

PACWEST BANCORP
Form 10-Q
November 08, 2011

Use these links to rapidly review the document

[TABLE OF CONTENT](#)

[Table of Contents](#)

**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 September 30, 2011

OR

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

**For the transition period from _____ to _____
Commission File Number: 00-30747**

PACWEST BANCORP

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

33-0885320

(I.R.S. Employer
Identification Number)

**10250 Constellation Blvd., Suite 1640
Los Angeles, California**

(Address of principal executive offices)

90067

(Zip Code)

(310) 286-1144

(Registrant's telephone number, including area code)

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

Edgar Filing: PACWEST BANCORP - Form 10-Q

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

As of November 1, 2011, there were 35,495,962 shares of the registrant's common stock outstanding, excluding 1,762,870 shares of unvested restricted stock.

Table of Contents

PACWEST BANCORP AND SUBSIDIARIES

SEPTEMBER 30, 2011 FORM 10-Q

TABLE OF CONTENTS

	Page
<u>PART I FINANCIAL INFORMATION</u>	<u>3</u>
<u>ITEM 1.</u> <u>Condensed Consolidated Financial Statements (Unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets (Unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Statements of Earnings (Loss) (Unaudited)</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)</u>	<u>5</u>
<u>Condensed Consolidated Statement of Changes in Stockholders' Equity (Unaudited)</u>	<u>6</u>
<u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u>	<u>7</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>8</u>
<u>ITEM 2.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>43</u>
<u>ITEM 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>80</u>
<u>ITEM 4.</u> <u>Controls and Procedures</u>	<u>81</u>
<u>PART II OTHER INFORMATION</u>	<u>82</u>
<u>ITEM 1.</u> <u>Legal Proceedings</u>	<u>82</u>
<u>ITEM 1A.</u> <u>Risk Factors</u>	<u>82</u>
<u>ITEM 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>82</u>
<u>ITEM 6.</u> <u>Exhibits</u>	<u>83</u>
<u>SIGNATURES</u>	<u>84</u>

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

	September 30, 2011	December 31, 2010
ASSETS		
Cash and due from banks	\$ 94,112	\$ 82,170
Interest-earning deposits in financial institutions	73,209	26,382
Total cash and cash equivalents	167,321	108,552
Securities available-for-sale, at fair value (\$47,213 and \$50,437 covered by FDIC loss sharing at September 30, 2011 and December 31, 2010, respectively)	1,261,776	874,016
Federal Home Loan Bank stock, at cost	48,342	55,040
Total investment securities	1,310,118	929,056
Non-covered loans, net of unearned income	2,893,637	3,161,055
Allowance for loan losses	(90,110)	(98,653)
Non-covered loans, net	2,803,527	3,062,402
Covered loans, net	761,059	908,576
Total loans	3,564,586	3,970,978
Other real estate owned, net (\$32,301 and \$55,816 covered by FDIC loss sharing at September 30, 2011 and December 31, 2010, respectively)	80,561	81,414
Premises and equipment, net	22,919	22,578
FDIC loss sharing asset	89,197	116,352
Cash surrender value of life insurance	67,004	66,182
Core deposit and customer relationship intangibles, net	19,251	25,843
Goodwill	39,141	47,301
Other assets	133,793	160,765
Total assets	\$ 5,493,891	\$ 5,529,021
LIABILITIES		
Noninterest-bearing deposits	\$ 1,628,253	\$ 1,465,562
Interest-bearing deposits	2,926,143	3,184,136
Total deposits	4,554,396	4,649,698
Borrowings	225,000	225,000

Edgar Filing: PACWEST BANCORP - Form 10-Q

Subordinated debentures	129,347	129,572
Accrued interest payable and other liabilities	45,680	45,954
Total liabilities	4,954,423	5,050,224
Commitments and contingencies (Note 8)		
STOCKHOLDERS' EQUITY		
Preferred stock, \$0.01 par value; authorized 5,000,000 shares; none issued and outstanding		
Common stock, \$0.01 par value; authorized 75,000,000 shares; 37,489,011 shares issued at September 30, 2011 and 36,880,225 at December 31, 2010 (includes 1,762,870 and 1,230,582 shares of unvested restricted stock, respectively)	375	369
Additional paid-in capital	1,090,280	1,085,364
Accumulated deficit	(570,221)	(607,042)
Treasury stock, at cost 230,179 and 207,796 shares at September 30, 2011 and December 31, 2010, respectively	(4,290)	(3,863)
Accumulated other comprehensive income	23,324	3,969
Total stockholders' equity	539,468	478,797
Total liabilities and stockholders' equity	\$ 5,493,891	\$ 5,529,021

See "Notes to Condensed Consolidated Financial Statements."

[Table of Contents](#)

PACWEST BANCORP AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(Dollars in Thousands, Except Per Share Data)

(Unaudited)

	Three Months Ended			Nine Months Ended	
	September 30, 2011	June 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Interest income:					
Loans	\$ 63,347	\$ 68,331	\$ 68,480	\$ 198,459	\$ 194,539
Investment securities	9,077	8,782	6,519	25,678	17,342
Deposits in financial institutions	94	83	131	234	505
Total interest income	72,518	77,196	75,130	224,371	212,386
Interest expense:					
Deposits	5,072	5,518	6,375	16,546	20,209
Borrowings	1,782	1,763	2,129	5,289	7,013
Subordinated debentures	1,223	1,226	1,459	3,668	4,357
Total interest expense	8,077	8,507	9,963	25,503	31,579
Net interest income	64,441	68,689	65,167	198,868	180,807
Provision for credit losses:					
Non-covered loans		5,500	17,050	13,300	143,677
Covered loans	348	5,890	6,500	9,148	34,600
Total provision for credit losses	348	11,390	23,550	22,448	178,277
Net interest income after provision for credit losses	64,093	57,299	41,617	176,420	2,530
Noninterest income:					
Service charges on deposit accounts	3,545	3,400	2,861	10,503	8,256
Other commissions and fees	2,052	1,980	1,760	5,752	5,395
Other-than-temporary impairment loss on securities			(874)		(874)
Increase in cash surrender value of life insurance	359	368	353	1,106	1,120
FDIC loss sharing income, net	963	5,316	5,506	5,109	27,257
Other income	224	176	279	702	632
Total noninterest income	7,143	11,240	9,885	23,172	41,786
Noninterest expense:					
Compensation	21,557	21,717	23,060	65,203	63,539
Occupancy	7,423	7,142	6,872	21,548	20,406
Data processing	2,228	2,129	2,121	6,832	5,982
Other professional services	2,239	2,505	2,694	7,040	6,734
Business development	548	595	571	1,712	1,893
Communications	678	834	811	2,371	2,410
Insurance and assessments	1,641	1,603	2,431	5,581	7,316
Non-covered other real estate owned, net	2,293	2,300	2,151	5,296	11,217
Covered other real estate owned expense (income), net	4,813	1,205	(319)	3,440	1,761
Intangible asset amortization	1,977	2,308	2,434	6,592	7,282
Other expense	3,190	4,200	3,348	10,909	10,977

Edgar Filing: PACWEST BANCORP - Form 10-Q

Total noninterest expense	48,587	46,538
---------------------------	--------	--------