

PACWEST BANCORP  
Form 10-Q  
May 12, 2014

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

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**FORM 10-Q**

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

**For the quarterly period ended March 31, 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: 00-30747**

**PACWEST BANCORP**

(Exact name of registrant as specified in its charter)

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

**33-0885320**  
(I.R.S. Employer  
Identification Number)

**10250 Constellation Blvd., Suite 1640**  
**Los Angeles, California**  
(Address of principal executive offices)

**90067**  
(Zip Code)

**(310) 286-1144**  
(Registrant's telephone number, including area code)

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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

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

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company   
(Do not check if a  
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

As of May 6, 2014, there were 101,910,929 shares of the registrant's common stock outstanding, excluding 40,000 shares of unvested restricted stock.

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**PACWEST BANCORP AND SUBSIDIARIES**

**MARCH 31, 2014 FORM 10-Q**

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. Condensed Consolidated Financial Statements (Unaudited)****PACWEST BANCORP AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Dollars in Thousands, Except Par Value and Share Data)****(Unaudited)**

	<b>March 31, 2014</b>	<b>December 31, 2013</b>
<b>ASSETS</b>		
Cash and due from banks	\$ 113,508	\$ 96,424
Interest-earning deposits in financial institutions	228,579	50,998
Total cash and cash equivalents	342,087	147,422
Securities available-for-sale, at fair value (\$37,594 and \$37,904 covered by FDIC loss sharing at March 31, 2014 and December 31, 2013)	1,477,473	1,494,745
Federal Home Loan Bank stock, at cost	25,000	27,939
Total investment securities	1,502,473	1,522,684
Loans and leases, net of unearned income (\$398,365 and \$448,418 covered by FDIC loss sharing at March 31, 2014 and December 31, 2013)	4,161,067	4,312,352
Allowance for loan and lease losses (\$20,930 and \$21,793 for loans covered by FDIC loss sharing at March 31, 2014 and December 31, 2013)	(81,180)	(82,034)
Total loans and leases, net	4,079,887	4,230,318
Other real estate owned, net (\$6,177 and \$9,036 covered by FDIC loss sharing at March 31, 2014 and December 31, 2013)	46,870	51,837
Premises and equipment, net	29,908	32,435
FDIC loss sharing asset	34,628	45,524
Cash surrender value of life insurance	77,955	77,489
Goodwill	208,743	208,743
Core deposit and customer relationship intangibles, net	15,884	17,248
Other assets	179,418	199,663
Total assets	\$ 6,517,853	\$ 6,533,363

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**LIABILITIES**

Noninterest-bearing deposits	\$ 2,391,609	\$ 2,318,446
Interest-bearing deposits	2,977,799	2,962,541

Total deposits	5,369,408	5,280,987
Borrowings	5,748	113,726
Subordinated debentures	132,790	132,645
Discontinued operations	112,432	123,028
Accrued interest payable and other liabilities	63,773	73,884

Total liabilities	5,684,151	5,724,270
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Commitments and contingencies

**STOCKHOLDERS' EQUITY**

Preferred stock, \$0.01 par value; authorized 5,000,000 shares; none issued and outstanding		
Common stock, \$0.01 par value; authorized 200,000,000 and 75,000,000 shares at March 31, 2014 and December 31, 2013, respectively; issued 46,532,624 and 46,526,124 shares, respectively (includes 1,087,436 and 1,216,524 shares of unvested restricted stock, respectively)	465	465
Additional paid-in capital	1,278,152	1,286,737
Accumulated deficit	(429,342)	(454,422)
Treasury stock, at cost; 755,044 and 703,290 shares at March 31, 2014 and December 31, 2013	(22,398)	(20,340)
Accumulated other comprehensive income	6,825	(3,347)

Total stockholders' equity	833,702	809,093
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Total liabilities and stockholders' equity	\$ 6,517,853	\$ 6,533,363
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See "Notes to Condensed Consolidated Financial Statements."

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## PACWEST BANCORP AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Dollars in Thousands, Except Per Share Data)

(Unaudited)

	Three Months Ended		
	March 31, 2014	December 31, 2013	March 31, 2013
<b>Interest income:</b>			
Loans and leases	\$ 77,463	\$ 73,352	\$ 61,010
Investment securities	10,823	10,422	8,216
Deposits in financial institutions	74	82	43
<b>Total interest income</b>	<b>88,360</b>	<b>83,856</b>	<b>69,269</b>
<b>Interest expense:</b>			
Deposits	1,225	1,450	2,649
Borrowings	79	86	144
Subordinated debentures	1,041	1,062	783
<b>Total interest expense</b>	<b>2,345</b>	<b>2,598</b>	<b>3,576</b>
<b>Net interest income</b>	<b>86,015</b>	<b>81,258</b>	<b>65,693</b>
<b>(Negative provision) provision for credit losses</b>	<b>(644)</b>	<b>(1,338)</b>	<b>3,137</b>
<b>Net interest income after negative provision for credit losses</b>	<b>86,659</b>	<b>82,596</b>	<b>62,556</b>
<b>Noninterest income:</b>			
Service charges on deposit accounts	3,002	3,197	2,863
Other commissions and fees	1,932	2,125	1,933
Gain on sale of leases	106	683	225
Gain (loss) on sale of securities	4,752	(272)	409
Increase in cash surrender value of life insurance	466	448	433
FDIC loss sharing expense, net	(11,430)	(10,593)	(3,137)
Other income	5,863	486	114
<b>Total noninterest income</b>	<b>4,691</b>	<b>(3,926)</b>	<b>2,840</b>
<b>Noninterest expense:</b>			
Compensation	28,627	27,697	25,350
Accelerated vesting of restricted stock		12,420	
Occupancy	7,595	7,553	6,598

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Data processing	2,540	2,216	2,233
Other professional services	2,286	2,314	2,097
Business development	934	992	736
Communications	737	860	613
Insurance and assessments	1,593	1,572	1,261
Non-covered other real estate owned, net	(246)	25	313
Covered other real estate owned, net	(1,615)	(594)	(813)
Intangible asset amortization	1,364	1,430	1,176
Acquisition and integration	2,200	4,253	692
Other expense	4,854	5,350	3,927

<b>Total noninterest expense</b>	<b>50,869</b>	<b>66,088</b>	<b>44,183</b>
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Earnings from continuing operations before income taxes	40,481	12,582	21,213
Income tax expense	(14,576)	(9,135)	(7,719)

<b>Net earnings from continuing operations</b>	<b>25,905</b>	<b>3,447</b>	<b>13,494</b>
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Loss from discontinued operations before income taxes	(1,413)	(578)	
Income tax benefit	588	240	

<b>Net loss from discontinued operations</b>	<b>(825)</b>	<b>(338)</b>	
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<b>Net earnings</b>	<b>\$ 25,080</b>	<b>\$ 3,109</b>	<b>\$ 13,494</b>
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<b>Basic earnings per share:</b>			
Net earnings from continuing operations	\$ 0.57	\$ 0.07	\$ 0.37
Net earnings	\$ 0.55	\$ 0.06	\$ 0.37
<b>Diluted earnings per share:</b>			
Net earnings from continuing operations	\$ 0.57	\$ 0.07	\$ 0.37
Net earnings	\$ 0.55	\$ 0.06	\$ 0.37
Dividends declared per share	\$ 0.25	\$ 0.25	\$ 0.25

See "Notes to Condensed Consolidated Financial Statements."

Table of Contents**PACWEST BANCORP AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(In Thousands)****(Unaudited)**

	<b>Three Months Ended</b>		
	<b>March 31, 2014</b>	<b>December 31, 2013</b>	<b>March 31, 2013</b>
Net earnings	\$ 25,080	\$ 3,109	\$ 13,494
Other comprehensive income (loss) related to unrealized gains (losses) on securities available-for-sale:			
Unrealized holding gains (losses) arising during the period	22,291	(6,607)	(6,410)
Income tax benefit (expense) related to unrealized holding (losses) gains arising during the period	(9,363)	2,775	2,692
Reclassification adjustment for (gain) loss included in net earnings	(4,752)	272	(409)
Income tax (benefit) expense related to reclassification adjustment	1,996	(114)	172
Other comprehensive income (loss)	10,172	(3,674)	(3,955)
Comprehensive income (loss)	\$ 35,252	\$ (565)	\$ 9,539

See "Notes to Condensed Consolidated Financial Statements."



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	Common Stock			Accumulated	Treasury	Accumulated	Total
	Shares	Par Value	Additional Paid-in Capital	Deficit	Stock	Other Comprehensive Income	
Balance, December 31, 2013	45,822,834	\$ 465	\$ 1,286,737	\$ (454,422)	\$ (20,340)	\$ (3,347)	\$ 809,093
Net earnings				25,080			25,080
Other comprehensive income net unrealized gain on securities available-for-sale, net of tax						10,172	10,172
Restricted stock awarded and earned stock compensation, net of shares forfeited	6,500		1,611				1,611
Restricted stock surrendered	(51,754)				(2,058)		(2,058)
Tax effect from vesting of restricted stock			1,110				1,110
Cash dividends paid (\$0.25 per share)			(11,306)				(11,306)
Balance, March 31, 2014	45,777,580	\$ 465	\$ 1,278,152	\$ (429,342)	\$ (22,398)	\$ 6,825	\$ 833,702

See "Notes to Condensed Consolidated Financial Statements."

Table of Contents**PACWEST BANCORP AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In Thousands)****(Unaudited)**

	<b>Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 25,080	\$ 13,494
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	6,653	7,292
(Negative provision) provision for credit losses	(644)	3,137
Gain on sale of other real estate owned	(2,323)	(1,910)
Provision for losses on other real estate owned	94	1,185
Gain on sale of leases	(106)	(225)
Gain on sale of premises and equipment	(1,571)	
Gain on sale of securities	(4,752)	(409)
Earned stock compensation	1,611	1,764
Tax effect included in stockholders' equity of restricted stock vesting	(1,110)	(660)
Decrease in accrued and deferred income taxes, net	19,679	8,611
Decrease in FDIC loss sharing asset	10,896	1,635
Increase in other assets	(6,156)	(486)
Decrease in accrued interest payable and other liabilities	(20,107)	(7,601)
Net cash provided by operating activities	27,244	25,827
<b>Cash flows from investing activities:</b>		
Net decrease in loans and leases	149,440	113,099
Proceeds from sale of loans and leases	1,128	3,054
Securities available-for-sale:		
Proceeds from maturities and paydowns	33,860	100,980
Proceeds from sales	142,041	12,810
Purchases	(140,048)	(132,446)
Net redemptions of Federal Home Loan Bank stock	2,939	3,726
Proceeds from sales of other real estate owned	7,209	8,847
Purchases of premises and equipment, net	(1,115)	