BANC OF CALIFORNIA, INC.
Form 10-K
February 18, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 001-35522
BANC OF CALIFORNIA, INC.
(Exact name of registrant as specified in its charter)

Maryland	04-3639825
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
18500 Von Karman Ave, Suite 1100, Irvine, California	92612
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) (855) 361-2262

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	New York Stock Exchange
Depositary Shares each representing a 1/40th Interest in a share of 8.00% Non-Cumulative Perpetual Preferred Stock, Series C	New York Stock Exchange
Depositary Shares each representing a 1/40th Interest in a share of 7.375% Non-Cumulative Perpetual Preferred Stock, Series D	New York Stock Exchange
Depositary Shares each representing a 1/40th Interest in a share of 7.00% Non-Cumulative Perpetual Preferred Stock, Series E	New York Stock Exchange
7.50% Senior Notes Due April 15, 2020	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ¨ NO ý

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ¨ NO ý

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 ý 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 ý NO ¨

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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 “large accelerated filer,” “accelerated filer,” “and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ¨ NO ý

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing price of such stock on the New York Stock Exchange as of June 30, 2015, was $490.2 million. (The exclusion from such amount of the market value of the shares owned by any person shall not be deemed an admission by the registrant that such person is an affiliate of the registrant). As of February 11, 2016, the registrant had outstanding 38,345,695 shares of voting common stock and 37,355 shares of Class B non-voting common stock.

DOCUMENTS INCORPORATED BY REFERENCE

PART III of Form 10-K—Portions of the Proxy Statement for the Annual Meeting of Stockholders to be held in 2016.

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BANC OF CALIFORNIA, INC.

FORM 10-K

December 31, 2015

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Forward-looking Statements

When used in this report and in public stockholder communications, in other documents of Banc of California, Inc. (the Company, we, us and our) filed with or furnished to the Securities and Exchange Commission (the SEC), or in oral statements made with the approval of an authorized executive officer, the words or phrases "believe," "will," "should," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "plans," "guidance" or similar ex are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date made. These statements may relate to our future financial performance, strategic plans or objectives, revenue, expense or earnings projections, or other financial items. By their nature, these statements are subject to numerous uncertainties that could cause actual results to differ materially from those anticipated in the statements.

Factors that could cause actual results to differ materially from the results anticipated or projected include, but are not limited to, the following:

i. risks that the Company's merger and acquisition transactions may disrupt current plans and operations and lead to difficulties in customer and employee retention, risks that the amount of the costs, fees, expenses and charges related to these transactions could be significantly higher than anticipated and risks that the expected revenues, cost savings, synergies and other benefits of these transactions might not be realized to the extent anticipated, within the anticipated timetables, or at all;
ii. risks that funds obtained from capital raising activities will not be utilized efficiently or effectively;
iii. a worsening of current economic conditions, as well as turmoil in the financial markets;
iv. the credit risks of lending activities, which may be affected by deterioration in real estate markets and the financial condition of borrowers, may lead to increased loan and lease delinquencies, losses and nonperforming assets in our loan and lease portfolio, and may result in our allowance for loan and lease losses not being adequate to cover actual losses and require us to materially increase our loan and lease loss reserves;
v. the quality, credit and composition of our securities portfolio;
vi. changes in general economic conditions, either nationally or in our market areas, or in financial markets;
vii. continuation of or changes in the historically low short-term interest rate environment, changes in the levels of general interest rates, volatility in the interest rate environment, the relative differences between short- and long-term interest rates, deposit interest rates, and our net interest margin and funding sources;
viii. fluctuations in the demand for loans and leases, the number of unsold homes and other properties and fluctuations in commercial and residential real estate values in our market area;
ix. results of examinations of us by regulatory authorities and the possibility that any such regulatory authority may, among other things, limit our business activities, require us to change our business mix, increase our allowance for loan and lease losses, write-down asset values, or increase our capital levels, or affect our ability to borrow funds or maintain or increase deposits, could adversely affect our liquidity and earnings;
x. legislative or regulatory changes that adversely affect our business, including changes in regulatory capital or other rules and changes that could result if we grow to over $10 billion in total assets;
xi. our ability to control operating costs and expenses;
xii. staffing fluctuations in response to product demand or the implementation of corporate strategies that affect our work force and potential associated charges;
xiii. errors in estimates of the fair values of certain of our assets, which may result in significant declines in valuation;
xiv. the network and computer systems on which we depend could fail or experience a security breach;
xv. our ability to attract and retain key members of our senior management team;
xvi. costs and effects of litigation, including settlements and judgments;
xvii. increased competitive pressures among financial services companies;
xviii. changes in consumer spending, borrowing and saving habits;
xix. adverse changes in the securities markets;

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xx. earthquake, fire or other natural disasters affecting the condition of real estate collateral;
xxi. the availability of resources to address changes in laws, rules or regulations or to respond to regulatory actions;
xxii. inability of key third-party providers to perform their obligations to us;
xxiii. changes in accounting policies and practices, as may be adopted by the financial institution regulatory agencies or the Financial Accounting Standards Board (FASB) or their application to our business, including additional guidance and interpretation on accounting issues and details of the implementation of new accounting methods;
xxiv. war or terrorist activities; and
xxv. other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products and services and the other risks described in this report and from time to time in other documents that we file with or furnish to the SEC, including, without limitation, the risks described under “Item 1A. Risk Factors” presented elsewhere in this report.

The Company undertakes no obligation to update any such statement to reflect circumstances or events that occur after the date, on which the forward-looking statement is made, except as required by law.

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PART I

Item 1. Business

General

Banc of California, Inc., a financial holding company regulated by the Federal Reserve Board, is focused on empowering California's diverse private business, entrepreneurs and communities. It is the parent company of Banc of California, National Association, a California based bank that is regulated by the Office of the Comptroller of the Currency (the Bank), and The Palisades Group, LLC, an SEC-registered investment advisor (The Palisades Group). The Bank has one wholly owned subsidiary, CS Financial, Inc. (CS Financial), a mortgage banking firm. Banc of California, Inc. was incorporated under Maryland law in March 2002, and was formerly known as "First PacTrust Bancorp, Inc.", and changed its name to "Banc of California, Inc." in July 2013. Unless the context indicates otherwise, all references to "Banc of California, Inc." refer to Banc of California, Inc. excluding its consolidated subsidiaries and all references to the "Company," "we," "us" or "our" refer to Banc of California, Inc. including its consolidated subsidiaries.

On November 1, 2010, the Company was recapitalized by outside investors with the goal of creating California's Bank: a full-service, bank focused on California and empowering the dreams of California's diverse private businesses, entrepreneurs and communities.

Since that time, the Company has grown from less than $1 billion in total assets to more than $8 billion in total assets at December 31, 2015. This has resulted from both strong organic growth and opportunistic acquisitions. Over the previous five years, the Company completed seven acquisitions: three whole bank transactions (Gateway Bancorp, Beach Business Bank, and The Private Bank of California), the acquisitions of The Palisades Group, CS Financial, and Renovation Ready, and the acquisition of California branch locations from Banco Popular North America.

The Bank is headquartered in Irvine, California and at December 31, 2015, the Bank had 90 California banking locations including 35 full service branches in San Diego, Orange, Santa Barbara, and Los Angeles Counties.

The Company's vision is to be California's Bank. It pursues this vision through its mission of empowering California's Diverse Private Businesses, Entrepreneurs and Communities. The Company focuses on three core values: operational excellence, superior analytics and entrepreneurialism.

Banc of California' mission and vision guide its strategic plan. The Company is focused on California and core banking products and services designed to cater to the unique needs of California's diverse private businesses, entrepreneurs and communities. During 2015, the Bank was awarded an Outstanding rating for Community Reinvestment Act (CRA) activities by the Office of the Comptroller of the Currency (OCC). As of December 31, 2015, we were the largest independent public bank in California with an Outstanding CRA rating.

As part of delivering on our value proposition to clients, we offer a variety of financial products and services designed around our target client in order to serve all of their banking and financial needs. This includes both deposit products offered through the Company's multiple channels that include retail banking, business banking and private banking, as well as lending products including residential mortgage lending, commercial lending, commercial real estate lending, multifamily lending, and specialty lending including Small Business Administration (SBA) lending, commercial specialty finance and construction lending.

The Bank's deposit and banking product and service offerings include checking, savings, money market, certificates of deposit, retirement accounts as well as online, telephone, and mobile banking, automated bill payment, cash and treasury management, master demand accounts, foreign exchange, interest rate swaps, trust services, card payment services, remote and mobile deposit capture, ACH origination, wire transfer, direct deposit, and safe deposit boxes. Bank customers also have the ability to access their accounts through a nationwide network of over 55,000 surcharge-free ATMs.

The Bank's lending activities are focused on providing financing to California's diverse private businesses, entrepreneurs, homeowners and are often secured against California commercial and residential real estate. In 2015, the Bank closed over $7 billion in new loans.

The principal executive offices of the Company are located at 18500 Von Karman Avenue, Suite 1100, Irvine, California, and its telephone number is (855) 361-2262.

The reports, proxy statements and other information that Banc of California, Inc. files with the SEC, as well as news releases, are available free of charge through the Company's Internet site at http://www.bancofcal.com. This information can be found on the "News and Events" or "Investor relations" pages of our Internet site. Annual reports on Form 10-K, quarterly reports on

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Form 10-Q, current reports on Form 8-K, and amendments to those reports filed and furnished pursuant to Section 13(a) of the Exchange Act are available as soon as reasonably practicable after they have been filed or furnished to the SEC. Reference to the Company's Internet address is not intended to incorporate any of the information contained on our Internet site into this document.

Operating Segments

Our operations are managed based on the operating results of four reportable segments: Commercial Banking, Mortgage Banking, Financial Advisory, and Corporate/Other. Our chief operating decision-maker uses financial information from our four reportable segments to make operating and strategic decisions. For financial information about our reportable segments, see Note 22 of the Notes to Consolidated Financial Statements in Item 8.

Business Units

The Commercial Banking segment includes ten business units: Retail Banking, Commercial Banking, Private Banking, Financial Institutions Banking, Residential Portfolio Lending, Commercial Real Estate and Multifamily Lending, Construction and Rehab Lending, SBA Lending, Commercial Specialty Finance, and Warehouse Lending.

- Retail Banking. Retail Banking includes the Company's 35 branch locations across Southern California and provides distribution points for gathering core deposit and lending relationships. Our retail branch locations are concentrated in Southern California's centers of economic activity and growth.
- Commercial Banking. Commercial Banking serves the needs of entrepreneurs and business owners through proactive advice, dedicated service and a full suite of deposit, treasury management and lending products and services. Commercial Banking is bifurcated into two teams, middle market Commercial Banking and Business Banking. Middle market Commercial Banking focuses on companies with annual revenues over $25 million, which generally have larger lending needs and more complex deposit and treasury management needs. Business Banking, which was launched during the fourth quarter of 2015, focuses on companies with annual revenues of less than $25 million and locally owned, growth oriented, generally lower lending needs, but represents an attractive deposit gathering opportunity.
- Private Banking. Private Banking caters primarily to high net worth individuals, entrepreneurs, and business owners, and their respective business managers and fiduciaries. The Private Banking unit was formed through the Company's acquisition of The Private Bank of California in July 2013. Since the time of acquisition, deposit balances in the Private Banking unit have more than doubled to $1.1 billion as of December 31, 2015. The Company has announced that it plans to open two new Private Banking offices in Calabasas and Woodland Hills, California during 2016.
- Financial Institutions Banking. Financial Institutions Banking provides specialized deposit products and services to registered investment advisors, broker dealers, family offices, hedge funds, private equity funds and other financial services companies. Its products include a variety of escrow products, trust services, special use accounts and standard business accounts. Additionally, it offers lending products, which include securities-backed credit facilities, insurance-backed loans, alternative asset-backed lines of credit and term loans, and leverage to hedge funds and private equity funds.
- Residential Portfolio Lending. Residential Portfolio Lending provides jumbo residential mortgage loans for California's entrepreneurs and homeowners. Loan programs are designed to meet the needs of Private Banking clients, business owners and entrepreneurs. Lending products offered are primarily jumbo balance, hybrid adjustable-rate mortgage (ARM) loans and are originated through partnerships with Private Banking, Retail Banking and the Company's mortgage banking division, Banc Home Loans.
- Commercial Real Estate and Multifamily Lending. Commercial Real Estate and Multifamily Lending provides lending products catering to California's entrepreneurial real estate investors. Its lending activities are focused on income-producing commercial real estate and multifamily properties for the California private entrepreneur who has experience in owning, managing and investing in commercial and multifamily properties.
- Construction and Rehabilitation Lending. Construction and Rehabilitation Lending provides construction and rehabilitation loans to California's entrepreneurs and business owners. The Construction and Rehabilitation Lending unit was formed through the Company's acquisition of RenovationReady in January 2014. It provides short term and permanent loan programs to builders, investors and homeowners to construct or renovate residential or commercial real estate. In addition to portfolio loan products, through

Construction and Rehabilitation Lending, the Company offers Federal Housing Administration (FHA) 203(k) loans and Fannie Mae construction to permanent loans.

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- SBA Lending. SBA Lending provides highly targeted SBA lending expertise, programs and advice to entrepreneurs seeking growth capital for acquisitions, working capital, or other capital investments. Although the Company offers all SBA lending programs, the unit’s primary goal is to be the leader in SBA 7(a) financing.
- Commercial Specialty Finance. Commercial Specialty Finance, launched in the third quarter of 2012, offers equipment financing, leasing and working capital solutions to support the growth of small and medium-sized businesses. Additionally, the unit offers a small commercial lending loan product, targeted at small businesses with credit needs less than $1 million, which is distributed through the Retail Banking locations.
- Warehouse Lending. Warehouse Lending provides warehouse lines of credit to mortgage and commercial multifamily lenders.

The Mortgage Banking segment is comprised entirely of the Company’s mortgage banking business, operated under the trade name of Banc Home Loans, which originates primarily agency, government, and conforming mortgage loans.

The Financial Advisory segment is comprised entirely of The Palisades Group, which provides services related to the purchase, sale and management of single-family residential mortgage loans.

Recent Transactions

Branch Sales

On September 25, 2015, the Bank completed a branch sale transaction to Americas United Bank, a California banking corporation (AUB). In the transaction, the Bank sold two branches and certain related assets and deposit liabilities to AUB. The transaction included a transfer of $46.9 million of deposits to AUB. Additionally, as part of the transaction, the leases related to both locations were assumed by AUB. The Company recognized a gain of $163 thousand from this transaction, which is included in Other Income in the Consolidated Statements of Operations.

The Bank also sold certain loans of $40.2 million to AUB as part of the transaction. The Company recognized a gain of $644 thousand from the sale of these loans, which is included in Net Gain on Sale of Loans in the Consolidated Statements of Operations.

For additional information regarding this transaction, see Note 2 of the Notes to Consolidated Financial Statements in Item 8.

Banco Popular's California Network Acquisition

Effective November 8, 2014, the Bank acquired 20 full-service branches from Banco Popular North America (BPNA) in the Southern California banking market (the BPNA Branch Acquisition). The purchase price, net of deposit premiums received of $3.9 million, was $24.0 million. At the time of its completion, the transaction added $1.07 billion in loans and $1.08 billion in deposits to the Bank.

The Company recorded core deposit intangible assets of $15.8 million as part of the BPNA Branch Acquisition. Core deposit intangible assets were valued using a net cost savings method and was calculated as the present value of the estimated net cost savings attributable to the core deposit base over the expected remaining life of the deposits. The cost savings derived from the core deposit balance were calculated as the difference between the prevailing alternative cost of funds and the estimated cost of the core deposits. The core deposit intangible is being amortized over its estimated useful life of ten years using the sum of years-digits amortization methodology.

The fair value of loans acquired from BPNA was estimated by utilizing a methodology wherein similar loans were aggregated into pools. Cash flows for each pool were determined by estimating future credit losses and the rate of prepayments. Projected monthly cash flows were then discounted to present value based on a market rate for similar loans. There was no carryover of BPNA's allowance for loan losses associated with the acquired loans as the loans were initially recorded at fair value.

The fair value of savings and transaction deposit accounts acquired from BPNA was assumed to approximate the carrying value as these accounts have no stated maturity and are payable on demand. Certificates of deposit were valued by projecting the expected cash flows based on the remaining contractual terms of the certificates of deposit. These cash flows were discounted based on market rates for certificates of deposit with corresponding remaining maturities.

Direct costs related to the BPNA Branch Acquisition were expensed as incurred and amounted to $4.3 million for the year ended December 31, 2014.

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During the year ended December 31, 2015, the Company finalized its purchase accounting for the BPNA Branch Acquisition and recorded the measurement period adjustments. The measurement period adjustments included recording Goodwill of $7.7 million, an additional discount of $7.4 million to Loans and Leases Receivable, and an additional premium of $292 thousand to Deposits. Recorded in the Consolidated Statements of Operations, the cumulative life to date measurement period adjustments related to the loan discount and deposit premium amortization were a $33 thousand decrease in Interest and Dividend Income on Loans and a $110 thousand decrease in Interest Expense on Deposits, respectively.

For additional information regarding this transaction, see Note 2 of the Notes to Consolidated Financial Statements in Item 8.

RenovationReady® Acquisition

Effective January 31, 2014, the Company acquired certain assets, including service contracts and intellectual property, of RenovationReady, a provider of specialized loan services to financial institutions and mortgage bankers that originate agency eligible residential renovation and construction loan products.

The RenovationReady acquisition was accounted for under U.S. generally accepted accounting principles (GAAP) guidance for business combinations. The purchased identifiable intangible assets and assumed liabilities were recorded at their estimated fair values as of January 31, 2014. The Company recorded $2.2 million of goodwill and $761 thousand of other intangible assets. The other intangible assets are related to a customer relationship intangible.

For additional information regarding this transaction, see Note 2 of the Notes to Consolidated Financial Statements in Item 8.

Lending Activities

General

The Company offers a number of commercial and consumer loan products, including commercial and industrial loans, commercial real estate loans, multi-family loans, SBA guaranteed business loans, construction and renovation loans, lease financing, single family residential (SFR) mortgage loans, warehouse loans, asset-, insurance- or security-backed loans, home equity lines of credit (HELOCs), consumer and business lines of credit, and other consumer loans.

Legal lending limits are calculated in conformance with OCC regulations, which prohibit a national bank from lending to any one individual or entity or its related interests on any amount that exceeds 15 percent of the bank’s capital and surplus, plus an additional 10 percent of the bank’s capital and surplus, if the amount that exceeds the bank’s 15 percent general limit is fully secured by readily marketable collateral. At December 31, 2015, the Bank’s authorized legal lending limits for loans to one borrower were $114.5 million for unsecured loans plus an additional $76.4 million for specific secured loans.

At December 31, 2015, the Company's loans held-for-sale and total loans and leases held-for-investment were $668.8 million or 8.1 percent of total assets and $5.18 billion or 63.0 percent of total assets, respectively, compared to $1.19 billion or 19.9 percent of total assets $3.95 billion or 66.1 percent of total assets at December 31, 2014, respectively.

For additional information concerning changes in loans and leases, see "Loans Held-for-Sale" and "Loans and Leases Receivable" in Item 7.

Governance

The Company conducts its lending activities under a system of risk governance controls. Key elements of our risk governance structure include our risk appetite framework and risk appetite statement. The risk appetite framework adopted by the Company and the Bank has been developed in conjunction with the Company’s strategic and capital plans. The strategic and capital plans articulate the Board-approved balance sheet and loan concentration targets and the appropriate level of capital to properly manage our risks.

The risk appetite framework provides the overall approach, including policies, processes, controls, and systems through which the risk appetite is established, communicated, and monitored. The risk appetite framework utilizes a risk assessment process to identify inherent risks across the Company, gauges the effectiveness of our internal controls, and establishes tolerances for residual risk in each of the regulatory risk categories: credit, market (interest rate and price risks), liquidity, operational, compliance, strategic, and reputational. Each risk category is assigned risk ratings with a target overall residual risk rating for the organization. The risk appetite framework includes a risk appetite statement, risk limits, and an outline of roles and responsibilities of those overseeing the implementation and

monitoring of the framework. The risk appetite statement is an expression of the maximum level of residual risk that we are prepared to accept in order to achieve our business objectives. Defining, communicating, and monitoring risk appetite are fundamental to a safe and sound control environment and a risk-focused culture. The Board of Directors establishes the Company's strategic objectives and approves the Company's risk appetite statement, which is developed in collaboration with the chief executive officer, chief risk officer, general counsel, chief

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financial officer, and other executive leadership. The executive team translates the Board-approved strategic objectives and the risk appetite statement into targets and constraints for business lines and legal entities to follow.
The risk appetite framework is supported by an enterprise risk management program. Enterprise risk management at the Company and Bank integrates all risk efforts under one common framework. Key elements of enterprise risk management that are intended to support prudent lending activities include:

- Policies—The Bank's loan policy articulates the credit culture of our lending business and provides clarity around encouraged and discouraged lending activities. Additional policies cover key business segments of the portfolio (for example the Bank's Commercial Real Estate Policy) and other important aspects supporting the Bank's lending activities (for example policies relating to appraisals, risk ratings, fair lending, etc).
- Credit Approval Authorities—All material credit exposures of the Bank are approved by a credit risk management group that is independent of the business units. Above this threshold, credit approvals are made by the chief credit officer or an executive management credit committee of the Bank. The joint enterprise risk committee of the Company's Board of Directors and the Bank's Board of Directors reviews/approves material loan pool purchases/divestitures and any other transactions as appropriate.
- Concentration Risk Management Policy—To mitigate and manage the risk within the Bank's loan portfolio, the Board of Directors of the Bank adopted a concentration risk management policy, pursuant to which it expects to review and revise concentration risk to tolerance thresholds at least annually and otherwise from time to time as appropriate. It is anticipated that these concentration risk to tolerance thresholds may change at any time when the Board of Directors is considering material strategic initiatives such as acquisitions, new product launches and terminations of products or other factors as the Board of Directors believes appropriate. The Company has developed procedures relating to the appropriate actions to be taken should management seek to increase the concentration guidelines or exceed the guideline maximum based on various factors. Concentration risk to tolerance thresholds are not meant to be restrictive limits, but are intended to aid management and the Board to ensure that the Bank’s loan concentrations are consistent with the Board’s risk appetite.
- Stress Testing–The Bank has developed a stress test policy and stress testing methodology as a tool to evaluate our loan portfolio, capital levels and strategic plan with the objective of ensuring that our loan portfolio and balance sheet concentrations are consistent with the Board-approved risk appetite and strategic and capital plans.
- Loan Portfolio Management—The Bank has an internal asset review committee that formally reviews the loan portfolio on a regular basis. Risk rating trends, loan portfolio performance, including delinquency status, and the resolution of problem assets are reviewed and evaluated.
- Commercial Real Estate Loan Pricing, Multi-Family Loan Pricing and Residential Loan Pricing—Regular discussions occur between the areas of executive management, Treasury, Capital Markets, Credit and Risk Management and the business units with regard to the pricing of our loan products. These groups meet to ensure that the Bank is pricing its products appropriately to meet our strategic and capital plans while ensuring an appropriate return for stockholders.

Commercial and Industrial Loans

Commercial and industrial loans are made to finance operations, provide working capital, or to finance the purchase of assets, equipment or inventory. A borrower’s cash flow from operations is generally the primary source of repayment. Accordingly, our policies provide specific guidelines regarding debt coverage and other financial ratios. Commercial and industrial loans include lines of credit and commercial term loans. Lines of credit are extended to businesses or individuals based on the financial strength and integrity of the borrower and guarantor(s) and generally are collateralized by short-term assets such as accounts receivable, inventory, equipment or real estate and have a maturity of one year or less. Commercial term loans are typically made to finance the acquisition of fixed assets or refinance short-term debt originally used to purchase fixed assets. Commercial term loans generally have terms of one to five years. They may be collateralized by the asset being acquired or other available assets.
Commercial and industrial loans include short-term secured and unsecured business and commercial loans with maturities typically ranging up to 5 years (up to 10 years if a SBA loan), accounts receivable financing typically for 1-5 years (up to 10 years if a SBA loan), and equipment leases up to 6 years. The interest rates on these loans generally are adjustable and usually are indexed to The Wall Street Journal’s prime rate or London Interbank Offering Rate (LIBOR) and will vary based on market conditions and be commensurate to the credit risk. Where it can be

negotiated, loans are written with a floor rate of interest. Generally, lines of credit are granted for no more than a 12-month period.

Commercial and industrial loans, including accounts receivable and inventory financing, generally are made to businesses that have been in operation for at least 5 years (or less if a SBA loan), including start-ups. To qualify for such loans, prospective borrowers generally must have a conservative debt-to-net worth ratio, operating cash flow sufficient to demonstrate the ability to pay obligations as they become due, and good payment histories as evidenced by credit reports. We attempt to control our risk by generally requiring loan-to-value (LTV) ratios of not more than 80 percent and by closely and regularly monitoring the amount and value of the collateral in order to maintain that ratio. The Company’s commercial and industrial business lending policy includes credit file documentation and analysis of the borrower’s background, capacity to repay the loan, the adequacy of the borrower’s capital and collateral as well as an evaluation of other conditions affecting the borrower. Analysis of the borrower’s past, present and future cash flows is also an important aspect of our credit analysis. In order to mitigate the risk of borrower default, we generally require collateral to support the credit or, in the case of loans made to businesses, personal guarantees from their owners, or both. In addition, all such loans must have well-defined primary and secondary sources of repayment.

Commercial and industrial loans are typically made on the basis of the borrower’s ability to make repayment from the cash flow of the borrower’s business. As a result, the availability of funds for the repayment of commercial and industrial loans may be substantially dependent on the success of the business itself (which, in turn, is often dependent in part upon general economic conditions). The Company’s commercial business loans are usually, but not always, secured by business assets. However, the collateral securing the loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business. See “Loans and Leases Receivables - Asset Quality” in Item 7.

Commercial and industrial loan growth also assists in the growth of our deposits because many commercial loan borrowers establish noninterest-bearing and interest-bearing demand deposit accounts and banking services relationships with us. Those deposit accounts help us to reduce our overall cost of funds and those banking service relationships provide us with a source of non-interest income.

Commercial Real Estate Lending and Multi-Family Real Estate Lending

Commercial real estate and multi-family real estate loans are secured primarily by multi-family dwellings, industrial/warehouse buildings, anchored and non-anchored retail centers, office buildings and hospitality properties, on a limited basis, primarily located in the Company’s market area, and throughout the West Coast.

The Company’s loans secured by multi-family and commercial real estate are originated with either a fixed or adjustable interest rate. The interest rate on adjustable-rate loans is based on a variety of indices, generally determined through negotiation with the borrower. LTV ratios on these loans typically do not exceed 75 percent of the appraised value of the property securing the loan. These loans typically require monthly payments, may contain balloon payments and generally have maximum maturities of 30 years.

Loans secured by multi-family and commercial real estate are underwritten based on the income producing potential of the property and the financial strength of the borrower/guarantor. The net operating income, which is the income derived from the operation of the property less all operating expenses, must be sufficient to cover the payments related to the outstanding debt. The Company generally requires an assignment of rents or leases in order to be assured that the cash flow from the project will be used to repay the debt. Appraisals on properties securing multi-family and commercial real estate loans are performed by independent state licensed fee appraisers approved by management. See “Loans and Leases Receivable - Loan and Lease Originations, Purchases, Sales and Repayments” in Item 7. The Company may require the borrower to maintain a tax or insurance escrow account for loans secured by multi-family and commercial real estate. In order to monitor the adequacy of cash flows on income-producing properties, the borrower is generally required to provide periodic financial information.

Because payments on loans secured by multi-family and commercial real estate properties are often dependent on the successful operation or management of the properties, repayment of these loans may be subject to adverse conditions in the real estate market or the economy. If the cash flow from the project is reduced, or if leases are not obtained or renewed, the borrower’s ability to repay the loan may be impaired. See “Loans and Leases Receivable - Asset Quality” in Item 7.

Small Business Administration Loans

The Company provides numerous SBA loan products through the Bank. The Bank’s Preferred Lender Program (PLP) status generally gives it the authority to make the final credit decision and have most servicing and liquidation authority.

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The Company provides the following SBA products:

- 7(a)—These loans provide the Bank with a guarantee from the SBA of the United States Government for up to 85 percent of the loan amount for loans up to $150,000 and 75 percent of the loan amount for loans of more than $150,000, with a maximum loan amount of $5 million. These are term loans that can be used for a variety of purposes including expansion, renovation, new construction, and equipment purchases. Depending on collateral, these loans can have terms ranging from 7 to 25 years. The guaranteed portion of these loans is often sold into the secondary market.
- Cap Lines—In general, these lines are guaranteed up to 75 percent and are typically used for working capital purposes and secured by accounts receivable and/or inventory. These lines are generally allowed in amounts up to $5 million and can be issued with maturities of up to 5 years.
- 504 Loans—These are real estate loans in which the lender can advance up to 90 percent of the purchase price; retain 50 percent as a first trust deed; and, have a Certified Development Company (CDC) retain the 2nd position for 40 percent of the total cost. CDCs are licensed by the SBA. Required equity of the borrower is 10 percent. Terms of the first trust deed are typically similar to market rates for conventional real estate loans, while the CDC establishes rates and terms for the second trust deed loan.
- SBA Express—These loans offer a 50 percent guaranty by the SBA and are made in amounts up to a maximum of $350,000 (although the SBA temporarily increased the maximum limit to $1 million on October 8, 2010 for a period of one year). These loans are typically revolving lines and have maturities of up to 7 years.

SBA lending is subject to federal legislation that can affect the availability and funding of the program. This dependence on legislative funding might cause future limitations and uncertainties with regard to the continued funding of such programs, which could potentially have an adverse financial impact on our business.

The Company’s portfolio of SBA loans is subject to certain risks, including, but not limited to: (i) the effects of economic downturns on the Southern California economy; (ii) interest rate increases; (iii) deterioration of the value of the underlying collateral; and (iv) deterioration of a borrower’s or guarantor's financial capabilities. We attempt to reduce the exposure of these risks through: (i) reviewing each loan request and renewal individually; (ii) adhering to written loan policies; (iii) adhering to SBA policies and regulations; (iv) obtaining independent third party appraisals; and (v) obtaining external independent credit reviews. SBA loans normally require monthly installment payments of principal and interest and therefore are continually monitored for past due conditions. In general, the Company receives and reviews financial statements and other documents of borrowing customers on an ongoing basis during the term of the relationship and responds to any deterioration identified.

Commercial Lease Financing

Commercial equipment leasing and financing was introduced as a product in the third quarter of 2012 to meet the needs of small and medium-sized businesses for growth through investments in commercial equipment. The Company provides full payout capital leases and equipment finance agreements for essential use equipment to small and medium sized business nationally. The terms are 1 to 7 years in length and generally provide more flexibility to meet the equipment obsolescence needs of small and medium sized businesses than traditional business loans.

Commercial equipment leases are secured by the business assets being financed. The Company also obtains a commercial guaranty of the business and generally a personal guaranty of the owner(s) of the business.

Single Family Residential Mortgage Loans

The Company originates mortgage loans secured by a first deed of trust on single family residences throughout California and the United States. The Company offers a variety of loan products catering to the specific needs of borrowers, including fixed rate and adjustable rate mortgages with either 30-year or 15-year terms.

The Company’s residential lending activity includes both a direct-to-consumer retail residential lending business and a wholesale and correspondent mortgage business.

In the retail business, Company loan officers are located either in our call center in Irvine, Bank branches in San Diego, Orange, Santa Barbara and Los Angeles Counties, or loan production offices throughout California and in Arizona, Oregon, Virginia, Indiana, Colorado, Idaho, and Nevada, and originate mortgage loans directly to consumers. The wholesale mortgage business originates residential mortgage loans submitted to the Company by outside mortgage brokers for underwriting and funding. The correspondent mortgage business acquires residential

mortgage loans originated by outside mortgage bankers. The Company does not originate loans defined as high cost by state or federal regulators.

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The Company generally underwrites SFR mortgage loans based on the applicant's income and credit history and the appraised value of the subject property. Properties securing our SFR mortgage loans are appraised by independent fee appraisers approved by management. The Company requires borrowers to obtain title insurance, hazard insurance, and flood insurance, if necessary.

A majority of residential mortgage loans originated by the Company are made to finance the purchase or the refinance of existing loans on owner-occupied homes with a smaller percentage used to finance non-owner occupied homes.

Conforming SFR Mortgage Loans: The Company offers conventional mortgages eligible for sale to Fannie Mae or Freddie Mac, government insured Federal Housing Administration (FHA) and Veteran Affairs (VA) mortgages eligible for sale to Ginnie Mae mainly through its Mortgage Banking segment. These loans are originated to sell into the secondary market on a whole loan basis.

Generally, the Company requires private mortgage insurance for conventional loans with a loan to value greater than 80 percent of the lesser of the appraised value or purchase price, and FHA insurance or a VA guaranty for government loans.

Non-Conforming SFR Mortgage Loans: The Company also offers non-conforming loans where the loan amount exceeds Fannie Mae or Freddie Mac limits, or the guidelines do not conform to Fannie Mae or Freddie Mac guidelines. A majority of the Company's originations for non-conforming SFR mortgage loans are collateralized by real properties located in Southern California.

The Company currently originates non-conforming SFR mortgage loans on either a fixed or an adjustable rate basis, as consumer demand and the Bank's risk management dictates. The Company's pricing strategy for SFR mortgage loans includes setting interest rates that are competitive with other local financial institutions and mortgage originators.

The Company currently originates SFR mortgage loans on either a fixed or an adjustable rate basis, as consumer demand and the Bank's risk management dictates. The Company's pricing strategy for SFR mortgage loans includes setting interest rates that are competitive with other local financial institutions and mortgage originators.

ARM loans are offered with flexible initial repricing dates, ranging from one year to ten years, and periodic repricing dates through the life of the loan. The Company uses a variety of indices to reprice ARM loans. The Company originates non-conforming loans for sale in the secondary market, as well as for investment, depending upon market conditions and the Company's investment strategies. During the year ended December 31, 2015, the Company originated $523.8 million of held-for-investment SFR ARM loans with terms up to 30 years. Of total SFR mortgage loans at December 31, 2015, $269.7 million, or 12.0 percent, were fixed rate, and $1.99 billion, or 88.0 percent, were adjustable rate. Of total SFR mortgage loans at December 31, 2014, $272.6 million, or 23.3 percent, were fixed rate, and $899.1 million, or 76.7 percent, were adjustable rate.

The Company also offers interest only loans, which have payment features that allow interest only payments during the first five, seven, or ten years during which time the interest rate is fixed before converting to fully amortizing payments. Following the expiration of the fixed interest rate, the interest rate and payment begins to adjust on an annual basis, with fully amortizing payments that include principal and interest calculated over the remaining term of the loan. The loan can be secured by owner or non-owner occupied properties that include single family units and second homes. For additional information, see "Non-Traditional Mortgage Portfolio" and "Non-Traditional Mortgage Loan Credit Risk Management" under "Loans and Leases Receivable" in Item 7.

Seasoned SFR Mortgage Loans: The Company has also purchased pools of seasoned SFR mortgage loans, primarily through The Palisades Group. The Company has established a proprietary, multifaceted due diligence process for acquisitions of seasoned SFR mortgage loan pools. Prior to acquiring mortgage loans, the Company, sub-advisors or due diligence partners will review the loan portfolio and conduct certain due diligence on a loan by loan basis, preparing a customized version of its diligence plan for each mortgage loan pool being reviewed that is designed to address certain identified pool specific risks. The diligence plan generally reviews several factors, including but not limited to, obtaining and reconciling property value, reviewing chains of title, reviewing assignments, confirming lien position, reviewing regulatory compliance, updating borrower credit, certifying collateral, reviewing modification agreements and reviewing servicing notes. For additional information, see "Seasoned SFR mortgage Loan Acquisition" and "Seasoned SFR mortgage Loan Acquisition Due Diligence" under "Loans and Leases Receivable" in Item 7.

Construction Loans

Our construction loans primarily relates to single family residential properties. The Company may in the future originate or purchase loans or participations in construction, renovation and rehabilitation loans on residential, multi-family and/or commercial real estate properties.

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Other Consumer Loans

The Company offers a variety of secured consumer loans, including second deed of trust home equity loans and HELOCs and loans secured by savings deposits. The Company also offers a limited amount of unsecured loans. The Company originates consumer and other real estate loans primarily in its market area. Consumer loans generally have shorter terms to maturity or variable interest rates, which reduce our exposure to changes in interest rates, and carry higher rates of interest than do conventional SFR mortgage loans. Management believes that offering consumer loan products helps to expand and create stronger ties to the Company's existing customer base by increasing the number of customer relationships and providing cross-marketing opportunities.

Other HELOCs have a 7 or 10 year draw period and require the payment of 1.0 percent or 1.5 percent of the outstanding loan balance per month (depending on the terms) or interest only payment during the draw period. Following receipt of payments, the available credit includes amounts repaid up to the credit limit. HELOCs with a 10 year draw period have a balloon payment due at the end of the draw period or then fully amortize for the remaining term. For loans with shorter term draw periods, once the draw period has lapsed, generally the payment is fixed based on the loan balance and prevailing market interest rates at that time.

The Company proactively monitors changes in the market value of all home loans contained in its portfolio. The most recent valuations were effective as of October 31, 2015. The Company has the right to adjust, and has adjusted, existing lines of credit to address current market conditions subject to the terms of the loan agreement and covenants. At December 31, 2015, unfunded commitments totaled $86.6 million on other consumer lines of credit. Other consumer loan terms vary according to the type of collateral, length of contract and creditworthiness of the borrower.

Off-Balance Sheet Commitments

As part of its service to the Bank's customers, the Bank from time to time issues formal commitments and lines of credit. These commitments can be either secured or unsecured. They may be in the form of revolving lines of credit for seasonal working capital needs or may take the form of commercial letters of credit or standby letters of credit. Commercial letters of credit facilitate import trade. Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party.

Loan and Lease Servicing

The Company generally retains the right to service ARM loans held-for-investment, as well as conventional loans sold to Fannie Mae and Freddie Mac and FHA and VA loans issued in Ginnie Mae securities. The Company generally does not retain the right to service loans sold to private investors after sale of the loans. Loans sold to investors are subject to certain indemnification provisions, including the repurchase of loans sold and the repayment of sales proceeds to investors under certain conditions. In addition, if a customer defaults on a mortgage payment within the first few payments after the loan is sold, the Company may be required to repurchase the loan at the full amount and reimburse any premium paid by the purchaser.

Allowance for Loan and Lease Losses

The allowance for loan and lease losses (ALLL) represents management's best estimate of the probable losses inherent in the existing loan and lease portfolio. The ALLL is increased by the provision for loan losses charged to expense and reduced by loan and lease charge-offs, net of recoveries.

Management evaluates the Company's ALLL on a quarterly basis, or more often if needed. Management believes the ALLL is a "critical accounting estimation" because it is based upon the assessment of various quantitative and qualitative factors affecting the collectability of loans and leases, including current economic conditions, past credit experience, delinquency status, the value of the underlying collateral, if any, and a continuing review of the portfolio of loans and leases.

The ALLL consists of three elements: (i) specific valuation allowances established for probable losses on impaired loans and leases, (ii) quantitative valuation allowances calculated using loss experience for like loans and leases with similar characteristics and trends, adjusted, as necessary to reflect the impact of current conditions; and (iii) qualitative allowances based on environmental and other factors that may be internal or external to the Company.

During the year ended December 31, 2014, the Company enhanced its methodologies, processes and controls over the ALLL, due to the Company's organic and acquisitive growth and changing profile.

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The following is a synopsis of the enhancements for each component of ALLL:

- Expand the look-back period to 28 rolling quarters to capture a full economic cycle.
- Utilize net historical losses versus gross historical losses.
- Expand the peer group used to determine industry average loss history to include three industry groups; (i) all U.S. financial and bank holding companies, (ii) all California financial and bank holding companies, (iii) the peer group average from the Uniform Bank Performance Report.
- Apply a segment specific loss emergence period to each segment's loss rate.
- Determine qualitative reserves at each loan segment level based on a baseline risk weighting adjusted for current risks, trends and business conditions.
- Disaggregate certain qualitative factors to be determined on the portfolio segment level.

A loan or lease is considered impaired when it is probable that we will be unable to collect all amounts due according to the original contractual terms of the agreement. Impaired loans and leases are identified at each reporting date based on certain criteria and the majority of which are individually reviewed for impairment. Nonaccrual loans and leases and all performing restructured loans are reviewed individually for the amount of impairment, if any. We measure impairment of a loan based upon the fair value of the loan’s collateral if the loan is collateral-dependent, or the present value of cash flows, discounted at the loan’s effective interest rate, if the loan is not collateral-dependent. We measure impairment of a lease based upon the present value of the scheduled lease and residual cash flows, discounted at the lease’s effective interest rate. Increased charge-offs or additions to specific reserves generally result in increased provisions for credit losses.

Our loan and lease portfolio, excluding impaired loans and leases that are evaluated individually, is evaluated by segmentation. The segments we currently evaluate are:

- Commercial and industrial
- Commercial real estate
- Construction
- SBA
- Leases
- Single family residence — 1st deeds of trust
- Single family residence, including HELOC — 2nd deeds of trust
- Other consumer

Within these segments, we evaluate loans and leases not adversely classified, which we refer to as “pass” credits, separately from adversely classified loans and leases. The adversely classified loans and leases are further grouped into three credit risk rating categories: “special mention,” “substandard,” and “doubtful.” See “Loans and Leases Receivable - Asset Quality” in Item 7.

In addition, we may refer to the loans and leases classified as “substandard” and “doubtful” together as “classified” loans and leases.

Although management believes the level of the ALLL as of December 31, 2015 was adequate to absorb probable losses in the portfolio, declines in economic conditions in the Company’s primary markets or other factors could result in losses that cannot be reasonably predicted at this time.

Although we have established an ALLL that we consider appropriate, there can be no assurance that the established ALLL will be sufficient to offset losses on loans and leases in the future. Management also believes that the reserve for unfunded loan commitments is appropriate. In making this determination, we use the same methodology for the reserve for unfunded loan commitments as we do for the ALLL and consider the same quantitative and qualitative factors, as well as an estimate of the probability of advances of the commitments.

At December 31, 2015, our total ALLL was $35.5 million or 0.69 percent of total loans and leases, as compared to $29.5 million, or 0.75 percent of total loans and leases at December 31, 2014. The decrease in the percentage of ALLL to total loans and leases was mainly due to improving asset quality, which resulted in low charge-offs and declining quantitative loss rates and qualitative factors in line with the current economic and business environment. The ALLL for loans collectively evaluated

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for impairment on originated loans and leases at December 31, 2015 was $32.7 million, which represented 1.05 percent of total originated loans and leases, as compared to $25.3 million, or 1.34 percent, of total originated loans and leases at December 31, 2014. Including the non-credit impaired loans acquired through the acquisitions, the ALLL for loans collectively evaluated for impairment was $35.0 million, which represents 0.82 percent of total of such loans and leases at December 31, 2015, as compared to $28.2 million, or 0.85 percent, or total of such loans and leases at December 31, 2014. The ALLL for loans individually evaluated for impairment was $369 thousand at December 31, 2015 compared to $1.3 million at December 31, 2014. The Company held no unallocated ALLL at December 31, 2015 and 2014. Assessing the ALLL is inherently subjective as it requires making material estimates, including the amount and timing of future cash flows expected to be received on impaired loans and leases that may be susceptible to significant change. In the opinion of management, the allowance, when taken as a whole, reflects estimated probable losses presently inherent in our loan and lease portfolios.

Investment Activities

The general objectives of our investment portfolio are to provide liquidity when loan and lease demand is high, to assist in maintaining earnings when loan and lease demand is low and to provide a relatively stable source of interest income while satisfactorily managing risk, including credit risk, reinvestment risk, liquidity risk and interest rate risk. For additional information, see Item 7A.

The Company currently invests in SBA loan pool securities, debt and mortgage-backed securities issued by US-government sponsored entities, agency mortgage backed securities, commercial mortgage-backed securities, private label residential mortgage-backed securities, corporate bonds, and collateralized loan obligations.

Sources of Funds

General

The Company’s primary sources of funds are deposits, payments on and maturities of outstanding loans and leases and investment securities, and other short-term investments and funds provided from operations. While scheduled payments from the amortization of loans and leases and mortgage-backed securities and maturing securities and short-term investments are relatively predictable sources of funds, deposit flows and loan and lease prepayments are greatly influenced by general interest rates, economic conditions, and competition. In addition, the Company invests excess funds in short-term interest-earning assets, which provide liquidity to meet lending requirements. The Company also generates cash through borrowings. The Company utilizes Federal Home Loan Bank (FHLB) advances to leverage its capital base, to provide funds for its lending activities, as a source of liquidity, and to enhance its interest rate risk management.

Deposits

The Bank offers a variety of deposit accounts to consumers, businesses, and institutional customers with a wide range of interest rates and terms. The Bank's deposits consist of savings accounts, money market deposit accounts, interest and non-interest bearing demand accounts, and certificates of deposit. The Bank solicits deposits primarily in our market area and from institutional investors. The Bank primarily relies on competitive pricing policies, marketing and customer service to attract and retain deposits.

The flow of deposits is influenced significantly by general economic conditions, prevailing interest rates and competition. The variety of deposit accounts the Bank offers has allowed the Bank to be competitive in obtaining funds and to respond with flexibility to changes in demand from actual and prospective consumer, business and institutional customers. The Bank tries to manage the pricing of our deposits in keeping with our asset/liability management, liquidity and profitability objectives, subject to market competitive factors. Based on our experience, the Bank believes that our deposits are relatively stable sources of funds. Despite this stability, the Bank's ability to attract and maintain these deposits and the rates paid on them has been and will continue to be significantly affected by market conditions.

Core deposits, which we define as noninterest-bearing deposits, interest-bearing demand deposits, money market, savings and certificates of deposit of $250,000 or less, excluding any brokered deposits, increased $1.16 billion during the year ended December 31, 2015 and totaled $5.02 billion at December 31, 2015 and represented 79.6 percent of total deposits. The Bank held brokered deposits of $992.9 million, or 15.8 percent of total deposits, at December 31, 2015.

In addition to gathering consumer deposits through our community banking activities, business banking, private banking and financial institutions banking activities are key sources of deposits.

Borrowings

Although deposits are our primary source of funds, the Bank may utilize borrowings when they are a less costly source of funds and can be invested at a positive interest rate spread, when the Bank desires additional capacity to fund loan and lease demand or when they meet our asset/liability management goals to diversify our funding sources and enhance our interest rate risk management. The Bank's borrowings historically have included advances from the FHLB of San Francisco. The Bank also has the ability to borrow from the Federal Reserve Bank of San Francisco (Federal Reserve Bank), as well as through Federal Funds and reverse repurchase agreements. In addition, the Company has borrowed through the issuance of its Senior Notes and junior subordinated amortizing notes. See Note 12 of the Notes to Consolidated Financial Statements in Item 8.

The Bank may obtain advances from the FHLB by collateralizing the advances with certain of the Bank's mortgage loans and mortgage-backed and other securities. These advances may be made pursuant to several different credit programs, each of which has its own interest rate, range of maturities and call features. At December 31, 2015, the Bank had $930.0 million in FHLB advances outstanding and the ability to borrow an additional $1.29 billion. The Bank also had the ability to borrow $89.7 million from the Federal Reserve Bank as of that date. See Note 11 of the Notes to Consolidated Financial Statements in Item 8 for additional information regarding FHLB advances.

Competition and Market Area

The Company faces strong competition in originating real estate and other loans and in attracting deposits. Competition in originating real estate loans comes primarily from other commercial banks, savings institutions, credit unions and mortgage bankers. Other commercial banks, savings institutions, credit unions and finance companies provide vigorous competition in consumer lending.

The Company attracts deposits through its community banking branch network, its loan productions offices, its business banking teams, private banking teams, financial institution banking teams, its Treasury function, and through the internet. One of the ways the Company has been able to be competitive in this area is through its client focused community banking branch network, and its private banking, business banking and financial institutions banking teams. Consequently, the Company has the ability to service client needs with a variety of deposit accounts and products at competitive rates. Competition for deposits is principally from other commercial banks, savings institutions, and credit unions, as well as mutual funds, broker dealers, registered investment advisors, investment banks financial institutions, financial service companies, and other alternative investments. Based on the most recent branch deposit data as of June 30, 2015 provided by the Federal Deposit Insurance Corporation (FDIC), the share of deposits for the Bank in Los Angeles, Orange, San Diego, and Santa Barbara counties was as follows:

	June 30, 2015	
Los Angeles County	0.61	%
Orange County	2.60	%
San Diego County	0.75	%
Santa Barbara County	1.13	%

Employees

At December 31, 2015, we had a total of 1,679 full-time employees and 31 part-time employees. Our employees are not represented by any collective bargaining group. Management considers its employee relations to be satisfactory.

Regulation and Supervision

General

The Company and the Bank are extensively regulated under federal laws.

As a financial holding company, the Company is subject to the Bank Holding Company Act of 1956, as amended, and its primary regulator is the Federal Reserve Board. As a national bank, the Bank is subject to regulation primarily by the OCC. In addition, the Bank is also subject to backup regulation from the FDIC.

Regulation and supervision by the federal banking agencies are intended primarily for the protection of customers and depositors and the Deposit Insurance Fund administered by the FDIC and not for the benefit of stockholders. Set forth below is a brief description of material information regarding certain laws and regulations that are applicable to the Company and the Bank. This description, as well as other descriptions of laws and regulations in this Form 10-K, is not complete and is qualified in its entirety by reference to applicable laws and regulations.

Dodd-Frank Wall Street Reform and Consumer Protection Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) enacted on July 1, 2010 is one of the most significant pieces of financial legislation since the 1930s.

The Dodd-Frank Act requires that bank holding companies, such as the Company, act as a source of financial and managerial strength for their insured depository institution subsidiaries, such as the Bank, particularly when such subsidiaries are in financial distress.

The Federal Reserve Board (FRB) has extensive enforcement authority over the Company and the OCC has extensive enforcement authority over the Bank under federal law. Enforcement authority generally includes, among other things, the ability to assess civil money penalties, to issue cease-and-desist or removal orders and to initiate injunctive actions. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely filing of reports. Except under certain circumstances, public disclosure of formal enforcement actions by the FRB and the OCC is required by law.

The Dodd-Frank Act made other significant changes to the regulation of bank holding companies and their subsidiary banks, including the regulation of the Company and the Bank, and other significant changes will continue to occur as rules are promulgated under the Dodd-Frank Act. These regulatory changes have had and will continue to have a material effect on the business and results of the Company and the Bank. The Dodd-Frank Act created the Consumer Financial Protection Bureau (CFPB), with the authority to promulgate regulations intended to protect consumers with respect to financial products and services, including those provided by the Bank, and to restrict unfair, deceptive or abusive conduct by providers of consumer financial products and services. The CFPB has issued rules under the Dodd-Frank Act affecting the Bank's residential mortgage lending business, including ability-to-repay and qualified mortgage standards, mortgage servicing standards, loan originator compensation standards, high-cost mortgage requirements, appraisal and escrow standards and requirements for higher-priced mortgages. The activities of the Bank are also subject to regulation under numerous federal laws and state consumer protection statutes.

In addition to the Dodd-Frank Act, other legislative and regulatory proposals affecting banks have been made both domestically and internationally. Among other things, these proposals include significant additional capital and liquidity requirements and limitations on size or types of activity in which banks may engage.

Legislation is introduced from time to time in the United States Congress that may affect our operations. In addition, the regulations governing us may be amended from time to time. Any legislative or regulatory changes in the future, including those resulting from the Dodd-Frank Act, could adversely affect our operations and financial condition.

The Company

As a bank holding company that has elected to become a financial holding company pursuant to the Bank Holding Company Act (BHCA), the Company may engage in activities permitted for bank holding companies and may affiliate with securities firms and insurance companies and engage in other activities that are financial in nature or incidental or complementary to activities that are financial in nature. "Financial in nature" activities include securities underwriting, dealing and market making; sponsoring mutual funds and investment companies; insurance underwriting and agency; and merchant banking. See "Volcker Rule" below.

The Company is required to register and file reports with, and is subject to regulation and examination by the FRB. The FRB's approval is required for acquisition of another financial institution or holding company thereof, and, under certain circumstances, for the acquisition of other subsidiaries.

As a bank holding company, the Company is subject to the regulations of the FRB imposing capital requirements for a bank holding company, which establish a capital framework as described in "New Capital Requirements" below. As of December 31, 2015, the Company was considered well-capitalized, with capital ratios in excess of those required to qualify as such.

Under the FRB's policy statement on the payment of cash dividends, a bank holding company should pay cash dividends only to the extent that its net income for the past year is sufficient to cover both the cash dividends and a rate of earnings retention that is consistent with the company's capital needs, asset quality, and overall financial condition. A bank holding company must give the FRB prior notice of any purchase or redemption of its equity securities if the consideration for the purchase or redemption, when combined with the consideration for all such

purchases or redemptions in the preceding 12 months, is equal to 10 percent or more of its consolidated net worth. The FRB may disapprove such a purchase or redemption if it determines that the proposal would be an unsafe or unsound practice or would violate any law, regulation, FRB order, or condition imposed in writing by the FRB. This notification requirement does not apply to a bank holding company that qualifies as well

capitalized, received a composite rating and a rating for management of “1” or “2” in its last examination and is not subject to any unresolved supervisory issue. Regarding dividends, see "New Capital Requirements" below.

The Bank

The Bank is subject to a variety of requirements under federal law.

The Bank is required to maintain sufficient liquidity to ensure safe and sound operations. See "Liquidity" in Item 7.

The OCC has adopted guidelines establishing safety and soundness standards on such matters as loan and lease underwriting and documentation, asset quality, earnings standards, internal controls and audit systems, interest rate risk exposure, and compensation and other employee benefits. Any institution which fails to comply with these standards must submit a compliance plan.

The FRB requires all depository institutions to maintain non-interest bearing reserves at specified levels against their transaction accounts, primarily checking, NOW and Super NOW checking accounts. At December 31, 2015, Bank was in compliance with these reserve requirements.

FDIC Insurance

The deposits of the Bank are insured up to the applicable limits by the FDIC, and such insurance is backed by the full faith and credit of the United States. The basic deposit insurance limit is generally $250,000.

As insurer, the FDIC imposes deposit insurance premiums and is authorized to conduct examinations of and to require reporting by FDIC-insured institutions. The Bank’s deposit insurance premiums for the year ended December 31, 2015 were $3.9 million. FDIC-insured institutions are required to pay an additional quarterly assessment called the FICO assessment in order to fund the interest on bonds issued to resolve thrift failures in the 1980s. This assessment will continue until the bonds mature in the years 2017 through 2019. For the fiscal year ended December 31, 2015, the Bank paid $322 thousand in FICO assessments.

The FDIC assesses deposit insurance premiums quarterly on each FDIC-insured institution based on annualized rates. Each institution under $10 billion in assets is assigned to one of four risk categories based on its capital, supervisory ratings and other factors, with higher risk institutions paying higher premiums. Its deposit insurance premiums are based on the rates applicable to its risk category, subject to certain adjustments, and as required by the Dodd-Frank Act, are assessed on the amount of an institution’s total assets minus its Tier 1 capital.

New Capital Requirements

Effective January 1, 2015 (with some changes transitioned into full effectiveness over two to four years), the Company and the Bank became subject to new capital regulations adopted by the FRB and the OCC, which create a new required ratio for common equity Tier 1 (CET1) capital, increase the minimum leverage and Tier 1 capital ratios, change the risk-weightings of certain assets for purposes of the risk-based capital ratios, create an additional capital conservation buffer over the required capital ratios, and change what qualifies as capital for purposes of meeting the capital requirements.

Under the new capital regulations, the minimum capital ratios are: (i) a CET1 capital ratio of 4.5 percent of total risk-weighted assets; (ii) a Tier 1 capital ratio of 6.0 percent of total risk-weighted assets; (iii) a total capital ratio of 8.0 percent of total risk-weighted assets; and (iv) a leverage ratio (the ratio of Tier 1 capital to average total consolidated assets) of 4.0 percent.

CET1 capital generally consists of common stock, retained earnings, accumulated other comprehensive income (AOCI) except where an institution elects to exclude AOCI from regulatory capital, and certain minority interests, subject to applicable regulatory adjustments and deductions, including deduction of amounts of mortgage servicing assets and certain deferred tax assets that exceed specified thresholds. We elected to permanently opt out of including AOCI in regulatory capital. Tier 1 capital generally consists of CET1 capital plus noncumulative perpetual preferred stock and certain additional items less applicable regulatory adjustments and deductions. Tier 2 capital generally consists of subordinated debt; certain other preferred stock, and allowance for loan and lease losses up to 1.25 percent of risk-weighted assets, less applicable regulatory adjustments and deductions. Total capital is the sum of Tier 1 capital and Tier 2 capital.

Assets and certain off-balance sheet items are assigned risk weights ranging from 0 percent to 1250 percent, reflecting credit risk and other risk exposure, to determine total risk weighted assets for the risk-based capital ratios. For some items, risk weights have changed compared to their risk weights under rules in effect before January 1, 2015. These

include a 150 percent risk weight (up from 100 percent) for certain high volatility commercial real estate acquisition, development and construction loans and for non-residential mortgage loans that are 90 days past due or otherwise in nonaccrual status, a 20 percent (up from 0 percent) credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not

unconditionally cancellable (currently set at 0 percent), and a 250 percent risk weight (up from 100 percent) for mortgage servicing and deferred tax assets that are not deducted from capital.

In addition to the minimum CET1, Tier 1, total capital and leverage ratios, the Company and the Bank must maintain a capital conservation buffer consisting of additional CET1 capital greater than 2.5 percent of risk-weighted assets above the required minimum levels in order to avoid limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses. The capital conservation buffer requirement is phased in beginning on January 1, 2016, when a buffer greater than 0.625 percent of risk-weighted assets is required, which amount will increase each year until the buffer requirement is fully implemented on January 1, 2019.

The OCC may establish an individual minimum capital requirement for a particular bank, based on its circumstances, which may vary from what would otherwise be required. The OCC has not imposed such a requirement on the Bank.

To be considered well capitalized, the Company must maintain on a consolidated basis a total risk-based capital ratio of 10.0 percent or more, a Tier 1 risk-based capital ratio of 6.0 percent or more and not be subject to any written agreement, capital directive or prompt corrective action directive issued by the FRB to meet and maintain a specific capital level for any capital measure. For the well-capitalized standard applicable to the Bank, see “Prompt Corrective Action” below.

The OCC’s prompt corrective action standards changed when these new capital regulations became effective. Under the new standards, in order to be considered well-capitalized, the Bank must have a ratio of CET1 capital to risk-weighted assets of 6.5 percent (new), a ratio of Tier 1 capital to risk-weighted assets of 8 percent (increased from 6 percent), a ratio of total capital to risk-weighted assets of 10 percent (unchanged), and a leverage ratio of 5 percent (unchanged), and in order to be considered adequately capitalized, it must have the minimum capital ratios described above.

Although we continue to evaluate the impact that the new capital rules will have on the Company and the Bank, we anticipate that the Company and the Bank will remain well-capitalized under the new capital rules, and will meet the capital conservation buffer requirement.

Prompt Corrective Action

The Bank is required to maintain specified levels of regulatory capital under the capital and prompt corrective action regulations of the OCC. Through December 31, 2014, to be adequately capitalized, a bank must have the minimum capital ratios discussed in “New Capital Requirements” above. To be well-capitalized, an institution must have a CET1 risk-based capital ratio of at least 6.5 percent, Tier 1 risk-based capital ratio of at least 8.0 percent, a total risk-based capital ratio of at least 10.0 percent and a leverage ratio of at least 5.0 percent. Institutions that are not well-capitalized are subject to certain restrictions on brokered deposits and interest rates on deposits.

The OCC is authorized and, under certain circumstances, required to take certain actions against an institution that is less than adequately capitalized. Such an institution must submit a capital restoration plan, including a specified guarantee by its holding company, and until the plan is approved by the OCC, the institution may not increase its assets, acquire another institution, establish a branch or engage in any new activities, and generally may not make capital distributions.

For institutions that are not at least adequately capitalized, progressively more severe restrictions generally apply as capital ratios decrease, or if the OCC reclassifies an institution into a lower capital category due to unsafe or unsound practices or unsafe or unsound condition. Such restrictions may cover all aspects of operations and may include a forced merger or acquisition. An institution that becomes “critically undercapitalized” because it has a tangible equity ratio of 2.0 percent or less is generally subject to the appointment of the FDIC as receiver or conservator for the institution within 90 days after it becomes critically undercapitalized. The imposition by the OCC of any of these measures on the Bank may have a substantial adverse effect on its operations and profitability.

Anti-Money Laundering and Suspicious Activity

Several federal laws, including the Bank Secrecy Act, the Money Laundering Control Act and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the Patriot Act) require all financial institutions, including banks, to implement policies and procedures relating to anti-money laundering, compliance, suspicious activities, and currency transaction reporting and due diligence on customers. The Patriot Act also requires federal bank regulators to evaluate the effectiveness of an applicant in

combating money laundering when determining whether to approve a proposed bank acquisition.

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Community Reinvestment Act

The Bank is subject to the provisions of the CRA. Under the terms of the CRA, the Bank has a continuing and affirmative obligation, consistent with safe and sound operation, to help meet the credit needs of its community, including providing credit to individuals residing in low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions, and does not limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community in a manner consistent with the CRA.

The OCC regularly assesses the Bank on its record in meeting the credit needs of the community served by that institution, including low-income and moderate-income neighborhoods. The Bank received an outstanding rating in its most recent CRA evaluation. Of the uniform four-tier- rating system used by federal banking agencies in assessing CRA performance, an outstanding rating is the top tier rating available. This CRA rating deals strictly with how well an institution is meeting its responsibilities under the CRA and the OCC takes into account performance under the CRA when considering a bank's application to establish or relocate a branch or main office or to merge with, acquire assets, or assume liabilities of another insured depository institution. The bank's record may be the basis for denying the application.

Performance under the CRA also is considered when the FRB reviews applications to acquire, merge or consolidate with another banking institution or its holding company. In the case of a bank holding company applying for approval to acquire a bank, the Federal Reserve will assess the records of each subsidiary depository institution of the applicant bank holding company, and that records may be the basis for denying the application.

Financial Privacy Under the Requirements of the Gramm-Leach-Bliley Act (the GLBA)

The Company and its subsidiaries are required periodically to disclose to their retail customers the Company's policies and practices with respect to the sharing of nonpublic customer information with its affiliates and others, and the confidentiality and security of that information. Under the GLBA, retail customers also must be given the opportunity to "opt out" of information-sharing arrangements with non-affiliates, subject to certain exceptions set forth in the GLBA.

Limitations on Transactions with Affiliates and Loans to Insiders

Transactions between the Bank and any affiliate are governed by Sections 23A and 23B of the Federal Reserve Act. An affiliate of a bank is generally any company or entity which controls, is controlled by or is under common control with the bank but which is not a subsidiary of the bank. The Company and its subsidiaries are affiliates of the Bank. Generally, Section 23A limits the extent to which the Bank or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10.0 percent of the Bank's capital stock and surplus, and limits all such transactions with all affiliates to an amount equal to 20.0 percent of such capital stock and surplus. Section 23B applies to "covered transactions" as well as certain other transactions and requires that all transactions be on terms substantially the same, or at least as favorable to the Bank, as those provided to a non-affiliate. The term "covered transaction" includes a loan by the Bank to an affiliate, the purchase of or investment in securities issued by an affiliate by the Bank, the purchase of assets by the Bank from an affiliate, the acceptance by the Bank of securities issued by an affiliate as collateral security for a loan or extension of credit to any person or company, or the issuance by the Bank of a guarantee, acceptance or letter of credit on behalf of an affiliate. Loans by the Bank to an affiliate must be collateralized.

In addition, Sections 22(g) and (h) of the Federal Reserve Act place restrictions on loans to executive officers, directors and principal stockholders of the Bank and its affiliates. Under Section 22(h), aggregate loans to a director, executive officer or greater than 10.0 percent stockholder of the Bank or any of its affiliates, and certain related interests of such a person may generally not exceed, together with all other outstanding loans to such person and related interests, 15.0 percent of the Bank's unimpaired capital and surplus, plus an additional 10.0 percent of unimpaired capital and surplus for loans that are fully secured by readily marketable collateral having a value at least equal to the amount of the loan. Section 22(h) also requires that loans to directors, executive officers and principal stockholders be made on terms substantially the same as those offered in comparable transactions to other persons, and not involve more than the normal risk of repayment or present other unfavorable features. There is an exception for loans that are made pursuant to a benefit or compensation program that (i) is widely available to employees of the

Bank or its affiliate and (ii) does not give preference to any director, executive officer or principal stockholder or certain related interests over other employees of the Bank or its affiliate. Section 22(h) also requires prior board approval for certain loans. In addition, the aggregate amount of all loans to all of the executive officers, directors and principal stockholders of the Bank or its affiliates and certain related interests may not exceed 100.0 percent of the institution’s unimpaired capital and surplus. Furthermore, Section 22(g) places additional restrictions on loans to executive officers.

The Company and its affiliates, including the Bank, maintain programs to meet the limitations on transactions with affiliates and restrictions on loans to insiders and the Company believes it is currently in compliance with these requirements.

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Identity Theft

Under the Fair and Accurate Credit Transactions Act (FACT Act), the Bank is required to develop and implement a written Identity Theft Prevention Program to detect, prevent and mitigate identity theft "red flags" in connection with the opening of certain accounts or certain existing accounts. Under the FACT Act, the Bank is required to adopt reasonable policies and procedures to (i) identify relevant red flags for covered accounts and incorporate those red flags into the program: (ii) detect red flags that have been incorporated into the program; (iii) respond appropriately to any red flags that are detected to prevent and mitigate identity theft; and (iv) ensure the program is updated periodically, to reflect changes in risks to customers or to the safety and soundness of the financial institution or creditor from identity theft.

The Bank maintains a program to meet the requirements of the FACT Act and the Bank believes it is currently in compliance with these requirements.

Consumer Protection Laws and Regulations; Other Regulations

The Bank and its affiliates are subject to a broad array of federal and state consumer protection laws and regulations that govern almost every aspect of its business relationships with consumers, including but not limited to the Truth-in-Lending Act, the Truth in Savings Act, the Electronic Funds Transfer Act, the Expedited Funds Availability Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Secure and Fair Enforcement in Mortgage Licensing Act, the Real Estate Settlement Procedures Act, the Home Mortgage Disclosure Act, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Service Members Civil Relief Act, the Right to Financial Privacy Act, the Home Ownership and Equity Protection Act, the Consumer Leasing Act, the Fair Credit Billing Act, the Homeowners Protection Act, the Check Clearing for the 21st Century Act, laws governing flood insurance, federal and state laws prohibiting unfair and deceptive business practices, foreclosure laws and various regulations that implement the foregoing. Among other things, these laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with customers when taking deposits, making loans, collecting loans and providing other services. If the Bank fails to comply with these laws and regulations, it may be subject to various penalties.

The Dodd-Frank Act established the CFPB as a new independent bureau within the Federal Reserve System that is responsible for regulating consumer financial products and services under federal consumer financial laws. The CFPB has broad rulemaking authority with respect to these laws. The Company and the Bank are subject to CFPB's regulations regarding consumer financial services and products. The CFPB has issued numerous regulations, and is expected to continue to do so in the next few years. For the Bank and its affiliates, the CFPB's regulations are enforced by the federal banking regulators. The CFPB's rulemaking, examination and enforcement authority is expected to significantly affect financial institutions involved in the provision of consumer financial products and services, including the Company and the Bank.

New restrictions on residential mortgages were also promulgated under the Dodd-Frank Act. The provisions include (i) a requirement that lenders make a determination that at the time a residential mortgage loan is consummated the consumer has a reasonable ability to repay the loan and related costs; (ii) a ban on loan originator compensation based on the interest rate or other terms of the loan (other than the amount of the principal); (iii) a ban on prepayment penalties for certain types of loans; (iv) bans on arbitration provisions in mortgage loans; and (v) requirements for enhanced disclosures in connection with the making of a loan. The Dodd-Frank Act also imposes a variety of requirements on entities that service mortgage loans.

The OCC must approve the Bank's acquisition of other financial institutions and certain other acquisitions, and its establishment of branches. Generally, the Bank may branch de novo nationwide, but branching by acquisition may be restricted by applicable state law.

The Bank's general limit on loans to one borrower is 15 percent of its capital and surplus, plus an additional 10 percent of its capital and surplus if the amount of loans greater than 15 percent of capital and surplus is fully secured by readily marketable collateral. Capital and surplus means Tier 1 and Tier 2 capital plus the amount of allowance for loan and lease losses not included in Tier 2 capital. The Bank has no loans in excess of its loans-to-one borrower limit.

OCC regulations impose various restrictions on the ability of a bank to make capital distributions, which include dividends, stock redemptions or repurchases, and certain other items. Generally, a bank may make capital distributions

during any calendar year equal to up to 100 percent of net income for the year-to-date plus retained net income for the two preceding years without prior OCC approval. However, the OCC may restrict dividends by an institution deemed to be in need of more than normal supervision.

The Bank is a member of the FHLB, which makes loans or advances to members. All advances are required to be fully secured by sufficient collateral as determined by the FHLB, and all long-term advances are required to provide funds for residential

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home financing. The Bank is required to purchase and maintain stock in the FHLB. At December 31, 2015, the Bank had $39.2 million in FHLB stock, which was in compliance with this requirement.

Volcker Rule

The federal banking agencies have adopted regulations to implement the provisions of the Dodd-Frank Act known as the Volcker Rule. Under the regulations, FDIC-insured depository institutions, their holding companies, subsidiaries and affiliates (collectively, banking entities), are generally prohibited, subject to certain exemptions, from proprietary trading of securities and other financial instruments and from acquiring or retaining an ownership interest in a “covered fund.”

Trading in certain government obligations is not prohibited. These include, among others, obligations of or guaranteed by the United States or an agency or government-sponsored entity of the United States, obligations of a State of the United States or a political subdivision thereof, and municipal securities. Proprietary trading generally does not include transactions under repurchase and reverse repurchase agreements, securities lending transactions and purchases and sales for the purpose of liquidity management if the liquidity management plan meets specified criteria; nor does it generally include transactions undertaken in a fiduciary capacity.

The term “covered fund” can include, in addition to many private equity and hedge funds and other entities, certain collateralized mortgage obligations, collateralized debt obligations and collateralized loan obligations, and other items, but it does not include wholly owned subsidiaries, certain joint ventures, or loan securitizations generally, if the underlying assets are solely loans. The term “ownership interest” includes not only an equity interest or a partnership interest, but also an interest that has the right to participate in selection or removal of a general partner, managing member, director, trustee or investment manager or advisor; to receive a share of income, gains or profits of the fund; to receive underlying fund assets after all other interests have been redeemed; to receive all or a portion of excess spread; or to receive income on a pass-through basis or income determined by reference to the performance of fund assets. In addition, “ownership interest” includes an interest under which amounts payable can be reduced based on losses arising from underlying fund assets.

Activities eligible for exemptions include, among others, certain brokerage, underwriting and marketing activities, and risk-mitigating hedging activities with respect to specific risks and subject to specified conditions.

Future Legislation or Regulation

In light of recent conditions in the United States economy and the financial services industry, the Obama administration, Congress, the regulators and various states continue to focus attention on the financial services industry. Additional proposals that affect the industry have been and will likely continue to be introduced. We cannot predict whether any of these proposals will be enacted or adopted or, if they are, the effect they would have on our business, our operations or our financial condition.

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Item 1A. Risk Factors

An investment in our securities is subject to certain risks. These risk factors should be considered by prospective and current investors in our securities when evaluating the disclosures in this Annual Report on Form 10-K. The risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks actually occur, our business, results of operations and financial condition could suffer. In that event, the value of our securities could decline, and you may lose all or part of your investment.

Risks Relating to Our Business and Operating Environment

Our business strategy includes significant growth plans, and our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively.

We have pursued and intend to continue to pursue organic and acquisitive growth strategies for our business. We regularly evaluate potential acquisitions and expansion opportunities. If appropriate opportunities present themselves, we expect to engage in selected acquisitions of financial institutions, branch acquisitions and other business growth initiatives or undertakings. There can be no assurance that we will successfully identify appropriate opportunities, that we will be able to negotiate or finance such activities or that such activities, if undertaken, will be successful.

There are risks associated with our growth strategy. To the extent that we grow through acquisitions, we cannot ensure that we will be able to adequately or profitably manage this growth. Acquiring other banks, branches or other assets, as well as other expansion activities, involves various risks including the risks of incorrectly assessing the credit quality of acquired assets, encountering greater than expected costs of integrating acquired banks or branches, the risk of loss of customers and/or employees of the acquired institution or branch, executing cost savings measures, not achieving revenue enhancements and otherwise not realizing the transaction's anticipated benefits. Our ability to address these matters successfully cannot be assured. There is also the risk that the requisite regulatory approvals might not be received and other conditions to consummation of a transaction might not be satisfied during the anticipated timeframes, or at all. In addition, our strategic efforts may divert resources or management's attention from ongoing business operations, may require investment in integration and in development and enhancement of additional operational and reporting processes and controls, and may subject us to additional regulatory scrutiny. To finance an acquisition, we may borrow funds, thereby increasing our leverage and diminishing our liquidity, or raise additional capital, which could dilute the interests of our existing stockholders.

Our growth initiatives may also require us to recruit experienced personnel to assist in such initiatives. Accordingly, the failure to identify and retain such personnel would place significant limitations on our ability to successfully execute our growth strategy. In addition, to the extent we expand our lending beyond our current market areas, we could incur additional risks related to those new market areas. We may not be able to expand our market presence in our existing market areas or successfully enter new markets.

If we do not successfully execute our acquisition growth plan, it could adversely affect our business, financial condition, results of operations, reputation and growth prospects. In addition, if we were to conclude that the value of an acquired business had decreased and that the related goodwill had been impaired, that conclusion would result in an impairment of goodwill charge to us, which would adversely affect our results of operations. While we believe we will have the executive management resources and internal systems in place to successfully manage our future growth, there can be no assurance growth opportunities will be available or that we will successfully manage our growth.

Our financial condition and results of operations are dependent on the economy, particularly in the Bank's market areas. A deterioration in economic conditions in the market areas we serve may impact our earnings adversely and could increase the credit risk of our loan and lease portfolio.

Our primary market area is concentrated in the greater San Diego, Orange, Santa Barbara, and Los Angeles counties. Adverse economic conditions in any of these, market areas can reduce our rate of growth, affect our customers' ability to repay loans and leases and adversely impact our financial condition and earnings. General economic conditions, including inflation, unemployment and money supply fluctuations, also may affect our profitability adversely.

A deterioration in economic conditions in the market areas we serve could result in the following consequences, any of which could have a material adverse effect on our business, financial condition and results of operations:

- Demand for our products and services may decline;
- Loan and lease delinquencies, problem assets and foreclosures may increase;

- Collateral for our loans and leases may further decline in value; and

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- The amount of our low-cost or non-interest-bearing deposits may decrease.

We cannot accurately predict the effect of the weakness in the national economy on our future operating results.

The national economy in general and the financial services sector in particular continue to face significant challenges. We cannot accurately predict the possibility of the economy's return to recessionary conditions or to a period of economic weakness, which would adversely impact the markets we serve. Any deterioration in national or local economic conditions would have an adverse effect, which could be material, on our business, financial condition, results of operations and prospects, and any economic weakness could present substantial risks for the banking industry and for us.

There are risks associated with our lending activities and our allowance for loan and lease losses may prove to be insufficient to absorb actual incurred losses in our loan and lease portfolio.

Lending money is a substantial part of our business. Every loan and lease carries a certain risk that it will not be repaid in accordance with its terms or that any underlying collateral will not be sufficient to assure repayment. This risk is affected by, among other things:

- Cash flow of the borrower and/or the project being financed;
- In the case of a collateralized loan or lease, the changes and uncertainties as to the future value of the collateral;
- The credit history of a particular borrower;
- Changes in economic and industry conditions; and
- The duration of the loan or lease.

We maintain an allowance for loan and lease losses which we believe is appropriate to provide for inherent losses in our loan and lease portfolio. The amount of this allowance is determined by our management through a periodic review and consideration of several factors, including, but not limited to:

- An ongoing review of the quality, size and diversity of the loan and lease portfolio;
- Evaluation of non-performing loans and leases;
- Historical default and loss experience;
- Historical recovery experience;
- Existing economic conditions;
- Risk characteristics of the various classifications of loans and leases; and
- The amount and quality of collateral, including guarantees, securing the loans and leases.

If our loan and lease losses exceed our allowance for loan and lease losses, our business, financial condition and profitability may suffer.

The determination of the appropriate level of the allowance for loan and lease losses inherently involves a high degree of subjectivity and requires us to make various assumptions and judgments about the collectability of our loan and lease portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans and leases. In determining the amount of the allowance for loan and lease losses, we review our loans and leases and the loss and delinquency experience, and evaluate economic conditions and make significant estimates of current credit risks and future trends, all of which may undergo material changes. If our estimates are incorrect, the allowance for loan and lease losses may not be sufficient to cover losses inherent in our loan and lease portfolio, resulting in the need for additions to our allowance through an increase in the provision for loan and lease losses. Deterioration in economic conditions affecting borrowers, new information regarding existing loans and leases, identification of additional problem loans and leases and other factors, both within and outside of our control, may require an increase in the allowance for loan and lease losses. Our allowance for loan and lease losses was 0.69 percent of total loans and leases held-for-investment and 78.74 percent of nonperforming loans and leases at December 31, 2015. In addition, bank regulatory agencies periodically review our allowance for loan and lease losses and may require an increase in the provision for loan and lease losses or the recognition of further charge-offs, based on judgments different than that of management. If charge-offs in future periods exceed the allowance for loan and lease losses, we will need additional provisions to increase the allowance for loan and lease losses. Any increases in the provision for loan and lease losses will result in a decrease in net income and may have a material adverse effect on our financial condition and results of operations.

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Our business may be adversely affected by credit risk associated with residential property and declining property values.

At December 31, 2015, $2.35 billion, or 45.2 percent of our total loans and leases held-for-investment, was secured by single family residential mortgage loans and home equity lines of credit, as compared with $1.30 billion, or 33.0 percent of our total loans and leases held-for-investment, at December 31, 2014. This type of lending is generally sensitive to regional and local economic conditions that significantly impact the ability of borrowers to meet their loan payment obligations, making loss levels difficult to predict. The decline in residential real estate values as a result of the downturn in the California housing markets has reduced the value of the real estate collateral securing these types of loans and increased the risk that we would incur losses if borrowers default on their loans. Residential loans with high combined loan-to-value ratios generally will be more sensitive to declining property values than those with lower combined loan-to-value ratios and therefore may experience a higher incidence of default and severity of losses. In addition, if the borrowers sell their homes, the borrowers may be unable to repay their loans in full from the sale proceeds. As a result, these loans may experience higher rates of delinquencies, defaults and losses, which will in turn adversely affect our financial condition and results of operations.

Our loan portfolio possesses increased risk due to our level of adjustable rate loans.

A substantial majority of our real estate secured loans held are adjustable-rate loans. Any rise in prevailing market interest rates may result in increased payments for borrowers who have adjustable rate mortgage loans, increasing the possibility of defaults that may adversely affect our profitability.

Our underwriting practices may not protect us against losses in our loan portfolio.

We seek to mitigate the risks inherent in our loan portfolio by adhering to specific underwriting practices, including: analyzing a borrower’s credit history, financial statements, tax returns and cash flow projections; valuing collateral based on reports of independent appraisers; and verifying liquid assets. Although we believe that our underwriting criteria are, and historically have been, appropriate for the various kinds of loans we make, we have incurred losses on loans that have met these criteria, and may continue to experience higher than expected losses depending on economic factors and consumer behavior. In addition, our ability to assess the creditworthiness of our customers may be impaired if the models and approaches we use to select, manage, and underwrite our customers become less predictive of future behaviors. Finally, we may have higher credit risk, or experience higher credit losses, to the extent our loans are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral. At December 31, 2015, 82.3 percent of our commercial real estate loans and 85.9 percent of our originated SFR mortgage loans were secured by collateral in Southern California. Deterioration in real estate values and underlying economic conditions in Southern California could result in significantly higher credit losses to our portfolio.

Our non-traditional and interest-only single-family residential loans expose us to increased lending risk.

Many of the residential mortgage loans we have originated for investment consist of non-traditional SFR mortgage loans that do not conform to Fannie Mae or Freddie Mac underwriting guidelines as a result of loan-to-value ratios or debt-to-income ratios, loan terms, loan size (exceeding agency limits) or other exceptions from agency underwriting guidelines.

Moreover, many of these loans do not meet the qualified mortgage definition established by the Consumer Financial Protection Bureau, and therefore contain additional regulatory and legal risks. See "Rulemaking changes by the CFPB in particular are expected to result in higher regulatory and compliance costs that may adversely affect our financial condition and results of operations.” In addition, the secondary market demand for nonconforming mortgage loans generally is limited, and consequently, we may have a difficult time selling the nonconforming loans in our portfolio were we to decide to do so.

In the case of interest-only loans, a borrower’s monthly payment is subject to change when the loan converts to fully-amortizing status. Since the borrower’s monthly payment may increase by a substantial amount, even without an increase in prevailing market interest rates, the borrower might not be able to afford the increased monthly payment. In addition, interest-only loans have a large, balloon payment at the end of the loan term, which the borrower may be unable to pay. Negative amortization involves a greater risk to us because credit risk exposure increases when the loan incurs negative amortization and the value of the home serving as collateral for the loan does not increase proportionally. Negative amortization is only permitted up to 110 percent of the original loan to value ratio during the

first five years the loan is outstanding, with payments adjusting periodically as provided in the loan documents, potentially resulting in higher payments by the borrower. The adjustment of these loans to higher payment requirements can be a substantial factor in higher loan delinquency levels because the borrowers may not be able to make the higher payments. Also, real estate values may decline, and credit standards may tighten in concert with the higher payment requirement, making it difficult for borrowers to sell their homes or refinance their loans to pay off their mortgage obligations. For these reasons, interest-only loans and negative amortization loans are considered to have an increased risk of delinquency, default and foreclosure than conforming loans and may result in higher levels of realized losses. Our interest-only loans increased significantly during 2015, from $209.3 million, or 5.3 percent of our total loans and leases

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held-for-investment, at December 31, 2014 to $664.5 million, or 12.8 percent of our total loans and leases held-for-investment, at December 31, 2015.

Our income property loans, consisting of commercial and multi-family real estate loans, involve higher principal amounts than other loans and repayment of these loans may be dependent on factors outside our control or the control of our borrowers.

We originate commercial and multi-family real estate loans for individuals and businesses for various purposes, which are secured by commercial properties. These loans typically involve higher principal amounts than other types of loans, and repayment is dependent upon income generated, or expected to be generated, by the property securing the loan in amounts sufficient to cover operating expenses and debt service, which may be adversely affected by changes in the economy or local market conditions. For example, if the cash flow from the borrower's project is reduced as a result of leases not being obtained or renewed in a timely manner or at all, the borrower's ability to repay the loan may be impaired. Commercial and multi-family real estate loans also expose us to greater credit risk than loans secured by residential real estate because the collateral securing these loans typically cannot be sold as easily as residential real estate. In addition, many of our commercial and multi-family real estate loans are not fully amortizing and contain large balloon payments upon maturity. Such balloon payments may require the borrower to either sell or refinance the underlying property in order to make the payment, which may increase the risk of default or non-payment.

If we foreclose on a commercial or multi-family real estate loan, our holding period for the collateral typically is longer than for residential mortgage loans because there are fewer potential purchasers of the collateral. Additionally, commercial and multi-family real estate loans generally have relatively large balances to single borrowers or groups of related borrowers. Accordingly, if we make any errors in judgment in the collectability of our commercial and multi-family real estate loans, any resulting charge-offs may be larger on a per loan basis than those incurred with our residential or consumer loan portfolios. As of December 31, 2015, our commercial and multi-family real estate loans totaled $1.63 billion, or 31.5 percent of our total loans and leases held-for-investment.

Our portfolio of Green Loans subjects us to greater risks of loss.

We have a portfolio of Green Account home equity loans which generally have a fifteen year draw period with interest-only payment requirements, and a balloon payment requirement at the end of the draw period. The Green Loans include an associated "clearing account" that allows all types of deposit and withdrawal transactions to be performed by the borrower during the term. We ceased originating new Green Loans in 2011; however, existing Green Loan borrowers are entitled to continue to draw on their Green Loans. At December 31, 2015, the balance of Green Loans in our portfolio totaled $109.8 million, or 2.1 percent of our total loans and leases held-for-investment.

In 2011, we implemented an information reporting system which allowed us to capture more detailed information than was previously possible, including transaction level data concerning our Green Loans. Although such transaction level data would have enabled us to more closely monitor trends in the credit quality of our Green Loans, we do not possess the enhanced transaction level data relating to the Green Loans for periods prior to the implementation of those enhanced systems. Although we do not believe that the absence of such historical data itself represents a material impediment to our current mechanisms for monitoring the credit quality of the Green Loans, until we compile sufficient transaction level data going forward we are limited in our ability to use historical information to monitor trends in the portfolio that might assist us in anticipating credit problems. Green Loans expose us to greater credit risk than other residential mortgage loans because they are non- amortizing and contain large balloon payments upon maturity. Although the loans require the borrower to make monthly interest payments, we are also subject to an increased risk of loss in connection with the Green Loans because payments due under the loans can be made by means of additional advances drawn by the borrower, up to the amount of the credit limit, thereby increasing our overall loss exposure due to negative amortization. The balloon payment due on maturity may require the borrower to either sell or refinance the underlying property in order to make the payment, which may increase the risk of default or non-payment. Our ability to take remedial actions in response to these additional risks of loss is limited by the terms and conditions of the Green Loans and our alternatives consist primarily of the ability to curtail additional borrowing when we determine that either the collateral value of the underlying real property or the credit worthiness of the borrower no longer supports the level of credit originally extended. Additionally, many of our Green Loans have larger balances than traditional residential mortgage loans, and accordingly, if the loans go into default either during

the draw period or at maturity, any resulting charge-offs may be larger on a per loan basis than those incurred with traditional residential loans.

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If our investments in other real estate owned are not properly valued or sufficiently reserved to cover actual losses, or if we are required to increase our valuation reserves, our earnings could be reduced.

We obtain updated valuations in the form of appraisals and broker price opinions when a loan has been foreclosed upon and the property is taken in as other real estate owned (OREO), and at certain other times during the asset's holding period. Our net book value (NBV) in the loan at the time of foreclosure and thereafter is compared to the updated market value (fair value) of the foreclosed property less estimated selling costs. A charge-off is recorded for any excess in the asset's NBV over its fair value. If our valuation process is incorrect, the fair value of our investments in OREO may not be sufficient to recover our NBV in such assets, resulting in the need for additional write-downs. Additional write-downs to our investments in OREO could have a material adverse effect on our financial condition and results of operations. Our bank regulators periodically review our OREO and may require us to recognize further write-downs. Any increase in our write-downs, as required by such regulator, may have a material adverse effect on our financial condition and results of operations. As of December 31, 2015, we had OREO of $1.1 million.

Our portfolio of "re-performing" loans subjects us to a greater risk of loss.

We have a portfolio of re-performing residential mortgage loans which we purchased in several large trades at a discount to the outstanding principal balance on the loans. These re-performing loans were discounted because either (i) the borrower was delinquent at the time of the loan purchase or had previously been delinquent and had become current prior to our purchase of the loan, or (ii) because the loan had been modified from its original terms. We purchased the loans because we believe that we can successfully service the loans and have the borrowers consistently meet their obligations under the loan, which will increase the value of the loans. However, re-performing loans expose us to greater credit risk than other residential mortgage loans because they have a higher risk of delinquency, default and foreclosure than other residential mortgage loans and may result in higher levels of realized losses. In addition, a majority of the loans in this portfolio were purchased by us in 2015 and, consequently, were made to borrowers who are new to us.

Repayment of our commercial and industrial loans is often dependent on the cash flows of the borrower, which may be unpredictable, and the collateral securing these loans may not be sufficient to repay the loan in the event of default.

We make our commercial and industrial loans primarily based on the identified cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. Collateral securing commercial and industrial loans may depreciate over time, be difficult to appraise and fluctuate in value. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect the amounts due from its customers. As of December 31, 2015, our commercial and industrial loans totaled $877.0 million, or 16.9 percent of our total loans and leases held-for-investment.

We are exposed to risk of environmental liabilities with respect to real properties which we may acquire.

In recent years, due to weakness of the U.S. economy and, more specifically, the California economy, including higher levels of unemployment than the nationwide average and declines in real estate values, many borrowers have been unable to meet their loan repayment obligations and, as a result, we have had to initiate foreclosure proceedings with respect to and take title to an increased number of real properties that had collateralized their loans. As an owner of such properties, we could become subject to environmental liabilities and incur substantial costs for any property damage, personal injury, investigation and clean-up that may be required due to any environmental contamination that may be found to exist at any of those properties, even though we did not engage in the activities that led to such contamination. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties seeking damages for environmental contamination emanating from the site. If we were to become subject to significant environmental liabilities or costs, our business, financial condition, results of operations and prospects could be adversely affected.

The expansion of our single family residential mortgage loan originations could adversely affect our business, financial condition and results of operations.

A significant portion of our loan originations business consists of providing purchase money loans to homebuyers and refinancing existing loans. The origination of purchase money mortgage loans is greatly influenced by independent third parties involved in the home buying process, such as realtors and builders. As a result, our ability to secure relationships with such independent third parties will affect our ability to grow our purchase money mortgage loan

volume and, thus, our loan originations business. Our retail branches and retail call center also originate refinancings of existing mortgage loans, which are very sensitive to increases in interest rates, and may decrease significantly if interest rates rise.

Our wholesale originations business operates largely through third party mortgage brokers who are not contractually obligated to do business with us. Further, our competitors also have relationships with our brokers and actively compete with us in our

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efforts to expand our broker networks. Accordingly, we may not be successful in maintaining our existing relationships or expanding our broker networks.

We have made substantial investments to grow our residential mortgage lending business in recent quarters, including adding experienced mortgage loan officers and administrators and management, leasing additional space at our headquarters, opening additional loan production offices, and investing in technology. Our residential mortgage lending business may not generate sufficient revenues to enable us to recover our substantial investment in our residential mortgage lending business, or may not grow sufficiently to contribute to earnings in relation to our investment. Moreover, we may be unable to sell the mortgage loans we originate into the secondary mortgage market at a profit due to changes in interest rates or a reduction in the demand for mortgage loans in the secondary mortgage market. Accordingly, our investment in and expansion of our residential mortgage lending business could adversely affect our business, financial condition and results of operations.

An increase in interest rates, change in the programs offered by governmental sponsored entities (GSEs) or our ability to qualify for such programs may reduce our mortgage revenues, which would negatively impact our non-interest income.

Our mortgage banking operations provide a significant portion of our non-interest income. We generate mortgage revenues primarily from gains on the sale of single-family residential loans pursuant to programs currently offered by Fannie Mae, Freddie Mac, Ginnie Mae and other investors. These entities account for a substantial portion of the secondary market in residential mortgage loans. Any future changes in these programs, our eligibility to participate in such programs, the criteria for loans to be accepted or laws that significantly affect the activity of such entities could, in turn, materially adversely affect our results of operations. Further, in a rising or higher interest rate environment, our originations of mortgage loans may decrease, resulting in fewer loans that are available to be sold to investors. This would result in a decrease in mortgage revenues and a corresponding decrease in non-interest income. In addition, our results of operations are affected by the amount of non-interest expense associated with mortgage banking activities, such as salaries and employee benefits, occupancy, equipment and data processing expense and other operating costs. During periods of reduced loan demand, our results of operations may be adversely affected to the extent that we are unable to reduce expenses commensurate with the decline in loan originations.

Secondary mortgage market conditions could have a material adverse impact on our financial condition and earnings.

In addition to being affected by interest rates, the secondary mortgage markets are subject to investor demand for single-family residential loans and mortgage-backed securities and investor yield requirements for those loans and securities. These conditions may fluctuate or even worsen in the future. Our business strategy is to originate conforming conventional and government residential mortgage loans and a portion of our nonconforming jumbo conventional residential mortgage loans for sale in the secondary market. Originating loans for sale enables us to earn revenue from fees and gains on loan sales, while reducing our credit risk on the loans as well as our liquidity requirements. We also can use the loan sale proceeds to generate new loans.

We rely on government sponsored entities- Fannie Mae, Freddie Mac and Ginnie Mae - to purchase residential mortgage loans that meet their loan requirements and on other capital markets investors to purchase a portion of our residential mortgage loans that do not meet those requirements – referred to as “nonconforming” loans. Our ability to sell residential mortgage loans readily also is dependent upon our ability to remain eligible for the programs offered by GSEs and other market participants. Any significant impairment of our eligibility to participate in the programs offered by the GSEs and other market participants could materially and adversely affect us. Further, the criteria for loans to be accepted under such programs may be changed from time-to-time by the sponsoring entity which could result in a lower volume of corresponding loan originations or other administrative costs. Reduced demand in the capital markets could cause us to retain more nonconforming loans. In addition, no assurance can be given that GSEs will not materially limit their purchases of conforming loans, including because of capital constraints, or change their criteria for conforming loans (e.g., maximum loan amount or borrower eligibility). Each of the GSEs is currently in conservatorship, with its primary regulator, the Federal Housing Agency acting as conservator. We cannot predict if, when or how the conservatorship will end, or any associated changes to the GSEs business structure and operations that could result. In addition, there are various proposals to reform the role of the GSEs in the U.S. housing finance market. The extent and timing of any such regulatory reform regarding the housing finance market and the GSEs,

including whether the GSEs will continue to exist in their current form, as well as any effect on the Company’s business and financial results, are uncertain.

Significant changes in the secondary mortgage market or a prolonged period of secondary market illiquidity may reduce our loan production volumes and could have a material adverse impact on our future earnings and financial condition.

In addition, the secondary market demand for nonconforming jumbo loans generally is not as strong as the demand for conventional loans and can be volatile, reducing the demand or pricing for those loans; consequently, we may have a more difficult time selling the nonconforming jumbo loans that we originate.

Changes in interest rates may change the value of our mortgage servicing rights, which may increase the volatility of our earnings.

As a result of our sales of mortgage loans to Fannie Mae, Freddie Mac and Ginnie Mae, we have a growing portfolio of mortgage servicing rights. A mortgage servicing right is the right to service a mortgage loan - collect principal, interest and escrow amounts - for a fee. Our mortgage servicing rights support our mortgage banking strategies and diversify revenue streams from our mortgage banking segment.

We measure and carry all of our residential mortgage servicing rights using the fair value measurement method. Fair value is determined as the present value of estimated future net servicing income, calculated based on a number of variables, including assumptions about the likelihood of prepayment by borrowers.

The primary risk associated with mortgage servicing rights is that in a declining interest rate environment, they will likely lose a substantial portion of their value as a result of higher than anticipated prepayments. Moreover, if prepayments are greater than expected, the cash we receive over the life of the mortgage loans would be reduced. Conversely, these assets generally increase in value in a rising interest rate environment to the extent that prepayments are slower than previously estimated. Although our mortgage servicing rights diversify the revenue streams from our mortgage banking segment, the increasing size of our mortgage servicing rights portfolio may increase our interest rate risk and correspondingly, the volatility of our earnings.

At December 31, 2015 and 2014, our mortgage servicing rights had fair values of $49.9 million and $19.1 million, respectively. Changes in fair value of our mortgage servicing rights are recorded to earnings in each period. Depending on the interest rate environment, it is possible that the fair value of our mortgage servicing rights may be reduced in the future. If such changes in fair value significantly reduce the carrying value of our mortgage servicing rights, our financial condition and results of operations would be negatively affected.

Certain hedging strategies that we use to manage investment in mortgage loans held-for-sale and interest rate lock commitments may be ineffective to offset any adverse changes in the fair value of these assets due to changes in interest rates and market liquidity.

We use derivative instruments to hedge the interest rate risks associated with the fair value of certain mortgage loans held-for-sale and interest rate lock commitments. Our hedging strategies are highly susceptible to basis risk, market volatility and changes in the shape of the yield curve, among other factors. In addition, hedging strategies rely on assumptions and projections regarding assets and general market factors. If these assumptions and projections prove to be incorrect or our hedging strategies do not adequately mitigate the impact of changes in interest rates, we may incur losses that would adversely impact earnings.

Any breach of representations and warranties made by us to our residential mortgage loan purchasers or credit default on our loan sales may require us to repurchase residential mortgage loans we have sold.

We sell a majority of the residential mortgage loans we originate in the secondary market pursuant to agreements that generally require us to repurchase loans in the event of a breach of a representation or warranty made by us to the loan purchaser. Any fraud or misrepresentation during the mortgage loan origination process, whether by us, the borrower, mortgage broker, or other party in the transaction, or, in some cases, upon any early payment default on such mortgage loans, may require us to repurchase such loans.

We believe that, as a result of the increased defaults and foreclosures during the past several years resulting in increased demand for repurchases and indemnification in the secondary market, many purchasers of residential mortgage loans are particularly aware of the conditions under which originators must indemnify or repurchase loans and would benefit from enforcing any repurchase remedies they may have. We recognize our exposure to repurchases under our representations and warranties could include the current unpaid balance of all loans we have sold. During the years ended December 31, 2015, 2014 and 2013, we sold residential mortgage loans aggregating $4.30 billion, $2.75 billion and $1.86 billion, respectively.

To recognize the potential loan repurchase or indemnification losses, we recorded a total reserve of $9.7 million at December 31, 2015. Increases to this reserve reduce mortgage banking revenue. The determination of the appropriate

level of the reserve inherently involves a high degree of subjectivity and requires us to make estimates of repurchase and indemnification risks and expected losses. The estimates used could be inaccurate, resulting in a level of reserve that is less than actual losses.

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Deterioration in the economy, an increase in interest rates or a decrease in home values could increase customer defaults on loans that were sold and increase demand for repurchases and indemnification and increase our losses from loan repurchases and indemnification. If we are required to indemnify loan purchasers or repurchase loans and incur losses that exceed our reserve, this could adversely affect our business, financial condition and results of operations. In addition, any claims asserted against us in the future by loan purchasers may result in liabilities or legal expenses that could have a material adverse effect on our results of operations and financial condition.

We may not be able to maintain a strong core deposit base or other low-cost funding sources.

We expect to depend on checking, savings and money market deposit account balances and other forms of deposits as the primary source of funding for our lending activities. Our future growth will largely depend on our ability to maintain a strong core deposit base, to provide a less costly and more stable source of funding. It may prove difficult to maintain our core deposit base. In addition, an increasingly important source of deposits for the Bank is the Financial Institutions Banking business unit. While deposits from the Financial Institutions Banking business unit are expected to remain at the Bank for an extended period of time, escrow triggers associated with its EB-5 escrow product may vary and can be directly influenced by the time associated with adjudication of the investor's immigration petition. For more information, about this escrow product see "Non-compliance with the Patriot Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions or operating restrictions." While the Financial Institutions Banking business unit mitigates this risk by opening post-escrow deposit accounts to continue to hold funds, there is no assurance that these deposits will remain. Further, there may be competitive pressures to pay higher interest rates on deposits, which would increase our funding costs. If deposit clients move money out of bank deposits and into other investments (or into similar products at other institutions that may provide a higher rate of return), we could lose a relatively low cost source of funds, increasing our funding costs and reducing our net interest income and net income. Additionally, any such loss of funds could result in reduced loan originations, which could materially negatively impact our growth strategy and results of operations.

Other-than-temporary impairment charges in our investment securities portfolio could result in losses and adversely affect our continuing operations.

The size of our investment securities portfolio has increased significantly during the past year. As of December 31, 2015, we had $833.6 million of securities classified as available-for-sale and $962.2 million of securities classified as held-to-maturity, as compared with $345.7 million of securities classified as available-for-sale and no securities classified as held to maturity as of December 31, 2014.

As of December 31, 2015, investment securities available-for-sale that were in a loss position had a total fair value of $705.4 million with unrealized losses of $5.4 million. They consisted of agency mortgage-backed securities of $606.6 million with unrealized losses of $4.6 million, corporate bonds of $26.2 million with unrealized losses of $505 thousand, collateralized loan obligation of $72.2 million with unrealized losses of $282 thousand, and private label residential mortgage-backed securities of $403 thousand with unrealized losses of $1 thousand.

As of December 31, 2015, investment securities held-to-maturity that were in a loss position had a total fair value of $878.9 million with unrealized losses of $30.2 million. They also included corporate bonds of $190.3 million with unrealized losses of $20.9 million, collateralized loan obligation of $411.2 million with unrealized loss of $5.1 million, and commercial mortgage-backed securities of $277.4 million with unrealized losses of $4.2 million.

As of December 31, 2014, investment securities available-for-sale were in a loss position had a fair value of $92.1 million and aggregate unrealized losses of $618 thousand.

The Company monitors to ensure it has adequate credit support and, as of December 31, 2015, the Company believes there is no other than temporary impairment (OTTI) and did not have the intent to sell any of its securities in an unrealized loss position and it is likely that it will not be required to sell the securities before their anticipated recovery. The portfolio is evaluated using either OTTI guidance provided by FASB Accounting Standards Codification (ASC) 320, Investments-Debt and Equity Securities, or ASC 325, Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests that Continue to be Held by a Transfer in Securitized Financial Assets. Investment securities classified as available-for-sale or held-to-maturity are generally evaluated for OTTI under ASC 320. However, certain purchased beneficial interests, including non-agency mortgage-backed securities, asset-backed securities, and collateralized debt obligations, that had credit ratings at the

time of purchase below AA are evaluated using the model outlined in ASC 325. The non-agency residential mortgage-backed securities, commercial mortgage-backed securities and collateralized loan obligations in the Company's portfolio referenced above were rated AA or above at purchase and are not within the scope of ASC 325. For more information about ASC 320 and ASC 325, see Note 1 of the Notes to Consolidated Financial Statements in Item 8.

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We closely monitor our investment securities for changes in credit risk. The valuation of our investment securities also is influenced by external market and other factors, including implementation of SEC and FASB guidance on fair value accounting. Accordingly, if market conditions deteriorate further and we determine our holdings of other investment securities are OTTI, our future earnings, stockholders' equity, regulatory capital and continuing operations could be materially adversely affected.

Our business is subject to interest rate risk and variations in interest rates may hurt our profits.

To be profitable, we have to earn more money in interest that we receive on loans and investments than we pay to our depositors and lenders in interest. If interest rates rise, our net interest income and the value of our assets could be reduced if interest paid on interest-bearing liabilities, such as deposits and borrowings, increases more quickly than interest received on interest-earning assets, such as loans, other mortgage-related investments and investment securities. This is most likely to occur if short-term interest rates increase at a faster rate than long-term interest rates, which would cause our net interest income to go down. In addition, rising interest rates may hurt our income, because that may reduce the demand for loans and the value of our securities. In a rapidly changing interest rate environment, we may not be able to manage our interest rate risk effectively, which would adversely impact our financial condition and results of operations.

We face significant operational risks.

We operate many different financial service functions and rely on the ability of our employees, third-party vendors and systems to process a significant number of transactions. Operational risk is the risk of loss from operations, including fraud by employees or outside persons, employees' execution of incorrect or unauthorized transactions, data processing and technology errors or hacking and breaches of internal control systems.

Our enterprise risk management framework may not be effective in mitigating risk and reducing the potential for losses.

Our enterprise risk management framework seeks to mitigate risk and loss to us. We have established comprehensive policies and procedures and an internal control framework designed to provide a sound operational environment for the types of risk to which we are subject, including credit risk, market risk (interest rate and price risks), liquidity risk, operational risk, compliance risk, strategic risk, and reputational risk. However, as with any risk management framework, there are inherent limitations to our current and future risk management strategies, including risks that we have not appropriately anticipated or identified. In certain instances, we rely on models to measure, monitor and predict risks. However, these models are inherently limited because they involve techniques, including the use of historical data in some circumstances, and judgments that cannot anticipate every economic and financial outcome in the markets in which we operate, nor can they anticipate the specifics and timing of such outcomes. There is no assurance that these models will appropriately capture all relevant risks or accurately predict future events or exposures. Accurate and timely enterprise-wide risk information is necessary to enhance management's decision-making in times of crisis. If our enterprise risk management framework proves ineffective or if our enterprise-wide management information is incomplete or inaccurate, we could suffer unexpected losses, which could materially adversely affect our results of operations or financial condition.

In addition, our businesses and the markets in which we operate are continuously evolving. We may fail to fully understand the implications of changes in our businesses or the financial markets or fail to adequately or timely enhance our enterprise risk framework to address those changes. If our enterprise risk framework is ineffective, either because it fails to keep pace with changes in the financial markets, regulatory requirements, our businesses, our counterparties, clients or service providers or for other reasons, we could incur losses, suffer reputational damage or find ourselves out of compliance with applicable regulatory or contractual mandates.

An important aspect of our enterprise risk management framework is creating a risk culture in which all employees fully understand that there is risk in every aspect of our business and the importance of managing risk as it relates to their job functions. We continue to enhance our enterprise risk management program to support our risk culture, ensuring that it is sustainable and appropriate to our role as a major financial institution. Nonetheless, if we fail to create the appropriate environment that sensitizes all of our employees to managing risk, our business could be adversely impacted. For more information on our risk management framework, see "Lending Activities - Governance" in Item 1.

Managing reputational risk is important to attracting and maintaining customers, investors and employees. Threats to our reputation can come from many sources, including adverse sentiment about financial institutions generally, unethical practices, employee misconduct, failure to deliver minimum standards of service or quality, compliance deficiencies and questionable or fraudulent activities of our customers. We have policies and procedures in place to promote ethical conduct and protect our reputation. However, these policies and procedures may not be fully effective. Negative publicity regarding our

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business, employees, or customers, with or without merit, may result in the loss of customers, investors and employees, costly litigation, a decline in revenues and increased governmental oversight.

Liquidity risk could impair our ability to fund operations and jeopardize our financial condition.

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities or on terms that are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy in general. Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity as a result of a downturn in the markets in which our loans are concentrated or adverse regulatory action against us. Our ability to borrow could also be impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial services industry.

The held-for-sale loan balance in our mortgage banking business represents mortgage loans that are in the process of being sold to various investors. Loan balances steadily accumulate and then decrease at the time of sale. We fund these balances through short term funding, primarily through FHLB advances, which require collateral. In the event we experience a significant increase in our held-for-sale loan balances, our liquidity could be negatively impacted as we increase our short term borrowings and therefore our required collateral. Although we have access to other sources of contingent liquidity, we could be materially and adversely affected if we fail to effectively manage this risk.

We depend on our key employees.

Our future prospects are and will remain highly dependent on our directors and executive officers. Our success will, to some extent, depend on the continued service of our directors and continued employment of the executive officers. The unexpected loss of the services of any of these individuals could have a detrimental effect on our business. Although we have entered into employment agreements with members of our senior management team, no assurance can be given that these individuals will continue to be employed by us. The loss of any of these individuals could negatively affect our ability to achieve our growth strategy and could have a material adverse effect on our results of operations and financial condition.

We currently hold a significant amount of bank-owned life insurance.

At December 31, 2015, we held $100.2 million of bank-owned life insurance (BOLI) on certain key and former employees and executives, with a cash surrender value of $100.2 million, as compared with $19.1 million of BOLI, with a cash surrender value of $19.1 million, at December 31, 2014. The eventual repayment of the cash surrender value is subject to the ability of the various insurance companies to pay death benefits or to return the cash surrender value to us if needed for liquidity purposes. We continually monitor the financial strength of the various companies with whom we carry these policies. However, any one of these companies could experience a decline in financial strength, which could impair its ability to pay benefits or return our cash surrender value. If we need to liquidate these policies for liquidity purposes, we would be subject to taxation on the increase in cash surrender value and penalties for early termination, both of which would adversely impact earnings.

If our investment in the Federal Home Loan Bank of San Francisco becomes impaired, our earnings and stockholders' equity could decrease.

At December 31, 2015, we owned $39.2 million in FHLB stock. We are required to own this stock to be a member of and to obtain advances from our FHLB. This stock is not marketable and can only be redeemed by our FHLB. Our FHLB's financial condition is linked, in part, to the eleven other members of the FHLB System and to accounting rules and asset quality risks that could materially lower their capital, which would cause our FHLB stock to be deemed impaired, resulting in a decrease in our earnings and assets.

We rely on numerous external vendors.

We rely on numerous external vendors to provide us with products and services necessary to maintain our day-to-day operations. Accordingly, our operations are exposed to risk that these vendors will not perform in accordance with the contracted arrangements under service level agreements. The failure of an external vendor to perform in accordance with the contracted arrangements under service level agreements because of changes in the vendor's organizational structure, financial condition, support for existing products and services or strategic focus or for any other reason, could be disruptive to our operations, which in turn could have a material negative impact on our financial condition

and results of operations. We also could be adversely affected to the extent such an agreement is not renewed by the third party vendor or is renewed on terms less favorable to us.

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We are subject to certain risks in connection with our use of technology.

Our security measures may not be sufficient to mitigate the risk of a cyber attack or cyber theft.

Communications and information systems are essential to the conduct of our business, as we use such systems to manage our customer relationships, our general ledger and virtually all other aspects of our business. Our operations rely on the secure processing, storage, and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, the security of our computer systems, software, and networks may be vulnerable to breaches, unauthorized access, misuse, computer viruses, or other malicious code and cyber attacks that could have a security impact. If one or more of these events occur, this could jeopardize our or our customers' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations or the operations of our customers or counterparties. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us. We could also suffer significant reputational damage.

Security breaches in our internet banking activities could further expose us to possible liability and damage our reputation. Any compromise of our security also could deter customers from using our internet banking services that involve the transmission of confidential information. We rely on standard internet security systems to provide the security and authentication necessary to effect secure transmission of data. These precautions may not protect our systems from compromises or breaches of our security measures, which could result in significant legal liability and significant damage to our reputation and our business.

Our security measures may not protect us from systems failures or interruptions.

While we have established policies and procedures to prevent or limit the impact of systems failures and interruptions, there can be no assurance that such events will not occur or that they will be adequately addressed if they do. In addition, we outsource certain aspects of our data processing and other operational functions to certain third-party providers. If our third-party providers encounter difficulties, or if we have difficulty in communicating with them, our ability to adequately process and account for transactions could be affected, and our business operations could be adversely impacted. Threats to information security also exist in the processing of customer information through various other vendors and their personnel.

The occurrence of any systems failure or interruption could damage our reputation and result in a loss of customers and business, could subject us to additional regulatory scrutiny, or could expose us to legal liability. Any of these occurrences could have a material adverse effect on our financial condition and results of operations.

We rely on communications, information, operating and financial control systems technology from third-party service providers, and we may suffer an interruption in those systems.

We rely heavily on third-party service providers for much of our communications, information, operating and financial control systems technology, including our online banking services and data processing systems. Any failure or interruption, or breaches in security, of these systems could result in failures or interruptions in our customer relationship management, general ledger, deposit, servicing and/or loan origination systems and, therefore, could harm our business, operating results and financial condition. Additionally, interruptions in service and security breaches could lead existing customers to terminate their banking relationships with us and could make it more difficult for us to attract new banking customers.

We operate in a highly regulated environment and our operations and income may be affected adversely by changes in laws, rules and regulations governing our operations.

We are subject to extensive regulation and supervision by the Federal Reserve Board, the OCC and the FDIC. The Federal Reserve Board regulates the supply of money and credit in the United States. Its fiscal and monetary policies determine in a large part our cost of funds for lending and investing and the return that can be earned on those loans and investments, both of which affect our net interest margin. Federal Reserve Board policies can also materially affect the value of financial instruments that we hold, such as debt securities, certain mortgage loans held-for-sale and mortgage servicing rights (MSRs). Its policies also can affect our borrowers, potentially increasing the risk that they may fail to repay their loans or satisfy their obligations to us. Changes in policies of the Federal Reserve Board are

beyond our control and the impact of changes in those policies on our activities and results of operations can be difficult to predict.
The Company and the Bank are heavily regulated. This regulation is to protect depositors, federal deposit insurance funds and the banking system as a whole, and not stockholders. These regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the ability to impose restrictions on a bank's operations, reclassify

assets, determine the adequacy of a bank's allowance for loan and lease losses and determine the level of deposit insurance premiums assessed.

The federal banking regulatory agencies have adopted rules to implement a new global regulatory standard on bank capital adequacy referred to as Basel III, as well as to implement the capital requirements under the Dodd-Frank Act. The new rules increase minimum capital ratios, add a new minimum common equity ratio, add a new capital conservation buffer, and change the risk-weightings of certain assets. The new rules became effective January 1, 2015, with some changes transitioned to full effectiveness over two to four years.

Congress and federal agencies continually review banking laws, regulations and policies for possible changes. Any change in such regulation and oversight, whether in the form of regulatory policy, new regulations or legislation or additional deposit insurance premiums could have a material adverse impact on our operations. Because our business is highly regulated, the laws and applicable regulations are subject to frequent change. Any new laws, rules and regulations could make compliance more difficult or expensive or otherwise adversely affect our business, financial condition or growth prospects. Such changes could subject us to additional costs, limit the types of financial services and products we may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things.

The Dodd-Frank Act and supporting regulations could have a material adverse effect on us.

The Dodd-Frank Act provides for, among other things, new restrictions and an expanded framework of regulatory oversight for financial institutions and their holding companies. These changes may result in additional restrictions on investments and other activities.

Regulations under the Dodd-Frank Act significantly impact our operations, and we expect to continue to face increased regulation. These regulations may affect the manner in which we do business and the products and services that we provide, affect or restrict our ability to compete in our current businesses or our ability to enter into or acquire new businesses, reduce or limit our revenue or impose additional fees, assessments or taxes on us, intensify the regulatory supervision of us and the financial services industry, and adversely affect our business operations. The Dodd-Frank Act, among other things, established a Consumer Financial Protection Bureau (the CFPB) with broad authority to administer and enforce a new federal regulatory framework of consumer financial regulation. Many of the provisions of the Dodd-Frank Act have extended implementation periods and require extensive rulemaking, guidance and interpretation by various regulatory agencies. The Dodd-Frank Act calls for many administrative rulemakings by various federal agencies to implement various parts of the legislation. While some rules have been finalized or issued in proposed form, some have yet to be proposed. It is impossible to predict when all such additional rules will be issued or finalized, and what the content of such rules will be. We will have to apply resources to ensure that we are in compliance with all applicable provisions of the Dodd-Frank Act and any implementing rules, which may increase our costs of operations and adversely impact our earnings. We expect that the Dodd-Frank Act, including current and future rules implementing its provisions and the interpretations of those rules, will reduce our revenues, increase our expenses, require us to change certain of our business practices, increase the regulatory supervision of us, increase our capital requirements and impose additional assessments and costs on us, and otherwise adversely affect our business.

Rulemaking changes implemented by the CFPB in particular are expected to result in higher regulatory and compliance costs that may adversely affect our financial condition and results of operations.

As indicated above, the Dodd-Frank Act created the CFPB, a new, independent federal agency with broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws, including the laws referenced above, fair lending laws and certain other statutes. The CFPB has examination and primary enforcement authority with respect to depository institutions with $10 billion or more in assets, their service providers and certain non-depository entities such as debt collectors and consumer reporting agencies. In the case of banks, such as the Bank, with total assets of less than $10 billion, this examination and enforcement authority is held by the institution's primary federal banking regulator (the OCC, in the case of the Bank).

The CFPB has authority to prevent unfair, deceptive or abusive practices in connection with the offering of consumer financial products. The Dodd-Frank Act authorizes the CFPB to establish certain minimum standards for the origination of residential mortgages including a determination of the borrower's ability to repay. In addition, the Dodd-Frank Act allows borrowers to raise certain defenses to foreclosure if they receive any loan other than a

“qualified mortgage” as defined by the CFPB. The Dodd-Frank Act permits states to adopt consumer protection laws and standards that are more stringent than those adopted at the federal level and, in certain circumstances, permits state attorneys general to enforce compliance with both the state and federal laws and regulations.

The CFPB has finalized a number of significant rules which impact nearly every aspect of the lifecycle of a residential mortgage loan. Among other things, the rules adopted by the CFPB require banks to: (i) develop and implement procedures to

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ensure compliance with an “ability to repay” test and identify whether a loan meets a new definition for a “qualified mortgage,” in which case a rebuttable presumption exists that the creditor extending the loan has satisfied the ability to repay test; (ii) implement new or revised disclosures, policies and procedures for originating and servicing mortgages including, but not limited to, pre-loan counseling, early intervention with delinquent borrowers and specific loss mitigation procedures for loans secured by a borrower's principal residence; (iii) comply with additional restrictions on mortgage loan originator hiring and compensation; (iv) comply with new disclosure requirements and standards for appraisals and certain financial products; and (v) maintain escrow accounts for higher-priced mortgage loans for a longer period of time. The new rules include the TILA-RESPA Integrated Disclosure (TRID) rules. The TRID rules contain new requirements and new disclosure forms that are required to be provided to borrowers.

In order to comply with the CFPB rules, we have made significant changes to our residential mortgage business, including investments in technology, training of our personnel, changes in the loan products we offer, changes in compensation of our loan originators and mortgage brokers that do business with us, and a reduction in fees that we charge, We are continuing to analyze the impact that such rules may have on our business. In addition to the exercise of its rulemaking authority, the CFPB’s supervisory powers entitle the CFPB to examine institutions for violations of consumer lending laws, even in the absence of consumer complaints or damages.

Compliance with the rules and policies adopted by the CFPB has limited the products we may permissibly offer to some or all of our customers, or limit the terms on which those products may be issued, or may adversely affect our ability to conduct our business as previously conducted, including our residential mortgage lending business. We may also be required to add compliance personnel or incur other significant compliance-related expenses. Our business, financial condition, results of operations and/or competitive position may be adversely affected as a result.

The short-term and long-term impact of the changing regulatory capital requirements and new capital rules is uncertain.

In July 2013, the FRB and the other federal bank regulatory agencies issued a final rule to revise their risk-based and leverage capital requirements and their method for calculating risk-weighted assets to make them consistent with Basel III and certain provisions of the Dodd-Frank Act. The final rule applies to all banking organizations. Among other things, the rule establishes a new common equity Tier 1 minimum capital requirement (4.5 percent of risk-weighted assets) and a higher minimum Tier 1 risk-based capital requirement (6.0 percent of risk-weighted assets) and assigns higher risk weightings (150 percent) to exposures that are more than 90 days past due or are on nonaccrual status and certain commercial real estate facilities that finance the acquisition, development or construction of real property. The final rule also limits a banking organization’s capital distributions and certain discretionary bonus payments if the banking organization does not hold a “capital conservation buffer” of 2.5 percent of common equity tier 1 capital to risk-weighted assets, which is in addition to the amount necessary to meet its minimum risk-based capital requirements. The final rule became effective for the Company and the Bank on January 1, 2015. The capital conservation buffer requirement will be phased in beginning January 1, 2016, and ending January 1, 2019, when the full capital conservation buffer requirement will be effective. An institution will be subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations will establish a maximum percentage of eligible retained income that can be utilized for such activities.

While our current capital levels exceed the new capital requirements, our capital levels could decrease in the future as a result of factors such as acquisitions, faster than anticipated growth, reduced earnings levels, operating losses and other factors. The application of more stringent capital requirements for us could, among other things, result in lower returns on equity, require the raising of additional capital, and result in our inability to pay dividends or repurchase shares if we were to be unable to comply with such requirements.

We are subject to federal and state fair lending laws, and failure to comply with these laws could lead to material penalties.

Federal and state fair lending laws and regulations, such as the Equal Credit Opportunity Act and the Fair Housing Act, impose nondiscriminatory lending requirements on financial institutions. The Department of Justice, CFPB and other federal and state agencies are responsible for enforcing these laws and regulations. Private parties may also have the ability to challenge an institution’s performance under fair lending laws in private class action litigation. A

successful challenge to our performance under the fair lending laws and regulations could adversely impact our rating under the CRA and result in a wide variety of sanctions, including the required payment of damages and civil money penalties, injunctive relief, imposition of restrictions on merger and acquisition activity and restrictions on expansion activity, which could negatively impact our reputation, business, financial condition and results of operations.

Non-compliance with the Patriot Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions or operating restrictions.

The Patriot and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U.S. Treasury's Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure to comply with these regulations could result in fines, sanctions or restrictions that could have a material adverse effect on our strategic initiatives. Several banking institutions have received large fines, or suffered limitations on their operations, for non-compliance with these laws and regulations. Although we have developed policies and procedures designed to assist in compliance with these laws and regulations, no assurance can be given that these policies and procedures will be effective in preventing violations of these laws and regulations.

One aspect of our business in particular that we believe presents risks in this particular area is our specialized EB-5 escrow product offered by our Financial Institutions Banking business unit, which is intended to facilitate investment transactions under the EB-5 Immigrant Investor Program, which was created by Congress in 1990 to stimulate the U.S. economy through U.S. job creation and capital investment by non-resident foreign investors. This program, which is administered by the U.S. Citizen and Immigration Services (USCIS), provides non-resident alien investors with a method of obtaining conditional, and ultimately permanent, residence through an investment in a new commercial enterprise in the United States that creates at least ten jobs. Escrowing of investment proceeds is commonly offered to give non-resident alien investors comfort that their investment proceeds are being held by an independent third party pending approval of their EB-5 petition by the USCIS. The Bank began offering EB-5 escrow services in April, 2014 and its market share has steadily increased since that time. The Bank's EB-5 escrow deposits totaled $308.5 million and $51.8 million at December 31, 2015 and 2014, respectively.

Our EB-5 escrow services may pose a higher risk of money laundering or terrorist financing, as escrow arrangements such as these may facilitate a higher degree of anonymity or, in some cases, involve the handling of high volumes of currency. International wire transfers involving non-resident alien investors likewise may subject the Bank to a higher degree of risk and regulatory scrutiny in this area. While the Bank has procedures in place that are designed to specifically address the compliance-related risks of the EB-5 escrow product, no assurance can be given that these procedures will be effective.

Increases in deposit insurance premiums and special FDIC assessments will negatively impact our earnings.

We may pay higher FDIC premiums in the future. The Dodd-Frank Act increased the minimum FDIC deposit insurance reserve ratio from 1.15 percent to 1.35 percent. The FDIC has adopted a plan under which it will meet this ratio by the statutory deadline of December 31, 2020. The Dodd-Frank Act requires the FDIC to offset the effect of the increase in the minimum reserve ratio on institutions with assets less than $10.0 billion. The FDIC has not published a final rule implementing this offset. In addition to the minimum reserve ratio, the FDIC must set a designated reserve ratio. The FDIC has set a designated reserve ratio of 2.0, which exceeds the minimum reserve ratio. As required by the Dodd-Frank Act, the FDIC has adopted final regulations under which insurance premiums are based on an institution's total assets minus its Tier 1 capital instead of its deposits. Although our FDIC insurance premiums were initially reduced by these regulations, it is possible that our future insurance premiums will increase.

Our holding company relies on dividends from the Bank and The Palisades Group for substantially all of its income and the net proceeds of capital raising transactions are currently the primary source of funds for cash dividends to our preferred and common stockholders.

Our primary source of revenue at the holding company level is dividends from the Bank and The Palisades Group and we currently rely on the net proceeds of capital raising transactions as the primary source of funds for cash dividends to our preferred and common stockholders. To the extent we are limited in our ability to raise capital in the future, our ability to pay cash dividends to our stockholders could likewise be limited, especially if we are unable to increase the amount of dividends the Bank pays to us. The OCC regulates and, in some cases, must approve the amounts the Bank pays as dividends to us. If either the Bank or The Palisades Group is unable to pay dividends to us, then we may not be able to service our debt, including our Senior Notes and junior subordinated amortizing notes, pay our other

obligations or pay cash dividends on our preferred and common stock. Our inability to service our debt, pay our other obligations or pay dividends to our stockholders could have a material adverse impact on our financial condition and the value of your investment in our securities.

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We may elect or be compelled to seek additional capital in the future, but that capital may not be available when it is needed.

We are required by federal regulatory authorities to maintain adequate levels of capital to support our operations. At some point, we may need to raise additional capital to support continued growth, both organically and through acquisitions.

Our ability to raise additional capital, if needed, will depend on conditions in the capital markets, economic conditions and a number of other factors, many of which are outside our control, and on our financial performance. Accordingly, we cannot assure you of our ability to raise additional capital if needed or on terms acceptable to us. If we cannot raise additional capital when needed, our ability to further expand our operations through organic growth and acquisitions could be materially impaired and our financial condition and liquidity could be materially and adversely affected.

The Company has a significant deferred tax asset that may or may not be fully realized.

The Company has a significant deferred tax asset (DTA) and cannot assure that it will be fully realized. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between the carrying amounts and the tax basis of assets and liabilities computed using enacted tax rates. If we determine that we will not achieve sufficient future taxable income to realize our net deferred tax asset, we are required under generally accepted accounting principles to establish a full or partial valuation allowance. If we determine that a valuation allowance is necessary, we are required to incur a charge to operations. We regularly assess available positive and negative evidence to determine whether it is more likely than not that our net deferred tax asset will be realized. Realization of a deferred tax asset requires us to apply significant judgment and is inherently speculative because it requires estimates that cannot be made with certainty. At December 31, 2015, the Company had a net DTA of $11.3 million.

We may experience future goodwill impairment.

If our estimates of the fair value of our goodwill change as a result of changes in our business or other factors, we may determine that an impairment charge is necessary. Estimates of fair value are based on a complex model using, among other things, estimated cash flows and industry pricing multiples. The Company tests its goodwill for impairment annually as of August 31 (the Measurement Date). At each Measurement Date, the Company, in accordance with ASC 350-20-35-3, evaluates, based on the weight of evidence, the significance of all qualitative factors to determine whether it is more likely than not that the fair value of each of the reporting units is less than its carrying amount. The assessment of qualitative factors at the most recent Measurement Date (August 31, 2015) indicated that it was not more likely than not that impairment existed; as a result, no further testing was performed. If the fair values of the three reporting units were less than their book value of total common stockholders' equity for an extended period of time, the Company would consider this and other factors, including the anticipated cash flows of each of the reporting units, to determine whether goodwill is impaired. No assurance can be given that the Company will not record an impairment loss on goodwill in the future and any such impairment loss could have a material adverse effect on our results of operations and financial condition.

Changes in accounting standards may affect our performance.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time there are changes in the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be difficult to predict and can materially impact how we report and record our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in a retrospective adjustment to prior financial statements.

New lines of business, new products and services, or strategic project initiatives may subject us to additional risks.

From time to time, we may seek to implement new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and/or new products and services, we may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved, and price and profitability targets may not prove feasible, which could in turn have a material negative effect on our operating results. New lines of business and/or new products or services also could subject us to additional regulatory requirements, increased scrutiny by our regulators and other legal risks.

Additionally from time to time we undertake strategic project initiatives. Significant effort and resources are necessary to manage and oversee the successful completion of these initiatives. These initiatives often place significant demands on a limited number of employees with subject matter expertise and management and may involve significant costs to implement as well as

increase operational risk as employees learn to process transactions under new systems. The failure to properly execute on these strategic initiatives could adversely impact our business and results of operations.

Strong competition within our market areas may limit our growth and profitability.

Competition in the banking and financial services industry is intense. In our market areas, we compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, and brokerage and investment banking firms operating locally and elsewhere. Many of these competitors have substantially greater name recognition, resources and lending limits than we do and may offer certain services or prices for services that we do not or cannot provide. Our profitability depends upon our continued ability to successfully compete in our markets. In addition, our future success will depend, in part, upon our ability to address the needs of our clients by using technology to provide products and services that will satisfy client demands for convenience, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our clients.

Anti-takeover provisions could negatively impact our stockholders.

Provisions in our charter and bylaws, the corporate law of the State of Maryland and federal regulations could delay, defer or prevent a third party from acquiring us, despite the possible benefit to our stockholders, or otherwise adversely affect the market price of any class of our equity securities. These provisions include: a prohibition on voting shares of common stock beneficially owned in excess of 10 percent of total shares outstanding, supermajority voting requirements for certain business combinations with any person who beneficially owns more than 10 percent of our outstanding common stock; the election of directors to staggered terms of three years; advance notice requirements for nominations for election to our Board of Directors and for proposing matters that stockholders may act on at stockholder meetings, a requirement that only directors may fill a vacancy in our Board of Directors, supermajority voting requirements to remove any of our directors and the other provisions of our charter. Our charter also authorizes our Board of Directors to issue preferred stock, and preferred stock could be issued as a defensive measure in response to a takeover proposal. In addition, pursuant to federal banking regulations, as a general matter, no person or company, acting individually or in concert with others, may acquire more than 10 percent of our common stock without prior approval from the our federal banking regulator.

These provisions may discourage potential takeover attempts, discourage bids for our common stock at a premium over market price or adversely affect the market price of, and the voting and other rights of the holders of, our common stock. These provisions could also discourage proxy contests and make it more difficult for holders of our common stock to elect directors other than the candidates nominated by our Board of Directors.

We may not be able to generate sufficient cash to service our debt obligations, including our obligations under the Senior Notes and junior subordinated amortizing notes.

Our ability to make payments on and to refinance our indebtedness, including the Senior Notes and junior subordinated amortizing notes, will depend on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the Senior Notes and junior subordinated amortizing notes.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be unable to provide new loans, other products or to fund our obligations to existing customers and otherwise implement our business plans, or to sell assets, seek additional capital or restructure or refinance our indebtedness, including the Senior Notes and junior subordinated amortizing notes. As a result, we may be unable to meet our scheduled debt service obligations. In the absence of sufficient operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions of assets or to obtain the proceeds that we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due.

Our debt level may harm our financial condition and results of operations.

As of December 31, 2015, we had $930.0 million of FHLB advances, $254.3 million in Senior Notes and $7.5 million in junior subordinated amortizing notes. We also had 197,250 shares of preferred stock issued and outstanding with a liquidation preference of $1,000 per share. Subsequent to December 31, 2015, in connection with an underwritten public offering of related depositary shares, we issued an additional 125,000 shares of preferred stock, with a liquidation preference of $1,000 per share (with the possibility that an additional 18,750 shares of such preferred stock will be issued if the underwriters of the offering of

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related depositary shares exercise their overallotment option). See Note 26 of the Notes to Consolidated Financial Statements in Item 8 for additional information. Our level of indebtedness could have important consequences to you, because:

- It could affect our ability to satisfy our financial obligations, including those relating to the Senior Notes and junior subordinated amortizing notes;
- A portion of our cash flows from operations will have to be dedicated to interest and principal payments and may not be available for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;
- It may impair our ability to obtain additional financing in the future;
- It may limit our flexibility in planning for, or reacting to, changes in our business and industry; and
- It may make us more vulnerable to downturns in our business, our industry or the economy in general.

Our business could be negatively affected as a result of actions of activist stockholders.

Campaigns by stockholders to effect changes at publicly traded companies are sometimes led by investors seeking to increase short-term stockholder value through various corporate actions. We have had activist investors acquire ownership positions in our common stock and initiate communications with us or others in order to pursue action we believe is designed to benefit them in a manner that may come at our expense or be to the detriment of other stockholders. Responding to actions by activist stockholders can disrupt our operations, adversely affect our profitability or business prospects, and divert the attention of management and our employees from executing our strategic plan discussed under “Item 1. Business-Strategy.” Any perceived uncertainties as to our future direction or strategy arising from activist stockholder initiatives could also cause increased reputational, operational, financial, regulatory and other risks, harm our ability to raise new capital, or adversely affect the market price or increase the volatility of our securities.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

As of December 31, 2015, the Company conducts its operations from its main and executive offices at 18500 Von Karman Avenue, Suite 1100, Irvine, California, 35 branch offices in Los Angeles, Orange, San Diego, Santa Barbara counties, and 68 loan production offices in California, Arizona, Oregon, Virginia, Indiana, Colorado, Idaho, and Nevada. See further discussion in Note 6 of the Notes to Consolidated Financial Statements in Item 8.

Item 3. Legal Proceedings

From time to time we are involved as plaintiff or defendant in various legal actions arising in the normal course of business. We do not anticipate incurring any material liability as a result of such currently pending litigation.

On December 14, 2011, CMG Financial Services, Inc. (CMG) initiated a patent lawsuit against the Bank’s predecessor in the United States District Court for the Central District of California (the Court) alleging infringement of U.S. Patent No. 7,627,509 (the 509 Patent). The 509 Patent relates to the origination and servicing of loans with characteristics similar to the Bank’s Green Accounts, a product that the Bank no longer originates. On September 19, 2014, the Court entered final judgment in favor of the Bank, declaring CMG’s patent invalid and dismissing the suit against the Bank, with prejudice. On September 25, 2014, CMG filed a notice of appeal of the final judgment with the U.S. Court of Appeals for the Federal Circuit. After oral argument before a three judge panel for the Federal Circuit, the judgment in favor of the Bank was affirmed by the U.S. Court of Appeals on September 15, 2015. CMG failed to file a petition for a writ of certiorari with the United States Supreme Court to seek review of the U.S. Court of Appeal’s decision within the prescribed time period and the Company therefore considers this matter to have been fully resolved in the Company’s favor.

Item 4. Mine Safety Disclosures

Not applicable

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PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company’s voting common stock (symbol BANC) has been listed on the NYSE since May 29, 2014 and prior to that date was listed on the NASDAQ Global Market. The Company’s Class B non-voting common stock is not listed or traded on any national securities exchange or automated quotation system, and there currently is no established trading market for such stock. The approximate number of holders of record of the Company’s voting common stock as of December 31, 2015 was 1,497. Certain shares are held in “nominee” or “street” name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number. There was one holder of record of the Company’s Class B non-voting common stock as of December 31, 2015. At December 31, 2015 there were 39,601,290 shares and 38,002,267 shares of voting common stock issued and outstanding, respectively, and 37,355 shares of Class B non-voting common stock issued and outstanding. The following table presents quarterly market price information for the Company’s voting common stock and quarterly per share cash dividend information for the Company's voting common stock and Class B non-voting common stock for the years ended December 31, 2015 and 2014. The per share cash dividends paid to holders of the Company's voting common stock and Class B non-voting common stock are identical.

	Market Price Range		
	High	Low	Dividends
Quarter ended December 31, 2015	$15.23	$12.12	$0.12
Quarter ended September 30, 2015	$14.08	$11.78	$0.12
Quarter ended June 30, 2015	$14.20	$12.19	$0.12
Quarter ended March 31, 2015	$12.31	$10.25	$0.12
Total			$0.48
Quarter ended December 31, 2014	$11.85	$10.47	$0.12
Quarter ended September 30, 2014	$12.28	$10.64	$0.12
Quarter ended June 30, 2014	$12.71	$9.78	$0.12
Quarter ended March 31, 2014	$13.84	$12.00	$0.12
Total			$0.48

Dividend Policy

The timing and amount of cash dividends paid to the Company’s preferred and common stockholders depends on the Company’s earnings, capital requirements, financial condition and other relevant factors. The Company’s primary source of revenue at the holding company level is dividends from the Bank and The Palisades Group and the Company currently relies on the net proceeds of capital raising transactions as the primary source of funds for cash dividends to its preferred and common stockholders. To the extent the Company is limited in its ability to raise capital in the future, its ability to pay cash dividends to its stockholders could likewise be limited, especially if it is unable to increase the amount of dividends the Bank pays to the Company. See “Item 1A. Risk Factors - Our holding company relies on dividends from the Bank and The Palisades Group for substantially all of its income and the net proceeds of capital raising transactions are currently the primary source of funds for cash dividends to our preferred and common stockholders.” The Palisades Group paid dividends of $8.5 million to Banc of California, Inc. during the year ended December 31, 2015 and the Bank paid no dividends to Banc of California, Inc. during the year ended December 31, 2015. For a description of the regulatory restriction on the ability of the Bank to pay dividends to Banc of California, Inc., and on the ability of Banc of California, Inc. to pay dividends to its stockholders, see “Regulation and Supervision” in Item 1.

As of December 31, 2015, the Company had 197,250 shares of preferred stock issued and outstanding, consisting of 32,000 shares of Senior Non-Cumulative Perpetual Preferred Stock, Series A, liquidation amount $1,000 per share (Series A Preferred Stock), 10,000 shares of Non-Cumulative Perpetual Preferred Stock, Series B, liquidation amount $1,000 per share (Series B Preferred Stock), 40,250 shares of 8.00 percent Non-Cumulative Perpetual Preferred Stock,

Series C, liquidation amount $1,000 per share (Series C Preferred Stock), 115,000 shares of 7.375 percent Non-Cumulative Perpetual Preferred Stock, Series D, liquidation amount $1,000 per share (Series D Preferred Stock). Subsequent to December 31, 2015, the aggregate shares of preferred stock outstanding increased to 322,250 shares following the issuance and sale on February 8, 2016 of 125,000 shares of 7.00 percent Non-Cumulative Perpetual Preferred Stock, Series E, liquidation amount $1,000 per share (Series E Preferred Stock and together with the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, and Series D

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Preferred Stock, the Preferred Stock), in connection with an underwritten public offering of depositary shares, each representing a 1/40th interest in a share of Series E Preferred Stock. If the underwriters of that offering exercise their 30-day overallotment option in full, an additional 18,750 shares of Series E Preferred Stock will be issued and sold. See Note 26 of the Notes to Consolidated Financial Statements in Item 8 for additional information. Each series of the Preferred Stock ranks equally (pari passu) with each other series of the Preferred Stock and senior to our common stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of Banc of California, Inc.

Issuer Purchases of Equity Securities

The following table presents information for the three months ended December 31, 2015 with respect to repurchases by the Company of its common stock:

	Purchases of Equity Securities by the Issuer			
Period	Total Number of Shares Purchased	Weighted Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Total Number of Shares That May Yet be Purchased Under the Plan
From October 1, 2015 to October 31, 2015	—	$—	—	—
From November 1, 2015 to November 30, 2015	—	$—	—	—
From December 1, 2015 to December 31, 2015	—	$—	—	—
Total	—	$—	—	

During the three months ended December 31, 2015, the Company did not have any stock buyback program in place. The Company has a practice of buying back stock for tax purposes pertaining to employee benefit plans, and does not count these purchases toward the allotment of the shares. The Company did not purchase any shares during the three months ended December 31, 2015 related to tax liability sales for employee stock benefit plans.

Issuance of Shares Related to CS Financial Acquisition

Effective October 31, 2013, the Company acquired CS Financial, a California corporation and Southern California-based mortgage banking firm controlled by former Company director and current Bank executive Jeffrey T. Seabold and in which certain relatives and entities affiliated with the Company’s Chairman and Chief Executive Officer Steven A. Sugarman also owned certain minority, non-controlling interests. As part of the acquisition consideration, upon achievement of certain performance targets by the Bank’s lending activities following the acquisition of CS Financial, the Company is obligated to issue up to 92,781 shares (Performance Shares). On November 2, 2015, the Company issued an aggregate of 30,925 of the Performance Shares. The issuance and sale of the 30,925 shares was exempt from registration under the Securities Act of 1933, as amended (the Securities Act), pursuant to Section 4(a)(2) of the Securities Act as a transaction not involving any public offering. For additional information regarding this transaction and the individuals who received the 30,925 Performance Shares on November 2, 2015, see Note 25 of the Notes to Consolidated Financial Statements in Item 8.

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Stock Performance Graph

The following graph and related discussion are being furnished solely to accompany this Annual Report on Form 10-K pursuant to Item 201(e) of Regulation S-K and shall not be deemed to be "soliciting materials" or to be "filed" with the SEC (other than as provided in Item 201) nor shall this information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language contained therein, except to the extent that the Company specifically incorporates it by reference into a filing.

The following graph shows a comparison of stockholder return on Banc of California, Inc.'s voting common stock with the cumulative total returns for: (i) the NYSE Composite Index; (ii) the Standard and Poor's (S&P) 500 Financials Index; and (iii) the KBW Bank Index. The graph assumes an initial investment of $100 and reinvestment of dividends. The graph is historical only and may not be indicative of possible future performance.

	Period Ending					
Index	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Banc of California, Inc.	100.00	79.88	99.58	112.96	100.64	133.13
NYSE Composite	100.00	93.89	106.02	130.59	136.10	127.37
S&P 500 Financials	100.00	82.94	106.84	144.91	166.93	164.39
KBW Bank Index	100.00	75.43	98.22	132.66	142.23	139.97

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Annual Rate of Stockholders Return

The following graph shows a comparison of stockholder return on Banc of California, Inc.'s voting common stock with the annual rate of return for: (i) the NYSE Composite Index; (ii) the Standard and Poor's (S&P) 500 Financials Index; and (iii) the KBW Bank Index. The graph is historical only and may not be indicative of possible future performance.

Index	Year Ended December 31,		
	2013	2014	2015
Banc of California, Inc.	13 %	(11)%	32 %
NYSE Composite	23 %	4 %	(6)%
S&P 500 Financials	36 %	15 %	(2)%
KBW Bank Index	35 %	7 %	(2)%

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Item 6. Selected Financial Data

The following table sets forth certain consolidated financial and other data of the Company at the dates and for the periods indicated. The information set forth below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included herein at Item 7 and the Consolidated Financial Statements and Notes thereto included herein at Item 8.

	As of or For the Year Ended December 31,				
	2015	2014 (7)	2013 (8)	2012 (9)	2011
	($ in thousands, except per share data)				
Selected financial condition data:					
Total assets	$8,235,555	$5,971,297	$3,627,862	$1,682,704	$999,062
Cash and cash equivalents	156,124	231,199	110,118	108,643	44,475
Loans and leases receivable, net	5,148,861	3,919,642	2,427,306	1,234,023	775,609
Loans held-for-sale	668,841	1,187,090	716,733	113,158	—
Other real estate owned, net	1,097	423	—	4,527	14,692
Securities available-for-sale	833,596	345,695	170,022	121,419	101,616
Securities held-to-maturity	962,203	—	—	—	—
Bank owned life insurance	100,171	19,095	18,881	18,704	18,451
Time deposits in financial institutions	1,500	1,900	1,846	5,027	—
FHLB and other bank stock	59,069	42,241	22,600	8,842	6,972
Deposits	6,303,085	4,671,831	2,918,644	1,306,342	786,334
Total borrowings	1,191,876	726,569	332,320	156,935	20,000
Total stockholders' equity	652,405	503,315	324,708	188,759	184,516
Selected operations data:					
Total interest income	$266,338	$188,139	$120,511	$55,031	$35,177
Total interest expense	42,621	32,862	23,282	8,479	6,037
Net interest income	223,717	155,277	97,229	46,552	29,140
Provision for loan and lease losses	7,469	10,976	7,963	5,500	5,388
Net interest income after provision for loan and lease losses	216,248	144,301	89,266	41,052	23,752
Total non-interest income	220,219	145,637	96,743	36,619	4,913
Total non-interest expense	332,201	263,472	178,101	71,196	31,376
Income/(loss) before income taxes	104,266	26,466	7,908	6,475	(2,711)
Income tax (benefit)/expense	42,194	(3,739)	7,992	498	87
Net income/(loss)	62,072	30,205	(84)	5,977	(2,798)
Dividends paid on preferred stock	9,823	3,640	2,185	1,359	534
Net income/(loss) available to common stockholders	52,249	26,565	(2,269)	4,618	(3,332)
Basic earnings/(loss) per total common share	$1.36	$0.91	$(0.15)	$0.39	$(0.31)
Diluted earnings/(loss) per total common share	$1.34	$0.90	$(0.15)	$0.39	$(0.31)
Performance ratios:					
Return on average assets	0.94%	0.69%	—%	0.45%	(0.31)%
Return on average equity	10.14%	7.31%	(0.03)%	3.16%	(1.75)%
Dividend payout ratio (1)	35.29%	52.75%	—%	123.08%	—%
Net interest spread	3.35%	3.54%	3.49%	3.49%	3.31%
Net interest margin (2)	3.52%	3.72%	3.67%	3.69%	3.48%

Non-interest expense to average total assets	5.02	%	6.06	%	6.42	%	5.30	%	3.51	%
Efficiency ratio [3]	74.83	%	87.56	%	91.82	%	85.60	%	92.14	%
Average interest-earning assets to average interest-bearing liabilities	125.29	%	122.06	%	121.07	%	127.14	%	124.20	%

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Asset quality ratios:										
Allowance for loan and lease losses	$35,533		$29,480		$18,805		$14,448		$12,780	
Nonperforming loans and leases	45,129		38,381		31,648		22,993		19,254	
Nonperforming assets	46,226		38,804		31,648		27,520		33,946	
Nonperforming assets to total assets	0.56	%	0.65	%	0.87	%	1.64	%	3.40	%
ALLL to nonperforming loans and leases	78.74	%	76.81	%	59.42	%	62.84	%	66.38	%
ALLL to total loans and leases	0.69	%	0.75	%	0.77	%	1.16	%	1.62	%
Capital Ratios:										
Total stockholders' equity to total assets	7.92	%	8.43	%	8.95	%	11.22	%	18.47	%
Average equity to average assets	9.25	%	9.51	%	9.55	%	14.11	%	17.89	%
Banc of California, Inc. (4)										
Total risk-based capital ratio	11.18	%	11.28	%	12.45	%	15.50	%	N/A	
Tier 1 risk-based capital ratio	10.71	%	10.54	%	11.41	%	14.25	%	N/A	
Common equity tier 1 capital ratio (5)	7.36	%	N/A		N/A		N/A		N/A	
Tier 1 leverage ratio	8.07	%	8.57	%	8.02	%	10.15	%	N/A	
Banc of California, NA (6)										
Total risk-based capital ratio	13.45	%	12.04	%	14.65	%	17.59	%	18.56	%
Tier 1 risk-based capital ratio	12.79	%	11.29	%	13.60	%	16.34	%	17.34	%
Common equity tier 1 capital ratio (5)	12.79	%	N/A		N/A		N/A		N/A	
Tier 1 leverage ratio	9.64	%	9.17	%	9.58	%	11.16	%	13.08	%
Beach Business Bank (6)										
Total risk-based capital ratio	N/A		N/A		N/A		15.09	%	N/A	
Tier 1 risk-based capital ratio	N/A		N/A		N/A		14.72	%	N/A	
Common equity tier 1 capital ratio (5)	N/A		N/A		N/A		—	%	N/A	
Tier 1 leverage ratio	N/A		N/A		N/A		11.96	%	N/A	

(1) Ratio of dividends declared per common shares to basic earnings per common share. Not applicable for the years ended December 31, 2013 and 2011 due to the net loss attributable to common stockholders for the years.

(2) Net interest income divided by average interest-earning assets.

(3) Efficiency ratio represents noninterest expense as a percentage of net interest income plus noninterest income.

(4) At December 31, 2011, Banc of California, Inc. (then known as First PacTrust Bancorp) was a savings and loan holding company and was not subject to regulatory capital requirements.

(5) Common equity tier 1 capital ratio became required from 2015

(6) At December 31, 2012, the Company had two bank subsidiaries, the Bank (then known as Pacific Trust Bank) and Beach Business Bank. During the year ended December 31, 2013, all bank subsidiaries were merged to form the Bank.

(7) The Company completed its acquisition of RenovationReady and the BPNA Branch Acquisition on January 31, 2014 and November 8, 2014, respectively.

(8) The Company completed its acquisitions of The Private Bank of California, The Palisades Group and CS Financial on July 1, 2013, September 10, 2013 and October 31, 2013, respectively.

(9) The Company completed its acquisitions of Beach Business Bank and Gateway Bancorp on July 1, 2012 and August 18, 2012, respectively.

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Non-GAAP Financial Measures

Return on Average Tangible Common Equity

Return on average tangible common equity is supplemental financial information determined by a method other than in accordance with GAAP. This non-GAAP measure is used by management in its analysis of the Company's performance. Average tangible common equity is calculated by subtracting average preferred stock, average goodwill, and average other intangible assets from average stockholders' equity. Banking and financial institution regulators also exclude goodwill and other intangible assets from stockholders' equity when assessing the capital adequacy of a financial institution. Management believes the presentation of this financial measure excluding the impact of these items provides useful supplemental information that is essential to a proper understanding of the financial results of the Company, as it provides a method to assess management's success in utilizing tangible capital. This disclosure should not be viewed as a substitution for results determined in accordance with GAAP, nor is it necessarily comparable to non-GAAP performance measures that may be presented by other companies.

The following table reconciles this non-GAAP performance measure to the GAAP performance measure for the periods indicated:

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	($ in thousands)				
Average total stockholders' equity	$612,393	$413,454	$264,818	$189,411	$159,959
Less average preferred stock	(161,288)	(79,877)	(56,284)	(31,934)	(10,849)
Less average goodwill	(33,541)	(32,326)	(15,872)	(3,517)	—
Less average other intangible assets	(22,222)	(11,739)	(9,580)	(2,723)	—
Average tangible common equity	$395,342	$289,512	$183,082	$151,237	$149,110
Net income (loss)	$62,072	$30,205	$(84)	$5,977	$(2,798)
Less preferred stock dividends	(9,823)	(3,640)	(2,185)	(1,359)	(534)
Add amortization of intangible assets, net of tax [1]	3,793	2,651	1,723	452	—
Add impairment on intangible assets, net of tax [1]	168	31	690	—	—
Adjusted net income (loss)	$56,210	$29,247	$144	$5,070	$(3,332)
Return on average equity	10.14%	7.31%	(0.03)%	3.16%	(1.75)%
Return on average tangible common equity	14.22%	10.10%	0.08%	3.35%	(2.23)%

(1) Utilized a 35 percent tax rate

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies

The Company follows accounting and reporting policies and procedures that conform, in all material respects, to GAAP and to practices generally applicable to the financial services industry, the most significant of which are described in Note 1 of the Notes to Consolidated Financial Statements in Item 8. The preparation of Consolidated Financial Statements in conformity with GAAP requires management to make judgments and accounting estimates that affect the amounts reported for assets, liabilities, revenues and expenses in the Consolidated Financial Statements and accompanying notes, and amounts disclosed as contingent assets and liabilities. While the Company bases estimates on historical experience, current information and other factors deemed to be relevant, actual results could differ from those estimates.

Accounting estimates are necessary in the application of certain accounting policies and procedures that are particularly susceptible to significant change. Critical accounting policies are defined as those that require the most complex or subjective judgment and are reflective of significant uncertainties, and could potentially result in materially different results under different assumptions and conditions. Management has identified the Company's most critical accounting policies and accounting estimates, which have been discussed with the appropriate committees of the Board of Directors, as follows:

Securities

Under ASC 320, Investments-Debt and Equity Securities, investment securities must be classified as held-to-maturity, available-for-sale or trading. Management determines the appropriate classification at the time of purchase. The classification of securities is significant since it directly impacts the accounting for unrealized gains and losses on securities. Debt securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and the Company has the ability to hold the securities to maturity. Securities not classified as held-to-maturity are classified as available-for-sale and are carried at fair value, with the unrealized holding gains and losses, net of tax, reported in other comprehensive income (loss) and do not affect earnings until realized unless a decline in fair value below amortized cost is considered to be other than temporarily impaired (OTTI).

The fair values of the Company’s securities are generally determined by reference to quoted prices from reliable independent sources utilizing observable inputs. Certain of the Company’s fair values of securities are determined using models whose significant value drivers or assumptions are unobservable and are significant to the fair value of the securities. These models are utilized when quoted prices are not available for certain securities or in markets where trading activity has slowed or ceased. When quoted prices are not available and are not provided by third party pricing services, management judgment is necessary to determine fair value. As such, fair value is determined using discounted cash flow analysis models, incorporating default rates, estimation of prepayment characteristics and implied volatilities.

The Company evaluates all securities on a quarterly basis, and more frequently when economic conditions warrant additional evaluations, for determining if OTTI exists pursuant to guidelines established in ASC 320. In evaluating the possible impairment of securities, consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial conditions and near-term prospects of the issuer, and the ability and intent of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. In analyzing an issuer’s financial condition, the Company may consider whether the securities are issued by the federal government or its agencies or government sponsored agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer’s financial condition.

If management determines that an investment experienced an OTTI, management must then determine the amount of the OTTI to be recognized in earnings. If management does not intend to sell the security and it is more likely than not that the Company will not be required to sell the security before recovery of its amortized cost basis less any current period loss, the OTTI will be separated into the amount representing the credit loss and the amount related to all other factors. The amount of OTTI related to the credit loss is determined based on the present value of cash flows expected to be collected and is recognized in earnings. The amount of the OTTI related to other factors will be recognized in other comprehensive income (loss), net of applicable taxes. The previous amortized cost basis less the OTTI

recognized in earnings will become the new amortized cost basis of the investment. If management intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current period credit loss, the OTTI will be recognized in earnings equal to the entire difference between the investment's amortized cost basis and its fair value at the balance sheet date. Any recoveries related to the value of these securities are recorded as an unrealized gain (as other comprehensive income (loss) in stockholders' equity) and not recognized in income until the security is ultimately sold.

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The Company from time to time may dispose of an impaired security in response to asset/liability management decisions, future market movements, business plan changes, or if the net proceeds can be reinvested at a rate of return that is expected to recover the loss within a reasonable period of time.

Purchased Credit-Impaired Loans

The Company purchases loans with and without evidence of credit quality deterioration since origination. Evidence of credit quality deterioration as of the purchase date may include statistics such as prior loan modification history, updated borrower credit scores and updated LTV ratios, some of which are not immediately available as of the purchase date. Purchased loans with evidence of credit quality deterioration where the Company estimates that it will not receive all contractual payments are accounted for as PCI loans. The excess of the cash flows expected to be collected on PCI loans, measured as of the acquisition date, over the estimated fair value is referred to as the accretable yield and is recognized in interest income over the remaining life of the loan or lease using a level yield methodology. The difference between contractually required payments as of the acquisition date and the cash flows expected to be collected is referred to as the non-accretable difference. PCI loans that have similar risk characteristics, primarily credit risk, collateral type and interest rate risk, are pooled and accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

The Company estimates cash flows expected to be collected over the life of the loan or lease using management’s best estimate of current key assumptions such as default rates, loss severity and payment speeds. If, upon subsequent evaluation, the Company determines it is probable that the present value of the expected cash flows have decreased as a result of further credit deterioration, the PCI loan is considered further impaired which will result in a charge to the provision for loan and lease losses and a corresponding increase to a valuation allowance included in the allowance for loan and lease losses. If, upon subsequent evaluation, it is probable that there is an increase in the present value of the expected cash flows, the Company will reduce any remaining valuation allowance. If there is no remaining valuation allowance, the Company will recalculate the amount of accretable yield as the excess of the revised expected cash flows over the current carrying value resulting in a reclassification from nonaccretable difference to accretable yield. The present value of the expected cash flows for PCI purchased loan pools is determined using the PCI loans’ effective interest rate, adjusted for changes in the PCI loans’ interest rate indexes. The present value of the expected cash flows for PCI loans acquired through mergers with other banks includes, in addition to the above, an evaluation of the credit worthiness of the borrower. Loan and lease dispositions, which may include sales of loans and leases, receipt of payments in full from the borrower or foreclosure, result in removal of the loan or lease from the PCI loan pool. Write-downs are not recorded on the PCI loan pool until actual losses exceed the remaining nonaccretable difference.

Allowance for Loan and Lease Losses

The allowance for loan and lease losses is a reserve established through a provision for loan and lease losses charged to expense, and represents management’s best estimate of probable losses that may be incurred within the existing loan and lease portfolio as of the balance sheet date. Subsequent recoveries, if any, are credited to the allowance. The Company performs an analysis of the adequacy of the allowance at least on a quarterly basis. Management estimates the allowance balance required using past loan and lease loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance for loan and lease losses is dependent upon a variety of factors beyond the Company’s control, including performance of the Company’s loan portfolio, the economy, changes in interest rates, and regulatory authorities altering their loan classification guidance.

The allowance consists of three elements: (i) specific valuation allowances established for probable losses on impaired loans and leases, (ii) quantitative valuation allowances calculated using loss experience for like loans and leases with similar characteristics and trends, adjusted, as necessary to reflect the impact of current conditions; and (iii) qualitative allowances based on environmental and other factors that may be internal or external to the Company.

During the year ended December 31, 2014, the Company enhanced its methodologies, processes and controls over the allowance for loan and lease losses (ALLL), due to the Company's organic and acquisitive growth and changing profile.

The following is a synopsis of the enhancements for each component of ALLL:

- Expand the look-back period to 28 rolling quarters to capture a full economic cycle.
- Utilize net historical losses versus gross historical losses.
- Expand the peer group used to determine industry average loss history to include three industry groups; (i) all U.S. financial and bank holding companies, (ii) all California financial and bank holding companies, (iii) the peer group average from the Uniform Bank Performance Report.

- Apply a segment specific loss emergence period to each segment's loss rate.
- Determine qualitative reserves at each loan segment level based on a baseline risk weighting adjusted for current risks, trends and business conditions.
- Disaggregate certain qualitative factors to be determined on the portfolio segment level.

Mortgage Loan Repurchase Obligations and Reserve for Loss on Repurchased Loans

In the ordinary course of business, as loans held-for-sale are sold, the Bank makes standard industry representations and warranties about the loans. The Bank may have to subsequently repurchase certain loans or reimburse certain investor losses due to defects that occurred in the origination of the loans. Such defects include documentation or underwriting errors. In addition, certain investor contracts require the Bank to repurchase loans from previous whole loan sales transactions that experience early payment defaults. If there are no such defects or early payment defaults, the Bank has no commitment to repurchase loans that it has sold. The level of reserve for loss on repurchased loans is an estimate that requires considerable management judgment. The Bank's reserve is based upon the expected future repurchase trends for loans already sold in whole loan sale transactions and the expected valuation of such loans when repurchased, and include first and second trust deed loans. At the point when loss reimbursements are made directly to the investor, the reserve for loss on repurchased loans is charged for the losses incurred.

Goodwill and Other Intangible Assets

Goodwill resulting from business combinations is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but are periodically evaluated for impairment at the reporting unit level. Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values.

In accordance with FASB Accounting Standard Update (ASU) 2011-08 Intangibles—Goodwill and Other (Topic 350), an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. In other words, before the first step of the existing guidance, the entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that the fair value of goodwill is less than carrying value. The qualitative assessment includes adverse events or circumstances identified that could negatively affect the reporting units' fair value as well as positive and mitigating events. Such indicators may include, among others: a significant change in legal factors or in the general business climate; significant change in the Company's stock price and market capitalization; unanticipated competition; and an action or assessment by a regulator. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step process is unnecessary. The entity has the option to bypass the qualitative assessment step for any reporting unit in any period and proceed directly to the first step of the exiting two-step process. The entity can resume performing the qualitative assessment in any subsequent period.

The first step of the goodwill impairment test is performed, when considered necessary, by comparing the reporting unit's aggregate fair value to its carrying value. Absent other indicators of impairment, if the aggregate fair value exceeds the carrying value, goodwill is not considered impaired and no additional analysis is necessary. If the carrying value of the reporting unit were to exceed the aggregate fair value, a second step would be performed to measure the amount of impairment loss, if any. To measure any impairment loss the implied fair value would be determined in the same manner as if the reporting unit were being acquired in a business combination. If the implied fair value of goodwill is less than the recorded goodwill, an impairment charge would be recorded for the difference.

The Company tests its goodwill for impairment annually as of August 31 (the Measurement Date). At the Measurement Date, the Company, in accordance with ASC 350-20-35-3, evaluated, based on the weight of evidence, the significance of all qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. The assessment of qualitative factors at the Measurement Date indicated that it is not more likely than not that impairment existed; as a result no further testing was performed.

The Company realigned its management reporting structure at December 31, 2014 and, accordingly, its segment reporting structure and goodwill reporting units. In connection with the realignment, management reallocated

goodwill to the new reporting unit using a relative fair value approach. The carrying value of goodwill allocated to the reportable segments was $37.1 million and $2.1 million to Commercial Banking segment and Mortgage Banking segment, respectively, at December 31, 2015.

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Determining the fair value of a reporting unit involves several management estimates, including developing a discounted cash flow valuation model which utilizes variables such as revenue growth rates, expense trends, discount rates, and terminal values. Based upon an evaluation of key data and market factors, management selects from a range, the specific variables to be incorporated into the valuation model. Projected future cash flows are discounted using estimated rates based on the Capital Asset Pricing Model, which considers the risk-free interest rate, market risk premium, beta, and unsystematic risk and size premium adjustments specific to the reporting unit. The Company utilizes both an income approach and a market approach to arrive at an indicated fair value range for the reporting unit. The comparable company method and transaction method is used to corroborate the income approach, giving an indication of the fair value of equity of the reporting units, by including banks with significant geographic or product line overlap to the Company and its reporting units.

Even though there was no goodwill impairment at December 31, 2015, adverse events may impact the recoverability of goodwill and could result in a future impairment charge which could have a material impact on the Company's consolidated financial statements.

Other intangible assets consist of core deposit intangibles, customer relationship intangibles, and trade name intangibles arising from whole bank and their subsidiaries acquisitions, and are generally amortized on an accelerated method over their estimated useful lives of 2 to 10 years and 1 to 20 years, respectively. Trade name intangibles are indefinite lived and evaluated for impairment on an annual basis or more if necessary.

Deferred Income Taxes

Deferred income tax assets and liabilities are computed for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Deferred tax assets are also recognized for operating loss and tax credit carryforwards. Accounting guidance requires that companies assess whether a valuation allowance should be established against the deferred tax assets based on the consideration of all available evidence using a "more likely than not" standard.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. In assessing the realization of deferred tax assets, management evaluates both positive and negative evidence, including the existence of any cumulative losses in the current year and the prior two years, the amount of taxes paid in available carry-back years, the forecasts of future income and tax planning strategies.

At December 31, 2015 and 2014, the Company had no valuation allowance and had a net deferred tax asset of $11.3 million and $16.4 million, respectively.

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Executive Overview

Banc of California, Inc., a financial holding company regulated by the Federal Reserve Board, is focused on empowering California's diverse private businesses, entrepreneurs and communities. It is the parent company of Banc of California, National Association, a California based bank that is regulated by the Office of the Comptroller of the Currency, and The Palisades Group, LLC, an SEC-registered investment advisor. The Bank has one wholly owned subsidiary, CS Financial, Inc., a mortgage banking firm. Banc of California, Inc. was incorporated under Maryland law in March 2002, and was formerly known as "First PacTrust Bancorp, Inc.", and changed its name to "Banc of California, Inc." in July 2013.

On November 1, 2010, the Company was recapitalized by outside investors with the goal of creating California's Bank: a full-service, bank focused on California and, empowering the dreams of California's diverse private businesses, entrepreneurs and communities.

The Bank is headquartered in Irvine, California and at December 31, 2015, the Bank had 90 California banking locations including 35 full service branches in San Diego, Orange, Santa Barbara, and Los Angeles Counties.

The Company's vision is to be California's Bank. It pursues this vision through its mission of empowering California's Diverse Private Businesses, Entrepreneurs and Communities. The Company focuses on three core values: operational excellence, superior analytics and entrepreneurialism.

Banc of California' mission and vision guide its strategic plan. The Company is focused on California and core products and services designed to cater to the unique needs of California's diverse private businesses, entrepreneurs and communities During 2015, the Bank was awarded an Outstanding rating for CRA activities by the OCC. As of December 31, 2015, we were the largest independent public bank in California with an Outstanding CRA rating.

As part of delivering on our value proposition to clients, we offer a variety of financial products and services designed around our target client in order to serve all of their banking and financial needs. This includes both deposit products offered through the Company's multiple channels that include retail banking, business banking and private banking, as well as lending products including residential mortgage lending, commercial lending, commercial real estate lending, multifamily lending, and specialty lending including Small Business Administration (SBA) lending, commercial specialty finance and construction lending.

The Bank's deposit and banking product and service offerings include checking, savings, money market, certificates of deposit, retirement accounts as well as online, telephone, and mobile banking, automated bill payment, cash and treasury management, master demand accounts, foreign exchange, interest rate swaps, trust services, card payment services, remote and mobile deposit capture, ACH origination, wire transfer, direct deposit, and safe deposit boxes. Bank customers also have the ability to access their accounts through a nationwide network of over 55,000 surcharge-free ATMs.

The Bank's lending activities are focused on providing financing to California's private businesses and entrepreneurs that is often secured against California commercial and residential real estate. In 2015 the Bank closed over $7 billion in new loan production.

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2015 Highlights

- Ranked number 56, and ranked number 1 for total stockholder return of all west coast banks, on the Forbes Magazine list of America's top 100 banks.
- Awarded an Outstanding rating for Community Reinvestment Act activities by the Officer of the Comptroller of the Currency.
- Completed the issuance and sale of $175.0 million aggregate principal amount of its 5.25 percent Senior Notes on April 6, 2015.
- Completed the issuance and sale of depositary shares, each representing a 1/40th interest in a share of Non-Cumulative Perpetual Preferred Stock, Series D, for gross proceeds of $111.4 million on April 8, 2015, including $14.5 million from the exercise in full of the underwriters' over-allotment option.
- Net income before income taxes was $104.3 million for the year ended December 31, 2015, an increase of $77.8 million, or 294.0 percent, from $26.5 million for the year ended December 31, 2014. Net income was $62.1 million for the year ended December 31, 2015, an increase of $31.9 million, or 105.5 percent, from $30.2 million for the year ended December 31, 2014. Return on average assets was 0.94 percent and 0.69 percent, respectively, and return on average tangible common equity was 14.22 percent and 10.10 percent, respectively, for the years ended December 31, 2015 and 2014.
- Net interest income was $223.7 million for the year ended December 31, 2015, an increase of $68.4 million, or 44.1 percent, from $155.3 million for the year ended December 31, 2014. The increase was mainly due to a higher interest income from the increased interest-earning assets, partially offset by a higher interest expense from increased interest-bearing liabilities and a lower yield on loans and leases. Net interest margin was 3.52 percent and 3.72 percent for the years ended December 31, 2015 and 2014, respectively.
- Noninterest income was $220.2 million for the year ended December 31, 2015, an increase of $74.6 million, or 51.2 percent, from $145.6 million for the year ended December 31, 2014. The increase was mainly due to increases in net revenue on mortgage banking activities, net gains on sales of loans and securities available-for-sale, and the gain on sale of building in 2015.
- Noninterest expense was $332.2 million for the year ended December 31, 2015, an increase of $68.7 million, or 26.1 percent, from $263.5 million for the year ended December 31, 2014. The increase was mainly due to the continued expansion of the Company's business footprint.
- Efficiency ratio was 74.83 percent for the year ended December 31, 2015, an improvement of 12.73 percent, from 87.56 percent for the year ended December 31, 2014. The improvement was mainly due to higher increases in net interest income and noninterest income than the increase in noninterest expense.
- Total assets were $8.24 billion at December 31, 2015, an increase of $2.26 billion, or 37.9 percent, from $5.97 billion at December 31, 2014. Average total assets were $6.62 billion for the year ended December 31, 2015, an increase of $2.27 billion, or 52.2 percent, from $4.35 billion for the year ended December 31, 2014. The increase was mainly due to increases in investment securities and loans and leases from the excess cash generated from the preferred stock and Senior Notes offerings as well as higher utilization of FHLB advances.
- Loans and leases receivable, net of allowance for loan and lease losses, were $5.15 billion at December 31, 2015, an increase of $1.23 billion, or 31.4 percent, from $3.92 billion at December 31, 2014. Loans held-for-sale were $668.8 million at December 31, 2015, a decreased of $518.2 million, or 43.7 percent, from $1.19 billion at December 31, 2014. Average total loans and leases was $5.30 billion for the year ended December 31, 2015, an increase of $1.49 billion, or 39.3 percent, from $3.81 billion for the year ended December 31, 2014. The increase was due mainly to increased originations and purchases of loans and leases during the year ended December 31, 2015.
- Total deposits were $6.30 billion at December 31, 2015, an increase of $1.63 billion, or 34.9 percent, from $4.67 billion at December 31, 2014. Average total deposits were $5.17 billion for the year ended December 31, 2015, an increase of $1.64 billion, or 46.6 percent, from $3.53 billion for the year ended December 31, 2014. The increase was mainly due to strong deposit growth across the Company's business units, including strong growth from the private banking business, as well as an increased average balance per account as the Company continues to build stronger relationship with its clients.

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RESULTS OF OPERATIONS

The following table presents condensed statements of operations for the periods indicated:

	Year Ended December 31,		
	2015	2014	2013
	(In thousands, except per share data)		
Interest and dividend income	$266,338	$188,139	$120,511
Interest expense	42,621	32,862	23,282
Net interest income	223,717	155,277	97,229
Provision for loan and lease losses	7,469	10,976	7,963
Noninterest income	220,219	145,637	96,743
Noninterest expense	332,201	263,472	178,101
Income before income taxes	104,266	26,466	7,908
Income tax expense (benefit)	42,194	(3,739)	7,992
Net income (loss)	62,072	30,205	(84)
Preferred stock dividends	9,823	3,640	2,185
Net income (loss) available to common stockholders	$52,249	$26,565	$(2,269)
Basic earnings (loss) per common share	$1.36	$0.91	$(0.15)
Diluted earnings (loss) per common share	$1.34	$0.90	$(0.15)
Basic earnings (loss) per class B common share	$1.36	$0.91	$(0.15)
Diluted earnings (loss) per class B common share	$1.36	$0.91	$(0.15)

For the year ended December 31, 2015, net income was $62.1 million, an increase of $31.9 million from net income of $30.2 million for the year ended December 31, 2014 and an increase of $62.2 million from net loss of $84 thousand for the year ended December 31, 2013. Preferred stock dividends were $9.8 million, $3.6 million and $2.2 million for the years ended December 31, 2015, 2014 and 2013, respectively, and net income (loss) available to common stockholders was $52.2 million, $26.6 million and $(2.3) million for the years ended December 31, 2015, 2014 and 2013, respectively.

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Net Interest Income

The following table presents interest income, average interest-earning assets, interest expense, average interest-bearing liabilities, and their correspondent yields and costs expressed both in dollars and rates for the years indicated:

	Year Ended December 31,								
	2015			2014			2013		
	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost
	($ in thousands)								
Interest-earning assets:									
Total loans and leases [1]	$5,300,237	$241,556	4.56 %	$3,805,239	$180,761	4.75 %	$2,217,421	$116,673	5.26 %
Securities	776,256	20,263	2.61 %	225,182	5,158	2.29 %	153,229	2,632	1.72 %
Other interest-earning assets [2]	276,823	4,519	1.63 %	146,097	2,220	1.52 %	276,420	1,206	0.44 %
Total interest-earning assets	6,353,316	266,338	4.19 %	4,176,518	188,139	4.50 %	2,647,070	120,511	4.55 %
Allowance for loan and lease losses	(32,467)			(22,354)			(17,332)		
BOLI and non-interest earning assets [3]	298,168			194,462			143,538		
Total assets	$6,619,017			$4,348,626			$2,773,276		
Interest-bearing liabilities:									
Savings	$862,160	6,467	0.75 %	$967,803	9,121	0.94 %	$756,625	7,994	1.06 %
Interest-bearing checking	1,204,560	8,973	0.74 %	735,156	7,629	1.04 %	339,731	2,041	0.60 %
Money market	1,219,416	4,590	0.38 %	692,464	2,788	0.40 %	371,058	1,901	0.51 %
Certificates of deposit	1,006,493	5,753	0.57 %	662,183	4,873	0.74 %	558,994	4,115	0.74 %
FHLB advances	553,162	2,120	0.38 %	267,816	527	0.20 %	74,712	269	0.36 %
Long term debt and other interest-bearing liabilities	225,020	14,718	6.54 %	96,279	7,924	8.23 %	85,333	6,962	8.16 %
Total interest-bearing liabilities	5,070,811	42,621	0.84 %	3,421,701	32,862	0.96 %	2,186,453	23,282	1.06 %
Noninterest-bearing deposits	875,227			468,077			287,325		
Noninterest-bearing liabilities	60,586			45,394			34,680		
Total liabilities	6,006,624			3,935,172			2,508,458		
Total stockholders’ equity	612,393			413,454			264,818		

Total liabilities and stockholders' equity	$6,619,017			$4,348,626			$2,773,276			
Net interest income/spread		$223,717	3.35 %		$155,277	3.54 %			$97,229	3.49 %
Net interest margin (4)			3.52 %			3.72 %				3.67 %

(1) Total loans and leases are net of deferred fees, related direct cost and discounts, but exclude the allowance for loan and lease losses. Non-accrual loans and leases are included in the average balance. Loan (costs) fees of $(512) thousand, $71 thousand and $1.7 million and accretion of discount on purchased loans of $30.9 million, $34.8 million and $20.3 million for the years ended December 31, 2015, 2014 and 2013, respectively, are included in the interest income.

(2) Includes average balance of FHLB stock at cost and average time deposits with other financial institutions.

(3) Includes average balance of BOLI of $51.6 million, $19.0 million and $18.8 million for the years ended December 31, 2015, 2014 and 2013, respectively.

(4) Net interest income divided by average interest-earning assets.

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Rate/Volume Analysis

The following table presents the changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. Information is provided on changes attributable to (i) changes in volume multiplied by the prior rate, and (ii) changes in rate multiplied by the prior volume. Changes attributable to both rate and volume which cannot be segregated have been allocated proportionately to the change due to volume and the change due to rate.

	Year Ended December 31, 2015 vs. 2014			Year Ended December 31, 2014 vs. 2013		
	Increase (Decrease) Due to		Net Increase (Decrease)	Increase (Decrease) Due to		Net Increase (Decrease)
	Volume	Rate		Volume	Rate	
	(In thousands)					
Interest-earning assets:						
Total loans and leases	$68,404	$(7,609)	$60,795	$76,396	$(12,308)	$64,088
Securities	14,290	815	15,105	1,477	1,049	2,526
Other interest-earning assets	2,123	176	2,299	(794)	1,808	1,014
Total interest-earning assets	84,817	(6,618)	78,199	77,079	(9,451)	67,628
Interest-bearing liabilities:						
Savings	(925)	(1,729)	(2,654)	2,057	(930)	1,127
Interest-bearing checking	3,918	(2,574)	1,344	3,439	2,149	5,588
Money market	1,994	(192)	1,802	1,364	(477)	887
Certificates of deposit	2,138	(1,258)	880	759	(1)	758
FHLB advances	843	750	1,593	427	(169)	258
Long term debt and other interest-bearing liabilities	8,711	(1,917)	6,794	900	62	962
Total interest-bearing liabilities	16,679	(6,920)	9,759	8,946	634	9,580
Net interest income	$68,138	$302	$68,440	$68,133	$(10,085)	$58,048

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Net interest income was $223.7 million for the year ended December 31, 2015, an increase of $68.4 million, or 44.1 percent, from $155.3 million for the year ended December 31, 2014. The increase in net interest income was due to a higher interest income from the increased interest-earning assets, partially offset by a higher interest expense on increased interest-bearing liabilities and a lower earning yield on loans and leases.

Interest income on total loans and leases was $241.6 million for the year ended December 31, 2015, an increase of $60.8 million, or 33.6 percent, from $180.8 million for the year ended December 31, 2014. The increase in interest income on total loans and leases was due to a $1.49 billion increase in average total loans and leases, partially offset by a 19 bps decrease in average yield. The increase in average balance was due mainly to increased originations and purchases of loans and leases during the year ended December 31, 2015. The decrease in average yield was mainly due to the lower yields on new loans and leases during the year ended December 31, 2015 and a decrease in the proportion of seasoned SFR mortgage loan pools to total loans and leases where discounts on these pools generate additional interest income. Such discount accretion totaled $30.9 million and $34.8 million for the years ended December 31, 2015 and 2014, respectively.

Interest income on securities was $20.3 million for the year ended December 31, 2015, an increase of $15.1 million, or 292.8 percent, from $5.2 million for the year ended December 31, 2014. The increase in interest income on securities was due to a $551.1 million increase in average balance and a 32 bps increase in average yield. The increases were mainly due to purchases of $2.55 billion of investment securities available-for-sale and held-to-maturity to reduce excess liquidity from the preferred stock and Senior Notes offerings, partially offset by principal payments, paydowns, calls and sales of $1.10 billion during the year ended December 31, 2015. The increase in average yield was due to higher yields on newly purchased investment securities.

Dividends and interest income on other interest-earning assets was $4.5 million for the year ended December 31, 2015, an increase of $2.3 million, or 103.6 percent, from $2.2 million for the year ended December 31, 2014. The increase in dividends and interest income on other interest-earning assets was due to a $130.7 million increase in average balance and a 11 bps increase in average yield. The increase in average balance was mainly due to the excess cash from the preferred stock and

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Senior Notes offerings and higher utilization of FHLB advances. The increase in average yield was mainly due to a $2.0 million increase in dividend income on FHLB and other bank stocks, which included a special dividend from FHLB of $1.1 million.

Interest expense on interest-bearing deposits was $25.8 million for the year ended December 31, 2015, an increase of $1.4 million, or 5.6 percent, from $24.4 million for the year ended December 31, 2014. The increase in interest expense on interest-bearing deposits was the result of a $1.24 billion increase in average balance, partially offset by a 20 bps decrease in average cost. The increase in average balance was mainly due to strong deposit growth across the Company's business units, including strong growth from the private banking business, as well as an increase in the average balance per account as the Company continues to build stronger relationship with its clients. The decrease in average cost was due mainly to the Company's strategy to increase core deposit accounts which bear lower interest rates than certificates of deposit and other wholesale deposits.

Interest expense on FHLB advances was $2.1 million for the year ended December 31, 2015, an increase of $1.6 million, or 302.3 percent, from $527 thousand for the year ended December 31, 2014. The increase in interest expense on FHLB advances was due mainly to a $285.3 million increase in average balance and a 18 bps increase in average cost. The increase in average balance was due to an increase in operating liquidity to support the Company's growth throughout the year. The increase in average cost resulted from extending out matured short-term advances utilizing long-term advances, with a higher rate due to the longer term to maturity to economically hedge future interest rate risk.

Interest expense on long term debt and other interest-bearing liabilities was $14.7 million for the year ended December 31, 2015, an increase of $6.8 million, or 85.7 percent, from $7.9 million for the year ended December 31, 2014. The increase was due mainly to the additional interest expense incurred on the Senior Notes issued in the second quarter of 2015.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Net interest income was $155.3 million for the year ended December 31, 2014, an increase of $58.0 million, or 59.7 percent, from $97.2 million for the year ended December 31, 2013. The growth in net interest income from prior periods was largely due to higher interest income from loans and leases partially offset by higher interest expense on deposits, and long term debt and other interest-bearing liabilities.

Interest income on total loans and leases was $180.8 million for the year ended December 31, 2014, an increase of $64.1 million, or 54.9 percent, from $116.7 million for the year ended December 31, 2013. The increase in interest income on total loans and leases was mainly due to a $1.59 billion increase in average balance, partially offset a 51 bps decrease in average yield. The increase in average balance was due mainly to acquired loans from the BPNA Branch Acquisition and increases in originations during the year ended December 31, 2014. The decrease in average yield was mainly due to the lower yields on originated loans and leases during the year ended December 31, 2014 and a decrease in the proportion of seasoned SFR mortgage loan pools to total loans and leases where discounts on these pools generate additional interest income. Such discount accretion totaled $34.8 million and $20.3 million for the years ended December 31, 2014 and 2013, respectively.

Interest income on securities was $5.2 million for the year ended December 31, 2014, an increase of $2.5 million, or 96.0 percent, from $2.6 million for the year ended December 31, 2013. The increase in interest income on securities was due mainly to a $72.0 million increase in average balance and 57 bps increase in average yield. The increases were mainly due to purchases of $327.1 million of securities to reduce excess liquidity from the common stock and tangible equity units offerings, partially offset by principal payments, paydowns, calls and sales of $153.0 million during the year ended December 31, 2014.

Dividends and interest income on other interest-earning assets was $2.2 million for the year ended December 31, 2014, an increase of $1.0 million, or 84.1 percent, from $1.2 million for the year ended December 31, 2013. The increase in dividends and interest income on other interest-earning assets was due to a 108 bps increase in average yield, partially offset by a $130.3 million decrease in average balance. The increase in average yield was mainly due to a $1.3 million increase in dividend income on FHLB and other bank stocks. The decrease in average balance was mainly due to the usage of excess cash to support the growth in loans and leases and to fund the BPNA Branch Acquisition.

Interest expense on interest-bearing deposits was $24.4 million for the year ended December 31, 2014, an increase of $8.4 million, or 52.1 percent, from $16.1 million for the year ended December 31, 2013. The increase in interest expense on interest-bearing deposits was due to a $1.03 billion increase in average balance and a 1 bp increase in average cost. The increase in average balance was mainly due to interest-bearing deposits assumed in the BPNA Branch Acquisition and deposits generated through strategic plans aiming to increase core deposits by launching interest-bearing core deposit products with enhanced features to attract high net worth depositors. The increase in average cost was due mainly to the higher interest rates on those deposits generated through strategic plans.
Interest expense on FHLB advances was $527 thousand for the year ended December 31, 2014, an increase of $258 thousand, or 95.9 percent, from $269 thousand for the year ended December 31, 2013. The increase in interest expense on FHLB

advances was due mainly to a $193.1 million increase in average balance, partially offset by a 16 bps decrease in average cost. The decrease in average cost resulted from the replacement of matured long-term advances with short-term advances at lower rates.

Interest expense on long term debt and other interest-bearing liabilities was $7.9 million for the year ended December 31, 2014, an increase of $962 thousand, or 13.8 percent, from $7.0 million for the year ended December 31, 2013. The increase was due mainly to the utilization of federal funds sold and repurchase agreements and additional interest expense incurred on the junior subordinated amortizing notes issued in the second quarter of 2014 as part of the tangible equity units.

Provision for Loan and Lease Losses

Provisions for loan and lease losses are charged to operations at a level required to reflect inherent credit losses in the loan and lease portfolio. The Company recorded $7.5 million, $11.0 million and $8.0 million, respectively, for the years ended December 31, 2015, 2014 and 2013 to its provision for loan and lease losses.

On a quarterly basis, the Company evaluates the PCI loans and the loan pools for potential impairment. The provision for losses on PCI loans is the result of changes in expected cash flows, both in amount and timing, due to loan payments and the Company’s revised loss forecasts. The revisions of the loss forecasts were based on the results of management’s review of the credit quality of the outstanding loans/loan pools and the analysis of the loan performance data since the acquisition of these loans. On a quarterly basis, the Company evaluates whether a reforecast of cash flow projections is necessary. Due to the uncertainty in the future performance of the PCI loans, additional impairments may be recognized in the future.

See further discussion in "Allowance for Loan and Lease Losses."

Noninterest Income

The following table presents the breakdown of non-interest income for the periods indicated:

	Year Ended December 31,		
	2015	2014	2013
	(In thousands)		
Customer service fees	$4,057	$1,490	$1,942
Loan servicing income	2,974	4,199	2,049
Income from bank owned life insurance	1,076	224	177
Net gain on sale of securities available-for-sale	3,258	1,183	331
Net gain on sale of loans	37,211	19,828	8,700
Net revenue on mortgage banking activities	144,685	95,430	67,890
Advisory service fees	9,868	12,904	377
Loan brokerage income	3,140	8,674	1,356
Gain on sale of building	9,919	—	—
Gain on sale of branches	163	456	12,104
Other income	3,868	1,249	1,817
Total noninterest income	$220,219	$145,637	$96,743

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Noninterest income was $220.2 million for the year ended December 31, 2015, an increase of $74.6 million, or 51.2 percent, from $145.6 million for the year ended December 31, 2014. The increase in noninterest income related predominantly to increases in net revenue on mortgage banking activities, net gain on sale of loans, customer service fees, net gain on sale of securities available-for-sale, and other income, partially offset by lower loan brokerage income, advisory service fees, and loan servicing income.

Customer service fees were $4.1 million for the year ended December 31, 2015, an increase of $2.6 million, or 172.3 percent, from $1.5 million for the year ended December 31, 2014. The increase was due mainly to the higher average number of customer deposit accounts as a result of the increase in deposits.

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Loan servicing income was $3.0 million for the year ended December 31, 2015, a decrease of $1.2 million, or 29.2 percent, from $4.2 million for the year ended December 31, 2014. The decrease was mainly due to an increase in losses on the fair value of mortgage servicing rights, partially offset by an increase in servicing fees from the increased volume of loans sold with servicing retained. Losses on the fair value of $8.8 million and $1.6 million for the years ended December 31, 2015 and 2014, respectively, were due to generally lower interest rates. Servicing fees were $11.7 million and $5.8 million for the years ended December 31, 2015 and 2014, respectively, and unpaid principal balances of loans sold with servicing retained were $4.77 billion and $1.92 billion at December 31, 2015 and 2014, respectively.

Net gain on the sale of securities available-for-sale was $3.3 million for the year ended December 31, 2015, an increase of $2.1 million, or 175.4 percent, from $1.2 million for the year ended December 31, 2014. During the year ended December 31, 2015, the Company restructured its investment securities portfolio in order to reduce extension risk and residential real estate concentration, and to increase yield. The Company sold investment securities of $986.5 million and $110.6 million during the years ended December 31, 2015 and 2014, respectively.

Net gain on the sale of loans was $37.2 million for the year ended December 31, 2015, an increase of $17.4 million, or 87.7 percent, from $19.8 million for the year ended December 31, 2014. During the year ended December 31, 2015, the Company sold SFR mortgage loans of $829.0 million with a gain of $11.7 million, seasoned SFR mortgage loan pools of $198.6 million with a gain of $17.9 million, multi-family loans of $242.6 million with a gain of $4.6 million, SBA loans of $26.9 million with a gain of $2.3 million, and certain loans as part of the AUB branch sale transaction of $40.2 million with a gain of $644 thousand. During the year ended December 31, 2014, the Company sold SFR mortgage loans of $916.4 million with a gain of $10.3 million, seasoned SFR mortgage loan pools of $82.6 million with a gain of $8.6 million, and SBA loans of $11.4 million with a gain of $874 thousand.

Net revenue on mortgage banking activities was $144.7 million for the year ended December 31, 2015, an increase of $49.3 million, or 51.6 percent, from $95.4 million for the year ended December 31, 2014. During the year ended December 31, 2015, the Bank originated $4.39 billion and sold $4.30 billion of conforming SFR mortgage loans in the secondary market. The net gain and margin were $128.7 million and 2.93 percent, respectively, and loan origination fees were $15.9 million for the year ended December 31, 2015. Included in the net gain was the initial capitalized value of our MSRs, which totaled $44.3 million on loans sold to Fannie Mae, Freddie Mac and Ginnie Mae for the year ended December 31, 2015. During the year ended December 31, 2014, the Bank originated $2.82 billion and sold $2.75 billion of of conforming SFR mortgage loans in the secondary market. The net gain and margin were $84.1 million and 2.98 percent, respectively, and loan origination fees were $11.3 million for the year ended December 31, 2014. Included in the net gain was the initial capitalized value of our MSRs, which totaled $25.2 million, on loans sold to Fannie Mae, Freddie Mac and Ginnie Mae for the year ended December 31, 2014.

Advisory service fees were $9.9 million for the year ended December 31, 2015, a decrease of $3.0 million, or 23.5 percent, from $12.9 million for the year ended December 31, 2014. The decrease was mainly due to lower transaction fees recognized during the year ended December 31, 2015.

Loan brokerage income was $3.1 million for the year ended December 31, 2015, a decrease of $5.5 million, or 63.8 percent, from $8.7 million for the year ended December 31, 2014. The decrease was mainly due to a decrease in the volume of brokered loans.

Gain on sale of building of $9.9 million was recognized for the year ended December 31, 2015. The Company sold an improved real property office complex located at 1588 South Coast Drive, Costa Mesa, California. The property had a book value of $42.3 million at the sale date.

Gain on sale of branches of $163 thousand and $456 thousand was recognized for the years ended December 31, 2015 and 2014, respectively. The Company sold two branches to AUB during the year ended December 31, 2015 and prior year's income related to branch sales transaction with American West Bank (AWB) in 2013.

Other income was $3.9 million for the year ended December 31, 2015, an increase of $2.6 million, or 209.7 percent, from $1.2 million for the year ended December 31, 2014. The increase was mainly due to income of $1.6 million from sales of investment products, and $366 thousand of rental income from the newly purchased building.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Noninterest income was $145.6 million for the year ended December 31, 2014, an increase of $48.9 million, or 50.5 percent, from $96.7 million for the year ended December 31, 2013. The increase in noninterest income related predominantly to increases in net revenue on mortgage banking activities, net gain on sale of loans, net gain on sale of securities available for sale, advisory service fees, loan brokerage income, and loan servicing income, partially offset by lower customer service fees and lower other income in 2014 and gain on sale of branches in 2013.

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Customer service fees were $1.5 million for the year ended December 31, 2014, a decrease of $452 thousand, or 23.3 percent, from $1.9 million for the year ended December 31, 2013. The decrease was due mainly to the lower average number of customer deposit accounts as a result of the AWB branch sale in the fourth quarter of 2013, partially offset by an increase in number of deposit accounts from the BPNA Branch Acquisition in the fourth quarter of 2014.

Loan servicing income was $4.2 million for the year ended December 31, 2014, an increase of $2.2 million, or 104.9 percent, from $2.0 million for the year ended December 31, 2013. The increase was due mainly to a larger unpaid aggregate principal balance of loans being serviced as well as a sale of mortgage servicing rights of $17.8 million with a gain on sale of $2.3 million, partially offset by a loss of $1.6 million from change of fair value on mortgage servicing rights during the year ended December 31, 2014.

Net gain on sales of securities available-for-sale was $1.2 million for the year ended December 31, 2014, an increase of $852 thousand, or 257.4 percent, from $331 thousand for the year ended December 31, 2013. During the year ended December 31, 2014, the Company was able to recognize higher realized gains during the period due to the current low interest rate environment, while the Company sold more undesirable investment securities to reduce risk within its investment portfolio by adjusting the mix of the portfolio to reduce private label mortgage-backed securities and increase agency mortgage-backed securities during the year ended December 31, 2013. The Company sold investment securities of $110.6 million and $127.0 million during the years ended December 31, 2014 and 2013, respectively.

Net gain on the sale of loans was $19.8 million for the year ended December 31, 2014, an increase of $11.1 million, or 127.9 percent, from $8.7 million for the year ended December 31, 2013. During the year ended December 31, 2014, the Company sold SFR mortgage loans of $916.4 million with a gain of $10.3 million, seasoned SFR mortgage loan pools of $82.6 million with a gain of $8.6 million, and SBA loans of $11.4 million with a gain of $874 thousand. During the year ended December 31, 2013, the Company sold SFR mortgage loans of $260.3 million with a gain of $2.7 million, seasoned SFR mortgage loan pools of $113.0 million with a gain of $3.4 million, and SBA loans of $2.5 million with a gain of $120 thousand, and other loans of $733 thousand with a gain of $2.5 million.

Net revenue on mortgage banking activities was $95.4 million for the year ended December 31, 2014, an increase of $27.5 million, or 40.6 percent, from $67.9 million for the year ended December 31, 2013. During the year ended December 31, 2014, the Bank originated $2.82 billion and sold $2.75 billion of conforming SFR mortgage loans in the secondary market. The net gain and margin were $84.1 million and 2.98 percent, respectively, and loan origination fees were $11.3 million for the year ended December 31, 2014. Included in the net gain was the initial capitalized value of our MSRs, which totaled $25.2 million, on loans sold to Fannie Mae, Freddie Mac and Ginnie Mae for the year ended December 31, 2014. During the year ended December 31, 2013, the Bank originated $1.94 billion and sold $1.86 billion of conforming SFR mortgage loans in the secondary market. The net gain and margin were $58.0 million and 2.99 percent, respectively, and loan origination fees were $9.9 million for the year ended December 31, 2013. Included in the net gain was the initial capitalized value of our MSRs, which totaled $10.9 million, on loans sold to Fannie Mae for the year ended December 31, 2013.

Advisory service fees were $12.9 million for the year ended December 31, 2014, an increase of $12.5 million, from $377 thousand for the year ended December 31, 2013. The income was generated from The Palisades Group, which was acquired during the third quarter of 2013.

Loan brokerage income was $8.7 million for the year ended December 31, 2014, an increase of $7.3 million, or 539.7 percent, from $1.4 million for the year ended December 31, 2013. The income was generated from CS Financial, which was acquired by the Bank during the fourth quarter of 2013.

Gain on sale of branches of $456 thousand and $12.1 million was recognized for the years ended December 31, 2014 and 2013, respectively. On October 4, 2013, the Bank completed a branch sale transaction to AWB. In the transaction, the Bank sold eight branches and related assets and deposit liabilities to AWB. The transaction was completed with a transfer of $464.3 million deposits to AWB in exchange for a deposit premium of 2.3 percent.

Other income was $1.2 million for the years ended December 31, 2014, a decrease of $568 thousand, or 31.3 percent, from $1.8 million for the year ended December 31, 2013.

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Noninterest Expense

The following table presents the breakdown of non-interest expense for the periods indicated:

	Year Ended December 31,		
	2015	2014	2013
	(In thousands)		
Salaries and employee benefits, excluding commissions	$162,305	$127,223	$87,239
Commissions for mortgage banking activities	50,809	35,656	23,448
Salaries and employee benefits	213,114	162,879	110,687
Occupancy and equipment	41,405	33,443	19,662
Professional fees	20,193	19,247	13,864
Data processing	8,184	5,231	4,710
Advertising	6,156	5,016	4,361
Regulatory assessments	5,644	4,182	2,535
Loan servicing and foreclosure expense	1,005	1,066	905
Valuation allowance for other real estate owned	38	32	97
Net gain on sales of other real estate owned	(23)	(66)	(464)
Provision for loan repurchases	2,326	2,808	2,383
Amortization of intangible assets	5,836	4,079	2,651
Impairment on intangible assets	258	48	1,061
All other expense	28,065	25,507	15,649
Total noninterest expense	$332,201	$263,472	$178,101

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Noninterest expense was $332.2 million for the year ended December 31, 2015, an increase of $68.7 million, or 26.1 percent, from $263.5 million for the year ended December 31, 2014. The increase was mainly due to the continued expansion of our business footprint.

Total salaries and employee benefits including commissions was $213.1 million for the year ended December 31, 2015, an increase of $50.2 million, or 30.8 percent, from $162.9 million for the year ended December 31, 2014. The increase was due mainly to additional compensation expense from an increase in the number of full-time employees resulting from the expansion of commercial banking operations, an increase in share-based compensation expense, as well as expansion in mortgage banking activities. Commission expense, which is a loan origination variable expense, related to mortgage banking activities, totaled $50.8 million and $35.7 million for the years ended December 31, 2015 and 2014, respectively. Total originations of conforming SFR mortgage loans for the years ended December 31, 2015 and 2014 totaled $4.39 billion and $2.82 billion, respectively.

Occupancy and equipment expenses were $41.4 million for the year ended December 31, 2015, an increase of $8.0 million, or 23.8 percent, from $33.4 million for the year ended December 31, 2014. The increase was due mainly to increased building and maintenance costs associated with additional facilities resulting from the purchase of a new building, the BPNA Branch Acquisition and new mortgage banking loan production offices.

Professional fees were $20.2 million for the year ended December 31, 2015, an increase of $946 thousand, or 4.9 percent, from $19.2 million for the year ended December 31, 2014. The increase was mainly due to legal and consulting costs associated with the building sale and purchase.

Data processing expenses were $8.2 million for the year ended December 31, 2015, an increase of $3.0 million, or 56.5 percent, from $5.2 million for the year ended December 31, 2014. The increases were mainly due to a higher volume of transactions related to loan and deposit growth.

Advertising costs were $6.2 million for the year ended December 31, 2015, an increase of $1.1 million, or 22.7 percent, from $5.0 million for the year ended December 31, 2014. The increase was mainly due to the Company's higher overall marketing cost associated with the continued expansion of its business footprint.

Regulatory assessment was $5.6 million for the year ended December 31, 2015, an increase of $1.5 million, or 35.0 percent, from $4.2 million for the year ended December 31, 2014. The increase was due to year-over-year balance sheet growth.

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Provision for loan repurchases was $2.3 million and $2.8 million for the years ended December 31, 2015 and 2014, respectively. Additionally, the Company recorded an initial provision for loan repurchases of $2.0 million and $1.4 million against net revenue on mortgage banking activities during the years ended December 31, 2015 and 2014, respectively. Total provision for loan repurchase provided to reserve for loss on repurchased loans totaled $4.4 million and $4.2 million for the years ended December 31, 2015 and 2014, respectively. The increase was mainly due to increased volume of mortgage loan originations and sales.

Amortization of intangible assets was $5.8 million for the year ended December 31, 2015, an increase of $1.8 million, or 43.1 percent, from $4.1 million for the year ended December 31, 2014. The increase was mainly due to additional intangible assets acquired in the BPNA Branch Acquisition in the fourth quarter of 2014.

Impairment of intangible assets of $258 thousand and $48 thousand was recognized for the years ended December 31, 2015 and 2014, respectively. During the year ended December 31, 2015, the Company wrote off a portion of core deposit intangibles on non-interest bearing demand deposits and money market accounts acquired through the BPNA Branch Acquisition of $258 thousand, as these deposits were transferred in connection with the sale of two branches to AUB. During the year ended December 31, 2014, the Company wrote off a portion of core deposit intangibles related to the Beach Business Bank acquisition of $48 thousand due to lower remaining deposit balances than forecasted.

Other expenses were $28.1 million for the year ended December 31, 2015, an increase of $2.6 million, or 10.0 percent, from $25.5 million for the year ended December 31, 2014. The increase was mainly due to costs associated with the growth in mortgage banking activities and an increase in loan sub-servicing expenses due to the growth in the loan portfolio.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Noninterest expense was $263.5 million for the year ended December 31, 2014, an increase of $85.4 million, or 47.9 percent, from $178.1 million for the year ended December 31, 2013. The increase in noninterest expense relates predominantly to the bank and non-bank acquisitions by the Company along with growth related to the mortgage banking strategy.

Total salaries and employee benefits including commissions was $162.9 million for the year ended December 31, 2014, an increase of $52.2 million, or 47.2 percent, from $110.7 million for the year ended December 31, 2013. The increase was due mainly to additional compensation expense from an increase in the number of full-time employees resulting from the RenovationReady acquisition and BPNA Branch Acquisition, an increase in share-based compensation expense, as well as expansion in mortgage banking activities. Commission expense, which is a loan origination variable expense related to mortgage banking activities, totaled $35.7 million and $23.4 million for the years ended December 31, 2014 and 2013, respectively. Total originations of conforming SFR mortgage loans for the years ended December 31, 2014 and 2013 were $2.82 billion and $1.94 billion, respectively.

Occupancy and equipment expenses were $33.4 million for the year ended December 31, 2014, an increase of $13.8 million, or 70.1 percent, from $19.7 million for the year ended December 31, 2013. The increase was due mainly to increased building and maintenance costs resulting from a full year of branch costs associated with the 2013 acquisitions of The Private Bank of California, The Palisades Group and CS Financial, and new branch locations associated with the BPNA Branch Acquisition and new loan production offices.

Professional fees were $19.2 million for the year ended December 31, 2014, an increase of $5.4 million, or 38.8 percent, from $13.9 million for the year ended December 31, 2013. The increases were mainly due to higher accounting, legal and consulting costs associated with the Company’s recent acquisitions and growth.

Data processing expenses were $5.2 million for the year ended December 31, 2014, an increase of $521 thousand, or 11.1 percent, from $4.7 million for the year ended December 31, 2013. The increases were mainly due to a higher volume of transactions related to loan and deposit growth.

Advertising costs were $5.0 million for the year ended December 31, 2014, an increase of $655 thousand, or 15.0 percent, from $4.4 million for the year ended December 31, 2013. The increase was mainly due to the Company's higher overall marketing cost associated with the continued expansion of its business footprint.

Regulatory assessment was $4.2 million for the year ended December 31, 2014, an increase of $1.6 million, or 65.0 percent, from $2.5 million for the year ended December 31, 2013. The increase was due to year-over-year balance

sheet growth.

Provision for loan repurchases was $2.8 million for the year ended December 31, 2014, an increase of $425 thousand, or 17.8 percent, from $2.4 million for the year ended December 31, 2013. Additionally, the Company recorded initial provision for loan

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repurchases of $1.4 million against net revenue on mortgage banking activities during the year ended December 31, 2014. The increase was mainly due to increased volume of mortgage loan originations and sales.
Amortization of intangible assets was $4.1 million for the year ended December 31, 2014, an increase of $1.4 million, or 53.9 percent, from $2.7 million for the year ended December 31, 2013. The increase was due to the acquisitions in 2014 and 2013.
Impairment of intangible assets of $48 thousand and $1.1 million was recognized for the years ended December 31, 2014 and 2013, respectively. During the year ended December 31, 2014, the Company wrote off a portion of core deposit intangibles related to the Beach Business Bank acquisition of $48 thousand due to lower remaining deposit balances than forecasted. During the year ended December 31, 2013, the Company wrote off all remaining trade name intangibles of Beach Business Bank, Gateway Bancorp and The Private Bank of California of $976 thousand due to the merger of the Company's two banking subsidiaries into a single bank and a portion of core deposit intangibles on deposits acquired from Gateway Bancorp of $85 thousand due to the lower remaining balance than projected.
Other expenses were $25.5 million for the year ended December 31, 2014, an increase of $9.9 million, or 63.0 percent, from $15.6 million for the year ended December 31, 2013. The increase was mainly due to costs associated with the growth in mortgage banking activity and an increase in loan sub-servicing expenses due to the increase in the size of the loan portfolio.

Income Tax Expense

For the years ended December 31, 2015, 2014 and 2013, income tax (benefit) expense was $42.2 million, $(3.7) million and $8.0 million, respectively, and the effective tax rate was 40.5 percent, (14.1) percent and 101.1 percent, respectively. The Company’s effective tax rate increased for the year ended December 31, 2015 due to the release of the valuation allowance for the year ended December 31, 2014.
The Company accounts for income taxes by recognizing deferred tax assets and liabilities based upon temporary differences between the amounts for financial reporting purposes and tax basis of its assets and liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. In assessing the realization of deferred tax assets, management will continue to evaluate both positive and negative evidence on a quarterly basis, including the existence of any cumulative losses in the current year and the prior two years, the amount of taxes paid in available carry-back years, future taxable income and tax planning strategies. Based on this analysis, management determined that it was more likely than not that all of the deferred tax assets would be realized. Therefore, no valuation allowance was provided against the deferred tax assets of $11.3 million and $16.4 million at December 31, 2015 and 2014, respectively.
ASC 740-10-25 relates to the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements. ASC 740-10-25 prescribes a threshold and a measurement process for recognizing in the financial statements a tax position taken or expected to be taken in a tax return and also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company had unrecognized tax benefits of $0 and $5.4 million at December 31, 2015 and 2014, respectively. The Company has changed its tax accounting method for various items and filed amended state income tax returns to reflect audit adjustments. As a result, the total amount of unrecognized tax benefits has decreased by $5.4 million during the year ended December 31, 2015. The Company does not believe that the unrecognized tax benefits will change within the next twelve months. As of December 31, 2015, the total unrecognized tax benefit that, if recognized, would impact the effective tax rate was $0. At December 31, 2015 and 2014, the Company had $0 and $23 thousand accrued for interest or penalties, respectively. In the event the Company is assessed interest and/or penalties by federal or state tax authorities, such amounts will be classified in the consolidated financial statements as income tax expense.
The Company and its subsidiaries are subject to U.S. Federal income tax as well as income tax in multiple state jurisdictions. The Company is no longer subject to examination by U.S. Federal taxing authorities for years before 2012 (with the exception of Gateway Bancorp, a predecessor entity, which is currently under exam by the Internal Revenue Service for the 2008 and 2009 tax years).The statute of limitations for the assessment of California Franchise taxes has expired for tax years before 2011 (other state income and franchise tax statutes of limitations vary by state).

ASU 2014-01 was adopted effective January 1, 2015. Under this standard, amortization of investments in Qualified Affordable Housing Projects is reported within income tax expense.

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Operating Segment Results

The Company utilizes an internal reporting system to measure the performance of various operating segments within the Bank and the Company overall. The Company has identified four operating segments for purposes of management reporting: (i) Commercial Banking; (ii) Mortgage Banking; (iii) Financial Advisory; and (iv) Corporate/Other. Each of these four business divisions meets the criteria of an operating segment, as each segment engages in business activities from which it earns revenues and incurs expenses and its operating results are regularly reviewed by the Company's chief operating decision-maker, the Company's President and Chief Executive Officer, to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

The principal business of the Commercial Banking segment consists of attracting deposits and investing these funds primarily in commercial, consumer and real estate secured loans. The principal business of the Mortgage Banking segment is originating conforming SFR loans and selling these loans in the secondary market. The principal business of the Financial Advisory segment is operated by The Palisades Group and provides services of purchase, sale and management of SFR mortgage loans. The Corporate/Other segment includes the holding company. The Corporate/Other segment engages in business activities through the sale of other real estate owned and loans held at the holding company and incurs interest expense on debt as well as non-interest expense for corporate related activities. During the fourth quarter of 2015, the Company developed a measurement method to allocate centrally incurred costs to its operating segments. The Company allocates shared service costs within Commercial Banking noninterest expense, as well as Corporate/Other noninterest expense, to the respective operating segments. These allocations of centrally incurred costs resulted in a reduction of noninterest expense for Commercial Banking and Corporate/Other, in the amount of $7.1 million and $13.8 million, respectively. Additionally, these allocations resulted in an increase of noninterest expense for Mortgage Banking and Financial Advisory, in the amount of $19.3 million and $1.6 million, respectively.

The Company did not change the measurement method of prior period operating segment information, as it was not deemed practicable to do so. The following table represents the operating segments' financial results and other key financial measures as of or for the years ended December 31, 2015, 2014, and 2013:

	As of or For the Year Ended					
	Commercial Banking	Mortgage Banking	Financial Advisory	Corporate/ Other	Inter-segment Elimination	Consolidated
	(In thousands)					
December 31, 2015						
Net interest income	$225,869	$12,502	$—	$(14,654)	$—	$223,717
Provision for loan and lease losses	7,469	—	—	—	—	7,469
Noninterest income	65,829	144,522	15,960	—	(6,092)	220,219
Noninterest expense	183,918	143,912	10,463	—	(6,092)	332,201
Income (loss) before income taxes	$100,311	$13,112	$5,497	$(14,654)	$—	$104,266
Total assets	$7,785,887	$445,509	$11,865	$157,944	$(165,650)	$8,235,555
December 31, 2014						
Net interest income	$154,322	$8,455	$—	$(7,500)	$—	$155,277
Provision for loan and lease losses	10,976	—	—	—	—	10,976
Noninterest income	34,122	98,322	19,697	217	(6,721)	145,637
Noninterest expense	150,539	96,103	11,071	12,480	(6,721)	263,472
Income (loss) before income taxes	$26,929	$10,674	$8,626	$(19,763)	$—	$26,466
Total assets	$5,648,986	$309,241	$14,957	$60,593	$(62,480)	$5,971,297
December 31, 2013						

Net interest income	$96,222	$7,792	$—	$(6,785)	$—	$97,229
Provision for loan and lease losses	7,963	—	—	—	—	7,963
Noninterest income	26,740	69,687	2,832	5	(2,521)	96,743
Noninterest expense	88,449	76,210	2,339	13,624	(2,521)	178,101
Income (loss) before income taxes	$26,550	$1,269	$493	$(20,404)	$—	$7,908
Total assets	$3,395,793	$222,269	$2,876	$33,974	$(27,050)	$3,627,862

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Commercial Banking Segment

Income before income taxes from the Commercial Banking segment was $100.3 million, $26.9 million, and $26.6 million for the years ended December 31, 2015, 2014 and 2013, respectively. The increase for the year ended December 31, 2015 was due to increases in net interest income and noninterest income, and a decrease in provision for loan and lease losses, partially offset by an increase in noninterest expense. The increase for the year ended December 31, 2014 was due to higher net interest income and noninterest income, partially offset by increases in provision for loan and leases losses and noninterest expense.

Net interest income was $225.9 million, $154.3 million, and $96.2 million for the years ended December 31, 2015, 2014 and 2013, respectively. The increases were mainly due to an increase in average balance of total interest-earning assets, partially offset by an increase in the average balance of interest-bearing liabilities and a decrease in yield.

Provision for loan and lease losses was $7.5 million, $11.0 million, and $8.0 million for the years ended December 31, 2015, 2014 and 2013, respectively. The decrease for the year ended December 31, 2015 was due mainly to improved asset quality. The increase for the year ended December 31, 2014 was mainly due to the increases in total loans and leases. Total ALLL to non-performing loans and leases was 78.74 percent, 76.81 percent, and 59.42 percent at December 31, 2015, 2014 and 2013, respectively.

Noninterest income was $65.8 million, $34.1 million, and $26.7 million for the years ended December 31, 2015, 2014 and 2013, respectively. The increase for the year ended December 31, 2015 was mainly due to increases in net gain on sale of loans and securities, customer services fees, income from bank owned life insurance, and gain on sale of building, partially offset by a decrease in loan servicing income. The increase for the year ended December 31, 2014 was mainly due to increases in net gain on sale of loans and securities, loan brokerage income, and servicing fee income, partially offset by a gain on sale of branches of $12.1 million in 2013.

Noninterest expense was $183.9 million, $150.5 million, and $88.4 million for the years ended December 31, 2015, 2014 and 2013, respectively. The increases were mainly due to acquisitions and expansion of the business footprint.

Mortgage Banking Segment

Income before income taxes from the Mortgage Banking segment was $13.1 million, $10.7 million, and $1.3 million for the years ended December 31, 2015, 2014 and 2013, respectively. The increases for the years ended December 31, 2015 and 2014 were mainly due to increases in originations and sales during the periods.

Net interest income was $12.5 million, $8.5 million, and $7.8 million, and noninterest income was $144.5 million, $98.3 million, and $69.7 million for the years ended December 31, 2015, 2014 and 2013, respectively. The increases in net interest income and noninterest income were the result of increases in origination and sales of conforming SFR mortgage loans during the years ended December 31, 2015 and 2014.

Noninterest expense was $143.9 million, $96.1 million, $76.2 million for the years ended December 31, 2015, 2014 and 2013, respectively. The increases were mainly due to expansion of the Mortgage Banking segment, which incurred additional compensation expense related to an increase in the number of full-time employees, and a loan origination variable commission expense, and occupancy cost related to an increase in number of loan production offices.

Financial Advisory Segment

Income before income taxes on the Financial Advisory segment was $5.5 million, $8.6 million, $493 thousand and for the years ended December 31, 2015, 2014 and 2013, respectively. The Palisades Group was acquired during the third quarter of 2013.

Noninterest income, which was mainly advisory service fees, was $16.0 million, $19.7 million, and $2.8 million, and noninterest expense was $10.5 million, $11.1 million, and $2.3 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Corporate/Other Segment

Loss before income taxes on the Corporate/Other segment was $14.7 million, $19.8 million, and $20.4 million for the years ended December 31, 2015, 2014 and 2013, respectively. Expenses in the Corporate/Other segment were related to interest expense on the Senior Notes and junior subordinated amortizing notes, compensation expense relating to the Banc of California, Inc. employees and directors and professional expense relating to bank and non-bank acquisitions.

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FINANCIAL CONDITION

Investment Securities

Investment securities are classified as held-to-maturity or available-for-sale in accordance with GAAP. Investment securities that the Company has the ability and the intent to hold to maturity are classified as held-to-maturity. All other securities are classified as available-for-sale. Investment securities classified as held-to-maturity are carried at cost. Investment securities classified as available-for-sale are carried at their estimated fair values with the changes in fair values recorded in accumulated other comprehensive income, as a component of stockholders' equity.

The primary goal of our investment securities portfolio is to provide a relatively stable source of interest income while satisfactorily managing risk, including credit risk, reinvestment risk, liquidity risk and interest rate risk. Certain investment securities provide a source of liquidity as collateral for FHLB Advances, repurchase agreements and for certain public funds deposits.

Total investment securities available-for-sale increased by $487.9 million, or 141.1 percent, to $833.6 million at December 31, 2015, from $345.7 million at December 31, 2014, due to purchases of $1.59 billion, partially offset by sales of $986.5 million, principal payments of $109.0 million, and calls and pay-offs of $687 thousand. Investment securities had a net unrealized loss of $5.2 million at December 31, 2015, compared to a net unrealized gain of $817 thousand at December 31, 2014. The Company also purchased investment securities held-to-maturity of $962.1 million during the year ended December 31, 2015. The increases were mainly due to purchases of investment securities available-for-sale and held-to-maturity to reduce excess liquidity from the preferred stock and Senior Notes offerings.

The following table presents the amortized cost and fair value of the investment securities portfolio and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) as of the dates indicated:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
December 31, 2015				
Held-to-maturity				
Corporate bonds	$239,274	$255	$(20,946)	$218,583
Collateralized loan obligation	416,284	—	(5,077)	411,207
Commercial mortgage-backed securities	306,645	41	(4,191)	302,495
Total securities held-to-maturity	$962,203	$296	$(30,214)	$932,285
Available-for-sale				
SBA loan pool securities	$1,485	$19	$—	$1,504
Private label residential mortgage-backed securities	1,755	14	(1)	1,768
Corporate bonds	26,657	—	(505)	26,152
Collateralized loan obligation	111,719	31	(282)	111,468
Agency mortgage-backed securities	697,152	134	(4,582)	692,704
Total securities available-for-sale	$838,768	$198	$(5,370)	$833,596
December 31, 2014				
Available-for-sale				
SBA loan pool securities	$1,697	$18	$—	$1,715
U.S. government-sponsored entities and agency securities	1,940	42	—	1,982
Private label residential mortgage-backed securities	3,169	12	(13)	3,168
Agency mortgage-backed securities	338,072	1,363	(605)	338,830
Total securities available-for-sale	$344,878	$1,435	$(618)	$345,695
December 31, 2013				

Available-for-sale				
SBA loan pool securities	$1,794	$—	$(58	) $1,736
U.S. government-sponsored entities and agency securities	1,928	—	(8	) 1,920
Private label residential mortgage-backed securities	14,653	135	(36	) 14,752
Agency mortgage-backed securities	153,134	299	(1,819	) 151,614
Total securities available-for-sale	$171,509	$434	$(1,921	) $170,022

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The following table presents the composition and the repricing and yield information of the investment securities portfolio as of December 31, 2015:

	One year or less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Total		
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Fair Value	Weighted Average Yield
	($ in thousands)										
Held-to-maturity											
Corporate bonds	$—	— %	$—	— %	$212,219	5.15%	$27,055	4.32%	$239,274	$218,583	5.06%
Collateralized loan obligation	416,284	2.36%	—	— %	—	— %	—	— %	416,284	411,207	2.36%
Commercial mortgage-backed securities	—	— %	—	— %	—	— %	306,645	3.93%	306,645	302,495	3.93%
Total securities held-to-maturity	$416,284	2.36%	$—	— %	$212,219	5.15%	$333,700	3.96%	$962,203	$932,285	3.53%
Available-for-sale											
SBA loan pools securities	$—	— %	$—	— %	$—	— %	$1,485	2.72%	$1,485	$1,504	2.72%
Private label residential mortgage-backed securities	146	2.74%	928	3.88%	—	— %	681	5.14%	1,755	1,768	4.27%
Corporate bonds	—	— %	—	— %	26,657	4.97%	—	— %	26,657	26,152	4.97%
Collateralized loan obligation	111,719	1.99%	—	— %	—	— %	—	— %	111,719	111,468	1.99%
Agency mortgage-backed securities	658	1.06%	21,991	1.71%	52,774	2.48%	621,729	2.58%	697,152	692,704	2.55%
Total securities available-for-sale	$112,523	1.98%	$22,919	1.8 %	$79,431	3.31%	$623,895	2.59%	$838,768	$833,596	2.55%

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At December 31, 2015 and 2014, there were no holdings of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10 percent of stockholders’ equity.

The following table presents proceeds from sales and calls of securities and the associated gross gains and losses realized through earnings upon the sale of available-for-sale securities for the periods indicated:

	Year Ended December 31,		
	2015	2014	2013
	(In thousands)		
Gross realized gains on sales of securities available-for-sale	$3,260	$1,221	$438
Gross realized losses on sales of securities available-for-sale	(2)	(38)	(107)
Net realized gains on sales of securities available-for-sale	$3,258	$1,183	$331
Proceeds from sales of securities available-for-sale	$989,786	$111,764	$127,298
Tax expense on sales of securities available-for-sale	$1,368	$498	$—

Investment securities with carrying values of $47.9 million and $27.1 million as of December 31, 2015 and 2014, respectively, were pledged to secure FHLB advances, public deposits and for other purposes as required or permitted by law.

The following table summarizes the investment securities with unrealized losses by security type and length of time in a continuous unrealized loss position as of the dates indicated:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In thousands)					
December 31, 2015						
Held-to-maturity						
Corporate bonds	$190,332	$(20,946)	$—	$—	$190,332	$(20,946)
Collateralized loan obligations	411,207	(5,077)	—	—	411,207	(5,077)
Commercial mortgage-backed securities	277,351	(4,191)	—	—	277,351	(4,191)
Total securities held-to-maturity	$878,890	$(30,214)	$—	$—	$878,890	$(30,214)
Available-for-sale						
Private label residential mortgage-backed securities	$—	$—	$403	$(1)	$403	$(1)
Corporate bonds	26,152	(505)	—	—	26,152	(505)
Collateralized loan obligations	72,204	(282)	—	—	72,204	(282)
Agency mortgage-backed securities	599,814	(4,459)	6,832	(123)	606,646	(4,582)
Total securities available-for-sale	$698,170	$(5,246)	$7,235	$(124)	$705,405	$(5,370)
December 31, 2014						
Available-for-sale						
Private label residential mortgage-backed securities	372	(9)	1,355	(4)	1,727	(13)
Agency mortgage-backed securities	68,200	(332)	22,212	(273)	90,412	(605)
Total securities available-for-sale	$68,572	$(341)	$23,567	$(277)	$92,139	$(618)

The Company did not record other-than-temporary impairment (OTTI) for securities available-for-sale for the years ended December 31, 2015, 2014 and 2013.

At December 31, 2015, the Company’s securities available-for-sale portfolio consisted of 95 securities, 70 of which were in an unrealized loss position and securities held-to-maturity consisted of 93 securities, 87 of which were in an unrealized loss position. The unrealized losses were attributable to higher market interest rates at December 31, 2015

which negatively impacted the fair value of fixed rate agency mortgage backed securities, wider pricing spreads for corporate bonds and wider pricing spreads for collateralized loan obligations.

The Company monitors to ensure it has adequate credit support and as of December 31, 2015, the Company believes there was no OTTI and did not have the intent to sell these securities and it is not likely that it will be required to sell the securities before

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their anticipated recovery. The Company considers the lowest credit rating for identification of potential OTTI. As of December 31, 2015, all of the Company's investment securities in an unrealized loss position received an investment grade credit rating.

Loans Held-for-Sale

Loans held-for-sale totaled $668.8 million at December 31, 2015, a decrease of $518.2 million, or 43.7 percent, from $1.19 billion at December 31, 2014. The loans held-for-sale consisted of $379.2 million and $278.7 million carried at fair value, and $289.7 million and $908.3 million carried at lower of cost or fair value at December 31, 2015 and 2014, respectively.

The loans carried at fair value represent conforming SFR mortgage loans originated by the Bank that are sold into the secondary market on a whole loan basis. Some of these loans are expected to be sold to Fannie Mae, Freddie Mac and Ginnie Mae on a servicing retained basis. The servicing of these loans is performed by a third party sub-servicer. These loans totaled $379.2 million at December 31, 2015, an increase of $100.4 million, or 36.0 percent, from $278.7 million at December 31, 2014. The increase was due mainly to originations of $4.50 billion, partially offset by sales of $4.42 billion.

Loans held-for-sale carried at the lower of cost or fair value are mainly non-conforming jumbo mortgage loans that are originated to sell in pools, unlike the loans individually originated to sell into the secondary market on a whole loan basis. These loans totaled $289.7 million at December 31, 2015, a decrease of $618.7 million, or 68.1 percent, from $908.3 million at December 31, 2014. The decrease was due mainly to originations of $693.5 million, loans transferred from loans and leases held-for-investment of $48.8 million, and partially offset by sales of $776.4 million and other net amortizations and loans transferred back to loans and leases held-for-investment of $584.5 million.

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Loans and Leases Receivable

The following table presents the composition of the Company’s loan and lease portfolio as of the dates indicated:

	December 31,									
	2015		2014		2013		2012		2011	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	($ in thousands)									
Commercial:										
Commercial and industrial	$876,999	16.9 %	$490,900	12.4 %	$287,771	11.8 %	$80,387	6.4 %	$9,019	1.1 %
Commercial real estate	727,707	14.0 %	999,857	25.3 %	529,883	21.7 %	338,900	27.1 %	125,830	16.0 %
Multi-family	904,300	17.5 %	955,683	24.2 %	141,580	5.8 %	115,082	9.2 %	87,196	11.1 %
SBA	57,706	1.1 %	36,155	0.9 %	27,428	1.1 %	36,076	2.9 %	—	— %
Construction	55,289	1.1 %	42,198	1.1 %	24,933	1.0 %	6,623	0.5 %	—	— %
Lease financing	192,424	3.7 %	85,749	2.2 %	31,949	1.3 %	11,203	0.9 %	—	— %
Consumer:										
Single family residential mortgage	2,255,584	43.5 %	1,171,662	29.7 %	1,286,541	52.6 %	638,667	51.3 %	548,522	69.5 %
Other consumer	114,385	2.2 %	166,918	4.2 %	116,026	4.7 %	21,533	1.7 %	17,822	2.3 %
Total loans and leases	5,184,394	100.0%	3,949,122	100.0%	2,446,111	100.0%	1,248,471	100.0%	788,389	100.0%
Allowance for loan and lease losses	(35,533)		(29,480)		(18,805)		(14,448)		(12,780)	
Total loans and leases receivable, net	$5,148,861		$3,919,642		$2,427,306		$1,234,023		$775,609	

Total loans and leases were $5.18 billion at December 31, 2015, an increase of $1.24 billion, or 31.3 percent, from $3.95 billion at December 31, 2014. The increase was mainly due to increases in SFR mortgage loans, commercial and industrial loans, lease financing, SBA loans, and construction loans, partially offset by decreases in commercial real estate loans, multi-family loans, and other consumer loans. The increase in commercial and industrial loans was mainly due to a $83.6 million increase in warehouse lines of credit, increased origination, and a reclassification from commercial real estate loans related to the finalization of accounting adjustment for the BPNA Branch Acquisition. The decrease in multi-family loans was mainly due to sales of $242.6 million, partially offset by an increase in originations. The increase in lease financing was mainly due to purchases of $127.0 million. The increase in SFR mortgage loans was mainly due to purchases of seasoned SFR mortgage loans pools of $578.7 million, loans transferred from loans held-for-sale of $479.1 million as well as increased originations, partially offset by sales of seasoned SFR mortgage loans pools of $198.4 million. See "Loan and Lease Originations, Purchases and Repayments" for the origination detail per loan and lease segment.

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The following table presents the repricing and yield information with the weighted average contractual yield of the loan and lease portfolio as of December 31, 2015:

	One Year or Less		More Than One Year Through Five Years		More than Five Years through Ten Years		More than Ten Years		Total	
	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
	($ in thousands)									
Commercial:										
Commercial and industrial	$588,469	4.18 %	$166,814	4.56 %	$112,938	4.63 %	$8,778	4.63 %	$876,999	4.32 %
Commercial real estate	181,727	4.49 %	328,654	4.53 %	183,505	4.66 %	33,821	4.78 %	727,707	4.56 %
Multi-family	104,756	4.64 %	569,874	3.94 %	219,586	4.42 %	10,084	4.45 %	904,300	4.14 %
SBA	28,425	5.39 %	21,287	4.37 %	5,537	4.75 %	2,457	5.99 %	57,706	4.98 %
Construction	55,115	5.18 %	167	6.25 %	—	— %	7	4.13 %	55,289	5.18 %
Lease financing	3,196	7.57 %	162,360	6.15 %	26,868	5.54 %	—	— %	192,424	6.09 %
Consumer:										
Single family residential mortgage	644,025	3.20 %	534,380	3.39 %	759,693	4.05 %	317,486	4.98 %	2,255,584	3.78 %
Other consumer	112,321	4.05 %	691	5.33 %	927	9.28 %	446	6.43 %	114,385	4.11 %
Total	$1,718,034	3.92 %	$1,784,227	4.15 %	$1,309,054	4.29 %	$373,079	4.94 %	$5,184,394	4.17 %

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The following table presents the interest rate profile of the loan and lease portfolio due after one year at December 31, 2015:

	Due After One Year		
	Fixed Rate	Floating Rate	Total
	(In thousands)		
Commercial:			
Commercial and industrial	$149,401	$361,378	$510,779
Commercial real estate	377,570	277,616	655,186
Multi-family	114,866	784,575	899,441
SBA	5,612	49,438	55,050
Construction	173	24,359	24,532
Lease financing	189,228	—	189,228
Consumer:			
Single family residential mortgage	269,113	1,985,952	2,255,065
Other consumer	2,065	86,185	88,250
Total	$1,108,028	$3,569,503	$4,677,531

Loan and Lease Originations, Purchases and Repayments

The Company originates real estate secured loans primarily through its retail channel under its DBA Banc Home Loans and under the Bank’s name, and through its wholesale and correspondent channels through other mortgage brokers and banking relationships. Loans originated are either: eligible for sale to Fannie Mae and Freddie Mac, government insured FHA or VA, held by the Company, or sold to private investors.

The Company also originates consumer and real estate loans on a direct basis through our marketing efforts and our existing and walk-in customers. The Company originates both adjustable and fixed-rate loans; however, the ability to originate loans is dependent upon customer demand for loans in our market areas. Demand is affected by competition and the interest rate environment. During the last few years, the Company has significantly increased origination of ARM loans. The Company has also purchased ARM loans secured by single family residences and participations in construction and commercial real estate loans in the past. Loans and participations purchased must conform to the Company’s underwriting guidelines or guidelines acceptable to the management loan committee.

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The following table presents loan and lease originations, purchases, sales, and repayment activities excluding the loans originated for sale, for the periods indicated:

	Year Ended December 31,		
	2015	2014	2013
	(In thousands)		
Origination by rate type:			
Floating rate:			
Commercial and industrial	$180,728	$80,119	$81,048
Commercial real estate and multi family	300,068	397,271	120,631
SBA	33,435	12,223	1,474
Construction	23,819	1,167	6,226
Lease financing	—	1,091	—
Single family residential mortgage	523,789	130,251	390,499
Other consumer	23,628	46,407	21,282
Total floating rate	1,085,467	668,529	621,160
Fixed rate:			
Commercial and industrial	25,052	51,949	10,962
Commercial real estate and multi family	169,518	61,145	117,666
SBA	—	3,691	772
Construction	3	—	1,136
Lease financing	26,748	44,590	16,952
Single family residential mortgage	—	—	3,464
Other consumer	25	8,414	307
Total fixed rate	221,346	169,789	151,259
Total loans and leases originated	1,306,813	838,318	772,419
Purchases:			
Single family residential mortgage	578,666	—	849,883
Commercial real estate and multi-family	—	—	—
Lease financing	127,043	38,572	7,850
Total loans and leases purchased	705,709	38,572	857,733
Acquired in business combinations	—	1,072,449	385,256
Transferred to loans held-for-sale	(48,757)	(66,334)	(182,803)
Repayments:			
Principal repayments	(3,777,566)	(1,885,128)	(461,223)
Sales	(444,578)	(90,390)	(263,554)
Increase in other items, net	3,493,651	1,595,524	89,812
Net increase	$1,235,272	$1,503,011	$1,197,640

The increases in changes from principal repayments and other items were mainly due to increased advances and repayments in commercial lines of credit and warehouse lines of credit during the year ended December 31, 2015 and 2014.

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Seasoned SFR Mortgage Loan Acquisitions

During the year ended December 31, 2015, the Company completed seven seasoned SFR mortgage loan pool acquisitions with unpaid principal balances and fair values of $622.1 million and $578.7 million, respectively, at the respective acquisition dates. These loan pools generally consist of re-performing residential mortgage loans whose characteristics and payment history were consistent with borrowers that demonstrated a willingness and ability to remain in the residence pursuant to the current terms of the mortgage loan agreement. The Company acquired these loans at a discount to both current property value at acquisition and note balance.

The Company determined that certain loans in these seasoned SFR mortgage loan acquisitions reflect credit quality deterioration since origination and it was probable, at acquisition, that all contractually required payments would not be collected (PCI loans). The unpaid principal balances and fair values of PCI loans in these transactions, at the respective acquisition dates, were $571.2 million and $529.2 million, respectively. At December 31, 2015, the unpaid principal balances and carrying values of these PCI loans were $564.1 million and $523.1 million, respectively.

For each acquisition, the Company utilized its background in mortgage credit analysis to re-underwrite the borrower's credit to arrive at what it believes to be an attractive risk adjusted return for a highly collateralized investment in performing mortgage loans. The acquisition program implemented and executed by the Company involved a multifaceted due diligence process discussed in more detail below, which included compliance reviews, title analyses, review of modification agreements, updated property valuation assessments, collateral inventory and other undertakings related to the scope of due diligence.

In the aggregate, the weighted average purchase price of the loans was 58.0 percent of current property value at the time of acquisition based on a third party broker price opinion, and less than 93.7 percent of note balance at the time of acquisition. At the time of acquisition, approximately 85.2 percent of the mortgage loans by current principal balance (excluding any forbearance amounts) had the original terms modified at some point since origination by a prior owner or servicer. The mortgage loans had a current weighted average contractual interest rate of 3.12 percent, determined by current principal balance. The weighted average credit score of the borrowers comprising the mortgage loans at or near the time of acquisition determined by current principal balance and excluding those with no credit score on file was 669. The average property value determined by a broker price opinion obtained by third party licensed real estate professionals at or around the time of acquisition was $394 thousand. Approximately 96.1 percent of the borrowers by current principal balance had made at least 12 monthly payments in the 12 months preceding the trade date and 97.5 percent had made at least six monthly payments in the six months preceding the trade date. The mortgage loans are secured by residences located in 50 states and the District of Columbia with California being the largest state concentration representing 44.7 percent of the note balance, and with no other state concentration exceeding 10 percent based upon the current note balance.

The Company did not acquire any seasoned SFR mortgage loan pool in 2014.

The total unpaid principal balance and carrying value of the seasoned SFR mortgage loan pools, which included pools the Company acquired in 2015 as well as 2013 and 2012, were $972.2 million and $894.1 million, respectively at December 31, 2015 and $677.3 million and $595.4 million, respectively, at December 31, 2014. The total unpaid principal balance and carrying value of PCI loans included in these pools were $764.6 million and $699.1 million, respectively at December 31, 2015 and $282.7 million and $230.8 million, respectively, at December 31, 2014.

At December 31, 2015 and 2014, approximately 2.26 percent and 3.46 percent of unpaid principal balance of the seasoned SFR mortgage loan pools were delinquent 60 or more days, respectively, and 0.62 percent and 0.76 percent were in bankruptcy or foreclosure, respectively.

As part of the acquisition program, the Company may sell from time to time seasoned SFR mortgage loans that do not meet the Company's investment standards. The Company also sells seasoned SFR mortgage loans opportunistically and to appropriately match asset and liability maturities. The Company sold seasoned SFR mortgage loans with an aggregate unpaid principal balance and aggregate carrying value of $232.4 million and $198.4 million during the year ended December 31, 2015. The Company sold seasoned SFR mortgage loans with an aggregate unpaid principal balance and aggregate carrying value of $119.8 million and $82.6 million, respectively, during the year ended December 31, 2014.

Seasoned SFR Mortgage Loan Acquisition Due Diligence

The acquisition program implemented and executed by the Company involves a multifaceted due diligence process that includes compliance reviews, title analyses, review of modification agreements, updated property valuation assessments, collateral inventory and other undertakings related to the scope of due diligence. Prior to acquiring mortgage loans, the Company, its affiliates, sub-advisors or due diligence partners typically will review the loan portfolio and conduct certain due diligence on a loan by loan basis according to its proprietary diligence plan. This due diligence encompasses analyzing the title,

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subordinate liens and judgments as well as a comprehensive reconciliation of current property value. The Company, its affiliates, and its sub-advisors prepare a customized version of its diligence plan for each mortgage loan pool being reviewed that is designed to address certain identified pool specific risks. The diligence plan generally reviews several factors, including but not limited to, obtaining and reconciling property value, confirming chain of titles, reviewing assignments, confirming lien position, confirming regulatory compliance, updating borrower credit, certifying collateral, and reviewing servicing notes. In certain transactions, a portion of the diligence may be provided by the seller. In those instances, the Company reviews the mortgage loan portfolio to confirm the accuracy of the provided diligence information and supplements as appropriate.

As part of the confirmation of property values in the diligence process, the Company conducts independent due diligence on the individual properties and borrowers prior to the acquisition of the mortgage loans. In addition, market conditions, regional mortgage loan information and local trends in home values, coupled with market knowledge, are used by the Company in calculating the appropriate additional risk discount to compensate for potential property declines, foreclosures, defaults or other risks associated with the mortgage loan portfolio to be acquired. Typically, the Company may enter into one or more agreements with affiliates or third parties to perform certain of these due diligence tasks with respect to acquiring potential mortgage loans.

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Non-Traditional Mortgage Portfolio

The Company’s NTM portfolio is comprised of three interest only products: Green Loans, Interest Only loans and a small number of additional loans with the potential for negative amortization. As of December 31, 2015 and 2014, the NTM loans totaled $785.9 million, or 15.2 percent of total loans and leases, and $350.6 million, or 8.9 percent of total loans and leases, respectively. The total NTM portfolio increased by $435.3 million, or 124.2 percent during the period. The following table presents the composition of the NTM portfolio as of the dates indicated:

	December 31,													
	2015			2014			2013			2012			2011	
	Count	Amount	Percent	Count	Amount	Percent	Count	Amount	Percent	Count	Amount	Percent	Count	A
	($ in thousands)													
Green Loans (HELOC) - first liens	121	$105,131	13.4 %	148	$123,177	35.1 %	173	$147,705	47.7 %	212	$198,720	53.9 %	245	$
Interest only - first liens	521	664,358	84.4 %	207	209,207	59.7 %	244	139,867	45.2 %	187	142,426	38.7 %	199	1
Negative amortization	30	11,602	1.5 %	32	13,099	3.7 %	37	16,623	5.4 %	40	19,341	5.3 %	45	2
Total NTM - first liens	672	781,091	99.3 %	387	345,483	98.5 %	454	304,195	98.3 %	439	360,487	97.9 %	489	3
Green Loans (HELOC) - second liens	16	4,704	0.6 %	19	4,979	1.4 %	23	5,289	1.7 %	27	7,659	2.1 %	32	8
Interest only - second liens	1	113	0.1 %	1	113	0.1 %	1	113	— %	1	114	— %	1	1
Total NTM - second liens	17	4,817	0.7 %	20	5,092	1.5 %	24	5,402	1.7 %	28	7,773	2.1 %	33	8
Total NTM loans	689	$785,908	100.0 %	407	$350,575	100.0 %	478	$309,597	100.0 %	467	$368,260	100.0 %	522	$
% of NTM to total loans and leases		15.2 %			8.9 %			12.7 %			29.5 %			4

The initial credit guidelines for the NTM portfolio were established based on borrower FICO score, LTV ratio, property type, occupancy type, loan amount, and geography. Additionally, from an ongoing credit risk management perspective, the Company has determined the most significant performance indicators for NTMs to be LTV ratios and FICO scores. On a semi-annual basis, the Company performs loan reviews of the NTM loan portfolio, which includes refreshing FICO scores on the Green Loans and HELOCs and ordering third party AVM to confirm collateral values.

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LTV ratio represents estimated current loan to value ratio, determined by dividing current unpaid principal balance by latest estimated property value received per the Company policy. The table below represents the Company's NTM first lien portfolio by LTV ratios as of the dates indicated:

	Green			Interest Only			Negative Amortization			Total		
	Count	Amount	Percent	Count	Amount	Percent	Count	Amount	Percent	Count	Amount	Percent
	($ in thousands)											
December 31, 2015												
< 61	70	$51,221	48.7 %	141	$208,120	31.3 %	17	$5,271	45.4 %	228	$264,612	33.9 %
61-80	33	42,075	40.0 %	291	408,662	61.6 %	12	6,106	52.7 %	336	456,843	58.4 %
81-100	12	6,836	6.5 %	37	30,167	4.5 %	1	225	1.9 %	50	37,228	4.8 %
> 100	6	4,999	4.8 %	52	17,409	2.6 %	—	—	— %	58	22,408	2.9 %
Total	121	$105,131	100.0 %	521	$664,358	100.0 %	30	$11,602	100.0 %	672	$781,091	100.0 %
December 31, 2014												
< 61	77	$58,856	47.8 %	60	$93,254	44.7 %	15	$6,023	46.0 %	152	$158,133	45.8 %
61-80	45	46,177	37.5 %	54	81,472	38.9 %	12	5,901	45.0 %	111	133,550	38.6 %
81-100	18	11,846	9.6 %	33	14,927	7.1 %	4	781	6.0 %	55	27,554	8.0 %
> 100	8	6,298	5.1 %	60	19,554	9.3 %	1	394	3.0 %	69	26,246	7.6 %
Total	148	$123,177	100.0 %	207	$209,207	100.0 %	32	$13,099	100.0 %	387	$345,483	100.0 %

The decrease in Green Loans and negative amortization was due to reductions in principal balance and payoffs and the increase in interest only was due to increased originations. The Company updates LTV ratios on a semi-annual basis, typically in the second and fourth quarters or as needed in conjunction with proactive portfolio management.

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The following table presents the contractual maturity with number of loans of the NTM portfolio as of December 31, 2015:

	One Year or Less		More Than One Year Through Five Years		More than Five Years through Ten Years		More than Ten Years		Total	
	Amount	Count	Amount	Count	Amount	Count	Amount	Count	Amount	Count
	($ in thousands)									
Green Loans (HELOC) - first liens (1)	$—	—	$2,244	4	$97,966	116	$4,921	1	$105,131	121
Interest only - first liens (2)	—	—	379	2	195	1	663,784	518	664,358	521
Negative amortization	—	—	—	—	—	—	11,602	30	11,602	30
Total NTM - first liens	—	—	2,623	6	98,161	117	680,307	549	781,091	672
Green Loans (HELOC) - second liens (1)	—	—	—	—	4,704	16	—	—	4,704	16
Interest only - second liens (2)	—	—	—	—	113	1	—	—	113	1
Total NTM - second liens	—	—	—	—	4,817	17	—	—	4,817	17
Total NTM loans	$—	—	$2,623	6	$102,978	134	$680,307	549	$785,908	689

(1) Green Loans typically have a 15 year balloon maturity

(2) Interest Only loans typically switch to an amortizing basis after 5, 7, or 10 years

At December 31, 2015, all negative amortization loans had outstanding balances less than their original principal balances.

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Green Loans

The Company discontinued origination of Green Loans in 2011. Green Loans are SFR first and second mortgage lines of credit with a linked checking account that allows all types of deposits and withdrawals to be performed. The loans are generally interest only with a 15 year balloon payment due at maturity. The Company initiated the Green Loan products in 2005 and proactively refined underwriting and credit management practices and credit guidelines in response to changing economic environments, competitive conditions and portfolio performance. The Company continues to manage credit risk, to the extent possible, throughout the borrower's credit cycle.

At December 31, 2015, Green Loans totaled $109.8 million, a decrease of $18.3 million, or 14.3 percent from $128.2 million at December 31, 2014, primarily due to reductions in principal balance and payoffs. As of December 31, 2015 and 2014, $10.1 million and $12.5 million, respectively, of the Company's Green Loans were non-performing. As a result of their unique payment feature, Green Loans possess higher credit risk due to the potential of negative amortization; however, management believes the risk is mitigated through the Company's loan terms and underwriting standards, including its policies on LTV ratios and the Company's contractual ability to curtail loans when the value of underlying collateral declines.

The Green Loans are similar to HELOCs in that they are collateralized primarily by the borrower's equity in the borrower's home. However, some Green Loans are subject to differences from HELOCs relating to certain characteristics including one-action laws. Similar to Green Loans, HELOCs allow the borrower to draw down on the credit line based on an established loan amount for a period of time, typically 10 years, requiring an interest only payment with an option to pay principal at any time. A typical HELOC provides that at the end of the term the borrower can continue to make monthly principal and interest payments based on loan balance until the maturity date. The Green Loan is an interest only loan with a maturity of 15 years at which time the loan comes due and payable with a balloon payment due at maturity. The unique payment structure also differs from a traditional HELOC in that payments are made through the direct linkage of a personal checking account to the loan through a nightly sweep of funds into the Green Loan Account. This reduces any outstanding balance on the loan by the total amount deposited into the checking account. As a result, every time a deposit is made, effectively a payment to the Green Loan is made. HELOCs typically do not cause the loan to be paid down by a borrower's depositing of funds into their checking account at the same bank.

Credit guidelines for Green Loans were established based on borrower FICO scores, property type, occupancy type, loan amount, and geography. Property types include single family residences and second trust deeds where the Company owned the first liens, owner occupied as well as non-owner occupied properties. The Company utilized its underwriting guidelines for first liens to underwrite the Green Loan secured by second trust deeds as if the combined loans were a single Green Loan. For all Green Loans, the loan income was underwritten using either full income documentation or alternative income documentation.

The following table presents the Company's NTM Green Loans first lien portfolio at December 31, 2015 by FICO scores that were obtained during the quarter ended December 31, 2015, compared to the FICO scores for those same loans that were obtained during the quarter ended December 31, 2014:

	December 31, 2015								
	By FICO Scores Obtained During the Quarter Ended December 31, 2015			By FICO Scores Obtained During the Quarter Ended December 31, 2014			Change		
	Count	Amount	Percent	Count	Amount	Percent	Count	Amount	Percent
	($ in thousands)								
FICO Score									
800+	22	$14,438	13.7 %	24	$16,587	15.8 %	(2)	$(2,149)	(2.1)%
700-799	60	48,775	46.5 %	58	44,678	42.5 %	2	4,097	4.0 %
600-699	23	23,600	22.4 %	24	26,768	25.5 %	(1)	(3,168)	(3.1)%
<600	5	4,030	3.8 %	8	11,817	11.2 %	(3)	(7,787)	(7.4)%
No FICO score	11	14,288	13.6 %	7	5,281	5.0 %	4	9,007	8.6 %
Totals	121	$105,131	100.0 %	121	$105,131	100.0 %	—	$—	— %

The Company updates FICO scores on a periodic basis and generally at least twice a year or as needed in conjunction with proactive portfolio management.

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Interest Only Loans

Interest only loans are primarily SFR mortgage loans with payment features that allow interest only payment in initial periods before converting to a fully amortizing loan. As of December 31, 2015, our interest only loans increased by $455.2 million, or 217.4 percent, to $664.5 million from $209.3 million at December 31, 2014, primarily due to originations of $258.6 million and transfers from loans held-for-sale of $277.5 million, partially offset by transfers to loans held-for-sale of $2.3 million and net amortization of $83.2 million. As of December 31, 2015 and 2014, $4.6 million and $2.0 million of the interest only loans were non-performing, respectively.

Loans with the Potential for Negative Amortization

Negative amortization loans decreased by $1.5 million, or 11.4 percent, to $11.6 million as of December 31, 2015 from $13.1 million as of December 31, 2014. The Company discontinued origination of negative amortization loans in 2007. At December 31, 2015 and 2014, no loans that had the potential for negative amortization were non-performing. These loans pose a potentially higher credit risk because of the lack of principal amortization and potential for negative amortization; however, management believes the risk is mitigated through the loan terms and underwriting standards, including the Company’s policies on LTV ratios.

Non-Traditional Mortgage Loan Credit Risk Management

The Company performs detailed reviews of collateral values on loans collateralized by residential real property including its NTM portfolio based on appraisals or estimates from third partyAVMs to analyze property value trends on a semi-annual basis or as needed. AVMs are used to identify loans that have experienced potential collateral deterioration. Once a loan has been identified that may have experienced collateral deterioration, the Company will obtain updated drive by or full appraisals in order to confirm the valuation. This information is used to update key monitoring metrics such as LTV ratios. Additionally, FICO scores are obtained in conjunction with the collateral analysis. In addition to LTV ratios and FICO scores, the Company evaluates the portfolio on a specific loan basis through delinquency and portfolio charge-offs to determine whether any risk mitigation or portfolio management actions are warranted. The borrowers may be contacted as necessary to discuss material changes in loan performance or credit metrics.

The Company’s risk management policy and credit monitoring includes reviewing delinquency, FICO scores, and collateral values on the NTM loan portfolio. We also continuously monitor market conditions for our geographic lending areas. The Company has determined that the most significant performance indicators for NTM to be LTV ratios and FICO scores. The loan review provides an effective method of identifying borrowers who may be experiencing financial difficulty before they fail to make a loan payment. Upon receipt of the updated FICO scores, an exception report is run to identify loans with a decrease in FICO score of 10 percent or more and a resulting FICO score of 620 or less. The loans are then further analyzed to determine if the risk rating should be downgraded that will increase the ALLL the Company will establish for potential losses. A report is prepared and regularly monitored.

On the interest only loans, the Company projects future payment changes to determine if there will be an increase in payment of 3.50 percent or greater and then monitors the loans for possible delinquencies. The individual loans are monitored for possible downgrading of risk rating, and trends within the portfolio are identified that could affect other interest only loans scheduled for payment changes in the near future.

As these loans are revolving lines of credit, the Company, based on the loan agreement and loan covenants of the particular loan, as well as applicable rules and regulations, could suspend the borrowing privileges or reduce the credit limit at any time the Company reasonably believes that the borrower will be unable to fulfill their repayment obligations under the agreement or certain other conditions are met. In many cases, the decrease in FICO score is the first red flag that the borrower may have difficulty in making their future payment obligations.

As a result, the Company proactively manages the portfolio by performing a detailed analysis with emphasis on the non-traditional mortgage portfolio. The Company’s Internal Asset Review Committee (IARC) conducts regular meetings to review the loans classified as special mention, substandard, or doubtful and determines whether suspension or reduction in credit limit is warranted. If the line has been suspended and the borrower would like to have their credit privileges reinstated, they would need to provide updated financials showing their ability to meet their payment obligations. From the most recent review completed in the fourth quarter of 2015, the Company reduced $800 thousand in available commitments on Green Loans.

Consumer and NTM loans may entail greater risk than do traditional SFR mortgage loans, particularly in the case of consumer loans that are secured by rapidly depreciable assets, such as automobiles and recreational vehicles. In these cases, any repossessed collateral for a consumer and NTM loan are more dependent on the borrower‘s continued financial stability and, thus, are more likely to be adversely affected by job loss, divorce, illness, or personal bankruptcy.

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Asset Quality

Past Due Loans and Lease

The following table presents a summary of loans and leases, excluding PCI loans, that were past due at least 30 days but less than 90 days past due as of the dates indicated:

	December 31,				
	2015	2014	2013	2012	2011
	(In thousands)				
Commercial:					
Commercial and industrial	$5,007	$116	$287	$255	$—
Commercial real estate	—	2,237	5,748	775	291
Multi-family	223	1,280	602	—	—
SBA	162	82	62	136	—
Construction	—	—	—	—	—
Lease financing	3,046	1,091	363	118	—
Consumer:					
Single family residential mortgage	31,497	35,496	30,318	7,797	10,669
Other consumer	11	392	319	27	4
Total	$39,946	$40,694	$37,699	$9,108	$10,964

The loans and leases, excluding PCI loans, that were past due at least 30 days but less than 90 days past due totaled $39.9 million at December 31, 2015, a decrease of $748 thousand, or 1.8 percent, from $40.7 million at December 31, 2014. The changes in SFR mortgage loan delinquencies in 2015 and 2014 was due mainly to a delinquency increase in portfolio SFR mortgage loans, partially offset by a delinquency decrease in seasoned SFR mortgage loan pools. The increase in SFR mortgage loan delinquencies in 2013 was due mainly to a delinquency increase in seasoned SFR mortgage loan pools. The total amount that were past due at least 30 days but less than 90 days past due in seasoned SFR mortgage loan pools was $12.2 million, $22.9 million and $28.1 million at December 31, 2015, 2014 and 2013, respectively.

The following table presents a summary of NTM loans that were past due at least 30 days but less than 90 days past due as of the dates indicated:

	December 31,			
	2015		2014	
	Count	Amount	Count	Amount
	($ in thousands)			
Green Loans (HELOC) - first liens	1	$7,913	2	$8,853
Interest only - first liens	6	3,935	8	1,580
Negative amortization	—	—	—	—
Total NTM - first liens	7	11,848	10	10,433
Green Loans (HELOC) - second liens	—	—	1	294
Interest only - second liens	—	—	—	—
Total NTM - second liens	—	—	1	294
Total NTM loans	7	$11,848	11	$10,727

The NTM loans that were past due at least 30 days but less than 90 days past due totaled $11.8 million at December 31, 2015, an increase of $1.1 million, or 10.5 percent, from $10.7 million at December 31, 2014.

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The following table presents a summary of PCI loans that were past due at least 30 days but less than 90 days past due as of the dates indicated:

	December 31,				
	2015	2014	2013	2012	2011
	(In thousands)				
Commercial:					
Commercial and industrial	$—	$—	$—	$—	$—
Commercial real estate	—	—	—	1,457	—
Multi-family	—	—	—	—	—
SBA	549	878	46	380	—
Construction	—	—	—	—	—
Lease financing	—	—	—	—	—
Consumer:					
Single family residential mortgage	39,742	16,763	30,468	2,090	—
Other consumer	—	—	—	—	—
Total	$40,291	$17,641	$30,514	$3,927	$—

The PCI loans that were past due at least 30 days but less than 90 days past due totaled $40.3 million at December 31, 2015, an increase of $22.7 million, or 128.4 percent, from $17.6 million at December 31, 2014. The increase in SFR mortgage loans was due mainly to a $21.5 million delinquency increase from the seasoned SFR mortgage loans that were purchased during 2015 and the transfer of servicing during the fourth quarter of 2015. A servicing transfer often causes a temporary increase in delinquencies due to confusion of borrowers concerning where to send their payments and a disruption in the normal collection efforts of the loan servicer.

Non-Performing Assets

Non-performing assets consist of (i) loans on non-accrual status which are loans on which the accrual of interest has been discontinued and include restructured loans when there has not been a history of past performance on debt service in accordance with the contractual terms of the restructured loans, (ii) loans 90 days or more past due and still accruing interest, and (iii) other real estate owned, or OREO, which consists of real properties which have been acquired by foreclosure or similar means and which the Company holds for sale.

Generally, the accrual of interest is discontinued when principal or interest payments become more than 90 days past due, unless the Company believes the loan is adequately collateralized and the loan is in the process of collection. However, in certain instances, the Company may place a particular loan on non-accrual status earlier, depending upon the individual circumstances involved in the loan’s delinquency. When a loan is placed on non-accrual status, previously accrued but unpaid interest is reversed against current income. Subsequent collections of unpaid amounts on such a loan are applied to reduce principal when received, except when the ultimate collectability of principal is probable, in which case interest payments are credited to income. Non-accrual loans may be restored to accrual status if and when principal and interest become current and full repayment is expected. Interest income is recognized on the accrual basis for impaired loans not meeting the criteria for non-accrual treatment.

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The following table presents a summary of non-performing assets as of the dates indicated:

	December 31,				
	2015	2014	2013	2012	2011
	(In thousands)				
Commercial:					
Commercial and industrial	$4,383	$7,143	$33	$—	$—
Commercial real estate	1,552	1,017	3,868	2,906	1,887
Multi-family	642	1,834	1,972	5,442	3,090
SBA	422	285	10	141	—
Construction	—	—	—	—	—
Lease financing	598	100	—	—	—
Consumer:					
Single family residential mortgage	37,318	27,753	25,514	14,503	14,272
Other consumer	214	249	251	1	5
Total non-accrual loans and leases	45,129	38,381	31,648	22,993	19,254
Loans past due over 90 days or more and still on accrual	—	—	—	—	—
Other real estate owned	1,097	423	—	4,527	14,692
Total non-performing assets	$46,226	$38,804	$31,648	$27,520	$33,946
Performing troubled debt restructured loans	$7,842	$6,346	$6,117	$6,646	$5,417

The increases in non-accrual loans and leases in 2015 and 2014 was mainly due to increases in total loans and leases. The percentage of total non-accrual loans and leases to total loans and leases was 0.87 percent at December 31, 2015 and 0.97 percent at December 31, 2014, compared to 1.29 percent at December 31, 2013.

With respect to loans that were on non-accrual status as of December 31, 2015, the gross interest income that would have been recorded during the year ended December 31, 2015 had such loans and leases been current in accordance with their original terms and been outstanding throughout the year ended December 31, 2015 (or since origination, if held for part of the year ended December 31, 2015), was $2.1 million. The amount of interest income on such loans that was included in net income for the year ended December 31, 2015 was $197 thousand.

The following table presents a summary of non-accrual NTM loans as of the dates indicated:

	December 31,			
	2015		2014	
	Count	Amount	Count	Amount
	($ in thousands)			
Green Loans (HELOC) - first liens	2	$10,088	5	$12,334
Interest only - first liens	6	4,615	7	2,049
Negative amortization	—	—	—	—
Total NTM - first liens	8	14,703	12	14,383
Green Loans (HELOC) - second liens	—	—	1	209
Interest only - second liens	—	—	—	—
Total NTM - second liens	—	—	1	209
Total NTM loans	8	$14,703	13	$14,592

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Troubled Debt Restructured Loans (TDRs)

Loans that the Company modifies or restructures where the debtor is experiencing financial difficulties and makes a concession to the borrower in the form of changes in the amortization terms, reductions in the interest rates, the acceptance of interest only payments and, in limited cases, concessions to the outstanding loan balances are classified as troubled debt restructurings (TDRs). TDRs are loans modified for the purpose of alleviating temporary impairments to the borrower’s financial condition. A workout plan between a borrower and the Company is designed to provide a bridge for the cash flow shortfalls in the near term. If the borrower works through the near term issues, in most cases, the original contractual terms of the loan will be reinstated.

At December 31, 2015 and 2014, the Company had 29 and 18 loans, respectively, with an aggregate balance of $9.8 million and $8.0 million, respectively, classified as TDRs. When a loan becomes a TDR the Company ceases accruing interest, and classifies it as non-accrual until the borrower demonstrates that the loan is again performing.

At December 31, 2015, of the 29 loans classified as TDRs, 23 loans totaling $7.8 million were making payments according to their modified terms and were less than 90-days delinquent under the modified terms. Of the aforementioned $7.8 million in TDRs, $7.3 million were SFR mortgage loans and $553 thousand were other consumer loans. At December 31, 2014, of the 18 loans classified as TDRs, 14 loans totaling $6.3 million were making payments according to their modified terms and were less than 90-days delinquent under the modified terms. Of the aforementioned $6.3 million in TDRs, $6.1 million were SFR mortgage loans and $294 thousand were other consumer loans. At December 31, 2015 and 2014, there were 4 and 2 TDR loans, respectively, with an aggregate balance of $914 thousand and $492 thousand, respectively, that were over 90 days delinquent.

The following table presents the composition of TDRs as of the dates indicated:

	December 31,					
	2015			2014		
	NTM Loans	Traditional Loans	Total	NTM Loans	Traditional Loans	Total
	(In thousands)					
Commercial:						
Commercial real estate	$—	$—	$—	$—	$—	$—
SBA	—	3	3	—	6	6
Consumer:						
Single family residential mortgage	1,015	5,841	6,856	—	4,269	4,269
Green Loans (HELOC) - first liens	2,400	—	2,400	3,442	—	3,442
Green Loans (HELOC) - second liens	553	—	553	294	—	294
Total	$3,968	$5,844	$9,812	$3,736	$4,275	$8,011

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Risk Ratings

Federal regulations provide for the classification of loans and leases and other assets, such as debt and equity securities considered to be of lesser quality, as substandard, doubtful or loss. An asset is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets include those characterized by the distinct possibility that the insured institution will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all of the weaknesses inherent in those classified substandard, with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Assets classified as loss are those considered uncollectible and of such little value that their continuance as assets without the establishment of a specific loss reserve or charge-off is not warranted.

When an insured institution classifies problem assets as either substandard or doubtful, it may establish general allocation allowances for loan and lease losses in an amount deemed prudent by management and approved by the Board of Directors. General allocation allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but, unlike specific allowances, have not been allocated to particular problem assets. When an insured institution classifies problem assets as loss, it is required either to establish a specific allocation allowance for losses equal to 100 percent of that portion of the asset so classified or to charge off such amount. An institution’s determination as to the classification of its assets and the amount of its specific allocation allowances is subject to review by the OCC, which may order the establishment of additional general or specific loss allocation allowances.

In connection with the filing of the Bank’s periodic reports with the OCC and in accordance with policies for our classification of assets, we regularly review the problem assets in our portfolio to determine whether any assets require classification in accordance with applicable regulations. On the basis of management’s review of assets, at December 31, 2015, the Company had classified assets (including OREO) totaling $66.7 million, all of which were classified as substandard. The total amount classified represented 0.81 percent of the Company’s total assets at December 31, 2015.

When accrual of income on a pool of PCI loans with common risk characteristics is appropriate in accordance with ASC 310-30, individual loans in those pools are not risk-rated. The credit criteria evaluated are LTV ratios, delinquency, and actual cash flows versus expected cash flows of the loan pools.

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The following table presents the Company's risk categories as of December 31, 2015:

	December 31, 2015					
	Pass	Special Mention	Substandard	Doubtful	Not-Rate	Total
	(In thousands)					
NTM loans:						
Single family residential mortgage	$660,683	$11,731	$3,546	$—	$—	$675,960
Green Loans (HELOC) - first liens	87,967	2,329	14,835	—	—	105,131
Green Loans (HELOC) - second liens	4,704	—	—	—	—	4,704
Other consumer	113	—	—	—	—	113
Total NTM loans	753,467	14,060	18,381	—	—	785,908
Traditional loans:						
Commercial:						
Commercial and industrial	860,993	3,175	11,978	—	—	876,146
Commercial real estate	707,238	4,788	6,082	—	—	718,108
Multi-family	901,578	403	2,319	—	—	904,300
SBA	53,078	1,132	447	—	—	54,657
Construction	55,289	—	—	—	—	55,289
Lease financing	190,976	—	1,448	—	—	192,424
Consumer:						
Single family residential mortgage	738,196	12,301	24,766	—	—	775,263
Other consumer	109,206	148	21			