PACIFIC PREMIER BANCORP INC
Form 10-Q
May 08, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2015

OR

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

For the transition period from _______ to _______

Commission File Number 0-22193

(Exact name of registrant as specified in its charter)

DELAWARE	33-0743196
(State or other jurisdiction of incorporation or organization)	(I.R.S Employer Identification No.)

17901 VON KARMAN AVENUE, SUITE 1200, IRVINE, CALIFORNIA 92614
(Address of principal executive offices and zip code)

(949) 864-8000
(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 [X] 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 [X] 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 definition of "accelerated filer", "large accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act).

Large accelerated filer	[ ]	Accelerated filer	[X]	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 Exchange Act Rule 12b-2). Yes [ ] No [X]

The number of shares outstanding of the registrant's common stock as of May 8, 2015 was 21,511,426.

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
FORM 10-Q
INDEX
FOR THE QUARTER ENDED MARCH 31, 2015

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(dollars in thousands, except share data)

ASSETS	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)	March 31, 2014 (Unaudited)
Cash and due from banks	$178,096	$110,650	$124,143
Federal funds sold	275	275	276
Cash and cash equivalents	178,371	110,925	124,419
Investment securities available for sale	280,461	201,638	202,142
FHLB and other stock, at cost	30,586	17,067	14,104
Loans held for investment	2,131,387	1,628,622	1,325,372
Allowance for loan losses	(13,646)	(12,200)	(8,685)
Loans held for investment, net	2,117,741	1,616,422	1,316,687
Accrued interest receivable	8,769	7,131	5,865
Other real estate owned	997	1,037	752

Premises and equipment	9,591	9,165	9,643
Deferred income taxes	12,815	9,383	9,180
Bank owned life insurance	38,377	26,822	26,240
Intangible assets	8,203	5,614	6,374
Goodwill	51,010	22,950	22,950
Other assets	16,079	10,743	6,926
TOTAL ASSETS	$2,753,000	$2,038,897	$1,745,282
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES:			
Deposit accounts:			
Noninterest bearing checking	$619,763	$456,754	$412,871
Interest-bearing:			
Checking	130,869	131,635	137,285
Money market/savings	809,408	600,764	529,348
Retail certificates of deposit	406,649	365,168	350,690
Wholesale/brokered certificates of deposit	76,477	76,505	5,009
Total interest-bearing	1,423,403	1,174,072	1,022,332
Total deposits	2,043,166	1,630,826	1,435,203
FHLB advances and other borrowings	343,434	116,643	95,506
Subordinated debentures	70,310	70,310	10,310
Accrued expenses and other liabilities	22,843	21,526	15,403
TOTAL LIABILITIES	2,479,753	1,839,305	1,556,422
STOCKHOLDERS' EQUITY:			
Common stock, $.01 par value; 25,000,000 shares authorized;21,387,818 shares at March 31, 2015, 16,903,884 shares at December 31, 2014, and 17,224,977 shares at March 31, 2014 issued and outstanding	214	169	172
Additional paid-in capital	218,528	147,474	152,325
Retained earnings	53,220	51,431	37,447
Accumulated other comprehensive income (loss), net of tax	1,285	518	(1,084)

(benefit) of $898 at March 31, 2015, $362 at December 31, 2014 and ($757) at March 31, 2014			
TOTAL STOCKHOLDERS' EQUITY	273,247	199,592	188,860
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$2,753,000	$2,038,897	$1,745,282

Accompanying notes are an integral part of these consolidated financial statements.

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands, except per share data)
(unaudited)

	Three Months Ended	
	March 31, 2015	March 31, 2014
INTEREST INCOME		
Loans	$24,513	$16,585
Investment securities and other interest-earning assets	1,557	1,437
Total interest income	26,070	18,022
INTEREST EXPENSE		
Deposits	1,606	1,069
FHLB advances and other borrowings	375	243
Subordinated debentures	971	75
Total interest expense	2,952	1,387
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES	23,118	16,635
	1,830	949

PROVISION FOR LOAN LOSSES		
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	21,288	15,686
NONINTEREST INCOME		
Loan servicing fees	901	856
Deposit fees	582	454
Net gain from sales of loans	-	548
Net gain from sales of investment securities	116	62
Other-than-temporary impairment recovery (loss) on investment securities, net	-	13
Other income	427	119
Total noninterest income	2,026	2,052
NONINTEREST EXPENSE		
Compensation and benefits	9,522	6,891
Premises and occupancy	1,829	1,588
Data processing and communications	702	1,131
Other real estate owned operations, net	48	13
FDIC insurance premiums	314	237
Legal, audit and professional expense	521	593
Marketing expense	603	176
Office and postage expense	499	369
Loan expense	193	184
Deposit expense	805	761
Merger related expense	3,992	626
Other expense	1,441	972
Total noninterest expense	20,469	13,541
NET INCOME BEFORE INCOME TAX	2,845	4,197
INCOME TAX	1,056	1,565

NET INCOME	$1,789	$2,632
EARNINGS PER SHARE		
Basic	$0.09	$0.15
Diluted	$0.09	$0.15
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	20,091,924	17,041,594
Diluted	20,382,832	17,376,001

Accompanying notes are an integral part of these consolidated financial statements.

PACIFIC PREMIER BANCORP, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME
(dollars in thousands)
(unaudited)

	Three Months Ended March 31,	
	2015	2014
Net income	$ 1,789	$ 2,632
Other comprehensive income (loss), net of tax (benefit):		
Unrealized holding gains (losses) on securities arising during the period, net of income taxes (benefits) (1)	835	2,029
Reclassification adjustment for net gain on sale of securities included in net income, net of income taxes (2)	(68)	(36)

Net unrealized gain (loss) on securities, net of income taxes	767	1,993
Comprehensive income	$ 2,556	$ 4,625

(1) Income taxes on the unrealized gains (losses) on securities was $584,000 for the three months ended March 31, 2015 and $1.4 million for the three months ended March 31, 2014.
(2) Income taxes on the reclassification adjustment for net gain on sale of securities included in net income was $48,000 for the three months ended March 31, 2015 and $26,000 for the three months ended March 31, 2014.

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014
(dollars in thousands)
(unaudited)

	Common Stock Shares	Common Stock	Additional Paid-in Capital	Accumulated Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance at December 31, 2014	16,903,884	$169	$147,474	$51,431	$518	$199,592
Net income				1,789		1,789
Other comprehensive income					767	767
Share-based compensation expense			200			200
Common stock issued	4,480,645	45	70,884			70,929
Warrants exercised	2,456	-	15			15
Repurchase of common stock	(5,833)	-	(93)			(93)
Exercise of stock options	6,666	-	48			48

Balance at March 31, 2015	21,387,818	$214	$218,528	$53,220	$1,285	$273,247
Balance at December 31, 2013	16,656,279	$166	$143,322	$34,815	$(3,077)	$175,226
Net income				2,632		2,632
Other comprehensive income					1,993	1,993
Share-based compensation expense			181			181
Common stock repurchased and retired	(3,936)	-	(284)			(284)
Common stock issued	562,469	6	9,006			9,012
Stock options exercised	10,165	-	100			100
Balance at March 31, 2014	17,224,977	$172	$152,325	$37,447	$(1,084)	$188,860

Accompanying notes are an integral part of these consolidated financial statements.

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,789	$ 2,632
Adjustments to net income:		
Depreciation and amortization expense	610	549
Amortization of Loan Fees and Discounts	(357)	-
Provision for loan losses	1,830	949
	200	181

Share-based compensation expense		
Loss on sale and disposal of premises and equipment	-	23
Loss on sale of other real estate owned	-	11
Write down of other real estate owned	40	-
Amortization of premium/discounts on securities held for sale, net	804	637
Accretion of loan mark-to-market discount from acquisitions	(371)	(579)
Gain on sale of investment securities available for sale	(116)	(62)
Other-than-temporary impairment recovery on investment securities, net	-	(13)
Gain on sale of loans held for investment	-	(548)
Recoveries on loans	12	37
Principal payments from loans held for sale	-	31
Loss on loans held for sale	-	180
Deferred income tax benefit (provision)	-	(703)
Change in accrued expenses and other liabilities, net	1,144	(3,916)
Income from bank owned life insurance, net	(279)	(189)
Change in accrued interest receivable and other assets, net	(4,934)	(372)
Net cash provided by (used in) operating activities	372	(1,152)
CASH FLOWS FROM INVESTING ACTIVITIES		
	106,409	87,580

Proceeds from sale and principal payments on loans held for investment		
Decrease (increase) in undisbursed loan funds	(39,395)	17,651
Purchase and origination of loans held for investment	(236,554)	(108,020)
Proceeds from sale of other real estate owned	-	423
Principal payments on securities available for sale	6,851	6,212
Purchase of securities available for sale	(40,077)	(4,976)
Proceeds from sale or maturity of securities available for sale	8,771	56,081
Investment in bank owned life insurance	-	(2,000)
Purchases of premises and equipment	(525)	(277)
Redemption (purchase) of Federal Reserve Bank stock	506	(6)
Redemption (purchase) of FHLB stock	(11,656)	1,352
Cash acquired (disbursed) in acquisitions, net	2,961	(7,793)
Net cash provided by (used in) investing activities	(202,709)	46,227
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposit accounts	76,322	128,917
Repayment of FHLB advances and other borrowings, net	-	(176,202)
Proceeds from FHLB advances	193,491	-
Proceeds from exercise of stock	48	100

options		
Warrants exercised	15	-
Repurchase of common stock	(93)	(284)
Net cash provided by (used in) financing activities	269,783	(47,469)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	67,446	(2,394)
CASH AND CASH EQUIVALENTS, beginning of period	110,925	126,813
CASH AND CASH EQUIVALENTS, end of period	$ 178,371	$ 124,419
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Interest paid	$ 3,853	$ 1,104
Income taxes paid	3,700	3,500
Assets acquired (liabilities assumed and capital created) in acquisitions (See Note 4):		
Investment securities	53,752	-
FHLB and Other Stock	2,369	-
Loans	332,893	78,833
Core deposit intangible	2,903	-
Deferred income tax	3,969	-
Bank owned life insurance	11,276	-
Goodwill	28,060	5,522
Fixed assets	2,134	74
Other assets	1,726	702
Deposits	(336,018)	-
Other borrowings	(33,300)	(67,617)
Other liabilities	(1,796)	(709)
Common stock and additional paid-in capital	(70,929)	(9,012)
NONCASH INVESTING ACTIVITIES		

DURING THE PERIOD		
Investment securities available for sale purchased and not settled	$ -	$ 557
Loans held for sale transfer to loans held for investment	$ -	$ 2,936

Accompanying notes are an integral part of these consolidated financial statements.

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015
(UNAUDITED)

Note 1 - Basis of Presentation

The consolidated financial statements include the accounts of Pacific Premier Bancorp, Inc. (the “Corporation”) and its wholly owned subsidiaries, including Pacific Premier Bank (the “Bank”) (collectively, the “Company,” “we,” “our” or “us”). A significant intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, the consolidated financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the Company’s financial position as of March 31, 2015, December 31, 2014, and March 31, 2014, the results of its operations and comprehensive income for the three months ended March 31, 2015 and 2014 and the changes in stockholders’ equity and cash flows for the three months ended March 31, 2015 and 2014. Operating results or comprehensive income for the three months ended March 31, 2015 are not necessarily indicative of the results or comprehensive income that may be expected for any other interim period or the full year ending December 31, 2015.

Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 (the “2014 Annual Report”).

The Company accounts for its investments in its wholly owned special purpose entity, PPBI Trust I, under the equity method whereby the subsidiary’s net earnings are recognized in the Company’s statement of operations.

Note 2 – Recently Issued Accounting Pronouncements

Accounting Standards Adopted in 2015

In January 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-01, Investments-Equity Method and Joint Ventures (Topic 323): "Accounting for Investments in Qualified

Affordable Housing Projects." This Update permits reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense. This new guidance also requires new disclosures for all investors in these projects. ASU No. 2014-01 is effective for interim and annual reporting periods beginning after December 15, 2014 for public business entities and after December 15, 2015 for non public business entities. Upon adoption, the guidance must be applied retrospectively to all periods presented. However, entities that used the effective yield method to account for investments in these projects before adoption may continue to do so for these pre-existing investments. The Company currently accounts for such investments using the effective yield method and plans to do so for these pre-existing investments after adopting ASU No. 2014-01 on January 1, 2015. The Company expects investments made after January 1, 2015 to meet the criteria required for the proportional amortization method and plans to make such an accounting election. The Company adopted the provisions of ASU No. 2014-01 effective January 1, 2015. The adoption had no impact on the Company’s Consolidated Financial Statements.

In January 2014, the FASB issued ASU No. 2014-04, Receivables-Troubled Debt Restructuring By Creditors (Subtopic 310-40): “Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure." The objective of this guidance is to clarify when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. ASU No. 2014-04 states that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, ASU No. 2014-04 requires interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. ASU No. 2014-04 is effective for interim and annual reporting periods beginning after December 15, 2014. The Company adopted the provisions of ASU No. 2014-4 effective January 1, 2015. The adoption had no impact on the Company’s Consolidated Financial Statements.

In June 2014, the FASB issued ASU No. 2014-11, Transfers and Servicing (Topic 860):"Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures." This Update aligns the accounting for repurchase-to-maturity transactions and repurchase agreements executed as repurchase financings with the accounting for other typical repurchase agreements. Going forward, these transactions would all be accounted for as secured borrowings. The guidance eliminates sale accounting for repurchase-to-maturity transactions and supersedes the guidance under which a transfer of a financial asset and a contemporaneous repurchase financing could be accounted for on a combined basis as a forward agreement, which has resulted in outcomes referred to as off-balance-sheet accounting. The Update requires a new disclosure for transactions economically similar to repurchase agreements in which the transferor retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction. The Update also requires expanded disclosures about the nature of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. The Update is effective for interim or annual period beginning after December 15, 2014. All of the Company's repurchase agreements are typical in nature (i.e., not repurchase-to-maturity transactions or repurchase agreements executed as a repurchase financing) and are accounted for as secured borrowings. The Company adopted the provisions of ASU No. 2014-11 effective January 1, 2015. The adoption had no impact on the Company’s Consolidated Financial Statements.

In August 2014, the FASB issued ASU No. 2014-14 Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40): “Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure”. This Update addresses classification of government-guaranteed mortgage loans, including those where guarantees are offered by the Federal Housing Administration (“FHA”), the U.S. Department of Housing and Urban Development (“HUD”), and the U.S. Department of Veterans Affairs (“VA”). Although current accounting guidance stipulates proper measurement and classification in situations where a creditor obtains from a debtor, assets in satisfaction of a receivable (such as through foreclosure), current guidance does not specify how to measure and classify foreclosed mortgage loans that are government-guaranteed. Under the provisions of this Update, a creditor would derecognize a mortgage loan that has been foreclosed upon, and recognize a separate receivable if the following conditions are met: (1) the loan has a government guarantee that is not separable from the loan before foreclosure, (2) At the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under that claim, (3) At the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. This Update is effective for interim and annual periods beginning after December 15, 2014 for public business entities and after December 15, 2015 for non public business entities. The Company adopted the provisions of ASU No. 2014-14 effective January 1, 2015. The adoption had no impact on the Company’s Consolidated Financial Statements.

Accounting Standards Pending Adoption

In August 2014, the FASB issued guidance within ASU 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40): “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern. This Update provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern. The amendments require management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. This Update is effective for interim and annual periods ending after December 15, 2016. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

Note 3 – Significant Accounting Policies

Certain Acquired Loans: As part of business acquisitions, the Bank acquires certain loans that have shown evidence of credit deterioration since origination. These acquired loans are recorded at the allocated fair value, such that there is no carryover of the seller’s allowance for loan losses. Such acquired loans are accounted for individually. The Bank estimates the amount and timing of expected cash flows for each purchased loan, and the expected cash flows in excess of the allocated fair value is recorded as interest income over the remaining life of the loan (accretable yield). The excess of the loan’s contractual principal and interest over expected cash flows is not recorded (non-accretable difference). Over the life of the loan, expected cash flows continue to be estimated. If the present value of expected cash flows is less than the carrying amount, a loss is recorded through the allowance for loan losses. If the present value of expected cash flows is greater than the carrying amount, it is recognized as part of future interest income.

Goodwill and Core Deposit Intangible: Goodwill is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually or more frequently if events and circumstances exist that indicate the necessity for such impairment tests to be performed. The Company has selected December 31 as the date to perform the annual impairment test. Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. Goodwill is the only intangible asset with an indefinite life on our balance sheet.

Core deposit intangible assets arising from whole bank acquisitions are amortized on an accelerated method over their estimated useful lives, which range from 6 to 10 years.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. The allowance for loan losses, the fair value of stock-based compensation awards, the fair values of financial instruments and the status of contingencies are particularly subject to change.

Note 4 – Acquisitions

The Company accounted for the following transactions under the acquisition method of accounting which requires purchased assets and liabilities assumed to be recorded at their respective fair values at the date of acquisition. The Company determined the fair value of the core deposit intangible, securities and deposits with the assistance of third party valuations. The fair value of other real estate owned ("OREO") was based on recent appraisals of the properties.

The estimated fair values in these acquisitions are subject to refinement as additional information relative to the closing date fair values become available through the measurement period, which can extend for up to one year after the closing date of the transaction. While additional significant changes to the closing date fair values are not expected, any information relative to the changes in these fair values will be evaluated to determine if such changes are due to events and circumstances that existed as of the acquisition date. During the measurement period, any such changes will be recorded as part of the closing date fair value.

Independence Bank Acquisition

On January 26, 2015, the Company completed its acquisition of Independence Bank ("IDPK") in exchange for consideration valued at $78.5, which consisted of $6.1 million of cash consideration for IDPK common stockholders, $1.5 million of aggregate cash consideration to the holders of IDPK stock options and warrants, and the issuance of 4,480,645 shares of the Corporation's common stock, which was valued at $70.9 million based on the closing stock price of the Company's common stock on January 26, 2015 of $15.83 per share.

IDPK was a Newport Beach, California based state-chartered bank. The acquisition was an opportunity for the Company to strengthen its competitive position as one of the premier community banks headquartered in Southern California. Additionally, the IDPK acquisition enhanced and connected the Company's footprint in Southern California.

Goodwill in the amount of $28.1 million was recognized in the IDPK acquisition. Goodwill recognized in this transaction is not deductible for income tax purposes.

The following table represents the assets acquired and liabilities assumed of IDPK as of January 26, 2015 and the provisional fair value adjustments and amounts recorded by the Company in 2015 under the acquisition method of accounting:

	IDBK Book Value	Fair Value Adjustments	Fair Value
	(dollars in thousands)		
ASSETS ACQUIRED			
Cash and cash equivalents	$10,486		$10,486
	56,503	(382)	56,121

Investment securities			
Loans, gross	339,502	(6,609)	332,893
Allowance for loan losses	(3,301)	3,301	-
Deferred income taxes	3,252	717	3,969
Bank owned life insurance	11,276		11,276
Core deposit intangible	904	1,999	2,903
Other assets	3,756	105	3,860
Total assets acquired	$422,378	$(869)	$421,508
LIABILITIES ASSUMED			
Deposits	$335,685	$333	$336,018
FHLB advances	33,300		33,300
Other liabilities	1,916	(120)	1,796
Total liabilities assumed	370,901	213	371,114
Excess of assets acquired over liabilities assumed	$51,477	$(1,082)	50,394
Consideration paid			78,454
Goodwill recognized			$28,060

Infinity Franchise Holdings Acquisition

On January 30, 2014, the Company completed its acquisition of Infinity Franchise Holdings, LLC ("Infinity Holdings") and its wholly owned operating subsidiary Infinity Franchise Capital, LLC ("IFC" and together with Infinity Holdings, "IFH"), a national lender to franchisees in the quick service restaurant ("QSR") industry, and other direct and indirect subsidiaries utilized in its business. The value of the total consideration paid for the IFH acquisition was $17.4 million, which consisted of $8.3 million paid in cash and the issuance of 562,469 shares of the Corporation's stock, which was valued at $16.02 per share as measured by the 10-day average closing price immediately prior to closing of the transaction.

The acquisition of IFH further diversified our loan portfolio with commercial and industrial and owner-occupied commercial real estate loans, deployed excess liquidity into higher yielding assets, to positively impact our net interest margin and further leveraged our strong capital base. The QSR franchisee lending business is a niche market that we believe provides attractive growth opportunities for the Company in the future. IFH had no delinquent loans or adversely classified assets as of the acquisition date; and the acquisition was accretive to our 2014 earnings per share.

Goodwill in the amount of $5.5 million was recognized in the IFH acquisition. Goodwill represents the future economic benefits arising from net assets acquired that are not individually identified and separately recognized and is attributable to synergies expected to be derived from the combination of the two entities. Goodwill recognized in this transaction is not deductible for income tax purposes.

The following table represents the assets acquired and liabilities assumed of IFH as of January 30, 2014 and the provisional fair value adjustments and amounts recorded by the Company in 2014 under the acquisition method of accounting:

	IFH Book Value	Fair Value Adjustments	Fair Value
	(dollars in thousands)		
ASSETS ACQUIRED			
Cash and cash equivalents	$555	$ -	$555
Loans, gross	78,833	-	78,833
Deferred loan costs	1,082	(1,082)	-
Allowance for loan losses	(268)	268	-
Other assets	776	-	776
Total assets acquired	$80,978	$ (814)	$80,164
LIABILITIES ASSUMED			
Bank loan	$67,617	$ -	$67,617
Accrued compensation	495	-	495
Other liabilities	214	-	214
Total liabilities assumed	68,326	-	68,326
Excess of assets acquired over liabilities assumed	$12,652	$ (814)	11,838
Consideration paid			17,360
Goodwill recognized			$5,522

There were no purchased credit impaired loans acquired from IFH. For loans acquired from IFH and IDPK, the contractual amounts due, expected cash flows to be collected, interest component and fair value as of the respective acquisition dates were as follows:

	Acquired Loans	
	IFH	IDPK
	(dollars in thousands)	
Contractual amounts due	$98,320	$453,987
Cash flows not expected to be collected	-	3,795
Expected cash flows	98,320	450,192
Interest component of expected cash flows	19,487	117,299
Fair value of acquired loans	$78,833	$332,893

In accordance with generally accepted accounting principles, there was no carryover of the allowance for loan losses that had been previously recorded by IFH or IDPK.

The operating results of the Company for the three months ending March 31, 2015 include the operating results of IDPK since the acquisition date. The operating results of the Company for the three months ending March 31, 2014 include the operating results of IFH since the acquisition date. The following table presents the net interest and other income, net income and earnings per share as if the acquisitions of IFH and IDPK were effective as of January 1, 2014. There were no material, nonrecurring adjustments to the pro forma net interest and other income, net income and earnings per share presented below:

	Three months Ended March 31,	
	2015	2014
Net interest and other income	$ 24,687	$ 19,715
Net income	$ 802	$ 3,028
Basic earnings per share	$ 0.04	$ 0.14

Diluted earnings per share	$ 0.04	$ 0.14

Note 5 – Investment Securities

The amortized cost and estimated fair value of securities were as follows:

	March 31, 2015			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
	(in thousands)			
Investment securities available for sale:				
Municipal bonds	$103,997	$1,718	$(192)	$105,523
Mortgage-backed securities	174,281	1,097	(440)	174,938
Total securities available for sale	$278,278	$2,815	$(632)	$280,461

	December 31, 2014			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
	(in thousands)			
Investment securities available for sale:				
Municipal bonds	$88,599	$1,235	$(173)	$89,661
Mortgage-backed securities	112,159	432	(614)	111,977
Total securities available for sale	$200,758	$1,667	$(787)	$201,638

	March 31, 2014			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
	(in thousands)			
Investment securities available for sale:				
Municipal bonds	$77,062	$848	$(586)	77,324
	126,921	65	(2,168)	124,818

Mortgage-backed securities				
Total securities available for sale	$203,983	$913	$(2,754)	$202,142

At March 31, 2015, the Company had $21.9 million in Federal Home Loan Bank (“FHLB”) stock, $5.4 million in Federal Reserve Bank (“FRB”) stock, and $3.3 million in other stock, all carried at cost. During the three months ended March 31, 2015, the Company had net purchases of $13.5 million of FHLB stock through the FHLB stock purchase program.

At March 31, 2015, mortgage-backed securities (“MBS”) with an estimated par value of $59.6 million and a fair value of $61.7 million were pledged as collateral for the Bank’s three reverse repurchase agreements which totaled $28.5 million and HOA reverse repurchase agreements which totaled $14.9 million.

The table below shows the number, fair value and gross unrealized holding losses of the Company’s investment securities by investment category and length of time that the securities have been in a continuous loss position.

	March 31, 2015								
	Less than 12 months			12 months or Longer			Total		
	Number	Fair Value	Gross Unrealized Holding Losses	Number	Fair Value	Gross Unrealized Holding Losses	Number	Fair Value	Gross Unrealized Holding Losses
	(dollars in thousands)								
Municipal bonds	48	$ 20,818	$ (179)	3					