

BANC OF CALIFORNIA, INC.
Form 10-Q
August 18, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

or

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

For the transition period from _____ to _____

Commission file number 001-35522

BANC OF CALIFORNIA, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

04-3639825

(IRS Employer Identification No.)

18500 Von Karman Ave, Suite 1100, Irvine, California

(Address of principal executive offices)

92612

(Zip Code)

(949) 236-5211

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 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). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

As of July 31, 2014, the registrant had outstanding 27,759,686 shares of voting common stock and 602,783 shares of Class B non-voting common stock.

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BANC OF CALIFORNIA, INC.

FORM 10-Q QUARTERLY REPORT

June 30, 2014

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Forward-looking Statements

When used in this report and in public shareholder communications, in other documents of Banc of California, Inc. (the Company, we, us and our) filed with or furnished to the Securities and Exchange Commission (the SEC), or in oral statements made with the approval of an authorized executive officer, the words or phrases believe, will, should, will likely result, are expected to, will continue, is anticipated, estimate, plans, guidance or similar expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date made. These statements may relate to our future financial performance, strategic plans or objectives, revenue, expense or earnings projections, or other financial items. By their nature, these statements are subject to numerous uncertainties that could cause actual results to differ materially from those anticipated in the statements.

Factors that could cause actual results to differ materially from the results anticipated or projected include, but are not limited to, the following:

- i. the ability of the Company to successfully integrate the branches its wholly owned bank subsidiary, Banc of California, N.A. (the Bank), has agreed to acquire from Banco Popular North America (BPNA);
- ii. the Company s ability to receive regulatory approval and otherwise satisfy the closing conditions for the pending acquisition of branches from BPNA, including raising sufficient financing from public or private offerings to complete the acquisition of branches from BPNA;
- iii. risks that the Company s merger and acquisition activities, including but not limited to the pending acquisition of the BPNA branches and the recently completed acquisitions of The Private Bank of California (PBOC), The Palisades Group, LLC and CS Financial, Inc., as well as the recent merger of the Company s subsidiary banks, may disrupt current plans and operations and lead to difficulties in customer and employee retention, risks that the amount of the costs, fees, expenses and charges related to these transactions could be significantly higher than anticipated and risks that the expected revenues, cost savings, synergies and other benefits of these transactions might not be realized within the anticipated timetables or at all;
- iv. risks that funds obtained from capital raising activities will not be utilized efficiently or effectively;
- v. a worsening of current economic conditions, as well as turmoil in the financial markets;
- vi. the credit risks of lending activities, which may be affected by deterioration in real estate markets and the financial condition of borrowers, may lead to increased loan and lease delinquencies, losses and nonperforming assets in our loan and lease portfolio, and may result in our allowance for loan and lease losses not being adequate to cover actual losses and require us to materially increase our loan and lease loss reserves;
- vii. the quality and composition of our securities portfolio;
- viii. changes in general economic conditions, either nationally or in our market areas;
- ix. continuation of the historically low short-term interest rate environment, changes in the levels of general interest rates, and the relative differences between short- and long-term interest rates, deposit interest rates, our net interest margin and funding sources;

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- x. fluctuations in the demand for loans and leases, the number of unsold homes and other properties and fluctuations in commercial and residential real estate values in our market area;
- xi. results of examinations of us by regulatory authorities and the possibility that any such regulatory authority may, among other things, require us to increase our allowance for loan and lease losses, write-down asset values, increase our capital levels, or affect our ability to borrow funds or maintain or increase deposits, which could adversely affect our liquidity and earnings;
- xii. legislative or regulatory changes that adversely affect our business, including changes in regulatory capital or other rules;
- xiii. our ability to control operating costs and expenses;
- xiv. staffing fluctuations in response to product demand or the implementation of corporate strategies that affect our work force and potential associated charges;
- xv. errors in our estimates in determining fair value of certain of our assets, which may result in significant declines in valuation;
- xvi. the network and computer systems on which we depend could fail or experience a security breach;
- xvii. our ability to attract and retain key members of our senior management team;
- xviii. costs and effects of litigation, including settlements and judgments;
- xix. increased competitive pressures among financial services companies;
- xx. changes in consumer spending, borrowing and saving habits;
- xxi. adverse changes in the securities markets;
- xxii. earthquake, fire or other natural disasters affecting the condition of real estate collateral;
- xxiii. the availability of resources to address changes in laws, rules or regulations or to respond to regulatory actions;
- xxiv. inability of key third-party providers to perform their obligations to us;

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xxv. changes in accounting policies and practices, as may be adopted by the financial institution regulatory agencies or the Financial Accounting Standards Board or their application to our business, including additional guidance and interpretation on accounting issues and details of the implementation of new accounting methods;

xxvi. war or terrorist activities; and

xxvii. other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products and services and the other risks described in this report and from time to time in other documents that we file with or furnish to the SEC, including, without limitation, the risks described under Item 1A. Risk Factors presented elsewhere in this report.

The Company undertakes no obligation to update any such statement to reflect circumstances or events that occur after the date on which the forward-looking statement is made, except as required by law.

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1 FINANCIAL STATEMENTS
BANC OF CALIFORNIA, INC.****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

(Amounts in thousands, except share and per share data)

(Unaudited)

	June 30, 2014	December 31, 2013
ASSETS		
Cash and due from banks	\$ 5,764	\$ 4,937
Interest-bearing deposits	252,287	105,181
Total cash and cash equivalents	258,051	110,118
Time deposits in financial institutions	2,145	1,846
Securities available for sale, at fair value	233,013	170,022
Loans held for sale, carried at fair value	244,778	192,613
Loans held for sale, carried at lower of cost or fair value	850,963	524,120
Loans and leases receivable, net of allowance of \$22,627 at June 30, 2014 and \$18,805 at December 31, 2013	2,579,586	2,427,306
Federal Home Loan Bank and other bank stock, at cost	34,392	22,600
Servicing rights, net (\$9,816 measured at fair value at June 30, 2014 and \$13,535 at December 31, 2013)	10,191	13,883
Accrued interest receivable	11,170	10,866
Other real estate owned, net	605	
Premises, equipment, and capital leases, net	67,457	66,260
Bank-owned life insurance	18,984	18,881
Goodwill	32,150	30,143
Affordable housing fund investment	5,293	5,628
Deferred income tax	2,546	
Income tax receivable		2,995
Other intangible assets, net	10,959	12,152
Other assets	24,239	18,590
Total Assets	\$ 4,386,522	\$ 3,628,023
LIABILITIES AND SHAREHOLDERS EQUITY		
Noninterest-bearing deposits	\$ 408,404	\$ 429,158
Interest-bearing deposits	2,938,951	2,489,486
Total deposits	3,347,355	2,918,644
Advances from Federal Home Loan Bank	450,000	250,000
Notes payable, net	96,481	82,320
Reserve for loss on repurchased loans	6,174	5,427
Income taxes payable	31	
Accrued expenses and other liabilities	47,163	46,763
Total liabilities	3,947,204	3,303,154
Commitments and contingent liabilities		

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Preferred stock, \$0.01 par value per share, 50,000,000 shares authorized:

Series A, non-cumulative perpetual preferred stock, \$1,000 per share liquidation preference, 32,000 shares authorized, 32,000 shares issued and outstanding at June 30, 2014 and December 31, 2013	31,934	31,934
Series B, non-cumulative perpetual preferred stock, \$1,000 per share liquidation preference, 10,000 shares authorized, 10,000 shares issued and outstanding at June 30, 2014 and December 31, 2013	10,000	10,000
Series C, 8.00% non-cumulative perpetual preferred stock, \$1,000 per share liquidation preference, 40,250 shares authorized, 40,250 shares issued and outstanding at June 30, 2014 and December 31, 2013	37,943	37,943
Common stock, \$0.01 par value per share, 446,863,844 shares authorized; 28,658,873 shares issued and 27,032,464 shares outstanding at June 30, 2014; 20,959,286 shares issued and 19,561,469 shares outstanding at December 31, 2013	287	210
Class B non-voting non-convertible Common stock, \$0.01 par value per share, 3,136,156 shares authorized; 596,018 shares issued and outstanding at June 30, 2014 and 584,674 shares issued and outstanding at December 31, 2013	6	6
Additional paid-in capital	369,530	256,306
Retained earnings	18,779	16,981
Treasury stock, at cost (1,626,409 shares at June 30, 2014 and 1,397,817 shares at December 31, 2013)	(29,652)	(27,911)
Accumulated other comprehensive income (loss), net	491	(600)
Total shareholders' equity	439,318	324,869
Total liabilities and shareholders' equity	\$ 4,386,522	\$ 3,628,023

See accompanying notes to unaudited consolidated financial statements

Table of Contents**BANC OF CALIFORNIA, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

(Amounts in thousands, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Interest and dividend income				
Loans, including fees	\$ 42,077	\$ 26,153	\$ 83,607	\$ 44,690
Securities	993	369	1,917	867
Dividends and other interest-earning assets	564	219	886	352
Total interest and dividend income	43,634	26,741	86,410	45,909
Interest expense				
Deposits	6,071	3,303	11,806	5,302
Federal Home Loan Bank advances	99	58	199	121
Notes payable and other interest-bearing liabilities	1,889	1,755	3,645	3,502
Total interest expense	8,059	5,116	15,650	8,925
Net interest income	35,575	21,625	70,760	36,984
Provision for loan and lease losses	2,108	1,918	4,037	4,086
Net interest income after provision for loan and lease losses	33,467	19,707	66,723	32,898
Noninterest income				
Customer service fees	356	509	609	1,055
Loan servicing income	774	458	2,027	646
Income from bank owned life insurance	56	50	103	88
Net gain on sale of securities available for sale	15	1	522	309
Net gain on sale of loans	3,038	3,724	5,641	4,036
Net gain on mortgage banking activities	26,133	20,261	43,457	36,631
Other income	5,000	1,069	8,291	1,235
Total noninterest income	35,372	26,072	60,650	44,000
Noninterest expense				
Salaries and employee benefits	39,130	25,311	73,811	44,391
Occupancy and equipment	7,425	3,630	15,962	6,823
Professional fees	3,528	2,947	7,393	5,244
Data processing	1,270	1,365	2,061	2,275
Advertising	710	890	1,785	1,412
Regulatory assessments	1,046	211	1,987	592
Loan servicing and foreclosure expense	175	148	350	352
Operating loss on equity investment	161	131	335	290
Valuation allowance for other real estate owned				79
Net (gain) loss on sales of other real estate owned		(37)		(151)
Provision for loan repurchases	330	732	901	988
Amortization of intangible assets	944	367	1,883	734
All other expense	5,746	3,899	11,765	6,123
Total noninterest expense	60,465	39,594	118,233	69,152

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Income before income taxes	8,374	6,185	9,140	7,746
Income tax expense	253	1,822	262	2,454
Net income	8,121	4,363	8,878	5,292
Preferred stock dividends	910		1,820	288
Net income available to common shareholders	\$ 7,211	\$ 4,363	\$ 7,058	\$ 5,004
Basic earnings per common share	\$ 0.27	\$ 0.35	0.30	\$ 0.41
Diluted earnings per common share	\$ 0.27	\$ 0.35	0.30	\$ 0.41
Basic earnings per class B common share	\$ 0.27	\$ 0.35	0.30	\$ 0.41
Diluted earnings per class B common share	\$ 0.25	\$ 0.29	0.24	\$ 0.36

See accompanying notes to unaudited consolidated financial statements

Table of Contents**BANC OF CALIFORNIA, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(Amounts in thousands)****(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income	\$ 8,121	\$ 4,363	\$ 8,878	\$ 5,292
Unrealized gain (loss) on available-for-sale securities:				
Unrealized gain (loss) arising during the period, net of tax (expense) benefit of \$0 and \$0, respectively	1,099	(400)	2,122	(300)
Reclassification adjustment for gain included in net income, net of tax expense of \$0 and \$0, respectively	(15)	(1)	(522)	(309)
Total change in unrealized loss (gain) on available-for-sale securities	1,084	(401)	1,600	(609)
Unrealized loss on cash flow hedge				
Unrealized loss arising during the period, net of tax (expense) benefit of \$0 and \$0, respectively	(292)		(509)	
Total change in unrealized loss on cash flow hedge	(292)		(509)	
Total other comprehensive income (loss), net of tax	792	(401)	1,091	(609)
Comprehensive income	\$ 8,913	\$ 3,962	\$ 9,969	\$ 4,683

See accompanying notes to unaudited consolidated financial statements

Table of Contents**BANC OF CALIFORNIA, INC.****CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

(Amounts in thousands)

(Unaudited)

	Preferred Stock			Common Stock		Additional Paid- in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
	Series A	Series B	Series C	Class A	Class B					
Balance at December 31, 2012	\$ 31,934	\$	\$	\$ 120	\$ 11	\$ 154,563	\$ 26,550	\$ (25,818)	\$ 1,397	\$ 188,757
Comprehensive income (loss):										
Net income							5,292			5,292
Other comprehensive income, net									(609)	(609)
Issuance of common stock				42	(6)	43,450				43,486
Issuance of preferred stock			33,734							33,734
Purchase of 6,216 shares of treasury stocks								(69)		(69)
Issuance of stock awards from treasury stock						(1,799)		1,799		
Shares purchased under the Dividend Reinvestment Plan						186	(186)			
Stock option compensation expense						215				215
Restricted stock compensation expense						657				657
Dividends declared (\$0.24 per common share)							(2,690)			(2,690)
Preferred stock dividends							(288)			(288)
Balance at June 30, 2013	\$ 31,934	\$	\$ 33,734	\$ 162	\$ 5	\$ 197,272	\$ 28,678	\$ (24,088)	\$ 788	\$ 268,485
Balance at December 31, 2013	\$ 31,934	\$ 10,000	\$ 37,943	\$ 210	\$ 6	\$ 256,306	\$ 16,981	\$ (27,911)	\$ (600)	\$ 324,869
Comprehensive income:										
Net income							8,878			8,878
Other comprehensive income, net									1,091	1,091
Issuance of common stock				77		55,397				55,474
Issuance of tangible equity units						51,720				51,720
Purchase of 10,888 shares of treasury stock								(134)		(134)
Reclassification adjustment for awards issued from treasury stock						1,926		(1,926)		
Exercise of stock options						757				757
Stock option compensation expense						156				156
Restricted stock compensation expense						2,663				2,663
Stock appreciation right expense						514				514
						(319)		319		

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Issuance of stock awards from treasury stock											
Shares purchased under the Dividend Reinvestment Plan						410		28			438
Dividends declared (\$0.24 per common share)								(5,288)			(5,288)
Preferred stock dividends								(1,820)			(1,820)
Balance at June 30, 2014	\$ 31,934	\$ 10,000	\$ 37,943	\$ 287	\$ 6	\$ 369,530	\$ 18,779	\$ (29,652)	\$ 491	\$ 439,318	

See accompanying notes to unaudited consolidated financial statements

Table of Contents**BANC OF CALIFORNIA, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in thousands)

(Unaudited)

	Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities:		
Net income	\$ 8,878	\$ 5,292
Adjustments to reconcile net income to net cash used in operating activities		
Provision for loan losses	4,037	4,086
Provision for loan repurchases	901	988
Net gain on mortgage banking activities	(43,457)	(36,631)
Gain on sale of loans	(5,641)	(4,036)
Net amortization (accretion) of securities	345	576
Depreciation on premises and equipment	3,250	1,510
Amortization of intangibles	1,883	734
Amortization of debt issuance cost	239	192
Stock option compensation expense	156	215
Stock award compensation expense	2,663	657
Stock appreciation right expense	514	298
Bank owned life insurance income	(103)	(88)
Operating loss on equity investment	335	290
Net (gain) loss on sale of securities available for sale	(522)	(309)
Gain on sale of other real estate owned		(151)
Loss (Gain) on sale or disposal of property and equipment	297	(2)
Increase in valuation allowances on other real estate owned		79
Originations of loans held for sale from mortgage banking	(1,226,599)	(867,640)
Originations of other loans held for sale	(751,061)	
Proceeds from sales of and principal collected on loans held for sale from mortgage banking	1,215,423	752,478
Proceeds from sales of and principal collected on other loans held for sale	339,144	
Change in deferred loan (costs) fees	617	(399)
Amortization of premiums and discounts on purchased loans	(19,311)	(8,001)
Change in accrued interest receivable	(304)	(2,885)
Change in other assets	8,917	8,710
Change in accrued interest payable and other liabilities	(984)	863
Net cash used in operating activities	(460,383)	(143,174)
Cash flows from investing activities:		
Proceeds from sales of securities available-for-sale	52,245	8,539
Proceeds from maturities and calls of securities available-for-sale	1,105	8,767
Proceeds from principal repayments of securities available-for-sale	16,843	45,130
Purchases of securities available-for-sale	(131,407)	(48,626)
Net cash used in acquisitions	(1,000)	
Loan originations and principal collections, net	(116,192)	(144,707)
Purchase of loans	(11,956)	(374,878)
Redemption of Federal Home Loan Bank stocks		25
Purchase of Federal Home Loan Bank and other bank stocks	(11,792)	(2,021)
Proceeds from sale of loans held for investment	73,398	155,209

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Net change in time deposits in financial institutions	(299)	2,438
Proceeds from sale of other real estate owned	48	3,474
Additions to premises and equipment	(5,355)	(4,033)
Payments of capital lease obligations	(504)	(113)
Net cash used in investing activities	(134,866)	(350,796)
Cash flows from financing activities:		
Net increase in deposits	428,711	803,489
Net increase (decrease) in Federal Home Loan Bank advances	200,000	(30,000)
Net proceeds from issuance of common stock	54,474	43,486
Net proceeds from issuance of preferred stock		33,734
Net proceeds from issuance of tangible equity units	65,642	
Purchase of treasury stock	(134)	(69)
Proceeds from exercise of stock options	757	
Dividends paid on preferred stock	(1,832)	(288)
Dividends paid on common stock	(4,436)	(2,690)
Net cash provided by financing activities	743,182	847,662
Net change in cash and cash equivalents	147,933	353,692
Cash and cash equivalents at beginning of period	110,118	108,643
Cash and cash equivalents at end of period	\$ 258,051	\$ 462,335
Supplemental cash flow information		
Interest paid on deposits and borrowed funds	\$ 15,563	\$ 8,893
Income taxes paid		
Income taxes refunds received		2,305
Supplemental disclosure of noncash activities		
Transfer from loans to other real estate owned, net	653	
Transfer of loans receivable to loans held for sale, net of transfer of \$963 and \$0 from allowance for loan and lease losses for the six months ended June 30, 2014 and 2013, respectively	62,057	10,358
Transfer of loans held for sale to loans receivable	94,837	
Equipment acquired under capital leases	989	714

See accompanying notes to unaudited consolidated financial statements

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BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (*UNAUDITED*)

June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying unaudited consolidated financial statements include the accounts of Banc of California, Inc. (the Company, we, us and our) and its wholly owned subsidiaries, Banc of California, National Association (the Bank), the Palisades Group, LLC (the Palisades Group), and PTB Property Holdings, LLC, as of June 30, 2014 and December 31, 2013 and for the three and six months ended June 30, 2014 and 2013, except that the accounts of the Palisades Group were not included for amounts for the three and six months ended June 30, 2013. Significant intercompany accounts and transactions have been eliminated in consolidation. Unless the context requires otherwise, all references to the Company include its wholly owned subsidiaries.

Nature of Operations: The principal business of the Company is the ownership of the Bank. The Bank operates under a national bank charter issued by the Office of the Comptroller of the Currency (the OCC), its primary regulator. The Bank is a member of the Federal Home Loan Bank (FHLB) system, and maintains insurance on deposit accounts with the Federal Deposit Insurance Corporation (FDIC). PTB Property Holdings, LLC manages and disposes of other real estate owned properties and the Palisades Group provides financial advisory and asset management services.

The Bank is engaged in the business of retail banking, with operations conducted through 17 banking offices, serving San Diego, Los Angeles, and Orange counties, California and 60 producing loan production offices in California, Arizona, Oregon, Montana, Virginia, North Carolina, Colorado, Indiana, and Maryland as of June 30, 2014. As of June 30, 2014, single family residential (SFR) mortgage loans and Green loans (SFR mortgage lines of credit) accounted for approximately 41.5 percent and 5.1 percent, respectively, of the Company's loan and lease portfolio, with a high percentage of such loans concentrated in Southern California. The customer's ability to repay their loans or leases is dependent on the real estate market and general economic conditions in the area.

The accounting and reporting policies of the Company are based upon U.S. generally accepted accounting principles (GAAP) and conform to predominant practices within the banking industry. The Company has not made any significant changes in its critical accounting policies or in its estimates and assumptions from those disclosed in its 2013 Annual Report on Form 10-K other than the adoption of new accounting pronouncements and other authoritative guidance that became effective for the Company on or after January 1, 2014. Refer to Accounting Pronouncements for discussion of accounting pronouncements adopted in 2014.

Basis of Presentation: The accompanying unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations for reporting on Form 10-Q. Accordingly, certain disclosures required by GAAP are not included herein. These interim statements should be read in conjunction with the consolidated financial statements and notes included in the Annual Report on Form 10-K for the year ended December 31, 2013 filed by the Company with the Securities and Exchange Commission. The December 31, 2013 balance sheet presented herein has been derived from the audited financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2013 filed with the Securities and Exchange Commission, but does not include all of the disclosures required by GAAP.

In the opinion of management of the Company, the accompanying unaudited interim consolidated financial statements reflect all of the adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the consolidated financial position and consolidated results of operations for the periods presented. Certain reclassifications have been made in the prior period financial statements to conform to the current period presentation.

The results of operations for the three and six months ended June 30, 2014 are not necessarily indicative of the results to be expected for the full year.

Use of Estimates in the Preparation of Financial Statements: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and disclosures provided, and actual results could differ. The allowance for loan and lease losses, reserve for loss on repurchased loans, servicing rights, other real estate owned, realization of deferred tax assets, goodwill, other intangible assets, derivatives, fair value of assets and liabilities acquired in business combinations, and the fair value of financial instruments are particularly subject to change and such change could have a material effect on the consolidated financial statements.

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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 tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance is established when necessary to reduce deferred tax assets when it is more-likely-than-not that a portion or all of the net deferred tax assets will not be realized. As of June 30, 2014, the Company had a net deferred tax asset of \$2.5 million, net of a \$13.0 million valuation allowance and as of December 31, 2013, the Company had a net deferred tax asset of \$0, net of a \$17.3 million valuation allowance (See further discussion in Note 11, Income Taxes).

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Earnings Per Share: Earnings per share is computed under the two-class method. Basic earnings per common share (EPS) is computed by dividing net income allocated to common shareholders by the weighted average number of shares outstanding, including the minimum number of shares issuable under purchase contracts relating to the tangible equity units. Diluted EPS is computed by dividing net income allocated to common shareholders by the weighted average number of shares outstanding, adjusted for the dilutive effect of the restricted stock units, the potentially issuable shares in excess of the minimum under purchase contracts relating to the tangible equity units, outstanding stock options, and warrants to purchase common stock. Net income allocated to common shareholders is computed by subtracting income allocated to participating securities and preferred stock dividend from net income. Participating securities are instruments granted in share-based payment transactions that contain rights to receive nonforfeitable dividends or dividend equivalents, which includes the Stock Appreciation Rights to the extent they confer dividend equivalent rights, as described under *Stock Appreciation Rights* in Note 14.

Correction of Prior Period Errors: During the three months ended June 30, 2014, the Company made cumulative prior period (three months ended March 31, 2014 and years ended December 31, 2013 and 2012) adjustments related to the allowance for loan and lease losses, restricted stock compensation expense, and other expenses, which increased provision for loan and lease losses by \$758 thousand, stock compensation expense by \$483 thousand, and other expense by \$160 thousand. The Company reviewed the impact of these corrections in accordance with Securities Exchange Commission Staff Accounting Bulletin No. 99 *Materiality*, and determined that the correction was not material to prior and current periods.

Accounting Pronouncements: During the six months ended June 30, 2014, the following pronouncements applicable to the Company were issued or became effective:

In January 2014, the FASB issued guidance within ASU 2014-01, *Accounting for Investments in Qualified Affordable Housing Projects*. The amendments in ASU 2014-01 to Topic 323, *Equity Investments and Joint Ventures*, provide guidance on accounting for investments by a reporting entity in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. The 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. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received, and recognizes the net investment performance in the income statement as a component of income tax expense (benefit). The amendments are effective for fiscal years, and interim periods within those years, beginning after December 31, 2014 and should be applied retrospectively to all periods presented. Early adoption is permitted. All of the Company's affordable housing fund investments are within the scope of this guidance. The Company is in the process of evaluating the impact that adoption of this guidance may have on its consolidated financial statements.

In January 2014, the FASB issued ASU No. 2014-04, *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*. ASU 2014-04 clarifies that an in substance repossession or foreclosure has occurred, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure. Interim and annual disclosure is required of both the amount of foreclosed residential real estate property held by the creditor and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure. ASU 2014-04 is effective using either the modified retrospective transition method or a prospective transition method for fiscal years and interim periods within those years, beginning after December 15, 2014, and early adoption is permitted. The Company is in the process of evaluating the impact that adoption of this guidance may have on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue From Contracts With Customers*, that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The ASU is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. The ASU becomes effective for Company at the beginning of its 2017 fiscal year; early adoption is not permitted. The Company is in the process of evaluating the impact that adoption of this guidance may have on its consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-11, *Transfers and Servicing: Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*. The ASU changes the accounting for repurchase-to-maturity transactions to secured borrowing accounting. In addition, for repurchase financing arrangements, the amendments require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting for the repurchase agreement. The ASU also requires disclosures for certain transactions comprising (1) a transfer of a financial asset accounted for as a sale and (2) an agreement

with the same transferee entered into in contemplation of the

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initial transfer that results in the transferor retaining substantially all of the exposure to the economic return on the transferred financial asset throughout the term of the transaction. There are also additional disclosure requirements for repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions that are accounted for as secured borrowings. The Company is in the process of evaluating the impact that adoption of this guidance may have on its consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12, Compensation Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. The ASU requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718 as it relates to awards with performance conditions that affect vesting to account for such awards. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. The Company is in the process of evaluating the impact that adoption of this guidance may have on its consolidated financial statements.

NOTE 2 BUSINESS COMBINATIONS AND BRANCH SALES

The Company completed the following acquisitions between January 1, 2013 and June 30, 2014 and used the acquisition method of accounting. Accordingly, the operating results of the acquired entities have been included in the consolidated financial statements from their respective dates of acquisition. The following table presents a summary of acquired assets and assumed liabilities along with a summary of the acquisition consideration as of the dates of acquisition:

	Acquisition and Date Acquired			
	Renovation Ready	CS Financial	The Palisades Group	Private Bank of California
	January 31, 2014	October 31, 2013	September 10, 2013	July 1, 2013
	(In thousands)			
Assets acquired:				
Cash and due from banks	\$	\$ 482	\$ 900	\$ 33,752
Interest-bearing deposits			5	
Securities available for sale				219,298
Loans held for sale		4,982		
Loans and leases receivable				385,256
Premises, equipment, and capital leases		704		1,501
Income tax receivable				682
Goodwill	3,000	7,178		14,925
Other intangible assets		690		10,400
Other assets		608	364	6,578
Total assets acquired	\$ 3,000	\$ 14,644	\$ 1,269	\$ 672,392
Liabilities assumed:				
Deposits	\$	\$	\$	\$ 561,689
Advances from Federal Home Loan Bank				41,833
Other liabilities	1,000	6,722	1,219	2,481
Total liabilities assumed	1,000	6,722	1,219	606,003
SBLF preferred stock assumed				10,000
Total consideration paid	\$ 2,000	\$ 7,922	\$ 50	\$ 56,389
Summary of consideration				
Cash paid	\$ 1,000	\$ 1,500	\$ 50	\$ 28,077
Common stock issued	1,000	1,964		28,282
Replacement awards				30

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Noninterest-bearing note		3,150
Performance based equity		1,308
Earn-out liabilities	1,000	
<i>RenovationReady® Acquisition</i>		

Effective January 31, 2014, the Company acquired certain assets, including service contracts and intellectual property, of RenovationReady, a provider of specialized loan services to financial institutions and mortgage bankers that originate agency eligible residential renovation and construction loan products.

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The RenovationReady acquisition was accounted for under GAAP guidance for business combinations. The purchased identifiable intangible assets and assumed liabilities were recorded at their estimated fair values as of January 31, 2014. Because of the short time period between the acquisition date and June 30, 2014, the Company used significant estimates and assumptions to value the identifiable assets acquired and liabilities assumed. The closing date valuations related to other intangible assets and assumed liabilities are preliminary and could differ significantly when finalized.

CS Financial Acquisition

Effective October 31, 2013, the Company acquired CS Financial, Inc. (CS Financial), a California corporation and Southern California-based mortgage banking firm controlled by former Company director and current Company executive Jeffery T. Seabold. CS Financial became a wholly owned subsidiary of the Bank. For additional information regarding this transaction, see note 18-Related-Party Transactions.

The CS Financial acquisition was accounted for under GAAP guidance for business combinations. The purchased assets, including identifiable intangible assets and assumed liabilities were recorded at their estimated fair values as of October 31, 2013. The Company recorded \$7.2 million of goodwill and \$690 thousand of other intangible assets. The other intangible assets are related to a trade name intangible.

The Palisades Group, LLC, Acquisition

Effective September 10, 2013, the Company acquired The Palisades Group, a Delaware limited liability company and a registered investment adviser under the Investment Advisers Act of 1940, pursuant to the terms of the Amended and Restated Units Purchase Agreement dated as of November 30, 2012, amended and restated as of August 12, 2013, for \$50 thousand. The Palisades Group provides financial advisory and asset management services to third parties, including the Bank, with respect to the purchase, sale and management of portfolios of residential mortgage loans.

The Palisades Group acquisition was accounted for under GAAP guidance for business combinations. The assets and liabilities were recorded at their estimated fair values as of the September 10, 2013 acquisition date. No goodwill was recognized.

The Private Bank of California Acquisition

Effective July 1, 2013, the Company completed its acquisition of The Private Bank of California, (PBOC) pursuant to the terms of the Agreement and Plan of Merger, dated as of August 21, 2012, as amended (the PBOC Merger Agreement), by and between the Company, Beach Business Bank (Beach) (then a separate subsidiary bank of the Company) and PBOC. PBOC merged with and into Beach, with Beach continuing as the surviving entity in the merger and a wholly owned subsidiary of the Company, and changing its name to The Private Bank of California. On October 11, 2013, The Private Bank of California was merged with the Company's other wholly owned banking subsidiary, Banc of California, National Association (formerly Pacific Trust Bank), to form the Bank.

Pursuant to the terms of the PBOC Merger Agreement, the Company paid aggregate merger consideration of (1) 2,082,654 shares of Company common stock (valued at \$28.3 million based on the \$13.58 per share closing price of Company common stock on July 1, 2013), and (2) \$25.4 million in cash. Additionally, the Company paid out \$2.7 million for certain outstanding options to acquire PBOC common stock in accordance with the PBOC Merger Agreement and converted the remaining outstanding PBOC stock options to Company stock options with an assumed fair value of approximately \$30 thousand. On the basis of the number of shares of PBOC common stock issued and outstanding immediately prior to the completion of the merger, each outstanding share of PBOC common stock was converted into the right to receive \$6.52 in cash and 0.5379 shares of Company common stock.

In addition, upon completion of the acquisition, each share of preferred stock issued by PBOC as part of the Small Business Lending Fund (SBLF) program of the United States Department of Treasury (10,000 shares in the aggregate with a liquidation preference amount of \$1,000 per share) was converted automatically into one substantially identical share of preferred stock of the Company. The terms of the preferred stock issued by the Company in exchange for the PBOC preferred stock are substantially identical to the preferred stock previously issued by the Company as part of its own participation in the SBLF program (32,000 shares in aggregate with a liquidation preference amount of \$1,000 per share).

PBOC provided a range of financial services, including credit and deposit products as well as cash management services, from its headquarters located in the Century City area of Los Angeles, California as well as full-service branches in Hollywood and Irvine, and a loan production office in downtown Los Angeles. PBOC's target clients included high-net worth and high income individuals, business professionals and their professional service firms, business owners, entertainment service businesses and non-profit organizations.

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In accordance with GAAP guidance for business combinations, the Company has expensed approximately \$2.6 million of direct acquisition costs, all of which were recognized in 2013, and recorded \$14.9 million of goodwill and \$10.4 million of other intangible assets. The other intangible assets are primarily related to core deposits and are being amortized on an accelerated basis over 2-7 years. Loans that were acquired from PBOC that were considered credit impaired were written down at the acquisition date in accordance with purchase accounting to fair value. In addition, the allowance for loan losses for all PBOC loans was not carried over to the Company's allowance for loan and lease losses. A full valuation allowance for the deferred tax asset was recorded based on management's evaluation of the expectation of recovery of deferred tax assets for the Company. For tax purposes purchase accounting adjustments, including goodwill are all nontaxable and/or non-deductible.

Pro Forma Information

The following table presents unaudited pro forma information as if the acquisitions of PBOC, Palisades and CS Financial had occurred on January 1, 2013 after giving effect to certain adjustments. The unaudited pro forma information for the three and six months ended June 30, 2013 includes adjustments for interest income on loans and securities acquired, amortization of intangibles arising from the transaction, interest expense on deposits and borrowings acquired, and the related income tax effects.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	<i>(In thousands, except per share data)</i>			
Net interest income	\$ 35,575	\$ 26,863	\$ 70,760	\$ 47,392
Provision for loan and lease losses	2,108	2,412	4,037	4,929
Noninterest income	35,372	34,348	60,650	58,958
Noninterest expense	60,465	50,851	118,233	90,276
Income before income taxes	8,374	7,948	9,140	11,145
Income tax expense	253	2,564	262	3,882
Net income	\$ 8,121	\$ 5,384	\$ 8,878	\$ 7,263
Basic earnings per total common share	\$ 0.27	\$ 0.36	\$ 0.30	\$ 0.47
Diluted earnings per total common share	\$ 0.27	\$ 0.35	\$ 0.30	\$ 0.47

The above unaudited pro forma financial information for 2013 includes the pre-acquisition periods for PBOC, Palisades, and CS Financial. The above unaudited pro forma financial information includes pre-acquisition provisions for loan and lease losses recognized by PBOC and CS Financial of \$494 thousand and \$843 thousand for the three and six months ended June 30, 2013, respectively. No pro forma information for RenovationReady is presented for the three and six months ended June 30, 2014, as it is immaterial. Pro forma statements do not include cost savings or integration costs and may not be reflective of what it would have looked like had they been put together at that date.

Branch Sales

On October 4, 2013, the Bank completed a branch sale transaction to AmericanWest Bank, a Washington state chartered bank (AWB). In the transaction, the Bank sold eight branches and related assets and deposit liabilities to AWB. The transaction was completed with a transfer of \$464.3 million deposits to AWB in exchange for a deposit premium of 2.3 percent. Certain other assets related to the branches include the real estate for three of the branch locations and certain overdraft and other credit facilities related to the deposit accounts. The Company recognized a gain of \$12.6 million from this transaction, of which \$12.1 million was recognized in 2013.

Pending Acquisition of Banco Popular's California Branch Network

On April 22, 2014, the Bank entered into a Purchase and Assumption Agreement (the Purchase Agreement) with Banco Popular North America (BPNA), pursuant to which the Bank agreed to acquire select assets and assume certain liabilities comprising BPNA's network of 20 California branches (the Branches). Subject to the terms of the Purchase Agreement, the Bank will pay approximately \$5.4 million for the deposits assumed and loans acquired based on March 31, 2014 balances, which equates to an effective deposit premium of 0.5%.

At the closing of the transaction (the Closing), and subject to the terms of the Purchase Agreement, the Bank will acquire approximately

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\$1.1 billion in loans and assume approximately \$1.1 billion of deposit liabilities related to the Branches (based on March 31, 2014 balances). The Bank will also acquire certain other assets relating to the Branches, including, among others, owned and leased real property. In addition to certain deposits, the Bank will assume other liabilities pertaining to the operation of the Branches at the Closing.

The Bank will not acquire the assets or assume the liabilities related to certain business of the Branches to be retained by BPNA, including, among others, BPNA's credit card, health care and direct banking businesses and residential mortgages. BPNA will also retain certain loans relating to the Branches, including nonperforming and nonaccrual loans, other real estate owned, home equity lines of credit with a combined loan-to-value ratio in excess of 80% or for which the ability to draw on the line has been frozen and loans relating to BPNA's credit card business. Additionally, between the date of the Purchase Agreement and the Closing, the Bank may elect to exclude from the transaction certain loans or deposits in circumstances described in the Purchase Agreement.

The Purchase Agreement contains customary representations, warranties and covenants of the parties, including, among others, a covenant that requires BPNA to generally conduct the operations of the BPNA Branches in the ordinary course of business and to refrain from certain kinds of transactions. The Purchase Agreement also contains customary indemnification provisions and indemnification by BPNA for up to 1.5% of credit losses on loans acquired by the Bank for a period of two years following the Closing. The Purchase Agreement also includes a customary covenant by BPNA not to engage in certain banking businesses or operations conducted by the BPNA Branches in the Los Angeles metropolitan statistical area for a period of two years following the Closing, subject to certain customary exemptions.

The transaction is subject to customary conditions to closing, including the receipt of all required governmental approvals, the accuracy of both parties' representations, the performance in all material respects of all covenants and other agreements required by the Purchase Agreement and the execution and delivery of related transaction documents. In addition, the obligation of the Bank to complete the transaction is subject to its receipt of financing necessary to complete the transaction on the terms set forth in the Purchase Agreement. The Bank is obligated to pay a fee of \$2 million if the Purchase Agreement is terminated in certain circumstances, including, among others, if BPNA terminates the Purchase Agreement because the Bank fails to obtain acceptable financing to enable the Bank to consummate the transaction by September 30, 2014.

NOTE 3 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair Value Hierarchy: ASC 820-10 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The topic describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Securities Available for Sale: The fair values of securities available for sale are generally determined by quoted market prices, if available (Level 1), or by matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3). The fair values of the Company's Level 3 securities are determined by the Company or an independent third-party provider using a discounted cash flow methodology. The methodology uses discount rates that are based upon observed market yields for similar securities. Prepayment speeds are estimated based upon the prepayment history of each bond and a detailed analysis of the underlying collateral. Gross weighted average coupon, geographic concentrations, loan to value, FICO and seasoning are among the different loan attributes that are factored into our prepayment curve. Default rates and severity are estimated based upon geography of the collateral, delinquency, modifications, loan to value ratios, FICO scores, and past performance.

Impaired Loans and Leases: The fair value of impaired loans and leases with specific allocations of the allowance for loan and lease losses or impairment based on collateral values is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value. The fair value of non-collateral dependent impaired loans and leases with specific allocations of the allowance for loan and lease losses or impairments is based on the present value of estimated cash flows, a Level 3 measurement.

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Loans Held for Sale: The fair value of loans held for sale is based on commitments outstanding from investors as well as what secondary markets are currently offering for portfolios with similar characteristics. Therefore, loans held for sale subjected to recurring fair value adjustments are classified as Level 2. The Company had \$244.8 million and \$192.6 million of loans held for sale at such fair values at June 30, 2014 and December 31, 2013, respectively. The Company also had \$851.0 million and \$524.1 million of non-conforming jumbo mortgage loans held for sale at the lower of cost or fair value at June 30, 2014 and December 31, 2013, respectively. The Company obtains quotes, bid or pricing indications on all or part of these loans directly from the buyers. Premiums and discounts received or to be received on the quotes, bids or pricing indications are indicative of the fact that the cost is lower or higher than fair value.

Derivative Assets and Liabilities: The Company's derivative assets and liabilities are carried at fair value as required by GAAP and are accounted for as freestanding derivatives. The Company has entered into pay-fixed, receive-variable interest rate swap contracts with institutional counterparties to hedge against variability in cash flow attributable to interest rate risk caused by changes in the LIBOR benchmark interest rate on the Company's ongoing LIBOR-based variable rate deposits. The Company is accounting for the swaps as cash flow hedges under ASC 815. The other derivative assets are interest rate lock commitments (IRLCs) with prospective residential mortgage borrowers whereby the interest rate on the loan is locked by the borrower prior to funding. These IRLCs are determined to be derivative instruments in accordance with GAAP. Additional derivative assets and liabilities, typically mortgage-backed to-be-announced (TBA) securities, are used to hedge fair value changes, driven by changes in interest rates, on the Company's mortgage assets. The Company hedges the period from the interest rate lock (assuming a fall-out factor) to the date of the loan sale. The estimated fair value is based on current market prices for similar instruments. Given the meaningful level of secondary market activity for derivative contracts, active pricing is available for similar assets and accordingly, the Company classifies its derivative assets and liabilities as Level 2.

Mortgage Servicing Rights: The Company retains servicing on some of its mortgage loans sold and elected the fair value option for valuation of these mortgage servicing rights (MSRs). The value is based on a third party provider that calculates the present value of the expected net servicing income from the portfolio based on key factors that include interest rates, prepayment assumptions, discount rate and estimated cash flows. Because of the significance of unobservable inputs, these servicing rights are classified as Level 3.

Other Real Estate Owned Assets: Other real estate owned assets (OREO) are recorded at the fair value less estimated costs to sell at the time of foreclosure. The fair value of other real estate owned assets is generally based on recent real estate appraisals adjusted for estimated selling costs. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments may be significant and result in a Level 3 classification of the inputs for determining fair value. Only OREO with a valuation allowance are considered to be carried at fair value. The Company did not have valuation allowance expense for OREO for the three months ended June 30, 2014 and 2013 and recorded \$0 and \$79 thousand, respectively, for the six months ended June 30, 2014 and 2013 in valuation allowance expense for OREO.

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Assets and Liabilities Measured on a Recurring and Non-Recurring Basis

Available for sale securities, certain conforming mortgage loans held for sale, derivative assets and liabilities, and servicing rights mortgage are measured at fair value on a recurring basis, whereas impaired loans and leases, non-conforming jumbo mortgage loans held for sale and other real estate owned are measured at fair value on a non-recurring basis.

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis as of the dates indicated:

	Carrying Value	Fair Value Measurement Level		
		Quoted Prices in Active Markets for Identical Assets (Level One)	Significant Other Observable Inputs (Level Two)	Significant Unobservable Inputs (Level Three)
June 30, 2014:				
Assets				
Available-for-sale securities:				
SBA loan pools securities	\$ 1,755	\$	\$ 1,755	\$
U.S. government-sponsored entities and agency securities	1,970		1,970	
Private label residential mortgage-backed securities	4,109		4,109	
Agency mortgage-backed securities	225,179		225,179	
Loans held for sale	244,778		244,778	
Derivative assets ⁽¹⁾	7,937		7,937	
Mortgage servicing rights ⁽²⁾	9,816			9,816
Liabilities				
Derivative liabilities ⁽³⁾	3,991		3,991	
December 31, 2013:				
Assets				
Available-for-sale securities:				
SBA loan pools securities	\$ 1,736	\$	\$ 1,736	\$
U.S. government-sponsored entities and agency securities	1,920		1,920	
Private label residential mortgage-backed securities	14,752		14,752	
Agency mortgage-backed securities	151,614		151,614	
Loans held for sale	192,613		192,613	
Derivative assets ⁽¹⁾	5,493		5,493	
Mortgage servicing rights ⁽²⁾	13,535			13,535
Liabilities				
Derivative liabilities ⁽³⁾				

⁽¹⁾ Included in other assets on the consolidated statements of financial condition

⁽²⁾ Included in servicing rights, net and servicing rights held for sale on the consolidated statements of financial condition

⁽³⁾ Included in accrued expenses and other liabilities on the consolidated statements of financial condition

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The following table presents the Company's financial assets and liabilities measured at fair value on a non-recurring basis as of the dates indicated:

	Carrying Value	Fair Value Measurement Level		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2014:				
Assets				
Impaired loans:				
Single family residential mortgage	\$ 26,413	\$	\$	\$ 26,413
Commercial and industrial	4,507			4,507
Commercial real estate	3,148			3,148
Multi-family	1,651			1,651
Other consumer	211			211
SBA	6			6
Other real estate owned:				
Single family residential	605			605
December 31, 2013:				
Assets				
Impaired loans:				
Single family residential mortgage	\$ 12,814	\$	\$ 8,769	\$ 4,045
Commercial real estate	3,868		105	3,763
Multi-family	1,972			1,972
Other consumer	249		216	33
Commercial and industrial	33			33
SBA	10			10

The Company did not have any other real estate owned at December 31, 2013.

The following table presents the gains and (losses) recognized on assets measured at fair value on a non-recurring basis for the periods indicated:

	Three months ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Impaired loans:				
Single family residential mortgage	\$ (181)	\$ (308)	\$ (332)	\$ (432)
Multi-family		(169)		(465)
Other consumer			(2)	(2)
Other real estate owned:				
Single family residential			37	(33)
Commercial real estate				105

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The following table presents a reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the periods indicated:

	Three Months Ended			Six Months Ended		
	Private Label Residential Mortgage Backed Securities	Mortgage Servicing Rights	Total	Private Label Residential Mortgage Backed Securities	Mortgage Servicing Rights	Total
<i>(In thousands)</i>						
June 30, 2014:						
Balance at beginning of period	\$	\$ 8,407	\$ 8,407	\$	\$ 13,535	\$ 13,535
Transfers out of Level 3 ⁽¹⁾					(9,185)	(9,185)
Total gains or losses (realized/unrealized):						
Included in earnings realized						
Included in earnings fair value adjustment		(565)	(565)		(250)	(250)
Included in other comprehensive income						
Amortization of premium (discount)						
Additions		5,996	5,996		10,322	10,322
Sales and settlements		(4,022)	(4,022)		(4,606)	(4,606)
Balance at end of period	\$	\$ 9,816	\$ 9,816	\$	\$ 9,816	\$ 9,816
June 30, 2013:						
Balance at beginning of period	\$ 1,919	\$ 2,579	\$ 4,498	\$ 2,214	\$ 1,739	\$ 3,953
Transfers out of Level 3 ⁽¹⁾						
Total gains or losses (realized/unrealized):						
Included in earnings realized						
Included in earnings fair value adjustment		305	305		330	330
Included in other comprehensive income	4		4	3		3
Amortization of premium (discount)						
Additions		1,852	1,852		2,762	2,762
Sales and settlements	(217)	(116)	(333)	(511)	(211)	(722)
Balance at end of period	\$ 1,706	\$ 4,620	\$ 6,326	\$ 1,706	\$ 4,620	\$ 6,326

(1) The Company's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that cause the transfer.

The following table presents quantitative information about Level 3 fair value measurements on a recurring basis as of the dates indicated:

	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
June 30, 2014:				
Mortgage servicing rights	\$ 9,816	Discounted cash flow	Discount rate Prepayment rate	10.00% to 16.42% (10.92%) 4.34% to 36.13% (14.20%)
December 31, 2013:				
Mortgage servicing rights	\$ 13,535	Discounted cash flow	Discount rate Prepayment rate	10.00% to 17.94% (10.26%) 4.19% to 34.54% (9.85%)
June 30, 2013:				
Mortgage servicing rights	\$ 4,620	Discounted cash flow	Discount rate Prepayment rate	10.50% to 17.87% (10.59%) 6.04% to 36.08% (9.04%)
	\$ 1,706	Discounted cash flow	Voluntary prepayment rate	1.37% to 4.92% (3.15%)

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Private label residential mortgage
backed securities

Collateral default rate	6.23% to 6.26% (6.25%)
Loss severity at default	55%

The significant unobservable inputs used in the fair value measurement of the Company's servicing rights include the discount rate and estimated cash flows. There may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results.

The significant unobservable inputs used in the fair value measurement of the Company's private label and agency residential mortgage backed securities are prepayment rates, collateral default rates, and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation could result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the collateral default rates is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

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The following table presents the carrying amounts and estimated fair values of financial assets and liabilities as of the dates indicated:

	Carrying Amount	Level 1	Fair Value Measurement Level		Total
			Level 2	Level 3	
			<i>(In thousands)</i>		
June 30, 2014:					
Financial assets					
Cash and cash equivalents	\$ 258,051	\$ 258,051	\$	\$	\$ 258,051
Time deposits in financial institutions	2,145	2,145			2,145
Securities available-for-sale	233,013		233,013		233,013
FHLB and other bank stock	34,392		34,392		34,392
Loans held for sale	1,095,741		1,101,569		1,101,569
Loans and leases receivable, net of allowance	2,579,586			2,633,738	2,633,738
Accrued interest receivable	11,170	11,170			11,170
Derivative assets	7,937		7,937		7,937
Financial liabilities					
Deposits	3,347,355		3,321,428		3,321,428
Advances from Federal Home Loan Bank	450,000		450,053		450,053
Notes payable	96,481	86,648	16,041		102,689
Derivative liabilities	3,991		3,991		3,991
Accrued interest payable	1,733	1,733			1,733
December 31, 2013:					
Financial assets					
Cash and cash equivalents	\$ 110,118	\$ 110,118	\$	\$	\$ 110,118
Time deposits in financial institutions	1,846	1,846			1,846
Securities available-for-sale	170,022		170,022		170,022
FHLB and other bank stock	22,600		22,600		22,600
Loans held for sale	716,733		719,496		719,496
Loans and leases receivable, net of allowance	2,427,306			2,460,953	2,460,953
Accrued interest receivable	10,866	10,866			10,866
Derivative assets	5,493		5,493		5,493
Financial liabilities					
Deposits	2,918,644		2,877,650		2,877,650
Advances from Federal Home Loan Bank	250,000		250,090		250,090
Notes payable	82,320	85,564			85,564
Derivative liabilities					
Accrued interest payable	1,646	1,646			1,646

The methods and assumptions used to estimate fair value are described as follows:

Carrying amount is the estimated fair value for cash and cash equivalents, time deposits in financial institutions, and accrued interest receivable and payable. The methods for determining the fair values for securities available for sale, and derivatives assets and liabilities are described above. For fixed rate loans or deposits and for variable rate loans or deposits with infrequent re-pricing or re-pricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life and credit risk. The fair value of FHLB advances and long-term debt is based on current rates for similar financing, and therefore not indicative of an exit price. It was not practicable to determine the fair value of FHLB stock due to restrictions placed on its transferability. Notes payable consists of Senior Notes and Amortizing Notes (see note 10-Long Term Debt for additional information). The fair value of the Amortizing Notes is based on discounted cash flows using estimated current market rates. The fair value of off-balance-sheet items is not considered material (or is based on the current fees or costs that would be charged to enter into or terminate such arrangements) and is not presented.

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NOTE 4 SECURITIES AVAILABLE FOR SALE

The following table presents the amortized cost and fair value of the available-for-sale investment securities portfolio and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) as of the dates indicated:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	<i>(In thousands)</i>			
June 30, 2014:				
Available for sale				
SBA loan pools securities	\$ 1,749	\$ 6	\$	\$ 1,755
U.S. government-sponsored entities and agency securities	1,934	36		1,970
Private label residential mortgage-backed securities	4,114	13	(18)	4,109
Agency mortgage-backed securities	225,103	879	(803)	225,179
Total securities available for sale	\$ 232,900	\$ 934	\$ (821)	\$ 233,013
December 31, 2013:				
Available for sale				
SBA loan pools securities	\$ 1,794	\$	\$ (58)	\$ 1,736
U.S. government-sponsored entities and agency securities	1,928		(8)	1,920
Private label residential mortgage-backed securities	14,653	135	(36)	14,752
Agency mortgage-backed securities	153,134	299	(1,819)	151,614
Total securities available for sale	\$ 171,509	\$ 434	\$ (1,921)	\$ 170,022

The following table presents amortized cost and fair value of the available-for-sale investment securities portfolio by expected maturity. In the case of residential mortgage-backed securities and SBA loan pool securities, expected maturities may differ from contractual maturities because borrowers generally have the right to call or prepay obligations with or without call or prepayment penalties. For that reason, mortgage-backed securities and SBA loan pool securities are not included in the maturity categories.

	June 30, 2014	
	Amortized Cost	Fair Value
	<i>(In thousands)</i>	
Maturity:		
Available for sale		
Within one year	\$	\$
One to five years		
Five to ten years	1,934	1,970
Greater than ten years		
SBA loan pools, private label residential mortgage backed and agency mortgage-backed securities	230,966	231,043
Total	\$ 232,900	\$ 233,013

At June 30, 2014 and December 31, 2013, there were no holdings of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10 percent of shareholders' equity.

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The following table presents proceeds from sales and calls of securities and the associated gross gains and losses realized through earnings upon the sale of available for sale securities for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	<i>(In thousands)</i>			
Gross realized gains on sales of securities available for sale	\$ 15	\$ 1	\$ 560	\$ 309
Gross realized losses on sales of securities available for sale			(38)	
Net realized gains (losses) on sales of securities available for sale	\$ 15	\$ 1	\$ 522	\$ 309
Proceeds from sales of securities available for sale	\$ 1,272	\$ 475	\$ 52,245	\$ 8,539
Tax expense on sales of securities available for sale	\$	\$	\$	\$

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Securities available for sale with carrying values of \$7.5 million and \$63.0 million as of June 30, 2014 and December 31, 2013, respectively, were pledged to secure FHLB advances, public deposits and for other purposes as required or permitted by law.

The following table summarizes the investment securities with unrealized losses by security type and length of time in a continuous unrealized loss position as of the dates indicated:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>(In thousands)</i>						
June 30, 2014:						
Available for sale						
SBA loan pools securities	\$	\$	\$	\$	\$	\$
U.S. government-sponsored entities and agency securities						
Private label residential mortgage-backed securities	556	(12)	1,688	(6)	2,244	(18)
Agency mortgage-backed securities	77,343	(486)	17,919	(317)	95,262	(803)
Total securities available for sale	\$ 77,899	\$ (498)	\$ 19,607	\$ (323)	\$ 97,506	\$ (821)
December 31, 2013:						
Available for sale						
SBA loan pools securities	\$ 1,736	\$ (58)	\$	\$	\$ 1,736	\$ (58)
U.S. government-sponsored entities and agency securities	1,920	(8)			1,920	(8)
Private label residential mortgage-backed securities	2,064	(11)	3,913	(25)	5,977	(36)
Agency mortgage-backed securities	114,104	(1,790)	1,821	(29)	115,925	(1,819)
Total securities available for sale	\$ 119,824	\$ (1,867)	\$ 5,734	\$ (54)	\$ 125,558	\$ (1,921)

The Company did not record other-than-temporary impairment (OTTI) for securities available for sale for the three and six months ended June 30, 2014 and 2013.

At June 30, 2014, the Company's securities available for sale portfolio consisted of 86 securities, 47 of which were in an unrealized loss position. The unrealized losses are related to an overall increase in interest rates and a decrease in prepayment speeds of the agency mortgage-backed securities.

The Company's private label residential mortgage-backed securities in unrealized loss positions had fair values of \$2.2 million with unrealized losses of \$18 thousand at June 30, 2014. The Company's agency residential mortgage-backed securities in unrealized loss positions had fair values of \$95.3 million with unrealized losses of \$803 thousand at June 30, 2014. The Company's private label residential mortgage-backed securities in unrealized loss positions had fair values of \$6.0 million with unrealized losses of \$36 thousand at December 31, 2013. The Company's agency residential mortgage-backed securities in unrealized loss positions had fair values of \$115.9 million with unrealized losses of \$1.8 million at December 31, 2013.

The Company monitors to ensure it has adequate credit support and as of June 30, 2014, the Company did not have the intent to sell these securities and it is not likely that it will be required to sell the securities before their anticipated recoveries. Of the Company's \$233.0 million securities portfolio, \$231.5 million were rated AAA, AA or A, and \$1.5 million were rated BBB based on the most recent credit rating from the rating agencies as of June 30, 2014. The Company considers the lowest credit rating for identification of potential OTTI.

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NOTE 5 LOANS AND LEASES AND ALLOWANCE FOR LOAN AND LEASE LOSSES

The following table presents the balances in the Company's loans and leases portfolio as of the dates indicated:

	Non-Traditional Mortgages (NTM)	Traditional Loans	Total NTM and Traditional Loans (\$ in thousands)	Purchased Credit Impaired	Total Loans and Leases Receivable
June 30, 2014:					
Commercial:					
Commercial and industrial	\$	\$ 367,111	\$ 367,111	\$ 1,429	\$ 368,540
Commercial real estate		521,168	521,168	14,576	535,744
Multi-family		234,179	234,179		234,179
SBA		25,264	25,264	3,420	28,684
Constructions		30,761	30,761		30,761
Lease financing		57,754	57,754		57,754
Consumer:					
Single family residential mortgage	182,509	612,235	794,744	284,083	1,078,827
Green Loans (HELOC) - first liens	133,986		133,986		133,986
Green Loans (HELOC) - second liens	4,962		4,962		4,962
Other consumer	113	127,114	127,227	1,549	128,776
Total gross loans	\$ 321,570	\$ 1,975,586	\$ 2,297,156	\$ 305,057	\$ 2,602,213
Percentage to total gross loans	12.4%	75.9%	88.3%	11.7%	100.0%
Allowance for loan and lease losses					(22,627)
Loans and leases receivable, net					\$ 2,579,586
December 31, 2013:					
Commercial:					
Commercial and industrial	\$	\$ 283,743	\$ 283,743	\$ 4,028	\$ 287,771
Commercial real estate		514,869	514,869	15,014	529,883
Multi-family		141,580	141,580		141,580
SBA		23,740	23,740	3,688	27,428
Constructions		24,933	24,933		24,933
Lease financing		31,949	31,949		31,949
Consumer:					
Single family residential mortgage	156,490	667,526	824,016	314,820	1,138,836
Green Loans (HELOC) - first liens	147,705		147,705		147,705
Green Loans (HELOC) - second liens	5,289		5,289		5,289
Other consumer	113	108,888	109,001	1,736	110,737
Total gross loans	\$ 309,597	\$ 1,797,228	\$ 2,106,825	\$ 339,286	\$ 2,446,111
Percentage to total gross loans	12.7%	73.4%	86.1%	13.9%	100.0%
Allowance for loan and lease losses					(18,805)
Loans and leases receivable, net					\$ 2,427,306

Non Traditional Mortgage Loans

The Company's non-traditional mortgage (NTM) portfolio is comprised of three interest only products: Green Account Loans (Green Loans), hybrid interest only fixed or adjustable rate mortgage (Interest Only) loans and a small number of additional loans with the potential for negative amortization. As of June 30, 2014 and December 31, 2013, the non-traditional mortgage loans totaled \$321.6 million, or 12.4 percent of the total

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gross loan portfolio, and \$309.6 million, or 12.7 percent of the total gross loan portfolio, respectively. The total NTM portfolio increased by \$12.0 million, or 3.9 percent, during the six months ended June 30, 2014.

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third party automated valuation models. The loan review is designed to provide a method of identifying borrowers who may be experiencing financial difficulty before they actually fail to make a loan payment. Upon receipt of the updated FICO scores, an exception report is run to identify loans with a decrease in FICO of 10 percent or more and/or a resulting FICO of 620 or less. The loans are then further analyzed to determine if the risk rating should be downgraded which will increase the reserves the Company will establish for potential losses. A report of the semi-annual loan review is published and regularly monitored.

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As these loans are revolving lines of credit, the Company, based on the loan agreement and loan covenants of the particular loan, as well as applicable rules and regulations, could suspend the borrowing privileges or reduce the credit limit at any time the Company reasonably believes that the borrower will be unable to fulfill their repayment obligations under the agreement or certain other conditions are met. In many cases, the decrease in FICO is the first indication that the borrower may have difficulty in making their future payment obligations.

As a result, the Company proactively manages the portfolio by performing detailed analysis on its portfolio with emphasis on the NTM portfolio. The Company's Internal Asset Review Committee (IARC) conducts meetings on at least quarterly basis to review the loans classified as special mention, substandard, or doubtful and determines whether suspension or reduction in credit limit is warranted. If the line has been suspended and the borrower would like to have their credit privileges reinstated, they would need to provide updated financials showing their ability to meet their payment obligations.

On the interest only loans, the Company projects future payment changes to determine if there will be a material increase in required payment and then monitors the loans for possible delinquency. The individual loans are monitored for possible downgrading of risk rating, and trends within the portfolio are identified that could affect other interest only loans scheduled for payment changes in the near future.

Non Traditional Mortgage Performance Indicators

The following table presents the Company's non-traditional single family residential mortgage Green Loans first lien portfolio at June 30, 2014 by FICO scores that were obtained during the second quarter of 2014, comparing to the FICO scores for those same loans that were obtained during the fourth quarter of 2013:

	June 30, 2014			December 31, 2013			Change		
	Count	Amount	Percent	Count	Amount	Percent	Count	Amount	Percent
(\$ in thousand)									
FICO Score									
800+	21	\$ 13,057	9.7%	13	\$ 7,347	5.5%	8	\$ 5,710	4.2%
700-799	77	62,287	46.5%	90	70,337	52.5%	(13)	(8,050)	-6.0%
600-699	34	29,158	21.8%	34	31,772	23.7%		(2,614)	-1.9%
<600	10	12,953	9.7%	9	9,394	7.0%	1	3,559	2.7%
No FICO	14	16,531	12.3%	10	15,136	11.3%	4	1,395	1.0%
Totals	156	\$ 133,986	100.0%	156	\$ 133,986	100.0%		\$	0.0%

The Company updates FICO scores on a semi-annual basis, typically in second and fourth quarter or as needed in conjunction with proactive portfolio management.

Loan to Value

The table below represents the Company's single family residential NTM first lien portfolio by loan-to-value (LTV) as of the dates indicated:

	Green			Interest Only			Negative Amortization			Total		
	Count	Amount	Percent	Count	Amount	Percent	Count	Amount	Percent	Count	Amount	Percent
(\$ in thousand)												
June 30, 2014:												
LTV's (1)												
< 61	83	\$ 80,922	60.4%	67	\$ 85,050	50.5%	15	\$ 7,459	51.9%	165	\$ 173,431	54.7%
61-80	46	35,886	26.8%	41	46,669	27.8%	10	4,152	28.9%	97	86,707	27.4%
81-100	22	12,725	9.5%	38	15,474	9.2%	7	2,356	16.4%	67	30,555	9.7%
> 100	5	4,453	3.3%	64	20,948	12.5%	1	401	2.8%	70	25,802	8.2%
Total	156	\$ 133,986	100.0%	210	\$ 168,141	100.0%	33	\$ 14,368	100.0%	399	\$ 316,495	100.0%

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**December 31,
2013:**

LTV s (1)												
< 61	90	\$ 78,807	53.3%	80	\$ 65,181	46.6%	13	\$ 4,930	29.7%	183	\$ 148,918	49.0%
61-80	38	33,604	22.8%	51	28,999	20.7%	13	7,643	45.9%	102	70,246	23.1%
81-100	26	14,917	10.1%	43	21,474	15.4%	8	3,277	19.7%	77	39,668	13.0%
> 100	19	20,377	13.8%	70	24,213	17.3%	3	773	4.7%	92	45,363	14.9%
Total	173	\$ 147,705	100.0%	244	\$ 139,867	100.0%	37	\$ 16,623	100.0%	454	\$ 304,195	100.0%

(1) LTV represents estimated current loan to value ratio, determined by dividing current unpaid principal balance by latest estimated property value received per the Company policy.

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The decrease in Green Loans was due mainly to reductions in principal balance and payoffs and the increase in interest only was due to increased originations. During 2014, overall improvement on LTV of the Company's single family residential NTM first lien portfolio was due to the improvement in the real estate market and the economy in Southern California. The Company updates LTV on a semi-annual basis, typically in second and fourth quarter or as needed in conjunction with proactive portfolio management.

Allowance for Loan and Lease Losses

The Company has an established credit risk management process that includes regular management review of the loan and lease portfolio to identify problem loans and leases. During the ordinary course of business, management becomes aware of borrowers and lessees that may not be able to meet the contractual requirements of the loan and lease agreements. Such loans and leases are subject to increased monitoring. Consideration is given to placing the loan or lease on non-accrual status, assessing the need for additional allowance for loan and lease losses, and partial or full charge-off. The Company maintains the allowance for loan and lease losses at a level that is considered adequate to cover the estimated and known inherent risks in the loan and lease portfolio.

The Company also maintains a reserve for unfunded loan commitments at a level that is considered adequate to cover the estimated and known inherent risks. The probability of usage of the unfunded loan commitments and credit risk factors determined based on outstanding loan balance of the same customer or outstanding loans that shares similar credit risk exposure are used to determine the adequacy of the reserve. As of June 30, 2014 and December 31, 2013, the reserve for unfunded loan commitments was \$1.4 million.

The credit risk monitoring system is designed to identify impaired and potential problem loans, and to permit periodic evaluation of impairment and the adequacy of the allowance for credit losses in a timely manner. In addition, the Board of Directors of the Bank has adopted a credit policy that includes a credit review and control system which it believes should be effective in ensuring that the Company maintains an adequate allowance for credit losses. The Board of Directors provides oversight and guidance for management's allowance evaluation process, including quarterly valuations, and consideration of management's determination of whether the allowance is adequate to absorb losses in the loan and lease portfolio. The determination of the amount of the allowance for loan and lease losses and the provision for loan and lease losses is based on management's current judgment about the credit quality of the loan and lease portfolio and takes into consideration known relevant internal and external factors that affect collectability when determining the appropriate level for the allowance for loan and lease losses. At June 30, 2014, the Company extended the historical loss look back period from 12 quarters to 15 quarters for determining the level of its allowance for loan and lease losses to better reflect the economic cycle. Due to this change, the Company realized additional \$1.8 million allowance for loans and leases than what it would have been using the 12 quarter historical loss look back period. The nature of the process by which the Company determines the appropriate allowance for loan and lease losses requires the exercise of considerable judgment. Additions to the allowance for loan and lease losses are made by charges to the provision for loan and lease losses. Identified credit exposures that are determined to be uncollectible are charged against the allowance for loan and lease losses. Recoveries of previously charged off amounts, if any, are credited to the allowance for loan and lease losses.

The following table presents a summary of activity in the allowance for loan and lease losses and ending balances of loans evaluated for impairment for the periods indicated:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
	<i>(In thousands)</i>			
Balance at beginning of period	\$ 20,003	\$ 16,015	\$ 18,805	\$ 14,448
Loans and leases charged off	(383)	(1,027)	(586)	(1,932)
Recoveries of loans and leases previously charged off	641	73	1,076	377
Transfer of loans from (to) held-for-sale	258		(705)	
Provision for loan and lease losses	2,108	1,918	4,037	4,086
Balance at end of period	\$ 22,627	\$ 16,979	\$ 22,627	\$ 16,979

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The following table presents the activity and balance in the allowance for loan and lease losses and the recorded investment, excluding accrued interest, in loans and leases by portfolio segment and is based on the impairment method as of or for the three and six months ended June 30, 2014:

	Commercial and Industrial	Commercial Real Estate	Multi- family	SBA	Construction	Lease Financing	Single Family Residential Mortgage	Other Consumer	Unallocated	Total
<i>(In thousands)</i>										
Allowance for loan and lease losses:										
Balance at March 31, 2014	\$ 2,367	\$ 6,449	\$ 2,720	\$ 211	\$ 352	\$ 622	\$ 6,147	\$ 782	\$ 353	\$ 20,003
Charge-offs			(3)				(206)	(174)		(383)
Recoveries	27	438		175				1		641
Transfer of loans from held-for-sale							258			258
Provision	613	(1,272)	691	(125)	893	108	1,090	463	(353)	2,108
Balance at June 30, 2014	\$ 3,007	\$ 5,615	\$ 3,408	\$ 261	\$ 1,245	\$ 730	\$ 7,289	\$ 1,072	\$	\$ 22,627
Balance at December 31, 2013	\$ 1,822	\$ 5,484	\$ 2,566	\$ 235	\$ 244	\$ 428	\$ 7,044	\$ 532	\$ 450	\$ 18,805
Charge-offs			(3)	(17)			(357)	(209)		(586)
Recoveries	53	754		267				2		1,076
Transfer of loans to held-for-sale							(705)			(705)
Provision	1,132	(623)	845	(224)	1,001	302	1,307	747	(450)	4,037
Balance at June 30, 2014	\$ 3,007	\$ 5,615	\$ 3,408	\$ 261	\$ 1,245	\$ 730	\$ 7,289	\$ 1,072	\$	\$ 22,627
Individually evaluated for impairment	\$	\$	\$	\$	\$	\$	\$ 309	\$	\$	\$ 309
Collectively evaluated for impairment	3,007	5,615	3,408	261	1,245	730	6,659	1,072		21,997
Acquired with deteriorated credit quality							321			321
Total ending allowance balance	\$ 3,007	\$ 5,615	\$ 3,408	\$ 261	\$ 1,245	\$ 730	\$ 7,289	\$ 1,072	\$	\$ 22,627
Loans:										
Individually evaluated for impairment	\$ 4,507	\$ 3,148	\$ 1,651	\$ 6	\$	\$	\$ 26,413	\$ 211	\$	\$ 35,936
Collectively evaluated for impairment	362,604	518,020	232,528	25,258	30,761	57,754	902,317	131,978		2,261,220
Acquired with deteriorated credit	1,429	14,576		3,420			284,083	1,549		305,057

quality

Total ending loan balances	\$ 368,540	\$ 535,744	\$ 234,179	\$ 28,684	\$ 30,761	\$ 57,754	\$ 1,212,813	\$ 133,738	\$	\$ 2,602,213
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The following table presents the activity and balance in the allowance for loan and lease losses and the recorded investment, excluding accrued interest, in loans and leases by portfolio segment and is based on the impairment method as of or for the three and six months ended June 30, 2013:

	Commercial and Industrial	Commercial Real Estate	Multi- family	SBA	Construction	Lease Financing	Single Family Residential Mortgage	Other Consumer	Unallocated	Total
<i>(In thousands)</i>										
Allowance for loan and lease losses:										
Balance at March 31, 2013	\$ 481	\$ 3,698	\$ 1,544	\$ 133	\$ 294	\$ 263	\$ 9,212	\$ 197	\$ 193	\$ 16,015
Charge-offs		(260)	(169)	(262)			(329)	(7)		(1,027)
Recoveries		19		42		4	1	7		73
Provision	335	1,051	74	266	209	(23)	(133)	28	111	1,918
Balance at June 30, 2013	\$ 816	\$ 4,508	\$ 1,449	\$ 179	\$ 503	\$ 244	\$ 8,751	\$ 225	\$ 304	\$ 16,979
Balance at December 31, 2012	\$ 263	\$ 3,178	\$ 1,478	\$ 118	\$ 21	\$ 261	\$ 8,855	\$ 274	\$	\$ 14,448
Charge-offs		(360)	(553)	(392)		(23)	(590)	(14)		(1,932)
Recoveries		19	88	166		6	91	7		377
Provision	553	1,671	436	287	482		395	(42)	304	4,086
Balance at June 30, 2013	\$ 816	\$ 4,508	\$ 1,449	\$ 179	\$ 503	\$ 244	\$ 8,751	\$ 225	\$ 304	\$ 16,979
Individually evaluated for impairment	\$	\$	\$ 280	\$	\$	\$	\$ 256	\$ 35	\$	\$ 571
Collectively evaluated for impairment	816	4,508	1,169	179	503	244	8,183	190	304	16,096
Acquired with deteriorated credit quality							312			312
Total ending allowance balance	\$ 816	\$ 4,508	\$ 1,449	\$ 179	\$ 503	\$ 244	\$ 8,751	\$ 225	\$ 304	\$ 16,979
Loans:										
Individually evaluated for impairment	\$	\$ 725	\$ 2,048	\$ 13	\$	\$	\$ 11,248	\$ 1,055	\$	\$ 15,089
Collectively evaluated for impairment	90,716	309,561	119,281	28,398	5,957	18,631	869,709	19,046		1,461,299
Acquired with deteriorated credit quality	1,938	15,835	838	5,117			114,175	55		137,958
Total ending loan balances	\$ 92,654	\$ 326,121	\$ 122,167	\$ 33,528	\$ 5,957	\$ 18,631	\$ 995,132	\$ 20,156	\$	\$ 1,614,346

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The following table presents loans and leases individually evaluated for impairment by class of loans and leases as of the dates indicated. The recorded investment, excluding accrued interest, presents customer balances net of any partial charge-offs recognized on the loans and leases and net of any deferred fees and costs.

	June 30, 2014			December 31, 2013		
	Unpaid Principal Balance	Recorded Investment	Allowance for Loan and Lease Losses <i>(In thousands)</i>	Unpaid Principal Balance	Recorded Investment	Allowance for Loan and Lease Losses
With no related allowance recorded:						
Commercial:						
Commercial and industrial	\$ 4,617	\$ 4,507	\$	\$ 50	\$ 33	\$
Commercial real estate	4,286	3,148		4,951	3,868	
Multi-family	1,773	1,651		487	270	
SBA	24	6		26	10	
Consumer:						
Single family residential mortgage	22,605	21,785		10,765	9,487	
Other consumer	213	211		248	247	
With an allowance recorded:						
Commercial:						
Multi-family				1,797	1,702	60
Consumer:						
Single family residential mortgage	4,616	4,628	309	3,378	3,327	34
Other consumer				2	2	2
Total	\$ 38,134	\$ 35,936	\$ 309	\$ 21,704	\$ 18,946	\$ 96

The following table presents information on impaired loans and leases, disaggregated by class, for the periods indicated

	Three Months Ended			Six Months Ended		
	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized <i>(In thousands)</i>	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
June 30, 2014:						
Commercial:						
Commercial and industrial	\$ 4,315	\$ 60	\$ 50	\$ 2,158	\$ 60	\$ 50
Commercial real estate	3,220	63	60	3,319	112	117
Multi-family	1,662	40	19	1,673	53	32
SBA	8			4		
Consumer:						
Single family residential mortgage	26,630	191	226	18,450	256	291
Other consumer	212	1	1	213	2	2
Total	\$ 36,047	\$ 355	\$ 356	\$ 25,817	\$ 483	\$ 492
June 30, 2013:						
Commercial:						
Commercial real estate	\$ 761	\$ 23	\$ 23	\$ 1,640	\$ 26	\$ 26
Multi-family	2,212	16	18	2,277	16	18
SBA	13			7		
Consumer:						

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Single family residential mortgage	11,312	92	93	14,168	198	189
Other consumer	635			318		
Total	\$ 14,933	\$ 131	\$ 134	\$ 18,410	\$ 240	\$ 233

Table of Contents*Non-accrual Loans*

The following table presents nonaccrual loans and leases, and loans past due 90 days or more and still accruing as of the dates indicated:

	NTM Loans	June 30, 2014 Traditional Loans	Total	NTM Loans	December 31, 2013 Traditional Loans	Total
	<i>(In thousands)</i>					
Loans past due 90 days or more and still accruing	\$	\$	\$	\$	\$	\$
Nonaccrual loans:						
The Company maintains specific allowances for these loans of \$0 in 2014 and \$95 in 2013	17,165	24,446	41,611	7,698	23,950	31,648

The following table presents the composition of nonaccrual loans and leases as of the dates indicated:

	NTM Loans	June 30, 2014 Traditional Loans	Total	NTM Loans	December 31, 2013 Traditional Loans	Total
	<i>(In thousands)</i>					
Commercial:						
Commercial and industrial	\$	\$ 505	\$ 505	\$	\$ 33	\$ 33
Commercial real estate		2,332	2,332		3,868	3,868
Multi-family		1,905	1,905		1,972	1,972
SBA		183	183		10	10
Construction		317	317			
Lease financing		120	120			
Consumer:						
Single family residential mortgage	2,042	19,034	21,076	2,000	18,032	20,032
Green Loans (HELOC) - first liens	14,912		14,912	5,482		5,482
Green Loans (HELOC) - second liens	211		211	216		216
Other consumer		50	50		35	35
Total nonaccrual loans and leases	\$ 17,165	\$ 24,446	\$ 41,611	\$ 7,698	\$ 23,950	\$ 31,648

Table of Contents*Past Due Loans and Leases*

The following tables present the aging of the recorded investment in past due loans and leases as of June 30, 2014, excluding accrued interest receivable (which is not considered to be material), by class of loans and leases:

	June 30, 2014				Current	Total
	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 89 Days Past due	Total Past Due		
	<i>(In thousands)</i>					
NTM loans:						
Single family residential mortgage	\$ 2,223	\$	\$ 2,042	\$ 4,265	\$ 178,244	\$ 182,509
Green Loans (HELOC) - first liens	3,946	2,058	437	6,441	127,545	133,986
Green Loans (HELOC) - second liens	505			505	4,457	4,962
Other consumer					113	113
Total NTM loans	6,674	2,058	2,479	11,211	310,359	321,570
Traditional loans:						
Commercial:						
Commercial and industrial	7,212		256	7,468	359,643	367,111
Commercial real estate	181	70		251	520,917	521,168
Multi-family		149		149	234,030	234,179
SBA	51		176	227	25,037	25,264
Construction			317	317	30,444	30,761
Lease financing	125		120	245	57,509	57,754
Consumer:						
Single family residential mortgage	20,762	7,571	13,574	41,907	570,328	612,235
Other consumer	36	5	3	44	127,070	127,114
Total traditional loans	28,367	7,795	14,446	50,608	1,924,978	1,975,586
Purchased Credit Impaired (PCI) loans:						
Commercial:						
Commercial and industrial					1,429	1,429
Commercial real estate			904	904	13,672	14,576
SBA	662		42	704	2,716	3,420
Consumer:						
Single family residential mortgage	20,024	4,423	11,452	35,899	248,184	284,083
Other consumer					1,549	1,549
Total PCI loans	20,686	4,423	12,398	37,507	267,550	305,057
Total	\$ 55,727	\$ 14,276	\$ 29,323	\$ 99,326	\$ 2,502,887	\$ 2,602,213

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The following tables presents the aging of the recorded investment in past due loans and leases as of December 31, 2013, excluding accrued interest receivable (which is not considered to be material), by class of loans and leases:

	December 31, 2013				Current	Total
	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 89 Days Past due	Total Past Due		
<i>(In thousands)</i>						
NTM loans:						
Single family residential mortgage	\$ 1,003	\$ 1,854	\$ 769	\$ 3,626	\$ 152,864	\$ 156,490
Green Loans (HELOC) - first liens	653		437	1,090	146,615	147,705
Green Loans (HELOC) - second liens					5,289	5,289
Other consumer					113	113
Total NTM loans	1,656	1,854	1,206	4,716	304,881	309,597
Traditional loans:						
Commercial:						
Commercial and industrial	52	235		287	283,456	283,743
Commercial real estate	5,554	194		5,748	509,121	514,869
Multi-family	602			602	140,978	141,580
SBA	14	48		62	23,678	23,740
Construction					24,933	24,933
Lease financing	271	92	19	382	31,567	31,949
Consumer:						
Single family residential mortgage	20,684	6,124	12,181	38,989	628,537	667,526
Other consumer	209	110	35	354	108,534	108,888
Total traditional loans	27,386	6,803	12,235	46,424	1,750,804	1,797,228
PCI loans:						
Commercial:						
Commercial and industrial					4,028	4,028
Commercial real estate					15,014	15,014
SBA	45	1	106	152	3,536	3,688
Consumer:						
Single family residential mortgage	21,888	8,580	12,099	42,567	272,253	314,820
Other consumer					1,736	1,736
Total PCI loans	21,933	8,581	12,205	42,719	296,567	339,286
Total	\$ 50,975	\$ 17,238	\$ 25,646	\$ 93,859	\$ 2,352,252	\$ 2,446,111

Troubled Debt Restructurings

Troubled Debt Restructurings (TDRs) of loans are defined by ASC 310-40, Troubled Debt Restructurings by Creditors and ASC 470-60, Troubled Debt Restructurings by Debtors and evaluated for impairment in accordance with ASC 310-10-35. The concessions may be granted in various forms, including reduction in the stated interest rate, reduction in the amount of principal amortization, forgiveness of a portion of a loan balance or accrued interest, or extension of the maturity date. In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Company's internal underwriting policy.

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For the three and six months ended June 30, 2014, there were no modifications. The following table summarizes the pre-modification and post-modification balances of new TDRs for the three and six months ended June 30, 2013:

	Three Months Ended			Six Months Ended		
	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
June 30, 2013:						
Consumer:						
Single family residential mortgage	0	\$	\$	1	\$ 367	\$ 360
Total	0	\$	\$	1	\$ 367	\$ 360

During the six months ended June 30, 2013, there was one modification through extension of maturity.

The following table presents loans and leases that were modified as TDRs during the past 12 months that had payment defaults during the period indicated:

	Three Months Ended		Six Months Ended	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
June 30, 2013:				
Consumer:				
Single family residential mortgage	1	\$ 360	1	\$ 360
Total	1	\$ 360	1	\$ 360

Troubled debt restructured loans and leases consist of the following as of the dates indicated:

	June 30, 2014			December 31, 2013		
	NTM Loans	Traditional Loans	Total	NTM Loans	Traditional Loans	Total
Commercial:						
Commercial real estate	\$	\$ 168	\$ 168	\$	\$ 194	\$ 194
SBA		6	6		10	10
Consumer:						
Single family residential mortgage		3,101	3,101		3,605	3,605
Green Loans (HELOC) - first liens	3,457		3,457	3,468		3,468
Total	\$ 3,457	\$ 3,275	\$ 6,732	\$ 3,468	\$ 3,809	\$ 7,277

TDRs were \$6.7 million and \$7.3 million at June 30, 2014 and December 31, 2013, respectively. The Company did not have any commitments to lend to customers with outstanding loans or leases that were classified as troubled debt restructurings as of June 30, 2014 and December 31, 2013.

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Credit Quality Indicators

The Company categorizes loans and leases into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company performs historical loss analysis that is combined with a comprehensive loan or lease to value analysis to analyze the associated risks in the current loan and lease portfolio. The Company analyzes loans and leases individually by classifying the loans and leases as to credit risk. This analysis includes all loans and leases delinquent over 60 days and non-homogenous loans and leases such as commercial and commercial real estate loans and leases. Classification of problem single family residential loans is performed on a monthly basis while analysis of non-homogenous loans and leases is performed on a quarterly basis. The Company uses the following definitions for risk ratings:

Pass: Loans and leases classified as pass are in compliance in all respects with the Bank's credit policy and regulatory requirements, and do not exhibit any potential or defined weakness as defined under Special Mention, Substandard or Doubtful/Loss.

Special Mention: Loans and leases 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 lease or of the Company's credit position at some future date.

Substandard: Loans and leases 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 and leases so classified have a well-defined weakness or weaknesses that jeopardize the liquidation 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 and leases classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Not-Rated: When accrual of income on a pool of purchased credit impaired (PCI) loans with common risk characteristics is appropriate in accordance with ASC 310-30, individual loans in those pools are not risk-rated. The credit criteria evaluated are FICO scores, loan-to-value, delinquency, and actual cash flows versus expected cash flows of the loan pools.

Loans and leases not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans and leases.

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The following table presents the risk categories for loans and leases as of June 30, 2014:

	June 30, 2014					Total
	Pass	Special Mention	Substandard	Doubtful	Not-Rate	
<i>(In thousands)</i>						
NTM loans:						
Single family residential mortgage	\$ 178,449	\$ 2,018	\$ 2,042	\$	\$	\$ 182,509
Green Loans (HELOC) - first liens	112,846	5,183	15,957			133,986
Green Loans (HELOC) - second liens	4,751		211			4,962
Other consumer	113					113
Total NTM loans	296,159	7,201	18,210			321,570
Traditional loans:						
Commercial:						
Commercial and industrial	359,397	2,951	4,763			367,111
Commercial real estate	515,707	2,243	3,218			521,168
Multi-family	231,031	1,243	1,905			234,179
SBA	25,069		195			25,264
Construction	30,444		317			30,761
Lease financing	57,634		120			57,754
Consumer:						
Single family residential mortgage	575,206	9,045	27,984			612,235
Other consumer	126,979	103	32			127,114
Total traditional loans	1,921,467	15,585	38,534			1,975,586
PCI loans:						
Commercial:						
Commercial and industrial		127	1,302			1,429
Commercial real estate	9,126		5,450			14,576
SBA	714	594	2,112			3,420
Consumer:						
Single family residential mortgage			267		283,816	284,083
Other consumer			1,549			1,549
Total PCI loans	9,840	721	10,680		283,816	305,057
Total	\$ 2,227,466	\$ 23,507	\$ 67,424	\$	\$ 283,816	\$ 2,602,213

PCI loan pools are not risk rated.

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The following table presents the risk categories for loans and leases as of December 31, 2013:

	December 31, 2013					Total
	Pass	Special Mention	Substandard	Doubtful	Not-Rate	
NTM loans:						
Single family residential mortgage	\$ 151,728	\$ 2,321	\$ 2,441	\$	\$	\$ 156,490
Green Loans (HELOC) - first liens	129,679	11,470	6,556			147,705
Green Loans (HELOC) - second liens	5,073		216			5,289
Other consumer	113					113
Total NTM loans	286,593	13,791	9,213			309,597
Traditional loans:						
Commercial:						
Commercial and industrial	280,527	1	3,215			283,743
Commercial real estate	510,117		4,752			514,869
Multi-family	139,608		1,972			141,580
SBA	23,714		26			23,740
Construction	24,933					24,933
Lease financing	31,949					31,949
Consumer:						
Single family residential mortgage	640,701	6,350	20,475			667,526
Other consumer	108,745	108	33	2		108,888
Total traditional loans	1,760,294	6,459	30,473	2		1,797,228
PCI loans:						
Commercial:						
Commercial and industrial		969	3,059			4,028
Commercial real estate	10,148		4,866			15,014
SBA	844	605	2,239			3,688
Consumer:						
Single family residential mortgage			287		314,533	314,820
Other consumer			1,736			1,736
Total PCI loans	10,992	1,574	12,187		314,533	339,286
Total	\$ 2,057,879	\$ 21,824	\$ 51,873	\$ 2	\$ 314,533	\$ 2,446,111

PCI loan pools are not risk rated.

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During the years ended December 31, 2013 and 2012, the Company acquired loans and leases through business acquisitions and purchases of loan pools for which there was, at acquisition, evidence of deterioration of credit quality subsequent to origination and it was probable, at acquisition, that all contractually required payments would not be collected. The following table presents the outstanding balance and carrying amount of those loans and leases, which are sometimes collectively referred to as PCI loans as of the dates indicated:

	June 30, 2014		December 31, 2013	
	Outstanding Balance	Carrying Amount	Outstanding Balance	Carrying Amount
	<i>(In thousands)</i>			
Commercial:				
Commercial and industrial	\$ 2,123	\$ 1,429	\$ 5,838	\$ 4,028
Commercial real estate	17,001	14,576	17,682	15,014
SBA	4,573	3,420	4,940	3,688
Consumer:				
Single family residential mortgage	364,305	284,083	414,341	314,820
Other consumer	1,931	1,549	2,134	1,736
Total	\$ 389,933	\$ 305,057	\$ 444,935	\$ 339,286

The following table presents a summary of accretable yield, or income expected to be collected for the periods indicated:

	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	<i>(In thousands)</i>			
Balance at beginning of period	\$ 108,348	\$ 123,952	\$ 126,336	\$ 32,207
New loans or leases purchased		2,465		95,618
Accretion of income	(6,615)	(4,842)	(13,784)	(7,511)
Changes in expected cash flows	27,595	(6,618)	27,726	(5,188)
Disposals	(2,486)	(16,718)	(13,436)	(16,887)
Balance at end of period	\$ 126,842	\$ 98,239	\$ 126,842	\$ 98,239

The Company did not purchase any PCI loans during the six months ended June 30, 2014. The Company sold a portion of PCI loans with unpaid principal balances and carrying values of \$2.5 million and \$1.5 million, respectively, during the three months ended June 30, 2014 and \$30.7 million and \$17.8 million, respectively, during the six months ended June 30, 2014.

The Company completed a bulk loan acquisition with unpaid principal balances and fair values of \$49.5 million and \$42.4 million, respectively, for the three months ended June 30, 2013, and four bulk loan acquisitions with unpaid principal balance and fair value of \$501.1 million and \$372.6 million, respectively, for the six months ended June 30, 2013, at the respective acquisition dates. The Company determined that certain of the loans in the bulk acquisitions reflected evidence of credit quality deterioration since origination and it was probable, at acquisition, that all contractually required payments would not be collected (PCI loans). During the three months ended June 30, 2013, the Company sold a portion of PCI loans with unpaid principal balances and carrying values of \$125.0 million and \$70.4 million, respectively.

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NOTE 6 SERVICING RIGHTS

The Company retains mortgage servicing rights (MSRs) from certain of its sales of residential mortgage loans. MSRs on residential mortgage loans are reported at fair value. Income earned by the Company on its MSRs is derived primarily from contractually specified mortgage servicing fees and late fees, net of curtailment costs and third party subservicing costs. The Company retains servicing rights in connection with its SBA loan operations, which are measured using the amortization method.

Income earned from servicing rights for the three and six months ended June 30, 2014 and 2013 were \$774 thousand and \$458 thousand, respectively, and \$2.0 million and \$646 thousand, respectively. This amount is reported in loan servicing income in the consolidated statements of operations. The following table presents a composition of servicing rights as of the dates indicated:

	June 30, 2014	December 31, 2013
	<i>(In thousands)</i>	
Mortgage servicing rights, at fair value	\$ 9,816	\$ 13,535
SBA servicing rights, at cost	375	348
Total	\$ 10,191	\$ 13,883

Mortgage loans sold with servicing retained are not reported as assets and are subserviced by a third party vendor. The unpaid principal balance of these loans at June 30, 2014 and December 31, 2013 was \$1.16 billion and \$1.37 billion, respectively. Custodial escrow balances maintained in connection with serviced loans were \$6.8 million and \$5.9 million at June 30, 2014 and December 31, 2013, respectively.

Mortgage Servicing Rights

The following table presents the key characteristics, inputs and economic assumptions used to estimate the fair value of the MSRs as of dates indicated:

	June 30, 2014	December 31, 2013
	<i>(\$ in thousands)</i>	
Fair value of retained MSRs	\$ 9,816	\$ 13,535
Decay	20.01%	15.40%
Discount rate	10.92%	10.39%
Constant prepayment rate	14.20%	10.28%
Weighted-average life (in years)	5.52	7.37

The following table presents activity in the MSRs for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	<i>(In thousands)</i>			
Balance at beginning of period	\$ 18,553	\$ 2,579	\$ 13,535	\$ 1,739
Additions	5,996	1,852	11,136	2,762
Prepayments	(241)	(94)	(450)	(162)
Changes in fair value resulting from valuation inputs or assumptions	(565)	305	(1,350)	330
Sales of servicing rights	(13,397)		(12,150)	
Other loans paid off	(530)	(22)	(905)	(49)
Balance at end of period	\$ 9,816	\$ 4,620	\$ 9,816	\$ 4,620

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The Company used a discount rate of 7.25 percent to calculate the present value of cash flows and an estimated prepayment speed based on prepayment data available. Discount rates and prepayment speed are reviewed quarterly and adjusted as appropriate. The following table presents activity in the SBA servicing rights for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	<i>(In thousands)</i>			
Balance at beginning of period	\$ 327	\$ 498	\$ 348	\$ 539
Additions	69	27	69	32
Amortization, including prepayments	(21)	(105)	(42)	(151)
Balance at end of period	\$ 375	\$ 420	\$ 375	\$ 420

NOTE 7 OTHER REAL ESTATE OWNED

The following table presents the activity in other real estate owned for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	<i>(In thousands)</i>			
Balance at beginning of period	\$ 150	\$ 1,764	\$	\$ 4,527
Additions	503		653	486
Sales and net direct write-downs	(48)	(227)	(48)	(5,476)
Net change in valuation allowance				2,000
Balance at end of period	\$ 605	\$ 1,537	\$ 605	\$ 1,537

The following table presents the activity in the other real estate owned valuation allowance for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	<i>(In thousands)</i>			
Balance at beginning of period	\$	\$ 69	\$	\$ 2,069
Additions				79
Net direct write-downs and removals from sale		(27)		(2,106)
Balance at end of period	\$	\$ 42	\$	\$ 42

The following table presents expenses related to foreclosed assets included in loan servicing and foreclosure expenses on the consolidated statements of operations for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	<i>(In thousands)</i>			
Net gain (loss) on sales	\$	\$ 37	\$	\$ 151

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Operating expenses, net of rental income		(60)		(300)
Total	\$	\$ (23)	\$	\$ (149)

The Company did not provide loans for sale of other real estate owned during the three and six months ended June 30, 2014 and 2013.

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At June 30, 2014, the Company had goodwill of \$32.2 million related to the RenovationReady, CS Financial, PBOC, and Beach Business Bank acquisitions and trade name intangible asset of \$690 thousand related to the CS Financial acquisition.

Core deposit intangibles are amortized over their useful lives ranging from 4 to 7 years. As of June 30, 2014, the weighted average remaining amortization period for core deposit intangibles was approximately 5.7 years. The following table presents a summary of other intangible assets as of the dates indicated:

	Gross Carrying Value	Accumulated Amortization (In thousands)	Net Carrying Value
June 30, 2014:			
Core deposit intangibles	\$ 15,433	\$ 5,164	\$ 10,269
December 31, 2013:			
Core deposit intangibles	\$ 15,433	\$ 3,281	\$ 12,152

Aggregate amortization of intangible assets was \$944 thousand and \$367 thousand for the three months ended June 30, 2014 and 2013, respectively, and \$1.9 million and \$734 thousand for the six months ended June 30, 2014 and 2013, respectively. The following table presents estimated future amortization expenses as of June 30, 2014:

	2014	2015	2016	2017	2018 and After	Total
	(In thousands)					
Estimated future amortization expense	\$ 1,596	\$ 2,881	\$ 2,278	\$ 1,685	\$ 1,829	\$ 10,269

NOTE 9 FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

At June 30, 2014, the Bank had a fixed-rate advance of \$15.0 million at an interest rate of 0.82 percent and a variable-rate advance of \$435.0 million at an interest rate of 0.18 percent from the FHLB. At December 31, 2013, \$25.0 million of the Bank's advances from the FHLB were fixed-rate and had interest rates ranging from 0.59 percent to 0.82 percent with a weighted average rate of 0.73 percent, and \$225.0 million of the Bank's advances from the FHLB were variable-rate and had a weighted average interest rate of 0.06 percent as of that date.

Each advance is payable at its maturity date. Advances paid early are subject to a prepayment penalty. At June 30, 2014 and December 31, 2013, the Bank's advances from the FHLB were collateralized by certain real estate loans with an aggregate unpaid principal balance of \$1.76 billion and \$740.1 million, respectively. The Bank's investment in capital stock of the FHLB of San Francisco totaled \$22.9 million and \$14.4 million, respectively, at June 30, 2014 and December 31, 2013. Based on this collateral and the Bank's holdings of FHLB stock, the Bank was eligible to borrow an additional \$554.9 million at June 30, 2014. In addition, the Bank had available lines of credit with the Federal Reserve Bank totaling \$106.6 million at June 30, 2014.

NOTE 10 LONG TERM DEBT*Senior Notes*

On April 23, 2012, the Company completed the public offering of \$33.0 million aggregate principal amount of its 7.50 percent Senior Notes due April 15, 2020 (the "Notes") at a price to the public of \$25.00 per Note. Net proceeds after discounts were approximately \$31.7 million. The Notes were issued under the Senior Debt Securities Indenture, dated as of April 23, 2012 (the "Base Indenture"), as supplemented by the First Supplemental Indenture, dated as of April 23, 2012 (the "Supplemental Indenture," and together with the Base Indenture, the "Indenture"), between the Company and U.S. Bank National Association, as trustee.

On December 6, 2012, the Company completed the issuance and sale of an additional \$45.0 million aggregate principal amount of the Notes at a price to the public of \$25.00 per Note, plus accrued interest from October 15, 2012. Net proceeds after discounts, including a full exercise of the \$6.8 million underwriters' overallotment option on December 7, 2012, were approximately \$50.1 million.

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The Notes are the Company's senior unsecured debt obligations and rank equally with all of the Company's other present and future unsecured unsubordinated obligations. The Notes bear interest at a per-annum rate of 7.50 percent. The Company makes interest payments on the Notes quarterly in arrears.

The Notes will mature on April 15, 2020. However, the Company may, at the Company's option, on April 15, 2015, or on any scheduled interest payment date thereafter, redeem the Notes in whole or in part on not less than 30 nor more than 60 days' prior notice. The Notes will be redeemable at a redemption price equal to 100 percent of the principal amount of the Notes to be redeemed plus accrued and unpaid interest to the date of redemption.

The Indenture contains several covenants which, among other things, restrict the Company's ability and the ability of the Company's subsidiaries to dispose of or incur liens on the voting stock of certain subsidiaries and also contains customary events of default.

Tangible Equity Units – Amortizing Notes

On May 21, 2014, the Company issued \$69,000,000 of 8.00% tangible equity units (TEUs) in an underwritten public offering. A total of 1,380,000 TEUs were issued, including 180,000 TEUs issued to the underwriter upon exercise of its overallotment option, with each TEU having a stated amount of \$50.00. Each TEU is comprised of (i) a prepaid stock purchase contract (each a Purchase Contract) that will be settled by delivery of specified a number of shares of Company Common Stock and (ii) a junior subordinated amortizing note due May 15, 2017 (each an Amortizing Note) that has an initial principal amount of \$10.604556 per Amortizing Note, bears interest at a rate of 7.50% per annum and has a scheduled final installment payment date of May 15, 2017. The Company has the right to defer installment payments on the Amortizing Notes at any time and from time to time, subject to certain restrictions, so long as such deferral period does not extend beyond May 15, 2019.

The Purchase Contracts and Amortizing Notes are accounted for separately. The Purchase Contract component of the TEUs is recorded in equity as additional paid in capital. The Amortizing Note is recorded as debt. The fair value of the Amortizing Notes was based on the fair value of similar debt instruments and was estimated to be approximately \$14,634,000. The resulting value of the Purchase Contracts of \$54,366,000 was recorded as additional paid-in capital on the Company's consolidated statement of financial condition. Total issuance costs associated with the TEUs were \$3,358,000 (including the underwriter discount of \$3,278,000), of which \$758,000 was allocated to the liability component and \$2,600,000 was allocated to the equity component of the TEUs. The portion of the issuance costs allocated to the debt component of the TEUs is being amortized over the term of the amortizing note. Net proceeds of \$65,642,000 from the issuance of the TEUs are designated to finance the Company's previously announced pending acquisition of 20 California branches from Popular Community Bank and for general corporate purposes. See Note 15 Shareholders' Equity for additional information.

NOTE 11 – INCOME TAXES

For the three months ended June 30, 2014 and 2013, income tax expense was \$253 thousand and \$1.8 million, respectively, and the effective tax rate was 3.0 percent and 29.5 percent, respectively. For the six months ended June 30, 2014 and 2013, income tax expense was \$262 thousand and \$2.5 million, respectively, and the effective tax rate was 2.9 percent and 31.7 percent, respectively. The Company's effective tax rate decreased due to the release of a portion of the valuation allowance established in 2013. Due to the inability to reliably estimate the income for the year, the Company has used the year to date effective tax rate as the best estimate of the annual effective tax rate, under ASC 740-270-30.

The Company accounts for income taxes by recognizing deferred tax assets and liabilities based upon temporary differences between the amounts for financial reporting purposes and tax basis of its assets and liabilities. A valuation allowance is established when necessary to reduce deferred tax assets when it is more-likely-than-not that a portion or all of the net deferred tax assets 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, applicable tax planning strategies, and assessments of current and future economic and business conditions. This analysis is updated quarterly and adjusted as necessary. As of June 30, 2014, the Company had a net deferred tax asset of \$2.5 million, net of a \$13.0 million valuation allowance and as of December 31, 2013, the Company had a net deferred tax asset of \$0, net of a \$17.3 million valuation allowance.

The Company adopted the provisions of ASC 740-10-25 (formally FIN 48), which relates to the accounting for uncertainty in income taxes recognized in an enterprise's financial statements on January 1, 2007. ASC 740-10-25 prescribes a threshold and a measurement process for recognizing in the financial statements a tax position taken or expected to be taken in a tax return and also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The

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Company had unrecognized tax benefits of \$2.2 million at June 30, 2014 and December 31, 2013. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next twelve months. As of June 30, 2014, the total unrecognized tax benefit that, if recognized, would impact the effective tax rate is \$102 thousand. In the event we are assessed interest and/or penalties by federal or state tax authorities, such amounts will be classified in the consolidated financial statements as income tax expense. At June 30, 2014 and December 31, 2013, the Company had \$10 thousand accrued interest or penalties.

The Company and its subsidiaries are subject to U.S. Federal income tax as well as income tax of multiple state jurisdictions. The Company is no longer subject to examination by U.S. Federal taxing authorities for years before 2010 (except for Gateway Bancorp's pre-acquisition federal tax return, which is currently under exam by the Internal Revenue Service for the 2008 and 2009 tax years). The Company is currently under examination by the Internal Revenue Service for the years ended December 31, 2010 and December 31, 2011. The statute of limitations for the assessment of California Franchise taxes has expired for tax years before 2009 (other state income and franchise tax statutes of limitations vary by state).

NOTE 12 MORTGAGE BANKING ACTIVITIES

The Bank originates conforming single family residential mortgage loans and sells these loans in the secondary market. The amount of net gain on mortgage banking activities is a function of mortgage loans originated for sale and the fair values of these loans and derivatives. Net gain on mortgage banking activities includes mark to market pricing adjustments on loan commitments and forward sales contracts, and initial capitalized value of mortgage servicing rights (MSRs).

During the three and six months ended June 30, 2014, the Bank originated \$715.1 million and \$1.23 billion, respectively, and sold \$651.0 million and \$1.18 billion of conforming single family residential mortgage loans in the secondary market, respectively. The net gain and margin were \$23.2 million and 3.25 percent, respectively, and loan origination fees were \$2.9 million for the three months ended June 30, 2014. For the six months ended June 30, 2014, the net gain and margin were \$38.4 million and 3.13 percent, respectively, and loan origination fees were \$5.1 million. Included in the net gain is the initial capitalized value of our MSRs, which totaled \$5.9 million and \$10.7 million, on loans sold to Fannie Mae, Freddie Mac and Ginnie Mae for the three and six months ended June 30, 2014, respectively.

During the three and six months ended June 30, 2013, the Bank originated \$534.8 million and \$867.6 million, respectively, and sold \$397.4 million and \$729.0 million of conforming single family residential mortgage loans in the secondary market, respectively. The net gain and margin were \$17.5 million and 3.27 percent, respectively, and loan origination fees were \$2.8 million for the three months ended June 30, 2013. For the six months ended June 30, 2013, the net gain and margin were \$32.1 million and 3.70 percent, respectively, and loan origination fees were \$4.6 million. Included in the net gain is the initial capitalized value of our MSRs, which totaled \$1.8 million and \$2.6 million, on loans sold to Fannie Mae and Freddie Mac for the three and six months ended June 30, 2013, respectively.

Mortgage Loan Repurchase Obligations

In addition to net gain on mortgage banking activities, the Company records provisions to the representation and warranty reserve representing our initial estimate of losses on probable mortgage repurchases or loss reimbursements. Provision for loan repurchases totaled \$330 thousand and \$732 thousand for the three months ended June 30, 2014 and 2013, respectively, and \$901 thousand and \$988 thousand for the six months ended June 30, 2014 and 2013, respectively. Additionally, the Company provided initial provision for loan repurchases of \$638 thousand against net gain on mortgage banking activities during the three months ended June 30, 2014.

The following table presents a summary of activity in the reserve for loss on repurchased loans for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	<i>(In thousands)</i>			
Balance at beginning of period	\$ 5,866	\$ 3,498	\$ 5,427	\$ 3,485
Provision for loan repurchases	968	732	1,539	988
Payments made for loss reimbursement on sold loans	(660)	(256)	(792)	(499)
Balance at end of period	\$ 6,174	\$ 3,974	\$ 6,174	\$ 3,974

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NOTE 13 RISK MANAGEMENT AND DERIVATIVE INSTRUMENTS

The Company uses derivative instruments and other risk management techniques to reduce its exposure to adverse fluctuations in interest rates in accordance with its risk management policies. The Company utilizes forward contracts and investor commitments to economically hedge mortgage banking products and may from time to time use interest rate swaps as hedges against certain liabilities.

On September 30, 2013, the Company entered into pay-fixed, receive-variable interest-rate swap contracts with institutional counterparties to hedge against variability in cash flows attributable to interest rate risk caused by changes in the LIBOR benchmark interest rate on the Company's ongoing LIBOR based variable rate deposits. The Company is accounting for the swaps as cash flow hedges under ASC 815. The notional amount of the interest rate swaps were \$50.0 million with a maturity date of September 27, 2018. The fair values of the interest rate swaps were a loss of \$283 thousand and a gain of \$226 thousand as of June 30, 2014 and December 31, 2013, respectively.

The Company originates residential real estate mortgage loans and generates revenues from the origination and sale of these loans. Although management closely monitors market conditions, such activities are sensitive to fluctuations in prevailing interest rates and real estate markets. As of June 30, 2014, approximately 74.0 percent of all properties securing loans held for sale were located in California. A change in the underlying economic conditions of the California residential real estate market could have an adverse impact on the Company's results of operations.

In connection with mortgage banking activities, if interest rates increase, the value of the Company's loan commitments to borrowers and fixed rate mortgage loans held-for-sale are adversely impacted. The Company attempts to economically hedge the risk of the overall change in the fair value of loan commitments to borrowers and mortgage loans held for sale by selling forward contracts on securities with government-sponsored enterprises (GSEs) and investors in loans. Forward contracts on securities of GSEs and loan commitments to borrowers are non-designated derivative instruments and the gains and losses resulting from these derivative instruments are included in net gain on mortgage banking activities in the accompanying consolidated statements of operations. At June 30, 2014, the resulting derivative assets of \$7.9 million and liabilities of \$3.7 million, are included in other assets and accrued expenses and other liabilities, respectively, on the accompanying consolidated statements of financial condition. At June 30, 2014, the Company had outstanding forward sales commitments totaling \$351.0 million. At June 30, 2014, the Company was committed to fund loans for borrowers of approximately \$235.8 million.

The net losses relating to free-standing derivative instruments used for risk management were \$5.5 million and \$0 for the three months ended June 30, 2014 and 2013, respectively, and \$9.1 million and \$0 for the six months ended June 30, 2014 and 2013, respectively, and are included in net gain on mortgage banking activities in the consolidated statements of operations.

The following table presents the amount and market value of derivative instruments included in the consolidated statements of financial condition as of the dates indicated. Note 3, Fair Value of Financial Instruments, contains further disclosures pertaining to the fair value of mortgage banking derivatives.

	June 30, 2014		December 31, 2013	
	Notional Amount	Fair Value	Notional Amount	Fair Value
	<i>(In thousands)</i>			
Included in assets:				
Interest rate lock commitments	\$ 230,463	\$ 7,937	\$ 129,010	\$ 3,962
Mandatory forward commitments			242,337	1,305
Interest rate swap			50,000	226
Total included in assets	\$ 230,463	\$ 7,937	\$ 421,347	\$ 5,493
Included in liabilities:				
Interest rate lock commitments	\$ 5,287	\$ 1,090	\$	\$
Mandatory forward commitments	351,012	2,618		
Interest rate swap	50,000	283		
Total included in liabilities	\$ 406,299	\$ 3,991	\$	\$

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NOTE 14 STOCK COMPENSATION PLANS

Share-based Compensation Expense

For the three months ended June 30, 2014 and 2013, share-based compensation expense was \$2.0 million and \$296 thousand, respectively, and the related tax benefits were \$800 thousand and \$121 thousand, respectively. For the six months ended June 30, 2014 and 2013, share-based compensation expense was \$2.8 million and \$872 thousand, respectively, and the related tax benefits were \$1.1 million and \$358 thousand, respectively.

On July 16, 2013, the Company's stockholders approved the Company's 2013 Omnibus Stock Incentive Plan (the 2013 Omnibus Plan). Upon the approval of the 2013 Omnibus Plan, no new awards may be granted under the Company's 2011 Omnibus Incentive Plan or any prior equity incentive plans. The 2013 Omnibus Plan provides that the aggregate number of shares of Company common stock that may be subject to awards under the 2013 Omnibus Plan will be 20 percent of the then outstanding shares of Company common stock (the Share Limit), provided that in no event will the Share Limit be less than the greater of 2,384,711 shares of Company common stock and the aggregate number of shares of Company common stock with respect to which awards have been properly granted under the 2013 Omnibus Plan up to that point in time. As of June 30, 2014, based on the number of shares registered for issuance under the 2013 Omnibus Plan, 999,740 shares were available for future awards under the 2013 Omnibus Plan.

Unrecognized Share-based Compensation Expense

The following table presents unrecognized share-based compensation expense as of June 30, 2014:

	Unrecognized Expense	Average Expected Recognition Period
	(\$ in thousands)	
Stock option awards	\$ 1,240	3.7 years
Restricted stock awards and restricted stock units	11,584	3.4 years
Total	\$ 12,824	3.4 years

Stock Options

The Company has issued stock options to certain employees, officers and directors. Stock options are issued at the current market price on the date of grant, and generally have provided for a three-year to five-year vesting period and contractual terms of 7 to 10 years.

The following table represents stock option activity as of and for the three months ended June 30, 2014:

	Number of Shares	Weighted- Average Exercise Price per Share	Weighted- Average Remaining Contract Term	Aggregated Intrinsic Value (In thousands)
Outstanding at beginning of period	668,054	\$ 12.86	7.3 years	\$ 188
Granted	150,000	\$ 12.27	9.8 years	
Outstanding at end of period	818,054	\$ 12.75	7.5 years	
Exercisable at end of period		\$		

The following table represents stock option activity as of and for the six months ended June 30, 2014:

	Number of Shares	Weighted- Average Exercise Price per Share	Weighted- Average Remaining Contract Term	Aggregated Intrinsic Value <i>(In thousands)</i>
Outstanding at beginning of period	734,721	\$ 12.73	7.5 years	\$ 741
Granted	150,000	\$ 12.27	9.8 years	
Exercised	(66,667)	\$ 11.36		
Outstanding at end of period	818,054	\$ 12.75	7.5 years	
Exercisable at end of period				

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The following table represents changes in unvested stock options and related information as of and for the three months ended June 30, 2014:

	Three Months Ended June 30, 2014		Six Months Ended June 30, 2014	
	Number of Shares	Weighted-Average Exercise Price per Share	Number of Shares	Weighted-Average Exercise Price per Share
	<i>(In thousands)</i>			
Non-vested outstanding at beginning of period	419,569	\$ 13.16	419,569	\$ 13.16
Granted	150,000	\$ 12.27	150,000	\$ 12.27
Vested	(25,000)	\$ 12.86	(25,000)	\$ 12.86
Non-vested outstanding at end of period	544,569	\$ 12.93	544,569	\$ 12.93

Restricted Stock Awards and Restricted Stock Units

Additionally, the Company also has granted restricted stock awards and restricted stock units to certain employees, officers and directors. The restricted stock awards and units are valued at the closing price of the Company's stock on the date of award. The restricted stock awards and units fully vest after one to five years of continued employment from the date of grant. The Company recognizes an income tax deduction in an amount equal to the taxable income reported by the holders of the restricted stock, generally when vested or, in the case of restricted stock units, when settled.

The following table represents restricted stock awards activity as of and for the three and six months ended June 30, 2014:

	Three Months Ended June 30, 2014		Six Months Ended June 30, 2014	
	Number of Shares	Weighted-Average Exercise Price per Share	Number of Shares	Weighted-Average Exercise Price per Share
	<i>(In thousands)</i>			
Non-vested shares outstanding at beginning of period	883,525	\$ 13.83	893,886	\$ 13.78
Granted	547,761	\$ 11.70	643,480	\$ 11.91
Vested	(76,895)	\$ 14.02	(99,792)	\$ 13.37
Forfeited	(77,938)	\$ 13.53	(161,121)	\$ 13.27
Non-vested shares outstanding at end of period	1,276,453	\$ 12.93	1,276,453	\$ 12.93

Stock Appreciation Rights

On August 21, 2012, the Company granted to its chief executive officer a ten-year stock appreciation rights (SAR) with respect to 500,000 shares (Initial SAR) of the Company's common stock with a base price of \$12.12 per share. One third of the Initial SAR vested on the grant date, one third vested on the first anniversary of the grant date and one-third will vest on the second anniversary of the grant date such that the SAR will be fully vested on the second anniversary of the grant date. Upon cessation of the chief executive officer's service with the Company for

Cause or without Good Reason (including a cessation of service following the expiration of the term of the chief executive officer's employment agreement), the vested portion of all SARs will expire 90-days following the cessation of service. Except as otherwise described below for the TEU Additional SARs, additional SARs (Additional SARs) have been issued to the Company's chief executive officer with the same terms and conditions (including vesting and dividend equivalent rights) as the Initial SAR pursuant to the anti-dilution provisions under the SAR agreement with the Company due to the Company's issuances of shares of common stock.

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On May 21, 2014, the Company issued additional SARs (TEU Additional SARs) to the Company's chief executive officer relating to a public offering of the Company's tangible equity units (TEUs). Each TEU is comprised of a prepaid stock purchase contract (each, a Purchase Contract) and a junior subordinated amortizing note due May 15, 2017 issued by the Company (each, an Amortizing Note). Unless settled early at the holder's option, each Purchase Contract will automatically settle and the Company will deliver a number of shares of its voting common stock based on the then applicable market value of the voting common stock, ranging from an initial minimum settlement rate of 4.4456 shares per Purchase Contract (subject to adjustment) if the applicable market value is equal to or greater than \$11.247 per share to an initial maximum settlement rate of 5.1124 shares per Purchase Contract (subject to adjustment) if the applicable market value is less than or equal to \$9.78 per share. The number of settlement shares underlying the TEU Additional SARs was calculated using the initial maximum settlement rate and, therefore, the number of shares underlying the TEU Additional SARs is subject to adjustment and forfeiture if the aggregate number of shares of stock issued in settlement of any single Purchase Contract is less than the initial maximum settlement rate.

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Until each Purchase Contract settles and the voting common stock related thereto is issued, each corresponding TEU Additional SAR has a vesting date of May 21, 2017 and has no dividend equivalent rights prior to vesting. The TEU Additional SARs vest earlier as follows: (i) for any Purchase Contract settled before August 21, 2014, the TEU Additional SARs corresponding to such Purchase Contract shall become 2/3 vested and exercisable on the date on which any such Purchase Contract is settled and the remaining 1/3 shall become vested and exercisable on August 21, 2014 and the 1/3 unvested TEU Additional SARs corresponding to such Purchase Contract shall be eligible for the same dividend equivalent rights as the Initial SAR; (ii) for any Purchase Contract settled in shares of voting common stock on or after August 21, 2014, then the TEU Additional SARs corresponding to such Purchase Contract shall become 100% vested and exercisable on the date on which any such Purchase Contract is settled; and (iii) if the aggregate number of shares of voting common stock issued in settlement of any single Purchase Contract on the settlement date (the Actually Issued Common Shares) is less than the initial maximum settlement rate, then the TEU Additional SAR related to that single Purchase Contract shall be recalculated and adjusted pursuant to the terms of the Initial SAR based on the Actually Issued Common Shares instead of the initial maximum settlement rate and the chief executive officer shall forfeit on such settlement date any TEU Additional SARs granted in excess of those that would have been granted on the respective settlement date.

The following table represents a summary of all outstanding SARs (Initial SAR, Additional SARs and TEU Additional SARs, together the SARs):

	Initial SAR	Additional SAR I ⁽¹⁾	Additional SAR II ⁽²⁾	Additional SAR III ⁽³⁾	Additional SAR IV ⁽⁴⁾	Additional SAR V ⁽⁵⁾	TEU Additional SAR ⁽⁶⁾
Grant Date	08/21/12	06/21/13	07/01/13	07/02/13	12/10/13	05/21/14	05/21/14
Number of shares	500,000	150,933	88,366	15,275	70,877	252,023	293,622
Base price per share	\$ 12.12	\$ 13.06	\$ 13.60	\$ 13.55	\$ 12.83	\$ 10.09	\$ 10.09
Grant date fair value per share	\$ 3.58	\$ 1.86	\$ 1.94	\$ 1.93	\$ 1.86	\$ 1.22	\$ 1.58

- (1) Issued due to the Company's common stock issuance for an underwritten public offering completed on June 21, 2013.
- (2) Issued due to the Company's common stock issuance in connection with the PBOC acquisition completed on July 1, 2013
- (3) Issued due to the Company's common stock issuance for the exercise of over-allotment option granted to the underwriters of the Company's public common stock offering initially completed on June 21, 2013
- (4) Issued due to the Company's common stock issuance in a private placement completed on December 10, 2013
- (5) Issued due to the Company's common stock issuance for an underwritten public offering completed on May 21, 2014.
- (6) The TEU Additional SAR originally related to 300,219 shares of common stock with a scheduled vesting of May 21, 2017, as described above. As a result of the settlement of a portion of the Purchase Contracts on May 30, 2014, the TEU Additional SAR accelerated in vesting with respect to 43,983 shares on May 30, 2014 and on that same date 6,597 shares were forfeited. TEU Additional SARs that have accelerated in vesting have the same terms and conditions as the Initial SAR.

The SARs originally were to be settled in cash and the compensation expense for the SARs was recognized over the vesting period based on the fair value as calculated using Black Scholes as of the grant date and adjusted each quarter. On December 13, 2013, the Company amended the Initial SAR agreement to provide that the SARs be settled in shares of voting common stock rather than cash, with all other terms remaining substantially the same. Currently, compensation expense is recognized over the vesting period based on the fair value as calculated using Black Scholes as of the conversion date for the SARs issued before the conversion date and grant dates for the SARs issued after the conversion date.

NOTE 15 SHAREHOLDERS' EQUITY*Warrants*

On November 1, 2010, the Company issued warrants to TCW Shared Opportunity Fund V, L.P. for up to 240,000 shares of non-voting common stock at an exercise price of \$11.00 per share, subject to anti-dilutive adjustments. These warrants are exercisable from the date of issuance through November 1, 2015. On November 1, 2010, the Company also issued warrants to COR Advisors LLC to purchase up to 1,395,000 shares of non-voting stock at an exercise price of \$11.00 per share, subject to anti-dilutive adjustments. Of these warrants, warrants for the right to purchase 960,000 shares are now held indirectly by Steven A. Sugarman, President and Chief Executive Officer of the Company and warrants for the right to purchase 435,000 shares are now held by Jeffrey T. Seabold, Executive Vice President and Chief Lending Officer of the Company. These warrants are exercisable at the time of issuance based upon the additional shares issued and the anti-dilutive provisions set in the agreement and became fully exercisable at the time the anti-dilutive event occurred. These warrants are exercisable for five years after the original vesting date. The warrants are exercisable for voting common stock in lieu of non-voting common stock following the transfer of the warrants in a widely dispersed offering or in other limited circumstances.

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Common Stock

On June 21, 2013, the Company issued 2,268,000 shares of its voting common stock in an underwritten public offering for gross proceeds of approximately \$29.5 million and 1,153,846 shares of voting common stock to two institutional investors in a registered direct offering for gross proceeds of approximately \$15 million.

On July 2, 2013, the Company issued an additional 360,000 shares of voting common stock upon the exercise in full by the underwriters of the underwritten public offering of their 30-day over-allotment option, for additional gross proceeds of approximately \$4.4 million.

On December 10, 2013, the Company completed the issuance and sale of an aggregate of 1,509,450 shares of common stock in a private placement to Patriot Financial Partners, L.P. and Patriot Financial Partners Parallel, L.P. at \$13.25 per share, in exchange for aggregate cash consideration of approximately \$20 million.

On May 21, 2014, the Company issued 5,150,000 shares of its voting common stock in an underwritten public offering and for gross proceeds of approximately \$50.4 million and 772,500 shares of voting common stock upon the exercise in full by the underwriters of the underwritten public offering of their 30-day over-allotment option, for additional gross proceeds of approximately \$7.6 million.

Perpetual Preferred Stock

On June 12, 2013, in an underwritten public offering, the Company sold 1,400,000 depository shares, each representing a 1/40th interest in a share of its 8.00 percent Non-Cumulative Perpetual Preferred Stock, Series C, par value \$0.01 per share and liquidation preference of \$1,000 per share, at an offering price of \$25.00 per depository share, for gross proceeds of \$33.9 million. The Company also granted the underwriters a 30-day option to purchase up to an additional 210,000 depository shares to cover over-allotments, if any, at the same price, for potential additional gross proceeds of \$5.1 million, which the underwriters exercised in full on July 8, 2013.

As discussed under Note 2, Business Combinations and Branch Sales, on July 1, 2013, the Company completed its previously announced acquisition of PBOC. Upon completion of the acquisition, each share of preferred stock issued by PBOC as part of the Small Business Lending Fund (SBLF) program of the United States Department of Treasury (10,000 shares in the aggregate with a liquidation preference amount of \$1,000 per share) was converted automatically into one substantially identical share of preferred stock of the Company with a liquidation preference amount of \$1,000 per share, designated as the Company's Non-Cumulative Perpetual Preferred Stock, Series B. The terms of the preferred stock issued by the Company in exchange for the PBOC preferred stock are substantially identical to the preferred stock previously issued by the Company as part of its own participation in the SBLF program (32,000 shares in aggregate with a liquidation preference amount of \$1,000 per share), designated as the Company's Non-Cumulative Perpetual Preferred Stock, Series A.

Tangible Equity Units

On May 21, 2014, the Company completed an underwritten public offering of 1,380,000 of its tangible equity units (TEUs), which included 180,000 TEUs issued to the underwriter upon the full exercise of its over-allotment option, resulting in net proceeds of \$65.6 million. Each TEU is comprised of a prepaid stock purchase contract (each, a Purchase Contract) and a junior subordinated amortizing note due May 15, 2017 issued by the Company (each, an Amortizing Note). Unless settled early at the holder's option, each Purchase Contract will automatically settle and the Company will deliver a number of shares of its voting common stock based on the then-applicable market value of the voting common stock, ranging from an initial minimum settlement rate of 4.4456 shares per Purchase Contract (subject to adjustment) if the applicable market value is equal to or greater than \$11.247 per share to an initial maximum settlement rate of 5.1124 shares per Purchase Contract (subject to adjustment) if the applicable market value is less than or equal to \$9.78 per share.

From the first business day following the issuance of the TEUs to but excluding the third business day immediately preceding May 15, 2017, a holder of a Purchase Contract may settle its Purchase Contract early, and the Company will deliver to the holder 4.4456 shares of voting common stock. The holder also may elect to settle its Purchase Contract early in connection with a fundamental change, in which case the holder will receive a number of shares of voting common stock based on a fundamental change early settlement rate. The Company may elect to settle all Purchase Contracts early by delivering to each holder 5.1124 shares of voting common stock or, under certain circumstances, by delivering 4.4456 shares of voting common stock. As of June 30, 2014, a total of 232,500 Purchase Contracts had been settled early by their holders, resulting in the issuance by the Company of 1,033,602 shares of voting common stock. As of June 30, 2014, 1,147,500 Purchase Contracts remained outstanding.

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Each Amortizing Note has an initial principal amount of \$10.604556 per Amortizing Note, bears interest at a rate of 7.50% per annum and has a scheduled final installment payment date of May 15, 2017. On each August 15, November 15, February 15 and May 15, commencing on August 15, 2014, the Company will pay holders of Amortizing Notes equal quarterly cash installments of \$1.00 per Amortizing Note (or, in the case of the installment payment due on August 15, 2014, \$0.933333 per Amortizing Note) (such installments, the installment payments), which installment payments in the aggregate will be equivalent to a 8.00% cash distribution per year with respect to each \$50.00 stated amount of TEUs. Each installment payment will constitute a payment of interest (at a rate of 7.50% per annum) and a partial repayment of principal on each Amortizing Note. The Company has the right to defer installment payments at any time and from time to time, subject to certain restrictions, so long as such deferral period does not extend beyond May 15, 2019. If the Company elects to settle the Purchase Contracts early, the holders of the Amortizing Notes will have the right to require the Company to repurchase the Amortizing Notes.

Change in Accumulated Other Comprehensive Income

The Company's accumulated other comprehensive income includes unrealized gain (losses) on available-for-sale investment securities and unrealized gain on cash flow hedge. Changes to other accumulated other comprehensive income are presented net of tax effect as a component of equity. Reclassifications from accumulated comprehensive income are recorded on the statements of operations either as a gain or loss.

The following table presents changes to accumulate other comprehensive income by components are presented in the following tables for the periods indicated:

	Three Months Ended			Six Months Ended		
	Unrealized Gain (Loss) on AFS Securities	Cash Flow Hedge	Total	Unrealized Gain (Loss) on AFS Securities	Cash Flow Hedge	Total
<i>(In thousands)</i>						
June 30, 2014:						
Balance at beginning of period	\$ (310)	\$ 9	\$ (301)	\$ (826)	\$ 226	\$ (600)
Unrealized gain(loss) arising during the period	1,099	(292)	807	2,122	(509)	1,613
Reclassification adjustment from other comprehensive income	(15)		(15)	(522)		(522)
Tax effect of current period changes						
Total changes, net of taxes	1,084	(292)	792	1,600	(509)	1,091
Balance at end of period	\$ 774	\$ (283)	\$ 491	\$ 774	\$ (283)	\$ 491
June 30, 2013:						
Balance at beginning of period	\$ 1,189	\$	\$ 1,189	\$ 1,397	\$	\$ 1,397
Unrealized gain(loss) arising during the period	(400)		(400)	(300)		(300)
Reclassification adjustment from other comprehensive income	(1)		(1)	(309)		(309)
Tax effect of current period changes						
Total changes, net of taxes	(401)		(401)	(609)		(609)
Balance at end of period	\$ 788	\$	\$ 788	\$ 788	\$	\$ 788

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NOTE 16 EARNINGS PER COMMON SHARE

Net income (loss) allocated to common shareholders is computed by subtracting income allocated to participating securities and preferred stock dividend from net income. Participating securities are instruments granted in share-based payment transactions that contain rights to receive nonforfeitable dividends or dividend equivalents, which includes the SARs to the extent they confer dividend equivalent rights, as described under Stock Appreciation Rights in Note 14. Basic earnings (loss) per common share (EPS) is computed by dividing net income allocated to common shareholders by the weighted average number of shares outstanding, including the minimum number of shares issuable under purchase contracts relating to the tangible equity units. Diluted EPS is computed by dividing net income (loss) allocated to common shareholders by the weighted average number of shares outstanding, adjusted for the dilutive effect of the restricted stock units, the potentially issuable shares in excess of the minimum under purchase contracts relating to the tangible equity units, outstanding stock options, and warrants to purchase common stock. Computations for basic and diluted EPS are provided below.

	Three Months Ended			Six Months Ended		
	Common Stock	Class B Common Stock	Total	Common Stock	Class B Common Stock	Total
<i>(\$ in thousands, except per share data)</i>						
June 30, 2014:						
Basic:						
Net income	\$ 7,934	\$ 187	\$ 8,121	\$ 8,649	\$ 229	\$ 8,878
Less: income allocated to participating securities	(156)	(4)	(160)	(67)	(2)	(69)
Less: preferred stock dividends	(889)	(21)	(910)	(1,773)	(47)	(1,820)
Net income allocated to common shareholders	\$ 6,889	\$ 162	\$ 7,051	\$ 6,809	\$ 180	\$ 6,989
Weighted average common shares outstanding	25,239,390	596,018	25,835,408	22,439,267	593,030	23,032,297
Basic earnings per common share	\$ 0.27	\$ 0.27	\$ 0.27	\$ 0.30	\$ 0.30	\$ 0.30
Diluted:						
Net income allocated to common shareholders	\$ 6,889	\$ 162	\$ 7,051	\$ 6,809	\$ 180	\$ 6,989
Weighted average common shares outstanding for basic earnings per common share	25,239,390	596,018	25,835,408	22,439,267	593,030	23,032,297
Add: Dilutive effects of restricted stock units	38,741		38,741	22,110		22,110
Add: Dilutive effects of purchase contracts	55,370		55,370	27,838		27,838
Add: Dilutive effects of stock options	568		568	13,268		13,268
Add: Dilutive effects of warrants		58,478	58,478		158,205	158,205
Average shares and dilutive common shares	25,334,069	654,496	25,988,565	22,502,483	751,235	23,253,718
Diluted earnings per common share	\$ 0.27	\$ 0.25	\$ 0.27	\$ 0.30	\$ 0.24	\$ 0.30
June 30, 2013:						
Basic:						
Net income	\$ 4,021	\$ 342	\$ 4,363	\$ 4,839	\$ 453	\$ 5,292
Less: income allocated to participating securities	(116)	(10)	(126)	(86)	(8)	(94)
Less: preferred stock dividends				(263)	(25)	(288)
Net income allocated to common shareholders	\$ 3,905	\$ 332	\$ 4,237	\$ 4,490	\$ 420	\$ 4,910
Weighted average common shares outstanding	11,235,177	955,027	12,190,204	11,025,454	1,033,173	12,058,627
Basic earnings per common share	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.41	\$ 0.41	\$ 0.41

Diluted:

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Net income allocated to common shareholders	\$ 3,905	\$ 332	\$ 4,237	\$ 4,490	\$ 420	\$ 4,910
Weighted average common shares outstanding for basic earnings per common share	11,235,177	955,027	12,190,204	11,025,454	1,033,173	12,058,627
Add: Dilutive effects of stock options	29,510		29,510	14,418		14,418
Add: Dilutive effects of warrants		195,770	195,770		137,312	137,312
Average shares and dilutive common shares	11,264,687	1,150,797	12,415,484	11,039,872	1,170,485	12,210,357
Diluted earnings per common share	\$ 0.35	\$ 0.29	\$ 0.34	\$ 0.41	\$ 0.36	\$ 0.40

For three and six months ended June 30, 2014, there were 683,054 and 558,054 stock options, respectively, for common stock that were not considered in computing diluted earnings per common share, because they were anti-dilutive. For three and six months ended June 30, 2013, there were 168,569 and 243,569 stock options, respectively, for common stock that were not considered in computing diluted earnings per common share, because they were anti-dilutive.

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NOTE 17 OFF-BALANCE SHEET COMMITMENTS

Some financial instruments such as loan commitments, credit lines, letters of credit, and overdraft protection are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Risk of credit loss exists up to the face amount of these instruments. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The contractual amount of financial instruments with off-balance-sheet risk was as follows for the dates indicated:

	June 30, 2014		December 31, 2013	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
<i>(In thousands)</i>				
Financial Instruments whose contract amounts represent credit risk				
Commitments to extend credit	\$ 68,535	\$ 61,569	\$ 35,425	\$ 61,613
Unused lines of credit	18,524	283,545	3,403	268,669
Letters of credit	760	6,718	10	6,289

Commitments to make loans are generally made for periods of 30 days or less.

As of June 30, 2014, total forward commitments were \$450.0 million. These commitments consisted of jumbo mortgage loan sale commitments of \$69.0 million, TBAs of \$351.0 million, best efforts of \$29.8 million, and other commitments of \$226 thousand. Additionally, the Company had IRLCs of \$281.2 million at June 30, 2014.

NOTE 18 RELATED-PARTY TRANSACTIONS

The Bank has granted loans to certain officers and directors and their related interests. Such loans amounted to \$200 thousand and \$748 thousand at June 30, 2014 and December 31, 2013, respectively. These loans are made in the ordinary course of business and on substantially the same terms and conditions, including interest rates and collateral, as those of comparable transactions with non-insiders prevailing at the time, in accordance with the Bank's underwriting guidelines, and do not involve more than the normal risk of collectability or present other unfavorable features. The Bank has an Employee Loan Program (the Program) which offers executive officers, directors and principal shareholders that meet the eligibility requirements the opportunity to participate on the same terms as employees generally, provided that any loan to an executive officer, director or principal shareholder must be approved by the Bank's Board of Directors. The sole benefit provided under the Program is a reduction in loan fees.

Deposits from principal officers, directors, and their related interests amounted to \$2.4 million and \$10.5 million at June 30, 2014 and December 31, 2013, respectively.

Transactions Involving Steven A. Sugarman. The following is a description of transactions involving the Company and certain entities affiliated with or relatives of Steven A. Sugarman, President and Chief Executive Officer of the Company and the Bank and a member of the Board of Directors of the Company and the Bank.

Palisades Lease Payment Reimbursements. The Company acquired its subsidiary, Palisades Group, LLC (Palisades) on September 10, 2013, at which time Palisades occupied premises in Santa Monica, California leased by COR Securities Holding, Inc. (CORSHI), of which Mr. Sugarman is the Chief Executive Officer as well as a shareholder (both directly and indirectly). In light of the benefit received by Palisades of its occupancy of the Santa Monica premises, the non-interested directors of the Company's Board ratified reimbursement to CORSHI for rental payments made for the Santa Monica premises for the period commencing September 16, 2013 through the last date Palisades occupies the premises. Palisades negotiated with an unaffiliated third party a lease for new premises and occupied those premises on June 27, 2014. On the same date, Palisades vacated the Santa Monica CORSHI premises.

The aggregate rent payments reimbursed to CORSHI from September 16, 2013 through December 30, 2013 were \$39,972 comprised of (i) \$5,661, the pro-rated base rent amount for the partial month of September 2013; (ii) \$11,324 per month in base rent for the months of October and November 2013, and (iii) \$11,663 per month in base rent for the month of December 2013.

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Regarding the security deposit for the premises, after Palisades occupied the CORSHI premises, the Company reimbursed CORSHI relating to a security deposit amount for the premises of \$33,844. The Company received reimbursement of this security deposit amount from Palisades. For the months of January 1, 2014 through June 27, 2014, CORSHI granted Palisades a rent abatement equal to

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the \$33,844 security deposit and combined with additional payments, Palisades paid leasing cost totaling \$57,616 to CORSHI for that same time period. The Board's Compensation, Nominating and Corporate Governance Committee have monitored all the reimbursement costs and will review the aggregate reimbursement costs.

Palisades Consulting Agreement. As discussed above, the Company acquired its subsidiary, Palisades on September 16, 2013. Effective July 1, 2013, Palisades entered into a consulting agreement with Jason Sugarman, Mr. Sugarman's brother. Jason Sugarman provides advisory services to financial institutions and other institutional clients related to investments in residential mortgages, real estate and real estate related assets and Palisades entered into the agreement with Jason Sugarman to provide these types of consulting services. The consulting agreement is for a term of 5 years, with a minimum payment of \$30,000 owed at the end of each quarter for consulting services Jason Sugarman has provided Palisades. There is also the potential for additional bonus payments based on the nature of work performed and the financial results of Palisades. The aggregate amount of identified payments that will be paid by Palisades to Jason Sugarman under the five-year term of the consulting agreement will exceed \$600,000. The \$600,000 is the minimum amount owed but does not include any bonuses that may be earned under the agreement. For the year ended December 31, 2013 and the six months ended June 30, 2014, amounts earned by Jason Sugarman under the consulting agreement totaled \$120,662 and \$60,000, respectively. The consulting agreement may be terminated at any time by either Palisades or Jason Sugarman upon 30 days prior written notice. The consulting agreement with Jason Sugarman was reviewed as a related party transaction and approved by the Compensation, Nominating and Corporate Governance Committee and approved by the disinterested directors of the Board.

CS Financial Acquisition. Certain relatives and entities affiliated with Mr. Sugarman received benefits as part of the CS Financial acquisition described in detail below under Transactions Involving Jeffrey T. Seibold.

Transactions Involving Jeffrey T. Seibold. The following is a description of transactions involving the Company and certain entities affiliated with Jeffrey T. Seibold, who currently is employed as Executive Vice President, Chief Lending Officer of the Company and the Bank and previously served as a director of the Company and the Bank.

CS Financial Acquisition. Effective October 31, 2013, the Company acquired CS Financial Inc. (CS Financial), a California corporation and Southern California-based mortgage banking firm controlled by Jeffrey T. Seibold and in which certain relatives and entities affiliated with Mr. Sugarman also own certain minority, non-controlling interests. The following is a description of the transaction.

CS Financial Service Agreement. On December 27, 2012, the Company entered into a Management Services Agreement (Services Agreement) with CS Financial. On December 27, 2012, Mr. Seibold was then a member of the Board of Directors of each of the Company and the Bank. Under the Services Agreement, CS Financial agreed to provide the Bank such reasonably requested financial analysis, management consulting, knowledge sharing, training services and general advisory services as the Bank and CS Financial mutually agreed upon with respect to the Bank's residential mortgage lending business, including strategic plans and business objectives, compliance function, monitoring, reporting and related systems, and policies and procedures, at a monthly fee of \$100,000. The Services Agreement was recommended by disinterested members of management of the Bank and negotiated and approved by special committees of the Board of Directors of each of the Company and the Bank (Special Committees), comprised exclusively of independent, disinterested directors of the Boards. Each of the Boards of Directors of the Bank and the Company also considered and approved the Services Agreement, upon the recommendation of the Special Committees.

On May 13, 2013, the Bank hired Mr. Seibold as Managing Director and Chief Lending Officer by entering into a three-year employment agreement with Mr. Seibold (the Employment Agreement). Simultaneously, the Bank terminated, with immediate effect, its Services Agreement with CS Financial. For the year ended December 31, 2013, the total compensation paid to CS Financial under the Services Agreement was \$439,000.

Option to Acquire CS Financial. Under the Employment Agreement, Mr. Seibold granted to the Company and the Bank an option (CS Call Option), to acquire CS Financial for a purchase price of \$10 million, payable pursuant to the terms provided under the Employment Agreement. Based upon the recommendation of the Special Committees, with the assistance of outside financial and legal advisors and consultants, the Boards of Directors of the Company and the Bank, with Mr. Sugarman recusing himself from the discussions and vote due to previously disclosed conflicts of interest, approved the recommendation of the Special Committees and, pursuant to a letter dated July 29, 2013, the Company indicated that the CS Call Option was being exercised by the Bank, subject to the negotiation and execution of definitive transaction documentation consistent with the applicable provisions of the Employment Agreement and the satisfaction of the terms and conditions set forth therein.

Merger Agreement. After exercise of the CS Call Option as described above, the Company and the Bank entered into an Agreement and Plan of Merger (Merger Agreement) with CS Financial, the shareholders of CS Financial (Sellers) and Mr. Seibold, as the Sellers' Representative and completed its acquisition of CS Financial on October 31, 2013.

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Subject to the terms and conditions set forth in the Merger Agreement, which was approved by the Board of Directors of each of the Company, the Bank and CS Financial, at the effective time of the Merger, the outstanding shares of common stock of CS Financial was converted into the right to receive in the aggregate: (1) upon the closing of the Merger, (a) 173,791 shares (Closing Date Shares) of voting common stock, par value \$0.01 per share, of the Company (Voting Common Stock), and (b) \$1,500,000 in cash and \$3,150,000 in the form of a noninterest-bearing note issued by the Company to Mr. Seibold that was due and paid by the Company on January 2, 2014; and (2) upon the achievement of certain performance targets by the Bank's Lending Division following the closing of the Merger that are set forth in the Merger Agreement, up to 92,781 shares (Performance Shares) of Voting Common Stock ((1) and (2), together, Merger Consideration).

Seller Stock Consideration. The Sellers under the Merger Agreement included Mr. Seibold, and the following relatives of Mr. Sugarman: Jason Sugarman (brother), Elizabeth Sugarman (sister-in-law), and Michael Sugarman (father), who each owned minority, non-controlling interests in CS Financial.

Upon the closing of the Merger and pursuant to the terms of the Merger Agreement, the aggregate shares of Voting Common Stock issued as the consideration to the Sellers was 173,791 shares, which was allocated by the Sellers and issued as follows: (i) 103,663 shares to Mr. Seibold, (ii) 16,140 shares to Jason Sugarman, (iii) 16,140 shares to Elizabeth Sugarman, (iv) 3,228 shares to Michael Sugarman, and (v) 34,620 shares to certain employees of CS Financial. Of the 103,663 shares to be issued to Mr. Seibold, as allowed under the Merger Agreement and in consideration of repayment of a certain debt incurred by CS Financial owed to an entity controlled by Elizabeth Sugarman, Mr. Seibold requested the Company to issue all 103,663 shares directly to Elizabeth Sugarman, and such shares were so issued by the Company to Elizabeth Sugarman.

Approval of the CS Call Option, Merger Agreement and Merger. All decisions and actions with respect to the exercise of the CS Agreement Option, the Merger Agreement and the Merger (including without limitation the determination of the Merger Consideration and the other material terms of the Merger Agreement) fall under the purview and authority of special committees of the Board of Directors of each of the Company and the Bank, which are each composed exclusively of independent, disinterested directors of such Boards of Directors, with the assistance of outside financial and legal advisors. Mr. Sugarman abstained from the vote of each of the Boards of Directors of the Company and the Bank to approve the Merger Agreement and the Merger.

Transaction Involving Halle Benett. On May 21, 2014, the Company issued 5,150,000 shares of its Voting Common Stock in an underwritten public offering and 772,500 shares of Voting Common Stock upon the exercise in full by the underwriters of the underwritten public offering of their 30-day over-allotment option. Halle Benett, a director of the Company and the Bank, became employed on April 1, 2014 as a Managing Director and Co-head of the Diversified Financials Group at Keefe, Bruyette & Woods, Inc., a Stifel company. Keefe, Bruyette & Woods, Inc., acted as one of the underwriters of the public offering and estimated that it will receive gross underwriting fees and commissions from the Company of approximately \$520,644 for its services as an underwriter.

Transaction Involving Former Chairman Timothy R. Chrisman. On May 15, 2014, the disinterested members of the Board of Directors of the Company approved a strategic advisor agreement of Chrisman & Co., pursuant to which Timothy R. Chrisman would provide strategic advisory services for the Company. On May 15, 2014, Mr. Chrisman retired from the Company Board upon expiration of the term of his directorship after the Company's 2014 Annual Meeting of shareholders. The initial term of the strategic advisor agreement is for a period of one year and, thereafter, the agreement may be extended on a month-to-month basis. For services performed during the initial term, a fixed annual advisory fee of \$200,000 will be paid to Chrisman & Co.

Transaction with TCW Shared Opportunity Fund V, L.P., a Greater than 5 percent Shareholder as of December 31, 2013. TCW Shared Opportunity Fund V, L.P. (TCW) initially became a holder of the Company's Voting Common Stock and non-voting common stock (Non-Voting Common Stock) as a lead investor in the November 2010 recapitalization of the Company (the Recapitalization). In connection with its investment in the Recapitalization, TCW also was issued by the Company an immediately exercisable five-year warrant (the TCW Warrant) to purchase 240,000 shares of Non-Voting Common Stock or, to the extent provided therein, shares of Voting Common Stock in lieu of Non-Voting Common Stock. TCW was issued shares of Non-Voting Common Stock in the Recapitalization because at that time, a controlling interest in TCW Asset Management Company, the investment manager to TCW, was held by a foreign banking organization, and in order to prevent TCW from being considered a bank holding company under the Bank Holding Company Act of 1956, as amended, the number of shares of Voting Common Stock it purchased in the Recapitalization had to be limited to 4.99 percent of the total number of shares of Voting Common Stock outstanding immediately following the Recapitalization. For the same reason, the TCW Warrant could be exercised by TCW for Voting Common Stock in lieu of Non-Voting Common Stock only to the extent TCW's percentage ownership of the Voting Common Stock at the time of exercise would be less than 4.99 percent as a result of dilution occurring from additional issuances of Voting Common Stock subsequent to the Recapitalization.

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In 2013, the foreign banking organization sold its controlling interest in TCW Asset Management Company, eliminating the need to limit TCW's percentage ownership of the Voting Common Stock to 4.99 percent. As a result, on May 29, 2013, the Company and TCW entered into a Common Stock Share Exchange Agreement, dated May 29, 2013 (Exchange Agreement), pursuant to which TCW may from time to time exchange its shares of Non-Voting Common Stock for shares of Voting Common Stock issued by the Company on a share-for-share basis, provided that immediately following any such exchange, TCW's percentage ownership of Voting Common Stock does not exceed 9.99 percent. The shares of Non-Voting Common Stock that may be exchanged by TCW pursuant to the Exchange Agreement include the shares of Non-Voting Common Stock it purchased in the Recapitalization, the additional shares of Non-Voting Common Stock TCW acquired subsequent to the Recapitalization (and may in the future acquire) pursuant to the Company's Dividend Reinvestment Plan and any additional shares of Non-Voting Common Stock that TCW acquires pursuant to its exercise of the TCW Warrant.

On June 3, 2013, TCW exchanged 550,000 shares of Non-Voting Common Stock for the same number of shares of Voting Common Stock. As a result of that exchange and based on a Schedule 13-F and 13-G TCW filed with the SEC during the first quarter of 2014, the Company believes that as of December 31, 2013 TCW held 1,078,250 shares of Voting Common Stock and 466,830 shares of Non-Voting Common Stock, plus the TCW Warrant under which up to 240,000 shares of Non-Voting Common Stock may be issued upon exercise and may thereafter be exchanged for shares of Voting Common Stock pursuant to the Exchange Agreement.

Securities Purchase Agreement with Patriot Financial Partners, L.P. and Patriot Financial Partners Parallel, L.P., a Greater than 5 percent Shareholder. As reported in a Schedule 13-D filed by with the SEC on December 10, 2013, Patriot Financial Partners, L.P and Patriot Financial Partners Parallel, L.P. (Patriot) hold 1,509,450 shares of the Company's Voting Common Stock. On April 22, 2014, the Company entered into a Securities Purchase Agreement (SPA) with Patriot pursuant to which the Company agreed to sell shares of Voting Common Stock to Patriot at a price (Per Share Purchase Price) of \$11.50 per share, subject to adjustment in the event the Company sells shares of Voting Common Stock in certain circumstances at a lower price prior to the closing of the pending acquisition of certain branches of Banco Popular North America by the Bank. The Company agreed to sell a number of shares of Voting Common Stock to Patriot equal to \$10,000,000 divided by the Per Share Purchase Price; provided that Patriot may purchase additional shares so that the percentage of the outstanding Voting Common Stock owned by Patriot immediately following the closing of the investment contemplated by its SPA will equal 9.9%. Based on the Voting Common Stock outstanding as of June 30, 2014 and based on Patriot becoming a 9.9% holder, the Company has calculated that the aggregate shares of Voting Common Stock to be issued to Patriot will be approximately 1,641,146 shares and, thereafter, the aggregate shares of Voting Common Stock held by Patriot will be approximately 3,150,596 shares, which includes the 1,641,146 newly issued shares and 1,509,450 shares of Voting Common Stock the Company believes is currently held by Patriot.

NOTE 19 SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of issuance of the financial data included herein. There have been no subsequent events occurred during such period that would require disclosure in this report or would be required to be recognized in the Consolidated Financial Statements (Unaudited) as of June 30, 2014.

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**ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
CRITICAL ACCOUNTING POLICIES**

Our financial statements are prepared in accordance with GAAP and general practices within the banking industry. Within these financial statements, certain financial information contains approximate measurements of financial effects of transactions and impacts at the Consolidated Statements of Financial Condition dates and our results of operations for the reporting period. As certain accounting policies require significant estimates and assumptions that have a material impact on the carrying value of assets and liabilities, we have established critical accounting policies to facilitate making the judgment necessary to prepare financial statements. Our critical accounting policies are described in the Notes to Consolidated Financial Statements and in the Critical Accounting Policies section of Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K and in Note 1 to the Consolidated Financial Statements, Significant Accounting Policies in this Form 10-Q.

Table of Contents**SELECTED FINANCIAL DATA**

The following table presents certain selected financial data as of or for the periods indicated:

	As of or For the Three Months Ended June 30,		As of or For the Six Months Ended June 30,	
	2014	2013	2014	2013
<i>(\$ in thousands, except per share data)</i>				
Selected financial condition data:				
Total assets	\$ 4,386,522	\$ 2,535,114	\$ 4,386,522	\$ 2,535,114
Loans and leases receivable, net of allowance	2,579,586	1,597,367	2,579,586	1,597,367
Loans held for sale	1,095,741	257,949	1,095,741	257,949
Securities available-for-sale	233,013	106,751	233,013	106,751
Cash and cash equivalents	258,051	462,335	258,051	462,335
Deposits	3,347,355	2,109,831	3,347,355	2,109,831
Total borrowings	546,481	127,127	546,481	127,127
Total equity	439,318	268,485	439,318	268,485
Average balances:				
Average interest-earning assets	\$ 3,858,772	\$ 2,204,574	\$ 3,714,235	\$ 1,944,529
Average interest-bearing liabilities	3,175,424	1,909,023	3,060,109	1,658,692
Total average assets	4,034,447	2,301,382	3,882,154	2,027,690
Total average equity	385,098	203,873	357,511	197,921
Selected operations data:				
Total interest income	\$ 43,634	\$ 26,741	\$ 86,410	\$ 45,909
Total interest expense	8,059	5,116	15,650	8,925
Provision for loan and lease losses	2,108	1,918	4,037	4,086
Total non-interest income	35,372	26,072	60,650	44,000
Total non-interest expense	60,465	39,594	118,233	69,152
Income before income taxes	8,374	6,185	9,140	7,746
Income tax expense	253	1,822	262	2,454
Net income	8,121	4,363	8,878	5,292
Dividends paid on preferred stock	910		1,820	288
Net income available to common shareholders	7,211	4,363	7,058	5,004
Basic earnings per total common share	\$ 0.27	\$ 0.35	\$ 0.30	\$ 0.41
Diluted earnings per total common share	\$ 0.27	\$ 0.34	\$ 0.30	\$ 0.40
Performance ratios:				
Return on average assets	0.81%	0.76%	0.46%	0.53%
Return on average equity	8.46%	8.58%	5.01%	5.39%
Dividend payout ratio ⁽¹⁾	44.44%	34.29%	80.00%	58.54%
Interest rate spread information:				
Net interest spread	3.52%	3.80%	3.66%	3.67%
Net interest margin ⁽²⁾	3.70%	3.93%	3.84%	3.84%
Ratio of operating expense to average total assets	6.01%	6.90%	6.14%	6.88%
Efficiency ratio ⁽³⁾	85.23%	83.01%	89.97%	85.39%
Ratio of average interest-earning assets to average interest-bearing liabilities	121.52%	115.48%	121.38%	117.23%
Credit quality:				
Nonperforming assets to total assets	0.96%	0.42%	0.96%	0.42%
Allowance for loan and lease losses to nonperforming loans ⁽⁴⁾	54.38%	185.28%	54.38%	185.28%
Allowance for loan and lease losses to gross loans ⁽⁴⁾	0.87%	1.05%	0.87%	1.05%
Nonperforming loans	\$ 41,611	\$ 9,164	\$ 41,611	\$ 9,164
Nonperforming assets	42,216	10,701	42,216	10,701
Capital ratios:				
Equity to total assets at end of period	10.02%	10.59%	10.02%	10.59%
Average equity to average assets	9.55%	8.86%	9.21%	9.76%

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- (1) *Dividends declared per common share divided by basic earnings per share.*
- (2) *Net interest income divided by average interest-earning assets*
- (3) *Efficiency ratio represents noninterest expense as a percentage of net interest income plus noninterest income*
- (4) *The allowance for loan and lease losses were \$22.6 million and \$17.0 million at June 30, 2014 and 2013, respectively.*

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EXECUTIVE OVERVIEW

This overview of management's discussion and analysis highlights selected information in the financial results of the Company and may not contain all of the information that is important to you. For a more complete understanding of trends, commitments, uncertainties, liquidity, capital resources and critical accounting policies and estimates, you should carefully read this entire document. Each of these items could have an impact on the Company's financial condition and results of operations.

Banc of California, Inc. is a financial holding company and the parent of Banc of California, National Association, a national bank (the Bank), the Palisades Group, LLC, an SEC-registered investment advisor (TPG), and PTB Property Holdings, LLC, an entity formed to hold real estate, cash and fixed income investments (PTB). Prior to October 11, 2013, Banc of California, Inc. was a multi-bank holding company with two banking subsidiaries, Pacific Trust Bank, a federal savings bank (PacTrust Bank or Pacific Trust Bank) and The Private Bank of California (Beach Business Bank prior to July 1, 2013). On October 11, 2013, Banc of California, Inc. became a one-bank holding company when Pacific Trust Bank converted from a federal savings bank to a national bank and changed its name to Banc of California, National Association, and immediately thereafter The Private Bank of California was merged into Banc of California, National Association. On January 17, 2014, Banc of California, Inc. became a financial holding company.

The Company was incorporated under Maryland law in March 2002, and in July 2013, the Company changed its name from First PacTrust Bancorp, Inc. to Banc of California, Inc. and, as noted above, in October 2013, the Company's subsidiary banks merged to form a single, national bank subsidiary under the name Banc of California, National Association. The Bank has one wholly owned subsidiary, CS Financial, Inc., which was acquired on October 31, 2013.

Banc of California, Inc. is subject to regulation by the Board of Governors of the Federal Reserve System (the Federal Reserve Board or FRB), and the Bank is subject to regulation primarily by the Office of the Comptroller of the Currency (OCC). As a financial holding company, Banc of California, Inc. may engage in activities permissible for bank holding companies and may engage in other activities that are financial in nature or incidental or complementary to activities that are financial in nature, primarily securities, insurance and merchant banking activities.

The Bank offers a variety of financial services to meet the banking and financial needs of the communities we serve. The Bank is headquartered in Orange County, California and as of June 30, 2014, the Bank operated 17 branches in San Diego, Orange, and Los Angeles Counties in California and 60 producing loan production offices in California, Arizona, Oregon, Montana, Virginia, North Carolina, Colorado, Indiana, and Maryland.

The principal business of the Bank consists of attracting retail deposits from the general public and investing these funds primarily in commercial, consumer and real estate secured loans. The Bank solicits deposits in its market area and, to a lesser extent, from institutional depositors nationwide and may accept brokered deposits.

The Bank's deposit product and service offerings include checking, savings, money market, certificates of deposit, retirement accounts as well as mobile, online, cash and treasury management, card payment services, remote deposit, ACH origination, employer/employee retirement planning, telephone banking, automated bill payment, electronic statements, safe deposit boxes, direct deposit and wire transfers. Bank customers also have the ability to access their accounts through a nationwide network of over 30,000 surcharge-free ATMs.

2014 Highlights

Completed underwritten public offerings of common stock for gross proceeds of \$57.9 million and 8.00% tangible equity units for gross proceeds of \$69.0 million on May 21, 2014.

Announced a pending acquisition of Banco Popular's California branch network on April 22, 2014.

Completed the acquisition of RenovationReady® on January 31, 2014.

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Total interest and dividend income for the three months ended June 30, 2014 increased by \$16.9 million, or 63.2 percent, to \$43.6 million from \$26.7 million for the three months ended June 30, 2013. For the six months ended June 30, 2014, total interest and dividend income increased by \$40.5 million, or 88.2 percent, to \$86.4 million from \$45.9 million for the six months ended June 30, 2013.

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Net interest margin was 3.70 percent and 3.93 percent for the three months ended June 30, 2014 and 2013, respectively, and 3.84 percent for the six months ended June 30, 2014 and 2013.

Net interest income for the three months ended June 30, 2014 increased by \$14.0 million, or 64.5 percent, to \$35.6 million from \$21.6 million for the three months ended June 30, 2013. For the six months ended June 30, 2014, net interest income increased by \$33.8 million, or 91.3 percent, to \$70.8 million from \$37.0 million for the six months ended June 30, 2013.

Noninterest income for the three months ended June 30, 2014 increased by \$9.3 million, or 35.7 percent, to \$35.4 million from \$26.1 million for the three months ended June 30, 2013. For the six months ended June 30, 2014, noninterest income increased by \$16.7 million, or 37.8 percent, to \$60.7 million from \$44.0 million for the six months ended June 30, 2013. The Company recognized net gain on mortgage banking activities of \$26.1 million and \$20.3 million for the three months ended June 30, 2014 and 2013.

Noninterest expense for the three months ended June 30, 2014 increased by \$20.9 million, or 52.7 percent, to \$60.5 million from \$39.6 million for the three months ended June 30, 2013. For the six months ended June 30, 2014, noninterest expense increased by \$49.1 million, or 71.0 percent, to \$118.2 million from \$69.2 million for the six months ended June 30, 2013. The increase relates predominantly to a higher salaries and employee benefits expense related to increased headcount as a result of growth and the acquisitions the Company completed during 2013.

Total assets increased by \$758.5 million, or 20.9 percent, to \$4.39 billion at June 30, 2014 from \$3.63 billion at December 31, 2013, due primarily to an increase in loans held for sale and an increase in cash and cash equivalents. Average total assets increased to \$4.03 billion and \$3.88 billion for the three and six months ended June 30, 2014, respectively, from \$2.30 billion and \$2.03 billion for the three and six months ended June 30, 2013, respectively.

Loans and leases receivable, net of allowance for loan and lease losses, increased by \$152.3 million, or 6.3 percent, to \$2.58 billion at June 30, 2014 from \$2.43 billion at December 31, 2013 as a result of increased loan production. Loans held for sale increased \$379.0 million, 52.9 percent, to \$1.10 billion at June 30, 2014 from \$716.7 million at December 31, 2013 due to more originations than sales during the year. Average gross loans and leases increased to \$3.55 billion and \$3.42 billion for the three and six months ended June 30, 2014, respectively, from \$1.84 billion and \$1.63 billion for the three and six months ended June 30, 2013, respectively.

Total deposits increased by \$428.7 million, or 14.7 percent, to \$3.35 billion at June 30, 2014 from \$2.92 billion at December 31, 2013. Average total deposits increased to \$3.28 billion and \$3.15 billion for the three and six months ended June 30, 2014, respectively, from \$1.94 billion and \$1.67 billion for the three and six months ended June 30, 2013, respectively.

Table of Contents**RESULTS OF OPERATIONS**

The following table presents condensed statements of operations for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	<i>(In thousands, except per share data)</i>			
Interest and dividend income	\$ 43,634	\$ 26,741	\$ 86,410	\$ 45,909
Interest expense	8,059	5,116	15,650	8,925
Net interest income	35,575	21,625	70,760	36,984
Provision for loan and lease losses	2,108	1,918	4,037	4,086
Noninterest income	35,372	26,072	60,650	44,000
Noninterest expense	60,465	39,594	118,233	69,152
Income before income taxes	8,374	6,185	9,140	7,746
Income tax expense	253	1,822	262	2,454
Net income	8,121	4,363	8,878	5,292
Preferred stock dividends	910		1,820	288
Net income available to common shareholders	\$ 7,211	\$ 4,363	\$ 7,058	\$ 5,004
Basic earnings per common share	\$ 0.27	\$ 0.35	\$ 0.30	\$ 0.41
Diluted earnings per common share	\$ 0.27	\$ 0.35	\$ 0.30	\$ 0.41
Basic earnings per class B common share	\$ 0.27	\$ 0.35	\$ 0.30	\$ 0.41
Diluted earnings per class B common share	\$ 0.25	\$ 0.29	\$ 0.24	\$ 0.36

For the three months ended June 30, 2014, the Company recorded net income of \$8.1 million, an increase of \$3.8 million over net income of \$4.4 million for the three months ended June 30, 2013. Preferred stock dividends were \$910 thousand and \$0 for the three months ended June 30, 2014 and 2013, respectively, and net income available to common shareholders was \$7.2 million and \$4.4 million for the three months ended June 30, 2014 and 2013, respectively.

For the six months ended June 30, 2014, the Company recorded net income of \$8.9 million, an increase of \$3.6 million over net income of \$5.3 million for the six months ended June 30, 2013. Preferred stock dividends were \$1.8 million and \$288 thousand for the six months ended June 30, 2014 and 2013, respectively, and net income available to common shareholders was \$7.1 million and \$5.0 million for the six months ended June 30, 2014 and 2013, respectively.

Table of Contents**Net Interest Income**

The following table presents interest income, average interest-earning assets, interest expense, average interest-bearing liabilities, and their correspondent yields and costs expressed both in dollars and rates for the three months ended June 30, 2014 and 2013:

	Three Months Ended June 30,					
	2014			2013		
	Average Balance	Interest	Yield/ Cost (\$ in thousands)	Average Balance	Interest	Yield/ Cost
Interest-earning assets:						
Gross loans and leases ⁽¹⁾	\$ 3,553,693	\$ 42,077	4.75%	\$ 1,843,645	\$ 26,153	5.69%
Securities	168,230	993	2.37%	102,880	369	1.44%
Other interest-earning assets ⁽²⁾	136,849	564	1.65%	258,049	219	0.34%
Total interest-earning assets	3,858,772	43,634	4.54%	2,204,574	26,741	4.87%
Allowance for loan and lease losses	(20,567)			(16,546)		
BOLI and non-interest earning assets ⁽³⁾	196,242			113,354		
Total assets	\$ 4,034,447			\$ 2,301,382		
Interest-bearing liabilities:						
Savings	\$ 990,894	2,425	0.98%	\$ 567,313	536	0.38%
Interest-bearing checking	660,341	1,864	1.13%	265,974	551	0.83%
Money market	603,917	639	0.42%	371,989	1,140	1.23%
Certificates of deposit	600,498	1,143	0.76%	574,158	1,076	0.75%
FHLB advances	226,429	99	0.18%	45,165	58	0.52%
Long-term debt and other interest-bearing liabilities	93,345	1,889	8.12%	84,424	1,755	8.34%
Total interest-bearing liabilities	3,175,424	8,059	1.02%	1,909,023	5,116	1.07%
Noninterest-bearing deposits	428,221			158,730		
Non-interest-bearing liabilities	45,704			29,756		
Total liabilities	3,649,349			2,097,509		
Total shareholders equity	385,098			203,873		
Total liabilities and shareholders equity	\$ 4,034,447			\$ 2,301,382		
Net interest income/spread		\$ 35,575	3.52%		\$ 21,625	3.80%
Net interest margin ⁽⁴⁾			3.70%			3.93%
Ratio of interest-earning assets to interest-bearing liabilities	121.52%			115.48%		

(1) Gross loans and leases are net of deferred fees, related direct cost and discounts, but exclude the allowance for loan and lease losses. Non-accrual loans and leases are included in the average balance. Loan (costs) fees of \$(14) thousand and \$229 thousand and accretion of discount on purchased loans of \$8.9 million and \$5.4 million for the three months ended June 30, 2014 and 2013, respectively, are included in the interest income.

(2) Includes average balance of FHLB stock at cost and average time deposits with other financial institutions

(3) Includes average balance of bank-owned life insurance of \$18.9 million and \$18.8 million for the three months ended June 30, 2014 and 2013, respectively

(4) Annualized net interest income divided by average interest-earning assets

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The following table presents interest income, average interest-earning assets, interest expense, average interest-bearing liabilities, and their correspondent yields and costs expressed both in dollars and rates for the six months ended June 30, 2014 and 2013:

	Six Months Ended June 30,					
	2014			2013		
	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost
Interest-earning assets:						
Gross loans and leases ⁽¹⁾	\$ 3,422,420	\$ 83,607	4.93%	\$ 1,630,552	\$ 44,690	5.53%
Securities	165,633	1,917	2.33%	109,955	867	1.59%
Other interest-earning assets ⁽²⁾	126,182	886	1.42%	204,022	352	0.35%
Total interest-earning assets	3,714,235	86,410	4.69%	1,944,529	45,909	4.76%
Allowance for loan and lease losses	(19,983)			(15,898)		
BOLI and non-interest earning assets ⁽³⁾	187,902			99,059		
Total assets	\$ 3,882,154			\$ 2,027,690		
Interest-bearing liabilities:						
Savings	\$ 978,695	4,942	1.02%	\$ 401,258	861	0.43%
Interest-bearing checking	626,919	3,515	1.13%	195,158	718	0.74%
Money market	559,769	1,275	0.46%	334,061	1,496	0.90%
Certificates of deposit	559,609	2,074	0.75%	593,096	2,227	0.76%
FHLB advances	242,928	199	0.17%	50,044	121	0.49%
Long-term debt and other interest-bearing liabilities	92,189	3,645	7.97%	85,075	3,502	8.30%
Total interest-bearing liabilities	3,060,109	15,650	1.03%	1,658,692	8,925	1.09%
Noninterest-bearing deposits	422,181			150,684		
Non-interest-bearing liabilities	42,353			20,393		
Total liabilities	3,524,643			1,829,769		
Total shareholders equity	357,511			197,921		
Total liabilities and shareholders equity	\$ 3,882,154			\$ 2,027,690		
Net interest income/spread		\$ 70,760	3.66%		\$ 36,984	3.67%
Net interest margin ⁽⁴⁾			3.84%			3.84%
Ratio of interest-earning assets to interest-bearing liabilities	121.38%			117.23%		

(1) Gross loans and leases are net of deferred fees, related direct cost and discounts, but exclude the allowance for loan and lease losses. Non-accrual loans and leases are included in the average balance. Loan fees of \$155 thousand and \$473 thousand and accretion of discount on purchased loans of \$19.3 million and \$8.0 million for the six months ended June 30, 2014 and 2013, respectively, are included in the interest income.

(2) Includes average balance of FHLB stock at cost and average time deposits with other financial institutions

(3) Includes average balance of bank-owned life insurance of \$18.9 million and \$18.7 million for the six months ended June 30, 2014 and 2013, respectively

(4) Annualized net interest income divided by average interest-earning assets

Table of Contents**Rate/Volume Analysis**

The following table presents the changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. Information is provided on changes attributable to (1) changes in volume multiplied by the prior rate, and (2) changes in rate multiplied by the prior volume. Changes attributable to both rate and volume which cannot be segregated have been allocated proportionately to the change due to volume and the change due to rate.

	Three Months Ended June 30, 2014 vs. 2013			Six Months Ended June 30, 2014 vs. 2013		
	Increase (Decrease) Due to		Net Increase (Decrease)	Increase (Decrease) Due to		Net Increase (Decrease)
	Volume	Rate		Volume	Rate	
<i>(In thousands)</i>						
Interest-earning assets:						
Gross loans and leases	\$ 20,855	\$ (4,931)	\$ 15,924	\$ 44,254	\$ (5,337)	\$ 38,917
Securities	309	315	624	546	504	1,050
Other interest-earning assets	(146)	491	345	(180)	714	534
Total interest-earning assets	21,018	(4,125)	16,893	44,620	(4,119)	40,501
Interest-bearing liabilities:						
Savings	604	1,285	1,889	2,103	1,978	4,081
Interest-bearing checking	1,055	258	1,313	2,262	535	2,797
Money market	484	(985)	(501)	723	(944)	(221)
Certificates of deposit	50	17	67	(124)	(29)	(153)
FHLB advances	101	(60)	41	203	(125)	78
Long-term debt and other interest-bearing liabilities	182	(48)	134	285	(142)	143
Total interest-bearing liabilities	2,476	467	2,943	5,452	1,273	6,725
Net interest income	\$ 18,542	\$ (4,592)	\$ 13,950	\$ 39,168	\$ (5,392)	\$ 33,776

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

Net interest income was \$35.6 million for the three months ended June 30, 2014, an increase of \$14.0 million, or 64.5 percent, from \$21.6 million for the three months ended June 30, 2013. The growth in net interest income from prior periods was largely due to higher interest income from loans partially offset by higher interest expense on deposits.

Interest income on total loans and leases was \$42.1 million for the three months ended June 30, 2014, an increase of \$15.9 million, or 60.9 percent, from \$26.2 million for the three months ended June 30, 2013. The increase in loan interest income was driven by a \$1.71 billion increase in total average gross loans and leases as a result of acquired loans from the PBOC acquisition of \$385.3 million, purchases of a seasoned SFR mortgage loan pool of \$477.3 million, and increases in residential mortgage loans held for sale.

Interest income on securities was \$993 thousand for the three months ended June 30, 2014, an increase of \$624 thousand, or 169.1 percent, from \$369 thousand for the three months ended June 30, 2013. The increases were mainly due to acquired securities from the PBOC acquisition of \$219.3 million and purchases of \$130.2 million during the three months ended June 30, 2014 to reduce excess liquidity from the common stock and tangible equity units offerings during that period.

Interest expense on interest-bearing deposits was \$6.1 million for the three months ended June 30, 2014, an increase of \$2.8 million, or 83.8 percent, from \$3.3 million for the three months ended June 30, 2013. The increase in average balance was mainly due to acquired interest-bearing deposits from the PBOC acquisition of \$325.8 million and deposits generated through strategic plans aiming to increase core deposits by launching interest-bearing core deposit products with enhanced features to attract high net worth depositors, partially offset by \$464.3 million of deposits sold to AWB. The increase in average cost was due to the higher interest rates on those deposits generated through strategic plans.

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Interest expense on FHLB advances was \$99 thousand for the three months ended June 30, 2014, an increase of \$41 thousand, or 70.7 percent, from \$58 thousand for the three months ended June 30, 2013. The increase was due mainly to an increase of \$181.3 million in average balance, partially offset by a decrease in average rate resulting from the replacement of matured long-term advances with short-term advances.

Interest expense on long-term debt and other interest-bearing was \$1.9 million for the three months ended June 30, 2014, an increase of \$134 thousand, or 7.6 percent, from \$1.8 million for the three months ended June 30, 2013. The increase was due mainly to the utilization of federal funds sold and repurchase agreements and additional interest expense incurred on the Amortizing Notes issued as part of the tangible equity units.

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Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Net interest income was \$70.8 million for the six months ended June 30, 2014, an increase of \$33.8 million, or 91.3 percent, from \$37.0 million for the six months ended June 30, 2013. The growth in net interest income from prior periods was largely due to higher interest income from loans partially offset by higher interest expense on deposits.

Interest income on total loans and leases was \$83.6 million for the six months ended June 30, 2014, an increase of \$38.9 million, or 87.1 percent, from \$44.7 million for the six months ended June 30, 2013. The increase in loan interest income was driven by a \$1.79 billion increase in total average gross loans and leases as a result of acquired loans from the PBOC acquisition of \$385.3 million, purchases of the seasoned SFR mortgage loan pools of \$477.3 million, and increases in residential mortgage loans held for sale.

Interest income on securities was \$1.9 million for the six months ended June 30, 2014, an increase of \$1.1 million, or 121.1 percent, from \$867 thousand for the six months ended June 30, 2013. The increases were mainly due to acquired securities from the PBOC acquisition of \$219.3 million and purchases of \$153.9 million, partially offset by sales, calls, pay offs, and pay-downs of \$247.8 million.

Interest expense on interest-bearing deposits was \$11.8 million for the six months ended June 30, 2014, an increase of \$6.5 million, or 122.7 percent, from \$5.3 million for the six months ended June 30, 2013. The increase in average balance was mainly due to acquired interest-bearing deposits from the PBOC acquisition of \$325.8 million and deposits generated through strategic plans aiming to increase core deposits by launching interest-bearing core deposit products with enhanced features to attract high net worth depositors, partially offset by \$464.3 million of deposits sold to AWB. The increase in average cost was due to the higher interest rates on those deposits generated through strategic plans.

Interest expense on FHLB advances was \$199 thousand for the six months ended June 30, 2014, an increase of \$78 thousand, or 64.5 percent, from \$121 thousand for the six months ended June 30, 2013. The increase was due mainly to an increase of \$192.9 million in average balance, partially offset by a decrease in average rate resulting from the replacement of matured long-term advances with short-term advances.

Interest expense on long-term debt and other interest-bearing was \$3.6 million for the six months ended June 30, 2014, an increase of \$143 thousand, or 4.1 percent, from \$3.5 million for the six months ended June 30, 2013. The increase was due mainly to the utilization of federal funds sold and repurchase agreements and additional interest expense incurred on the Amortizing Debt from tangible equity units.

Provision for Loan and Lease Losses

Provisions for loan and lease losses are charged to operations at a level required to reflect probable incurred credit losses in the loan and lease portfolio. The Company provided \$2.1 million and \$1.9 million, respectively, for the three months ended June 30, 2014 and 2013, and \$4.0 million and \$4.1 million, respectively, for the six months ended June 30, 2014 and 2013, to its provision for loan and lease losses.

On a quarterly basis, the Company evaluates the PCI loans and the loan pools for potential impairment. The Company provided \$125 thousand and \$559 thousand, respectively, for the three months ended June 30, 2014 and 2013, and \$125 thousand and \$998 thousand, respectively, for the six months ended June 30, 2014 and 2013, to the provision for loan losses for the PCI loans. The provision for losses on PCI loans is the result of changes in expected cash flows, both amount and timing, due to loan payments and the Company's revised loss forecasts. The revisions of the loss forecasts were based on the results of management's review of the credit quality of the outstanding loans/loan pools and the analysis of the loan performance data since the acquisition of these loans. The Company will continue updating cash flow projections on PCI loans on a quarterly basis. Due to the uncertainty in the future performance of the PCI loans, additional impairments may be recognized in the future.

See further discussion in Item 2. Management's Discussion and Analysis - Allowance for Loan and Lease Losses.

Table of Contents**Noninterest Income**

The following table presents the breakdown of non-interest income for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In thousands)			
Customer service fees	\$ 356	\$ 509	\$ 609	\$ 1,055
Loan servicing income	774	458	2,027	646
Income from bank owned life insurance	56	50	103	88
Net gain on sale of securities available for sale	15	1	522	309
Net gain on sale of loans	3,038	3,724	5,641	4,036
Net gain on mortgage banking activities	26,133	20,261	43,457	36,631
Other income	5,000	1,069	8,291	1,235
Total noninterest income	\$ 35,372	\$ 26,072	\$ 60,650	\$ 44,000

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

Noninterest income was \$35.4 million for the three months ended June 30, 2014, an increase of \$9.3 million, or 35.7 percent, from \$26.1 million for the three months ended June 30, 2013. The increase in noninterest income relates predominantly to increases in net gain on mortgage banking activities, other income, and loan servicing income, partially offset by less net gain on sale of loans.

Customer service fees were \$356 thousand for the three months ended June 30, 2014, a decrease of \$153 thousand, or 30.1 percent, from \$509 thousand for the three months ended June 30, 2013. The decrease was due mainly to the reduction in the number of customer deposit accounts as a result of the AWB branch sale in the fourth quarter of 2013.

Loan servicing income was \$774 thousand for the three months ended June 30, 2014, an increase of \$316 thousand, or 69.0 percent, from \$458 thousand for the three months ended June 30, 2013. The increase was due mainly to larger servicing unpaid principal balances as well as a sale of mortgage servicing rights during the three months ended June 30, 2014.

Net gain on the sale of loans was \$3.0 million for the three months ended June 30, 2014, a decrease of \$686 thousand, or 18.4 percent, from \$3.7 million for the three months ended June 30, 2013. The decrease was due to a large loan sale of seasoned SFR mortgage loan pools with a \$3.4 million gain during the three months ended June 30, 2013, partially offset by larger sales of jumbo mortgages during the three months ended June 30, 2014. During the three months ended June 30, 2014 and 2013, the Company sold \$223.7 million and \$24.4 million, respectively, of jumbo mortgages and recognized gains on sale of \$2.1 million and \$222 thousand, respectively.

During the three months ended June 30, 2014, the Bank originated \$715.1 million and sold \$651.0 million of conforming single family residential mortgage loans in the secondary market. The net gain and margin were \$23.2 million and 3.25 percent, respectively, and loan origination fees were \$2.9 million for the three months ended June 30, 2014. Included in the net gain is the initial capitalized value of our MSRs, which totaled \$5.9 million on loans sold to Fannie Mae, Freddie Mac and Ginnie Mae for the three ended June 30, 2014. During the three months ended June 30, 2013, the Bank originated \$534.8 million and sold \$397.4 million of conforming single family residential mortgage loans in the secondary market. The net gain and margin were \$17.5 million and 3.27 percent, respectively, and loan origination fees were \$2.8 million for the three months ended June 30, 2013. Included in the net gain is the initial capitalized value of our MSRs, which totaled \$1.8 million on loans sold to Fannie Mae and Freddie Mac for the three and six months ended June 30, 2013.

Other income was \$5.0 million for the three months ended June 30, 2014, an increase of \$3.9 million, or 367.7 percent, from \$1.1 million for the three months ended June 30, 2013. The increase is mainly due to additional broker fee income generated from non-bank subsidiaries that were acquired in the second half of 2013.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Noninterest income was \$60.7 million for the six months ended June 30, 2014, an increase of \$16.7 million, or 37.8 percent, from \$44.0 million for the six months ended June 30, 2013. The increase in noninterest income relates predominantly to increases in net gain on mortgage banking

activities, other income, net gain on sale of loans, and loan servicing income, partially offset by less customer service fees.

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Customer service fees were \$609 thousand for the six months ended June 30, 2014, a decrease of \$446 thousand, or 42.3 percent, from \$1.1 million for the six months ended June 30, 2013. The decrease was due mainly to the reduction in the number of customer deposit accounts as a result of the AWB branch sale in the fourth quarter of 2013.

Loan servicing income was \$2.0 million for the six months ended June 30, 2014, an increase of \$1.4 million, or 213.8 percent, from \$646 thousand for the six months ended June 30, 2013. The increase was due mainly to an increase in the valuation of the Company's MSR as a result of the pending sale of a portion of the Company's servicing portfolio.

Net gain on sales of securities available for sale was \$522 thousand for the six months ended June 30, 2014, an increase of \$213 thousand, or 68.9 percent, from \$309 thousand for the six months ended June 30, 2013. During the six months ended June 30, 2014, the Company sold a portion of its securities, which led to higher realized gains during the quarter.

Net gain on the sale of loans was \$5.6 million for the six months ended June 30, 2014, an increase of \$1.6 million, or 39.8 percent, from \$4.0 million for the six months ended June 30, 2013. The increase was due to larger sales of jumbo mortgages during the six months ended June 30, 2014, partially offset by a large sale of seasoned SFR mortgage loan pools with a \$3.4 million gain during the six months ended June 30, 2013. During the six months ended June 30, 2014 and 2013, the Company sold \$320.4 million and \$43.8 million, respectively, of jumbo mortgages and recognized gains on sale of \$3.0 million and \$396 thousand, respectively.

During the six months ended June 30, 2014, the Bank originated \$1.23 billion and sold \$1.18 billion of conforming single family residential mortgage loans in the secondary market. The net gain and margin were \$38.4 million and 3.13 percent, respectively, and loan origination fees were \$5.1 million for the six months ended June 30, 2014. Included in the net gain is the initial capitalized value of our MSRs, which totaled \$10.7 million on loans sold to Fannie Mae, Freddie Mac and Ginnie Mae for the six months ended June 30, 2014. During the six months ended June 30, 2013, the Bank originated \$867.6 million and sold \$729.0 million of conforming single family residential mortgage loans in the secondary market. The net gain and margin were \$32.1 million and 3.70 percent, respectively, and loan origination fees were \$4.6 million for the six months ended June 30, 2014. Included in the net gain is the initial capitalized value of our MSRs, which totaled \$2.6 million, on loans sold to Fannie Mae and Freddie Mac for the six months ended June 30, 2013.

Other income was \$8.3 million for the six months ended June 30, 2014, an increase of \$7.1 million, or 571.3 percent, from \$1.2 million for the six months ended June 30, 2013. The increase is mainly due to additional broker fee income generated from non-bank subsidiaries that were acquired in the second half of 2013.

Noninterest Expense

The following table presents the breakdown of non-interest expense for the periods indicated:

	Three Months Ended June 30, Six Months Ended June 30,			
	2014	2013	2014	2013
	<i>(In thousands)</i>			
Salaries and employee benefits, excluding commissions	\$ 29,784	\$ 18,971	\$ 57,634	\$ 34,278
Commissions for mortgage banking activities	9,346	6,340	16,177	10,113
Salaries and employee benefits	39,130	25,311	73,811	44,391
Occupancy and equipment	7,425	3,630	15,962	6,823
Professional fees	3,528	2,947	7,393	5,244
Data processing	1,270	1,365	2,061	2,275
Advertising	710	890	1,785	1,412
Regulatory assessments	1,046	211	1,987	592
Loan servicing and foreclosure expense	175	148	350	352
Operating loss on equity investment	161	131	335	290
Valuation allowance for other real estate owned				79
Net (gain) loss on sales of other real estate owned		(37)		(151)
Provision for loan repurchases	330	732	901	988
Amortization of intangible assets	944	367	1,883	734
All other expense	5,746	3,899	11,765	6,123

Total noninterest expense	\$ 60,465	\$ 39,594	\$ 118,233	\$ 69,152
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Noninterest expense was \$60.5 million for the three months ended June 30, 2014, an increase of \$20.9 million, or 52.7 percent, from \$39.6 million for the three months ended June 30, 2013. The increase in noninterest expense relates predominantly to the bank and non-bank acquisitions by the Company along with growth related to the mortgage banking strategy.

Total salaries and employee benefits including commissions was \$39.1 million for the three months ended June 30, 2014, an increase of \$13.8 million, or 54.6 percent, from \$25.3 million for the three months ended June 30, 2013. The increase was due mainly to additional compensation expense related to an increase in the number of full-time employees resulting from the recent acquisitions, as well as expansion in mortgage banking activities, primarily at Banc Home Loans. Commission expense, which is a loan origination variable expense, related to mortgage banking activities, totaled \$9.3 million and \$6.3 million for the three months ended June 30, 2014 and 2013, respectively. Total originations of single family residential mortgage loans for the three months ended June 30, 2014 and 2013 totaled \$715.1 million and \$534.8 million, respectively.

Occupancy and equipment expenses was \$7.4 million for the three months ended June 30, 2014, an increase of \$3.8 million, or 104.5 percent, from \$3.6 million for the three months ended June 30, 2013. The increase was due mainly to increased building and maintenance costs associated with new branch locations from the PBOC acquisition, additional facilities costs associated with the TPG and CS acquisitions, and new mortgage banking loan production offices.

Professional fees was \$3.5 million for the three months ended June 30, 2014, an increase of \$581 thousand, or 19.7 percent, from \$2.9 million for the three months ended June 30, 2013. The increases were mainly due to higher accounting, legal and consulting costs associated with the Company's recent acquisitions and growth.

Advertising costs was \$710 thousand for the three months ended June 30, 2014, a decrease of \$180 thousand, or 20.2 percent, from \$890 thousand for the three months ended June 30, 2013. The increases were mainly due to the overall expansion of the Company's business footprint.

Regulatory assessment was \$1.0 million for the three months ended June 30, 2014, an increase of \$835 thousand, or 395.7 percent, from \$211 thousand for the three months ended June 30, 2013. The increase was due to year-over-year balance sheet growth.

Provision for loan repurchases was \$330 thousand and \$732 thousand for the three months ended June 30, 2014 and 2013, respectively. Additionally, the Company provided initial provision for loan repurchases of \$638 thousand against net gain on mortgage banking activities during the three months ended June 30, 2014. The increase was mainly due to increased volume of mortgage loan originations at the Bank.

Amortization of intangible was \$944 thousand for the three months ended June 30, 2014, an increase of \$577 thousand, or 157.2 percent, from \$367 thousand for the three months ended June 30, 2013. The increase was due to the amortization of PBOC core deposit intangibles that were acquired in the third quarter of last year.

Other expenses was \$5.7 million for the three months ended June 30, 2014, an increase of \$1.8 million, or 47.4 percent, from \$3.9 million for the three months ended June 30, 2013. The increase was mainly due to costs associated with the growth in mortgage banking activity and an increase in loan sub-servicing expenses due to the increase in loan portfolio.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Noninterest expense was \$118.2 million for the six months ended June 30, 2014, an increase of \$49.1 million, or 71.0 percent, from \$69.2 million for the six months ended June 30, 2013. The increase in noninterest expense relates predominantly to the bank and non-bank acquisitions by the Company along with growth related to the mortgage banking strategy.

Total salaries and employee benefits including commissions was \$73.8 million for the six months ended June 30, 2014, an increase of \$29.4 million, or 66.3 percent, from \$44.4 million for the six months ended June 30, 2013. The increase was due mainly to additional compensation expense related to an increase in the number of full-time employees resulting from the recent acquisitions, as well as expansion in mortgage banking activities, primarily at Banc Home Loans. Commission expense, which is a loan origination variable expense related to mortgage banking activities, totaled \$16.2 million and \$10.1 million for the six months ended June 30, 2014 and 2013, respectively. Total originations of single family residential mortgage loans for the six months ended June 30, 2014 and 2013 were \$1.23 billion and \$867.6 million, respectively.

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Occupancy and equipment expenses were \$16.0 million for the six months ended June 30, 2014, an increase of \$9.1 million, or 133.9 percent, from \$6.8 million for the six months ended June 30, 2013. The increase was due mainly to increased building and maintenance costs associated with new branch locations from the PBOC acquisition, additional facilities costs associated with the TPG and CS Financial acquisitions, and new mortgage banking loan production offices.

Professional fees were \$7.4 million for the six months ended June 30, 2014, an increase of \$2.1 million, or 41.0 percent, from \$5.2 million for the six months ended June 30, 2013. The increases were mainly due to higher accounting, legal and consulting costs associated with the Company's recent acquisitions and growth.

Advertising costs were \$1.8 million for the six months ended June 30, 2014, an increase of \$373 thousand, or 26.4 percent, from \$1.4 million for the six months ended June 30, 2013. The increases were mainly due to the overall expansion of the Company's business footprint.

Regulatory assessment was \$2.0 million for the six months ended June 30, 2014, an increase of \$1.4 million, or 235.6 percent, from \$592 thousand for the six months ended June 30, 2013. The increase was due to year-over-year balance sheet growth.

Provision for loan repurchases was \$901 thousand and \$988 thousand for the six months ended June 30, 2014 and 2013, respectively. Additionally, the Company provided initial provision for loan repurchases of \$638 thousand against net gain on mortgage banking activities during the six months ended June 30, 2014. The increase was mainly due to increased volume of mortgage loan originations at the Bank.

Amortization of intangible was \$1.9 million for the six months ended June 30, 2014, an increase of \$1.1 million, or 156.5 percent, from \$734 thousand for the six months ended June 30, 2013. The increase was due to the amortization of PBOC core deposit intangibles that were acquired in the third quarter of last year.

Other expenses were \$11.8 million for the six months ended June 30, 2014, an increase of \$5.6 million, or 92.1 percent, from \$6.1 million for the six months ended June 30, 2013. The increase was mainly due to costs associated with the growth in mortgage banking activity and an increase in loan sub-servicing expenses due to the increase in loan portfolio.

Income Tax Expense

For the three months ended June 30, 2014 and 2013, income tax expense was \$253 thousand and \$1.8 million, respectively, and the effective tax rate was 3.0 percent and 29.5 percent, respectively. For the six months ended June 30, 2014 and 2013, income tax expense was \$262 thousand and \$2.5 million, respectively, and the effective tax rate was 2.9 percent and 31.7 percent, respectively. The Company's effective tax rate decreased due to the release of a portion of the valuation allowance established in 2013. Due to the inability to reliably estimate the income for the year, the Company has used the year to date effective tax rate as the best estimate of the annual effective tax rate, under ASC 740-270-30.

The Company accounts for income taxes by recognizing deferred tax assets and liabilities based upon temporary differences between the amounts for financial reporting purposes and tax basis of its assets and liabilities. A valuation allowance is established when necessary to reduce deferred tax assets when it is more-likely-than-not that a portion or all of the net deferred tax assets 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, applicable tax planning strategies, and assessments of current and future economic and business conditions. This analysis is updated quarterly and adjusted as necessary. As of June 30, 2014, the Company had a net deferred tax asset of \$2.5 million, net of a \$13.0 million valuation allowance and as of December 31, 2013, the Company had a net deferred tax asset of \$0, net of a \$17.3 million valuation allowance.

The Company adopted the provisions of ASC 740-10-25 (formally FIN 48), which relates to the accounting for uncertainty in income taxes recognized in an enterprise's financial statements on January 1, 2007. ASC 740-10-25 prescribes a threshold and a measurement process for recognizing in the financial statements a tax position taken or expected to be taken in a tax return and also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company had unrecognized tax benefits of \$2.2 million at June 30, 2014 and December 31, 2013. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next twelve months. As of June 30, 2014, the total unrecognized tax benefit that, if recognized, would impact the effective tax rate is \$102 thousand. In the event we are assessed interest and/or penalties by federal or state tax authorities, such amounts will be classified in the consolidated financial statements as income tax expense. At June 30, 2014 and December 31, 2013, the Company had \$10 thousand accrued interest or penalties.

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The Company and its subsidiaries are subject to U.S. Federal income tax as well as income tax of multiple state jurisdictions. The Company is no longer subject to examination by U.S. Federal taxing authorities for years before 2010 (except for Gateway Bancorp's pre-acquisition federal tax return, which is currently under exam by the Internal Revenue Service for the 2008 and 2009 tax years). The Company is currently under examination by the Internal Revenue Service for the years ended December 31, 2010 and December 31, 2011. The statute of limitations for the assessment of California Franchise taxes has expired for tax years before 2009 (other state income and franchise tax statutes of limitations vary by state).

FINANCIAL CONDITION

Total assets increased by \$758.5 million, or 20.9 percent, to \$4.39 billion at June 30, 2014, compared to \$3.63 billion at December 31, 2013. The increase in total assets was due primarily to a \$379.0 million increase in loans held for sale, a \$147.9 million increase in cash and cash equivalents, a \$63.0 million increase in securities available for sale and a \$152.3 million increase in loans and lease receivable, net of allowance.

Investment Securities

The primary goal of our investment securities portfolio is to provide a relatively stable source of income while maintaining an appropriate level of liquidity. Investment securities provide a source of liquidity as collateral for repurchase agreements and for certain public funds deposits. Investment securities classified as available-for-sale are carried at their estimated fair values with the changes in fair values recorded in accumulated other comprehensive income, as a component of shareholders' equity. All investment securities have been classified as available-for-sale securities as of June 30, 2014 and December 31, 2013.

Total investment securities available-for-sale increased by \$63.0 million, or 37.0 percent, to \$233.0 million at June 30, 2014, compared to \$170.0 million at December 31, 2013, due to purchases of \$131.4 million, partially offset by sales of \$51.7 million, principal payments of \$16.8 million, and calls and pay-offs of \$1.1 million. Investment securities had a net unrealized gain of \$113 thousand at June 30, 2014, compared to a net unrealized loss of \$1.5 million at December 31, 2013.

The following table presents the amortized cost and fair value of the available-for-sale investment securities portfolio and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) as of the dates indicated:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	<i>(In thousands)</i>			
June 30, 2014:				
Available for sale				
SBA loan pools securities	\$ 1,749	\$ 6	\$	\$ 1,755
U.S. government-sponsored entities and agency securities	1,934	36		1,970
Private label residential mortgage-backed securities	4,114	13	(18)	4,109
Agency mortgage-backed securities	225,103	879	(803)	225,179
Total securities available for sale	\$ 232,900	\$ 934	\$ (821)	\$ 233,013
December 31, 2013:				
Available for sale				
SBA loan pools securities	\$ 1,794	\$	\$ (58)	\$ 1,736
U.S. government-sponsored entities and agency securities	1,928		(8)	1,920
Private label residential mortgage-backed securities	14,653	135	(36)	14,752
Agency mortgage-backed securities	153,134	299	(1,819)	151,614
Total securities available for sale	\$ 171,509	\$ 434	\$ (1,921)	\$ 170,022

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The following table presents the amortized cost and fair value of the available-for-sale securities portfolio by expected maturity. In the case of residential mortgage-backed securities and SBA loan pool securities, expected maturities may differ from contractual maturities because borrowers generally have the right to call or prepay obligations with or without call or prepayment penalties. For that reason, mortgage-backed securities and SBA loan pool securities are not included in the maturity categories.

	June 30, 2014	
	Amortized	Fair Value
	Cost	(In thousands)
Maturity:		
Available for sale		
Within one year	\$	\$
One to five years		
Five to ten years	1,934	1,970
Greater than ten years		
SBA loan pools, private label residential mortgage backed and agency mortgage-backed securities	230,966	231,043
Total	\$ 232,900	\$ 233,013

At June 30, 2014 and December 31, 2013, there were no holdings of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10 percent of shareholders' equity.

The following table presents proceeds from sales and calls of securities and the associated gross gains and losses realized through earnings upon the sale of available for sale securities for the periods indicated:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
	<i>(In thousands)</i>			
Gross realized gains on sales of securities available for sale	\$ 15	\$ 1	\$ 560	\$ 309
Gross realized losses on sales of securities available for sale			(38)	
Net realized gains on sales of securities available for sale	\$ 15	\$ 1	\$ 522	\$ 309
Proceeds from sales of securities available for sale	\$ 1,272	\$ 475	\$ 52,245	\$ 8,539
Tax expense on sales of securities available for sale	\$	\$	\$	\$

Securities available for sale with carrying values of \$7.5 million and \$63.0 million as of June 30, 2014 and December 31, 2013, respectively, were pledged to secure FHLB advances, public deposits and for other purposes as required or permitted by law.

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The following table summarizes the investment securities with unrealized losses at June 30, 2014 and December 31, 2013, respectively, by security type and length of time in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	<i>(In thousands)</i>					
June 30, 2014:						
Available for sale						
SBA loan pools securities	\$	\$	\$	\$	\$	\$
U.S. government-sponsored entities and agency securities						
Private label residential mortgage-backed securities	556	(12)	1,688	(6)	2,244	(18)
Agency mortgage-backed securities	77,343	(486)	17,919	(317)	95,262	(803)
Total securities available for sale	\$ 77,899	\$ (498)	\$ 19,607	\$ (323)	\$ 97,506	\$ (821)
December 31, 2013:						
Available for sale						
SBA loan pools securities	\$ 1,736	\$ (58)	\$	\$	\$ 1,736	\$ (58)
U.S. government-sponsored entities and agency securities	1,920	(8)			1,920	(8)
Private label residential mortgage-backed securities	2,064	(11)	3,913	(25)	5,977	(36)
Agency mortgage-backed securities	114,104	(1,790)	1,821	(29)	115,925	(1,819)
Total securities available for sale	\$ 119,824	\$ (1,867)	\$ 5,734	\$ (54)	\$ 125,558	\$ (1,921)

The Company did not record other-than-temporary impairment (OTTI) for securities available for sale for the three and six months ended June 30, 2014 and 2013.

At June 30, 2014, the Company's securities available for sale portfolio consisted of 86 securities, 47 of which were in an unrealized loss position. The unrealized losses are related to an overall increase in interest rates and a decrease in prepayment speeds of the agency mortgage-backed securities.

The Company's private label residential mortgage-backed securities in unrealized loss positions had fair values of \$2.2 million with unrealized losses of \$18 thousand at June 30, 2014. The Company's agency residential mortgage-backed securities in unrealized loss positions had fair values of \$95.3 million with unrealized losses of \$803 thousand at June 30, 2014. The Company's private label residential mortgage-backed securities in unrealized loss positions had fair values of \$6.0 million with unrealized losses of \$36 thousand at December 31, 2013. The Company's agency residential mortgage-backed securities in unrealized loss positions had fair values of \$115.9 million with unrealized losses of \$1.8 million at December 31, 2013.

The Company monitors to ensure it has adequate credit support and as of June 30, the Company does not have the intent to sell these securities and it is not likely that it will be required to sell the securities before their anticipated recoveries. Of the Company's \$233.0 million securities portfolio, \$231.5 million were rated AAA, AA or A, and \$1.5 million were rated BBB based on the most recent credit rating from the rating agencies as of June 30, 2014. The Company considers the lowest credit rating for identification of potential OTTI.

Loans Held for Sale

Loans held for sale totaled \$1.10 billion at June 30, 2014 compared to \$716.7 million at December 31, 2013. The loans held for sale consisted of \$244.8 million and \$192.6 million carried at fair value, respectively, and \$851.0 million and \$524.1 million carried at lower of cost or fair value, respectively, at June 30, 2014 and December 31, 2013.

The loans carried at fair value represent conforming single family residential mortgage loans originated by the Bank that are sold into the secondary market on a whole loan basis. Some of these loans are expected to be sold to Fannie Mae, Freddie Mac and Ginnie Mae on a servicing retained basis. The servicing of these loans is performed by a third party sub-servicer. These loans increased by \$52.2 million to \$244.8 million

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at June 30, 2014 due mainly to originations of \$1.25 billion, partially offset by sales of \$1.21 billion.

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Loans held for sale carried at the lower of cost or fair value are mainly non-conforming jumbo mortgage loans that are originated to sell in pools, unlike the loans individually originated to sell into the secondary market on a whole loan basis. These loans increased by \$326.8 million to \$851.0 million at June 30, 2014, due mainly to originations of \$728.5 million, loans transferred from loans and leases held for investment of \$62.0 million, and partially offset by sales of \$332.0 million and other net amortizations and loans transferred back to loans and leases held for investment of \$94.8 million.

Loans and Leases Receivable

The following table presents the composition of the Company's loan and lease portfolio as of the dates indicated:

	June 30, 2014	December 31, 2013	Amount Change	Percentage Change
	<i>(In thousands)</i>			
Commercial:				
Commercial and industrial	\$ 368,540	\$ 287,771	\$ 80,769	28.1%
Commercial real estate	535,744	529,883	5,861	1.1%
Multi-family	234,179	141,580	92,599	65.4%
SBA	28,684	27,428	1,256	4.6%
Constructions	30,761	24,933	5,828	23.4%
Lease financing	57,754	31,949	25,805	80.8%
Consumer:				
Single family residential mortgage	1,078,827	1,138,836	(60,009)	-5.3%
Green Loans (HELOC) first liens	133,986	147,705	(13,719)	-9.3%
Green Loans (HELOC) second liens	4,962	5,289	(327)	-6.2%
Other consumer	128,776	110,737	18,039	16.3%
Gross loans and leases	2,602,213	2,446,111	156,102	6.4%
Allowance for loan and lease losses	(22,627)	(18,805)	(3,822)	20.3%
Loans and leases receivable, net	\$ 2,579,586	\$ 2,427,306	\$ 152,280	6.3%

Seasoned SFR Mortgage Loan Acquisitions

In 2014, the Company did not acquire any additional seasoned SFR mortgage loan pools.

During the year ended December 31, 2013, the Company completed five seasoned SFR mortgage loan pool acquisitions with unpaid principal balances and fair values of \$1.02 billion and \$849.9 million, respectively, at their respective acquisition dates. These loan pools had unpaid principal balance and fair values of \$731.8 million and \$644.8 million, respectively, at June 30, 2014. These loan pools generally consist of re-performing residential mortgage loans whose characteristics and payment history were consistent with borrowers that demonstrated a willingness and ability to remain in the residence pursuant to the current terms of the mortgage loan agreement. The Company was able to acquire these loans at a significant discount to both current property value at acquisition and note balance. The Company determined that certain loans in these seasoned SFR mortgage loan acquisitions reflect credit quality deterioration since origination and it was probable, at acquisition, that all contractually required payments would not be collected. The unpaid principal balances and fair values of these loans at the respective dates of acquisition were \$473.9 million and \$342.1 million, respectively. At June 30, 2014, the unpaid principal balance and carrying value of these loans were \$294.3 million and \$240.4 million, respectively.

For each acquisition the Company was able to utilize its background in mortgage credit analysis to re-underwrite the borrower's credit to arrive at what it believes to be an attractive risk adjusted return for a highly collateralized investment in performing mortgage loans. The acquisition program implemented and executed by the Company involved a multifaceted due diligence process that included compliance reviews, title analyses, review of modification agreements, updated property valuation assessments, collateral inventory and other undertakings related to the scope of due diligence. In aggregate, the purchase price of the loans was less than 61.1 percent of current property value at the time of acquisition based on a third party broker price opinion, and less than 83.1 percent of note balance at the time of acquisition. At the time of acquisition, approximately 86.3 percent of the mortgage loans by current principal balance (excluding any forbearance amounts) had the original terms modified at some point since origination by a prior owner or servicer. The mortgage loans had a current weighted average interest rate of

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4.03 percent, determined by current principal balance. The weighted average credit score of the borrowers comprising the mortgage loans at or near the time of acquisition determined by current principal balance and excluding those with no credit score on file was 655. The average property value determined by a broker price opinion obtained by third party licensed real estate professionals at or around the time of acquisition was \$292 thousand. Approximately 89.6 percent of the borrowers by current principal balance had made at least 12 monthly payments in the 12 months preceding the trade

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date (or, in some cases calculated as making 11 monthly payments in the 11 months preceding the trade date), and 94.0 percent had made nine monthly payments in the nine months preceding the trade date. The mortgage loans are secured by residences located in all 50 states and Washington DC, with California being the largest state concentration representing 37.4 percent of the note balance, and with no other state concentration exceeding 10.0 percent based upon the current note balance.

At June 30, 2014 and December 31, 2013, approximately 5.51 percent and 5.63 percent of unpaid principal balance of these loans were delinquent 60 or more days, respectively, and 1.48 percent and 1.37 percent were in bankruptcy or foreclosure, respectively. During the three months ended June 30, 2014, delinquencies on seasoned SFR loan pools decreased due to a sale of a small portion of these loans.

As part of the acquisition program, the Company may sell from time to time seasoned SFR mortgage loans that do not meet the Company's investment standards. The Company sold seasoned SFR mortgage loans with unpaid principal balances and carrying values of \$2.9 million and \$1.8 million, respectively, during the three months ended June 30, 2014 and \$47.1 million and \$33.0 million, respectively, during the six months ended June 30, 2014.

The following table presents the outstanding balance and carrying amount of PCI loans and leases as of dates indicated:

	June 30, 2014		December 31, 2013	
	Outstanding Balance	Carrying Amount	Outstanding Balance	Carrying Amount
	<i>(In thousands)</i>			
Commercial:				
Commercial and industrial	\$ 2,123	\$ 1,429	\$ 5,838	\$ 4,028
Commercial real estate	17,001	14,576	17,682	15,014
SBA	4,573	3,420	4,940	3,688
Consumer:				
Single family residential mortgage	364,305	284,083	414,341	314,820
Other consumer	1,931	1,549	2,134	1,736
Total	\$ 389,933	\$ 305,057	\$ 444,935	\$ 339,286

Seasoned SFR Mortgage Loan Acquisition Due Diligence

The acquisition program implemented and executed by the Company involved a multifaceted due diligence process that included compliance reviews, title analyses, review of modification agreements, updated property valuation assessments, collateral inventory and other undertakings related to the scope of due diligence. Prior to acquiring mortgage loans, the Company, its affiliates, sub-advisors or due diligence partners typically will review the loan portfolio and conduct certain due diligence on a loan by loan basis according to its proprietary diligence plan. This due diligence encompasses analyzing the title, subordinate liens and judgments as well as a comprehensive reconciliation of current property value. The Company, its affiliates, and its sub-advisors prepare a customized version of its diligence plan for each mortgage loan pool being reviewed that is designed to address certain identified pool specific risks. The diligence plan generally reviews several factors, including but not limited to, obtaining and reconciling property value, confirming chain of titles, reviewing assignments, confirming lien position, confirming regulatory compliance, updating borrower credit, certifying collateral, and reviewing servicing notes. In certain transactions, a portion of the diligence may be provided by the seller. In those instances, the Company reviews the mortgage loan portfolio to confirm the accuracy of the provided diligence information and supplements as appropriate.

As part of the confirmation of property values in the diligence process, the Company conducts independent due diligence on the individual properties and borrowers prior to the acquisition of the mortgage loans. In addition, market conditions, regional mortgage loan information and local trends in home values, coupled with market knowledge, are used by the Company in calculating the appropriate additional risk discount to compensate for potential property declines, foreclosures, defaults or other risks associated with the mortgage loan portfolio to be acquired. Typically, the Company may enter into one or more agreements with affiliates or third parties to perform certain of these due diligence tasks with respect to acquiring potential mortgage loans.

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The Company's non-traditional mortgage (NTM) portfolio is comprised of three interest only products: Green Account Loans (Green Loans), hybrid interest only fixed or adjustable rate mortgage (Interest Only) loans and a small number of additional loans with the potential for negative amortization. As of June 30, 2014 and December 31, 2013, the non-traditional mortgage loans totaled \$321.6 million, or 12.4 percent of the total gross loan portfolio, and \$309.6 million, or 12.7 percent of the total gross loan portfolio, respectively. Total NTM portfolio increased by \$12.0 million, or 3.9 percent during the period. The following table presents the composition of the NTM portfolio as of the dates indicated:

The following table presents the composition of the NTM portfolio as of the dates indicated:

	June 30, 2014			December 31, 2013		
	Count	Amount	Percent	Count	Amount	Percent
	(\$ in thousand)					
Green Loans (HELOC) first liens	156	\$ 133,986	41.7%	173	\$ 147,705	47.6%
Interest-only first liens	210	168,141	52.2%	244	139,867	45.2%
Negative amortization	33	14,368	4.5%	37	16,623	5.4%
Total NTM first liens	399	316,495	98.4%	454	304,195	98.2%
Green Loans (HELOC) second liens	20	4,962	1.5%	23	5,289	1.7%
Interest-only second liens	1	113	0.1%	1	113	0.1%
Total NTM second liens	21	5,075	1.6%	24	5,402	1.8%
Total NTM loans	420	\$ 321,570	100.0%	478	\$ 309,597	100.0%
Total gross loan portfolio		\$ 2,602,213			\$ 2,446,111	
% of NTM to total gross loan portfolio		12.4%			12.7%	

The initial credit guidelines for the non-traditional mortgage portfolio were established based on borrower Fair Isaac Company (FICO) score, loan-to-value (LTV), property type, occupancy type, loan amount, and geography. Additionally from an ongoing credit risk management perspective, the Company has determined that the most significant performance indicators for NTMs to be loan-to-value and FICO scores. On a semi-annual basis, the Company performs loan reviews of the NTM loan portfolio, which includes refreshing FICO scores on the Green Loans and HELOCs and ordering third party automated valuation models (AVM) to confirm collateral values.

LTV represents current unpaid principal balance divided by estimated property value. The following table presents the single family residential NTM first lien portfolio by LTV at the dates indicated:

	Green			Interest Only			Negative Amortization			Total		
	Count	Amount	Percent	Count	Amount	Percent	Count	Amount	Percent	Count	Amount	Percent
	(\$ in thousand)											
June 30, 2014:												
LTV's (1)												
< 61	83	\$ 80,922	60.4%	67	\$ 85,050	50.5%	15	\$ 7,459	51.9%	165	\$ 173,431	54.7%
61 - 80	46	35,886	26.8%	41	46,669	27.8%	10	4,152	28.9%	97	86,707	27.4%
81 - 100	22	12,725	9.5%	38	15,474	9.2%	7	2,356	16.4%	67	30,555	9.7%
> 100	5	4,453	3.3%	64	20,948	12.5%	1	401	2.8%	70	25,802	8.2%
Total	156	\$ 133,986	100.0%	210	\$ 168,141	100.0%	33	\$ 14,368	100.0%	399	\$ 316,495	100.0%

**December 31,
2013:**

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LTV s (1)												
< 61	90	\$ 78,807	53.3%	80	\$ 65,181	46.6%	13	\$ 4,930	29.7%	183	\$ 148,918	49.0%
61 - 80	38	33,604	22.8%	51	28,999	20.7%	13	7,643	45.9%	102	70,246	23.1%
81 - 100	26	14,917	10.1%	43	21,474	15.4%	8	3,277	19.7%	77	39,668	13.0%
> 100	19	20,377	13.8%	70	24,213	17.3%	3	773	4.7%	92	45,363	14.9%
Total	173	\$ 147,705	100.0%	244	\$ 139,867	100.0%	37	\$ 16,623	100.0%	454	\$ 304,195	100.0%

(1) LTV represents estimated current loan to value ratio, determined by dividing current unpaid principal balance by latest estimated property value received per the Company policy.

The decrease in Green Loans was due mainly to reductions in principal balance and payoffs and the increase in interest only was due to increased originations. During 2014, overall improvement on LTV of the Company's single family residential NTM first lien portfolio was due to the improvement in the real estate market and the economy in Southern California. The Company updates LTV on a semi-annual basis, typically in second and fourth quarter or as needed in conjunction with proactive portfolio management.

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Green Loans

Green Loans are single family residential first and second mortgage lines of credit with a linked checking account that allows all types of deposits and withdrawals to be performed. The loans are generally interest only with a 15 year balloon payment due at maturity. The Company initiated the Green Loan products in 2005 and proactively refined underwriting and credit management practices and credit guidelines in response to changing economic environments, competitive conditions and portfolio performance. The Company continues to manage credit risk, to the extent possible, throughout the borrower’s credit cycle. The Company discontinued the origination of Green Loan products in 2011.

At June 30, 2014, Green Loans totaled \$138.9 million, a decrease of \$14.0 million, or 9.2 percent from \$153.0 million at December 31, 2013, primarily due to reductions in principal balance and payoffs. As of June 30, 2014 and December 31, 2013, \$15.1 million and \$5.7 million, respectively, of the Company’s Green Loans were non-performing. As a result of their unique payment feature, Green Loans possess higher credit risk due to the potential of negative amortization; however, management believes the risk is mitigated through the Company’s loan terms and underwriting standards, including its policies on loan-to-value ratios and the Company’s contractual ability to curtail loans when the value of underlying collateral declines.

The Green Loans are similar to HELOCs in that they are collateralized primarily by the equity in single family mortgage loans. However, some Green Loans are subject to differences from HELOCs relating to certain characteristics including one-action laws. Similar to Green Loans, HELOCs allow the borrower to draw down on the credit line based on an established loan amount for a period of time, typically 10 years, requiring an interest only payment with an option to pay principal at any time. A typical HELOC provides that at the end of the term the borrower can continue to make monthly principal and interest payments based on loan balance until the maturity date. The Green Loan is an interest only loan with a maturity of 15 years at which time the loan comes due and payable with a balloon payment due at maturity. The unique payment structure also differs from a traditional HELOC in that payments are made through the direct linkage of a personal checking account to the loan through a nightly sweep of funds into the Green Loan Account. This reduces any outstanding balance on the loan by the total amount deposited into the checking account. As a result, every time a deposit is made, effectively a payment to the Green Loan is made. HELOCs typically do not cause the loan to be paid down by a borrower’s depositing of funds into their checking account at the same bank.

Credit guidelines for Green Loans were established based on borrower Fair Isaac Company (FICO) scores, property type, occupancy type, loan amount, and geography. Property types include single family residences and second trust deeds where the Company owned the first liens, owner occupied as well as non-owner occupied properties. The Company utilized its underwriting guidelines for first liens to underwrite the Green Loan secured by second trust deeds as if the combined loans were a single Green Loan. For all Green Loans, the loan income was underwritten using either full income documentation or alternative income documentation.

For single family properties the loan sizes ranged up to \$7.0 million. For two-to-four family properties, the loan sizes ranged up to \$7.5 million. As loan size increased, the maximum LTV decreased from 80 percent to 60 percent. Maximum LTVs were adjusted by 5-10 percent for specified property types such as condos. FICOs were based on the primary wage earners’ mid FICO score and the lower of two mid FICO scores for full and alternative documentation, respectively. 76 percent of the FICO scores exceeded 700 at the time of origination. Loans greater than \$1 million were subject to a second appraisal or third party appraisal review at origination.

The following table presents the Company’s non-traditional single family residential mortgage Green Loans first lien portfolio at June 30, 2014 by FICO scores that were obtained during the second quarter of 2014, comparing to the FICO scores for those same loans that were obtained during the fourth quarter of 2013:

	June 30, 2014			December 31, 2013			Change		
	Count	Amount	Percent	Count	Amount	Percent	Count	Amount	Percent
(\$ in thousand)									
FICO Score									
800+	21	\$ 13,057	9.7%	13	\$ 7,347	5.5%	8	\$ 5,710	4.2%
700-799	77	62,287	46.5%	90	70,337	52.5%	(13)	(8,050)	-6.0%
600-699	34	29,158	21.8%	34	31,772	23.7%		(2,614)	-1.9%
<600	10	12,953	9.7%	9	9,394	7.0%	1	3,559	2.7%
No FICO	14	16,531	12.3%	10	15,136	11.3%	4	1,395	1.0%
Totals	156	\$ 133,986	100.0%	156	\$ 133,986	100.0%		\$	0.0%

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The Company updates FICO scores on a semi-annual basis, typically in the second and fourth quarters or as needed in conjunction with proactive portfolio management. As such, the FICO scores did not materially change from December 31, 2013 to June 30, 2014, but the change during the quarter reflects loans that were paid off during the quarter.

Table of Contents*Interest Only Loans*

Interest only loans are primarily single family residential first mortgage loans with payment features that allow interest only payment in initial periods before converting to a fully amortizing loan. As of June 30, 2014, our interest only loans increased by \$28.3 million, or 20.2 percent, to \$168.3 million from \$140.0 million at December 31, 2013, primarily due to originations of \$68.5 million and transfers from loans held for sale of \$14.8 million, partially offset by transfers to loans held for sale of \$25.3 million and net amortization of \$29.8 million. As of June 30, 2014 and December 31, 2013, \$1.1 million and \$752 thousand of the interest only loans were non-performing, respectively.

Loans with the Potential for Negative Amortization

Negative amortization loans decreased by \$2.3 million, or 13.6 percent, to \$14.4 million as of June 30, 2014 from \$16.6 million as of December 31, 2013. The Company discontinued origination of negative amortization loans in 2007. As of June 30, 2014 and December 31, 2013, \$983 thousand and \$1.2 million of the loans that had the potential for negative amortization were non-performing, respectively. These loans pose a potentially higher credit risk because of the lack of principal amortization and potential for negative amortization; however, management believes the risk is mitigated through the loan terms and underwriting standards, including the Company's policies on loan-to-value ratios.

Non-Traditional Mortgage Loan Credit Risk Management

The Company performs detailed reviews of collateral values on loans collateralized by residential real property including its non-traditional mortgage portfolio based on appraisals or estimates from third party automated valuation models (AVMs) to analyze property value trends on a semi-annual basis or as needed. AVMs are used to identify loans that have experienced potential collateral deterioration. Once a loan has been identified that may have experienced collateral deterioration, the Company will obtain updated drive by or full appraisals in order to confirm the valuation. This information is used to update key monitoring metrics such as LTV. Additionally, FICO scores are obtained bi-annually in conjunction with the collateral analysis. In addition to LTV and FICO, the Company evaluates the portfolio on a specific loan basis through delinquency and portfolio charge-offs to determine whether any risk mitigation or portfolio management actions are warranted. The borrowers may be contacted as necessary to discuss material changes in loan performance or credit metrics.

The Company's risk management policy and credit monitoring includes reviewing delinquency, FICO scores, and collateral values on the non-traditional mortgage loan portfolio. We also continuously monitor market conditions for our geographic lending areas. The Company has determined that the most significant performance indicators for non-traditional mortgages to be LTV and FICO scores. The loan review provides an effective method of identifying borrowers who may be experiencing financial difficulty before they fail to make a loan payment. Upon receipt of the updated FICO scores, an exception report is run to identify loans with a decrease in FICO of 10 percent or more and a resulting FICO of 620 or less. The loans are then further analyzed to determine if the risk rating should be downgraded that will increase the ALLL the Company will establish for potential losses. A report of the semi-annual loan reviews is published and regularly monitored.

On the interest only loans, the Company projects future payment changes to determine if there will be an increase in payment of 3.50 percent or greater and then monitor the loans for possible delinquencies. The individual loans are monitored for possible downgrading of risk rating, and trends within the portfolio are identified that could affect other interest only loans scheduled for payment changes in the near future.

As these loans are revolving lines of credit, the Company, based on the loan agreement and loan covenants of the particular loan, as well as applicable rules and regulations, could suspend the borrowing privileges or reduce the credit limit at any time the Company reasonably believes that the borrower will be unable to fulfill their repayment obligations under the agreement or certain other conditions are met. In many cases, the decrease in FICO is the first red flag that the borrower may have difficulty in making their future payment obligations.

As a result, the Company proactively manages the portfolio by performing detailed analysis on its portfolio with emphasis on the non-traditional mortgage portfolio. The Company's Internal Asset Review Committee (IARC) conducts monthly meetings to review the loans classified as special mention, substandard, or doubtful and determines whether suspension or reduction in credit limit is warranted. If the line has been suspended and the borrower would like to have their credit privileges reinstated, they would need to provide updated financials showing their ability to meet their payment obligations. From the most recent bi-annual review completed in the first quarter of 2014, the Company did not freeze or reduce any additional commitments.

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Consumer and non-traditional mortgage loans may entail greater risk than do traditional single family residential mortgage loans, particularly in the case of consumer loans that are secured by rapidly depreciable assets, such as automobiles and recreational vehicles. In these cases, any repossessed collateral for a consumer and non-traditional mortgage loan are more dependent on the borrower's continued financial stability and, thus, are more likely to be adversely affected by job loss, divorce, illness, or personal bankruptcy.

Non-Performing Assets

The following table presents a summary of total non-performing assets as of the dates indicated:

	June 30, 2014	December 31, 2013	Amount Change	Percentage Change
	<i>(In thousands)</i>			
Loans past due 90 days or more still on accrual	\$	\$	\$	NM
Nonaccrual loans	41,611	31,648	9,963	31.5%
Total non-performing loans	41,611	31,648	9,963	31.5%
Other real estate owned	605		605	NM
Total non-performing assets	\$ 42,216	\$ 31,648	\$ 10,568	33.4%
Performing restructured loans	\$ 4,853	\$ 4,881	\$ (28)	-0.6%
Total non-performing loans to gross loans and leases	1.60%	1.29%		
Total non-performing assets to total assets	0.96%	0.87%		
Allowance for loan and lease losses to non-performing loans	54.38%	59.42%		

Loans are generally placed on non-accrual status when they become 90 days past due, unless management believes the loan is adequately collateralized and in the process of collection. Past due loans may or may not be adequately collateralized, but collection efforts are continuously pursued. Loans may be restructured by management when a borrower experiences changes to their financial condition, causing an inability to meet the original repayment terms, and where we believe the borrower will eventually overcome those circumstances and repay the loan in full.

Additional income of approximately \$214 thousand and \$364 thousand would have been recorded during the three and six months ended June 30, 2014, respectively, had these loans been paid in accordance with their original terms throughout the periods indicated.

Troubled Debt Restructurings

Troubled Debt Restructurings (TDRs) of loans are defined by ASC 310-40, Troubled Debt Restructurings by Creditors and ASC 470-60, Troubled Debt Restructurings by Debtors and evaluated for impairment in accordance with ASC 310-10-35. The concessions may be granted in various forms, including reduction in the stated interest rate, reduction in the amount of principal amortization, forgiveness of a portion of a loan balance or accrued interest, or extension of the maturity date. In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Company's internal underwriting policy.

Troubled debt restructured loans and leases consist of the following as of the dates indicated:

	June 30, 2014		December 31, 2013			
	NTM Loans	Traditional Loans	Total	NTM Loans	Traditional Loans	Total
	<i>(In thousands)</i>					
Commercial:						
Commercial real estate	\$	\$ 168	\$ 168	\$	\$ 194	\$ 194
SBA		6	6		10	10
Consumer:						

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Single family residential mortgage			3,101	3,101		3,605	3,605
Green Loans (HELOC) - first liens	3,457			3,457	3,468		3,468
Total	\$ 3,457	\$ 3,275	\$ 6,732	\$ 3,468	\$ 3,809	\$ 7,277	

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The Company maintains an allowance for loan and lease losses (ALLL) to absorb probable incurred losses inherent in the loan and lease portfolio at the balance sheet date. The ALLL is comprised of two components, valuation on loans that are collectively evaluated for impairment (GVA) and valuation on loans that are individually evaluated for impairment (SVA). The GVA is based on ongoing assessment of the estimated probable losses presently inherent in the loan portfolio. In evaluating the level of the ALLL, management considers the types of loans and leases and the amount of loans and leases in the portfolio, peer group information, historical loss experience, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This methodology takes into account many factors, including the Company's own historical and peer loss trends, loan and lease-level credit quality ratings, loan and lease specific attributes along with a review of various credit metrics and trends. The process involves subjective as well as complex judgments. The Company uses a three year loss experience of the Company and its peers in analyzing an appropriate reserve factor for all loans. In addition, the Company uses adjustments for numerous factors including those found in the Interagency Guidance on ALLL, which include current economic conditions, loan and lease seasoning, underwriting experience, and collateral value changes among others. The Company utilizes the SVA on all impaired loans and leases using guidance from ASC 310 primarily through the evaluation of cash flows or collateral values.

At June 30, 2014, total ALLL was \$22.6 million, which represented 0.87 percent of total gross loans and leases, as compared to \$18.8 million, or 0.77 percent, of total gross loans and leases at December 31, 2013, with unallocated ALLL of \$0 and \$450 thousand, respectively, at June 30, 2014 and December 31, 2013. The SVA was \$309 thousand at June 30, 2014 compared to \$96 thousand at December 31, 2013. The GVA on originated loans and leases at June 30, 2014 was \$19.4 million, which represented 1.34 percent of total originated loans and leases, as compared to \$17.1 million, or 1.46 percent, of total originated loans and leases at December 31, 2013. Including the non-credit impaired loans acquired through the business acquisitions, the GVA was \$22.0 million as of June 30, 2014, which represents 1.18 percent of the total amount of such loans and leases, as compared to \$18.5 million, or 1.13 percent, of the total amount of such loans and leases at December 31, 2013. The ALLL plus market discount for originated and acquired non-credit impaired loans and leases to the total amount of such loans and leases was 5.65 percent at June 30, 2014 versus 6.99 percent at December 31, 2013. The Company provided \$2.1 million and \$4.0 million to its provision for loan and lease losses during the three and six months ended June 30, 2014, respectively, related primarily to new single family residential mortgage, multifamily, and commercial and industrial loan production.

The Company acquired PBOC during 2013 and Beach and Gateway during 2012, and their loans and leases were treated under ASC 805, accounting for acquisitions. The acquired loans and leases include loans and leases that are accounted for under ASC 310-30, accounting for purchase credit impaired loans and leases (PCI). In addition, the Company acquired three pools of credit impaired re-performing seasoned SFR mortgage loan pools during 2012. For the year ended December 31, 2013, the Bank acquired five pools of seasoned SFR mortgage loan pools, which were partially ASC 310-30 loans. During the three months ended June 30, 2014, there was no provision for loan and lease losses or allowance for loan and lease losses related to these pools as these loans were acquired at an aggregate 16.9 percent discount to the aggregated unpaid principal balances and there were no impairments on these pools. The Company may recognize provisions for loan and lease losses in the future should there be further deterioration in these loans after the purchase date should the impairment exceed the non-accretable yield and purchased discount. On a quarterly basis, the Company determines whether it needs to re-forecast its expected cash flows for the PCI loans relating to the PBOC, Beach and Gateway acquisitions, and the eight loan pools acquired in 2012 and 2013 to be evaluated for potential impairment. The provision for loans and leases losses on PCI loans reflected a decrease in expected cash flows on PCI loans compared to those previously estimated. The impairment reserve for PCI loans at June 30, 2014 was \$321 thousand.

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The following tables provides information regarding activity in the allowance for loan and lease losses during the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	<i>(In thousands)</i>			
Allowance for loan and lease losses at beginning of period	\$ 20,003	\$ 16,015	\$ 18,805	\$ 14,448
Charge-offs:				
Commercial and industrial				
Commercial real estate		(260)		(360)
Multi-family	(3)	(169)	(3)	(553)
SBA		(262)	(17)	(392)
Constructions				
Lease financing				(23)
Single family residential mortgage	(206)	(329)	(357)	(590)
Other consumer	(174)	(7)	(209)	(14)
Total charge-offs	(383)	(1,027)	(586)	(1,932)
Recoveries:				
Commercial and industrial	27		53	
Commercial real estate	438	19	754	19
Multi-family				88
SBA	175	42	267	166
Constructions				
Lease financing		4		6
Single family residential mortgage		1		91
Other consumer	1	7	2	7
Total recoveries	641	73	1,076	377
Transfer from (to) held-for-sale	258		(705)	
Provision for loan and lease losses	2,108	1,918	4,037	4,086
Allowance for loan and lease losses at end of period	\$ 22,627	\$ 16,979	\$ 22,627	\$ 16,979
Average total gross loans and leases held for investment	\$ 2,449,668	\$ 1,670,977	\$ 2,432,527	\$ 1,499,216
Total gross loans and leases held for investment at end of period	\$ 2,602,213	\$ 1,614,346	\$ 2,602,213	\$ 1,614,346
Ratios:				
Annualized net loan charge-offs to average total gross loans held for investment	-0.04%	0.23%	-0.04%	0.21%
Allowance for loan and lease losses to total gross loans held for investment	0.87%	1.05%	0.87%	1.05%

The following tables provides a summary of allocation of allowance for loan and lease losses by loan and lease category as well as loans and leases receivable for each category as of the dates indicated:

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	June 30, 2014		December 31, 2013	
	Allowance for Loan and Lease Losses	Loans and Leases Receivable	Allowance for Loan and Lease Losses	Loans and Leases Receivable
	<i>(In thousands)</i>			
Commercial:				
Commercial and industrial	\$ 3,007	\$ 368,540	\$ 1,822	\$ 287,771
Commercial real estate	5,615	535,744	5,484	529,883
Multi-family	3,408	234,179	2,566	141,580
SBA	261	28,684	235	27,428
Constructions	1,245	30,761	244	24,933
Lease financing	730	57,754	428	31,949
Consumer:				
Single family residential mortgage	7,289	1,212,813	7,044	1,286,541
Other consumer	1,072	133,738	532	116,026
Unallocated			450	
Total	\$ 22,627	\$ 2,602,213	\$ 18,805	\$ 2,446,111

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The following table presents the ALLL allocation among loan and lease origination types as of the dates indicated:

	June 30, 2014	December 31, 2013	Amount Change	Percentage Change
	<i>(\$ in thousands)</i>			
Loan breakdown by ALLL evaluation type:				
Originated loans				
Individually evaluated for impairment	\$ 29,763	\$ 16,704	\$ 13,059	78.2%
Collectively evaluated for impairment	1,447,077	1,168,195	278,882	23.9%
Acquired loans through business acquisitions - non-impaired				
Individually evaluated for impairment	6,173	2,243	3,930	175.2%
Collectively evaluated for impairment	409,745	469,916	(60,171)	-12.8%
Seasoned SFR mortgage loan pools - non-impaired	404,398	449,767	(45,369)	-10.1%
Acquired with deteriorated credit quality	305,057	339,286	(34,229)	-10.1%
Total loans	\$ 2,602,213	\$ 2,446,111	\$ 156,102	6.4%
ALLL breakdown:				
Originated loans				
Individually evaluated for impairment	\$ 309	\$ 96	\$ 213	221.9%
Collectively evaluated for impairment	19,427	17,103	2,324	13.6%
Acquired loans through business acquisitions - non-impaired				
Individually evaluated for impairment				NM
Collectively evaluated for impairment	2,570	1,410	1,160	82.3%
Seasoned SFR mortgage loan pools - non-impaired				NM
Acquired with deteriorated credit quality	321	196	125	63.8%
Total ALLL	\$ 22,627	\$ 18,805	\$ 3,822	20.3%
Discount on purchased/acquired Loans:				
Acquired loans through business acquisitions - non-impaired	\$ 6,536	\$ 8,354	\$ (1,818)	-21.8%
Seasoned SFR mortgage loan pools - non-impaired	33,044	38,240	(5,196)	-13.6%
Acquired with deteriorated credit quality	84,876	105,650	(20,774)	-19.7%
Total discount	\$ 124,456	\$ 152,244	\$ (27,788)	-18.3%
Ratios:				
To originated loans:				
Individually evaluated for impairment	1.04%	0.57%	0.47%	
Collectively evaluated for impairment	1.34%	1.46%	-0.12%	
Total ALLL	1.34%	1.45%	-0.11%	
To originated and acquired non-impaired loans:				
Individually evaluated for impairment	0.86%	0.51%	0.35%	
Collectively evaluated for impairment	1.18%	1.13%	0.05%	
Total ALLL	1.18%	1.12%	0.06%	
Total ALLL and discount ⁽¹⁾	1.52%	1.63%	-0.11%	
To total loans:				
Individually evaluated for impairment	0.86%	0.51%	0.35%	
Collectively evaluated for impairment	0.97%	0.89%	0.08%	
Total ALLL	0.87%	0.77%	0.10%	
Total ALLL and discount ⁽¹⁾	5.65%	6.99%	-1.34%	

(1) *Total ALLL plus discount divided by carrying value*

Servicing Rights

Total mortgage and SBA servicing rights were \$10.2 million and \$13.9 million at June 30, 2014 and December 31, 2013, respectively. The fair value of the mortgage servicing rights (MSRs) amounted to \$9.8 million and \$13.5 million and the amortized cost of the SBA servicing rights was \$375 thousand and \$348 thousand at June 30, 2014 and December 31, 2013, respectively. The Company retains servicing rights from certain of its sales of SFR mortgage loans and SBA loans. The principal balance of the loans underlying our total MSRs and SBA servicing rights was \$1.16 billion and \$18.3 million, respectively, at June 30, 2014 and \$1.37 billion and \$20.0 million, respectively, at December 31, 2013. The recorded amount of the MSR and SBA servicing rights as a percentage of the unpaid principal balance of the loans we are servicing was 0.85 percent and 1.67 percent, respectively, at June 30, 2014 as compared to 1.00 percent and 1.74 percent, respectively, at December 31, 2013.

Table of Contents**Deposits**

The following table shows the composition of deposits by type as of the dates indicated.

	June 30, 2014	December 31, 2013	Amount Change	Percentage Change
	<i>(In thousands)</i>			
Noninterest-bearing deposits	\$ 408,404	\$ 429,158	\$ (20,754)	-4.8%
Interest-bearing demand deposits	688,699	539,098	149,601	27.8%
Money market accounts	618,231	518,696	99,535	19.2%
Savings accounts	985,028	963,536	21,492	2.2%
Time deposits	646,993	468,156	178,837	38.2%
Total deposits	\$ 3,347,355	\$ 2,918,644	\$ 428,711	14.7%

Total deposits increased by \$428.7 million, or 14.7 percent, to \$3.35 billion at June 30, 2014, compared to \$2.92 billion at December 31, 2013. The increase in total deposits primarily resulted from strategic plans aiming to increase core deposits and increased utilization of money desk operations for wholesale time deposits, while reducing reliance on brokered deposits.

In December 2012, the Company launched interest-bearing core deposits products with enhanced features to attract high net worth depositors in our target markets while reducing the reliance on certificates of deposit. As of June 30, 2014, deposits generated through this program totaled approximately \$1.55 billion.

Federal Home Loan Bank Advances and Other Borrowings

At June 30, 2014, the Bank had a fixed-rate advance of \$15.0 million at an interest rate of 0.82 percent and a variable-rate advance of \$435.0 million at an interest rate of 0.18 percent from the FHLB. At December 31, 2013, \$25.0 million of the Bank's advances from the FHLB were fixed-rate and had interest rates ranging from 0.59 percent to 0.82 percent with a weighted average rate of 0.73 percent, and \$225.0 million of the Bank's advances from the FHLB were variable-rate and had a weighted average interest rate of 0.06 percent as of that date.

Each advance is payable at its maturity date. Advances paid early are subject to a prepayment penalty. At June 30, 2014 and December 31, 2013, the Bank's advances from the FHLB were collateralized by certain real estate loans with an aggregate unpaid principal balance of \$1.76 billion and \$740.1 million, respectively. The Bank's investment in capital stock of the FHLB of San Francisco totaled \$22.9 million and \$14.4 million, respectively, at June 30, 2014 and December 31, 2013. Based on this collateral and the Bank's holdings of FHLB stock, the Bank was eligible to borrow an additional \$554.9 million at June 30, 2014. In addition, the Bank had available lines of credit with the Federal Reserve Bank totaling \$106.6 million at June 30, 2014.

Long Term Debt**Senior Notes**

On April 23, 2012, the Company completed the public offering of \$33.0 million aggregate principal amount of its 7.50 percent Senior Notes due April 15, 2020 (the "Notes") at a price to the public of \$25.00 per Note. Net proceeds after discounts were approximately \$31.7 million. The Notes were issued under the Senior Debt Securities Indenture, dated as of April 23, 2012 (the "Base Indenture"), as supplemented by the First Supplemental Indenture, dated as of April 23, 2012 (the "Supplemental Indenture," and together with the Base Indenture, the "Indenture"), between the Company and U.S. Bank National Association, as trustee.

On December 6, 2012, the Company completed the issuance and sale of an additional \$45.0 million aggregate principal amount of the Notes at a price to the public of \$25.00 per Note, plus accrued interest from October 15, 2012. Net proceeds after discounts, including a full exercise of the \$6.8 million underwriters' overallotment option on December 7, 2012, were approximately \$50.1 million.

The Notes are the Company's senior unsecured debt obligations and rank equally with all of the Company's other present and future unsecured unsubordinated obligations. The Notes bear interest at a per-annum rate of 7.50 percent. The Company makes interest payments on the Notes

quarterly in arrears.

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The Notes will mature on April 15, 2020. However, the Company may, at the Company's option, on April 15, 2015, or on any scheduled interest payment date thereafter, redeem the Notes in whole or in part on not less than 30 nor more than 60 days' prior notice. The Notes will be redeemable at a redemption price equal to 100 percent of the principal amount of the Notes to be redeemed plus accrued and unpaid interest to the date of redemption.

The Indenture contains several covenants which, among other things, restrict the Company's ability and the ability of the Company's subsidiaries to dispose of or incur liens on the voting stock of certain subsidiaries and also contains customary events of default.

Tangible Equity Units – Amortizing Notes

On May 21, 2014, the Company issued \$69,000,000 8.00% tangible equity units (TEUs) in an underwritten public offering. A total of 1,380,000 TEUs were issued, including 180,000 issued to the underwriter upon exercise of its overallotment option, with each TEU having a stated amount of \$50.00. Each TEU is comprised of (i) a prepaid stock purchase contract (each a Purchase Contract) that will be settled by delivery of a specific number of shares of Company Common Stock and (ii) a junior subordinated amortizing note due May 15, 2017 (each an Amortizing Note) that has an initial principal amount of \$10.604556 per Amortizing Note, bears interest at a rate of 7.50% per annum and has a scheduled final installment payment date of May 15, 2017. The Company has the right to defer installment payments on the Amortizing Notes at any time and from time to time, subject to certain restrictions, so long as the deferral period does not extend beyond May 15, 2019.

The Purchase Contracts and Amortizing Notes are accounted for separately. The Purchase Contract component of the TEUs is recorded in equity as additional paid in capital. The Amortizing Note component is recorded as debt. The fair value of the Amortizing Notes was based on the fair value of similar debt instruments and was estimated to be approximately \$14,634,000. The resulting value of the Purchase Contracts of \$54,366,000 was recorded as additional paid-in capital on the Company's consolidated statement of financial condition. Total issuance costs associated with the TEUs were \$3,358,000 (including the underwriter discount of \$3,278,000), of which \$758,000 was allocated to the liability component and \$2,600,000 was allocated to the equity component of the TEUs. The portion of the issuance costs allocated to the debt component of the TEUs is being amortized over the term of the amortizing note. Net proceeds of \$65,642,000 from the issuance of the TEUs are designated to finance the Company's previously announced pending acquisition of 20 California branches from Popular Community Bank and for general corporate purposes. Additional information regarding the TEUs is provided under the heading Tangible Equity Units in Note 15 of the notes to the consolidated financial statements contained in Item 1 of this report.

Reserve for Unfunded Loan Commitments

The Company maintains a reserve for unfunded loan commitments at a level that is considered adequate to cover the estimated and known inherent risks. The probability of usage of the unfunded loan commitments and credit risk factors determined based on outstanding loan balance of same customer or outstanding loans that shares similar credit risk exposure are used to determine the adequacy of the reserve. As of June 30, 2014 and December 31, 2013, the reserve for unfunded loan commitments was \$1.4 million.

The following table presents a summary of activity in the reserve for unfunded loan commitments for the periods indicated:

	Three Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2014	2013	2014	2013
	<i>(In thousands)</i>			
Balance at beginning of period	\$ 1,614	\$ 681	\$ 1,439	\$ 495
Provision for unfunded loan commitments	(179)	75	(4)	261
Balance at end of period	\$ 1,435	\$ 756	\$ 1,435	\$ 756

Reserve for Loss on Repurchased Loans

Reserve for loss reimbursements on sold loans was \$6.2 million and \$5.4 million at June 30, 2014 and December 31, 2013, respectively. This reserve relates to our single family residential mortgage business. We sell most of the residential mortgage loans that we originate into the secondary mortgage market. When we sell mortgage loans, we make customary representations and warranties to the purchasers about various characteristics of each loan, such as the manner of origination, the nature and extent of underwriting standards applied and the types of documentation being provided. Typically, these representations and warranties are in place for the life of the loan. If a defect in the origination

process is identified, we may be required to either repurchase the loan or indemnify the

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purchaser for losses it sustains on the loan. If there are no such defects, generally we have no liability to the purchaser for losses it may incur on such loan. We maintain a reserve for loss reimbursements on sold loans to account for the expected losses related to loans we might be required to repurchase (or the indemnity payments we may have to make to purchasers). The reserve takes into account both our estimate of expected losses on loans sold during the current accounting period, as well as adjustments to our previous estimates of expected losses on loans sold. In each case, these estimates are based on the most recent data available to us, including data from third parties, regarding demands for loan repurchases, actual loan repurchases, and actual credit losses on repurchased loans, among other factors. Provisions added to the reserve for loss reimbursements on sold loans are recorded under non-interest expense in the consolidated statements of operations as an increase or decrease to provision for loss reimbursements on loans sold.

The following table presents a summary of activity in the reserve for loss reimbursements on sold loans for the periods indicated:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
	<i>(In thousands)</i>			
Balance at beginning of period	\$ 5,866	\$ 3,498	\$ 5,427	\$ 3,485
Provision for loan repurchases	968	732	1,539	988
Payments made for loss reimbursement on sold loans	(660)	(256)	(792)	(499)
Balance at end of period	\$ 6,174	\$ 3,974	\$ 6,174	\$ 3,974

Liquidity

The Bank is required to have enough liquid assets in order to maintain sufficient liquidity to ensure a safe and sound operation. Liquidity may increase or decrease depending upon availability of funds and comparative yields on investments in relation to the return on loans. Historically, the Bank has maintained liquid assets above levels believed to be adequate to meet the requirements of normal operations, including potential deposit outflows. Cash flow projections are regularly reviewed and updated to ensure that adequate liquidity is maintained.

The Bank's liquidity, represented by cash and cash equivalents and securities available for sale, is a product of its operating, investing, and financing activities. The Bank's primary sources of funds are deposits, payments and maturities of outstanding loans and investment securities; and other short-term investments and funds provided from operations. While scheduled payments from the amortization of loans and mortgage-backed securities and maturing securities and short-term investments are relatively predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions, and competition. In addition, the Bank invests excess funds in short-term interest-earning assets, which provide liquidity to meet lending requirements. The Bank also generates cash through borrowings. The Bank utilizes FHLB advances to leverage its capital base, to provide funds for its lending activities, as a source of liquidity, and to enhance its interest rate risk management. The Bank also has the ability to obtain brokered certificates of deposit. Liquidity management is both a daily and long-term function of business management. Any excess liquidity would be invested in federal funds or authorized investments such as mortgage-backed or U.S. agency securities. On a longer-term basis, the Bank maintains a strategy of investing in various lending products. The Bank uses its sources of funds primarily to meet its ongoing commitments, to pay maturing certificates of deposit and savings withdrawals, to fund loan commitments, and to maintain its portfolio of mortgage-backed securities and investment securities.

At June 30, 2014, there were \$130.1 million of approved loan origination commitments, \$302.1 million of unused lines of credit and \$7.5 million of outstanding letters of credit. Certificates of deposit maturing in the next 12 months totaled \$434.6 million and \$450.0 million of FHLB advances had maturities of less than 12 months at June 30, 2014.

Based on the competitive deposit rates offered and on historical experience, management believes that a significant portion of maturing deposits will remain with the Bank, although no assurance can be given in this regard. At June 30, 2014, the Company maintained \$258.1 million of cash and cash equivalents that was 5.9 percent to total assets. In addition, the Bank had the ability at June 30, 2014 to borrow an additional \$554.9 million from the FHLB and \$106.6 million from the Federal Reserve Bank.

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The following table presents information as of June 30, 2014 regarding the Company's commitments and contractual obligations:

	Commitments and Contractual Obligations				
	Total Amount Committed	Less Than One Year	More Than One Year Through Three Years <i>(In thousands)</i>	More Than Three Year Through Five Years	Over Five Years
Commitments to extend credit	\$ 130,104	\$ 79,964	\$ 29,741	\$ 8,505	\$ 11,894
Unused lines of credit	302,069	178,445	24,679	59,093	39,852
Standby letters of credit	7,478	5,950		750	778
Total commitments	\$ 439,651	\$ 264,359	\$ 54,420	\$ 68,348	\$ 52,524
FHLB advances	\$ 450,000	\$ 450,000	\$	\$	\$
Long-term debt	138,031	11,784	23,753	12,713	89,781
Operating and capital lease obligations	35,866	10,228	16,313	6,490	2,835
Certificate of deposits	646,993	434,556	153,543	58,701	193
Total contractual obligations	\$ 1,270,890	\$ 906,568	\$ 193,609	\$ 77,904	\$ 92,809

Regulatory Capital

Federal bank regulatory agencies currently require bank holding companies such as the Company to maintain a minimum ratio of qualifying total capital to risk-weighted assets of 8.0 percent and a minimum ratio of Tier 1 capital to risk-weighted assets of 4.0 percent. In addition to the risk-based guidelines, federal bank regulatory agencies currently require bank holding companies to maintain a minimum ratio of Tier 1 capital to average total assets, referred to as the leverage ratio, of 4.0 percent. In order to be considered well capitalized, federal bank regulatory agencies currently require depository institutions such as the Bank to maintain a minimum ratio of qualifying total capital to risk-weighted assets of 10.0 percent and a minimum ratio of Tier 1 capital to risk-weighted assets of 6.0 percent. In addition to the risk-based guidelines, the federal bank regulatory agencies require depository institutions to maintain a minimum ratio of Tier 1 capital to average total assets, referred to as the leverage ratio, of 5.0 percent.

The following table presents the capital amounts and ratios for the Company and the Bank as of dates indicated:

	Amount	Ratio	Minimum Capital Requirement		Minimum Required to Be Well Capitalized Under Prompt Corrective Action Provisions	
			Requirement	Ratio	Provisions	Ratio
June 30, 2014:						
Banc of California, Inc.						
Total risk-based capital ratio	\$ 424,935	15.19%	\$ 223,866	8.00%	N/A	N/A
Tier 1 risk-based capital ratio	394,699	14.10%	111,933	4.00%	N/A	N/A
Tier 1 leverage ratio	394,699	9.89%	159,613	4.00%	N/A	N/A
Banc of California, NA						
Total risk-based capital ratio	\$ 415,809	14.88%	\$ 223,628	8.00%	\$ 279,535	10.00%

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Tier 1 risk-based capital ratio	385,573	13.79%	111,814	4.00%	167,721	6.00%
Tier 1 leverage ratio	385,573	9.72%	158,704	4.00%	198,380	5.00%
December 31, 2013:						
Banc of California, Inc.						
Total risk-based capital ratio	\$ 307,457	12.45%	\$ 197,503	8.00%	N/A	N/A
Tier 1 risk-based capital ratio	281,786	11.41%	98,752	4.00%	N/A	N/A
Tier 1 leverage ratio	281,786	8.02%	140,463	4.00%	N/A	N/A
Banc of California, NA						
Total risk-based capital ratio	\$ 360,634	14.65%	\$ 196,998	8.00%	\$ 246,247	10.00%
Tier 1 risk-based capital ratio	334,963	13.60%	98,499	4.00%	147,748	6.00%
Tier 1 leverage ratio	334,963	9.58%	139,874	4.00%	174,845	5.00%

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In July 2013, the Federal banking regulators approved a final rule to implement the revised capital adequacy standards of the Basel Committee on Banking Supervision, commonly called Basel III, and to address relevant provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). The final rule strengthens the definition of regulatory capital, increases risk-based capital requirements, makes selected changes to the calculation of risk-weighted assets, and adjusts the prompt corrective action thresholds. The Company and the Bank will become subject to the new rule on January 1, 2015 and certain provisions of the new rule will be phased in over the period of 2015 through 2019.

The final rule:

Permits banking organizations that had less than \$15 billion in total consolidated assets as of December 31, 2009, to include in Tier 1 capital trust preferred securities and cumulative perpetual preferred stock that were issued and included in Tier 1 capital prior to May 19, 2010, subject to a limit of 25 percent of Tier 1 capital elements, excluding any non-qualifying capital instruments and after all regulatory capital deductions and adjustments have been applied to Tier 1 capital.

Establishes new qualifying criteria for regulatory capital, including new limitations on the inclusion of deferred tax assets and mortgage servicing rights.

Requires a minimum ratio of common equity Tier 1 capital to risk-weighted assets of 4.5 percent.

Increases the minimum Tier 1 capital to risk-weighted assets ratio requirement from 4 percent to 6 percent.

Retains the minimum total capital to risk-weighted assets ratio requirement of 8 percent.

Establishes a minimum leverage ratio requirement of 4 percent.

Retains the existing regulatory capital framework for one-to-four family residential mortgage exposures.

Permits banking organizations that are not subject to the advanced approaches rule, such as the Company and the Bank, to retain, through a one-time election, the existing treatment for most accumulated other comprehensive income, such that unrealized gains and losses on securities available for sale will not affect regulatory capital amounts and ratios.

Implements a new capital conservation buffer requirement for a banking organization to maintain a common equity capital ratio more than 2.5 percent above the minimum common equity Tier 1 capital, Tier 1 capital and total risk-based capital ratios in order to avoid limitations on capital distributions, including dividend payments, and certain discretionary bonus payments. The capital conservation buffer requirement will be phased in beginning on January 1, 2016 at 0.625 percent and will be fully phased in at 2.50 percent by January 1, 2019. A banking organization with a buffer of less than the required amount would be subject to increasingly stringent limitations on such distributions and payments as the buffer approaches zero. The new rule also generally prohibits a banking organization from making such distributions or payments during any quarter if its eligible retained income is negative and its capital conservation buffer ratio was 2.5 percent or less at the end of the previous quarter. The eligible retained income of a banking organization is defined as its net income for the four calendar quarters preceding the current calendar quarter, based on the organization's quarterly regulatory reports, net of any distributions and associated tax effects not already reflected in net income.

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Increases capital requirements for past-due loans, high volatility commercial real estate exposures, and certain short-term commitments and securitization exposures.

Expands the recognition of collateral and guarantors in determining risk-weighted assets.

Removes references to credit ratings consistent with the Dodd Frank Act and establishes due diligence requirements for securitization exposures.

The Company's management is currently evaluating the provisions of the final rule and their expected impact on the Company.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our Risk When Interest Rates Change. The rates of interest we earn on assets and pay on liabilities generally are established contractually for a period of time. Market interest rates change over time. Accordingly, our results of operations, like those of other financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of our assets and liabilities. The risk associated with changes in interest rates and our ability to adapt to these changes is known as interest rate risk and is our most significant market risk.

How We Measure Our Risk of Interest Rate Changes. As part of our attempt to manage our exposure to changes in interest rates and comply with applicable regulations, we monitor our interest rate risk. In monitoring interest rate risk we continually analyze and manage assets and liabilities based on their payment streams and interest rates, the timing of their maturities and/or prepayments, and their sensitivity to actual or potential changes in market interest rates.

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In order to manage the potential for adverse effects of material and prolonged increases in interest rates on our results of operations, we adopted asset and liability management policies to better align the maturities and repricing terms of our interest-earning assets and interest-bearing liabilities. These policies are implemented by the asset and liability management committee. The asset and liability management committee is chaired by the treasurer and is comprised of members of our senior management. An asset and liability management policy establishes guidelines for the volume and mix of assets and funding sources taking into account relative costs and spreads, interest rate sensitivity and liquidity needs, while the asset liability management committee monitors adherence to these guidelines. The objectives are to manage assets and funding sources to produce results that are consistent with liquidity, capital adequacy, growth, risk, and profitability goals. The asset and liability management committee meets periodically to review, among other things, economic conditions and interest rate outlook, current and projected liquidity needs and capital position, anticipated changes in the volume and mix of assets and liabilities and interest rate risk exposure limits versus current projections pursuant to our net present value of equity analysis. At each meeting, the asset and liability management committee recommends appropriate strategy changes based on this review. The treasurer or his designee is responsible for reviewing and reporting on the effects of the policy implementations and strategies to the board of directors on a regular basis.

In order to manage our assets and liabilities and achieve the desired liquidity, credit quality, interest rate risk, profitability and capital targets, we have focused our strategies on:

Originating and purchasing adjustable-rate mortgage loans,

Originating shorter-term consumer loans,

Acquiring short duration securities for the investment portfolio,

Managing our deposits to establish stable deposit relationships,

Using FHLB advances and/or certain derivatives such as swaps to align maturities and repricing terms, and

Attempting to limit the percentage of fixed-rate loans in our portfolio.

At times, depending on the level of general interest rates, the relationship between long- and short-term interest rates, market conditions and competitive factors, the asset and liability management committee may determine to increase the Company's interest rate risk position within the asset liability tolerance set by the Bank's policies.

As part of its procedures, the asset and liability management committee regularly reviews interest rate risk by forecasting the impact of alternative interest rate environments on net interest income and market value of portfolio equity, which is defined as the net present value of an institution's existing assets, liabilities and off-balance sheet instruments, and evaluating such impacts against the maximum potential changes in net interest income and market value of portfolio equity that are authorized by the Board of Directors of the Company.

Interest Rate Sensitivity of Economic Value of Equity and Net Interest Income

The following table presents the projected change in the Bank's net portfolio value at June 30, 2014 that would occur upon an immediate change in interest rates based on independent analysis, but without giving effect to any steps that management might take to counteract that change.

Change in	June 30, 2014					
	Economic Value of Equity			Net Interest Income		
	Amount	Amount	Percentage	Amount	Amount	Percentage
Interest Rates in		Change	Change		Change	Change

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Basis Points (bp) (1)

	<i>(\$ in thousands)</i>					
+100 bp	\$ 447,404	\$ (22,726)	-4.8%	\$ 151,105	\$ 3,202	2.2%
0 bp	470,130			147,903		
-100 bp	476,167	6,037	1.3%	141,199	(6,704)	-4.5%

(1) Assumes an instantaneous uniform change in interest rates at all maturities

As with any method of measuring interest rate risk, certain shortcomings are inherent in the method of analysis presented in the foregoing table. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable rate mortgage loans, have features which restrict changes in interest rates on a short-term basis and over the life of the asset. Further, if interest rates change, expected rates of prepayments on loans and early withdrawals from certificates of deposit could deviate significantly from those assumed in calculating the table.

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The Company does not maintain any securities for trading purposes. The Company does not currently engage in trading activities. The Company does use derivative instruments to hedge its mortgage banking risks. In addition, interest rate risk is the most significant market risk affecting the Company. Other types of market risk, such as foreign currency exchange risk and commodity price risk, do not arise in the normal course of the Company's business activities and operations.

ITEM 4 - CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. An evaluation of the Company's disclosure controls and procedures (as defined in Section 13a-15(e) of the Securities Exchange Act of 1934 (the "Act")) as of June 30, 2014 was carried out under the supervision and with the participation of the Company's Chief Executive Officer, Chief Financial Officer and other members of the Company's senior management. Because of a material weakness in our internal control over financial reporting identified subsequent to June 30, 2014 and further described below, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2014, the Company's disclosure controls and procedures were not effective in ensuring that the information required to be disclosed by the Company in the reports it files or submits under the Act is (i) accumulated and communicated to the Company's management (including the Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosure, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control Over Financial Reporting. In connection with the preparation of annual and quarterly financial statements, the Company's management is responsible for evaluating its internal controls and procedures. This evaluation includes an assessment of the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Act), which are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles. In connection with the audit of year-end financial statements, the Company's independent registered public accounting firm, KPMG LLP ("KPMG"), is responsible for auditing both (i) the financial statements to obtain reasonable assurance about whether they are free of material misstatement, and (ii) the effectiveness of the Company's internal control over financial reporting.

Except as otherwise described below, there were no changes in the Company's internal control over financial reporting that occurred during the three months ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Subsequent to the issuance of the consolidated financial statements as of and for the year ended December 31, 2013 and subsequent to June 30, 2014, immaterial errors related to prior periods were identified that indicated certain deficiencies existed in the Company's internal control over financial reporting. Specifically, during the year ending 2013, financial reporting resources did not sufficiently complete certain account level reviews that presented a low potential risk of material error to the Company's financial reporting, to ensure that the possibility that the aggregation of all potential errors in these accounts, which were more than remote, could not result in a material misstatement.

The Company has concluded that in 2013 these deficiencies when aggregated could have resulted in a material misstatement of the consolidated financial statements that would not have been prevented or detected on a timely basis, and as such, these control deficiencies result 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, 2013, 2012, and 2011.

Remediation and Plans for Remediation. The Company believes it has made significant progress toward remediation of the underlying causes of the material weakness, having taken a number of actions to remediate this material weakness. Among other things, we have:

Appointed Robert Szniewajs as new Audit Committee chairman and Ronald Nicolas as bank Chief Financial Officer as well as hired additional accounting and finance resources and professionals, including a new Chief Accounting Officer in March 2014, a new Controller in March 2014, a Director of Accounting Policy in May 2014, and a new Director of Internal Audit, together with other new hires in the accounting, finance, and audit departments;

Designed new controls around the review and analysis of the allowance for loan and lease losses ("ALLL") including the addition of a new Credit Risk Analytics team to oversee the ALLL process;

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Implemented a new automated accounting software platform for stock-based compensation that eliminates the reliance on manual review of significant spreadsheets; and

Established a Sarbanes-Oxley steering committee in 2014 that meets bi-weekly with the participation of the Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, and the Director of Internal Audit.

The Company and its Board of Directors are committed to maintaining a strong internal control environment, and believe that these remediation efforts represent significant improvements in our control environment. The identified material weakness in internal control will not be considered fully addressed until the internal controls over these areas have been in operation for a sufficient period of time for our management to conclude that the material weakness has been fully remediated. The Company will continue to work on implementing and testing the new controls in order to make this final determination.

The Company does not expect that its disclosure controls and procedures and internal control over financial reporting will prevent all errors and fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any control procedure also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control procedure, misstatements due to error or fraud may occur and not be detected.

PART II OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

From time to time we are involved as plaintiff or defendant in various legal actions arising in the normal course of business. We do not anticipate incurring any material liability as a result of such currently pending litigation.

As previously reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, on December 14, 2011, CMG Financial Services, Inc. (CMG) initiated a patent lawsuit against Pacific Trust Bank in the United States District Court for the Central District of California (styled CMG Financial Services, Inc. v. Pacific Trust Bank, F.S.B., et al., Case No. 2:11-cv-10344-PSG-MRW) (the Action) alleging infringement of U.S. Patent No. 7,627,509 (the 509 Patent) of limited number of financial products previously offered by Pacific Trust Bank. The 509 Patent relates to the origination and servicing of loans with characteristics similar to the Bank's Green Loans. On December 16, 2013, the court stayed the Action in its entirety, and administratively closed the case, pending a decision by the Supreme Court in CLS Bank Int'l v. Alice Corp. The Supreme Court issued its decision in the case of CLS Bank Int'l v. Alice Corp. on June 19, 2014 and the court has now scheduled a hearing on August 18, 2014 to consider the Bank's motion for summary judgment. The Company and its counsel believe the asserted claim is without merit and the resolution of the matter is not expected to have a material impact on the Company's business, financial condition or results of operations, though no assurance can be given in this regard.

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ITEM 1A - RISK FACTORS

Except as set forth below, there have been no material changes to the risk factors that appeared under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2013.

Risks Relating to Our Internal Control Over Financial Reporting

We have identified a material weakness in our internal control over financial reporting which could, if not remediated, result in material misstatements in our financial statements.

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as such term is defined in Rule 13a-15(f) under the Act. As disclosed in our Annual Report on Form 10-K/A for the year ended December 31, 2013 and in this quarterly report for the period ended June 30, 2014, management identified immaterial errors related to prior financial reporting periods that indicated certain deficiencies existed in our internal control over financial reporting. Management has concluded that, for the 2013 reporting period, these deficiencies, when aggregated, could have resulted in a material misstatement of the consolidated financial statements that would not have been prevented or detected on a timely basis, and as such, these control deficiencies result in a material weakness.

A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. We have taken a number of actions to rectify the underlying causes of the material weakness and are actively engaged in further steps as part of a comprehensive remediation plan designed to resolve this material weakness in a prompt fashion. Although this material weakness has not required us to restate our financial results, if we are unable to satisfactorily address the deficiencies underlying this material weakness in a timely fashion, or if additional material weaknesses in our internal control over financial reporting are discovered or occur in the future, then our consolidated financial statements may contain material misstatements and we could be required to restate our financial results.

Risks Relating to Our Pending Branch Acquisition from Banco Popular North America

The success of our pending acquisition of branches from Banco Popular North America will depend on a number of uncertain factors.

Consummation of our pending acquisition of branches (the Branch Acquisition) from Banco Popular North America (BPNA) is subject to receipt of required regulatory approvals, including the approval of the OCC, and the satisfaction of other closing conditions, including our receipt of sufficient financing, in the aggregate, necessary to consummate the Branch Acquisition. The success of the Branch Acquisition will depend on a number of factors, including, without limitation:

the necessary regulatory approvals to consummate the Branch Acquisition being received by us and not containing terms, conditions or restrictions that will have a material adverse effect on the Bank;

our ability to access necessary capital on a timely basis;

our ability to successfully integrate the BPNA Branches into our current operations;

our ability to limit the outflow of deposits held by our new customers in the BPNA Branches and to retain interest-earning assets (i.e., loans) acquired in the Branch Acquisition;

the credit quality of loans acquired as part of the Branch Acquisition;

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our ability to attract new deposits and to generate new interest-earning assets;

our success in deploying the cash received in the Branch Acquisition, on a timely basis, into assets, including loans and investment securities, bearing sufficiently high yields without incurring unacceptable credit or interest rate risk;

our ability to control the incremental noninterest expense from the BPNA Branches in a manner that enables us to maintain a favorable overall efficiency ratio;

our ability to retain and attract appropriate personnel to staff the BPNA Branches; and

our ability to earn acceptable levels of noninterest income, including fee income, from the BPNA Branches.

No assurance can be given that we will be able to integrate the BPNA Branches successfully, that the Branch Acquisition will not expose us to unknown material liabilities, that the operation of the BPNA Branches will not adversely affect our results of operations, that we will be able to achieve results in the future similar to those achieved by our existing banking business, that we will be able to compete effectively in new market areas, or that we will be able to manage growth resulting from the Branch Acquisition effectively. The difficulties or costs we may encounter in the integration could materially and adversely affect our results of operations and financial condition.

The pricing of deposits and loan run-off rates could be substantially different than what we have projected in connection with our planning for the Branch Acquisition and the integration of the BPNA Branches.

We expect to obtain approximately \$1.1 billion in deposit liabilities and approximately \$1.1 billion in loan assets from the Branch Acquisition (based on March 31, 2014 balances).

We have agreed to pay BPNA approximately \$5.4 million for the deposits assumed and loans acquired in the Branch Acquisition, which equates to an effective deposit premium of 0.5%, based upon March 31, 2014 balances. In addition, deposit run-off is expected to occur following the closing. While we believe we used a reasonable deposit run-off rate assumption for purposes of valuing the transaction, actual run-off could be higher. Moreover, it is not known whether we will be able to retain loan relationships acquired in the Branch Acquisition over time.

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We will need to convert customer loan and deposit data from BPNA's data processing system to our data processing systems. Problems or errors in the customer account conversion process, and customer interface required to replace certain BPNA products and services with comparable products and services of the Bank, could adversely affect customer relationships, increase run-off of deposit and loan customers and result in unexpected charges and costs. Similarly, run-off could increase if we are not able to cost effectively service particular BPNA loan or deposit products with special features. An unanticipated increase in the run-off rate could increase the effective cost to us of the Branch Acquisition.

The credit quality of loans associated with the Branch Acquisition may be poorer than expected, which would require us to increase our allowance for loan losses and negatively affect our operating results.

Pursuant to the Purchase Agreement, the Bank will acquire approximately \$1.1 billion of loans related to the BPNA Branches (based on March 31, 2014 balances). As part of our due diligence on the BPNA Branches, we reviewed a sample of these loans in various categories and have found them to be of acceptable credit quality. Our examination of these loans was made using the same criteria, analyses and collateral evaluations that we have traditionally used in the ordinary course of our business. Although we believe the loans that we will acquire are of acceptable credit quality, and nonperforming loans, non-accrual loans or other real estate owned are generally excluded from the Branch Acquisition, no assurance can be given as to the future performance of these loans.

We face risks related to lending funds acquired in the Branch Acquisition.

Our strategic plan focuses on the continued development and growth of a diversified loan portfolio. Certain risks are inherent in the lending function, including a borrower's inability to pay, insufficient collateral coverage and changes in interest rates. Repayment risk on commercial loans arises from changing economic conditions in particular geographic areas, businesses or industries that impair the operating performance of commercial borrowers. Risks associated with commercial real estate loans and general business loans also include changes in general economic conditions that affect underlying collateral values.

Even if the Branch Acquisition is completed, we may fail to realize the growth prospects and cost savings anticipated as a result of the Branch Acquisition.

There are a number of risks and uncertainties related to the Branch Acquisition. For example, the Branch Acquisition may not be completed, or may not be completed in the timeframe, on the terms or in the manner currently anticipated, as a result of a number of factors, including, among other things, the failure of one or more of the conditions to closing (including the condition that we raise sufficient financing, in the aggregate, necessary to consummate the Branch Acquisition). There can be no assurance that the conditions to the closing of the Branch Acquisition will be satisfied or waived or that other events will not intervene to delay or result in the failure to close the Branch Acquisition. Any delay in closing or a failure to close could have a negative impact on our business and the trading prices of our securities.

The success of the Branch Acquisition will depend, in part, on our ability to realize the anticipated business opportunities and growth prospects we expect to result from the addition of the BPNA Branches. We may never realize these business opportunities and growth prospects. Integrating operations will be complex and will require significant efforts and expenditures on the part of both us and BPNA. Our management might have its attention diverted while trying to integrate operations and corporate and administrative infrastructures and the cost of integration may exceed our expectations. We may also be required to make unanticipated capital expenditures or investments in order to maintain, improve or sustain the BPNA Branches we expect to acquire or take write-offs or impairment charges or recognize amortization expenses resulting from the Branch Acquisition and may be subject to unanticipated or unknown liabilities relating to the BPNA Branches we expect to acquire. We might experience increased competition that limits our ability to expand our business, and we might not be able to capitalize on expected business opportunities, including retaining current customers of BPNA. If any of these factors limit our ability to integrate the new branches successfully or on a timely basis, the expectations of future results of operations following the Branch Acquisition might not be met.

It is possible that the integration process could result in the loss of key employees, the disruption of our ongoing businesses, tax costs or inefficiencies, or inconsistencies in standards, controls, information technology systems, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers, employees or other third parties or our ability to achieve the anticipated benefits of the Branch Acquisition and could harm our financial performance.

We will incur significant transaction and acquisition-related integration costs in connection with the Branch Acquisition.

We are currently developing a plan to integrate the BPNA Branches to be acquired in the Branch Acquisition. Although we anticipate achieving cost synergies in connection with the Branch Acquisition, we also expect to incur costs to implement such cost savings

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measures. We anticipate that we will incur certain non-recurring charges in connection with this integration, including charges associated with integrating process and systems. At this time, we cannot identify the timing, nature and amount of all such charges. Further, we currently expect to incur significant transaction costs that will be charged as an expense in the period incurred. The significant transaction costs and acquisition-related integration costs could materially adversely affect our results of operations in the period in which such charges are recorded or our cash flow in the period in which any related costs are actually paid. The net benefit associated with the anticipated elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the BPNA Branches, may not be achieved in the near term, or at all. Accordingly, the cost and operational savings may not be achievable in our anticipated amount or timeframe or at all. Investors should not place undue reliance on the anticipated benefits of the Branch Acquisition in making an investment decision with respect to our securities.

We and BPNA will be subject to business uncertainties while the Branch Acquisition is pending that could adversely affect our and its businesses.

Uncertainty about the effect of the Branch Acquisition on employees and customers may have an adverse effect on us and BPNA and, consequently, on the BPNA Branches to be acquired in the Branch Acquisition. These uncertainties may impair our and BPNA's ability to attract, retain and motivate key personnel until the Branch Acquisition is completed and for a period of time thereafter. These uncertainties may also cause customers, suppliers and others that deal with us and BPNA to seek to change existing business relationships with the two companies. Employee retention could be reduced during the pendency of the Branch Acquisition, as employees may experience uncertainty about their future roles. If, despite our and BPNA's retention efforts, key employees depart because of concerns relating to the uncertainty and difficulty of the integration process or a desire not to join us following the Branch Acquisition, our business could be harmed.

ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**Stock Repurchases**

	<u>Purchase of Equity Securities by the Issuer</u>		
	Total Number of Shares	Average Price Paid Per Share	Total Number of Shares of Shares That May Yet be Purchased Under the Plan
From April 1, 2014 to April 30, 2014	1,200	\$ 12.23	897,958
From May 1, 2014 to May 31, 2014		\$	897,958
From June 1, 2014 to June 30, 2014	2,126	\$ 11.08	897,958
Total	3,326	\$ 11.50	

On September 5, 2013, the Company announced that its Board of Directors approved changes to the Company's previously announced share buyback program authorizing the Company to buy back, from time to time during the 12 months ending September 3, 2014, an aggregate amount representing up to 10 percent of the Company's then currently outstanding common shares. The buyback program included a 10b5-1 plan that was adopted by the Company on September 3, 2013 pursuant to which up to a maximum of 300,000 shares could be repurchased during the year ended December 31, 2013, subject to certain price and volume restrictions. The 10b5-1 plan had been terminated as of December 31, 2013, as the 300,000 maximum share amount authorized for repurchase had been exhausted.

The Company has a practice of buying back stock for tax purposes pertaining to employee benefit plans, and does not count these purchases toward the allotment of the shares. The Company purchased 3,326 shares during the three months ended June 30, 2014 at an average price of \$11.50 with a total cost of \$38 thousand, including fees, related to tax liability sales for employee stock benefit plans.

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ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable

ITEM 5 - OTHER INFORMATION

None

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ITEM 6 - EXHIBITS

Exhibits

2.1	Stock Purchase Agreement, dated as of June 3, 2011, by and among Banc of California, Inc., (f/k/a First PacTrust Bancorp, Inc.) (sometimes referred to below as the Registrant or the Company), Gateway Bancorp, Inc. (Gateway), each of the shareholders of Gateway and the D & E Tarbell Trust, u/d/t dated February 19, 2002 (in its capacity as the Sellers Representative)	(a)
2.1A	Amendment No. 1, dated as of November 28, 2011, to Stock Purchase Agreement, dated as of June 3, 2011, by and among The Registrant, Gateway Bancorp, the Sellers named therein and the D & E Tarbell Trust, u/d/t dated February 19, 2002 (in its capacity as the Sellers Representative)	(a)(1)
2.2B	Amendment No. 2, dated as of February 24, 2012, to Stock Purchase Agreement, dated as of June 3, 2011, by and among the Registrant, Gateway Bancorp, the Sellers named therein and the D & E Tarbell Trust, u/d/t dated February 19, 2002 (in its capacity as the Sellers Representative)	(a)(2)
2.2C	Amendment No. 3, dated as of June 30, 2012, to Stock Purchase Agreement, dated as of June 3, 2011, by and among the Registrant, Gateway Bancorp, the Sellers named therein and the D & E Tarbell Trust, u/d/t dated February 19, 2002 (in its capacity as the Sellers Representative)	(a)(3)
2.2D	Amendment No. 4, dated as of July 31, 2012, to Stock Purchase Agreement, dated as of June 3, 2011, by and among the Registrant, Gateway Bancorp, the Sellers named therein and the D & E Tarbell Trust, u/d/t dated February 19, 2002 (in its capacity as the Sellers Representative)	(a)(4)
2.3	Agreement and Plan of Merger, dated as of August 30, 2011, by and between the Registrant and Beach Business Bank, as amended by Amendment No. 1 thereto dated as of October 31, 2011	(b)
2.4	Agreement and Plan of Merger, dated as of August 21, 2012, by and among First PacTrust Bancorp, Inc., Beach Business Bank and The Private Bank of California	(c)
2.5	Amendment No. 1, dated as of May 5, 2013, to Agreement and Plan of Merger, dated as of August 21, 2012, by and among the Registrant, Beach Business Bank and The Private Bank of California	(y)
2.6	Agreement and Plan of Merger, dated as of October 25, 2013, by and among the Registrant, Banc of California, National Association, CS Financial, Inc., the Sellers named therein and the Sellers Representative named therein	(z)
2.7	Purchase and Assumption Agreement, dated as of April 22, 2014, by and between Banco Popular North America and Banc of California, National Association	(bb)
3.1	Articles of Incorporation of the Registrant	(d)
3.2	Articles of Amendment to the Charter of the Registrant increasing the authorized capital stock of the Registrant	(e)
3.3	Articles supplementary to the Charter of the Registrant containing the terms of the Registrant s Senior Non-Cumulative Perpetual Preferred Stock, Series A	(f)
3.4	Articles supplementary to the Charter of the Registrant containing the terms of the Registrant s Class B Non-Voting Common Stock	(g)
3.5	Articles of Amendment to Articles Supplementary to the Charter of the Registrant containing the terms of the Registrant s Class B Non-Voting Common Stock	(h)
3.6	Articles supplementary to the Charter of the Registrant containing the terms of the Registrant s 8.00% Non-Cumulative Perpetual Preferred Stock, Series C	(p)
3.7	Articles supplementary to the Charter of the Registrant containing the terms of the Registrant s Non-Cumulative Perpetual Preferred Stock, Series B	(q)
3.8	Articles of Amendment to the Charter of the Registrant changing the Registrant s name	(r)

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3.9	Articles of Amendment to the Charter of the Registrant increasing the authorized capital stock of the Registrant	(cc)
3.10	Bylaws of the Registrant	3.10

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4.1	Warrant to purchase up to 240,000 shares of the Registrant common stock originally issued on November 1, 2010	(g)
4.2	Warrant to purchase up to 1,395,000 shares of the Registrant common stock originally issued on November 1, 2010	(g)
4.3	Senior Debt Securities Indenture, dated as of April 23, 2012, between the Registrant and U.S. Bank National Association, as Trustee	(m)
4.4	Supplemental Indenture, dated as of April 23, 2012, between the Registrant and U.S. Bank National Association, as Trustee, relating to the Registrant's 7.50% Senior Notes due April 15, 2020 and form of 7.50% Senior Notes due April 15, 2020	(m)
4.5	Deposit Agreement, dated as of June 12, 2013, among the Registrant, Registrar and Transfer Company, as Depositary and the holders from time to time of the depositary receipts described therein	(p)
4.6	Purchase Contract Agreement, dated May 21, 2014, between the Company and U.S. Bank National Association	(ff)
4.7	Indenture, dated May 21, 2014, between the Company and U.S. Bank National Association	(ff)
4.8	First Supplemental Indenture, dated May 21, 2014, between the Company and U.S. Bank National Association	(ff)
10.1	Employment Agreement, dated as of November 17, 2010, by and among the Registrant and Pacific Trust Bank and Richard Herrin (including as exhibits thereto the forms of agreements for the restricted stock inducement grant and stock option inducement grant made to Mr. Herrin pursuant to his Employment Agreement)	(i)
10.1A	Incentive Bonus Award Agreement, dated as of September 21, 2012, supplementing and amending the Employment Agreement with Richard Herrin	(j)
10.1B	Second Amendment, dated as of September 25, 2012, to Employment Agreement with Richard Herrin	(j)
10.2	Employment Agreement, dated as of August 21, 2012, by and between the Registrant and Steven Sugarman	(j)
10.2A	Stock Appreciation Right Grant Agreement between the Registrant and Steven Sugarman dated August 21, 2012	(j)
10.2B	Amendment dated December 13, 2013 to Stock Appreciation Right Grant Agreement between the Registrant and Steven Sugarman dated August 21, 2012	(gg)
10.2C	Letter Agreement, dated as of May 23, 2014, by and between the Registrant and Steven Sugarman, relating to Stock Appreciation Rights issued with respect to Tangible Equity Units	10.2C
10.3	Employment Agreement, dated as of September 25, 2012, by and among the Registrant, Pacific Trust Bank and Beach Business Bank and Robert M. Franko	(j)
10.3A	Mutual Termination and Release Letter Agreement, dated September 25, 2012, relating to Executive Employment Agreement, dated June 1, 2003, between Doctors Bancorp, predecessor-in-interest to Beach Business Bank, and Robert M. Franko	(j)
10.4	Employment Agreement, dated as of August 22, 2012, by and among the Registrant and John C. Grosvenor	(j)
10.5	Employment Agreement, dated as of November 5, 2012, by and among the Registrant and Ronald J. Nicolas, Jr.	(j)
10.6	Employment Agreement, dated as of September 17, 2013, by and among the Registrant and Hugh F. Boyle	(dd)
10.7	Registrant's 2011 Omnibus Incentive Plan	(k)
10.8A	Form of Incentive Stock Option Agreement under 2011 Omnibus Incentive Plan	(n)
10.8B	Form of Non-Qualified Stock Option Agreement under 2011 Omnibus Incentive Plan	(n)
10.8C	Form of Restricted Stock Agreement Under 2011 Omnibus Incentive Plan	(n)
10.9	Registrant's 2003 Stock Option and Incentive Plan	(l)
10.10	Registrant's 2003 Recognition and Retention Plan	(l)
10.11	Small Business Lending Fund-Securities Purchase Agreement, dated August 30, 2011, between the Registrant and the Secretary of the United States Treasury	(f)

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10.12	Management Services Agreement, dated as of December 27, 2012, by and between CS Financial, Inc. and Pacific Trust Bank	(o)
10.13	Employment Agreement, dated as of May 13, 2013, by and among Pacific Trust Bank and Jeffrey Seabold	(aa)
10.14	Registrant's 2013 Omnibus Stock Incentive Plan	(s)
10.14A	Form of Incentive Stock Option Agreement under 2013 Omnibus Stock Incentive Plan	(t)
10.14B	Form of Non-Qualified Stock Option Agreement under 2013 Omnibus Stock Incentive Plan	(t)
10.14C	Form of Restricted Stock Agreement under 2013 Omnibus Stock Incentive Plan	(t)
10.14D	Form of Restricted Stock Unit Agreement under 2013 Omnibus Stock Incentive Plan	(ee)
10.14E	Form of Restricted Stock Unit Agreement for Employee Equity Ownership Program under 2013 Omnibus Stock Incentive Plan	(ee)
10.14F	Form of Non-Qualified Stock Option Agreement for Non-Employee Directors under 2013 Omnibus Stock Incentive Plan	10.14F
10.14G	Form of Restricted Stock Agreement for Non-Employee Directors under 2013 Omnibus Stock Incentive Plan	10.14G
10.15	Agreement to Assume Liabilities and to Acquire Assets of Branch Banking Offices, dated as of May 31, 2013, between Pacific Trust Bank and AmericanWest Bank	(u)
10.16	Common Stock Share Exchange Agreement, dated as of May 29, 2013, by and between the Registrant and TCW Shared Opportunity Fund V, L.P.	(v)
10.17	Purchase and Sale Agreement and Escrow Instructions, dated as of July 24, 2013, by and between the Registrant and Memorial Health Services	(w)
10.18	Assumption Agreement, dated as of July 1, 2013, by and between the Registrant and The Private Bank of California	(x)
10.19	Securities Purchase Agreement, dated as of April 22, 2014, by and between the Registrant and OCM BOCA Investor, LLC	(bb)
10.20	Securities Purchase Agreement, dated as of April 22, 2014, by and among the Registrant, Patriot Financial Partners, L.P. and Patriot Financial Partners Parallel L.P.	(bb)
11.0	Statement regarding computation of per share earnings	None
15.0	Letter re unaudited interim financial information	None
18.0	Letter regarding change in accounting principles	None
19.0	Report furnished to security holders	None
22.0	Published report regarding matters submitted to vote of security holders	None
24.0	Power of Attorney	None
31.1	Rule 13a-14(a) Certification (Chief Executive Officer)	31.1
31.2	Rule 13a-14(a) Certification (Chief Financial Officer)	31.2
31.3	Rule 13a-14(a) Certification (Chief Accounting Officer)	31.3
32.0	Rule 13a-14(b) and 18 U.S.C. 1350 Certification	32.0
101.0	The following financial statements and footnotes from the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Financial Condition; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Comprehensive Income (Loss); (iv) Consolidated Statements of Shareholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) the Notes to Consolidated Financial Statements.	101.0

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- (a) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on June 9, 2011 and incorporated herein by reference.
- (a)(1) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on December 1, 2011 and incorporated herein by reference.
- (a)(2) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on February 28, 2012 and incorporated herein by reference.
- (a)(3) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on July 2, 2012 and incorporated herein by reference.
- (a)(4) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on August 2, 2012 and incorporated herein by reference.
- (b) Filed as Appendix A to the proxy statement/prospectus included in the Registrant's Registration Statement on Form S-4 filed on November 1, 2011 and incorporated herein by reference.
- (c) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on August 27, 2012 and incorporated herein by reference.
- (d) Filed as an exhibit to the Registrant's Registration Statement on Form S-1 filed on March 28, 2002 and incorporated herein by reference.
- (e) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on March 4, 2011 and incorporated herein by reference.
- (f) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on August 30, 2011 and incorporated herein by reference.
- (g) Filed as an exhibit to the Registrant's Current Report on Form 8-K/A filed on November 16, 2010 and incorporated herein by reference.
- (h) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on May 12, 2011 and incorporated herein by reference.
- (i) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on November 19, 2010 and incorporated herein by reference.
- (j) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 and incorporated herein by reference.
- (k) Filed as an appendix to the Registrant's definitive proxy statement filed on April 25, 2011 and incorporated herein by reference.
- (l) Filed as an appendix to the Registrant's definitive proxy statement filed on March 21, 2003 and incorporated herein by reference.
- (m) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on April 23, 2012 and incorporated herein by reference.
- (n) Filed as an exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2011 and incorporated herein by reference.
- (o) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on January 3, 2013 and incorporated herein by reference.
- (p) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on June 12, 2013 and incorporated herein by reference.
- (q) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on July 3, 2013 and incorporated herein by reference.
- (r) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on July 17, 2013 and incorporated herein by reference.
- (s) Filed as an appendix to the Registrant's definitive proxy statement filed on June 11, 2013 and incorporated herein by reference.
- (t) Filed as an exhibit to the Registrant's Registration Statement on Form S-8 filed on July 31, 2013 and incorporated herein by reference.
- (u) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on June 3, 2013 and incorporated herein by reference.
- (v) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on June 4, 2013 and incorporated herein by reference.
- (w) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on July 30, 2013 and incorporated herein by reference.
- (x) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on July 3, 2013 and incorporated herein by reference.
- (y) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on May 6, 2013 and incorporated herein by reference.
- (z) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on October 31, 2013 and incorporated herein by reference.
- (aa) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 and incorporated herein by reference.
- (bb) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on April 25, 2014 and incorporated herein by reference.
- (cc) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on November 22, 2013 and incorporated herein by reference.
- (dd) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 and incorporated herein by reference.
- (ee) Filed as an exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013 and incorporated herein by reference.
- (ff) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on May 21, 2014 and incorporated herein by reference.
- (gg) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 and incorporated herein by reference.

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SIGNATURES

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

	BANC OF CALIFORNIA, INC.
Date: August 18, 2014	/s/ Steven A. Sugarman Steven A. Sugarman President/ Chief Executive Officer
Date: August 18, 2014	/s/ Ronald J. Nicolas, Jr. Ronald J. Nicolas, Jr. Executive Vice President/ Chief Financial Officer
Date: August 18, 2014	/s/ Nathan Duda Nathan Duda Senior Vice President/ Chief Accounting Officer