

PACWEST BANCORP
Form 10-Q
August 10, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

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

For the quarterly period ended June 30, 2015

Commission File No. 00-30747

PACWEST BANCORP

(Exact name of registrant as specified in its charter)

Delaware

(State of Incorporation)

10250 Constellation Blvd., Suite 1640
Los Angeles, CA 90067

(Address of Principal Executive Offices, Including Zip Code)

(310) 286-1144

(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 (§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. (Check one):

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

As of July 29, 2015, there were 102,061,730 shares of the registrant's common stock outstanding, excluding 967,759 shares of unvested restricted stock.

PACWEST BANCORP
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PACWEST BANCORP AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2015 (Unaudited) (Dollars in thousands)	December 31, 2014
ASSETS:		
Cash and due from banks	\$209,598	\$164,757
Interest-earning deposits in financial institutions	431,033	148,469
Total cash and cash equivalents	640,631	313,226
Securities available-for-sale, at fair value	1,698,158	1,567,177
Federal Home Loan Bank stock, at cost	17,250	40,609
Total investment securities	1,715,408	1,607,786
Gross loans and leases	12,069,005	11,904,684
Deferred fees and costs	(34,816)	(22,252)
Allowance for loan and lease losses	(99,375)	(84,455)
Total loans and leases, net	11,934,814	11,797,977
Equipment leased to others under operating leases	117,182	122,506
Premises and equipment, net	35,984	36,551
Foreclosed assets, net	31,668	43,721
Goodwill	1,728,380	1,720,479
Core deposit and customer relationship intangibles, net	14,201	17,204
Deferred tax asset, net	211,556	284,411
Other assets	267,196	290,744
Total assets	\$16,697,020	\$16,234,605
LIABILITIES:		
Noninterest-bearing deposits	\$3,396,688	\$2,931,352
Interest-bearing deposits	9,185,128	8,823,776
Total deposits	12,581,816	11,755,128
Borrowings	2,751	383,402
Subordinated debentures	433,944	433,583
Accrued interest payable and other liabilities	127,019	156,262
Total liabilities	13,145,530	12,728,375
Commitments and contingencies (Note 10)	—	—
STOCKHOLDERS' EQUITY:		
Preferred stock (\$0.01 par value; 5,000,000 shares authorized; none issued and outstanding)	—	—
Common stock (\$0.01 par value, 200,000,000 shares authorized at June 30, 2015 and December 31, 2014; 104,428,608 and 104,219,197 shares issued, respectively, including 990,259 and 1,108,505 shares of unvested restricted stock, respectively)	1,044	1,042
Additional paid-in capital	3,712,724	3,807,167
Accumulated deficit	(127,550)	(285,712)
	(50,983)	(42,647)

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Treasury stock, at cost (1,376,619 and 1,197,180 shares at June 30, 2015 and December 31, 2014)

Accumulated other comprehensive income, net	16,255	26,380
Total stockholders' equity	3,551,490	3,506,230
Total liabilities and stockholders' equity	\$ 16,697,020	\$ 16,234,605

See Notes to Condensed Consolidated Financial Statements.

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PACWEST BANCORP AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

	Three Months Ended			Six Months Ended	
	June 30, 2015 (Unaudited)	March 31, 2015	June 30, 2014	June 30, 2015	2014
	(Dollars in thousands, except per share data)				
Interest income:					
Loans and leases	\$203,781	\$202,097	\$192,201	\$405,878	\$269,664
Investment securities	14,570	12,195	11,986	26,765	22,809
Deposits in financial institutions	104	22	176	126	250
Total interest income	218,455	214,314	204,363	432,769	292,723
Interest expense:					
Deposits	11,233	10,479	7,313	21,712	8,538
Borrowings	88	235	199	323	278
Subordinated debentures	4,582	4,525	4,318	9,107	5,359
Total interest expense	15,903	15,239	11,830	31,142	14,175
Net interest income	202,552	199,075	192,533	401,627	278,548
Provision for credit losses	6,529	16,434	5,030	22,963	4,386
Net interest income after provision for credit losses	196,023	182,641	187,503	378,664	274,162
Noninterest income:					
Service charges on deposit accounts	2,612	2,574	2,719	5,186	5,721
Other commissions and fees	7,123	5,396	5,743	12,519	7,675
Leased equipment income	5,375	5,382	5,672	10,757	5,672
Gain (loss) on sale of loans and leases	163	—	(485	) 163	(379)
(Loss) gain on securities	(186	) 3,275	89	3,089	4,841
FDIC loss sharing expense, net	(5,107	) (4,399)	(8,525	) (9,506)	(19,955)
Other income	9,643	8,643	3,266	18,286	9,595
Total noninterest income	19,623	20,871	8,479	40,494	13,170
Noninterest expense:					
Compensation	49,033	47,737	45,081	96,770	73,708
Occupancy	10,588	10,600	11,078	21,188	18,673
Data processing	4,402	4,308	4,099	8,710	6,639
Other professional services	3,332	3,221	2,843	6,553	4,366
Insurance and assessments	4,716	3,025	3,179	7,741	4,772
Intangible asset amortization	1,502	1,501	1,677	3,003	3,041
Leased equipment depreciation	3,103	3,103	3,095	6,206	3,095
Foreclosed assets (income) expense, net	(2,340	) 336	497	(2,004	) (1,364)
Acquisition, integration and reorganization costs	900	2,000	86,242	2,900	88,442
Other expense	10,040	8,529	11,409	18,569	17,992
Total noninterest expense	85,276	84,360	169,200	169,636	219,364
Earnings from continuing operations before taxes	130,370	119,152	26,782	249,522	67,968
Income tax expense	(45,287	) (46,073)	(15,552	) (91,360)	(30,833)
Net earnings from continuing operations	85,083	73,079	11,230	158,162	37,135
Loss from discontinued operations before taxes	—	—	(1,151	) —	(2,564)
Income tax benefit	—	—	476	—	1,064
Net loss from discontinued operations	—	—	(675) —	(1,500)
Net earnings	\$85,083	\$73,079	\$10,555	\$158,162	\$35,635
Basic earnings per share:					

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Net earnings from continuing operations	\$0.83	\$0.71	\$0.11	\$1.54	\$0.51
Net earnings	\$0.83	\$0.71	\$0.10	\$1.54	\$0.49
Diluted earnings per share:					
Net earnings from continuing operations	\$0.83	\$0.71	\$0.11	\$1.54	\$0.51
Net earnings	\$0.83	\$0.71	\$0.10	\$1.54	\$0.49
Dividends declared per share	\$0.50	\$0.50	\$0.25	\$1.00	\$0.50

See Notes to Condensed Consolidated Financial Statements.

PACWEST BANCORP AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended			Six Months Ended		
	June 30, 2015 (Unaudited)	March 31, 2015 (Unaudited)	June 30, 2014	June 30, 2015	2014	
	(In thousands)					
Net earnings	\$85,083	\$73,079	\$10,555	\$158,162	\$35,635	
Other comprehensive (loss) income, net of tax:						
Unrealized holding (losses) gains on securities available-for-sale	(21,213	) 7,363	23,011	(13,850	) 45,302
Income tax benefit (expense) related to unrealized holding (losses) gains arising during the period	8,614	(3,105) (9,663) 5,509	(19,026)
Unrealized holding (losses) gains on securities available-for-sale, net of tax	(12,599	) 4,258	13,348	(8,341	) 26,276
Reclassification adjustment for losses (gains) included in net earnings ⁽¹⁾	186	(3,275) (89) (3,089) (4,841)
Income tax (benefit) expense related to reclassification adjustment	(76	) 1,381	37	1,305	2,033
Reclassification adjustment for losses (gains) included in net earnings, net of tax	110	(1,894) (52) (1,784) (2,808)
Other comprehensive (loss) income, net of tax	(12,489	) 2,364	13,296	(10,125	) 23,468
Comprehensive income	\$72,594	\$75,443	\$23,851	\$148,037	\$59,103	

(1) Entire amounts are recognized in "(Loss) gain on securities" on the Condensed Consolidated Statements of Earnings.

See Notes to Condensed Consolidated Financial Statements.

PACWEST BANCORP AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Six Months Ended June 30, 2015					Accumulated Other Comprehensive Income	Total
	Common Stock	Par Value	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		
Shares (Unaudited)							
(Dollars in thousands, except share data)							
Balance, December 31, 2014	103,022,017	\$ 1,042	\$ 3,807,167	\$(285,712)	\$(42,647)	\$ 26,380	\$ 3,506,230
Net earnings	—	—	—	158,162	—	—	158,162
Other comprehensive loss - net unrealized loss on securities available-for-sale, net of tax	—	—	—	—	—	(10,125)	(10,125)
Restricted stock awarded and earned stock compensation, net of shares forfeited	208,112	2	8,072	—	—	—	8,074
Restricted stock surrendered	(179,439)	—	—	—	(8,336)	—	(8,336)
Tax effect from vesting of restricted stock	—	—	401	—	—	—	401
Cash dividends paid	—	—	(102,974)	—	—	—	(102,974)
Dividend reinvestment	1,300	—	58	—	—	—	58
Balance, June 30, 2015	103,051,990	\$ 1,044	\$ 3,712,724	\$(127,550)	\$(50,983)	\$ 16,255	\$ 3,551,490

See Notes to Condensed Consolidated Financial Statements.

PACWEST BANCORP AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended		
	June 30,		
	2015	2014	
	(Unaudited)		
	(Dollars in thousands)		
Cash flows from operating activities:			
Net earnings	\$158,162	\$35,635	
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	22,087	18,023	
Provision for credit losses	22,963	4,386	
Loss (gain) on sale of foreclosed assets	126	(2,699))
Provision for losses on foreclosed assets	406	368	
(Gain) loss on sale of loans and leases	(163) 379)
Gain on sale of premises and equipment	(11) (1,571)
Gain on securities	(3,089) (4,841)
Unrealized (gain) loss on derivatives and foreign currencies, net	(1,226) 14)
Earned stock compensation	8,074	30,696	
Write-off of goodwill relating to the asset financing segment reorganization	—	6,645	
Tax effect included in stockholders' equity of restricted stock vesting	(401) (4,294)
Decrease in accrued and deferred income taxes, net	72,169	25,141	
Decrease in other assets	26,443	32,585	
Decrease in accrued interest payable and other liabilities	(26,541) (87,303)
Net cash provided by operating activities	278,999	53,164	
Cash flows from investing activities:			
Cash acquired in acquisitions, net of cash consideration	—	346,047	
Net increase in loan and leases	(169,071) (18,989)
Proceeds from sales of loans and leases	3,784	22,711	
Securities available-for-sale:			
Proceeds from maturities and paydowns	63,741	61,914	
Proceeds from sales	159,548	466,534	
Purchases	(375,156) (163,421)
Collections of securities sales proceeds	—	482,724	
Net redemptions of Federal Home Loan Bank stock	23,359	24,016	
Proceeds from sales of foreclosed assets	14,610	11,450	
Purchases of premises and equipment, net	(3,407) (1,967)
Proceeds from sales of premises and equipment	63	3,753	
Net decrease of equipment leased to others under operating leases	—	30,462	
Net cash (used in) provided by investing activities	(282,529	) 1,265,234
Cash flows from financing activities:			
Net increase (decrease) in deposits:			
Noninterest-bearing	461,107	286,370	
Interest-bearing	361,330	(232,598))
Net decrease in borrowings	(380,651) (1,101,197)
Restricted stock surrendered	(8,336) (22,307)

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Tax effect included in stockholders' equity of restricted vesting stock	401	4,294	
Cash dividends paid	(102,916	) (37,017)
Net cash provided by (used in) financing activities	330,935	(1,102,455)
Net increase in cash and cash equivalents	327,405	215,943	
Cash and cash equivalents at beginning of period	313,226	147,422	
Cash and cash equivalents at end of period	\$640,631	\$363,365	
Supplemental disclosures of cash flow information:			
Cash paid for interest	\$29,006	\$12,437	
Cash paid (received) for income taxes	6,076	(12,613)
Loans transferred to foreclosed assets	3,089	667	
Common stock issued in acquisitions	—	2,594,070	

See Notes to Condensed Consolidated Financial Statements.

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1. Organization

PacWest Bancorp is a bank holding company registered under the Bank Holding Company Act of 1956, as amended. Our principal business is to serve as the holding company for our Los Angeles based wholly owned banking subsidiary, Pacific Western Bank, which we refer to as “Pacific Western” or the “Bank.” When we say “we,” “our,” or the “Company,” we mean PacWest Bancorp together with its subsidiaries on a consolidated basis. When we refer to “PacWest” or to the holding company, we are referring to PacWest Bancorp, the parent company, on a stand alone basis. As of June 30, 2015, the Company had total assets of \$16.7 billion, gross loans and leases of \$12.1 billion, total deposits of \$12.6 billion and total stockholders' equity of \$3.6 billion.

Pacific Western is a full-service commercial bank offering a broad range of banking products and services including accepting demand, money market, and time deposits and originating loans and leases, including an array of commercial real estate loans and commercial lending products. The Bank strives to attract locally generated and relationship-based deposits, with 80 full-service branches located primarily in Southern California, extending from San Diego County to California's Central Coast. The Bank also operates three banking offices in the San Francisco Bay area and four banking offices in the Central Valley. The collateral for real estate loan offerings includes healthcare properties, office properties, industrial properties, multifamily properties, hospitality properties, and retail properties. Our commercial loan products include equipment loans and leases, asset-based loans, loans to finance companies, and loans secured by borrower future cash flows.

As a result of the CapitalSource Inc. merger, Pacific Western Bank established the CapitalSource Division, which we also refer to as the National Lending segment. The CapitalSource Division lends throughout the United States, providing middle-market businesses asset-secured loans, equipment-secured loans and leases, cash flow loans, and real estate loans secured by various property types. The Bank's leasing operation, Pacific Western Equipment Finance, and its group specializing in asset-based lending, CapitalSource Business Finance Group, are part of the CapitalSource Division. The CapitalSource Division's loan and lease origination efforts are conducted through offices located in Chevy Chase, Maryland; Los Angeles and San Jose, California; St. Louis, Missouri; Denver, Colorado; Chicago, Illinois; New York, New York; and Midvale, Utah. When we refer to "CapitalSource Inc.," we are referring to the company acquired on April 7, 2014, and when we refer to the "CapitalSource Division," we are referring to a division of the Bank that specializes in middle-market lending on a nationwide basis.

We generate our revenue primarily from interest received on loans and leases and, to a lesser extent, from interest received on investment securities, and fees received in connection with deposit services, extending credit and other services offered, including foreign exchange services. Our major operating expenses include interest paid by the Bank on deposits and borrowings, compensation and general operating expenses.

We have completed 27 acquisitions from May 2000 through June 30, 2015, including the acquisition of CapitalSource Inc. Since 2000, our acquisitions have been accounted for using the acquisition method of accounting and, accordingly, the operating results of the acquired entities have been included in the consolidated financial statements from their respective acquisition dates. See Note 3, Acquisitions, for more information about the CapitalSource Inc. merger.

Square 1 Financial, Inc. Merger Announcement

On March 2, 2015, PacWest announced the signing of an agreement and plan of merger (the “Agreement”) whereby PacWest and Square 1 Financial, Inc. (“Square 1”) will merge in a transaction currently valued at approximately \$867 million. The surviving company will be PacWest Bancorp and the surviving subsidiary bank will be Pacific Western Bank, with the banking operations of Square 1 conducted under the trade name of Square 1 Bank, a division of Pacific Western Bank.

Under the terms of the Agreement, Square 1 stockholders will receive 0.5997 shares of PacWest common stock for each share of Square 1 common stock. The total value of the per share merger consideration is \$27.49, based on the \$45.84 closing price of PacWest common stock on February 27, 2015, the last trading day before the transaction was announced.

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As of June 30, 2015, on a pro forma consolidated basis, after giving effect to the Square 1 merger, the Company would have had approximately \$21.1 billion in assets with 80 branches throughout California and one branch in North Carolina.

The transaction, currently expected to close in the fourth quarter of 2015, is subject to customary conditions, including the approval of bank regulatory authorities. The transaction was approved by the Square 1 stockholders on July 29, 2015.

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PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Significant Accounting Policies

Except as discussed below, our accounting policies are described in Note 1, Nature of Operations and Summary of Significant Accounting Policies, of our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014 as filed with the Securities and Exchange Commission ("Form 10-K").

Accounting Standard Adopted in 2015

Effective January 1, 2015, the Company adopted new accounting guidance for investments in affordable housing projects that qualify for the low-income housing tax credit. As a result of the adoption of this new guidance, the Company made an accounting policy election to amortize the initial cost of its qualifying investments in proportion to the tax credits and other benefits received and to present the amortization as a component of income tax expense, referred to as the proportional amortization method. Previously, investments in low-income housing tax credits were accounted for under the equity method and such amortization was presented in other expense. The guidance was required to be applied retrospectively and accordingly, prior period amounts for other expense and tax expense have been revised to conform to the current period presentation. The revised amortization amounts for prior periods were not material.

The retrospective application of the adoption of the new accounting guidance for the proportional amortization method resulted in a cumulative effect on retained earnings of a reduction of \$195,000.

Basis of Presentation

Our interim consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X of the Securities Exchange Act of 1934. Accordingly, certain disclosures accompanying annual consolidated financial statements are omitted. In the opinion of management, all adjustments and eliminations, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods, have been included. The current period's results of operations are not necessarily indicative of the results that ultimately may be achieved for the year. The interim consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Form 10-K.

The accompanying financial statements reflect our consolidated accounts. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

We have made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period to prepare these condensed consolidated financial statements in conformity with U.S. GAAP. Material estimates subject to change in the near term include, among other items, the allowance for credit losses, the carrying value and useful lives of intangible assets, the carrying value of the FDIC loss sharing asset, the realization of deferred tax assets, and the fair value estimates of assets acquired and liabilities assumed in acquisitions. These estimates may be adjusted as more current information becomes available, and any adjustment may be significant.

As described in Note 3, Acquisitions, the acquired assets and liabilities of CapitalSource Inc. were measured at their estimated fair values. We made significant estimates and exercised significant judgment in estimating fair values and accounting for such acquired assets and assumed liabilities.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period's presentation format. On the balance sheets, the "Other assets" category includes "FDIC loss sharing asset," which was previously reported as a separate category.

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 2. Discontinued Operations

Discontinued operations include the income and expense related to Electronic Payment Services ("EPS"), a discontinued division of the Bank acquired in connection with the First California Financial Group, Inc. ("FCAL") acquisition. Liabilities of the EPS division were \$17.0 million and \$21.3 million at June 30, 2015 and December 31, 2014, and consisted primarily of noninterest bearing deposits, and are included in the condensed consolidated balance sheets under the caption "Accrued interest payable and other liabilities." For segment reporting purposes, the EPS division is included in our Community Banking segment.

Note 3. Acquisitions

The following assets acquired and liabilities assumed of CapitalSource Inc. are presented at their estimated fair values as of its April 7, 2014 acquisition date:

	CapitalSource Inc. (In thousands)
Assets Acquired:	
Cash and due from banks	\$768,553
Interest earning deposits in financial institutions	60,612
Investment securities available for sale	382,797
FHLB stock	46,060
Loans and leases	6,877,427
Equipment leased to others under operating leases	160,015
Premises and equipment	12,663
Foreclosed assets	6,382
Income tax assets	304,856
Goodwill	1,526,282
Core deposit and customer relationship intangibles	6,720
Other assets	582,985
Total assets acquired	\$10,735,352
Liabilities Assumed:	
Noninterest bearing deposits	\$4,631
Interest bearing deposits	6,236,419
Other borrowings	992,109
Subordinated debentures	300,918
Accrued interest payable and other liabilities	124,087
Total liabilities assumed	\$7,658,164
Total consideration paid	\$3,077,188
Summary of consideration:	
Cash paid	\$483,118
PacWest common stock issued	2,594,070
Total	\$3,077,188

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

CapitalSource Inc. Merger

We acquired CapitalSource Inc. on April 7, 2014. As part of the merger, CapitalSource Bank ("CSB"), a wholly owned subsidiary of CapitalSource Inc., merged with and into Pacific Western Bank. We completed the merger in order to augment our loan and lease generation capabilities and to diversify our loan portfolio.

At closing, we created the CapitalSource Division of the Bank. The CapitalSource Division provides a full spectrum of financing solutions across numerous industries and property types to middle market businesses nationwide. When we refer to "CapitalSource Inc.," we are referring to the company acquired on April 7, 2014, and when we refer to the "CapitalSource Division," we are referring to a division of the Bank that lends throughout the United States, providing middle-market businesses asset-secured loans, equipment-secured loans and leases, cash flow loans, and real estate loans secured by various property types.

The CapitalSource Inc. merger has been accounted for under the acquisition method of accounting. The assets and liabilities, both tangible and intangible, were recorded at their estimated fair values as of the merger date. We made significant estimates and exercised significant judgment in estimating such fair values and accounting for the acquired assets and liabilities. The application of the acquisition method of accounting resulted in goodwill of \$1.5 billion. All of the recognized goodwill was non deductible for tax purposes.

Acquisition-Related Charges

The following table presents the components of acquisition, integration and reorganization costs for the periods indicated:

	Three Months Ended		June 30, 2014	Six Months Ended	
	June 30, 2015	March 31, 2015		June 30, 2015	2014
	(In thousands)				
Acquisition, Integration and Reorganization Costs:					
Severance and employee-related	\$—	\$—	\$54,061	\$—	\$54,261
System conversion and integration	—	—	873	—	1,123
Asset write-downs, lease terminations and other facilities-related	—	—	5,703	—	5,703
Investment banking deal costs	—	1,050	16,117	1,050	16,117
Other (legal, accounting, insurance, consulting)	900	950	9,488	1,850	11,238
Total acquisition, integration and reorganization costs	\$900	\$2,000	\$86,242	\$2,900	\$88,442

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 4. Goodwill and Other Intangible Assets

Goodwill arises from the acquisition method of accounting for business combinations and represents the excess of the purchase price over the fair value of the net assets and other identifiable intangible assets acquired. Our intangible assets with definite lives are core deposit intangibles ("CDI") and customer relationship intangibles ("CRI"). In the first quarter of 2015, we finalized the estimated fair value of the deferred tax assets acquired in the CapitalSource Inc. merger that resulted in a \$7.9 million decrease with a corresponding adjustment to increase goodwill.

Goodwill and other intangible assets deemed to have indefinite lives generated from purchase business combinations are not subject to amortization and are instead tested for impairment no less than annually. Impairment exists when the carrying value of goodwill exceeds its implied fair value. An impairment loss would be recognized in an amount equal to that excess and would be included in "Noninterest expense" in the condensed consolidated statements of earnings. No impairment losses were recognized during the six months ended June 30, 2015 and 2014.

CDI and CRI are amortized over their respective estimated useful lives and reviewed for impairment at least quarterly. The amortization expense represents the estimated decline in the value of the underlying deposits or loan and lease customers acquired. The weighted average amortization period remaining for all of our CDI and CRI as of June 30, 2015 is 4.1 years. The aggregate CDI and CRI amortization expense is expected to be \$6.0 million for 2015. The estimated aggregate amortization expense related to these intangible assets for each of the next five years is \$4.1 million for 2016, \$2.3 million for 2017, \$2.0 million for 2018, \$1.7 million for 2019, and \$953,000 for 2020.

The following table presents the changes in the carrying amount of goodwill for the period indicated:

	Goodwill (In thousands)
Balance, December 31, 2014	\$1,720,479
Adjustment to acquired CapitalSource Inc. deferred tax assets	7,901
Balance, June 30, 2015	\$1,728,380

The following table presents the changes in CDI and CRI and the related accumulated amortization for the periods indicated:

	Three Months Ended		Six Months Ended		
	June 30, 2015	March 31, 2015	June 30, 2014	June 30, 2015	2014
	(In thousands)				
Gross Amount of CDI and CRI:					
Balance, beginning of period	\$53,090	\$53,090	\$48,963	\$53,090	\$48,963
Additions	—	—	6,720	—	6,720
Fully amortized portion	—	—	(1,293	) —	(1,293)
Write-off due to the asset financing segment reorganization	—	—	(1,300	) —	(1,300)
Balance, end of period	53,090	53,090	53,090	53,090	53,090
Accumulated Amortization:					
Balance, beginning of period	(37,387	) (35,886	) (33,079	) (35,886	) (31,715)
Amortization	(1,502	) (1,501	) (1,677	) (3,003	) (3,041)
Fully amortized portion	—	—	1,293	—	1,293
Write-off due to the asset financing segment reorganization	—	—	804	—	804
Balance, end of period	(38,889	) (37,387	) (32,659	) (38,889	) (32,659)
Net CDI and CRI, end of period	\$14,201	\$15,703	\$20,431	\$14,201	\$20,431

In the second quarter of 2014, we wrote-off \$6.6 million of goodwill and \$0.5 million of CRI related to the reorganization of the legacy PacWest asset financing segment, which included the sale of Celtic Capital Corporation.

These amounts are included in "Acquisition, integration and reorganization costs" in the condensed consolidated statements of earnings.

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PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 5. Investment Securities

Securities Available-for-Sale

The following table presents amortized cost, gross unrealized gains and losses, and carrying values of securities available-for-sale as of the dates indicated:

	June 30, 2015				December 31, 2014			
	Amortized Cost (In thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Residential mortgage-backed securities:								
Government agency and government-sponsored enterprise pass-through securities	\$411,842	\$15,282	\$(250)	\$426,874	\$515,902	\$20,142	\$(372)	\$535,672
Government agency and government-sponsored enterprise collateralized mortgage obligations	262,222	4,443	(766)	265,899	275,513	3,513	(1,080)	277,946
Covered private label collateralized mortgage obligations	25,835	6,573	(85)	32,323	26,889	7,153	(95)	33,947
Other private label collateralized mortgage obligations	8,025	43	(43)	8,025	10,961	46	(93)	10,914
Municipal securities	720,835	10,358	(9,637)	721,556	521,499	15,899	(1,282)	536,116
Corporate debt securities	47,438	343	(371)	47,410	110,074	597	(562)	110,109
Collateralized loan obligations	133,128	1,067	(288)	133,907	—	—	—	—
Government-sponsored enterprise debt securities	36,267	813	—	37,080	36,232	525	—	36,757
Other securities	25,199	2	(117)	25,084	25,801	33	(118)	25,716
Total	\$1,670,791	\$38,924	\$(11,557)	\$1,698,158	\$1,522,871	\$47,908	\$(3,602)	\$1,567,177

Other securities consist primarily of asset backed securities. See Note 11, Fair Value Measurements, for information on fair value measurements and methodology.

As of June 30, 2015, securities available for sale with a carrying value of \$364.3 million were pledged as collateral for borrowings, public deposits and other purposes as required by various statutes and agreements.

During the six months ended June 30, 2015 and 2014, we purchased \$375.2 million and \$163.4 million in securities available-for-sale.

During the six months ended June 30, 2015, we sold \$28.7 million of municipal securities for a \$698,000 gain, \$67.5 million in corporate debt securities for a realized loss of \$232,000 and \$60.3 million in government agency and government-sponsored enterprise ("GSE") pass-through securities for a realized gain of \$2.6 million. During the six months ended June 30, 2014, we sold \$137.3 million in GSE pass-through securities for a realized gain of \$4.8 million

and \$797,000 in other securities for a realized gain of \$89,000. In addition, we sold \$323.6 million of the \$382.8 million of securities obtained in the CapitalSource Inc. merger for no gain or loss.

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Unrealized Losses on Securities Available-for-Sale

The following tables present the gross unrealized losses and fair values of securities available-for-sale that were in unrealized loss positions, for which other-than-temporary impairments have not been recognized in earnings, as of the dates indicated:

	June 30, 2015					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In thousands)					
Residential mortgage-backed securities:						
Government agency and government-sponsored enterprise pass-through securities	\$4,952	\$(92)	\$9,707	\$(158)	\$14,659	\$(250)
Government agency and government-sponsored enterprise collateralized mortgage obligations	21,528	(51)	14,145	(715)	35,673	(766)
Covered private label collateralized mortgage obligations	1,126	(27)	626	(58)	1,752	(85)
Other private label collateralized mortgage obligations	2,188	(39)	428	(4)	2,616	(43)
Municipal securities	344,761	(7,998)	38,651	(1,639)	383,412	(9,637)
Corporate debt securities	25,104	(371)	—	—	25,104	(371)
Collateralized loan obligations	39,184	(288)	—	—	39,184	(288)
Other securities	12,366	(112)	10,035	(5)	22,401	(117)
Total	\$451,209	\$(8,978)	\$73,592	\$(2,579)	\$524,801	\$(11,557)
	December 31, 2014					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In thousands)					
Residential mortgage-backed securities:						
Government agency and government-sponsored enterprise pass-through securities	\$10,711	\$(13)	\$27,100	\$(359)	\$37,811	\$(372)
Government agency and government-sponsored enterprise collateralized mortgage obligations	23,908	(73)	40,652	(1,007)	64,560	(1,080)
Covered private label collateralized mortgage obligations	—	—	1,000	(95)	1,000	(95)
Other private label collateralized mortgage obligations	1,618	(93)	—	—	1,618	(93)
Municipal securities	11,854	(66)	84,822	(1,216)	96,676	(1,282)
Corporate debt securities	52,071	(547)	10,131	(15)	62,202	(562)
Other securities	6,440	(90)	10,019	(28)	16,459	(118)

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Total \$106,602 \$(882) \$173,724 \$(2,720) \$280,326 \$(3,602)

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PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

We reviewed the securities that were in a loss position at June 30, 2015, and concluded their unrealized losses were a result of the level of market interest rates relative to the types of securities and pricing changes caused by shifting supply and demand dynamics and not a result of downgraded credit ratings or other indicators of deterioration of the underlying issuers' ability to repay. Accordingly, we determined the securities were temporarily impaired and we did not recognize such impairment in the condensed consolidated statements of earnings. Although we occasionally sell securities for risk management purposes to reduce risks related to price volatility and duration, we do not foresee having to sell any temporarily impaired securities strictly for liquidity needs and believe that it is more likely than not we would not be required to sell any temporarily impaired securities before recovery of their amortized cost.

Contractual Maturities

The following table presents the contractual maturities of our available-for-sale securities portfolio based on amortized cost and carrying value as of the date indicated:

	June 30, 2015	Fair
	Amortized	Value
	Cost	
	(In thousands)	
Due in one year or less	\$5,783	\$5,810
Due after one year through five years	106,649	108,045
Due after five years through ten years	282,802	291,215
Due after ten years	1,275,557	1,293,088
Total securities available-for-sale	\$1,670,791	\$1,698,158

Mortgage-backed securities have contractual terms to maturity, but require periodic payments to reduce principal. In addition, expected maturities may differ from contractual maturities because obligors and/or issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

FHLB Stock

At June 30, 2015, we had a \$17.3 million investment in Federal Home Loan Bank of San Francisco ("FHLB") stock carried at cost. During the six months ended June 30, 2015, the carrying value of FHLB stock decreased by \$23.4 million due to \$27.3 million in redemptions, offset partially by \$3.9 million in purchases. We evaluated the carrying value of our FHLB stock investment at June 30, 2015, and determined that it was not impaired. Our evaluation considered the long-term nature of the investment, the current financial and liquidity position of the FHLB, repurchase activity of excess stock by the FHLB at its carrying value, the return on the investment, and our intent and ability to hold this investment for a period of time sufficient to recover our recorded investment. The FHLB paid us a special dividend of \$1.4 million in the second quarter of 2015.

Interest Income on Investment Securities

The following table presents the composition of our interest income on investment securities for the periods indicated:

	Three Months Ended			Six Months Ended	
	June 30,	March 31,	June 30,	June 30,	
	2015	2015	2014	2015	2014
	(In thousands)				
Taxable interest	\$7,577	\$7,473	\$7,668	\$15,050	\$14,584
Non-taxable interest	4,808	3,894	3,333	8,702	6,661
Dividend income	2,185	828	985	3,013	1,564
Total interest income on investment securities	\$14,570	\$12,195	\$11,986	\$26,765	\$22,809

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 6. Loans and Leases

The Company's loan and lease portfolio includes originated and purchased loans and leases. Originated loans and leases and purchased loans and leases for which there was no evidence of credit deterioration at their acquisition date and for which it was probable that all contractually required payments would be collected, are referred to collectively as non-purchased credit impaired loans, or "Non-PCI loans." Purchased loans for which there was, at the acquisition date, evidence of credit deterioration since their origination and it was probable that we would be unable to collect all contractually required payments are referred to as purchased credit impaired loans, or "PCI loans".

Non-PCI loans are carried at the principal amount outstanding, net of deferred fees and costs, and in the case of acquired loans, net of purchase discounts and premiums. Deferred fees and costs and purchase discounts and premiums are recognized as an adjustment to interest income over the contractual life of the loans using the effective interest method or taken into income when the related loans are paid off or sold.

PCI loans are accounted for in accordance with ASC Subtopic 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality". For PCI loans, at the time of acquisition we (i) calculate the contractual amount and timing of undiscounted principal and interest payments (the "undiscounted contractual cash flows") and (ii) estimate the amount and timing of undiscounted expected principal and interest payments (the "undiscounted expected cash flows"). The difference between the undiscounted contractual cash flows and the undiscounted expected cash flows is the nonaccretable difference. The difference between the undiscounted cash flows expected to be collected and the estimated fair value of the acquired loans is the accretable yield. The nonaccretable difference represents an estimate of the loss exposure of principal and interest related to the PCI loan portfolio; such amount is subject to change over time based on the performance of such loans. The carrying value of PCI loans is reduced by payments received, both principal and interest, and increased by the portion of the accretable yield recognized as interest income.

The following table summarizes the composition of our loan and lease portfolio as of the dates indicated:

	June 30, 2015			December 31, 2014		
	Non-PCI Loans and Leases	PCI Loans	Total	Non-PCI Loans and Leases	PCI Loans	Total
	(In thousands)					
Real estate mortgage	\$5,428,698	\$212,157	\$5,640,855	\$5,350,827	\$256,489	\$5,607,316
Real estate construction and land	346,919	1,464	348,383	309,162	6,924	316,086
Commercial	5,984,472	8,782	5,993,254	5,852,420	27,155	5,879,575
Consumer	86,224	289	86,513	101,423	284	101,707
Total gross loans and leases	11,846,313	222,692	12,069,005	11,613,832	290,852	11,904,684
Deferred fees and costs	(34,762)	(54)	(34,816)	(22,191)	(61)	(22,252)
Total loans and leases, net of deferred fees	11,811,551	222,638	12,034,189	11,591,641	290,791	11,882,432
Allowance for loan and lease losses	(85,047)	(14,328)	(99,375)	(70,456)	(13,999)	(84,455)
Total net loans and leases	\$11,726,504	\$208,310	\$11,934,814	\$11,521,185	\$276,792	\$11,797,977

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

The following tables present a summary of the activity in the allowance for loan and lease losses on Non-PCI loans and leases by portfolio segment and PCI loans for the periods indicated:

Three Months Ended June 30, 2015

	Real Estate		Commercial	Consumer	Total Non-PCI	Total PCI	Total
	Real Estate Mortgage	Construction and Land					
(In thousands)							
Allowance for Loan and Lease Losses:							
Balance, beginning of period	\$30,911	\$2,173	\$45,794	\$802	\$79,680	\$12,698	\$92,378
Charge-offs	(62)	—	(534)	(27)	(623)	—	(623)
Recoveries	200	12	1,744	34	1,990	101	2,091
Provision (negative provision)	(1,141)	1,723	3,527	(109)	4,000	1,529	5,529
Balance, end of period	\$29,908	\$3,908	\$50,531	\$700	\$85,047	\$14,328	\$99,375

Six Months Ended June 30, 2015

	Real Estate		Commercial	Consumer	Total Non-PCI	Total PCI	Total
	Real Estate Mortgage	Construction and Land					
(In thousands)							
Allowance for Loan and Lease Losses:							
Balance, beginning of period	\$25,097	\$4,248	\$39,858	\$1,253	\$70,456	\$13,999	\$84,455
Charge-offs	(1,515)	—	(8,929)	(90)	(10,534)	(579)	(11,113)
Recoveries	1,495	644	2,154	228	4,521	112	4,633
Provision (negative provision)	4,831	(984)	17,448	(691)	20,604	796	21,400
Balance, end of period	\$29,908	\$3,908	\$50,531	\$700	\$85,047	\$14,328	\$99,375

Amount of the
allowance
applicable to loans
and leases:

Individually evaluated for impairment	\$1,461	\$49	\$13,305	\$193	\$15,008		
Collectively evaluated for impairment	\$28,447	\$3,859	\$37,226	\$507	\$70,039		

Acquired loans with deteriorated credit quality						\$14,328	
The ending balance of the loan and lease portfolio is composed of loans and leases:							
Individually evaluated for impairment	\$56,297	\$8,118	\$98,767	\$3,585	\$166,767		
Collectively evaluated for impairment	\$5,359,373	\$335,382	\$5,867,335	\$82,694	\$11,644,784		
Acquired loans with deteriorated credit quality						\$222,638	
Ending balance of loans and leases	\$5,415,670	\$343,500	\$5,966,102	\$86,279	\$11,811,551	\$222,638	\$12,034,189

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

	Three Months Ended June 30, 2014						
	Real Estate				Total	Total	
	Real Estate	Construction	Commercial	Consumer	Non-PCI	PCI	Total
	Mortgage	and Land					
	(In thousands)						
Allowance for Loan and Lease Losses:							
Balance, beginning of period	\$24,352	\$4,103	\$27,740	\$3,785	\$59,980	\$21,200	\$81,180
Charge-offs	(487)	—	(326)	(17)	(830)	(4,604)	(5,434)
Recoveries	376	64	587	215	1,242	—	1,242
Provision (negative provision)	(1,965)	135	7,529	(568)	5,131	30	5,161
Balance, end of period	\$22,276	\$4,302	\$35,530	\$3,415	\$65,523	\$16,626	\$82,149
	Six Months Ended June 30, 2014						
	Real Estate				Total	Total	
	Real Estate	Construction	Commercial	Consumer	Non-PCI	PCI	Total
	Mortgage	and Land					
	(In thousands)						
Allowance for Loan and Lease Losses:							
Balance, beginning of period	\$26,078	\$4,298	\$26,921	\$2,944	\$60,241	\$21,793	\$82,034
Charge-offs	(581)	—	(1,767)	(32)	(2,380)	(4,553)	(6,933)
Recoveries	636	88	965	242	1,931	—	1,931
Provision (negative provision)	(3,857)	(84)	9,411	261	5,731	(614)	5,117
Balance, end of period	\$22,276	\$4,302	\$35,530	\$3,415	\$65,523	\$16,626	\$82,149
Amount of the allowance applicable to loans and leases:							
Individually evaluated for impairment	\$2,245	\$238	\$12,531	\$321	\$15,335		
Collectively evaluated for impairment	\$20,031	\$4,064	\$22,999	\$3,094	\$50,188		
Acquired loans with deteriorated credit						\$16,626	

quality

The ending balance
of the
loan and lease
portfolio is
composed of loans
and leases:

Individually evaluated for impairment	\$62,287	\$12,797	\$51,488	\$3,971	\$130,543		
Collectively evaluated for impairment	\$5,174,165	\$285,680	\$5,142,247	\$59,034	\$10,661,126		
Acquired loans with deteriorated credit quality						\$398,436	
Ending balance of loans and leases	\$5,236,452	\$298,477	\$5,193,735	\$63,005	\$10,791,669	\$398,436	\$11,190,105

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PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Non Purchased Credit Impaired (Non PCI) Loans and Leases

The following table presents the credit risk rating categories for Non PCI loans and leases by portfolio segment and class as of the dates indicated. Nonclassified loans and leases are those with a credit risk rating of either pass or special mention, while classified loans and leases are those with a credit risk rating of either substandard or doubtful.

	June 30, 2015			December 31, 2014		
	Classified	Nonclassified	Total	Classified	Nonclassified	Total
	(In thousands)					
Real estate mortgage:						
Hospitality	\$16,737	\$579,922	\$596,659	\$17,761	\$542,458	\$560,219
SBA	10,141	387,921	398,062	11,141	364,786	375,927
Other	53,777	4,367,172	4,420,949	68,084	4,336,330	4,404,414
Total real estate mortgage	80,655	5,335,015	5,415,670	96,986	5,243,574	5,340,560
Real estate construction and land:						
Residential	377	119,428	119,805	402	96,326	96,728
Commercial	984	222,711	223,695	3,346	207,061	210,407
Total real estate construction and land	1,361	342,139	343,500	3,748	303,387	307,135
Commercial:						
Collateralized	19,250	352,541	371,791	22,433	416,754	439,187
Unsecured	1,609	118,526	120,135	1,323	130,501	131,824
Asset-based	6,675	1,833,778	1,840,453	11,547	1,783,304	1,794,851
Cash flow	177,948	2,505,518	2,683,466	83,321	2,376,530	2,459,851
Equipment finance	85,536	818,952	904,488	15,973	953,516	969,489
SBA	3,068	42,701	45,769	3,207	44,054	47,261
Total commercial	294,086	5,672,016	5,966,102	137,804	5,704,659	5,842,463
Consumer	3,886	82,393	86,279	4,073	97,410	101,483
Total Non-PCI loans and leases	\$379,988	\$11,431,563	\$11,811,551	\$242,611	\$11,349,030	\$11,591,641

In addition to our internal risk rating process, our federal and state banking regulators, as an integral part of their examination process, periodically review the Company's loan and lease risk rating classifications. Our regulators may require the Company to recognize rating downgrades based on their judgments related to information available to them at the time of their examinations. Risk rating downgrades generally result in higher allowances for credit losses.

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

The following tables present an aging analysis of our Non-PCI loans and leases by portfolio segment and class as of the dates indicated:

	June 30, 2015		Total Past Due	Current	Total
	30 - 89 Days Past Due	90 or More Days Past Due			
	(In thousands)				
Real estate mortgage:					
Hospitality	\$—	\$—	\$—	\$596,659	\$596,659
SBA	2,526	6,919	9,445	388,617	398,062
Other	4,165	5,515	9,680	4,411,269	4,420,949
Total real estate mortgage	6,691	12,434	19,125	5,396,545	5,415,670
Real estate construction and land:					
Residential	—	—	—	119,805	119,805
Commercial	—	—	—	223,695	223,695
Total real estate construction and land	—	—	—	343,500	343,500
Commercial:					
Collateralized	733	427	1,160	370,631	371,791
Unsecured	33	15	48	120,087	120,135
Asset-based	—	—	—	1,840,453	1,840,453
Cash flow	—	—	—	2,683,466	2,683,466
Equipment finance	2,551	16,443	18,994	885,494	904,488
SBA	293	1,192	1,485	44,284	45,769
Total commercial	3,610	18,077	21,687	5,944,415	5,966,102
Consumer	25	3,146	3,171	83,108	86,279
Total Non-PCI loans and leases	\$10,326	\$33,657	\$43,983	\$11,767,568	\$11,811,551

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

	December 31, 2014		Total Past Due	Current	Total
	30 - 89 Days Past Due	90 or More Days Past Due			
	(In thousands)				
Real estate mortgage:					
Hospitality	\$—	\$—	\$—	\$560,219	\$560,219
SBA	5,530	4,357	9,887	366,040	375,927
Other	6,098	7,630	13,728	4,390,686	4,404,414
Total real estate mortgage	11,628	11,987	23,615	5,316,945	5,340,560
Real estate construction and land:					
Residential	—	—	—	96,728	96,728
Commercial	—	715	715	209,692	210,407
Total real estate construction and land	—	715	715	306,420	307,135
Commercial:					
Collateralized	878	965	1,843	437,344	439,187
Unsecured	69	45	114	131,710	131,824
Asset-based	—	—	—	1,794,851	1,794,851
Cash flow	—	232	232	2,459,619	2,459,851
Equipment finance	6,525	366	6,891	962,598	969,489
SBA	205	1,362	1,567	45,694	47,261
Total commercial	7,677	2,970	10,647	5,831,816	5,842,463
Consumer	101	3,146	3,247	98,236	101,483
Total Non-PCI loans and leases	\$19,406	\$18,818	\$38,224	\$11,553,417	\$11,591,641

At June 30, 2015 and December 31, 2014, the Company had no loans and leases (excluding PCI loans) that were greater than 90 days past due and still accruing interest. It is the Company's policy to discontinue accruing interest when principal or interest payments are past due 90 days or more unless the loan is both well secured and in the process of collection or when, in the judgment of management, there is a reasonable doubt as to the collectability of a loan or lease in the normal course of business. Interest income on nonaccrual loans is recognized only to the extent cash is received and the principal balance of the loan is deemed collectable.

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

The following table presents our nonaccrual and performing Non-PCI loans and leases by portfolio segment and class as of the dates indicated:

	June 30, 2015			December 31, 2014		
	Nonaccrual	Performing	Total	Nonaccrual	Performing	Total
	(In thousands)					
Real estate mortgage:						
Hospitality	\$7,894	\$588,765	\$596,659	\$6,366	\$553,853	\$560,219
SBA	10,141	387,921	398,062	11,141	364,786	375,927
Other	16,213	4,404,736	4,420,949	20,105	4,384,309	4,404,414
Total real estate mortgage	34,248	5,381,422	5,415,670	37,612	5,302,948	5,340,560
Real estate construction and land:						
Residential	377	119,428	119,805	381	96,347	96,728
Commercial	—	223,695	223,695	1,178	209,229	210,407
Total real estate construction and land	377	343,123	343,500	1,559	305,576	307,135
Commercial:						
Collateralized	3,761	368,030	371,791	5,450	433,737	439,187
Unsecured	537	119,598	120,135	639	131,185	131,824
Asset-based	40	1,840,413	1,840,453	4,574	1,790,277	1,794,851
Cash flow	14,605	2,668,861	2,683,466	15,964	2,443,887	2,459,851
Equipment finance	71,130	833,358	904,488	11,131	958,358	969,489
SBA	3,068	42,701	45,769	3,207	44,054	47,261
Total commercial	93,141	5,872,961	5,966,102	40,965	5,801,498	5,842,463
Consumer	3,412	82,867	86,279	3,485	97,998	101,483
Total Non-PCI loans and leases	\$131,178	\$11,680,373	\$11,811,551	\$83,621	\$11,508,020	\$11,591,641

At June 30, 2015, nonaccrual loans and leases totaled \$131.2 million and included \$33.7 million of loans and leases 90 or more days past due, \$4.5 million of loans and leases 30 to 89 days past due, and \$93.0 million of current loans and leases that were placed on nonaccrual status based on management's judgment regarding their collectability. Nonaccrual loans and leases totaled \$83.6 million at December 31, 2014, including \$18.8 million of loans and leases 90 or more days past due, \$8.7 million of loans and leases 30 to 89 days past due, and \$56.1 million of current loans and leases that were placed on nonaccrual status based on management's judgment regarding their collectability. The increase in nonaccrual loans and leases generally, and equipment finance loans and leases specifically, was due to three relationships totaling \$64.1 million that are related to the oil and gas industries and which have been adversely impacted by continued low oil prices.

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Non PCI nonaccrual loans and leases and performing restructured loans are considered impaired for reporting purposes. The following table presents the composition of our impaired loans and leases as of the dates indicated:

	June 30, 2015			December 31, 2014		
	Nonaccrual Loans/Leases (In thousands)	Performing Restructured Loans	Total Impaired Loans/Leases	Nonaccrual Loans/Leases	Performing Restructured Loans	Total Impaired Loans/Leases
Real estate mortgage	\$34,248	\$23,863	\$ 58,111	\$37,612	\$20,245	\$ 57,857
Real estate construction and land	377	7,741	8,118	1,559	8,996	10,555
Commercial	93,141	6,350	99,491	40,965	5,744	46,709
Consumer	3,412	249	3,661	3,485	259	3,744
Total	\$131,178	\$38,203	\$169,381	\$83,621	\$35,244	\$118,865

The following table presents loan and lease relationships having exposure to the oil and gas industries as of the dates indicated:

	June 30, 2015		March 31, 2015	
	Amount	Obligors	Amount	Obligors
	(Dollars in thousands)			
Loans	\$87,005	8	\$88,585	9
Leases	90,189	21	92,865	21
Total oil & gas support services	\$177,194	29	\$181,450	30
Classified	\$64,232	4	\$65,498	5
Nonaccrual	\$64,232	4	\$65,074	4

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

The following tables present information regarding our Non-PCI impaired loans and leases by portfolio segment and class as of and for the dates indicated:

	June 30, 2015			December 31, 2014		
	Recorded Investment (In thousands)	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With An Allowance Recorded:						
Real estate mortgage:						
Hospitality	\$1,919	\$1,918	\$18	\$1,946	\$1,945	\$47
Other	15,233	15,365	1,443	9,136	9,233	646
Real estate construction and land:						
Residential	755	755	36	763	763	46
Commercial	392	390	13	1,128	4,934	23
Commercial:						
Collateralized	7,336	8,060	4,016	4,630	5,246	3,771
Unsecured	1,147	1,160	1,008	912	924	799
Asset-based	40	150	40	137	247	137
Cash flow	14,606	17,650	4,556	15,578	17,970	2,667
Equipment finance	13,257	13,659	3,685	6,956	7,268	2,601
Consumer	302	307	193	143	142	37
With No Related Allowance Recorded:						
Real estate mortgage:						
Hospitality	\$7,894	\$10,057	\$—	\$6,366	\$7,593	\$—
SBA	10,141	13,678	—	11,141	14,708	—
Other	22,924	35,625	—	29,268	40,643	—
Real estate construction and land:						
Residential	—	—	—	21	19	—
Commercial	6,971	6,968	—	8,643	8,749	—
Commercial:						
Collateralized	1,697	2,120	—	5,566	6,877	—
Unsecured	467	518	—	725	809	—
Asset-based	—	—	—	4,436	5,415	—
Cash flow	—	505	—	387	919	—
Equipment finance	57,873	60,754	—	4,175	7,528	—
SBA	3,068	4,862	—	3,207	4,920	—
Consumer	3,359	3,518	—	3,601	3,768	—
Total Non-PCI Loans and Leases With and Without an Allowance Recorded:						
Real estate mortgage	\$58,111	\$76,643	\$1,461	\$57,857	\$74,122	\$693
Real estate construction and land	8,118	8,113	49	10,555	14,465	69
Commercial	99,491	109,438	13,305	46,709	58,123	9,975
Consumer	3,661	3,825	193	3,744	3,910	37
Total	\$169,381	\$198,019	\$15,008	\$118,865	\$150,620	\$10,774

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

	Three Months Ended June 30, 2015		2014	
	Weighted Average Balance ⁽¹⁾ (In thousands)	Interest Income Recognized	Weighted Average Balance ⁽¹⁾	Interest Income Recognized
With An Allowance Recorded:				
Real estate mortgage:				
Hospitality	\$1,919	\$20	\$1,974	\$20
Other	15,138	161	14,329	174
Real estate construction and land:				
Residential	755	4	771	4
Commercial	392	5	435	6
Commercial:				
Collateralized	6,050	37	5,986	43
Unsecured	1,082	12	701	6
Asset-based	40	—	269	—
Cash flow	14,606	—	—	—
Equipment finance	9,178	—	1,322	—
Consumer	302	2	3,571	5
With No Related Allowance Recorded:				
Real estate mortgage:				
Hospitality	\$7,894	\$—	\$6,552	\$—
SBA	9,984	4	4,271	—
Other	20,656	83	27,100	79
Real estate construction and land:				
Residential	—	—	542	—
Commercial	6,971	58	11,049	71
Commercial:				
Collateralized	1,257	17	1,985	24
Unsecured	467	1	304	—
Asset-based	—	—	4,604	—
Cash flow	—	—	174	—
Equipment finance	57,873	—	7,476	—
SBA	3,068	37	1,406	—
Consumer	3,359	2	274	—
Total Non-PCI Loans and Leases With and Without an Allowance Recorded:				
Real estate mortgage	\$55,591	\$268	\$54,226	\$273
Real estate construction and land	8,118	67	12,797	81
Commercial	93,621	104	24,227	73
Consumer	3,661	4	3,845	5
Total	\$160,991	\$443	\$95,095	\$432

(1) For the loans and leases (excluding PCI loans) reported as impaired at June 30, 2015 and 2014, amounts were calculated based on the period of time such loans and leases were impaired during the reported period.

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

	Six Months Ended June 30, 2015		2014	
	Weighted Average Balance ⁽¹⁾ (In thousands)	Interest Income Recognized	Weighted Average Balance ⁽¹⁾	Interest Income Recognized
With An Allowance Recorded:				
Real estate mortgage:				
Hospitality	\$1,919	\$39	\$1,974	\$40
SBA	—	—	—	—
Other	14,601	309	13,127	277
Real estate construction and land:				
Residential	755	8	771	8
Commercial	392	11	221	7
Commercial:				
Collateralized	5,249	55	4,843	49
Unsecured	1,058	22	684	12
Asset-based	40	—	269	—
Cash flow	14,606	—	—	—
Equipment finance	6,446	—	665	—
SBA	—	—	—	—
Consumer	302	5	2,761	9
With No Related Allowance Recorded:				
Real estate mortgage:				
Hospitality	\$7,770	\$—	\$6,552	\$—
SBA	9,213	1	4,193	—
Other	19,814	163	23,697	153
Real estate construction and land:				
Residential	—	—	339	—
Commercial	6,971	114	8,214	97
Commercial:				
Collateralized	1,123	30	1,532	31
Unsecured	467	2	295	—
Asset-based	—	—	2,340	—
Cash flow	—	—	87	—
Equipment finance	32,547	—	6,245	—
SBA	3,068	82	1,406	—
Consumer	3,359	4	253	—
Total Non-PCI Loans and Leases With and Without an Allowance Recorded:				
Real estate mortgage	\$53,317	\$512	\$49,543	\$470
Real estate construction and land	8,118	133	9,545	112
Commercial	64,604	191	18,366	92
Consumer	3,661	9	3,014	9
Total	\$129,700	\$845	\$80,468	\$683

(1) For the loans and leases (excluding PCI loans) reported as impaired at June 30, 2015 and 2014, amounts were calculated based on the period of time such loans and leases were impaired during the reported period.

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Troubled debt restructurings are a result of rate reductions, term extensions, fee concessions, and debt forgiveness or a combination thereof. The following tables present new troubled debt restructurings of Non-PCI loans for the periods indicated:

	Three Months Ended June 30, 2015			Three Months Ended June 30, 2014		
	Pre- Modification Outstanding Number of Loans	Post- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment	Pre- Modification Outstanding Number of Loans	Post- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment
Troubled Debt Restructurings:						
Real estate mortgage:						
Other	10	\$2,476	\$ 2,450	4	\$1,341	\$1,341
Real estate construction and land:						
Commercial	2	7,004	7,004	—	—	—
Commercial:						
Collateralized	6	3,309	3,309	2	59	59
Unsecured	2	112	112	—	—	—
Cash flow	2	—	—	—	—	—
Equipment finance ⁽¹⁾	5	49,205	49,205	—	—	—
Total	27	\$62,106	\$ 62,080	6	\$1,400	\$1,400

During the second quarter of 2015, two loan relationships, consisting of five loans and leases adversely affected by low oil prices, were restructured to reduce the current payment amounts for a period of time. These loans were assessed for impairment during the first quarter of 2015 and a specific credit loss allowance was established. These loans were on nonaccrual status before and after the restructuring.

	Six Months Ended June 30, 2015			Six Months Ended June 30, 2014		
	Pre- Modification Outstanding Number of Loans	Post- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment	Pre- Modification Outstanding Number of Loans	Post- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment
Troubled Debt Restructurings:						
Real estate mortgage:						
Other	24	\$8,550	\$ 8,336	8	\$3,856	\$3,856
Real estate construction and land:						
Commercial	3	9,614	9,614	2	4,920	4,920
Commercial:						
Collateralized	12	4,708	4,708	6	3,346	3,346
Unsecured	3	306	306	2	38	38
Cash flow	4	566	387	—	—	—
Equipment finance	9	53,338	53,338	—	—	—
SBA	1	—	—	—	—	—
Consumer	1	91	91	1	124	124
Total	57	\$77,173	\$ 76,780	19	\$12,284	\$12,284

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

The following tables present troubled debt restructurings that subsequently defaulted for the periods indicated:

Troubled Debt Restructurings That Subsequently Defaulted:	Three Months Ended June 30, 2015		2014		(3)
	Number of Loans (Dollars in thousands)	Recorded Investment ⁽¹⁾	Number of Loans	Recorded Investment ⁽¹⁾	
Real estate mortgage - Other	3	\$ 1,234	—	\$—	
Commercial:					
Collateralized	1	375	—	—	
Equipment finance	2	1,635	—	—	
Consumer	1	16	—	—	
Total	7	\$3,260	(2) —	\$—	(3)

The population of defaulted restructured loans for the period indicated includes only those loans restructured (1) during the preceding 12-month period. The table excludes defaulted troubled restructurings in those classes for which the recorded investment was zero at the end of the period.

(2) Represents the balance at June 30, 2015, and there were no charge-offs.

(3) Represents the balance at June 30, 2014, and there were no charge-offs.

Troubled Debt Restructurings That Subsequently Defaulted:	Six Months Ended June 30, 2015		2014		(3)
	Number of Loans (Dollars in thousands)	Recorded Investment ⁽¹⁾	Number of Loans	Recorded Investment ⁽¹⁾	
Real estate mortgage - Other	3	\$ 1,234	—	\$—	
Commercial:					
Collateralized	1	375	2	427	
Equipment finance	2	1,635	—	—	
Consumer	1	16	—	—	
Total	7	\$3,260	(2) 2	\$427	(3)

The population of defaulted restructured loans for the period indicated includes only those loans restructured (1) during the preceding 12-month period. The table excludes defaulted troubled restructurings in those classes for which the recorded investment was zero at the end of the period.

(2) Represents the balance at June 30, 2015, and there were no charge-offs.

(3) Represents the balance at June 30, 2014, and is net of charge-offs of \$0.2 million.

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Purchased Credit Impaired (PCI) Loans

The following table reflects the PCI loans by portfolio segment as of the dates indicated:

	June 30, 2015	December 31, 2014
	(In thousands)	
Real estate mortgage	\$250,268	\$299,660
Real estate construction and land	1,688	7,743
Commercial	14,065	32,904
Consumer	318	332
Total gross PCI loans	266,339	340,639
Less:		
Discount	(43,701	) (49,848
Allowance for loan losses	(14,328	) (13,999
Total net PCI loans	\$208,310	\$276,792

The following table summarizes the changes in the carrying amount of PCI loans and accretable yield on those loans for the period indicated:

	Carrying Amount	Accretable Yield
	(In thousands)	
Balance, December 31, 2014	\$276,792	\$(106,856
Accretion	18,059	18,059
Payments received	(85,745) —
Increase in expected cash flows, net	—	(7,204
Provision for credit losses	(796) —
Balance, June 30, 2015	\$208,310	\$(96,001

The following table presents PCI loans by credit risk rating categories and portfolio segment as of the dates indicated. Nonclassified loans are those with a credit risk rating of either pass or special mention, while classified loans are those with a credit risk rating of either substandard or doubtful.

	June 30, 2015			December 31, 2014		
	Classified	Nonclassified	Total	Classified	Nonclassified	Total
	(In thousands)					
Real estate mortgage	\$65,704	\$146,404	\$212,108	\$101,161	\$155,281	\$256,442
Real estate construction and land	1,459	—	1,459	3,901	3,010	6,911
Commercial	8,619	163	8,782	26,942	212	27,154
Consumer	289	—	289	284	—	284
Total PCI loans	\$76,071	\$146,567	\$222,638	\$132,288	\$158,503	\$290,791

In addition to our internal risk rating process, our federal and state banking regulators, as an integral part of their examination process, periodically review the Company's loan risk rating classifications. Our regulators may require the Company to recognize rating downgrades based on their judgments related to information available to them at the time of their examinations.

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 7. Foreclosed Assets

The following table summarizes foreclosed assets at the dates indicated:

Property Type:	June 30, 2015	December 31, 2014
	(In thousands)	
Commercial real estate	\$3,704	\$2,449
Construction and land development	18,942	24,759
Multi family	4,551	4,823
Single family residence	2,260	3,392
Total other real estate owned, net	29,457	35,423
Other foreclosed assets	2,211	8,298
Total foreclosed assets, net ⁽¹⁾	\$31,668	\$43,721

⁽¹⁾ As of June 30, 2015 and December 31, 2014, the amounts of covered foreclosed assets were \$9.8 million and \$9.3 million.

The following table presents the changes in foreclosed assets, net of the valuation allowance, for the period indicated:

	Foreclosed Assets (In thousands)
Balance, December 31, 2014	\$43,721
Foreclosures	3,089
Provision for losses	(406)
Reductions related to sales	(14,736)
Balance, June 30, 2015	\$31,668

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 8. FDIC Loss Sharing Asset

We are a party to four loss sharing agreements with the FDIC. Such agreements cover a substantial portion of losses incurred on acquired covered loans and other real estate owned. The loss sharing agreements relate to the acquisitions of: (1) Affinity Bank ("Affinity") in August 2009, (2) Los Padres Bank ("Los Padres") in August 2010, (3) Western Commercial Bank ("Western Commercial") in connection with the May 2013 FCAL acquisition, and (4) San Luis Trust Bank ("San Luis") in connection with the May 2013 FCAL acquisition. Generally, under the terms of the loss sharing agreements, the FDIC is responsible for 80% of losses in connection with covered assets and is entitled to receive 80% of loss recoveries on the covered assets during the applicable contractual periods. The loss sharing provisions for the Affinity Bank non-single family covered assets expired in the third quarter of 2014; accordingly, further activity will be limited to recoveries through the third quarter of 2017 for assets covered by this loss sharing agreement.

Both the Western Commercial and San Luis loss sharing agreements contain true-up provisions, under which we will owe the FDIC amounts at the end of the loss sharing agreements based on the performance of the covered assets. The true-up liability is included in "Accrued interest payable and other liabilities" in the condensed consolidated balance sheets.

The following table presents information about the composition of the FDIC loss sharing asset, the true up liability, and the non single family and the single family covered assets as of the date indicated:

June 30, 2015

	Affinity Bank (In thousands)	Los Padres Bank	Western Commercial Bank	San Luis Trust Bank	Total
FDIC loss sharing asset	\$(201)	\$5,523	\$406	\$6,162	\$11,890
True up liability	N/A	N/A	\$1,790	\$5,603	\$7,393
Non-single family covered assets ⁽¹⁾	\$100,255	\$66,867	\$8,018	\$22,464	\$197,604
Single family covered assets	\$10,923	\$52,416	N/A	\$25,554	\$88,893

Loss sharing expiration dates:

Non single family	3rd Quarter 2014	3rd Quarter 2015	4th Quarter 2015	1st Quarter 2016
Single family	3rd Quarter 2019	3rd Quarter 2020	N/A	1st Quarter 2021

Loss recovery expiration
dates:

Non single family	3rd Quarter 2017	3rd Quarter 2018	4th Quarter 2018	1st Quarter 2019
Single family	3rd Quarter 2019	3rd Quarter 2020	N/A	1st Quarter 2021

(1) Excludes securities

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 9. Borrowings, Subordinated Debentures and Brokered Time Deposits

Borrowings

The following table summarizes our borrowings as of the dates indicated:

	June 30, 2015		December 31, 2014		
	Amount	Rate	Amount	Rate	
	(Dollars in thousands)				
Non recourse debt	\$2,751	6.33	% \$3,402	6.43	%
FHLB overnight advances	—	—	% 380,000	0.27	%
Total borrowings	\$2,751		\$383,402		

The non recourse debt represents the payment stream of certain equipment leases sold to third parties. The debt is secured by the leased equipment and all interest rates are fixed. As of June 30, 2015, this debt had a weighted average remaining maturity of 2.4 years.

PacWest has an unsecured, variable-rate revolving line of credit in the amount of \$75.0 million with an expiration date of September 30, 2015. This borrowing facility provides additional available liquidity to the holding company. As of June 30, 2015 and December 31, 2014, there were no balances outstanding.

The Bank has established secured and unsecured lines of credit under which it may borrow funds from time to time on a term or overnight basis from the FHLB, the Federal Reserve Bank of San Francisco ("FRBSF"), or other financial institutions.

FHLB Secured Lines of Credit. The borrowing arrangement with the FHLB is based on an FHLB program collateralized by a blanket lien on certain qualifying loans that are not pledged to the FRBSF. As of June 30, 2015, the borrowing capacity under the FHLB secured borrowing lines was \$2.5 billion and there were no balances outstanding. As of December 31, 2014, the balance outstanding was \$380.0 million.

FRBSF Secured Line of Credit. The Bank has a secured line of credit with the FRBSF. As of June 30, 2015, the Bank had secured borrowing capacity of \$2.0 billion collateralized by liens covering \$2.6 billion of certain qualifying loans. As of June 30, 2015 and December 31, 2014, there were no balances outstanding.

Federal Funds Arrangements with Commercial Banks. As of June 30, 2015, the Bank had unsecured lines of credit of \$80.0 million with correspondent banks for the purchase of overnight funds, subject to availability of funds. These lines are renewable annually and have no unused commitment fees. As of June 30, 2015 and December 31, 2014, there were no balances outstanding.

FHLB Unsecured Line of Credit. During the second quarter of 2015, the Bank obtained a \$99.0 million unsecured line of credit with the FHLB for the purchase of overnight funds. As of June 30, 2015, there was no balance outstanding.

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Subordinated Debentures

The following table summarizes the terms of each issuance of subordinated debentures outstanding as of the dates indicated:

Series	June 30, 2015		December 31, 2014		Date Issued	Maturity Date	Rate Index (Quarterly Reset)
	Amount (Dollars in thousands)	Rate	Amount	Rate			
Trust V	\$10,310	3.38 %	\$10,310	3.33 %	8/15/2003	9/17/2033	3 month LIBOR + 3.10
Trust VI	10,310	3.34 %	10,310	3.29 %	9/3/2003	9/15/2033	3 month LIBOR + 3.05
Trust CII	5,155	3.23 %	5,155	3.19 %	9/17/2003	9/17/2033	3 month LIBOR + 2.95
Trust VII	61,856	3.03 %	61,856	2.98 %	2/5/2004	4/23/2034	3 month LIBOR + 2.75
Trust CIII	20,619	1.98 %	20,619	1.93 %	8/15/2005	9/15/2035	3 month LIBOR + 1.69
Trust FCCI	16,495	1.89 %	16,495	1.84 %	1/25/2007	3/15/2037	3 month LIBOR + 1.60
Trust FCBI	10,310	1.84 %	10,310	1.79 %	9/30/2005	12/15/2035	3 month LIBOR + 1.55
Trust CS 2005-1	82,475	2.24 %	82,475	2.19 %	11/21/2005	12/15/2035	3 month LIBOR + 1.95
Trust CS 2005-2	128,866	2.23 %	128,866	2.18 %	12/14/2005	1/30/2036	3 month LIBOR + 1.95
Trust CS 2006-1	51,545	2.23 %	51,545	2.18 %	2/22/2006	4/30/2036	3 month LIBOR + 1.95
Trust CS 2006-2	51,550	2.23 %	51,550	2.18 %	9/27/2006	10/30/2036	3 month LIBOR + 1.95
Trust CS 2006-3 ⁽¹⁾	28,747	2.06 %	31,188	2.14 %	9/29/2006	10/30/2036	3 month EURIBOR + 2.05
Trust CS 2006-4	16,470	2.23 %	16,470	2.18 %	12/5/2006	1/30/2037	3 month LIBOR + 1.95
Trust CS 2006-5	6,650	2.23 %	6,650	2.18 %	12/19/2006	1/30/2037	3 month LIBOR + 1.95
Trust CS 2007-2	39,177	2.23 %	39,177	2.18 %	6/13/2007	7/30/2037	3 month LIBOR + 1.95
Gross subordinated debentures	540,535		542,976				
Unamortized discount ⁽²⁾	(106,591)		(109,393)				
Net subordinated debentures	\$433,944		\$433,583				

(1) Denomination is in Euros with a value of €25.8 million.

(2) Amount represents the fair value adjustment on trust preferred securities assumed in acquisitions.

Interest payments made by the Company on subordinated debentures are considered dividend payments under the Board of Governors of the Federal Reserve System ("FRB") regulations. Bank holding companies, such as PacWest, are

required to notify the FRB prior to declaring and paying a dividend during any period in which quarterly and/or cumulative twelve month net earnings are insufficient to fund the dividend amount, among other requirements.

Brokered Time Deposits

Brokered time deposits totaled \$645.3 million and \$636.7 million at June 30, 2015 and December 31, 2014. Brokered time deposits under the Certificate of Deposit Account Registry Service Program ("CDARS Program") totaled \$41.8 million and \$44.0 million at June 30, 2015 and December 31, 2014. The CDARS Program represents deposits that are participated with other FDIC insured financial institutions as a means to provide FDIC deposit insurance coverage for the full amount of our customers' deposits.

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 10. Commitments and Contingencies

Lending Commitments

The Bank is a party to financial instruments with off balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit, and commitments to purchase equipment being acquired for lease to others. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the condensed consolidated balance sheets. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The following table presents a summary of the financial instruments described above as of the dates indicated:

	June 30, 2015	December 31, 2014
	(In thousands)	
Loan commitments to extend credit	\$2,111,637	\$1,921,067
Standby letters of credit	104,693	88,495
Commitments to purchase equipment being acquired for lease to others	1,257	12,839
	\$2,217,587	\$2,022,401

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. We provide standby letters of credit in conjunction with several of our lending arrangements and property lease obligations. Most guarantees expire within one year from the date of issuance. If a borrower defaults on its commitments subject to any letter of credit issued under these arrangements, we would be required to meet the borrower's financial obligation but would seek repayment of that financial obligation from the borrower. In some cases, borrowers have pledged cash and investment securities as collateral with us under these arrangements. In addition, the Company has investments in low income housing project partnerships, which provide the Company income tax credits, and in a few small business investment companies that call for capital contributions up to an amount specified in the partnership agreements. As of June 30, 2015 and December 31, 2014, the Company had commitments to contribute capital to these entities totaling \$17.7 million and \$11.0 million, respectively. We also had commitments to contribute up to an additional \$2.5 million and \$2.9 million to 11 private equity funds at June 30, 2015 and December 31, 2014, respectively.

Legal Matters

In the ordinary course of our business, the Company is party to various legal actions, which we believe are incidental to the operation of our business. The outcome of such legal actions and the timing of ultimate resolution are inherently difficult to predict. In the opinion of management, based upon currently available information, any resulting liability, in addition to amounts already accrued, would not have a material adverse effect on the Company's financial statements or operations.

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 11. Fair Value Measurements

ASC Topic 820, "Fair Value Measurement," defines fair value, establishes a framework for measuring fair value including a three level valuation hierarchy, and expands disclosures about fair value measurements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date reflecting assumptions that a market participant would use when pricing an asset or liability. The hierarchy uses three levels of inputs to measure the fair value of assets and liabilities as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Observable inputs other than Level 1, including quoted prices for similar assets and liabilities in active markets, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data, either directly or indirectly, for substantially the full term of the financial instrument. This category generally includes government agency and government sponsored enterprise securities.

Level 3: Inputs to a valuation methodology that are unobservable, supported by little or no market activity, and significant to the fair value measurement. These valuation methodologies generally include pricing models, discounted cash flow models, or a determination of fair value that requires significant management judgment or estimation. This category also includes observable inputs from a pricing service not corroborated by observable market data, and includes our covered private label CMOs.

We use fair value to measure certain assets and liabilities on a recurring basis, primarily securities available for sale and derivatives. For assets measured at the lower of cost or fair value, the fair value measurement criteria may or may not be met during a reporting period and such measurements are therefore considered "nonrecurring" for purposes of disclosing our fair value measurements. Fair value is used on a nonrecurring basis to adjust carrying values for impaired loans and other real estate owned and also to record impairment on certain assets, such as goodwill, core deposit intangibles, and other long lived assets.

The following tables present information on the assets measured and recorded at fair value on a recurring basis as of the dates indicated:

Measured on a Recurring Basis:	Fair Value Measurements as of			
	June 30, 2015			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Securities available for sale:				
Government agency and government sponsored enterprise pass-through securities	\$426,874	\$—	\$426,874	\$—
Government agency and government sponsored enterprise collateralized mortgage obligations	265,899	—	265,899	—
Covered private label CMOs	32,323	—	—	32,323
Other private label CMOs	8,025	—	8,025	—
Municipal securities	721,556	—	721,556	—
Corporate debt securities	47,410	—	47,410	—
Collateralized loan obligations	133,907	—	133,907	—
Government sponsored enterprise debt securities	37,080	—	37,080	—
Other securities	25,084	518	24,566	—
Total securities available-for-sale	1,698,158	518	1,665,317	32,323
Derivative assets	8,810	—	8,810	—
Total recurring assets	\$1,706,968	\$518	\$1,674,127	\$32,323

Derivative liabilities	\$725	\$—	\$725	\$—
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PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Measured on a Recurring Basis:	Fair Value Measurements as of December 31, 2014			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Securities available for sale:				
Government agency and government sponsored enterprise pass-through securities	\$535,672	\$—	\$535,672	\$—
Government agency and government sponsored enterprise collateralized mortgage obligations	277,946	—	277,946	—
Covered private label CMOs	33,947	—	—	33,947
Other private label CMOs	10,914	—	10,914	—
Municipal securities	536,116	—	536,116	—
Corporate debt securities	110,109	—	110,109	—
Government sponsored enterprise debt securities	36,757	—	36,757	—
Other securities	25,716	519	25,197	—
Total securities available-for-sale	1,567,177	519	1,532,711	33,947
Derivative assets	5,234	—	5,234	—
Total recurring assets	\$1,572,411	\$519	\$1,537,945	\$33,947
Derivative liabilities	\$118	\$—	\$118	\$—

There were no transfers of assets either between Level 1 and Level 2 nor in or out of Level 3 of the fair value hierarchy for assets measured on a recurring basis during the six months ended June 30, 2015.

The following table presents information about quantitative inputs and assumptions used to determine the fair values provided by our third party pricing service for our Level 3 covered private label CMOs measured at fair value on a recurring basis as of June 30, 2015:

Unobservable Inputs:	Covered Private Label CMOs	
	Range of Inputs	Weighted Average Input
Voluntary annual prepayment speeds	0% - 30.9%	4.9%
Annual default rates	0% - 43.5%	2.6%
Loss severity rates	0% - 87.9%	32.8%
Discount rates	0% - 31.4%	5.7%

The following table summarizes activity for assets measured at fair value on a recurring basis that are categorized as Level 3 for the period indicated:

	Covered Private Label CMOs (In thousands)	
Balance, December 31, 2014	\$33,947	
Total realized in earnings	471	
Total unrealized loss in comprehensive income	(569)
Net settlements	(1,526)
Balance, June 30, 2015	\$32,323	

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Notes to Condensed Consolidated Financial Statements (Unaudited)

The following tables present assets measured at fair value on a non-recurring basis as of the dates indicated:

Measured on a Non-Recurring Basis:	Fair Value Measurement as of June 30, 2015			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Impaired Non-PCI loans	\$64,737	\$—	\$552	\$64,185
Other real estate owned	1,549	—	1,549	—
Total non-recurring	\$66,286	\$—	\$2,101	\$64,185

Measured on a Non-Recurring Basis:	Fair Value Measurement as of December 31, 2014			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Impaired Non-PCI loans	\$42,693	\$—	\$2,366	\$40,327
Other real estate owned	24,015	—	18,400	5,615
Investments carried at cost	566	—	—	566
Total non-recurring	\$67,274	\$—	\$20,766	\$46,508

The following table presents losses recognized on assets measured on a nonrecurring basis for the periods indicated:

Loss on Assets Measured on a Non-Recurring Basis:	Three Months Ended		Six Months Ended	
	June 30, 2015		June 30, 2015	
	(In thousands)			
Impaired Non-PCI loans	\$ (4,531	)	\$ (12,573)
Other real estate owned	(282	)	(406)
Total net loss	\$ (4,813	)	\$ (12,979)

The following table presents the valuation methodology and unobservable inputs for Level 3 assets measured at fair value on a nonrecurring basis as of June 30, 2015:

Asset	Fair Value (In thousands)	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Impaired Non-PCI loans	\$41,398	Discounted cash flows	Discount rates	0% - 10.46%	6.26%
	22,787	Third party appraisals	No discounts		
Total non-recurring Level 3	\$64,185				

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Notes to Condensed Consolidated Financial Statements (Unaudited)

ASC Topic 825, "Financial Instruments," requires disclosure of the estimated fair value of certain financial instruments and the methods and significant assumptions used to estimate such fair values. Additionally, certain financial instruments and all nonfinancial instruments are excluded from the applicable disclosure requirements.

The following tables present a summary of the carrying values and estimated fair values of certain financial instruments as of the dates indicated:

	June 30, 2015				
	Carrying or Contract Amount (In thousands)	Estimated Fair Value			
		Total	Level 1	Level 2	Level 3
Financial Assets:					
Cash and due from banks	\$209,598	\$209,598	\$209,598	\$—	\$—
Interest earning deposits in financial institutions	431,033	431,033	431,033	—	—
Securities available for sale	1,698,158	1,698,158	518	1,665,317	32,323
Investment in FHLB stock	17,250	17,250	—	17,250	—
Investments carried at cost	1,719	2,320	—	—	2,320
Investments accounted for under the equity method	20,990	21,250	—	—	21,250
Loans and leases, net	11,934,814	12,008,957	—	552	12,008,405
Derivative assets	8,810	8,810	—	8,810	—
Financial Liabilities:					
Deposits:					
Demand, money market, interest checking, and savings deposits	7,236,531	7,236,531	—	7,236,531	—
Time deposits	5,345,285	5,351,765	—	5,351,765	—
Borrowings	2,751	3,099	—	3,099	—
Subordinated debentures	433,944	417,706	—	417,706	—
Derivative liabilities	725	725	—	725	—
December 31, 2014					
	Carrying or Contract Amount (In thousands)	Estimated Fair Value			
		Total	Level 1	Level 2	Level 3
Financial Assets:					
Cash and due from banks	\$164,757	\$164,757	\$164,757	\$—	\$—
Interest earning deposits in financial institutions	148,469	148,469	148,469	—	—
Securities available for sale	1,567,177	1,567,177	519	1,532,711	33,947
Investment in FHLB stock	40,609	40,609	—	40,609	—
Investments carried at cost	3,691	3,691	—	—	3,691
Investments accounted for under the equity method	21,461	21,700	—	—	21,700
Loans and leases, net	11,797,977	11,757,951	—	2,366	11,755,585
Derivative assets	5,234	5,234	—	5,234	—
Financial Liabilities:					
Deposits:					
	6,256,190	6,256,190	—	6,256,190	—

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Demand, money market, interest checking, and
savings deposits

Time deposits	5,498,938	5,502,479	—	5,502,479	—
Borrowings	383,402	383,539	380,000	3,539	—
Subordinated debentures	433,583	417,657	—	417,657	—
Derivative liabilities	118	118	—	118	—

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Notes to Condensed Consolidated Financial Statements (Unaudited)

For information regarding the valuation methodologies used to measure our assets recorded at fair value (under ASC Topic 820, "Fair Value Measurement") and for estimating fair value for financial instruments not recorded at fair value (under ASC Topic 825), see Note 1 - Nature of Operations and Summary of Significant Accounting Policies and Note 14 - Fair Value Measurements to the Consolidated Financial Statements of the Company's 2014 Annual Report on Form 10-K.

Limitations

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instrument. These estimates do not reflect income taxes or any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a portion of the Company's financial instruments, fair value estimates are based on what management believes to be reasonable judgments regarding expected future cash flows, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimated fair values are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Since the fair values have been estimated as of June 30, 2015, the amounts that will actually be realized or paid at settlement or maturity of the instruments could be significantly different.

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 12. Earnings Per Share

The following table presents the computations of basic and diluted net earnings per share for the periods indicated:

	Three Months Ended			Six Months Ended	
	June 30,	March 31,	June 30,	June 30,	2014
	2015	2015	2014	2015	2014
	(Dollars in thousands, except per share data)				
Basic earnings per share:					
Net earnings from continuing operations	\$85,083	\$73,079	\$11,230	\$158,162	\$37,135
Less: Earnings allocated to unvested restricted stock ⁽¹⁾	(807)	(819)	(290)	(1,570)	(424)
Net earnings from continuing operations allocated to common shares	84,276	72,260	10,940	156,592	36,711
Net loss from discontinued operations allocated to common shares	—	—	(675)	—	(1,500)
Net earnings allocated to common shares	\$84,276	\$72,260	\$10,265	\$156,592	\$35,211
Weighted-average basic shares and unvested restricted stock outstanding	103,030	103,035	98,817	103,033	72,454
Less: Weighted-average unvested restricted stock outstanding	(1,060)	(1,122)	(678)	(1,091)	(911)
Weighted-average basic shares outstanding	101,970	101,913	98,139	101,942	71,543
Basic earnings per share:					
Net earnings from continuing operations	\$0.83	\$0.71	\$0.11	\$1.54	\$0.51
Net loss from discontinued operations	—	—	(0.01)	—	(0.02)
Net earnings	\$0.83	\$0.71	\$0.10	\$1.54	\$0.49
Diluted earnings per share:					
Net earnings from continuing operations allocated to common shares	\$84,276	\$72,260	\$10,940	\$156,592	\$36,711
Net loss from discontinued operations allocated to common shares	—	—	(675)	—	(1,500)
Net earnings allocated to common shares	\$84,276	\$72,260	\$10,265	\$156,592	\$35,211
Weighted-average basic shares outstanding	101,970	101,913	98,139	101,942	71,543
Diluted earnings per share:					
Net earnings from continuing operations	\$0.83	\$0.71	\$0.11	\$1.54	\$0.51
Net loss from discontinued operations	—	—	(0.01)	—	(0.02)
Net earnings	\$0.83	\$0.71	\$0.10	\$1.54	\$0.49

(1) Represents cash dividends paid to holders of unvested restricted stock, net of estimated forfeitures, plus undistributed earnings amounts available to holders of unvested restricted stock, if any.

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 13. Stock Based Compensation

The Company's 2003 Stock Incentive Plan, or the 2003 Plan, permits stock-based compensation awards to officers, directors, key employees and consultants. As of June 30, 2015, the 2003 Plan authorized grants of stock based compensation instruments to purchase or issue up to 19,686,565 shares of Company common stock, subject to adjustments provided by the 2003 Plan. The authorized amount includes 10,686,565 shares that were added to the 2003 Plan as a result of the CapitalSource Inc. merger. Such shares were available for grant under the former CapitalSource Inc. Equity Incentive Plan and remain available for: (a) former employees of CapitalSource Bank who remain employed with the Company, and (b) newly hired employees of the Company. As of June 30, 2015, there were 13,205,736 shares available for grant under the 2003 Plan, of which 9,781,278 shares related to those added from the CapitalSource Inc. merger.

Restricted Stock

At June 30, 2015, there were 990,259 shares of unvested time based restricted common stock outstanding. The awarded shares of time based restricted common stock vest over a service period of three to four years from the date of the grant or immediately upon the death of an employee. Upon closing of the CapitalSource Inc. merger on April 7, 2014, 1,013,377 of awarded shares of restricted common stock vested due to the triggering of the change of control provision contained within the 2003 Plan and a \$26.1 million charge to earnings for the vesting of such shares was recorded. Such amount is included in "Acquisition, integration and reorganization costs" on the accompanying condensed consolidated statements of earnings in the second quarter of 2014.

Compensation expense related to time based restricted stock awards is based on the fair value of the underlying stock on the award date and is recognized over the vesting period using the straight line method. Restricted stock amortization totaled \$4.4 million, \$3.1 million, and \$2.4 million for the three months ended June 30, 2015, March 31, 2015 and June 30, 2014, respectively, and \$7.5 million and \$4.0 million for the six months ended June 30, 2015 and 2014, respectively. Such amounts are included in "Compensation expense" on the accompanying condensed consolidated statements of earnings.

The amount of unrecognized compensation expense related to all unvested restricted stock as of June 30, 2015 totaled \$38.3 million.

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 14. Business Segments

The Company's reportable segments consist of "Community Banking," "National Lending," and "Other." The Community Banking and National Lending segments include all of the operations of Pacific Western Bank. The Other segment consists of holding company and non-bank subsidiary operations, and intercompany eliminations.

As a result of the CapitalSource Inc. merger, the Bank established the CapitalSource Division, which we also refer to as the National Lending segment. The National Lending segment includes the lending operations gained through the CapitalSource Inc. merger, Pacific Western Equipment Finance, and the CapitalSource Business Finance Group. We reorganized our asset-based lending and leasing operations when we established the CapitalSource Division.

The CapitalSource Division lends throughout the United States, providing middle-market businesses asset-secured loans, equipment-secured loans, cash flow loans, and real estate loans secured by various property types. The CapitalSource Division's loan and lease origination efforts are conducted through offices located in Chevy Chase, Maryland; Los Angeles and San Jose, California; Phoenix, Arizona; St. Louis, Missouri; Denver, Colorado; Chicago, Illinois; New York, New York; and Midvale, Utah.

The Community Banking segment includes the operations of Pacific Western Bank, excluding the CapitalSource Division, and includes lending and deposit gathering activities conducted primarily through its California-based branch offices and the Bank's treasury management function and corporate overhead.

The Other segment consists of holding company operations that result in expenses principally for compensation, facilities, professional services, interest on subordinated debentures, and the non-bank subsidiary operations including interest income from a loan portfolio and related loan servicing expense.

The accounting policies of the reported segments are the same as those of the Company described in Note 1, "Nature of Operations and Summary of Significant Accounting Policies," of our Form 10-K. Transactions between segments consist primarily of borrowed funds and expense allocations for interest, deposit gathering, corporate overhead and credit loss provisions. Intersegment interest expense is allocated from the Community Banking segment to the National Lending segment based upon National Lending's average earning assets, net of a capital allocation, and the Bank's total cost of deposits. The Community Banking segment further allocates to the National Lending segment noninterest expense for deposit gathering and maintenance costs and the Bank's corporate overhead. The provision for credit losses is allocated based on actual charge offs for the period as well as net portfolio growth and credit quality trends. All costs associated with investing the Bank's excess liquidity and acquisition, integration and reorganization costs are included in the Community Banking segment. Noninterest income and noninterest expense, including lending and loan servicing activity, directly attributable to a segment are assigned to such segment.

The following tables present information regarding our business segments as of and for the periods indicated:

Balance Sheet Data:	June 30, 2015			Consolidated Company
	Community Banking	National Lending	Other	
	(In thousands)			
Loans and leases, net of deferred fees	\$3,101,834	\$8,923,079	\$9,276	\$12,034,189
Allowance for loan and lease losses	(41,108)	(58,260)	(7)	(99,375)
Total loans and leases, net	\$3,060,726	\$8,864,819	\$9,269	\$11,934,814
Goodwill	\$333,979	\$1,394,401	\$—	\$1,728,380
Core deposit and customer relationship intangibles, net	13,528	673	—	14,201
Total assets	6,685,456	9,870,154	141,410	16,697,020
Total deposits ⁽¹⁾	12,962,905	35,420	(416,509)	12,581,816

(1) The negative balance for total deposits in the "Other" segment represents the elimination of holding company cash held in deposit accounts at the Bank.

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Notes to Condensed Consolidated Financial Statements (Unaudited)

Balance Sheet Data:	June 30, 2014			Consolidated Company
	Community Banking	National Lending	Other	
	(In thousands)			
Loans and leases, net of deferred fees	\$3,537,994	\$7,599,030	\$53,081	\$11,190,105
Allowance for loan and lease losses	(66,039)	(16,110)	—	(82,149)
Total loans and leases, net	\$3,471,955	\$7,582,920	\$53,081	\$11,107,956
Goodwill	\$279,296	\$1,445,857	\$—	\$1,725,153
Core deposit and customer relationship intangibles, net	19,330	1,101	—	20,431
Total assets	6,100,744	9,275,500	308,427	15,684,671
Total deposits ⁽¹⁾	11,909,853	28,302	(270,358)	11,667,797

(1) The negative balance for total deposits in the “Other” segment represents the elimination of holding company cash held in deposit accounts at the Bank.

Results of Operations:	Three Months Ended June 30, 2015			Consolidated Company
	Community Banking	National Lending	Other	
	(In thousands)			
Interest income	\$63,392	\$154,816	\$247	\$218,455
Interest expense	(11,273)	(48)	(4,582)	(15,903)
Intersegment interest income (expense)	7,140	(7,140)	—	—
Net interest income (expense)	59,259	147,628	(4,335)	202,552
Negative provision (provision) for credit losses	734	(7,263)	—	(6,529)
Loss on securities	(186)	—	—	(186)
FDIC loss sharing expense, net	(5,107)	—	—	(5,107)
Other noninterest income	4,235	14,465	6,216	24,916
Total noninterest income	(1,058)	14,465	6,216	19,623
Foreclosed assets (expense) income, net	(351)	(22)	2,713	2,340
Intangible asset amortization	(1,390)	(112)	—	(1,502)
Acquisition, integration and reorganization costs	(806)	—	(94)	(900)
Other noninterest expense	(58,304)	(24,164)	(2,746)	(85,214)
Total noninterest expense	(60,851)	(24,298)	(127)	(85,276)
Intersegment noninterest income (expense)	28,857	(28,857)	—	—
Total noninterest expense - adjusted	(31,994)	(53,155)	(127)	(85,276)
Earnings before taxes	26,941	101,675	1,754	130,370
Income tax (expense) benefit	(10,484)	(39,566)	4,763	(45,287)
Net earnings	\$16,457	\$62,109	\$6,517	\$85,083

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Notes to Condensed Consolidated Financial Statements (Unaudited)

Results of Operations:	Three Months Ended March 31, 2015			Consolidated Company
	Community Banking	National Lending	Other	
	(In thousands)			
Interest income	\$62,956	\$151,219	\$139	\$214,314
Interest expense	(10,661)	(53)	(4,525)	(15,239)
Intersegment interest income (expense)	6,721	(6,721)	—	—
Net interest income (expense)	59,016	144,445	(4,386)	199,075
Negative provision (provision) for credit losses	8,064	(24,406)	(92)	(16,434)
Gain on securities	3,275	—	—	3,275
FDIC loss sharing expense, net	(4,399)	—	—	(4,399)
Other noninterest income	9,575	5,142	7,278	21,995
Total noninterest income	8,451	5,142	7,278	20,871
Foreclosed assets expense, net	(44)	(61)	(231)	(336)
Intangible asset amortization	(1,389)	(112)	—	(1,501)
Acquisition, integration and reorganization costs	(1,890)	—	(110)	(2,000)
Other noninterest expense	(55,205)	(22,837)	(2,481)	(80,523)
Total noninterest expense	(58,528)	(23,010)	(2,822)	(84,360)
Intersegment noninterest income (expense)	26,563	(26,563)	—	—
Total noninterest expense - adjusted	(31,965)	(49,573)	(2,822)	(84,360)
Earnings (loss) before taxes	43,566	75,608	(22)	119,152
Income tax (expense) benefit	(16,873)	(29,282)	82	(46,073)
Net earnings	\$26,693	\$46,326	\$60	\$73,079
	Three Months Ended June 30, 2014			
Results of Operations:	Community Banking	National Lending	Other	Consolidated Company
	(In thousands)			
Interest income	\$69,977	\$132,742	\$1,644	\$204,363
Interest expense	(7,450)	(62)	(4,318)	(11,830)
Intersegment interest income (expense)	4,071	(4,071)	—	—
Net interest income (expense)	66,598	128,609	(2,674)	192,533
Negative provision (provision) for credit losses	4,418	(9,448)	—	(5,030)
Gain on securities	89	—	—	89
FDIC loss sharing expense, net	(8,525)	—	—	(8,525)
Other noninterest income	3,681	12,487	747	16,915
Total noninterest income	(4,755)	12,487	747	8,479
Foreclosed assets income (expense), net	(633)	38	98	(497)
Intangible asset amortization	(1,530)	(147)	—	(1,677)
Acquisition, integration and reorganization costs	(77,713)	(7,474)	(1,055)	(86,242)
Other noninterest expense	(50,801)	(24,484)	(5,499)	(80,784)
Total noninterest expense	(130,677)	(32,067)	(6,456)	(169,200)
Intersegment noninterest income (expense)	23,533	(23,533)	—	—
Total noninterest expense - adjusted	(107,144)	(55,600)	(6,456)	(169,200)
(Loss) earnings from continuing operations before taxes	(40,883)	76,048	(8,383)	26,782
Income tax (expense) benefit	11,375	(30,259)	3,332	(15,552)
Net (loss) earnings from continuing operations	(29,508)	45,789	(5,051)	11,230

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Loss from discontinued operations before taxes	(1,151) —	—	(1,151)
Income tax benefit	476	—	—	476	
Net loss from discontinued operations	(675) —	—	(675)
Net (loss) earnings	\$(30,183) \$45,789	\$(5,051) \$10,555	

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PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Results of Operations:	Six Months Ended June 30, 2015			Consolidated Company
	Community Banking	National Lending	Other	
	(In thousands)			
Interest income	\$ 126,348	\$ 306,035	\$ 386	\$ 432,769
Interest expense	(21,934)	(101)	(9,107)	(31,142)
Intersegment interest income (expense)	13,861	(13,861)	—	—
Net interest income (expense)	118,275	292,073	(8,721)	401,627
Negative provision (provision) for credit losses	8,798	(31,669)	(92)	(22,963)
Gain on securities	3,089	—	—	3,089
FDIC loss sharing expense, net	(9,506)	—	—	(9,506)
Other noninterest income	13,810	19,607	13,494	46,911
Total noninterest income (expense)	7,393	19,607	13,494	40,494
Foreclosed assets (expense) income, net	(395)	(83)	2,482	2,004
Intangible asset amortization	(2,779)	(224)	—	(3,003)
Acquisition, integration and reorganization costs	(2,696)	—	(204)	(2,900)
Other noninterest expense	(113,509)	(47,001)	(5,227)	(165,737)
Total noninterest expense	(119,379)	(47,308)	(2,949)	(169,636)
Intersegment noninterest income (expense)	55,420	(55,420)	—	—
Total noninterest expense - adjusted	(63,959)	(102,728)	(2,949)	(169,636)
Earnings (loss) from continuing operations before taxes	70,507	177,283	1,732	249,522
Income tax (expense) benefit	(27,357)	(68,848)	4,845	(91,360)
Net earnings	\$ 43,150	\$ 108,435	\$ 6,577	\$ 158,162
	Six Months Ended June 30, 2014			
	Community Banking	National Lending	Other	Consolidated Company
	(In thousands)			
Interest income	\$ 147,572	\$ 143,507	\$ 1,644	\$ 292,723
Interest expense	(8,677)	(139)	(5,359)	(14,175)
Intersegment interest income (expense)	4,293	(4,293)	—	—
Net interest income (expense)	143,188	139,075	(3,715)	278,548
Negative provision (provision) for credit losses	5,244	(9,630)	—	(4,386)
Gain on securities	4,841	—	—	4,841
FDIC loss sharing expense, net	(19,955)	—	—	(19,955)
Other noninterest income	10,578	16,932	774	28,284
Total noninterest income	(4,536)	16,932	774	13,170
Foreclosed assets income, net	1,228	38	98	1,364
Intangible asset amortization	(2,721)	(320)	—	(3,041)
Acquisition, integration and reorganization costs	(79,913)	(7,474)	(1,055)	(88,442)
Other noninterest expense	(91,086)	(31,057)	(7,102)	(129,245)
Total noninterest expense	(172,492)	(38,813)	(8,059)	(219,364)
Intersegment noninterest income (expense)	23,533	(23,533)	—	—
Total noninterest expense - adjusted	(148,959)	(62,346)	(8,059)	(219,364)
(Loss) earnings from continuing operations before taxes	(5,063)	84,031	(11,000)	67,968
Income tax (expense) benefit	(1,664)	(33,590)	4,421	(30,833)
Net (loss) earnings from continuing operations	(6,727)	50,441	(6,579)	37,135

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Loss from discontinued operations before taxes	(2,564)	—	—	(2,564)
Income tax benefit	1,064		—	—	1,064	
Net loss from discontinued operations	(1,500)	—	—	(1,500)
Net (loss) earnings	\$(8,227)	\$50,441	\$(6,579)	\$35,635

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PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 15. Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue Recognition (Topic 606): Revenue from Contracts with Customers." ASU 2014-09 will be effective for annual and interim periods beginning after December 15, 2016. Early application is not permitted. ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In June 2014, the FASB issued ASU 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." ASU 2014-12 will be effective for annual and interim periods beginning after December 15, 2015. ASU 2014-12 applies to all reporting entities that grant their employees share-based payments in which the terms of the award provide for a performance target that affects vesting could be achieved after the requisite service period. That is the case when an employee is eligible to retire or otherwise terminate employment before the end of the period in which a performance target (for example, an initial public offering or a profitability target) could be achieved and still be eligible to vest in the award if and when the performance target is achieved. We do not currently have outstanding performance-based awards and, as a result, ASU 2014-12 would not impact our financial statements and its related disclosures.

In January 2015, the FASB issued ASU 2015-01, "Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items," which eliminates the concept of extraordinary items from U.S. GAAP as part of its simplification initiative. Under ASU 2015-01, an entity will no longer separate out an extraordinary item from the results of ordinary operations and separately present this extraordinary item on its income statement, nor will related income tax and earnings-per-share data applicable to an extraordinary item need to be disclosed. Despite these simplifications, ASU 2015-01 does not affect disclosure guidance for events or transactions that are unusual in nature or infrequent in their occurrence. ASU 2015-01 is effective for annual periods beginning after December 15, 2015, and interim periods within those annual periods. The Company does not expect the effect of ASU 2015-01 to have a material impact on its financial statements and related disclosures.

In February 2015, the FASB issued ASU 2015-02, "Consolidation (Topic 810) - Amendments to the Consolidation Analysis," which changes the way reporting enterprises evaluate whether (a) they should consolidate limited partnerships and similar entities, (b) fees paid to a decision maker or service provider are variable interests in a variable interest entity (VIE), and (c) variable interests in a VIE held by related parties of the reporting enterprise require the reporting enterprise to consolidate the VIE. It also eliminates the VIE consolidation model based on majority exposure to variability that applied to certain investment companies and similar entities. ASU 2015-2 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. The Company does not expect the effect of ASU 2015-02 to have a material impact on its financial statements and related disclosures.

In April 2015, the FASB issued ASU 2015-03, "Interest—Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs" to modify the presentation of debt issuance costs. Prior to ASU 2015-03, issuance costs were presented as an asset on the statement of financial position, which the FASB concluded was inconsistent with both IFRS as well as FASB Concept Statement No. 6. This ASU requires that issuance costs be presented as a direct deduction of debt balances on the statement of financial position, similar to the presentation of debt discounts. ASU 2015-03 is effective for public companies for years beginning after December 15, 2015, and interim periods within those fiscal periods. For all other entities, ASU 2015-03 is effective for years beginning after

December 15, 2015 and interim periods within annual periods beginning after December 15, 2016, while early adoption is permitted for financial statements that have not already been issued. Additionally, the provisions should be applied on a retrospective basis as a change in accounting principle. ASU 2015-03 will not have an impact on the Company's financial statements and related disclosures.

PACWEST BANCORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

The FASB also issued ASU 2015-05, "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40), Customer's Accounting for Fees Paid in a Cloud Computing Arrangement" in April 2015. Under ASU 2015-05, a customer should determine whether the arrangement includes a software license. If so, the customer should account for the software license component in a manner consistent with the accounting for other software licenses. If the arrangement does not include a software license, the arrangement should be accounted for as a service contract. The provisions of ASU 2015-05 must be applied by public entities to annual periods beginning after December 15, 2015 as well as interim periods within those annual periods. The Company does not expect the effect of ASU 2015-05 to have a material impact on its financial statements and related disclosures.

In May 2015, the FASB issued ASU 2015-08, "Business Combinations, Pushdown Accounting (Topic 805), Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 115" which revised the SEC's requirement for recognition and disclosure of a new basis of accounting (or pushdown accounting) for certain business combination situations. The Company does not expect ASU 2015-08 to have any impact on its financial statements and related disclosures.

In June 2015, the FASB issued ASU 2015-10, "Technical Corrections and Improvements" which is a set of wide-ranging, small corrections and improvements to clarify the Codification, correct unintended application of guidance, or improve the Codification. The provisions of ASU 2015-10 are effective for fiscal years beginning after December 15, 2015, as well as interim periods within those fiscal years.

Note 16. Subsequent Events

On August 5, 2015, the Company announced that the Board of Directors had declared a quarterly cash dividend of \$0.50 per common share. The cash dividend is payable on August 28, 2015 to stockholders of record at the close of business on August 17, 2015.

We have evaluated events that have occurred subsequent to June 30, 2015 and have concluded there are no subsequent events that would require recognition in the accompanying consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Information

This Form 10-Q contains certain “forward-looking statements” about the Company and its subsidiaries within the meaning of the Private Securities Litigation Reform Act of 1995, including certain plans, strategies, goals, and projections and including statements about our expectations regarding our pending merger between the Company and Square 1, net interest income, allowance for loan and lease losses, net interest margin, deposit growth, loan and lease portfolio growth and production, liquidity, goodwill, effective tax rates, and interest rate risk management. All statements contained in this Form 10-Q that are not clearly historical in nature are forward-looking, and the words “anticipate,” “assume,” “intend,” “believe,” “forecast,” “expect,” “estimate,” “plan,” “continue,” “will,” “should,” “look forward,” and other similar expressions are generally intended to identify forward-looking statements. All forward-looking statements (including statements regarding future financial and operating results and future transactions and their results) involve risks, uncertainties and contingencies, many of which are beyond our control, which may cause actual results, performance, or achievements to differ materially from anticipated results, performance or achievements. Actual results could differ materially from those contained or implied by such forward-looking statements for a variety of factors, including without limitation:

- the Company’s ability to complete future acquisitions, including the Square 1 merger, and to successfully integrate such acquired entities or achieve expected benefits, synergies and/or operating efficiencies within expected time frames or at all;
- the Company’s ability to obtain regulatory approvals and meet other closing conditions to the Square 1 merger on the expected terms and schedule;
- delay in closing the Square 1 merger;
- business disruption following the proposed Square 1 merger;
- changes in the Company’s stock price before completion of the Square 1 merger, including as a result of the financial performance of the Company or Square 1 prior to closing;
- the reaction to the Square 1 merger of the companies’ customers, employees and counterparties;
- change in interest rates and lending spreads;
- unfavorable changes in asset mix;
- compression of the net interest margin due to changes in our loan products or spreads on newly originated loans;
- changes in the relationship between yields on investment securities and loans repaid and yields on assets reinvested;
- changes in the forward yield curve;
- a change in the interest rate environment reduces net interest margins;
- credit quality deterioration or pronounced and sustained reduction in market values or other economic factors which adversely effect our borrowers’ ability to repay loans and leases;
- higher than anticipated loan losses;
- changes in economic or competitive market conditions could negatively impact investment or lending opportunities or product pricing and services;
- reduced demand for our services due to strategic or regulatory reasons;
- our inability to grow deposits and access wholesale funding sources;
- legislative or regulatory requirements or changes adversely affected the Company’s business, including an increase to capital requirements;
- loan repayments higher than expected;
- continued or worsening credit losses or charge-offs;
- higher than anticipated delinquencies and reserves;
- asset/liability repricing risks and liquidity risks reduce net interest margins and the value of investments;
- the success and timing of other business strategies and asset sales;
- lower than expected dividends paid from Pacific Western Bank to the holding company;
-

a deterioration in the overall macroeconomic conditions or the state of the banking industry that could warrant further analysis of the carrying value of goodwill and could result in an adjustment to its carrying value resulting in a non-cash charge to net income;

• changes in tax laws or regulations affecting our business;

• our inability to generate sufficient earnings;

• tax planning or disallowance of tax benefits by tax authorities;

• changes in tax filing jurisdictions or entity classifications; and

other risk factors described in our audited consolidated financial statements, and other risk factors described in this Form 10-Q and documents filed by PacWest with the U.S. Securities and Exchange Commission (“SEC”).

All forward-looking statements included in this Form 10-Q are based on information available at the time the statement is made. We are under no obligation to (and expressly disclaim any such obligation to) update or alter our forward-looking statements, whether as a result of new information, future events or otherwise except as required by law.

Overview

PacWest Bancorp is a bank holding company registered under the Bank Holding Company Act of 1956, as amended. Our principal business is to serve as the holding company for our Los Angeles based wholly owned banking subsidiary, Pacific Western Bank, which we refer to as “Pacific Western” or the “Bank.” References to “we,” “us,” or the “Company” refer to PacWest Bancorp together with its subsidiaries on a consolidated basis. When we refer to “PacWest” or to the “holding company,” we are referring to PacWest Bancorp, the parent company, on a stand-alone basis. References to “Pacific Western Bank” include the Bank’s wholly owned subsidiaries.

Pacific Western is a full-service commercial bank offering a broad range of banking products and services including accepting demand, money market, and time deposits and originating loans and leases, including an array of commercial real estate loans and commercial lending products. The Bank has a foundation of locally generated and relationship based deposits, with 80 full-service branches located primarily in southern and central California. Our branch operations are located primarily in Southern California extending from San Diego County to California’s Central Coast. The Bank also operates three bank branches in the San Francisco Bay area and four bank branches in the Central Valley. The collateral for real estate loan offerings includes healthcare properties, office properties, industrial properties, multifamily properties, hospitality properties, and retail properties. Our commercial loan products, available on a nationwide basis, include equipment loans and leases, asset based loans, loans to finance companies, and loans secured by borrower future cash flows, as well as other business oriented products.

As a result of the CapitalSource Inc. merger, Pacific Western Bank established the CapitalSource Division, which we also refer to as the National Lending segment. The CapitalSource Division lends throughout the United States, providing middle-market businesses asset-secured loans, equipment-secured loans and leases, cash flow loans, and real estate loans secured by various property types. The Bank’s leasing operation, Pacific Western Equipment Finance, and its group specializing in asset-based lending, CapitalSource Business Finance Group, are part of the CapitalSource Division. The CapitalSource Division’s loan and lease origination efforts are conducted through key offices located in Chevy Chase, Maryland; Los Angeles and San Jose, California; St. Louis, Missouri; Denver, Colorado; Chicago, Illinois; New York, New York; and Midvale, Utah. When we refer to “CapitalSource Inc.,” we are referring to the company acquired on April 7, 2014, and when we refer to the “CapitalSource Division,” we are referring to a division of the Bank that specializes in middle-market lending on a nationwide basis.

The Bank competes actively for deposits, and emphasizes solicitation of noninterest bearing deposits. In managing the top line of our business, we focus on loan growth, loan yield, deposit cost, and net interest margin. Net interest income, on a year-to-date basis in 2015, accounted for 90.8% of our net revenues (net interest income plus noninterest income).

At June 30, 2015, we had total assets of \$16.7 billion, including loans and leases, net of deferred fees, of \$12.0 billion compared to \$16.2 billion of total assets and \$11.9 billion of loans and leases, net of deferred fees, at December 31, 2014. Total assets increased \$462.4 million during the six months ended June 30, 2015 driven by \$151.8 million in organic loan and lease growth, which resulted from \$1.7 billion in loan and lease production.

At June 30, 2015, we had total liabilities of \$13.1 billion, including total deposits of \$12.6 billion and borrowings of \$2.8 billion compared to \$12.7 billion of total liabilities, including \$11.8 billion of total deposits and \$383.4 million of borrowings at December 31, 2014. Total liabilities increased \$417.2 million during the six months ended June 30, 2015 due mainly to the \$826.7 million increase in deposits offset by the \$380.7 million decrease in borrowings. At June 30, 2015, core deposits totaled \$6.6 billion or 52% of total deposits and time deposits totaled \$5.3 billion or 43% of total deposits.

Square 1 Financial, Inc. Merger Announcement

On March 2, 2015, PacWest announced the signing of an agreement and plan of merger (the “Agreement”) whereby PacWest and Square 1 Financial, Inc. (“Square 1”) will merge in a transaction currently valued at approximately \$867 million. The surviving company will be PacWest Bancorp and the surviving subsidiary bank will be Pacific Western Bank, with the banking operations of Square 1 conducted under the trade name of Square 1 Bank, a division of Pacific Western Bank. The merger with Square 1 represents an opportunity to grow core deposits, expand the Company's nationwide lending platform, and increase the Company's presence in the technology and life-sciences credit markets. Under the terms of the Agreement, Square 1 stockholders will receive 0.5997 shares of PacWest common stock for each share of Square 1 common stock. The total value of the per share merger consideration is \$27.49, based on the \$45.84 closing price of PacWest common stock on February 27, 2015, the last trading day before the transaction was announced.

As of June 30, 2015, on a pro forma consolidated basis, after giving effect for the Square 1 merger, the Company would have had approximately \$21.1 billion in assets with 80 branches throughout California and one branch in North Carolina.

The transaction, currently expected to close in the fourth quarter of 2015, is subject to customary conditions, including the approval of bank regulatory authorities. The transaction was approved by the Square 1 stockholders on July 29, 2015.

CapitalSource Inc. Merger

On April 7, 2014, we completed the merger with CapitalSource Inc. As part of the merger, CapitalSource Bank (“CSB”), a wholly-owned subsidiary of CapitalSource Inc., merged with and into Pacific Western Bank. We completed the merger in order to increase our loan and lease generation capabilities and to diversify our loan portfolio. At closing, we created the CapitalSource Division of the Bank. The CapitalSource Division lends throughout the United States, providing middle-market businesses asset-secured loans, equipment-secured loans and leases, and cash flow loans and providing real estate loans secured by various property types. For further information, see Note 3, Acquisitions, in the Notes to Condensed Consolidated Financial Statements (Unaudited) contained in “Item 1. Condensed Consolidated Financial Statements (Unaudited).”

Key Performance Indicators

Among other factors, our operating results depend generally on the following key performance indicators:

The Level of Our Net Interest Income

Net interest income is the excess of interest earned on our interest earning assets over the interest paid on our interest bearing liabilities. Net interest margin is net interest income expressed as a percentage of average interest earning assets. A sustained low interest rate environment combined with low loan growth and high levels of marketplace liquidity may lower both our net interest income and net interest margin going forward.

Our primary interest earning assets are loans and investment securities, and our primary interest bearing liabilities are deposits. Contributing to our high net interest margin is our high yield on interest-earning assets and competitive cost of deposits. While our deposit balances will fluctuate depending on deposit holders' perceptions of alternative yields available in the market, we seek to minimize these variances by attracting a high percentage of noninterest bearing deposits. As an industrial loan bank, the former CSB funded its balance sheet with a large proportion of higher-cost time deposits and as a result of the CapitalSource Inc. merger, we added \$5.3 billion of time deposits. Our goal is to continue replacing these higher-costing time deposits with core deposits through a dedicated deposit transformation initiative that includes sourcing deposits from CapitalSource Division borrowers. As of June 30, 2015, total deposits obtained from CapitalSource Division borrowers totaled \$455.5 million, of which \$441.8 million were core deposits.

Loan and Lease Growth

We actively seek new lending opportunities under an array of commercial real estate loans and commercial and industrial ("C&I") lending products. Our targeted collateral for our real estate loan offerings includes healthcare properties, office properties, industrial properties, multifamily properties, hospitality properties, and retail properties. Our C&I loan products include equipment-secured loans and leases, asset-secured loans, loans to finance companies, and cash flow loans (which are loans secured by borrower future cash flows and borrower enterprise value). Our loan origination process emphasizes credit quality. We foster lender relationships with borrowers that have had proven loan repayment performance. Our commitment sizes vary by loan product and can range up to \$80 million for certain asset-based lending arrangements and multi-property real estate loans. We attempt to price loans to preserve our interest spread and maintain our net interest margin. Achieving net loan growth is subject to many factors, including maintaining strict credit standards, competition from other lenders, and successful borrowers that opt to prepay loans.

The Magnitude of Credit Losses

We emphasize credit quality in originating and monitoring our loans, and we measure our success by the levels of classified and nonperforming assets and net charge offs. An allowance for credit losses on loans and leases, which is the sum of our allowance for loan and lease losses and our reserve for unfunded loan commitments, is maintained at a level adequate to cover inherent losses as of the balance sheet date. Provisions for credit losses are charged to operations as and when needed for both on and off balance sheet credit exposures. Loans and leases deemed uncollectable are charged off and deducted from the allowance for loan and lease losses. Recoveries on loans and leases previously charged off are added to the allowance for loan and lease losses. The provision for credit losses on the loan and lease portfolio is based on an allowance methodology that considers various credit performance measures such as historical and current net charge offs, the levels and trends of nonaccrual and classified loans and leases, the migration of loans and leases into various risk classifications, and the overall level of outstanding loans and leases. For originated and acquired non impaired loans, a provision for credit losses may be recorded to reflect credit deterioration after the origination or acquisition date, respectively. For purchased credit impaired ("PCI") loans, a provision for credit losses may be recorded to reflect decreases in expected cash flows on such loans compared to those previously estimated.

We regularly review our loans and leases to determine whether there has been any deterioration in credit quality stemming from borrower operations or changes in collateral value or other factors that may affect collectability of our loans and leases. Changes in economic conditions, such as the rate of economic growth, the rate of inflation, the unemployment rate, increases in the general level of interest rates, declines in real estate values and adverse conditions in borrowers' businesses, could negatively impact our borrowers and cause us to adversely classify loans and leases. An increase in classified loans and leases generally results in increased provisions for credit losses and an increased allowance for credit losses. Any deterioration in the commercial real estate market may lead to increased provisions for credit losses because of our concentration in commercial real estate loans.

The Level of Our Noninterest Expense

Our noninterest expense includes fixed and controllable overhead, the major components of which are compensation, occupancy, data processing, and other professional services. It also includes costs that tend to vary based on the volume of activity, such as loan production and number and complexity of foreclosed assets. We measure success in controlling both fixed and variable costs through monitoring of the efficiency ratio. We calculate the efficiency ratio by dividing noninterest expense by net revenues (the sum of net interest income plus noninterest income). We also calculate a non GAAP measure called the "adjusted efficiency ratio." The adjusted efficiency ratio is calculated in the same manner as the efficiency ratio except that excluded from net revenues are net FDIC loss sharing expense, gain (loss) on sale of assets, and accelerated discount accretion resulting from early payoffs of acquired loans and excluded from noninterest expense are covered OREO expense and acquisition, integration and reorganization costs.

We present this non-GAAP financial measure and others for supplemental information purposes only in order to understand the Company's operating results and these non-GAAP financial measures should not be considered a substitute for financial information presented in accordance with United States generally accepted accounting principles ("U.S. GAAP").

The consolidated efficiency ratios and adjusted efficiency ratios have been as follows for the periods indicated:

Three Months Ended	Efficiency Ratio	Adjusted Efficiency Ratio
June 30, 2015	38.4%	40.6%
March 31, 2015	38.4%	40.4%
December 31, 2014	44.0%	41.7%
September 30, 2014	46.3%	43.1%

We disclose the adjusted efficiency ratio as it shows the trend in recurring overhead related noninterest expense relative to recurring net revenues. See “Non GAAP Measurements” for the calculations of the efficiency ratios and adjusted efficiency ratios.

Adjusted Net Earnings

Our net earnings for the second quarter of 2015 totaled \$85.1 million; adjusted net earnings for this same period totaled \$72.5 million. Adjusted net earnings is another measure of earnings used as an indicator of earnings generating capability, excluding non-recurring and/or volatile items. We calculate adjusted net earnings by excluding accelerated discount accretion from the early payoff of acquired loans, net FDIC loss sharing expense, gain (loss) on the sale of assets (including loans and leases, securities, and an owned office building), covered OREO expense, and acquisition, integration and reorganization costs. See “-Non GAAP Measurements” for a reconciliation of net earnings to adjusted net earnings.

Critical Accounting Policies

The Company’s accounting policies are fundamental to understanding management’s discussion and analysis of results of operations and financial condition. The Company has identified several policies as being critical because they require management to make particularly difficult, subjective and/or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts would be reported under different conditions or using different assumptions. These policies relate to the allowance for credit losses, the fair value estimates of assets acquired and liabilities assumed in acquisitions, the carrying values of intangible assets, and the realization of deferred income tax assets. For further information, refer to our Annual Report on Form 10 K for the year ended December 31, 2014.

Non-GAAP Measurements

The Company uses certain non-GAAP financial measures to provide meaningful supplemental information regarding the Company's operational performance and to enhance investors' overall understanding of such financial performance.

The non-GAAP measures used in this Form 10-Q include the following:

- **Adjusted net earnings:** To calculate adjusted net earnings, we exclude from net earnings primarily income statement items for which the related assets or liabilities have been completely resolved and are no longer on the balance sheet. As analysts and investors view this measure as an indicator of the Company's ability to generate recurring earnings, we disclose this amount in addition to net earnings.

Adjusted return on average assets, adjusted return on average equity, return on average tangible equity, adjusted return on average tangible equity, tangible common equity amounts and ratios, and tangible book value per share:

Given that the use of these measures is prevalent among banking regulators, investors and analysts, we disclose them in addition to return on average assets, return on average equity, equity-to-assets ratio, and book value per share, respectively.

Adjusted efficiency ratio: We disclose this measure in addition to the efficiency ratio as it shows the trend in recurring overhead-related noninterest expense relative to recurring net revenues.

Adjusted allowance for credit losses to loans and leases: As the allowance for credit losses takes into consideration credit deterioration on acquired loans and leases only after the purchase date and an estimate of credit losses is included in their initial fair values, we disclose the adjusted allowance for credit losses to loans and leases in addition to the allowance for credit losses to loans and leases. The adjusted allowance for credit losses to loans and leases excludes acquired loans and leases and the related allowance.

The methodology for determining adjusted net earnings, adjusted return on average assets, adjusted return on average equity, return on average tangible equity, adjusted return on average tangible equity, tangible common equity amounts and ratios, tangible book value per share, adjusted efficiency ratio and adjusted allowance for credit losses to loans and leases may differ among companies.

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The following tables present performance amounts and ratios in accordance with GAAP and a reconciliation of the non GAAP financial measurements to the GAAP financial measurements as of and for the periods indicated:

Adjusted Net Earnings and Related Ratios:	Three Months Ended			Six Months Ended		
	June 30, 2015	March 31, 2015	June 30, 2014	June 30, 2015	2014	
	(In thousands)					
Net earnings	\$85,083	\$73,079	\$10,555	\$158,162	\$35,635	
Less: Tax benefit on discontinued operations	—	—	(476)	—	(1,064)	
Add: Tax expense on continuing operations	45,287	46,073	15,552	91,360	30,833	
Pre-tax earnings	130,370	119,152	25,631	249,522	65,404	
Add: Acquisition, integration, and reorganization costs	900	2,000	86,242	2,900	88,442	
Less: FDIC loss sharing expense, net	(5,107)	(4,399)	(8,525)	(9,506)	(19,955)	
Gain (loss) on sale of loans and leases	163	—	(485)	163	(379)	
(Loss) gain on securities	(186)	3,275	89	3,089	4,841	
Covered OREO income, net	12	19	185	31	1,800	
Gain on sale of owned office building	—	—	—	—	1,570	
Adjusted pre-tax earnings before accelerated discount accretion	136,388	122,257	120,609	258,645	165,969	
Less: Accelerated discount accretion from early payoffs of acquired loans	19,447	17,352	15,290	36,799	22,945	
Adjusted pre-tax earnings	116,941	104,905	105,319	221,846	143,024	
Tax expense ⁽¹⁾	(44,438)	(39,864)	(42,865)	(84,301)	(58,211)	
Adjusted net earnings	\$72,503	\$65,041	\$62,454	\$137,545	\$84,813	
Average assets	\$16,463,311	\$16,296,640	\$15,037,101	\$16,380,436	\$10,798,982	
Average stockholders' equity	\$3,548,748	\$3,533,343	\$3,233,018	\$3,541,088	\$2,032,830	
Less: Average intangible assets	1,743,340	1,737,441	1,638,267	1,740,407	935,684	
Average tangible common equity	\$1,805,408	\$1,795,902	\$1,594,751	\$1,800,681	\$1,097,146	
Return on average assets ⁽²⁾	2.07	% 1.82	% 0.28	% 1.95	% 0.67	%
Adjusted return on average assets ⁽³⁾	1.77	% 1.62	% 1.67	% 1.69	% 1.58	%
Return on average equity ⁽⁴⁾	9.62	% 8.39	% 1.31	% 9.01	% 3.54	%
Adjusted return on average equity ⁽⁵⁾	8.19	% 7.47	% 7.75	% 7.83	% 8.41	%
Return on average tangible equity ⁽⁶⁾	18.90	% 16.50	% 2.65	% 17.71	% 6.55	%
Adjusted return on average tangible equity ⁽⁷⁾	16.11	% 14.69	% 15.71	% 15.40	% 15.59	%

(1) Full-year expected effective rate of 38.0% for the 2015 periods and actual effective rate of 40.7% for the 2014 periods.

(2) Annualized net earnings divided by average assets.

(3) Annualized adjusted net earnings divided by average assets.

- (4) Annualized net earnings divided by average stockholders' equity.
- (5) Annualized adjusted net earnings divided by average stockholders' equity.
- (6) Annualized net earnings divided by average tangible common equity.
- (7) Annualized adjusted net earnings divided by average tangible common equity.

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Adjusted Efficiency Ratio:	Three Months Ended			Six Months Ended		
	June 30, 2015	March 31, 2015	June 30, 2014	June 30, 2015	2014	
	(Dollars in thousands)					
Noninterest expense	\$85,276	\$84,360	\$169,200	\$169,636	\$219,364	
Less: Acquisition, integration, and reorganization costs	900	2,000	86,242	2,900	88,442	
Covered OREO income, net	(12)	(19)	(185)	(31)	(1,800)	
Adjusted noninterest expense	\$84,388	\$82,379	\$83,143	\$166,767	\$132,722	
Net interest income	\$202,552	\$199,075	\$192,533	\$401,627	\$278,548	
Noninterest income	19,623	20,871	8,479	40,494	13,170	
Net revenues	222,175	219,946	201,012	442,121	291,718	
Less: Accelerated discount accretion from early payoffs of acquired loans	19,447	17,352	15,290	36,799	22,945	
Gain (loss) on sale of loans and leases	163	—	(485)	163	(379)	
(Loss) gain on securities	(186)	3,275	89	3,089	4,841	
FDIC loss sharing expense, net	(5,107)	(4,399)	(8,525)	(9,506)	(19,955)	
Gain on sale of owned office building	—	—	—	—	1,570	
Adjusted net revenues	\$207,858	\$203,718	\$194,643	\$411,576	\$282,696	
Efficiency ratio ⁽¹⁾	38.4	% 38.4	% 84.2	% 38.4	% 75.2	%
Adjusted efficiency ratio ⁽²⁾	40.6	% 40.4	% 42.7	% 40.5	% 46.9	%

(1) Noninterest expense divided by net revenues.

(2) Adjusted noninterest expense divided by adjusted net revenues.

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	June 30, 2015	December 31, 2014	
Tangible Common Equity:			
	(Dollars in thousands)		
PacWest Bancorp Consolidated:			
Stockholders' equity	\$3,551,490	\$3,506,230	
Less: Intangible assets	1,742,581	1,737,683	
Tangible common equity	\$1,808,909	\$1,768,547	
Total assets	\$16,697,020	\$16,234,605	
Less: Intangible assets	1,742,581	1,737,683	
Tangible assets	\$14,954,439	\$14,496,922	
Equity to assets ratio	21.27	% 21.60	%
Tangible common equity ratio ⁽¹⁾	12.10	% 12.20	%
Book value per share	\$34.46	\$34.03	
Tangible book value per share	\$17.55	\$17.17	
Shares outstanding	103,051,989	103,022,017	
Pacific Western Bank:			
Stockholder's equity	\$3,440,715	\$3,378,879	
Less: Intangible assets	1,742,581	1,737,683	
Tangible common equity	\$1,698,134	\$1,641,196	
Total assets	\$16,555,610	\$15,995,719	
Less: Intangible assets	1,742,581	1,737,683	
Tangible assets	\$14,813,029	\$14,258,036	
Equity to assets ratio	20.78	% 21.12	%
Tangible common equity ratio ⁽¹⁾	11.46	% 11.51	%

(1) Tangible common equity divided by tangible assets.

	June 30, 2015	December 31, 2014	
Adjusted Allowance for Credit Losses to Loans and Leases (Excludes PCI Loans):			
	(Dollars in thousands)		
Adjustment for Allowance on Acquired Loans and Leases:			
Allowance for credit losses	\$92,921	\$76,767	
Less: Allowance related to acquired Non-PCI loans and leases	12,697	4,184	
Adjusted allowance for credit losses	\$80,224	\$72,583	
Gross Non-PCI loans and leases	\$11,846,313	\$11,613,832	
Less: Carrying value of acquired Non-PCI loans and leases	5,587,662	6,562,237	
Adjusted loans and leases	\$6,258,651	\$5,051,595	
Allowance for credit losses to loans and leases	0.78	% 0.66	%
Adjusted allowance for credit losses to adjusted loans and leases	1.28	% 1.44	%
Adjustment for Unamortized Purchase Discount on Acquired Loans and Leases:			
Allowance for credit losses	\$92,921	\$76,767	
Add: Unamortized purchase discount related to acquired Non-PCI loans and leases	103,302	156,428	
Adjusted allowance for credit losses	\$196,223	\$233,195	
Gross Non-PCI loans and leases	\$11,846,313	\$11,613,832	

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Add: Unamortized purchase discount related to acquired Non-PCI loans and leases	103,302	156,428	
Adjusted loans and leases	\$11,949,615	\$11,770,260	
Adjusted allowance for credit losses to adjusted loans and leases	1.64	% 1.98	%

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Results of Operations

Acquisitions Impact Earnings Performance

The comparability of financial information is affected by our acquisitions. We completed the CapitalSource Inc. acquisition on April 7, 2014, adding assets of \$9.1 billion. This transaction has been accounted for using the acquisition method of accounting and, accordingly, the related operating results have been included in the consolidated financial statements from its acquisition date.

Earnings Performance

The following table presents profitability metrics for the periods indicated:

	Three Months Ended			Six Months Ended		
	June 30, 2015	March 31, 2015	June 30, 2014	June 30, 2015	2014	
Profitability Measures:						
Diluted earnings per share	\$0.83	\$0.71	\$0.10	\$1.54	\$0.49	
Annualized return on:						
Average assets	2.07	% 1.82	% 0.28	% 1.95	% 0.67	%
Average equity	9.62	% 8.39	% 1.31	% 9.01	% 3.54	%
Average tangible equity ⁽¹⁾	18.90	% 16.50	% 2.65	% 17.71	% 6.55	%
Annualized adjusted return on:						
Average assets ⁽²⁾	1.77	% 1.62	% 1.67	% 1.69	% 1.58	%
Average tangible equity ⁽²⁾	16.11	% 14.69	% 15.71	% 15.40	% 15.59	%
Net interest margin (tax equivalent)	5.89	% 5.95	% 6.29	% 5.92	% 6.22	%
Core net interest margin ⁽³⁾	5.33	% 5.44	% 5.79	% 5.38	% 5.72	%
Efficiency ratio	38.38	% 38.35	% 84.17	% 38.37	% 75.20	%
Adjusted efficiency ratio ⁽²⁾	40.60	% 40.44	% 42.72	% 40.52	% 46.95	%

(1) Calculation reduces average equity by average intangible assets.

(2) See "Non-GAAP Measurements" for the calculation of this item.

(3) Excludes accelerated accretion of acquisition discounts resulting from early payoffs of acquired loans.

Second Quarter of 2015 Compared to First Quarter of 2015

Net earnings were \$85.1 million, or \$0.83 per diluted share for the second quarter of 2015, compared to \$73.1 million, or \$0.71 per diluted share, for the first quarter of 2014. The quarter over quarter increase of \$12.0 million in net earnings was due to the \$9.9 million decrease in the provision for credit losses and higher net interest income of \$3.5 million, offset by lower noninterest income of \$1.2 million and higher noninterest expense of \$0.9 million. The increase in net interest income was attributable to increased FHLB dividends, higher average loan and lease balances, higher accelerated discount accretion and one more day in the second quarter. The decrease in noninterest income was attributed to lower foreign currency translation net gains of \$4.0 million and lower gains on sales of securities of \$3.5 million, offset by higher dividends and realized gains on equity investments of \$4.7 million and higher other commissions and fees of \$1.7 million. The increase in noninterest expense was due to higher insurance and assessments expense of \$1.7 million, higher compensation expense of \$1.3 million and higher loan-related expense of \$1.1 million, offset by lower foreclosed assets expense of \$2.7 million and lower acquisition, integration and reorganization costs of \$1.1 million.

When certain income and expense items are excluded, adjusted net earnings were \$72.5 million for the second quarter of 2015 compared to \$65.0 million for the prior quarter. See "Non-GAAP Measurements" for the calculation of adjusted net earnings. The \$7.5 million increase in adjusted net earnings was driven mainly by a lower provision for credit losses and higher adjusted noninterest income. The higher adjusted net earnings resulted in the adjusted return on average assets increasing from 1.62% to 1.77% and the adjusted return on average tangible equity increasing from 14.69% to 16.11%. The adjusted efficiency ratio increased slightly to 40.60% for the second quarter of 2015 compared to 40.44% for the prior quarter.

Second Quarter of 2015 Compared to Second Quarter of 2014

Net earnings for the second quarter of 2015 were \$85.1 million, or \$0.83 per diluted share, compared to net earnings for the second quarter of 2014 of \$10.6 million, or \$0.10 per diluted share. The \$74.5 million increase in net earnings was due to higher net interest income of \$10.0 million, higher noninterest income of \$11.1 million, and lower noninterest expense of \$83.9 million, offset by higher income tax expense from continuing operations of \$29.7 million and a higher provision for credit losses of \$1.5 million. The increase in interest income was attributable to higher average loan and lease balances, higher accelerated discount accretion and increased FHLB dividends. The increase in noninterest income was attributed to higher dividends and realized gains on equity investments of \$7.5 million, lower FDIC loss sharing expense of \$3.4 million and higher other commissions and fees of \$1.4 million, offset by lower foreign currency translation net gains of \$1.6 million. The decrease in noninterest expense was due to lower acquisition, integration and reorganization costs of \$85.3 million, lower foreclosed assets expense of \$2.8 million, and lower loan-related expense of \$1.5 million, offset by higher compensation expense of \$4.0 million and higher insurance and assessments expense of \$1.5 million.

Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

Net earnings were \$158.2 million, or \$1.54 per diluted share for the six months ended June 30, 2015 compared to \$35.6 million, or \$0.49 per diluted share, for the six months ended June 30, 2014. The \$122.5 million increase in net earnings was due to higher net interest income of \$123.1 million, higher noninterest income of \$27.3 million, and lower noninterest expense of \$49.7 million, offset by higher income tax expense from continuing operations of \$60.5 million and a higher provision for credit losses of \$18.6 million. The decrease in noninterest expense was due mainly to a reduction in acquisition, integration and reorganization costs of \$85.5 million. Excluding this item, all of the changes from period to period were due mostly to including the operations of CapitalSource Inc. for the entire 2015 period compared to only subsequent to its April 7, 2014 acquisition date for the 2014 period.

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Net Interest Income

Net interest income, which is our principal source of revenue, represents the difference between interest earned on interest earning assets and interest paid on interest bearing liabilities. Net interest margin is net interest income expressed as a percentage of average interest earning assets. Net interest income is affected by changes in both interest rates and the volume of average interest earning assets and interest bearing liabilities.

The following table presents, for the periods indicated, the distribution of average assets, liabilities and stockholders' equity, as well as interest income and yields earned on average interest earning assets and interest expense and rates paid on average interest bearing liabilities presented on a tax equivalent basis:

	Three Months Ended								
	June 30, 2015			March 31, 2015			June 30, 2014		
	Average Balance	Interest Income/Expense	Yields and Rates	Average Balance	Interest Income/Expense	Yields and Rates	Average Balance	Interest Income/Expense	Yields and Rates
	(Dollars in thousands)								
ASSETS:									
Loans and leases, net of deferred fees ⁽¹⁾	\$12,108,016	\$203,781	6.75 %	\$12,055,682	\$202,097	6.80 %	\$10,500,521	\$192,201	7.34 %
Investment securities ⁽²⁾	1,672,590	16,739	4.01 %	1,613,422	13,980	3.51 %	1,606,848	13,533	3.38 %
Deposits in financial institutions	161,683	104	0.26 %	32,761	22	0.27 %	276,095	176	0.26 %
Total interest earning assets ⁽²⁾	\$13,942,289	220,624	6.35 %	\$13,701,865	216,099	6.40 %	\$12,383,464	205,910	6.67 %
Other assets	2,521,022			2,594,775			2,653,637		
Total assets	\$16,463,311			\$16,296,640			\$15,037,101		
LIABILITIES AND STOCKHOLDERS' EQUITY:									
Interest checking deposits	\$741,966	202	0.11 %	\$726,748	194	0.11 %	\$601,958	77	0.05 %
Money market deposits	2,065,190	1,088	0.21 %	1,836,094	945	0.21 %	1,691,115	874	0.21 %
Savings deposits	740,878	555	0.30 %	756,578	571	0.31 %	722,808	548	0.30 %
Time deposits	5,559,903	9,388	0.68 %	5,481,886	8,769	0.65 %	5,613,601	5,814	0.42 %
Total interest bearing deposits	\$9,107,937	11,233	0.49 %	\$8,801,306	10,479	0.48 %	\$8,629,482	7,313	0.34 %
Borrowings	81,164	88	0.43 %	424,061	235	0.22 %	39,931	199	2.00 %
Subordinated debentures	432,656	4,582	4.25 %	432,603	4,525	4.24 %	409,934	4,318	4.22 %
Total interest bearing liabilities	\$9,621,757	15,903	0.66 %	\$9,657,970	15,239	0.64 %	\$9,079,347	11,830	0.52 %
Noninterest bearing demand deposits	3,157,129			2,949,719			2,546,540		
Other liabilities	135,677			155,608			178,196		
Total liabilities	12,914,563			12,763,297			11,804,083		
Stockholders' equity	3,548,748			3,533,343			3,233,018		
Total liabilities and stockholders'									

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equity	\$16,463,311			\$16,296,640			\$15,037,101		
Net interest income (tax equivalent) ⁽²⁾		\$204,721			\$200,860			\$194,080	
Net interest rate spread			5.69 %			5.76 %			6.15 %
Net interest margin			5.89 %			5.95 %			6.29 %
Total deposits ⁽³⁾	\$12,265,066	\$11,233	0.37 %	\$11,751,025	\$10,479	0.36 %	\$11,176,022	\$7,313	0.26 %
Funding sources ⁽⁴⁾	\$12,778,886	\$15,903	0.50 %	\$12,607,689	\$15,239	0.49 %	\$11,625,887	\$11,830	0.41 %

(1) Includes nonaccrual loans and leases and loan fees.

Includes tax-equivalent adjustments of \$2.2 million, \$1.8 million, and \$1.5 million for the three months ended June

(2) 30, 2015, March 31, 2015 and June 30, 2014, respectively, related to tax-exempt income on municipal securities.

The federal statutory tax rate utilized was 35% for the periods.

(3) Total deposits is the sum of interest-bearing deposits and noninterest-bearing demand deposits. The cost of total deposits is calculated as annualized interest expense on deposits divided by average total deposits.

(4) Funding sources is the sum of interest-bearing liabilities and noninterest-bearing demand deposits. The cost of funding sources is calculated as annualized total interest expense divided by average funding sources.

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	Six Months Ended			June 30, 2014		
	Average Balance	Interest Income/Expense	Yields and Rates	Average Balance	Interest Income/Expense	Yields and Rates
(Dollars in thousands)						
ASSETS:						
Loans and leases, net of deferred fees ⁽¹⁾	\$12,081,994	\$405,878	6.77 %	\$7,383,239	\$269,664	7.37 %
Investment securities ⁽²⁾	1,643,169	30,719	3.77 %	1,560,031	26,039	3.37 %
Deposits in financial institutions	97,578	126	0.26 %	197,823	250	0.25 %
Total interest earning assets ⁽²⁾	13,822,741	436,723	6.37 %	9,141,093	295,953	6.53 %
Other assets	2,557,695			1,657,889		
Total assets	\$16,380,436			\$10,798,982		
LIABILITIES AND STOCKHOLDERS' EQUITY:						
Interest checking deposits	\$734,399	396	0.11 %	\$614,655	154	0.05 %
Money market deposits	1,951,275	2,033	0.21 %	1,572,200	1,493	0.19 %
Savings deposits	748,685	1,126	0.30 %	474,321	561	0.24 %
Time deposits	5,521,110	18,157	0.66 %	3,153,698	6,330	0.40 %
Total interest bearing deposits	8,955,469	21,712	0.49 %	5,814,874	8,538	0.30 %
Borrowings	251,665	323	0.26 %	29,114	278	1.93 %
Subordinated debentures	432,630	9,107	4.24 %	272,081	5,359	3.97 %
Total interest bearing liabilities	9,639,764	31,142	0.65 %	6,116,069	14,175	0.47 %
Noninterest bearing demand deposits	3,053,997			2,461,725		
Other liabilities	145,587			188,358		
Total liabilities	12,839,348			8,766,152		
Stockholders' equity	3,541,088					