the SEC on February 5, 2003, SEC file number 333-102974)
3.3	Certificate of Amendment of Certificate of Incorporation of the Company, filed with the Delaware Secretary of State on June 1, 2004 (incorporated herein by reference to the Quarterly Report on Form 10-Q, Exhibit 3.1, filed with the SEC on August 9, 2004)
3.4	Certificate of Amendment of Certificate of Incorporation of the Company, filed with the Delaware Secretary of State on November 2, 2005 (incorporated herein by reference to the Quarterly Report on Form 10-Q, Appendix B, filed with the SEC on November 9, 2005)
3.5	Certificate of Amendment of Certificate of Incorporation of the Company, filed with the Delaware Secretary of State on July 20, 2007 (incorporated herein by reference to the Proxy Statement on Schedule 14A, Appendix C, filed with the SEC on April 19, 2007)
3.6	Certificate of Amendment of Certificate of Incorporation of the Company, filed with the Delaware Secretary of State on November 30, 2011 (incorporated herein by reference to the Annual Report on Form 10-K, Exhibit 3.6, filed with the SEC on March 1, 2013)
3.7	Amended and Restated Bylaws of BBCN Bancorp, Inc. (incorporated herein by reference to the Current Report on Form 8-K, Exhibit 3.1, filed with the SEC on May 11, 2015)
4.1	Amended and Restated Declaration of Trust, dated June 5, 2003, by and among The Bank of New York as Property Trustee, The Bank of New York (Delaware) as Delaware Trustee, Nara Bancorp, Inc. as Depositor and the Administrative Trustees as named therein (incorporated herein by reference to the Current Report on Form 8-K/A, Exhibit 99.1, filed with the SEC on May 2, 2008)
4.2	

Junior Subordinated Indenture, dated June 5, 2003, by and between the Nara Bancorp, Inc. as Issuer and The Bank of New York as Trustee (incorporated herein by reference to the Current Report on Form 8-K/A, Exhibit 99.2, filed with the SEC on May 2, 2008)

4.3 Guarantee Agreement, dated June 5, 2003, by and between Nara Bancorp, Inc. and The Bank of New York as Guarantee Trustee (incorporated herein by reference to the Current Report on Form 8-K/A, Exhibit 99.3, filed with the SEC on May 2, 2008)

73

Number	Description
4.4	Amended and Restated Declaration of Trust, dated December 17, 2003, by and among U.S. Bank National Association as Institutional Trustee, Nara Bancorp, Inc. as Sponsor and the Administrators as named therein (incorporated herein by reference to the Current Report on Form 8-K/A, Exhibit 99.4, filed with the SEC on May 2, 2008)
4.5	Indenture, dated December 17, 2003, by and between Nara Bancorp, Inc. as Issuer and U.S. Bank National Association as Trustee (incorporated herein by reference to the Current Report on Form 8-K/A, Exhibit 99.5, filed with the SEC on May 2, 2008)
4.6	Guarantee Agreement, dated December 17, 2003, by and between Nara Bancorp, Inc. and U.S. Bank National Association as Guarantee Trustee (incorporated herein by reference to the Current Report on Form 8-K/A, Exhibit 99.6, filed with the SEC on May 2, 2008)
4.7	Amended and Restated Declaration of Trust, dated December 22, 2003, by and among Wells Fargo Delaware Trust Company as Delaware Trustee, Wells Fargo Bank, National Association as Institutional Trustee and Nara Bancorp as Sponsor (incorporated herein by reference to the Current Report on Form 8-K, Exhibit 99.7, filed with the SEC on May 2, 2008)
4.8	Indenture, dated December 22, 2003, between Nara Bancorp, Inc. as Issuer and Wells Fargo Bank, National Association as Trustee (incorporated herein by reference to the Current Report on Form 8-K/A, Exhibit 99.8, filed with the SEC on May 2, 2008)
4.9	Guarantee Agreement, dated December 22, 2003, by and between Nara Bancorp, Inc. as Guarantor and Wells Fargo Bank, National Association as Guarantee Trustee (incorporated herein by reference to the Current Report on Form 8-K/A, Exhibit 99.9, filed with the SEC on May 2, 2008)
4.10	Amended and Restated Declaration of Trust, dated March 22, 2007, by and among Wilmington Trust Company as Delaware Trustee, Wilmington Trust Company as Institutional Trustee, Nara Bancorp, Inc. as Sponsor, and the Administrators named therein (incorporated herein by reference to the Current Report on Form 8-K, Exhibit 4.1, filed with the SEC on March 29, 2007)
4.11	Indenture, dated March 22, 2007, by and between Nara Bancorp, Inc. and Wilmington Trust Company (incorporated herein by reference to the Current Report on Form 8-K, Exhibit 4.2, filed with the SEC on March 22, 2007)
4.12	Guarantee Agreement, dated March 22, 2007, by and between Nara Bancorp, Inc. and Wilmington Trust Company (incorporated herein by reference to the Current Report on Form 8-K, Exhibit 4.3, filed with the SEC on March 22, 2007)
4.13	Indenture, dated as of December 30, 2003, between Center Financial Corporation and Wells Fargo Bank, National Association (incorporated herein by reference to the Annual Report on Form 10-K, Exhibit 10.4, for the year ended December 31, 2003, filed with the SEC on March 30, 2004, SEC file number 000-50050)
4.14	Amended and Restated Declaration of Trust, dated December 30, 2003, by and among Wells Fargo Delaware Trust Company as Delaware Trustee, Wells Fargo Bank, National Association as Institutional Trustee and Center Financial Corporation as Sponsor, and the Administrators named therein (incorporated herein by reference to the Annual Report on Form 10-K, Exhibit 10.5, for the year ended December 31, 2003, filed with the SEC on

	March 30, 2004, SEC file number 000-50050)
4.15	Guarantee Agreement, dated December 30, 2003, by and between Center Financial Corporation as Guarantor and Wells Fargo Bank, National Association as Guarantee Trustee (incorporated herein by reference to the Annual Report on Form 10-K, Exhibit 10.6, for the year ended December 30, 2003, filed with the SEC on March 30, 2004, SEC file number 000-50050)
4.16	Warrant to Purchase Common Stock of BBCN Bancorp, Inc., dated February 15, 2013, issued to United States Treasury Department (incorporated herein by reference to the Annual Report on Form 10-K, Exhibit 4.17, for the year ended December 31, 2012)

74

Table of Contents

Number	Description
10.1	Nara Bancorp, Inc. 2001 Nara Bank 2000 Continuation Long Term Incentive Plan (incorporated herein by reference to the Registration Statement on Form S-8, Exhibit 99.2, filed with the SEC on April 9, 2001, SEC file number 333-58508)
10.2	Nara Bank, N.A. Executive Deferred Compensation Plan (incorporated herein by reference to the Annual Report on Form 10-K, Exhibit 10.3, for the year ended December 31, 2001, filed with the SEC on April 1, 2002, SEC file number 333-50126)
10.3	Center Bank Executive Deferred Compensation Plan (incorporated herein by reference to the Quarterly Report on Form 10-Q, Exhibit 10.7, for the quarter ended March 31, 2006, filed with the SEC on May 5, 2006, SEC file number 000-50050)
10.4	Center Financial Corporation 2006 Stock Incentive Plan, as Amended and Restated June 13, 2007 (incorporated herein by reference to the Quarterly Report on Form 10-Q, Exhibit 10.2, for the quarter ended June 30, 2007, filed with the SEC on July 26, 2007, SEC file number 000-50050)
10.5	Affiliate Agreement between Nara Bancorp and Nara Bank, N.A. (incorporated herein by reference to the Annual Report on Form 10-K, Exhibit 10.12, for the year ended December 31, 2001, filed with the SEC on April 1, 2002, SEC file number 333-50126)
10.6	BBCN Employees' 401(K) & Profit Sharing Plan, as amended and restated December 1, 2011 (incorporated herein by reference to the Annual Report on Form 10-K, Exhibit 10.16, filed with the SEC on March 1, 2013)
10.7	Amended and Restated Employment Agreement, dated July 11, 2014, by and between BBCN Bancorp, Inc. and Kevin S. Kim (incorporated herein by reference to the Quarterly Report on Form 10-Q, Exhibit 10.1, filed with the SEC on August 8, 2014)
10.8	Amended and Restated BBCN Bancorp, Inc. 2007 Equity Incentive Plan (incorporated herein by reference to the Current Report on Form 8-K, Exhibit 3.1, filed with the SEC on May 11, 2015)
10.9	Tax Sharing Agreement among BBCN Bancorp, Inc., BBCN Bank, N.A., Nara Bancorp Capital Trust I, Nara Capital Trust III, Nara Statutory Trust IV, Nara Statutory Trust V, Nara Statutory Trust VI, and Center Capital Trust I*
14.1	Director Code of Ethics and Business Conduct (incorporated herein by reference to the Annual Report on Form 10-K, Exhibit 14.1, for the year ended December 31, 2011, filed with the SEC on March 13, 2012)
14.2	Code of Ethics and Business Conduct*
23.1	Consent of KPMG LLP*
23.2	Consent of BDO USA, LLP*
31.1	Certification of Chief Executive Officer pursuant to section 302 of Sarbanes-Oxley of 2002*
31.2	Certification of Chief Financial Officer pursuant to section 302 of Sarbanes-Oxley of 2002*

32.1	Certification of Chief Executive Officer pursuant to section 906 of the Public Company Accounting Reform and Investor Protection Act of 2002**
32.2	Certification of Chief Financial Officer pursuant to section 906 of the Public Company Accounting Reform and Investor Protection Act of 2002**
101.INS	XBRL Instance Document*

Table of Contents

Number	Description
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

____

*Filed herewith

**Furnished herewith

Except as noted above, Form 8-K, Form 10-K, Form 10-Q and proxy statements filed by the Company and identified in the Exhibit Index have SEC file number 000-50245.

Table of Contents

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.

BBCN BANCORP, INC.

By: /s/ KEVIN S. KIM
Kevin S. Kim
Chairman, 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.

Table of Contents

By: /S/ KEVIN S. KIM	March 3, 2016	Kevin S. Kim Chairman, President and Chief Executive Officer
By: /S/ DOUGLAS J. GODDARD	March 3, 2016	Douglas J. Goddard Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
By: /S/ DAVID P. MALONE	March 3, 2016	David P. Malone Chairman, BBCN Bank
By: /S/ DALE S. ZUEHLS	March 3, 2016	Dale S. Zuehls Lead Independent Director
By: /S/ JINHO DOO	March 3, 2016	Jinho Doo Director
By: /S/ JIN CHUL JHUNG	March 3, 2016	Jin Chul Jhung Director
By: /S/ PETER Y.S. KIM	March 3, 2016	Peter Y.S. Kim Director
By: /S/ SANG HOON KIM	March 3, 2016	Sang Hoon Kim Director
By: /S/ CHUNG HYUN LEE	March 3, 2016	Chung Hyun Lee Director
By: /S/ WILLIAM J. LEWIS	March 3, 2016	William J. Lewis Director
By: /S/ GARY E. PETERSON	March 3, 2016	Gary E. Peterson Director
By: /S/ SCOTT YOON-SUK WHANG	March 3, 2016	Scott Yoon-Suk Whang Director

78

Table of Contents

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
BBCN Bancorp, Inc.
Los Angeles, California

We have audited the accompanying consolidated statement of financial condition of BBCN Bancorp, Inc. and subsidiaries (the Company) as of December 31, 2015, and the related consolidated statements of income, comprehensive income, changes in stockholders’ equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BBCN Bancorp, Inc. and subsidiaries at December 31, 2015, and the results of its operations and its cash flows for the year ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), BBCN Bancorp, Inc. and subsidiaries’ internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 3, 2016 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
Los Angeles, California
March 3, 2016

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
BBCN Bancorp, Inc.:

We have audited the accompanying consolidated statements of financial condition of BBCN Bancorp, Inc. and subsidiaries (the Company) as of December 31, 2014, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2014. 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 conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2014, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP
Los Angeles, California
March 2, 2015

Table of Contents

BBCN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
December 31, 2015 AND 2014

	2015	2014
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$94,934	$86,119
Interest bearing deposit at the Federal Reserve Bank ("FRB")	203,455	376,041
Total cash and cash equivalents	298,389	462,160
Other investments	47,895	4,384
Securities available-for-sale, at fair value	1,010,556	792,523
Loans held for sale, at the lower of cost or fair value	8,273	28,311
Loans receivable, net of allowance for loan losses (December 31, 2015 - $76,408; December 31, 2014 - $67,758)	6,171,933	5,497,434
Other real estate owned ("OREO"), net	21,035	21,938
Federal Home Loan Bank ("FHLB") stock, at cost	18,964	28,324
Premises and equipment, net of accumulated depreciation and amortization (December 31, 2015 - $35,792; December 31, 2014 - $29,915)	34,575	30,722
Accrued interest receivable	15,195	13,634
Deferred tax assets, net	67,004	63,023
Customers' liabilities on acceptances	1,463	1,889
Bank owned life insurance ("BOLI")	47,018	45,927
Investments in affordable housing partnerships	25,014	10,401
Goodwill	105,401	105,401
Other intangible assets, net	2,820	3,887
Servicing assets	12,000	10,341
Other assets	25,113	20,031
Total assets	$7,912,648	$7,140,330

See accompanying notes to consolidated financial statements.

Table of Contents

BBCN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (continued)
December 31, 2015 AND 2014

	2015	2014
	(In thousands, except share data)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Deposits:		
Noninterest bearing	$1,694,427	$1,543,018
Interest bearing:		
Money market and NOW accounts	1,983,250	1,663,855
Savings deposits	187,498	198,205
Time deposits of $100,000 or more	1,772,975	1,667,367
Other time deposits	702,826	621,007
Total deposits	6,340,976	5,693,452
FHLB advances	530,591	480,975
Subordinated debentures	42,327	42,158
Accrued interest payable	6,007	5,855
Acceptances outstanding	1,463	1,889
Other liabilities	53,189	33,228
Total liabilities	6,974,553	6,257,557
STOCKHOLDERS' EQUITY:		
Common stock, $0.001 par value; authorized 150,000,000 shares at December 31, 2015 and December 31, 2014; issued and outstanding, 79,566,356 and 79,503,552 shares at December 31, 2015 and December 31, 2014, respectively	80	79
Additional paid-in capital	541,596	541,589
Retained earnings	398,251	339,400
Accumulated other comprehensive (loss) income, net	(1,832)	1,705
Total stockholders' equity	938,095	882,773
Total liabilities and stockholders' equity	$7,912,648	$7,140,330

See accompanying notes to consolidated financial statements.

F-4

Table of Contents

BBCN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	Year Ended December 31,		
	2015	2014	2013
	(In thousands, except per share data)		
INTEREST INCOME:			
Interest and fees on loans	$291,344	$283,817	$266,684
Interest on securities	18,611	16,084	14,663
Interest on federal funds sold and other investments	3,705	2,756	1,726
Total interest income	313,660	302,657	283,073
INTEREST EXPENSE:			
Interest on deposits	33,412	29,178	23,321
Interest on FHLB advances	5,645	5,245	4,899
Interest on other borrowings	1,561	1,637	1,798
Total interest expense	40,618	36,060	30,018
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES	273,042	266,597	253,055
PROVISION FOR LOAN LOSSES	8,000	12,638	20,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	265,042	253,959	233,055
NONINTEREST INCOME:			
Service fees on deposit accounts	12,206	13,686	12,838
International service fees	3,448	3,929	4,916
Loan servicing fees, net	3,135	3,228	3,955
Wire transfer fees	3,632	3,568	3,579
Other income and fees	7,911	6,602	5,800
Net gains on sales of SBA loans	12,665	13,174	11,515
Net gains on sales of other loans	270	—	62
Net gains on sales and calls of securities available for sale	424	—	54
Total noninterest income	43,691	44,187	42,719
NONINTEREST EXPENSE:			
Salaries and employee benefits	84,899	75,701	66,805
Occupancy	19,391	19,130	17,676
Furniture and equipment	9,245	8,132	6,809
Advertising and marketing	5,090	5,426	5,184
Data processing and communication	9,179	8,896	7,595
Professional fees	5,585	5,882	5,194
FDIC assessments	4,088	4,353	3,309
Credit related expenses	1,924	6,876	5,868
OREO expense	1,523	3,270	3,033
Merger and integration expense	1,540	322	5,161
Other	10,920	13,636	14,986
Total noninterest expense	153,384	151,624	141,620
INCOME BEFORE INCOME TAX PROVISION	155,349	146,522	134,154
INCOME TAX PROVISION	63,091	57,907	52,399
NET INCOME	$92,258	$88,615	$81,755
EARNINGS PER COMMON SHARE			

Basic	$1.16	$1.11	$1.03
Diluted	$1.16	$1.11	$1.03

See accompanying notes to consolidated financial statements.

Table of Contents

BBCN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2015, 2014, AND 2013

	For Year Ended December 31,		
	2015	2014	2013
	(In thousands)		
Net income	$92,258	$88,615	$81,755
Other comprehensive (loss) income:			
Unrealized gains (losses) on securities available for sale and interest only strips	(5,717)	20,288	(33,035)
Reclassification adjustments for gains realized in income[1]	(424)	—	(54)
Tax (benefit) expense	(2,604)	8,398	(13,822)
Total other comprehensive (loss) income	(3,537)	11,890	(19,267)
Total comprehensive income	$88,721	$100,505	$62,488

(1) Reclassification adjustments were recognized in net gains on sales of securities available for sale in the consolidated statements of income.

See accompanying notes to consolidated financial statements.

Table of Contents

BBCN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	Common stock				
	Shares	Amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss) income, net
	(In thousands, except share data)				
BALANCE, DECEMBER 31, 2012	78,041,511	$ 78	$525,354	$216,590	$ 9,082
Acquisition of Pacific International Bancorp,Inc.	632,050	1	8,640		
Acquisition of Foster Bankshares, Inc.	180,300		2,567		
Issuance of additional shares pursuant to various stock plans	587,664		2,851		
Tax effects of stock plans			249		
Stock-based compensation			1,215		
Cash dividends declared on common stock				(19,741)	
Comprehensive income:					
Net income				81,755	
Other comprehensive loss:					(19,267)
BALANCE, DECEMBER 31, 2013	79,441,525	$ 79	$540,876	$278,604	$ (10,185)
Issuance of additional shares pursuant to various stock plans	59,058		(34)		
Tax effect of stock plans			—		
Stock-based compensation			705		
Issuance of shares in exchange for Foster common stock	2,969		42		
Cash dividends declared on common stock				(27,819)	
Comprehensive income:					
Net income				88,615	
Other comprehensive income:					11,890
BALANCE, DECEMBER 30, 2014	79,503,552	$ 79	$541,589	$339,400	1,705
Issuance of additional shares pursuant to various stock plans	56,235	1	(22)		
Tax effect of stock plans			17		
Stock-based compensation			1,046		
Issuance of shares in exchange for Foster common stock	6,569		116		
Redemption of stock warrant			(1,150)		
Cash dividends declared on common stock				(33,407)	
Comprehensive income:					
Net income				92,258	
Other comprehensive loss:					(3,537)
BALANCE, DECEMBER 30, 2015	79,566,356	$ 80	$541,596	$398,251	(1,832)

See accompanying notes to consolidated financial statements.

F-7

Table of Contents

BBCN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	2015	2014	2013
	(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$92,258	$88,615	$81,755
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation, amortization, net of discount accretion	(4,530)	(13,134)	(11,420)
Stock-based compensation expense	1,046	705	1,215
Provision for loan losses	8,000	12,638	20,000
Gain on bargain purchase of Pacific International Bancorp, Inc.	—	—	(118)
Valuation adjustment of loans held for sale	—	—	53
Valuation adjustment of OREO	1,267	1,674	1,432
Change in deferred income taxes, net	(1,376)	17,876	15,767
Proceeds from sales of loans held for sale	171,229	165,812	142,115
Originations of loans held for sale	(140,466)	(140,056)	(116,233)
Net gains on sales of SBA and other loans	(12,935)	(13,174)	(11,515)
Additions in servicing assets	(4,900)	(4,457)	(4,669)
Net change in bank owned life insurance	(1,091)	(1,157)	(1,003)
Loss on disposal of equipment	64	—	—
Net gains on sales and calls of securities available for sale	(424)	—	(54)
Net (gains) losses on sales of OREO	(1,147)	(513)	102
Change in accrued interest receivable	(1,561)	(231)	60
Change in prepaid FDIC insurance	—	—	7,574
Change in investments in affordable housing partnership	1,442	1,059	1,704
Change in FDIC loss share receivable	—	1,110	4,687
Change in other assets	(4,237)	13,083	12,856
Change in accrued interest payable	152	1,034	466
Change in other liabilities	20,095	4,645	(10,571)
Net cash provided by operating activities	122,886	135,529	134,203
CASH FLOWS FROM INVESTING ACTIVITIES			
Net change in loans receivable	(673,899)	(481,310)	(402,172)
Proceeds from sales of securities available for sale	22,510	—	6,634
Proceeds from sales of OREO	11,309	9,277	3,808
Proceeds from sales of other loans held for sale	2,893	—	—
Proceeds from sales of equipment	7	—	—
Purchase of premises and equipment	(10,924)	(6,426)	(9,194)
Purchase of securities available for sale	(397,885)	(192,693)	(208,352)
Purchase of other investments	(43,511)	—	—
Purchase of FHLB stock	(150)	(536)	(1,969)
Redemption of FHLB Stock	9,510	153	66
Proceeds from matured, called or paid-down securities available for sale	146,407	118,566	174,316
Net cash received from acquisition - Pacific International Bancorp, Inc.	—	—	25,967
Net cash received from acquisition - Foster Bankshares, Inc.	—	—	40,961
Redemption of preferred stock upon acquisition	—	—	(7,475)

Investments in affordable housing partnerships	(16,055)	—	—
Net cash used in investing activities	(949,788)	(552,969)	(377,410)

Table of Contents

BBCN BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	2015	2014	2013
	(In thousands)		
CASH FLOWS FROM FINANCING ACTIVITIES			
Net change in deposits	647,710	546,170	299,755
Redemption of subordinated debenture	—	(15,464)	(4,124)
Payment of cash dividends on preferred and common stock	(33,407)	(27,819)	(19,741)
Proceeds from FHLB advances	350,000	90,000	180,000
Repayment of FHLB advances	(300,000)	(30,000)	(211,745)
Issuance of additional common stock	—	42	—
Issuance of additional stock pursuant to various stock plans	(22)	(34)	2,851
Redemption of common stock warrant	(1,150)	—	—
Net cash provided by financing activities	663,131	562,895	246,996
NET CHANGE IN CASH AND CASH EQUIVALENTS	(163,771)	145,455	3,789
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	462,160	316,705	312,916
CASH AND CASH EQUIVALENTS, END OF PERIOD	$298,389	$462,160	$316,705
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Interest paid	$40,466	$35,026	$29,552
Income taxes paid	$61,568	$27,420	$23,650
SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES			
Transfer from loans receivable to OREO	$11,373	$8,088	$9,263
Transfer from loan receivables to loans held for sale	$685	$2,028	$6,900
Loans to facilitate sales of loans held for sale	$—	$5,250	$—
Pacific International Bancorp, Inc. Acquisition			
Assets acquired	$—	$—	$183,618
Liabilities assumed	$—	$—	$167,587
Foster Bankshares, Inc. Acquisition			
Assets acquired	$—	$—	$350,049
Liabilities assumed	$—	$—	$360,809

See accompanying notes to consolidated financial statements.

BBCN BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations— BBCN Bancorp, Inc. ("BBCN Bancorp" on a parent-only basis and the "Company" on a consolidated basis), headquartered in Los Angeles, California, is the holding company for BBCN Bank ("BBCN Bank" or the "Bank"). The Bank has branches in California, New Jersey, and the New York City, Chicago, Seattle and Washington, D.C. metropolitan areas, as well as loan production offices in Atlanta, Dallas, Denver, Northern California, Seattle, Portland, and Annandale. BBCN Bancorp is a corporation organized under the laws of the state of Delaware and a bank holding company registered under the Bank Holding Company Act of 1956, as amended. The Bank is a California-chartered bank and its deposits are insured by the FDIC to the extent provided by law. The Company specializes in core business banking products for small and medium-sized businesses, with an emphasis in commercial real estate and business lending, SBA lending and international trade financing.

Principles of Consolidation—The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States of America and conform to practices within the banking industry. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, principally the Bank.

Cash Flows—Cash and cash equivalents include cash and due from banks, interest earning deposits, federal funds sold and term federal funds sold, which have original maturities less than 90 days. The Company may be required to maintain reserve and clearing balances with the Federal Reserve Bank under the Federal Reserve Act. The reserve and clearing requirement balance was $0 at December 31, 2015. Net cash flows are reported for customer loan and deposit transactions, deferred income taxes and other assets and liabilities.

Securities—Securities are classified and accounted for as follows:

(i) Securities that the Company has the positive intent and ability to hold to maturity are classified as "held to maturity" and reported at amortized cost. At December 31, 2015 and 2014, we did not own securities in this category;

(ii) Securities are classified as "available-for-sale" when they might be sold before maturity and are reported at fair value. Unrealized holding gains and losses are reported as a separate component of stockholders' equity in accumulated other comprehensive income (loss), net of taxes.

Accreted discounts and amortized premiums on securities are included in interest income using the interest method, and realized gains or losses related to sales of securities are calculated using the specific identification method, without anticipating prepayments, except for mortgage-backed securities where prepayments are expected.

Management evaluates securities for other than temporary impairment ("OTTI") at least on a quarterly basis and more frequently when economic conditions warrant such evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

Other Investments—Other investments are comprised of the Company's investments in certificates of deposits that have original maturities greater than 90 days. Other investments are also comprised of the Company's investment in funds to partially satisfy the Company's requirements under the Community Reinvestment Act. The funds do not have a readily determinable fair value as of the balance sheet date.

Derivative Financial Instruments and Hedging Transactions—As part of our asset and liability management strategy, we may enter into derivative financial instruments, such as interest rate swaps, caps and floors with the overall goal of minimizing the impact of interest rate fluctuations on our net interest margin. The Company's interest rate swaps and caps involve the exchange of fixed rate and variable rate interest payment obligations without the exchange of the underlying notional amounts and are therefore accounted for as stand alone derivatives. Changes in the fair value of the stand alone derivatives are reported in earnings as noninterest income. As part of the Company's overall risk management, the Company's Asset Liability

Table of Contents

Committee, which meets monthly, monitors and measures interest rate risk and the sensitivity of assets and liabilities to interest rate changes, including the impact of derivative transactions.

Loans—Loans 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 any unearned interest, deferred loan fees and costs and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Nonrefundable loan origination fees and certain direct origination costs are deferred and recognized in interest income using the level-yield method over the life of the loan. Interest on loans is credited to income as earned and is accrued only if deemed collectible. Generally, loans are placed on nonaccrual status and the accrual of interest is discontinued if principal or interest payments become 90 days past due and/or management deems the collectibility of the principal and/or interest to be in question. Loans to a customer whose financial condition has deteriorated are considered for nonaccrual status whether or not the loan is 90 days or more past due. Generally, payments received on nonaccrual loans are recorded as principal reductions. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Other loan fees and charges, representing service costs for the prepayment of loans, for delinquent payments or for miscellaneous loan services, are recorded as income when collected.

Loans are categorized into risk categories based on relevant information about the ability of borrowers to service their debt, including, but not limited to, current financial information, historical payment experience, credit documentation, public information, and current economic trends. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes all non-homogeneous loans. This analysis is performed at least on a quarterly basis. The Company uses the following definitions for risk ratings:

- Pass: Loans that meet a preponderance or more of the Company’s underwriting criteria and evidence an acceptable level of risk.
- Special Mention: Loans classified as special mention have a potential weakness that deserves management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution’s credit position at some future date.
- Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.
- Doubtful/Loss: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Allowance for Loan Losses—The allowance for loan losses is a valuation allowance for probable incurred credit losses that are inherent in the loan portfolio. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management’s judgment, should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. The general component covers non-impaired loans and is based on historical loss experience adjusted for qualitative factors.

The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment. The Company further segregates these segments between loans accounted for under the amortized cost method (referred to as “Legacy Loans”) and acquired loans (referred to as “Acquired Loans”), as Acquired Loans were originally recorded at fair value with no carryover of the related allowance for loan losses.

The historical loss experience for Legacy Loans is based on the actual loss history experienced by the Company. The loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

The following major portfolio segments have been identified: real estate loans (residential, commercial, and construction), commercial business loans, trade finance loans, and consumer/other loans. Due to the overall high level of real estate loans within the loan portfolio as a whole, as compared to other portfolio segments, for risk assessment and allowance purposes this segment was segregated into more granular pools by collateral property type.

The Company uses a loan migration analysis which is a formula methodology based on the Bank’s actual historical net charge off experience for each loan class (type) pool and risk grade. The migration analysis is centered on the Bank’s internal credit risk rating system. The Company’s internal loan review and external contracted credit review examinations are used to determine and validate loan risk grades. This credit review system takes into consideration factors such as: borrower’s background and experience; historical and current financial condition; credit history and payment performance; economic conditions and their impact on various industries; type, fair value and volatility of the fair value of collateral; lien position; and the financial strength of any guarantors.

A general loan loss allowance is provided on loans not specifically identified as impaired (“non-impaired loans”). The Bank’s general loan loss allowance has two components: quantitative and qualitative risk factors. The quantitative risk factors are based on a historical loss migration methodology. The loans are classified by class and risk grade and the historical loss migration is tracked for the various classes. Loss experience is quantified for a specified period and then weighted to place more significance to the most recent loss history. That loss experience is then applied to the stratified portfolio at each quarter end.

Additionally, in order to systematically quantify the credit risk impact of other trends and changes within the loan portfolio, the Bank utilizes qualitative adjustments to the Migration Analysis within established parameters. The parameters for making adjustments are established under a Credit Risk Matrix that provides seven possible scenarios for each of the factors below. The matrix allows for up to three positive (major, moderate, and minor), three negative (major, moderate, and minor), and one neutral credit risk scenarios within each factor for each loan type pool. Generally, the factors are considered to have no significant impact (neutral) to our historical migration ratios. However, if information exists to warrant adjustment to the Migration Analysis, changes are made in accordance with the established parameters supported by narrative and/or statistical analysis. The Credit Risk Matrix and the nine possible scenarios enable the Bank to qualitatively adjust the Loss Migration Ratio by as much as 50 basis points in either direction (positive or negative) for each loan type pool. This matrix considers the following nine factors, which are patterned after the guidelines provided under the FFIEC Interagency Policy Statement on the Allowance for Loan and Lease Losses:

- Changes in lending policies and procedures, including underwriting standards and collection, charge-off, and recovery practices.
- Changes in national and local economic and business conditions and developments, including the condition of various market segments.
- Changes in the nature and volume of the loan portfolio.
- Changes in the experience, ability and depth of lending management and staff.
- Changes in the trends of the volume and severity of past due loans, Classified Loans, nonaccrual loans, troubled debt restructurings and other loan modifications.
- Changes in the quality of our loan review system and the degree of oversight by the Directors.

- Changes in the value of underlying collateral for collateral-dependent loans.
- The existence and effect of any concentrations of credit and changes in the level of such concentrations.
- The effect of external factors, such as competition and legal and regulatory requirements, on the level of estimated losses in our loan portfolio.

The Company also establishes specific loss allowances for loans where we have identified potential credit risk conditions or circumstances related to a specific individual credit. The specific allowance amounts are determined by a method prescribed by FASB ASC 310-10-35-22, Measurement of Impairment. The loans identified as impaired will be accounted for in accordance with one of the three acceptable valuation methods: 1) the present value of future cash flows discounted at the loan's effective interest rate; 2) the loan's observable market price; or 3) the fair value of the collateral, if the loan is collateral dependent. For the collateral dependent impaired loans, we obtain a new appraisal to determine the amount of impairment as of the date that the loan became impaired. The appraisals are based on an "as is" valuation. To ensure that appraised values remain current, the Company either obtains updated appraisals every twelve months from a qualified independent appraiser or an internal re-valuation of the collateral is performed by qualified personnel. If the fair value of the collateral, less cost to sell, is less than the recorded amount of the loan, we then recognize impairment by creating or adjusting an existing valuation allowance with a corresponding charge to the provision for loan losses. If an impaired loan is expected to be collected through liquidation of the underlying collateral, the loan is deemed to be collateral dependent and the amount of impairment is charged off against the allowance for loan losses.

The Bank considers a loan to be impaired when it is probable that not all amounts due (principal and interest) will be collectible in accordance with the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. The significance of payment delays and payment shortfalls is determined on a case-by-case basis by taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed.

For commercial business loans, real estate loans and certain consumer loans, the Company bases the measurement of loan impairment on the present value of the expected future cash flows, discounted at the loan's effective interest rate or on the fair value of the loan's collateral, less estimated costs to sell, if the loan is collateral dependent. Management evaluates most consumer loans for impairment on a collective basis because these loans generally have smaller balances and are homogeneous in the underwriting of terms and conditions and in the type of collateral.

Impairment losses are included in the allowance for loan losses through a charge to the provision for loan losses. Upon disposition of an impaired loan, any unpaid balance is charged off to the allowance for loan losses.

The allowance for loan losses for acquired credit impaired loans is based upon expected cash flows for these loans. To the extent that a deterioration in borrower credit quality results in a decrease in expected cash flows subsequent to the acquisition of the loans, an allowance for loan losses would be established based on management's estimate of future credit losses over the remaining life of the loans.

Acquired Loans—Loans that the Company acquires are recorded at fair value with no carryover of the related allowance for loan losses. On the date of acquisition, the Company considers acquired classified loans credit impaired loans ("Acquired Credit Impaired Loans" or "ACILs") under the provisions of Accounting Standards Codification ("ASC") 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality. On the date of acquisition, loans without credit impairment ("Acquired Performing Loans" or "APLs") are not accounted for under ASC 310-30. Acquired loans are placed in pools with similar risk characteristics and recorded at fair value as of the acquisition date.

For ACILs, the cash flows expected to be received over the life of the pools were estimated by management with the assistance of a third party valuation specialist. These cash flows were utilized in calculating the carrying values of the pools and underlying loans, book yields, effective interest income and impairment, if any, based on actual and projected events. Default rates, loss severity and prepayment speed assumptions are periodically reassessed and updated within the accounting model to update the expectation of future cash flows. The excess of the cash expected to be collected over the pools' carrying value is considered to be the accretable yield and is recognized as interest income over the estimated life of the loan or pool using the effective interest yield method. The accretable yield will change due to changes in the timing and amounts of expected cash flows. Changes in the accretable yield is disclosed quarterly.

For ACILs, the excess of the contractual balances due over the cash flows expected to be collected is considered to be nonaccretable difference. The nonaccretable difference represents our estimate of the credit losses expected to occur and was considered in determining the fair value of the loans as of the date of acquisition. Subsequent to the date of acquisition, any increases in expected cash flows over those expected at purchase date in excess of fair value are adjusted through the accretable difference on a prospective basis. Any subsequent decreases in expected cash flows over those expected at the acquisition date are recognized by recording a provision for loan losses.

ACILs that met the criteria for nonaccrual of interest prior to the acquisition may be considered performing upon acquisition, regardless of whether the customer is contractually delinquent, if management can reasonably estimate the timing and amount of the expected cash flows on such loans and if management expects to fully collect the new carrying value of the

Table of Contents

loans. As such, management may no longer consider the loan to be nonaccrual or nonperforming and may accrue interest on these loans, including the impact of any accretable discount. Management has determined that future cash flows are reasonably estimable on any such acquired loans that are past due 90 days or more and accruing interest. Management expects to fully collect the carrying value of the loans.

Loans Held for Sale—Small Business Administration (“SBA”) loans that the Company has the intent to sell prior to maturity have been designated as held for sale at origination and are recorded at the lower of cost or fair value, on an aggregate basis. A valuation allowance is established if the aggregate fair value of such loans is lower than their cost and charged to earnings. Gains or losses recognized upon the sale of loans are determined on a specific identification basis. SBA loan transfers are accounted for as sales when control over the loan has been surrendered. Control over such loans is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) the Company does not maintain control over the transferred assets through an agreement to repurchase them before their maturity.

Loan Servicing Assets—The Company typically sells the guaranteed portion of SBA loans and retains the unguaranteed portion (“retained interest”). A portion of the premium on sale of SBA loans is recognized as gain on sale of loans at the time of the sale by allocating the carrying amount between the asset sold and the retained interest, based on their relative fair values. The remaining portion of the premium is recorded as a discount on the retained interest and is amortized over the remaining life of the loan as an adjustment to yield. The retained interest, net of any discount, are included in loans receivable—net of allowance for loan losses in the accompanying consolidated statements of financial condition.

Servicing assets are recognized when SBA loans are sold with servicing retained with the income statement effect recorded in gains on sales of SBA loans. Servicing assets are initially recorded at fair value based on the present value of the contractually specified servicing fee, net of servicing costs, over the estimated life of the loan, using a discount rate based on the related note rate. The Company’s servicing costs approximates the industry average servicing costs of 40 basis points. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Management periodically evaluates servicing assets for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Company later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. No impairment charges were required in 2015, 2014, or 2013.

FHLB Stock—The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Premises and Equipment—Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization of premises and equipment are computed on the straight-line method over the following estimated useful lives:

Buildings	15	- 30	years
Furniture, fixture, and equipment	3	- 7	years
Computer equipment	1	- 5	years

Computer software	1 - 5 years
Leasehold improvement	life of lease or improvements, whichever is shorter

OREO—OREO, which represents real estate acquired through foreclosure in satisfaction of commercial and real estate loans, is stated at fair value less estimated selling costs of the real estate. Loan balances in excess of the fair value of the real estate acquired at the date of acquisition are charged to the allowance for loan losses. Any subsequent operating expenses or income, reduction in estimated fair values, and gains or losses on disposition of such properties are charged or credited to current operations. For the year ended December 31, 2015, the Company foreclosed on properties with an aggregate carrying value of $11.4 million The Company recorded $1.3 million in valuation adjustments, and the Company sold OREO properties for total proceeds of $11.3 million.

FDIC Loss Share Receivable—In conjunction with the FDIC-assisted acquisition of Innovative Bank, the Company entered into shared-loss agreements with the FDIC for amounts receivable covered by the shared-loss agreements. The Company elected to account for amounts receivable under the loss sharing agreement with the FDIC as FDIC loss share receivable in accordance with ASC 805. The FDIC loss share receivable was recorded at fair value, based on the discounted value of expected future cash flows under the loss sharing agreement. The difference between the present value and the undiscounted cash flows we expect to collect from the FDIC will be accreted into noninterest income over the life of the FDIC loss share receivable.

The FDIC loss share receivable is reviewed quarterly and adjusted for any changes in expected cash flows based on recent performance and expectations for future performance of the covered portfolio. These adjustments are measured on the same basis as the related covered loans and covered other real estate owned. Any increases in the cash flows of the covered assets over those expected will reduce the FDIC loss share receivable and any decreases in cash flows of the covered assets under those expected will increase the FDIC loss share receivable. Increase and decrease to the FDIC loss share receivable are recorded as adjustments to noninterest income.

Goodwill and Intangible Assets—Goodwill is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests 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 tested for impairment at least annually.

In accordance with Accounting Standards Update (“ASU”) 2011-08, Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment, the Company makes a qualitative assessment of whether it is more likely than not that a reporting unit’s fair value is less than its carrying amount before applying the two-step goodwill impairment test. If management concludes that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, the two-step impairment test is bypassed. Goodwill is also tested for impairment on an interim basis if circumstances change or an event occurs between annual tests that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Significant judgment is applied when goodwill is assessed for impairment. This judgment includes developing cash flow projections, selecting appropriate discount rates, identifying relevant market comparables, incorporating general economic and market conditions and selecting an appropriate control premium. The selection and weighting of the various fair value techniques may result in a higher or lower fair value. Judgment is applied in determining the weighting that is most representative of fair value.

Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. Core deposit intangibles are amortized over a seven to 10 year period.

Stock-Based Compensation—Compensation cost is recognized for stock options and restricted stock awards issued to employees and directors, based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Company’s common stock at the date of grant is used for restricted stock awards. Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

Income Taxes—Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred income tax assets and liabilities represent the tax effects, based on current tax law, of future deductible or taxable amounts attributable to events that have been recognized in the financial statements. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, the projected future taxable income and tax planning strategies in making this assessment. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. The Company recognizes interest and / or penalties related to income tax matters in income tax expense.

BBCN BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Section 382 of the Internal Revenue Code imposes limitations on a corporation's ability to use any net unrealized built in losses and other tax attributes, such as net operating loss and tax credit carryforwards, when it undergoes a 50% "ownershipchange" over a designated testing period (not to exceed three years). As a result of the acquisition on February 14, 2013 of Pacific International Bancorp Inc. ("PIB") and on August 12, 2013 of Foster Bankshares Inc. ("Foster"), both PIB and Foster underwent a greater than 50% ownership change. Except for the limitation on PIB's net operating loss carryforward, there is expected to be no limitation on the use of either PIB's or Foster's tax attributes because neither company has a net unrealized built in loss. PIB is expected to fully utilized the net operating loss carryforward before it expires with the application of the annual limitation. However, future transactions, such as issuances of common stock or sales of shares of our stock by certain holders of our shares, including persons who have held, currently hold or may accumulate in the future 5% or more of our outstanding common stock for their own account, could trigger future Section 382 limitations on the Company's use of tax attributes.

Earnings per Common Share—Basic Earnings per Common Share is computed by dividing net income (loss) available to common stockholders by the weighted-average number of common shares outstanding for the period. Allocated ESOP shares are considered outstanding for this calculation. Diluted Earnings per Common Share reflects the potential dilution of securities that could share in the earnings of the Company. Earnings and dividends per share are restated for all stock splits and stock dividends through the date of issuance of the financial statements.

Equity—The Company accrues for common stock dividends as declared. Common stock dividends of $33.4 million and $27.8 million were paid in 2015 and 2014. There were no common stock dividends declared but unpaid at December 31, 2015 and 2014. Accrued preferred and common stock dividends are included in other liabilities.

BOLI—The Company has purchased life insurance policies on certain key executives and directors. BOLI is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Investments in Affordable Housing Partnerships—The Company owns limited partnerships interest in projects of affordable housing for lower income tenants. The investments in which the Company has significant influence are recorded using the equity method of accounting. For those investments in limited partnerships for which the Company does not have a significant influence, such investments are accounted for using the cost method of accounting and the annual amortization is based on the proportion of tax credits received in the current year to the total estimated tax credits to be allocated to the Company.

Comprehensive Income—Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale, and interest-only strips which are also recognized as separate components of stockholders' equity, net of tax.

Loss Contingencies—Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management believes there are no such matters that would have a material effect on the consolidated financial statements as of December 31, 2015 or 2014.

Loan Commitments and Related Financial Instruments—Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded. See Note 13 Commitments and Contingencies of the Notes to Consolidated Financial Statements for further discussion.

Allowance for Unfunded Commitments—The allowance for unfunded commitments is maintained at a level believed by management to be sufficient to absorb estimated probable losses related to these unfunded credit facilities. The determination of the adequacy of the allowance is based on periodic evaluations of the unfunded credit facilities including an assessment of the probability of commitment usage, credit risk factors for loans outstanding to these same customers, and the terms and expiration dates of the unfunded credit facilities. The allowance for unfunded commitments is included in other liabilities on the consolidated balance sheets, with changes to the balance charged against noninterest expense.

Fair Values of Financial Instruments—Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

BBCN BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Impairment of Long-Lived Assets—The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted) over the remaining useful life of the asset are less than the carrying value, an impairment loss would be recorded to reduce the related asset to its estimated fair value.

Transfer of Financial Assets—Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Use of Estimates in the Preparation of Consolidated Financial Statements—The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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. Material estimates that are susceptible to change in the near term relate to the determination of the allowance and provision for loan losses, the evaluation of other than temporary impairment of investment securities, accounting for derivatives and hedging activities, determining the carrying value for cash surrender value of life insurance, carrying value of goodwill and other intangible assets, accounting for deferred tax assets and related valuation allowances, the determination of the fair values of investment securities and other financial instruments, determination of the fair values of other real estate owned, accounting for ACILs, accounting for FDIC receivable, accounting for lease arrangements, accounting for incentive compensation, profit sharing and bonus payments and the valuation of servicing assets.

Reclassifications—Some items in the prior year financial statements were reclassified to conform to the current presentation.

Recently Issued Accounting Pronouncements

FASB ASU No. 2014-01, Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects. These amendments permit reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Disclosures for a change in accounting principle are required upon transition. ASU 2014-01 became effective for for interim and annual periods beginning after December 15, 2014. The Company did not elect to account for investments in qualified affordable housing projects using the proportional amortization method.

FASB ASU No. 2014-04, Receivables—Troubled Debt Restructuring by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Upon Foreclosure. The amendment intends to clarify the terms defining when an in substance foreclosure occurs, which determines when the receivable should be derecognized and the real estate property recognized. ASU No. 2014-04 became effective for interim and annual periods beginning after December 31, 2014. ASU No. 2014-04 did not have a material impact on the Company’s consolidated financial statements.

FASB ASU No. 2014-14, Receivables—Troubled Debt Restructuring by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure . Under certain government-sponsored loan guarantee programs, such as those offered by the Federal Housing Administration (FHA) and the Department of Veterans Affairs (VA), qualifying creditors can extend mortgage loans to borrowers with a guarantee that entitles the creditor to recover all or a portion of the unpaid principal balance from the government if the borrower defaults. The ASU requires a mortgage loan to be derecongized and a separate receivable to be recognized upon foreclosure.

Additionally, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor upon foreclosure. ASU 2014-14 became effective for annual periods and interim periods within those annual periods beginning after December 15, 2014. ASU 2014-14 did not have a material impact on the Company’s consolidated financial statements.

FASB ASU No. 2015-10, Technical Corrections and Improvements. The amendments in ASU 2015-10 represent changes to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments that require transition guidance are effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2015. The adoption of ASU 2015-10 is not expected to have a significant impact on the Company’s consolidated financial statements.

Table of Contents

FASB ASU No. 2015-16, Business Combinations (Topic 805). The FASB issued guidance that requires an acquirer in a business combination to recognize adjustments to estimated amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments also require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the estimated amounts, calculated as if the accounting had been completed at the acquisition date. The amendments become effective for fiscal years beginning after December 15, 2016. The adoption of ASU 2015-16 is not expected to have a significant impact on the Company's consolidated financial statements.

FASB ASU No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. The amendments eliminate the current requirement for organizations to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, organizations will be required to classify all deferred tax assets and liabilities as noncurrent. The adoption of ASU 2015-17 is not expected to have a significant impact on the Company's consolidated financial statements.

FASB ASU No. 2016-01, Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments require equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. The new guidance becomes effective for fiscal years beginning after December 15, 2017. The adoption of ASU 2016-01 is not expected to have a significant impact on the Company's consolidated financial statements.

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

Table of Contents

BBCN BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

2. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized unaudited quarterly financial data follows for the three months ended:

	March 31	June 30	September 30	December 31
	(In thousands, except per share amounts)			
2015				
Interest income	$74,553	$77,075	$ 79,059	$ 82,973
Interest expense	9,431	9,684	10,298	11,205
Net interest income before provision for loan losses	65,122	67,391	68,761	71,768
Provision for loan losses	1,500	1,000	600	4,900
Net interest income after provision for loan losses	63,622	66,391	68,161	66,868
Noninterest income	11,048	10,483	11,183	10,977
Noninterest expense	39,077	38,614	36,755	38,938
Income before income tax provision	35,593	38,260	42,589	38,907
Income tax provision	14,236	15,320	17,497	16,038
Net income	$21,357	$22,940	$ 25,092	$ 22,869
Basic earnings per common share	$0.27	$0.29	$ 0.32	$ 0.29
Diluted earnings per common share	$0.27	$0.29	$ 0.32	$ 0.29

	March 31	June 30	September 30	December 31
	(In thousands, except per share amounts)			
2014				
Interest income	$73,354	$76,453	$ 77,084	$ 75,766
Interest expense	8,388	8,963	9,177	9,532
Net interest income before provision for loan losses	64,966	67,490	67,907	66,234
Provision for loan losses	3,026	2,996	4,256	2,360
Net interest income after provision for loan losses	61,940	64,494	63,651	63,874
Noninterest income	10,574	10,366	11,267	11,980
Noninterest expense	35,754	37,613	39,318	38,939
Income before income tax provision	36,760	37,247	35,600	36,915
Income tax provision	14,564	14,935	14,180	14,228
Net income	$22,196	$22,312	$ 21,420	$ 22,687
Basic earnings per common share	$0.28	$0.28	$ 0.27	$ 0.29
Diluted earnings per common share	$0.28	$0.28	$ 0.27	$ 0.29

Table of Contents

BBCN BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

3. SECURITIES AVAILABLE FOR SALE

The following is a summary of securities available for sale at December 31, 2015 and 2014:

	At December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
Debt securities:				
U.S. Government agency and U.S. Government sponsored enterprises				
Collateralized mortgage obligations	$454,096	$ 839	$ (4,955)	$449,980
Mortgage-backed securities	497,889	3,003	(2,845)	498,047
Trust preferred securities	4,545	—	(796)	3,749
Municipal bonds	44,105	1,406		45,511
Total debt securities	1,000,635	5,248	(8,596)	997,287
Mutual funds	13,425	—	(156)	13,269
	$1,014,060	$ 5,248	$ (8,752)	$1,010,556

	At December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
Debt securities:				
U.S. Government agency and U.S. Government sponsored enterprises				
Collateralized mortgage obligations	$304,947	$ 1,376	$ (3,549)	$302,774
Mortgage-backed securities	460,487	6,528	(1,526)	465,489
Trust preferred securities	4,531	—	(544)	3,987
Municipal bonds	6,487	443	—	6,930
Total debt securities	776,452	8,347	(5,619)	779,180
Mutual funds	13,425	—	(82)	13,343
	$789,877	$ 8,347	$ (5,701)	$792,523

As of December 31, 2015 and December 31, 2014, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of stockholders’ equity.

The proceeds from sales of securities and the associated gains are listed below:

	2015	2014	2013
	(In thousands)		
Proceeds	$22,510	$ —	$6,634
Gross gains	437	—	54
Gross losses	(13)	—	—

The amortized cost and estimated fair value of debt securities at December 31, 2015, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

Table of Contents

BBCN BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

	Amortized Cost	Estimated Fair Value
	(In thousands)	
Available for sale:		
Due within one year	$—	$—
Due after one year through five years	2,173	2,332
Due after five years through ten years	27,367	28,208
Due after ten years	19,110	18,720
U.S. Government agency and U.S. Government sponsored enterprises		
Collateralized mortgage obligations	454,096	449,980
Mortgage-backed securities	497,889	498,047
Mutual funds	13,425	13,269
	$1,014,060	$1,010,556

Securities with carrying values of approximately $359.6 million and $366.2 million at December 31, 2015 and December 31, 2014, respectively, were pledged to secure public deposits, various borrowings and for other purposes as required or permitted by law.

Securities with gross unrealized losses, aggregated by investment category and the length of time that the individual securities have been in a continuous unrealized loss position as of the dates indicated, are as follows:

	At December 31, 2015								
	Less than 12 months			12 months or longer			Total		
Description of Securities	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses
	(Dollars in thousands)								
Collateralized mortgage obligations*	31	$300,202	$(2,611)	8	$70,857	$(2,344)	39	$371,059	$(4,955)
Mortgage-backed securities*	28	247,160	(1,487)	3	27,947	(1,358)	31	275,107	(2,845)
Municipal bonds	1	127	—	—	—	—	1	127	—
Trust preferred securities	—	—	—	1	3,750	(796)	1	3,750	(796)
Mutual funds	1	13,269	(156)	—	—	—	1	13,269	(156)
	61	$560,758	$(4,254)	12	$102,554	$(4,498)	73	$663,312	$(8,752)

* Investments in U.S. Government agency and U.S. Government sponsored enterprises

BBCN BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Description of Securities	At December 31, 2014 Less than 12 months Number of Securities	Fair Value	Gross Unrealized Losses	12 months or longer Number of Securities	Fair Value	Gross Unrealized Losses	Total Number of Securities	Fair Value	Gross Unrealized Losses
	(Dollars in thousands)								
Collateralized mortgage obligations*	7	$ 71,189	$ (507)	13	$ 133,563	$ (3,042)	20	$ 204,752	$ (3,549)
Mortgage-backed securities*	7	38,133	(139)	6	62,036	(1,387)	13	100,169	(1,526)
Trust preferred securities	—	—	—	1	3,988	(544)	1	3,988	(544)
Mutual funds	—	—	—	1	13,343	(82)	1	13,343	(82)
	14	$ 109,322	$ (646)	21	$ 212,930	$ (5,055)	35	$ 322,252	$ (5,701)

* Investments in U.S. Government agency and U.S. Government sponsored enterprises

The Company evaluates securities for OTTI on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the financial condition and near-term prospects of the issuer, the length of time and the extent to which the fair value of the securities has been less than our cost for the securities, and management's intention to sell, or whether it is more likely than not that management will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. In analyzing an issuer's financial condition, the Company considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition.

The Company has certain trust preferred securities, collateralized mortgage obligations, and mortgage-backed securities that were in a continuous loss position for twelve months or longer as of December 31, 2015. The trust preferred securities in a continuous loss position for twelve months or longer had an unrealized loss of $796 thousand at December 31, 2015 and are scheduled to mature in May 2047. These securities were rated investment grade and there were no credit quality concerns with the obligator. The collateralized mortgage obligations and mortgage-backed securities in a continuous loss position for twelve months or longer had an unrealized loss of $2.3 million and $1.4 million, respectively, at December 31, 2015. These securities were investments in U.S. Government agency and U.S. Government sponsored enterprises and have high credit ratings ("AA" grade or better). The interest on the securities that were in an unrealized loss position have been paid as agreed, and management believes this will continue in the future and that the securities will be paid in full as scheduled. The market value declines are deemed to be due to the current market volatility and are not reflective of management's expectations of the Company's ability to fully recover the investments, which may be at maturity. For these reasons, no OTTI was recognized on the securities that were in a continuous loss position for twelve months or longer at December 31, 2015.

The Company considers the losses on our investments in unrealized loss positions at December 31, 2015 to be temporary based on: 1) the likelihood of recovery; 2) the information relative to the extent and duration of the decline in market value; and 3) the Company's intention not to sell, and management's determination that it is more likely than not that the Company will not be required to sell a security in an unrealized loss position before recovery of its amortized cost basis.

Table of Contents

BBCN BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

4. LOANS RECEIVABLE AND THE ALLOWANCE FOR LOAN LOSSES

The following is a summary of loans by major category at December 31, 2015 and 2014:

	December 31, 2015	December 31, 2014
	(In thousands)	
Loan portfolio composition		
Real estate loans:		
Residential	$33,797	$21,415
Commercial & industrial	4,912,655	4,324,349
Construction	123,030	94,086
Total real estate loans	5,069,482	4,439,850
Commercial business	980,153	903,621
Trade finance	99,163	134,762
Consumer and other	102,573	89,849
Total loans outstanding	6,251,371	5,568,082
Less: deferred loan fees	(3,030)	(2,890)
Gross loans receivable	6,248,341	5,565,192
Less: allowance for loan losses	(76,408)	(67,758)
Loans receivable, net	$6,171,933	$5,497,434

Our loan portfolio is made up of four segments: real estate loans, commercial business, trade finance and consumer and other. These segments are further segregated between loans accounted for under the amortized cost method Legacy Loans and acquired loans that were originally recorded at fair value with no carryover of the related pre-acquisition allowance for loan losses Acquired Loans. The Acquired Loans are further segregated between ACILs and APLs.

The following table presents changes in the accretable discount on the ACILs for the years ended December 31, 2015 and 2014:

	Year ended December 31, 2015	2014
	(In thousands)	
Balance at beginning of period	$24,051	$47,398
Accretion	(12,633)	(16,222)
Changes in expected cash flows	12,359	(7,125)
Balance at end of period	$23,777	$24,051

On the acquisition date, the amount by which the undiscounted expected cash flows exceed the estimated fair value of the ACILs is the “accretable yield”. The accretable yield is then measured at each financial reporting date and represents the difference between the remaining undiscounted expected cash flows and the current carrying value of the loans. The accretable yield will change from period to period due to the following: 1) estimates of the remaining life of acquired loans will affect the amount of future interest income, 2) indicies for variable rates of interest on ACILs may change; and 3) estimates of the amount of the contractual principal and interest that will not be collected (nonaccretable difference) may change.

Table of Contents

BBCN BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The following tables detail the activity in the allowance for loan losses by portfolio segment for the year ended December 31, 2015 and 2014:

	Legacy				Acquired				
	Real Estate	Commercial Business	Trade Finance	Consumer and Other	Real Estate	Commercial Business	Trade Finance	Consumer and Other	Total
	(In thousands)								
December 31, 2015									
Balance, beginning of period	$38,775	$ 15,986	$3,456	$ 427	$8,573	$ 485	$ —	$ 56	$67,758
Provision (credit) for loan losses	2,828	(577)	1,424	177	4,270	(117)	—	(5)	8,000
Loans charged off	(558)	(1,971)	(1,288)	(630)	(183)	(271)	—	(11)	(4,912)
Recoveries of charged offs	1,784	2,894	—	582	163	117	—	22	5,562
Balance, end of period	$42,829	$ 16,332	$3,592	$ 556	$12,823	$ 214	$ —	$ 62	$76,408
December 31, 2014									
Balance, beginning of period	$40,068	$ 16,796	$2,653	$ 461	$6,482	$ 796	$ —	$ 64	$67,320
Provision (credit) for loan losses	428	4,656	4,737	(240)	2,133	856	—	68	12,638
Loans charged off	(2,512)	(9,500)	(3,934)	(21)	(214)	(1,499)	—	(79	