

PACWEST BANCORP
Form 10-Q
May 08, 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 March 31, 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 April 29, 2015, there were 101,855,519 shares of the registrant's common stock outstanding, excluding 1,129,445 shares of unvested restricted stock.

PACWEST BANCORP
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PACWEST BANCORP AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2015	December 31, 2014
	(Unaudited)	
	(Dollars in thousands)	
ASSETS		
Cash and due from banks	\$140,873	\$164,757
Interest-earning deposits in financial institutions	250,981	148,469
Total cash and cash equivalents	391,854	313,226
Securities available-for-sale, at fair value	1,595,409	1,567,177
Federal Home Loan Bank stock, at cost	28,905	40,609
Total investment securities	1,624,314	1,607,786
Gross loans and leases	12,302,292	11,904,684
Deferred fees and costs	(30,126)	(22,252)
Allowance for loan and lease losses	(92,378)	(84,455)
Total loans and leases, net	12,179,788	11,797,977
Equipment leased to others under operating leases	119,959	122,506
Premises and equipment, net	36,022	36,551
Foreclosed assets, net	35,940	43,721
Goodwill	1,728,380	1,720,479
Core deposit and customer relationship intangibles, net	15,703	17,204
Deferred tax asset, net	236,065	284,411
Other assets	275,915	290,744
Total assets	\$16,643,940	\$16,234,605
LIABILITIES:		
Noninterest-bearing deposits	\$3,029,463	\$2,931,352
Interest-bearing deposits	8,904,712	8,823,776
Total deposits	11,934,175	11,755,128
Borrowings	618,156	383,402
Subordinated debentures	431,448	433,583
Accrued interest payable and other liabilities	126,800	156,262
Total liabilities	13,110,579	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 March 31, 2015 and December 31, 2014; 104,241,437 and 104,219,197 shares issued, respectively, including 1,129,445 and 1,108,505 shares of unvested restricted stock, respectively)	1,042	1,042
Additional paid-in capital	3,758,855	3,807,167
Accumulated deficit	(212,633)	(285,712)
Treasury stock, at cost (1,197,180 shares at March 31, 2015 and December 31, 2014)	(42,647)	(42,647)
Accumulated other comprehensive income, net	28,744	26,380
Total stockholders' equity	3,533,361	3,506,230

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Total liabilities and stockholders' equity	\$16,643,940	\$16,234,605
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See Notes to Condensed Consolidated Financial Statements.

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PACWEST BANCORP AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

	Three Months Ended		
	March 31, 2015	December 31, 2014	March 31, 2014
	(Unaudited)		
	(Dollars in thousands, except per share data)		
Interest income:			
Loans and leases	\$202,097	\$197,472	\$77,463
Investment securities	12,195	12,205	10,823
Deposits in financial institutions	22	19	74
Total interest income	214,314	209,696	88,360
Interest expense:			
Deposits	10,479	9,972	1,225
Borrowings	235	144	79
Subordinated debentures	4,525	4,597	1,041
Total interest expense	15,239	14,713	2,345
Net interest income	199,075	194,983	86,015
Provision (negative provision) for credit losses	16,434	2,063	(644)
Net interest income after provision (negative provision) for credit losses	182,641	192,920	86,659
Noninterest income:			
Service charges on deposit accounts	2,574	2,787	3,002
Other commissions and fees	5,396	4,556	1,932
Leased equipment income	5,382	5,382	—
Gain on sale of loans and leases	—	7	106
Gain on securities	3,275	—	4,752
FDIC loss sharing expense, net	(4,399)	(4,360)	(11,430)
Other income	8,643	4,331	6,329
Total noninterest income	20,871	12,703	4,691
Noninterest expense:			
Compensation	47,737	45,930	28,627
Occupancy	10,600	10,745	7,595
Data processing	4,308	4,050	2,540
Other professional services	3,221	3,181	1,523
Insurance and assessments	3,025	3,115	1,593
Intangible asset amortization	1,501	1,619	1,364
Leased equipment depreciation	3,103	3,103	—
Foreclosed assets expense (income), net	336	1,938	(1,861)
Acquisition, integration and reorganization costs	2,000	7,381	2,200
Other expense	8,529	10,243	6,583
Total noninterest expense	84,360	91,305	50,164
Earnings from continuing operations before taxes	119,152	114,318	41,186
Income tax expense	(46,073)	(43,261)	(15,281)
Net earnings from continuing operations	73,079	71,057	25,905
Loss from discontinued operations before taxes	—	(105)	(1,413)
Income tax benefit	—	47	588
Net loss from discontinued operations	—	(58)	(825)

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Net earnings	\$73,079	\$70,999	\$25,080
Basic earnings per share:			
Net earnings from continuing operations	\$0.71	\$0.69	\$0.57
Net earnings	\$0.71	\$0.69	\$0.55
Diluted earnings per share:			
Net earnings from continuing operations	\$0.71	\$0.69	\$0.57
Net earnings	\$0.71	\$0.69	\$0.55
Dividends declared per share	\$0.50	\$0.50	\$0.25

See Notes to Condensed Consolidated Financial Statements.

PACWEST BANCORP AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended		
	March 31, 2015 (Unaudited)	December 31, 2014	March 31, 2014
Net earnings	\$73,079	\$70,999	\$25,080
Other comprehensive income, net of tax:			
Unrealized holding gains on securities available-for-sale	7,363	9,523	22,291
Income tax expense related to unrealized holding gains arising during the period	(3,105) (3,964) (9,363
Unrealized holding gains on securities available-for-sale, net of tax	4,258	5,559	12,928
Reclassification adjustment for gains included in net earnings ⁽¹⁾	(3,275) —	(4,752
Income tax expense related to reclassification adjustment	1,381	—	1,996
Reclassification adjustment for gains included in net earnings, net of tax	(1,894) —	(2,756
Other comprehensive income, net of tax	2,364	5,559	10,172
Comprehensive income	\$75,443	\$76,558	\$35,252

(1) Entire amounts are recognized in "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

Three Months Ended March 31, 2015

Common Stock

	Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Income	Total
(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	—	—	—	73,079	—	—	73,079
Other comprehensive income - net unrealized gain on securities available-for-sale, net of tax	—	—	—	—	—	2,364	2,364
Restricted stock awarded and earned stock compensation, net of shares forfeited	20,940	—	3,112	—	—	—	3,112
Dividend reinvestment	1,300	—	58	—	—	—	58
Cash dividends paid	—	—	(51,482)	—	—	—	(51,482)
Balance, March 31, 2015	103,044,257	\$1,042	\$3,758,855	\$(212,633)	\$(42,647)	\$28,744	\$3,533,361

See Notes to Condensed Consolidated Financial Statements.

PACWEST BANCORP AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS