

PACWEST BANCORP
Form 10-Q
November 09, 2009

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**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, 2009

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)

**401 West "A" Street
San Diego, California**
(Address of principal executive offices)

92101
(Zip Code)

(619) 233-5588

(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

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(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 4, 2009 there were 33,838,440 shares of the registrant's common stock outstanding, excluding 1,231,103 shares of unvested restricted stock.

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| | September 30, 2009 | December 31, 2008 |
|--|--|----------------------|
| | (Dollars in thousands, except share data) | |
| Assets: | | |
| Cash and due from banks | \$ 98,910 | \$ 100,925 |
| Federal funds sold | | 165 |
| | | |
| Total cash and cash equivalents | 98,910 | 101,090 |
| Interest-bearing deposits in financial institutions | 199,899 | 58,780 |
| Investments: | | |
| Federal Home Loan Bank stock, at cost | 50,429 | 33,782 |
| Non-covered securities available-for-sale (amortized cost of \$302,307 at September 30, 2009 and \$119,074 at December 31, 2008) | 307,557 | 121,577 |
| Covered securities available-for-sale (amortized cost of \$54,917 at September 30, 2009 and none at December 31, 2008) | 54,499 | |
| | | |
| Total investments | 412,485 | 155,359 |
| Non-covered loans, net of unearned income | 3,822,685 | 3,987,891 |
| Allowance for loan losses | (114,575) | (63,519) |
| | | |
| Non-covered net loans | 3,708,110 | 3,924,372 |
| Covered loans | 666,312 | |
| | | |
| Total loans | 4,374,422 | 3,924,372 |
| Premises and equipment, net | 23,118 | 24,675 |
| Non-covered other real estate owned, net | 39,210 | 41,310 |
| Covered other real estate owned, net | 26,778 | |
| | | |
| Total other real estate owned | 65,988 | 41,310 |
| Accrued interest receivable | 18,695 | 15,976 |
| Core deposit and customer relationship intangibles | 35,651 | 39,922 |
| Cash surrender value of life insurance | 65,646 | 70,588 |
| FDIC loss sharing receivable | 107,718 | |
| Other assets | 77,066 | 63,430 |
| | | |
| Total assets | \$ 5,479,598 | \$ 4,495,502 |
| Liabilities and Stockholders' Equity: | | |
| Deposits: | | |
| Noninterest-bearing | \$ 1,271,197 | \$ 1,165,485 |
| Interest-bearing | 2,776,390 | 2,309,730 |
| | | |
| Total deposits | 4,047,587 | 3,475,215 |
| Accrued interest payable and other liabilities | 49,195 | 64,567 |
| Borrowings | 735,419 | 450,000 |
| Subordinated debentures | 129,848 | 129,994 |

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| | | |
|---|--------------|--------------|
| Total liabilities | 4,962,049 | 4,119,776 |
| Stockholders' equity: | | |
| Preferred stock, \$0.01 par value. Authorized 5,000,000 shares; none issued and outstanding | | |
| Common stock, \$0.01 par value. Authorized 50,000,000 shares; 35,082,985 shares issued at September 30, 2009 and 28,528,466 shares issued at December 31, 2008 (includes 1,186,868 and 1,309,586 shares of unvested restricted stock, respectively) | 351 | 285 |
| Capital surplus | 1,052,827 | 909,922 |
| Accumulated deficit | (537,246) | (535,676) |
| Less common stock repurchased: 60,433 shares at September 30, 2009 and 12,360 shares at December 31, 2008 | (1,186) | (257) |
| Accumulated other comprehensive income unrealized gain on securities available-for-sale, net | 2,803 | 1,452 |
| Total stockholders' equity | 517,549 | 375,726 |
| Total liabilities and stockholders' equity | \$ 5,479,598 | \$ 4,495,502 |

See "Notes to Unaudited Condensed Consolidated Financial Statements."

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

| | Quarter Ended | | | Nine Months Ended September 30, | |
|--|-----------------|---------------|---------------|------------------------------------|----------------|
| | 09/30/09 | 06/30/09 | 09/30/08 | 2009 | 2008 |
| (Dollars in thousands, except per share data) | | | | | |
| Interest income: | | | | | |
| Interest and fees on loans | \$ 64,658 | \$ 61,663 | \$ 68,712 | \$ 188,168 | \$ 213,901 |
| Interest on federal funds sold | | | 23 | | 86 |
| Interest on deposits in financial institutions | 111 | 37 | 1 | 209 | 6 |
| Interest on investment securities | 2,741 | 1,641 | 1,808 | 5,928 | 5,370 |
| Total interest income | 67,510 | 63,341 | 70,544 | 194,305 | 219,363 |
| Interest expense: | | | | | |
| Deposits | 7,754 | 7,367 | 9,001 | 24,441 | 29,741 |
| Borrowings | 3,989 | 3,626 | 4,538 | 11,197 | 14,525 |
| Subordinated debentures | 1,530 | 1,639 | 2,030 | 4,948 | 6,490 |
| Total interest expense | 13,273 | 12,632 | 15,569 | 40,586 | 50,756 |
| Net interest income before provision for credit losses | 54,237 | 50,709 | 54,975 | 153,719 | 168,607 |
| Provision for credit losses | 75,000 | 18,000 | 7,500 | 107,000 | 37,000 |
| Net interest income (expense) after provision for credit losses | (20,763) | 32,709 | 47,475 | 46,719 | 131,607 |
| Noninterest income: | | | | | |
| Service charges on deposit accounts | 2,960 | 3,009 | 3,165 | 9,118 | 9,594 |
| Other commissions and fees | 1,721 | 1,746 | 1,884 | 5,152 | 5,215 |
| Gain on sale of loans, net | | | | | (303) |
| Gain on sale of securities, net | | | 81 | | 81 |
| Increase in cash surrender value of life insurance | 371 | 394 | 632 | 1,204 | 1,836 |
| Other income | 584 | 224 | 290 | 1,616 | 1,462 |
| Gain from Affinity acquisition | 66,989 | | | 66,989 | |
| Total noninterest income | 72,625 | 5,373 | 6,052 | 84,079 | 17,885 |
| Noninterest expense: | | | | | |
| Compensation | 20,128 | 18,394 | 19,332 | 57,853 | 57,097 |
| Occupancy | 6,435 | 6,462 | 6,321 | 19,283 | 18,121 |
| Data processing | 1,810 | 1,677 | 1,495 | 5,115 | 4,642 |
| Other professional services | 1,857 | 1,486 | 1,768 | 4,867 | 4,852 |
| Business development | 528 | 625 | 650 | 1,878 | 2,255 |
| Communications | 762 | 688 | 745 | 2,143 | 2,385 |
| Insurance and assessments | 2,010 | 3,871 | 1,025 | 7,479 | 2,375 |
| Other real estate owned, net | 8,141 | 9,231 | 1,369 | 18,369 | 1,470 |
| Intangible asset amortization | 2,578 | 2,367 | 2,274 | 7,192 | 7,288 |
| Reorganization and lease charges | | | | 1,215 | 258 |
| Legal settlement | | | | | |