PACIFIC PREMIER BANCORP INC
Form 10-Q
August 09, 2013

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 June 30, 2013

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 August 8, 2013 was 16,641,991.

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
FORM 10-Q
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FOR THE QUARTER ENDED JUNE 30, 2013

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	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)	June 30, 2012 (Unaudited)
Cash and due from banks	$ 103,946	$ 59,325	$ 64,945
Federal funds sold	26	27	27
Cash and cash equivalents	103,972	59,352	64,972
Investment securities available for sale	313,047	84,066	146,134
FHLB/Federal Reserve Bank/TIB stock, at cost	11,917	11,247	12,744
Loans held for sale, net	3,617	3,681	2,401
Loans held for investment	1,055,430	982,207	795,319
Allowance for loan losses	(7,994)	(7,994)	(7,658)
Loans held for investment, net	1,047,436	974,213	787,661
Accrued interest receivable	5,766	4,126	3,968
Other real estate owned	1,186	2,258	9,339

Premises and equipment	9,997	8,575	9,429
Deferred income taxes	8,644	6,887	5,585
Bank owned life insurance	23,674	13,485	13,240
Intangible assets	7,135	2,626	2,781
Goodwill	18,234	-	-
Other assets	3,833	3,276	6,781
TOTAL ASSETS	$ 1,558,458	$ 1,173,792	$ 1,065,035
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES:			
Deposit accounts:			
Noninterest bearing	$ 345,063	$ 213,636	$ 150,538
Interest bearing:			
Transaction accounts	631,951	329,925	327,556
Retail certificates of deposit	332,015	361,207	435,097
Wholesale certificates of deposit	5,160	-	-
Total deposits	1,314,189	904,768	913,191
FHLB advances and other borrowings	48,082	115,500	28,500
Subordinated debentures	10,310	10,310	10,310
Accrued expenses and other liabilities	17,066	8,697	16,965
TOTAL LIABILITIES	1,389,647	1,039,275	968,966
STOCKHOLDERS' EQUITY:			
Common stock, $.01 par value; 25,000,000 shares authorized; 16,635,786 shares at June 30, 2013, 13,661,648 shares at December 31, 2012, and 10,329,934 shares at June 30, 2012 issued and outstanding	166	137	103
Additional paid-in capital	142,759	107,453	76,258
Retained earnings	27,545	25,822	18,549
	(1,659)	1,105	1,159

Accumulated other comprehensive income (loss), net of tax (benefit) of ($1,160) at June 30, 2013, $772 at December 31, 2012, and $810 at June 30, 2012			
TOTAL STOCKHOLDERS' EQUITY	168,811	134,517	96,069
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,558,458	$ 1,173,792	$ 1,065,035

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		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
INTEREST INCOME				
Loans	$ 13,688	$ 12,098	$ 27,084	$ 23,335
Investment securities and other interest-earning assets	1,248	948	2,087	1,827
Total interest income	14,936	13,046	29,171	25,162
INTEREST EXPENSE				
Interest-bearing deposits:				
Interest on transaction accounts	280	223	498	552
Interest on certificates of deposit	753	1,224	1,554	2,651
Total interest-bearing deposits	1,033	1,447	2,052	3,203
FHLB advances and other borrowings	238	235	478	470
Subordinated debentures	76	82	153	166
Total interest expense	1,347	1,764	2,683	3,839
	13,589	11,282	26,488	21,323

NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES				
PROVISION FOR LOAN LOSSES	322	-	618	-
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	13,267	11,282	25,870	21,323
NONINTEREST INCOME				
Loan servicing fees	318	214	644	391
Deposit fees	457	472	897	973
Net gain from sales of loans	222	10	945	10
Net gain from sales of investment securities	1,068	174	1,068	174
Other-than-temporary impairment loss on investment securities, net	(5)	(45)	(35)	(82)
Gain on FDIC transaction	-	5,340	-	5,340
Other income	371	364	636	662
Total noninterest income	2,431	6,529	4,155	7,468
NONINTEREST EXPENSE				
Compensation and benefits	5,687	3,947	10,784	7,467
Premises and occupancy	1,329	981	2,622	1,859
Data processing and communications	755	817	1,390	1,184
Other real estate owned operations, net	574	590	611	737
FDIC insurance premiums	196	168	336	301
Legal, audit and professional expense	249	552	844	1,038
Marketing expense	264	264	470	479
Office and postage expense	322	217	585	380
Loan expense	184	177	432	413
Deposit expense	515	34	675	98
Merger related expense	4,978	-	6,723	-
Other expense	803	458	1,563	890
Total noninterest expense	15,856	8,205	27,035	14,846

NET INCOME (LOSS) BEFORE INCOME TAXES	(158)	9,606	2,990	13,945
INCOME TAX	91	3,795	1,267	5,442
NET INCOME (LOSS)	$ (249)	$ 5,811	$ 1,723	$ 8,503
EARNINGS (LOSS) PER SHARE				
Basic	$ (0.02)	$ 0.56	$ 0.12	$ 0.82
Diluted	$ (0.02)	$ 0.55	$ 0.11	$ 0.80
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	15,516,537	10,329,934	14,939,179	10,332,935
Diluted	15,516,537	10,669,005	15,721,262	10,647,590

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 June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income (loss)	$ (249)	$ 5,811	$ 1,723	$ 8,503
Other comprehensive income (loss), net of tax (benefit):				
Unrealized holding gains on securities arising during the period	(6,548)	1,118	(5,764)	1,256
Reclassification adjustment for net gain on sale of securities included in net income (1)	1,068	174	1,068	174
Income tax (benefit)	(2,255)	532	(1,932)	589
Net unrealized gain (loss) on securities, net of tax	(3,225)	760	(2,764)	841
Comprehensive income (loss)	$ (3,474)	$ 6,571	$ (1,041)	$ 9,344

(1) Income tax expense associated with the reclassification adjustment for the three months ended June 30, 2013 and 2012 was $438 and $71, respectively, and the six months ended June 30, 2013 and 2012 was $438 and $71, respectively.

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

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(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, 2012	13,661,648	$ 137	$ 107,453	$ 25,822	$ 1,105	$ 134,517
Net Income				1,723		1,723
Other comprehensive loss					(2,764)	(2,764)
Share-based compensation expense			423			423
Common stock repurchased and retired	(3,666)	-	(22)			(22)
Common stock issued	2,972,472	29	34,895			34,924
Stock options exercised	5,332	-	10			10
Balance at June 30, 2013	16,635,786	$ 166	$ 142,759	$ 27,545	$ (1,659)	$ 168,811
Balance at December 31, 2011	10,337,626	$ 103	$ 76,310	$ 10,046	$ 318	$ 86,777
Net Income				8,503		8,503
Other comprehensive income					841	841
Share-based compensation expense			27			27
	(13,022)	-	(102)			(102)

Common stock repurchased and retired						
Stock options exercised	5,330	-	23			23
Balance at June 30, 2012	10,329,934	$ 103	$ 76,258	$ 18,549	$ 1,159	$ 96,069

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)

	Six Months Ended June 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,723	$ 8,503
Adjustments to net income:		
Depreciation and amortization expense	904	642
Provision for loan losses	618	-
Share-based compensation expense	423	27
Loss (gain) on sale of other real estate owned	226	305
Write down of other real estate owned	354	302
Amortization of premium/discounts on securities held for sale, net	1,366	378
Amortization of loan mark-to-market discount from FDIC transaction	(1,529)	(1,048)
Gain on sale of loans held for sale	-	(10)
Gain on sale of investment securities available for sale	(1,068)	(174)

Other-than-temporary impairment loss on investment securities, net	35	82
Gain on sale of loans held for investment	(945)	-
Purchase and origination of loans held for sale	-	(2,995)
Recoveries on loans	229	95
Principal payments from loans held for sale	64	595
Gain on FDIC transaction	-	(5,340)
Deferred income tax provision	(1,757)	3,413
Change in accrued expenses and other liabilities, net	6,011	(159)
Income from bank owned life insurance, net	(282)	(263)
Change in accrued interest receivable and other assets, net	437	(1,364)
Net cash provided by operating activities	6,809	2,989
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and principal payments on loans held for investment	86,720	92,770
Net change in undisbursed loan funds	146,741	57,361
Purchase and origination of loans held for investment	(236,886)	(143,900)
Proceeds from sale of other real estate owned	1,488	5,315
Principal payments on securities available for sale	16,600	7,505
Purchase of securities available for sale	(6,208)	(70,467)
Proceeds from sale or maturity of securities	102,755	44,151

available for sale		
Purchases of premises and equipment	(1,055)	(252)
Purchase of Federal Reserve Bank stock	(1,276)	63
Redemption of FHLB stock	1,259	1,058
Cash acquired in PDNB transaction	-	39,491
Cash acquired in acquisitions, net	138,752	-
Net cash provided by investing activities	248,890	33,095
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (decrease) increase in deposit accounts	(131,304)	(31,268)
Repayment of FHLB advances and other borrowings	(84,323)	-
Proceeds from issuance of common stock, net of issuance cost	4,560	-
Proceeds from exercise of stock options	10	23
Repurchase of common stock	(22)	(102)
Net cash (used in) provided by financing activities	(211,079)	(31,347)
NET INCREASE IN CASH AND CASH EQUIVALENTS	44,620	4,737
CASH AND CASH EQUIVALENTS, beginning of period	59,352	60,235
CASH AND CASH EQUIVALENTS, end of period	$ 103,972	$ 64,972

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	(in thousands) (unaudited) Six Months Ended June 30,	
	2013	2012
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Interest paid	$ 2,637	$ 3,827
Income taxes paid	5,850	3,775
Assets acquired (liabilities assumed and capital created) in acquisitions (See Note 3):		
Investment securities	347,196	101
FRB and FHLB Stock	-	1,390
FHLB Stock and TIB Stock	653	-
FDIC receivable	-	167
Loans	68,815	63,773
Core deposit intangible	4,766	840
Other real estate owned	752	11,533
Goodwill	18,234	-
Fixed assets	1,446	-
Other assets	7,800	3,656
Deposits	(540,725)	(115,582)
Other borrowings	(16,905)	-
Other liabilities	(6,276)	(29)
Additional paid-in capital	(30,364)	-
NONCASH INVESTING ACTIVITIES DURING THE PERIOD		
Transfers from loans to other real estate owned	$ 244	$ 2,497
Investment securities available for sale purchased and not settled	$ -	$ 10,460

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

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013
(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 June 30, 2013, December 31, 2012, and June 30, 2012, the results of its operations and comprehensive income for the three and six months ended June 30, 2013 and 2012 and the changes in stockholders’ equity and cash flows for the three and six months ended June 30, 2013 and 2012. Operating results or comprehensive income for the three and six months ended June 30, 2013 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, 2013.

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, 2012, as amended (the “2012 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

In December 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Updated (“ASU”) 2011-11, “Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities”. ASU 2011-11 affects all entities that have financial instruments and derivative instruments that are either (1) offset in accordance with either Section 210-20-45 or Section 815-10-45 or (2) subject to an enforceable master netting arrangement or similar agreement. The requirements amend the disclosure requirements on offsetting in Section 210-20-50. This information is intended to enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments in the scope of this ASU. The amended guidance is effective for interim and annual periods beginning after January 1, 2013 and should be applied retrospectively to all periods presented. The adoption of the disclosure requirements had no impact on the Company’s consolidated financial statements.

In October 2012, the FASB issued ASU 2012-06, "Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution." The amendments in this update clarify the applicable guidance for subsequently measuring an indemnification asset recognized as a result of a government-assisted acquisition of a financial institution. The update provides that changes in cash flows expected to be collected on the indemnification asset arising subsequent to initial recognition as a result of changes in cash flows expected to be collected on the related indemnified assets should be accounted for on the same basis as the change in the assets subject to indemnification. Any amortization of changes in value should be limited to the contractual term of the indemnification agreement. The Company is required to adopt this update prospectively for the quarter ending June 30, 2013. The requirements of the update are consistent with the Company's existing accounting policy; therefore, adoption has no impact on the Company's consolidated financial position, results of operations or cash flows.

In February 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." This update requires entities to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, entities are required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. The adoption of the disclosure requirements had no impact on the Company's consolidated financial statements.

Note 3 – Acquisitions

San Diego Trust Bank ("SDTB") Acquisition

Effective June 25, 2013, the Bank acquired SDTB ("SDTB Acquisition"), a San Diego, California based state-chartered bank, pursuant to the terms of a definitive agreement entered into by the Corporation, the Bank and SDTB on March 6, 2013. As a result of the SDTB Acquisition, the Bank acquired and recorded at the acquisition date assets with a fair value of approximately $201.1 million, including:

$125.9 million in investment securities, including Federal Home Loan Bank ("FHLB") stock;

$42.4 million of loans;

$14.1 million of cash and cash equivalents;

$6.4 million in goodwill;

$5.8 million in bank owned life insurance;

$3.7 million of other types of assets; and

$2.8 million of a core deposit intangible.

Also as a result of the SDTB Acquisition, the Bank recorded equity of $14.4 million in connection with the Corporation's stock issued to SDTB shareholders as part of the acquisition consideration and assumed at acquisition date liabilities with a fair value of approximately $186.7 million, including:

$178.8 million in deposit transaction accounts;

$5.1 million in retail certificates of deposit;

$1.9 million other liabilities; and

$922,000 in deferred tax liability.

The fair values of the assets acquired and liabilities assumed were determined based on the requirements of FASB Accounting Standards Codification (“ASC”) Topic 820: Fair Value Measurements and Disclosures.

The acquisition is an opportunity for the Company to acquire a banking network that will complement our existing banking franchise and expand our footprint into a new market. Additionally, this partnership will improve the Company’s deposit base, lower its cost of deposits and provide the opportunity to accelerate future core deposit growth. Additionally, the acquisition of SDTB allowed the Company to deploy a portion of its current capital base into a compelling investment.

First Associations Bank (“FAB”) Acquisition

Effective March 15, 2013, the Bank acquired FAB (“FAB Acquisition”), a Dallas, Texas, based Texas-chartered bank, pursuant to the terms of a definitive agreement entered into by the Corporation, the Bank and FAB on October 15, 2012. As a result of the FAB Acquisition, the Bank acquired and recorded at the acquisition date assets with a fair value of approximately $394.1 million, including:

$223.0 million in investment securities, including FHLB and TIB-The Independent Bankers Bank (“TIB”) stock;

$124.7 million of cash and cash equivalents;

$26.4 million of loans;

$11.9 million in goodwill;

$6.2 million of other types of assets; and

$1.9 million of a core deposit intangible.

Also as a result of the FAB Acquisition, the Bank recorded equity of $15.9 million in connection with the Corporation's stock issued to FAB shareholders as part of the acquisition consideration and assumed at acquisition date liabilities with a fair value of approximately $378.2 million, including:

$329.5 million in deposit transaction accounts;

$17.4 million in retail certificates of deposit;

$9.9 million in wholesale deposits;

$16.9 million in other borrowings;

$3.9 million in deferred tax liability; and

$536,000 of other liabilities.

The fair values of the assets acquired and liabilities assumed were determined based on the requirements of FASB ASC Topic 820: Fair Value Measurements and Disclosures.

The acquisition is a unique opportunity for the Company to acquire a highly efficient, consistently profitable and niche focused business that will complement our existing banking franchise. Additionally, this partnership will improve the Company’s deposit base, lower its cost of deposits and provide the platform to accelerate future core deposit growth. Additionally, the acquisition of FAB allowed the Company to deploy a portion of its current capital base into a compelling investment.

Palm Desert National Bank (“Palm Desert National”) Acquisition

Effective April 27, 2012, the Bank acquired certain assets and assumed certain liabilities of Palm Desert National Bank (“Palm Desert National”) from the Federal Deposit Insurance Corporation (“FDIC”) as receiver for Palm Desert National (the “Palm Desert National Acquisition”), pursuant to the terms of a purchase and assumption agreement entered into by the Bank and the FDIC on April 27, 2012. The Palm Desert National Acquisition included one branch of Palm Desert National that became a branch of the Bank upon consummation of the Palm Desert National Acquisition. The Bank did not enter into any loss sharing agreements with the FDIC in connection the Palm Desert National Acquisition. As a result of the Palm Desert National Acquisition, the Bank acquired and recorded at the acquisition date certain assets with a fair value of approximately $120.9 million, including $63.8 million of loans, $39.5 million of cash and cash equivalents, $11.5 million of other real estate owned (“OREO”), $1.5 million in investment securities, including FHLB stock and Federal Reserve Bank stock, $840,000 of a core deposit intangible and $3.8 million of other types of assets. Liabilities with a fair value of approximately $118.0 million, including $50.1 million in deposit transaction accounts, $30.8 million in retail certificates of deposit, $34.1 million in whole sale certificates of deposits, which were purposefully run off during the second quarter of 2012, $2.4 million in deferred tax liability and $578,000 of other liabilities. The fair values of the assets acquired and liabilities assumed were determined based on the requirements of FASB ASC Topic 820: Fair Value Measurements and Disclosures.

Canyon National Bank (“Canyon National) Acquisition

Effective February 11, 2011, the Bank acquired certain assets and assumed certain liabilities of Canyon National Bank (“Canyon National”) from the FDIC as receiver for Canyon National (the “Canyon National Acquisition”), pursuant to the terms of a purchase and assumption agreement entered into by the Bank and the FDIC on February 11, 2011. The Canyon National Acquisition included the three branches of Canyon National, all of which became branches of the Bank upon consummation of the Canyon National Acquisition. The Bank did not enter into any loss sharing agreements with the FDIC in connection with the Canyon National Acquisition. As a result of the Canyon National Acquisition, the Bank acquired and received certain assets with a fair value of approximately $208.9 million, including $149.7 million of loans, $16.1 million of a FDIC receivable, $13.2 million of cash and cash equivalents, $12.8 million of investment securities, $12.0 million of OREO, $2.3 million of a core deposit intangibles, $1.5 million of other assets and $1.3 million of FHLB and Federal Reserve Bank stock. Liabilities with a fair value of approximately $206.6 million were also assumed, including $204.7 million of deposits, $1.9 million in deferred tax liability and $39,000 of other liabilities. The fair values of the assets acquired and liabilities assumed were determined based on the requirements of FASB ASC Topic 820: Fair Value Measurements and Disclosures.

Note 4 – Investment Securities

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

	June 30, 2013			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
	(in thousands)			
Investment securities				

available for sale:				
U.S. Treasury	$ 73	$ 10	$ -	$ 83
Corporate	9,169	-	-	9,169
Municipal bonds	96,257	226	(1,736)	94,747
Mortgage-backed securities	210,367	736	(2,055)	209,048
Total securities available for sale	315,866	972	(3,791)	313,047

	December 31, 2012			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
	(in thousands)			
Investment securities available for sale:				
U.S. Treasury	$ 147	$ 12	$ -	$ 159
Municipal bonds	25,401	1,186	(1)	26,586
Mortgage-backed securities	56,641	1,162	(482)	57,321
Total securities available for sale	82,189	2,360	(483)	84,066

	June 30, 2012			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
	(in thousands)			
Investment securities available for sale:				
U.S. Treasury	$ 247	$ 14	$ -	$ 261
Municipal bonds	39,928	1,259	(71)	41,116
Mortgage-backed securities	103,990	1,389	(622)	104,757
Total securities available for sale	144,165	2,662	(693)	146,134

At June 30, 2013, the Company had an $8.6 million investment in FHLB stock carried at cost. During the second quarter of 2013, the FHLB has repurchased $1.9 million of the Company's excess FHLB stock through its stock repurchase program.

At June 30, 2013, mortgage-backed securities ("MBS") with an estimated par value of $34.8 million and a fair value of $36.0 million were pledged as collateral for the Bank's three reverse repurchase agreements which totaled $28.5 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.

	June 30, 2013								
	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	122	$51,937	$(1,736)	-	$-	$-	122	$51,937	$(1,736)
Mortgage-backed securities	29	86,940	(1,916)	17	713	(138)	46	87,653	(2,054)
Total	151	$138,877	$(3,652)	17	$713	$(138)	168	$139,590	$(3,790)

	December 31, 2012								
	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	1	$292	$(1)	-	$-	$-	1	$292	$(1)
Mortgage-backed securities	2	15,128	(152)	31	1,012	(330)	33	16,140	(482)
Total	3	$15,420	$(153)	31	$1,012	$(330)	34	$16,432	$(483)

	June 30, 2012								
	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	12	$5,245	$(71)	-	$-	$-	12	$5,245	$(71)
Mortgage-backed securities	7	21,090	(82)	41	1,185	(540)	48	22,275	(622)
Total	19	$26,335	$(153)	41	$1,185	$(540)	60	$27,520	$(693)

The amortized cost and estimated fair value of investment securities available for sale at June 30, 2013, by contractual maturity are shown in the table below.

	One Year or Less		More than One Year to Five Years		More than Five Years to Ten Years		More than Ten Years		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(dollars in thousands)									
Investment securities available for sale:										
U.S. Treasury	$-	$-	$73	$83	$-	$-	$-	$-	$73	$83
Corporate	2,006	2,006	7,163	7,163	-	-	-	-	9,169	9,169
Municipal bonds	-	-	7,998	7,900	43,271	42,550	44,988	44,297	96,257	94,747
Mortgage-backed securities	-	-	51	54	16,080	15,931	194,235	193,063	210,366	209,048
Total investment securities available for sale	2,006	2,006	15,285	15,200	59,351	58,481	239,223	237,360	315,865	313,047

Any temporary impairment is a result of the change in market interest rates and not the underlying issuers’ ability to repay. The Company has the intent and ability to hold these securities until the temporary impairment is eliminated. Accordingly, the Company has not recognized the temporary impairment in earnings.

Unrealized gains and losses on investment securities available for sale are recognized in stockholders’ equity as accumulated other comprehensive income (loss). At June 30, 2013, the Company had accumulated other comprehensive loss of $2.8 million, or $1.7 million net of tax, compared to accumulated other comprehensive income of $1.9 million, or $1.1 million net of tax, at December 31, 2012.

Note 5 – Loans Held for Investment

The following table sets forth the composition of our loan portfolio in dollar amounts at the dates indicated:

	June 30, 2013	December 31, 2012	June 30, 2012
		(in thousands)	
Business loans:			
Commercial and industrial	$ 146,240	$ 115,354	$ 84,191
Commercial owner occupied (1)	201,802	150,934	150,428
SBA	5,820	6,882	3,995
Warehouse facilities	135,317	195,761	61,111

Real estate loans:			
Commercial non-owner occupied	295,767	253,409	242,700
Multi-family	172,797	156,424	183,742
One-to-four family (2)	84,672	97,463	56,694
Construction	2,135	-	281
Land	10,438	8,774	11,191
Other loans	4,969	1,193	4,019
Total gross loans (3)	1,059,957	986,194	798,352
Less loans held for sale, net	3,617	3,681	2,401
Total gross loans held for investment	1,056,340	982,513	795,951
Less:			
Deferred loan origination costs (fees) and premiums (discounts), net	(910)	(306)	(632)
Allowance for loan losses	(7,994)	(7,994)	(7,658)
Loans held for investment, net	$ 1,047,436	$ 974,213	$ 787,661

(1) Majority secured by real estate.
(2) Includes second trust deeds.
(3) Total gross loans for June 30, 2013 is net of the mark-to-market discounts on Canyon National loans of $2.1 million, on Palm Desert National loans of $4.0 million, and on SDTB loans of $560,000 and of the mark-to-market premium on FAB loans of $103,000.

From time to time, we may purchase or sell loans in order to manage concentrations, maximize interest income, change risk profiles, improve returns and generate liquidity.

The Company makes residential and commercial loans held for investment to customers located primarily in Southern California. Consequently, the underlying collateral for our loans and a borrower's ability to repay may be impacted unfavorably by adverse changes in the economy and real estate market in the region.

Under applicable laws and regulations, the Bank may not make secured loans to one borrower in excess of 25% of unimpaired capital plus surplus and likewise in excess of 15% for unsecured loans. These loans-to-one borrower limitations result in a dollar limitation of $45.2 million for secured loans and $27.1 million for unsecured loans at June 30, 2013. At June 30, 2013, the Bank's largest aggregate outstanding balance of loans to one borrower was $35.0 million of secured credit.

Purchased Credit Impaired

The following table provides a summary of the Company's investment in purchased credit impaired loans, acquired from Canyon National and Palm Desert National, as of the period indicated:

	June 30, 2013		
	Canyon National	Palm Desert National	Total
	(in thousands)		
Business loans:			
Commercial and industrial	$ 81	$ 185	$ 266
Commercial owner occupied (1)	942	-	942
Real estate loans:			
Commercial non-owner occupied	1,019	-	1,019
One-to-four family (2)	-	24	24
Land	1,066	-	1,066
Total purchase credit impaired	$ 3,108	$ 209	$ 3,317

On the acquisition date, the amount by which the undiscounted expected cash flows of the purchased credit impaired loans exceed the estimated fair value of the loan is the "accretable yield." The accretable yield is measured at each financial reporting date and represents the difference between the remaining undiscounted expected cash flows and the current carrying value of the purchased credit impaired loan. At June 30, 2013, the Company had $3.3 million of purchased credit impaired loans, of which $21,000 were placed on nonaccrual status.

The following table summarizes the accretable yield on the purchased credit impaired for the six months ended June 30, 2013:

	Six Months Ended June 30, 2013		
	Canyon National	Palm Desert National	Total
	(in thousands)		
Balance at the beginning of period	$ 2,029	$ 247	$ 2,276
Accretable yield at acquisition	-	-	-
Accretion	(243)	(44)	(287)
Disposals and other	-	(514)	(514)
Change in accretable yield	157	448	605
Balance at the end of period	$ 1,943	$ 137	$ 2,080

Impaired Loans

The following tables provide a summary of the Company's investment in impaired loans as of the period indicated:

	Impaired Loans						
	Contractual Unpaid Principal Balance	Recorded Investment	With Specific Allowance	Without Specific Allowance	Specific Allowance for Impaired Loans	Average Recorded Investment	Interest Income Recognized
	(in thousands)						
June 30, 2013							
Business loans:							
Commercial and industrial	$ 423	$ 308	$ 233	$ 76	$ 233	$ 454	$ 19
Commercial owner	-	-	-	-	-	122	-

occupied							
SBA	-	-	-	-	-	84	1
Real estate loans:							
Commercial non-owner occupied	531	450	-	450	-	1,254	3
Multi-family	1,046	1,035	-	1,035	-	217	2
One-to-four family	836	813	501	312	360	837	26
Totals	$ 2,836	$ 2,606	$ 734	$ 1,873	$ 593	$ 2,968	$ 51

	Impaired Loans						
	Contractual Unpaid Principal Balance	Recorded Investment	With Specific Allowance	Without Specific Allowance	Specific Allowance for Impaired Loans	Average Recorded Investment	Interest Income Recognized
	(in thousands)						
December 31, 2012							
Business loans:							
Commercial and industrial	$ 707	$ 593	$ 287	$ 306	$ 270	$ 203	$ 29
Commercial owner occupied	-	-	-	-	-	444	-
SBA	810	259	-	259	-	468	21
Real estate loans:							
Commercial non-owner occupied	746	670	-	670	-	1,031	59
Multi-family	315	266	-	266	-	1,123	22
One-to-four family	960	948	541	407	395	720	59
Totals	$ 3,538	$ 2,736	$ 828	$ 1,908	$ 665	$ 3,989	$ 190

	Impaired Loans						
	Contractual Unpaid Principal Balance	Recorded Investment	With Specific Allowance	Without Specific Allowance	Specific Allowance for Impaired Loans	Average Recorded Investment	Interest Income Recognized
	(in thousands)						
June 30, 2012							
Business loans:							

Commercial and industrial	$ -	$ -	$ -	$ -	$ -	$ 200	$ -
Commercial owner occupied	507	478	-	478	-	889	-
SBA	1,723	549	-	549	-	564	16
Real estate loans:							
Commercial non-owner occupied	2,304	2,095	-	2,095	-	1,279	32
Multi-family	1,442	1,404	-	1,404	-	1,412	45
One-to-four family	670	667	-	667	-	708	22
Totals	$ 6,646	$ 5,193	$ -	$ 5,193	$ -	$ 5,052	$ 115

The Company considers a loan to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement or it is determined that the likelihood of the Company receiving all scheduled payments, including interest, when due is remote. The Company has no commitments to lend additional funds to debtors whose loans have been impaired.

The Company reviews loans for impairment when the loan is classified as substandard or worse, delinquent 90 days, or determined by management to be collateral dependent, or when the borrower files bankruptcy or is granted a troubled debt restructurings ("TDRs"). Measurement of impairment is based on the loan's expected future cash flows discounted at the loan's effective interest rate, measured by reference to an observable market value, if one exists, or the fair value of the collateral if the loan is deemed collateral dependent. All loans are generally charged-off at such time the loan is classified as a loss. Valuation allowances are determined on a loan-by-loan basis or by aggregating loans with similar risk characteristics.

The following table provides additional detail on the components of impaired loans at the period end indicated:

	June 30, 2013	December 31, 2012	June 30, 2012
	(in thousands)		
Nonaccruing loans	$1,969	$1,988	$3,826
Accruing loans	637	748	1,367
Total impaired loans	$2,606	$2,736	$5,193

When loans are placed on nonaccrual status all accrued interest is reversed from earnings. Payments received on nonaccrual loans are generally applied as a reduction to the loan principal balance. If the likelihood of further loss is remote, the Company will recognize interest on a cash basis only. Loans may be returned to accruing status if the Company believes that all remaining principal and interest is fully collectible and there has been at least three months of sustained repayment performance since the loan was placed on nonaccrual.

The Company does not accrue interest on loans 90 days or more past due or when, in the opinion of management, there is reasonable doubt as to the collection of interest. The Company had impaired loans on nonaccrual status of $2.0 million at June 30, 2013 and December 31, 2012, and $3.8 million at June 30, 2012. The Company had no loans 90 days or more past due and still accruing at June 30, 2013, December 31, 2012 or June 30, 2012.

The Company had an immaterial amount of TDRs related to two U.S. Small Business Administration ("SBA") loans which were all completed prior to 2011.

Concentration of Credit Risk

As of June 30, 2013, the Company's loan portfolio was collateralized by various forms of real estate and business assets located principally in Southern California. The Company's loan portfolio contains concentrations of credit in multi-family real estate, commercial non-owner occupied real estate and commercial owner occupied business loans. The Bank maintains policies approved by the Bank's Board of Directors (the "Bank Board") that address these concentrations and continues to diversify its loan portfolio through loan originations, purchases and sales to meet approved concentration levels. While management believes that the collateral presently securing these loans is adequate, there can be no assurances that further significant deterioration in the California real estate market and economy would not expose the Company to significantly greater credit risk.

Credit Quality and Credit Risk Management

The Company's credit quality is maintained and credit risk managed in two distinct areas. The first is the loan origination process, wherein the Bank underwrites credit quality and chooses which risks it is willing to accept. The second is in the ongoing oversight of the loan portfolio, where existing credit risk is measured and monitored, and where performance issues are dealt with in a timely and comprehensive fashion.

The Company maintains a comprehensive credit policy which sets forth minimum and maximum tolerances for key elements of loan risk. The policy identifies and sets forth specific guidelines for analyzing each of the loan products the Company offers from both an individual and portfolio wide basis. The credit policy is reviewed annually by the Bank Board. The Bank's seasoned underwriters ensure all key risk factors are analyzed with nearly all underwriting including a comprehensive global cash flow analysis of the prospective borrowers. The credit approval process mandates multiple-signature approval by the management credit committee for every loan that requires any subjective credit analysis.

Credit risk is managed within the loan portfolio by the Company's Portfolio Management department based on a comprehensive credit and investment review policy. This policy requires a program of financial data collection and analysis, comprehensive loan reviews, property and/or business inspections and monitoring of portfolio concentrations and trends. The Portfolio Management department also monitors asset-based lines of credit, loan covenants and other conditions associated with the Company's business loans as a means to help identify potential credit risk. Individual loans, excluding the homogeneous loan portfolio, are reviewed at least biennially, and in most cases more often, including the assignment of a risk grade.

Risk grades are based on a six-grade Pass scale, along with Special Mention, Substandard, Doubtful and Loss classifications as such classifications are defined by the regulatory agencies. The assignment of risk grades allows the Company to, among other things, identify the risk associated with each credit in the portfolio, and to provide a basis for estimating credit losses inherent in the portfolio. Risk grades are reviewed regularly by the Company's Credit and Investment Review committee, and are reviewed annually by an independent third-party, as well as by regulatory agencies during scheduled examinations.

The following provides brief definitions for risk grades assigned to loans in the portfolio:

- Pass classifications represent assets with a level of credit quality which contain no well-defined deficiency or weakness.
- Special Mention assets do not currently expose the Bank to a sufficient risk to warrant classification in one of the adverse categories, but possess correctable deficiency or potential weaknesses deserving management's close attention.
- Substandard assets are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. These assets are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. OREO acquired from foreclosure is also classified as substandard.
- Doubtful credits have all the weaknesses inherent in substandard credits, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.
- Loss assets are those that are considered uncollectible and of such little value that their continuance as assets is not warranted. Amounts classified as loss are promptly charged off.

The Portfolio Management department also manages loan performance risks, collections, workouts, bankruptcies and foreclosures. Loan performance risks are mitigated by our portfolio managers acting promptly and assertively to address problem credits when they are identified. Collection efforts are commenced immediately upon non-payment, and the portfolio managers seek to promptly determine the appropriate steps to minimize the Company's risk of loss. When foreclosure will maximize the Company's recovery for a non-performing loan, the portfolio managers will take appropriate action to initiate the foreclosure process.

When a loan is graded as special mention or substandard or doubtful, the Company obtains an updated valuation of the underlying collateral. If the credit in question is also identified as impaired, a valuation allowance, if necessary, is established against such loan or a loss is recognized by a charge to the allowance for loan losses ("ALLL") if management believes that the full amount of the Company's recorded investment in the loan is no longer collectable. The Company typically continues to obtain updated valuations of underlying collateral for special mention and classified loans on an annual basis in order to have the most current indication of fair value. Once a loan is identified as impaired, an analysis of the underlying collateral is performed at least quarterly, and corresponding changes in any related valuation allowance are made or balances deemed to be fully uncollectable are charged-off.

The following tables stratify the loan portfolio by the Company's internal risk grading system as well as certain other information concerning the credit quality of the loan portfolio as of the periods indicated:

	Credit Risk Grades			
	Pass	Special Mention	Substandard	Total Gross Loans
June 30, 2013	(in thousands)			
Business loans:				
Commercial and industrial	$143,034	$88	$3,118	$146,240
Commercial owner occupied	186,271	2,298	13,233	201,802
SBA	5,820	-	-	5,820
	135,317	-	-	135,317

Warehouse facilities				
Real estate loans:				
Commercial non-owner occupied	289,210	356	6,201	295,767
Multi-family	170,726	515	1,556	172,797
One-to-four family	83,395	-	1,277	84,672
Construction	2,135	-	-	2,135
Land	10,430	-	8	10,438
Other loans	4,960	-	9	4,969
Totals	$1,031,298	$3,257	$25,402	$1,059,957

	Credit Risk Grades			
	Pass	Special Mention	Substandard	Total Gross Loans
December 31, 2012	(in thousands)			
Business loans:				
Commercial and industrial	$111,895	$92	$3,367	$115,354
Commercial owner occupied	136,330	2,674	11,930	150,934
SBA	6,819	-	63	6,882
Warehouse facilities	195,761	-	-	195,761
Real estate loans:				
Commercial non-owner occupied	240,585	687	12,137	253,409
Multi-family	143,003	11,583	1,838	156,424
One-to-four family	96,061	-	1,402	97,463
Land	8,762	-	12	8,774
Other loans	1,177	-	16	1,193
Totals	$940,393	$15,036	$30,765	$986,194

	Credit Risk Grades			
	Pass	Special Mention	Substandard	Total Gross Loans
June 30, 2012	(in thousands)			
Business loans:				
	$81,359	$1,753	$1,079	$84,191

Commercial and industrial				
Commercial owner occupied	134,749	4,036	11,643	150,428
SBA	3,858	-	137	3,995
Warehouse facilities	61,111	-	-	61,111
Real estate loans:				
Commercial non-owner occupied	236,685	668	5,347	242,700
Multi-family	166,309	9,898	7,535	183,742
One-to-four family	55,303	-	1,391	56,694
Construction	281	-	-	281
Land	8,591	-	2,600	11,191
Other loans	3,892	-	127	4,019
Totals	$752,138	$16,355	$29,859	$798,352

The following tables set forth delinquencies in the Company's loan portfolio at the dates indicated:

		Days Past Due				Non-
	Current	30-59	60-89	90+	Total	Accruing
June 30, 2013			(in thousands)			
Business loans:						
Commercial and industrial	$146,000	$7	$233	$-	$146,240	$96
Commercial owner occupied	201,162	640	-	-	201,802	-
SBA	5,795	-	25	-	5,820	-
Warehouse facilities	135,317	-	-	-	135,317	-
Real estate loans:						
Commercial non-owner occupied	295,767	-	-	-	295,767	450
Multi-family	171,762	-	-	1,035	172,797	1,035
One-to-four family	84,290	22	322	38	84,672	451
Land	10,438	-	-	-	10,438	-
Other loans	4,969	-	-	-	4,969	-
Totals	$1,057,635	$669	$580	$1,073	$1,059,957	$2,032

	Current	Days Past Due 30-59	60-89	90+	Total	Non-Accruing
December 31, 2012			(in thousands)			
Business loans:						
Commercial and industrial	$115,078	$-	$58	$218	$115,354	$347
Commercial owner occupied	150,689	-	245	-	150,934	14
SBA	6,697	-	-	185	6,882	260
Warehouse facilities	195,761	-	-	-	195,761	-
Real estate loans:						
Commercial non-owner occupied	253,409	-	-	-	253,409	670
Multi-family	156,424	-	-	-	156,424	266
One-to-four family	97,283	101	-	79	97,463	522
Land	8,774	-	-	-	8,774	127
Other loans	1,188	5	-	-	1,193	-
Totals	$985,303	$106	$303	$482	$986,194	$2,206

	Current	Days Past Due 30-59	60-89	90+	Total	Non-Accruing
June 30, 2012			(in thousands)			
Business loans:						
Commercial and industrial	$84,141	$-	$50	$-	$84,191	$9
Commercial owner occupied	148,900	-	-	1,528	150,428	1,528
SBA	3,475	46	-	474	3,995	503
Warehouse facilities	61,111	-	-	-	61,111	-
Real estate loans:						
Commercial non-owner occupied	241,290	259	-	1,151	242,700	2,094
Multi-family	180,907	-	2,835	-	183,742	3,115
One-to-four family	56,588	93	-	13	56,694	486

Construction	281	-	-	-	281	-
Land	10,934	-	-	257	11,191	691
Other loans	4,018	1	-	-	4,019	-
Totals	$791,645	$399	$2,885	$3,423	$798,352	$8,426

Note 6 – Allowance for Loan Losses

The Company's ALLL covers estimated credit losses on individually evaluated loans that are determined to be impaired as well as estimated credit losses inherent in the remainder of the loan portfolio. The ALLL is prepared using the information provided by the Company's credit and investment review process together with data from peer institutions and economic information gathered from published sources.

The loan portfolio is segmented into groups of loans with similar risk characteristics. Each segment possesses varying degrees of risk based on, among other things, the type of loan, the type of collateral, and the sensitivity of the borrower or industry to changes in external factors such as economic conditions. An estimated loss rate calculated using the Company's actual historical loss rates adjusted for current portfolio trends, economic conditions, and other relevant internal and external factors, is applied to each group's aggregate loan balances.

The following provides a summary of the ALLL calculation for the major segments within the Company's loan portfolio.

Owner Occupied Commercial Real Estate Loans, Commercial and Industrial Loans and SBA Loans

The Company's base ALLL factor for owner occupied commercial real estate loans, commercial business loans and SBA loans is determined by management using the Bank's actual trailing 36 month, 24 month, trailing 12 month and annualized trailing six month charge-off data. Adjustments to those base factors are made for relevant internal and external factors. For owner occupied commercial real estate loans, commercial business loans and SBA loans, those factors include:

Changes in national, regional and local economic conditions, including trends in real estate values and the interest rate environment,

Changes in the nature and volume of the loan portfolio, including new types of lending,

Changes in volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans, and

The existence and effect of concentrations of credit, and changes in the level of such concentrations.

The resulting total ALLL factor is compared for reasonableness against the 10-year average, 15-year average, and trailing 12 month total charge-off data for all FDIC insured commercial banks and savings institutions based in California. This factor is applied to balances graded pass-1 through pass-5. For loans risk graded as watch or worse, progressively higher potential loss factors are applied based on management's judgment, taking into consideration the specific characteristics of the Bank's portfolio and analysis of results from a select group of the Company's peers.

Multi-Family and Non-Owner Occupied Commercial Real Estate Loans

The Company's base ALLL factor for multi-family and non-owner occupied commercial real estate loans is determined by management using the Bank's actual trailing 36 month, 24 month, trailing 12 month and annualized trailing six month charge-off data. Adjustments to those base factors are made for relevant internal and external factors. For multi-family and non-owner occupied commercial real estate loans, those factors include:

Changes in national, regional and local economic conditions, including trends in real estate values and the interest rate environment,

Changes in volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans, and

The existence and effect of concentrations of credit, and changes in the level of such concentrations.

The resulting total ALLL factor is compared for reasonableness against the 10-year average, 15-year average, and trailing 12 month total charge-off data for all FDIC insured commercial banks and savings institutions based in California. This factor is applied to balances graded pass-1 through pass-5. For loans risk graded as watch or worse, progressively higher potential loss factors are applied based on management’s judgment, taking into consideration the specific characteristics of the Bank’s portfolio and analysis of results from a select group of the Company’s peers.

One-to-Four Family and Consumer Loans

The Company's base ALLL factor for one-to-four family and consumer loans is determined by management using the Bank's actual trailing 36 month, trailing 24 month, trailing 12 month and annualized trailing six month charge-off data. Adjustments to those base factors are made for relevant internal and external factors. For one-to-four family and consumer loans, those factors include:

Changes in national, regional and local economic conditions, including trends in real estate values and the interest rate environment, and

Changes in volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans.

The resulting total ALLL factor is compared for reasonableness against the 10-year average, 15-year average, and trailing 12 month total charge-off data for all FDIC insured commercial banks and savings institutions based in California. This factor is applied to balances graded pass-1 through pass-5. For loans risk graded as watch or worse, progressively higher potential loss factors are applied based on management’s judgment, taking into consideration the specific characteristics of the Bank’s portfolio and analysis of results from a select group of the Company’s peers.

Warehouse Facilities

The Company's warehouse facilities are structured as repurchase facilities, whereby we purchase funded one-to-four family loans on an interim basis. Therefore, the base ALLL factor for warehouse facilities is equal to that for one-to-four family and consumer loans as discussed above. Adjustments to the base factor are made for relevant internal and external factors. Those factors include:

Changes in national, regional and local economic conditions, including trends in real estate values and the interest rate environment,

Changes in the nature and volume of the loan portfolio, including new types of lending, and

The existence and effect of concentrations of credit, and changes in the level of such concentrations.

The resulting total ALLL factor is compared for reasonableness against the 10-year average, 15-year average, and trailing 12 month total charge-off data for one-to-four family loans for all FDIC insured commercial banks and savings institutions based in California. This factor is applied to balances graded pass-1 through pass-5. For loans risk graded as watch or worse, progressively higher potential loss factors are applied based on management's judgment, taking into consideration the specific characteristics of the Bank's portfolio and analysis of results from a select group of the Company's peers.

The following tables summarize the allocation of the ALLL as well as the activity in the ALLL attributed to various segments in the loan portfolio as of and for the six months ended for the periods indicated:

	Commercial and industrial	Commercial owner occupied	SBA	Warehouse	Commercial non-owner occupied	Multi-family	One-to-four family	Construction	Land	Other loans	Tot
	(dollars in thousands)										
e, ber 31,	$1,310	$1,512	$79	$1,544	$1,459	$1,145	$862	$-	$31	$52	$7,994
-offs	(58)	-	(5)	-	(757)	(11)	(10)	-	-	(6)	(847
eries	21	-	44	-	-	-	44	-	-	120	229
ons for ion in) sses	806	229	(50)	(844)	806	(593)	243	-	149	(128)	618
e, June 3	$2,079	$1,741	$68	$700	$1,508	$541	$1,139	$-	$180	$38	$7,994
t of nce ed to:											
cally ed ed loans	$233	$-	$-	$-	$-	$-	$360	$-	$-	$-	$593
l io on	1,846	1,741	68	700	1,508	541	779	-	180	38	7,401
ually ed for ment	308	-	-	-	450	1,035	813	-	-	-	2,606
c s to ans ually ed for ment	75.65 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	44.28 %	0.00 %	0.00 %	0.00 %	22.76
vely ed for ment	$145,932	$201,802	$5,820	$135,317	$295,317	$171,762	$83,859	$2,135	$10,438	$4,969	$1,057
l s to ans vely	1.26 %	0.86 %	1.17 %	0.52 %	0.51 %	0.31 %	0.93 %	0.00 %	1.72 %	0.76 %	0.70

ed for ment											
ross	$146,240	$201,802	$5,820	$135,317	$295,767	$172,797	$84,672	$2,135	$10,438	$4,969	$1,059
nce to oans	1.42 %	0.86 %	1.17 %	0.52 %	0.51 %	0.31 %	1.35 %	0.00 %	1.72 %	0.76 %	0.75

	Commercial and industrial	Commercial owner occupied	SBA	Warehouse	Commercial non-owner occupied	Multi-family	One-to-four family	Construction	Land	Other loans	Tot
					(dollars in thousands)						
e, ber 31,	$1,361	$1,119	$80	$1,347	$1,287	$2,281	$931	$-	$39	$77	$8,522
-offs	(191)	(265)	(109)	-	(88)	-	(305)	-	-	(1)	(959
eries	2	-	77	-	-	-	5	-	-	11	95
ons for ion in) sses	78	222	103	(439)	468	3	(328)	-	(39)	(68)	-
e, June 2	$1,250	$1,076	$151	$908	$1,667	$2,284	$303	$-	$-	$19	$7,658
t of nce ed to:											
cally ed ed loans	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-
l io on	1,250	1,076	151	908	1,667	2,284	303	-	-	19	7,658
ually ed for ment	-	478	549	-	2,095	1,404	667	-	-	-	5,193
c s to ans ually ed for ment	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00
vely ed for ment	$84,191	$149,950	$3,446	$61,111	$240,605	$182,338	$56,027	$281	$11,191	$4,019	$793,1
l s to ans vely ed for	1.48 %	0.72 %	4.38 %	1.49 %	0.69 %	1.25 %	0.54 %	0.00 %	0.00 %	0.47 %	0.97

ment ross	$84,191	$150,428	$3,995	$61,111	$242,700	$183,742	$56,694	$281	$11,191	$4,019	$798,3
nce to ans	1.48 %	0.72 %	3.78 %	1.49 %	0.69 %	1.24 %	0.53 %	0.00 %	0.00 %	0.47 %	0.96

Note 7 – Subordinated Debentures

In March 2004, the Corporation issued $10.3 million of Floating Rate Junior Subordinated Deferrable Interest Debentures (the "Subordinated Debentures") to PPBI Trust I, which funded the payment of $10.0 million of Floating Rate Trust Preferred Securities ("Trust Preferred Securities") issued by PPBI Trust I in March 2004. The net proceeds from the offering of Trust Preferred Securities were contributed as capital to the Bank to support further growth. Interest is payable quarterly on the Subordinated Debentures at three-month LIBOR plus 2.75% per annum, for an effective rate of 3.03% per annum as of June 30, 2013.

The Corporation is not allowed to consolidate PPBI Trust I into the Company's consolidated financial statements. The resulting effect on the Company's consolidated financial statements is to report only the Subordinated Debentures as a component of the Company's liabilities.

Note 8 – Earnings Per Share

Basic earnings per share excludes dilution and is computed by dividing net income or loss available to common stockholders by the weighted average number of common shares outstanding for the period, excluding common shares in treasury. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted from the issuance of common stock that would then share in earnings and excludes common shares in treasury. Stock options exercisable for shares of common stock are excluded from the computation of diluted earnings per share if they are anti-dilutive due to their exercise price exceeding the average market price during the period.

The impact of stock options which are anti-dilutive are excluded from the computations of diluted earnings per share. The dilutive impact of these securities could be included in future computations of diluted earnings per share if the market price of the common stock increases. The following table sets forth the number of stock options excluded for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Stock options excluded	61,870	410,179	81,919	434,595

The following tables set forth the Company's unaudited earnings per share calculations for the periods indicated:

	Three Months Ended June 30,	
	2013	2012

	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
	(dollars in thousands, except per share data)					
Net income	$ (249)			$ 5,811		
Basic income available to common stockholders	(249)	15,516,537	$ (0.02)	5,811	10,329,934	$ 0.56
Effect of warrants and dilutive stock options	-	-		-	339,071	
Diluted income available to common stockholders plus assumed conversions	$ (249)	15,516,537	$ (0.02)	$ 5,811	10,669,005	$ 0.55

	Six Months Ended June 30,					
	2013			2012		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
	(dollars in thousands, except per share data)					
Net income	$ 1,723			$ 8,503		
Basic income available to common stockholders	1,723	14,939,179	$ 0.12	8,503	10,332,935	$ 0.82
Effect of warrants and dilutive stock options	-	782,083		-	314,655	
Diluted income available to common stockholders plus assumed conversions	$ 1,723	15,721,262	$ 0.11	$ 8,503	10,647,590	$ 0.80

Note 9 – Fair Value of Financial Instruments

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Financial instruments are considered Level 1 when the valuation is based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or models using inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques, and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates 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 fair values presented. The following methods and assumptions were used by the Company to estimate the fair value of its financial instruments at June 30, 2013, December 31, 2012 and June 30, 2012:

Cash and due from banks – The carrying amounts of cash and short-term instruments approximate fair values and are classified as Level 1.

Securities Available for Sale – Where possible, the Company utilizes quoted market prices to measure debt and equity securities; such items are classified as Level 1 in the hierarchy and include equity securities, US government bonds and securities issued by federally sponsored agencies. When quoted market prices for identical assets are unavailable or the market for the asset is not sufficiently active, varying valuation techniques are used. Common inputs in valuing these assets include, among others, benchmark yields, issuer spreads, forward mortgage-backed securities trade prices and recently reported trades. Such assets are classified as Level 2 in the hierarchy and typically include private label mortgage-backed securities and corporate bonds. Pricing on these securities are provided to the Company by a pricing service vendor. In the Level 3 category, the Company is classifying the securities that reflected an OTTI charge based on the discounted cash flow of the security or a determination of fair value that requires significant management judgment or consideration.

FHLB, Federal Reserve Bank Stock and TIB Stock – The carrying value approximates the fair value based upon the redemption provisions of the stock and are classified as Level 1.

Loans Held for Sale - The fair value of loans held for sale is determined, when possible, using quoted secondary-market prices. If no such quoted price exists, the fair value of a loan is determined using quoted prices for a similar asset or assets, adjusted for the specific attributes of that loan. Loans held for sale are classified as Level 2.

Loans Held for Investment— For variable-rate loans that re-price frequently and have no significant change in credit risk, fair values are based on carrying values resulting in a Level 3 classification. The carrying amount of accrued interest receivable approximates its fair value as a Level 1 classification.

OREO – OREO assets are recorded at the fair value less estimated costs to sell at the time of foreclosure. The fair value of OREO assets is generally based on recent real estate appraisals adjusted for estimated selling costs. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value.

Accrued Interest Receivable/Payable – The carrying amount approximates fair value and are classified as Level 1.

Deposit Accounts— The fair values estimated for demand deposits (interest and noninterest checking, passbook savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts) resulting in a Level 1 classification. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of the aggregate expected monthly maturities on time deposits in a Level 2 classification. The carrying amount of accrued interest payable approximates its fair value as a Level 2 classification.

FHLB Advances and Other Borrowings— For these instruments, the fair value of short term borrowings is estimated to be the carrying amount and is classified as Level 1. The fair value of long term borrowings and debentures is determined using rates currently available for similar borrowings or debentures with similar credit risk and for the remaining maturities and are classified as Level 2. The carrying amount of accrued interest payable approximates its fair value as a Level 2 classification.

Subordinated Debentures – The fair value of subordinated debentures is estimated by discounting the balance by the current three-month LIBOR rate plus the current market spread. The fair value is determined based on the maturity date as the Company does not currently have intentions to call the debenture and are classified as Level 2.

Off-Balance Sheet Commitments and Standby Letters of Credit – The majority of the Bank’s commitments to extend credit carry current market interest rates if converted to loans. Because these commitments are generally unassignable by either the Bank or the borrower, they only have value to the Bank and the borrower. The notional amount disclosed for off-balance sheet commitments and standby letters of credit is the amount available to be drawn down all lines and letters of credit. The cost to assume is calculated at 10% of the notional amount and are classified as Level 2.

Estimated fair values are disclosed for financial instruments for which it is practicable to estimate fair value. These estimates are made at a specific point in time based on relevant market data and information about the financial instruments. These estimates do not reflect any premium or discount that could result from offering the Company’s entire holdings of a particular financial instrument for sale at one time, nor do they attempt to estimate the value of anticipated future business related to the instruments. In addition, the tax ramifications related to the realization of unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of these estimates.

The fair value estimates presented herein are based on pertinent information available to management as of the periods indicated.

	At June 30, 2013				
	Carrying Amount	Level 1	Level 2	Level 3	Estimated Fair Value
	(in thousands)				
Assets:					
Cash and cash equivalents	$ 103,972	$ 103,972	$ -	$ -	$ 103,972
Securities available for sale	313,047	206,226	105,764	1,057	313,047
Federal Reserve Bank, TIB and FHLB stock, at cost	11,917	11,917	-	-	11,917
Loans held for sale, net	3,617	-	3,617	-	3,617

Loans held for investment, net	1,047,436	-	-	1,124,670	1,124,670
Accrued interest receivable	5,766	5,766	-	-	5,766
Liabilities:					
Deposit accounts	1,314,189	978,117	336,238	-	1,314,355
Other borrowings	48,082	-	50,074	-	50,074
Subordinated debentures	10,310	-	4,818	-	4,818
Accrued interest payable	213	213	-	-	213

	Notional Amount	Level 1	Level 2	Level 3	Cost to Cede or Assume
Off-balance sheet commitments and standby letters of credit	$236,425	$-	$23,643	$-	$23,643

	At December 31, 2012				
	Carrying Amount	Level 1	Level 2	Level 3	Estimated Fair Value
			(in thousands)		
Assets:					
Cash and cash equivalents	$59,352	$59,352	$-	$-	$59,352
Securities available for sale	84,066	81,042	2,072	952	84,066
Federal Reserve Bank and FHLB stock, at cost	11,247	11,247	-	-	11,247
Loans held for sale, net	3,681	-	3,681	-	3,681
Loans held for investment, net	974,213	-	-	1,049,589	1,049,589
Accrued interest	4,126	4,126	-	-	4,126

receivable					
Liabilities:					
Deposit accounts	904,768	548,101	363,382	-	911,483
FHLB advances	87,000	87,000	-	-	87,000
Other borrowings	28,500	-	31,267	-	31,267
Subordinated debentures	10,310	-	4,973	-	4,973
Accrued interest payable	142	142	-	-	142

	Notional Amount	Level 1	Level 2	Level 3	Cost to Cede or Assume
Off-balance sheet commitments and standby letters of credit	$131,450	$-	$13,145	$-	$13,145

	At June 30, 2012				
	Carrying Amount	Level 1	Level 2 (in thousands)	Level 3	Estimated Fair Value
Assets:					
Cash and cash equivalents	$64,972	$64,972	$-	$-	$64,972
Securities available for sale	146,134	102,004	43,203	927	146,134
Federal Reserve Bank and FHLB stock, at cost	12,744	12,744	-	-	12,744
Loans held for sale, net	2,401	-	2,401	-	2,401
Loans held for investment, net	787,661	-	-	869,751	869,751
Accrued interest receivable	3,968	3,968	-	-	3,968
Liabilities:					
	913,191	477,661	439,328	-	916,989

Deposit accounts					
Other borrowings	28,500	-	32,177	-	32,177
Subordinated debentures	10,310	-	7,513	-	7,513
Accrued interest payable	151	151	-	-	151
	Notional Amount	Level 1	Level 2	Level 3	Cost to Cede or Assume
Off-balance sheet commitments and standby letters of credit	$126,544	$-	$12,654	$-	$12,654

A loan is considered impaired when it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. Impairment is measured based on the fair value of the underlying collateral or the discounted expected future cash flows. The Company measures impairment on all non-accrual loans for which it has reduced the principal balance to the value of the underlying collateral less the anticipated selling cost. As such, the Company records impaired loans as non-recurring Level 2 when the fair value of the underlying collateral is based on an observable market price or current appraised value. When current market prices are not available or the Company determines that the fair value of the underlying collateral is further impaired below appraised values, the Company records impaired loans as Level 3. At June 30, 2013, substantially all the Company's impaired loans were evaluated based on the fair value of their underlying collateral based upon the most recent appraisal available to management.

The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following fair value hierarchy table presents information about the Company's assets measured at fair value on a recurring basis at the dates indicated:

	June 30, 2013 Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Securities at Fair Value
	(in thousands)			

Investment securities available for sale:				
U.S. Treasury	$83	$-	$-	$83
Corporate	-	9,169	-	9,169
Municipal bonds	-	94,747	-	94,747
Mortgage-backed securities	206,143	1,848	1,057	209,048
Total securities available for sale	$206,226	$105,764	$1,057	$313,047
Stock:				
FHLB stock	$8,622	$-	$-	$8,622
Federal Reserve Bank stock	3,295	-	-	3,295
Total stock	$11,917	$-	$-	$11,917
Total securities	$218,143	$105,764	$1,057	$324,964

	June 30, 2012 Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Securities at Fair Value
	(in thousands)			
Investment securities available for sale:				
U.S. Treasury	$261	$-	$-	$261
Municipal bonds	-	41,116	-	41,116
Mortgage-backed securities	101,743	2,087	927	104,757
Total securities available for sale	$102,004	$43,203	$927	$146,134
Stock:				
FHLB stock	$10,725	$-	$-	$10,725
Federal Reserve Bank stock	2,019	-	-	2,019
Total stock	$12,744	$-	$-	$12,744
Total securities	$114,748	$43,203	$927	$158,878

The following table provides a summary of the changes in balance sheet carrying values associated with Level 3 financial instruments during the six months ended for the periods indicated:

Six Months Ended

	June 30, 2013	June 30, 2012
	(in thousands)	
Balance, beginning of period	$ 952	$ 991
Total gains or (losses) realized/unrealized:		
Included in earnings (or changes in net assets)	(35)	(82)
Included in other comprehensive income	186	124
Purchases, issuances, and settlements	(117)	(146)
Transfer in and/or out of Level 3	71	40
Balance, end of period	$ 1,057	$ 927

The following table provides a summary of the financial instruments the Company measures at fair value on a non-recurring basis as of the periods indicated:

	June 30, 2013 Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Assets at Fair Value
	(in thousands)			
Assets				
Impaired loans	$-	$ -	$2,606	$2,606
Other real estate owned	-	-	1,186	1,186
Total assets	$-	$ -	$3,792	$3,792

	June 30, 2012 Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Assets at

				Fair Value
			(in thousands)	
Assets				
Impaired loans	$-	$ -	$5,193	$5,193
Other real estate owned	-	-	9,339	9,339
Total assets	$-	$ -	$14,532	$14,532

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains information and statements that are considered "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements represent plans, estimates, objectives, goals, guidelines, expectations, intentions, projections and statements of our beliefs concerning future events, business plans, objectives, expected operating results and the assumptions upon which those statements are based. Forward-looking statements include without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and are typically identified with words such as "may," "could," "should," "will," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," or words or phrases of similar meaning. We ca that the forward-looking statements are based largely on our expectations and are subject to a number of known and unknown risks and uncertainties that are subject to change based on factors which are, in many instances, beyond our control. Actual results, performance or achievements could differ materially from those contemplated, expressed, or implied by the forward-looking statements.

The following factors, among others, could cause our financial performance to differ materially from that expressed in such forward-looking statements:

The strength of the United States economy in general and the strength of the local economies in which we conduct operations;

The effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System (the "Federal Reserve");

Inflation/deflation, interest rate, market and monetary fluctuations;

The timely development of competitive new products and services and the acceptance of these products and services by new and existing customers;

The willingness of users to substitute competitors' products and services for our products and services;

The impact of changes in financial services policies, laws and regulations, including those concerning taxes, banking, securities and insurance, and the application thereof by regulatory bodies;

Technological changes;

The effect of the SDTB Acquisition, the FAB Acquisition, the Palm Desert National Acquisition, the Canyon National Acquisition and other acquisitions we may make, if any, including, without limitation, the failure to achieve the expected revenue growth and/or expense savings from such acquisitions;

Changes in the level of our nonperforming assets and charge-offs;

The effect of changes in accounting policies and practices, as may be adopted from time-to-time by bank regulatory agencies, the SEC, the Public Company Accounting Oversight Board, the FASB or other accounting standards setters;

Possible other-than-temporary impairments (“OTTI”) of securities held by us;

The impact of current governmental efforts to restructure the United States financial regulatory system, including enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”);

Changes in consumer spending, borrowing and savings habits;

The effects of our lack of a diversified loan portfolio, including the risks of geographic and industry concentrations;

Ability to attract deposits and other sources of liquidity;

Changes in the financial performance and/or condition of our borrowers;

Changes in the competitive environment among financial and bank holding companies and other financial service providers;

Geopolitical conditions, including acts or threats of terrorism, actions taken by the United States or other governments in response to acts or threats of terrorism and/or military conflicts, which could impact business and economic conditions in the United States and abroad;

Unanticipated regulatory or judicial proceedings; and

Our ability to manage the risks involved in the foregoing.

If one or more of the factors affecting our forward-looking information and statements proves incorrect, then our actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking information and statements contained in this Quarterly Report on Form 10-Q and other reports and registration statements filed by us with the SEC. Therefore, we caution you not to place undue reliance on our forward-looking information and statements. We will not update the forward-looking information and statements to reflect actual results or changes in the factors affecting the forward-looking information and statements. For information on the factors that could cause actual results to differ from the expectations stated in the forward-looking statements, see “Risk Factors” under Part I, Item 1A of our 2012 Annual Report.

Forward-looking information and statements should not be viewed as predictions, and should not be the primary basis upon which investors evaluate us. Any investor in our common stock should consider all risks and uncertainties disclosed in our filings with the SEC, all of which are accessible on the SEC's website at http://www.sec.gov.

GENERAL

This discussion should be read in conjunction with our Management Discussion and Analysis of Financial Condition and Results of Operations included in our 2012 Annual Report, plus the unaudited consolidated financial statements and the notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q. The results for the three and six months ended June 30, 2013 are not necessarily indicative of the results expected for the year ending December 31, 2013.

The Corporation is a California-based bank holding company incorporated in the state of Delaware and registered as a bank holding company under the Bank Holding Company Act of 1956, as amended ("BHCA"). Our wholly owned subsidiary, Pacific Premier Bank, is a California state chartered commercial bank. As a bank holding company, the Corporation is subject to regulation and supervision by the Federal Reserve. We are required to file with the Federal Reserve quarterly and annual reports and such additional information as the Federal Reserve may require pursuant