BBCN BANCORP INC
Form 10-Q
August 08, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
x Quarterly report pursuant to section 13 or 15 (d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2014
or
o 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: 000-50245

BBCN BANCORP, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	95-4849715 (IRS Employer Identification Number)
3731 Wilshire Boulevard, Suite 1000, Los Angeles, California (Address of Principal executive offices)	90010 (ZIP Code)

(213) 639-1700
(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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

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

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o	Smaller Reporting Company	o

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

As of August 4, 2014, there were 79,493,732 outstanding shares of the issuer's Common Stock, $0.001 par value.

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Forward-Looking Statements

Some statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements relate to, among other things, expectations regarding the business environment in which we operate, projections of future performance, perceived opportunities in the market and statements regarding our business strategies, objectives and vision. Forward-looking statements include, but are not limited to, statements preceded by, followed by or that include the words “will,” “believes,” “expects,” “anticipates,” “intends,” “plans,” “estimates” or similar expressions. With respect to any such forward-looking statements the Company claims the protection provided for in the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties. Our actual results, performance or achievements may differ significantly from the results, performance or achievements expressed or implied in any forward-looking statements. The risks and uncertainties include: possible deterioration in economic conditions in our areas of operation; interest rate risk associated with volatile interest rates and related asset-liability matching risk; liquidity risks; risk of significant non-earning assets, and net credit losses that could occur, particularly in times of weak economic conditions or times of rising interest rates; and regulatory risks associated with current and future regulations. For additional information concerning these and other risk factors, see "Part II, Item 1A. Risk Factors" contained herein and “Part I, Item 1A. Risk Factors” contained in our Annual Report on Form 10-K for the year ended December 31, 2013.
The Company does not undertake, and specifically disclaims any obligation, to update any forward looking statements to reflect the occurrence of events or circumstances after the date of such statements except as required by law.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

BBCN BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	(Unaudited) June 30, 2014	December 31, 2013
ASSETS	(In thousands, except share data)	
Cash and cash equivalents:		
Cash and due from banks	$121,685	$96,061
Interest bearing deposit at the Federal Reserve Bank ("FRB")	293,234	220,644
Total cash and cash equivalents	414,919	316,705
Securities available for sale, at fair value	746,683	705,751
Loans held for sale, at the lower of cost or fair value	53,324	44,115
Loans receivable, net of allowance for loan losses (June 30, 2014 - $66,870; December 31, 2013 - $67,320)	5,280,187	5,006,856
Other real estate owned ("OREO"), net	20,610	24,288
Federal Home Loan Bank ("FHLB") stock, at cost	28,399	27,941
Premises and equipment, net of accumulated depreciation and amortization (June 30, 2014 - $27,569; December 31, 2013 - $25,852)	30,699	30,894
Accrued interest receivable	13,133	13,403
Deferred tax assets, net	72,556	89,297
Customers’ liabilities on acceptances	5,719	5,602
Bank owned life insurance ("BOLI")	45,354	44,770
Investments in affordable housing partnerships	10,791	11,460
Goodwill	105,401	105,401
Core deposit intangible assets, net	4,535	5,184
Servicing assets	9,024	8,915
FDIC loss share receivable	—	1,110
Other assets	24,957	33,507
Total assets	$6,866,291	$6,475,199

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BBCN BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	(Unaudited) June 30, 2014	December 31, 2013
LIABILITIES AND STOCKHOLDERS' EQUITY	(In thousands, except share data)	
LIABILITIES:		
Deposits:		
Noninterest bearing	$1,512,423	$1,399,454
Interest bearing:		
Money market and NOW accounts	1,449,771	1,376,068
Savings deposits	203,790	222,446
Time deposits of $100,000 or more	1,624,340	1,498,784
Other time deposits	680,064	651,305
Total deposits	5,470,388	5,148,057
FHLB advances	461,166	421,352
Subordinated debentures	42,076	57,410
Accrued interest payable	6,087	4,821
Acceptances outstanding	5,719	5,602
Other liabilities	28,246	28,583
Total liabilities	6,013,682	5,665,825
STOCKHOLDERS' EQUITY:		
Common stock, $0.001 par value; authorized 150,000,000 shares at June 30, 2014 and December 31, 2013; issued and outstanding, 79,493,732 and 79,441,525 shares at June 30, 2014 and December 31, 2013, respectively	79	79
Additional paid-in capital	541,173	540,876
Retained earnings	311,195	278,604
Accumulated other comprehensive income (loss), net	162	(10,185)
Total stockholders' equity	852,609	809,374
Total liabilities and stockholders' equity	$6,866,291	$6,475,199

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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BBCN BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In thousands, except per share data)			
INTEREST INCOME:				
Interest and fees on loans	$71,687	$65,473	$140,381	$128,502
Interest on securities	4,078	3,526	8,172	6,953
Interest on federal funds sold and other investments	688	380	1,253	667
Total interest income	76,453	69,379	149,806	136,122
INTEREST EXPENSE:				
Interest on deposits	7,272	5,647	13,962	11,055
Interest on FHLB advances	1,311	1,218	2,522	2,442
Interest on other borrowings	380	411	867	806
Total interest expense	8,963	7,276	17,351	14,303
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES	67,490	62,103	132,455	121,819
PROVISION FOR LOAN LOSSES	2,996	800	6,022	8,306
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	64,494	61,303	126,433	113,513
NONINTEREST INCOME:				
Service fees on deposit accounts	3,360	2,922	6,832	5,797
International service fees	1,113	1,266	2,116	2,504
Loan servicing fees, net	610	1,041	1,578	2,014
Wire transfer fees	919	887	1,824	1,703
Other income and fees	1,648	1,199	3,267	2,444
Net gains on sales of SBA loans	2,811	3,295	5,533	5,989
Net gains on sales of other loans	—	19	—	62
Net gains on sales of securities available for sale	—	—	—	54
Net gains (losses) on sales of OREO	31	(11)	437	(9)
Total noninterest income	10,492	10,618	21,587	20,558
NONINTEREST EXPENSE:				
Salaries and employee benefits	18,143	16,219	37,082	32,551
Occupancy	4,715	4,835	9,339	8,846
Furniture and equipment	2,012	1,613	4,026	3,186
Advertising and marketing	1,508	1,190	2,596	2,463
Data processing and communication	2,299	1,861	4,420	3,505
Professional fees	1,315	1,443	2,628	2,744
FDIC assessments	1,080	858	2,103	1,552
Credit related expenses	3,016	2,203	4,437	3,918
Merger and integration expense	50	385	224	1,690
Other	3,601	3,822	7,158	7,249
Total noninterest expense	37,739	34,429	74,013	67,704
INCOME BEFORE INCOME TAX PROVISION	37,247	37,492	74,007	66,367
INCOME TAX PROVISION	14,935	14,821	29,499	26,235
NET INCOME	$22,312	$22,671	44,508	$40,132
EARNINGS PER COMMON SHARE				

Basic	$0.28	$0.29	$0.56	$0.51
Diluted	$0.28	$0.29	$0.56	$0.51

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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BBCN BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In thousands)			
Net income	$22,312	$22,671	$44,508	$40,132
Other comprehensive income (loss):				
Unrealized gains (losses) on securities available for sale and interest only strips	6,655	(19,699)	17,795	(23,353)
Reclassification adjustments for gains realized in income	—	—	—	(54)
Tax expense (benefit)	2,752	(7,738)	7,448	(9,320)
Change in unrealized gains (losses) on securities available for sale and interest only strips	3,903	(11,961)	10,347	(14,087)
Total comprehensive income	$26,215	$10,710	$54,855	$26,045

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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BBCN BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

	Common stock				
	Shares	Amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss), net
	(In thousands, except share data)				
BALANCE, JANUARY 1, 2013	78,041,511	$78	$525,354	$216,590	$ 9,082
Acquisition of Pacific International Bancorp, Inc.	632,050	1	8,640		
Issuance of additional shares pursuant to various stock plans	532,279		1,849		
Tax effect of stock plans			234		
Stock-based compensation			1,008		
Cash dividends declared on common stock				(7,856)	
Comprehensive income:					
Net income				40,132	
Other comprehensive loss					(14,087)
BALANCE, JUNE 30, 2013	79,205,840	$79	$537,085	$248,866	$ (5,005)
BALANCE, JANUARY 1, 2014	79,441,525	$79	$540,876	$278,604	$ (10,185)
Issuance of additional shares pursuant to various stock plans	52,207	—	—		
Tax effect of stock plans			—		
Stock-based compensation			297		
Cash dividends declared on common stock				(11,917)	
Comprehensive income:					
Net income				44,508	
Other comprehensive income					10,347
BALANCE, JUNE 30, 2014	79,493,732	$79	$541,173	$311,195	$ 162

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

BBCN BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 2014	2013
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$44,508	$40,132
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation, amortization, net of discount accretion	(10,008)	(7,328)
Stock-based compensation expense	297	1,008
Provision for loan losses	6,022	8,306
Valuation adjustment of OREO	448	762
Proceeds from sales of loans held for sale	68,143	67,732
Originations of loans held for sale	(77,035)	(53,176)
Net gains on sales of SBA and other loans	(5,533)	(6,051)
Net change in BOLI	(584)	(633)
Net gains on sales of securities available for sale	—	(54)
Net (gains) loss on sales of OREO	(437)	9
Change in accrued interest receivable	270	(513)
Change in deferred income taxes	9,293	2,976
Change in prepaid FDIC insurance	—	7,771
Change in investments in affordable housing partnership	669	677
Change in FDIC loss share receivable	1,110	2,342
Change in other assets	8,440	8,376
Change in accrued interest payable	1,266	70
Change in other liabilities	(337)	(4,832)
Net cash provided by operating activities	46,532	67,574
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in loans receivable	(261,309)	(84,982)
Proceeds from sales of securities available for sale	—	6,636
Proceeds from sales of OREO	5,035	1,425
Purchase of premises and equipment	(2,987)	(3,348)
Purchase of securities available for sale	(82,552)	(147,995)
Purchase of FHLB stock	(536)	(1,969)
Redemption of FHLB stock	78	32
Proceeds from matured or paid-down securities available for sale	57,640	101,604
Net cash received from acquisition - Pacific International Bancorp, Inc.	—	25,968
Redemption of preferred stock upon the acquisition	—	(7,475)
Net cash used in investing activities	(284,631)	(110,104)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	323,694	49,537
Redemption of subordinated debentures	(15,464)	(4,124)
Proceeds from FHLB advances	40,000	140,000
Repayment of FHLB advances	—	(153,697)
Cash dividends paid on Common Stock	(11,917)	(7,855)
Issuance of additional stock pursuant to various stock plans	—	2,083
Net cash provided by financing activities	336,313	25,944
NET CHANGE IN CASH AND CASH EQUIVALENTS	98,214	(16,586)

CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	316,705	312,916
CASH AND CASH EQUIVALENTS, END OF PERIOD	$414,919	$296,330
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$16,085	$14,159
Income taxes paid	$14,245	$19,516
SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES		
Transfer from loans receivable to OREO	$1,368	$4,396
Transfer from loans receivable to loans held for sale	$34	$—
Loans to facilitate sales of loans held for sale	$5,250	$—
Non-cash goodwill adjustment, net	$—	$(1,116)
Pacific International Bancorp, Inc. Acquisition:		
Assets acquired	$—	$181,048
Liabilities assumed	$—	$(167,028)

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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BBCN BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. BBCN Bancorp, Inc.
BBCN Bancorp, Inc. ("BBCN Bancorp" on a parent-only basis and the "Company" on a consolidated basis), headquartered in Los Angeles, California, is the holding company for BBCN Bank ("BBCN Bank" or the "Bank"). The Bank has branches in California, New Jersey, and the New York City, Chicago, Seattle and Washington, D.C. metropolitan areas, as well as loan production offices in Atlanta, Dallas, Denver, Northern California, Seattle and Annandale. The Company is a corporation organized under the laws of the state of Delaware and bank holding company registered under the Bank Holding Company Act of 1956, as amended.

2. Basis of Presentation
The condensed consolidated financial statements included herein have been prepared without an audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”), except for the Condensed Consolidated Statement of Financial Condition as of December 31, 2013 which was derived from audited financial statements included in the Company's 2013 Annual Report on Form 10-K. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such SEC rules and regulations.
The condensed consolidated financial statements include the accounts of BBCN Bancorp and its wholly-owned subsidiaries, principally BBCN Bank. All intercompany transactions and balances have been eliminated in consolidation.
The Company has made all adjustments, consisting solely of normal recurring accruals, that in the opinion of management, are necessary to fairly present the Company's financial position at June 30, 2014 and the results of operations for the three and six months then ended. Certain reclassification have been made to prior period amounts to conform to the current year presentation. The results of operations for the interim periods are not necessarily indicative of results to be anticipated for the full year.
The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are susceptible to change in the near term relate to the determination of the allowance and provision for loan losses, the evaluation of other than temporary impairment of investment securities, accounting for derivatives and hedging activities, the determination of the carrying value for cash surrender value of life insurance, the determination of the carrying value of goodwill and other intangible assets, accounting for deferred tax assets and related valuation allowances, the determination of the fair values of investment securities and other financial instruments, accounting for lease arrangements, accounting for incentive compensation, profit sharing and bonus payments, the valuation of servicing assets, and the determination of the fair values of acquired assets and liabilities including the fair value of loans acquired with credit deterioration.
These unaudited condensed consolidated financial statements should be read along with the audited consolidated financial statements and accompanying notes included in the Company's 2013 Annual Report on Form 10-K.
Recent Accounting Pronouncements:
FASB ASU No. 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. The provisions of ASU No. 2013-11 require an entity to present an unrecognized tax benefit, or portion thereof, in the statement of financial position as a reduction to a deferred tax asset for a net operating loss carryforward or a tax credit carryforward, with certain exceptions related to availability. ASU No. 2013-11 is effective for interim and annual reporting periods beginning after December 15, 2013. The adoption of ASU No. 2013-11 did not have a material impact on the

Company's consolidated financial statements.

FASB ASU No. 2014-01, Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects. These amendments permit reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Disclosures for a change in accounting principle are required upon transition. ASU 2014-01 is effective for for interim and annual periods beginning after December 15, 2014 and is not expected to have a significant impact on the Company's financial statements.

FASB ASU No. 2014-04, Receivables—Troubled Debt Restructuring by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Upon Foreclosure. The amendment intends to clarify the terms defining when an in substance foreclosure occurs, which determines when the receivable should be derecognized and the

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real estate property recognized. ASU No. 2014-04 will be effective for interim and annual periods beginning after December 31, 2014. ASU No. 2014-04 is not expected to have a material impact on the Company's consolidated financial statements.

FASB ASU No. 2014-12, Compensation—Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. ASU 2014-12 is effective for interim and annual periods beginning after December 31, 2014 and is not expected to have a significant impact on the Company's financial statements.

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3. Business Combinations

The Company applies the acquisition method of accounting for business combinations under ASC 805 - Business Combinations. Under the acquisition method, the acquiring entity in a business combination recognizes 100 percent of the assets acquired and liabilities assumed at their acquisition date fair values. Management utilizes valuation techniques appropriate for the asset or liability being measured in determining these fair values. Any excess of the purchase price over amounts allocated to assets acquired, including identifiable intangible assets, and liabilities assumed is recorded as goodwill. Where amounts allocated to assets acquired and liabilities assumed is greater than the purchase price, a bargain purchase gain is recognized. Acquisition-related costs are expensed as incurred as merger and integration expense.

Acquisition of Foster Bankshares, Inc.

On August 13, 2013, the Company completed the acquisition of Foster Bankshares, Inc. ("Foster"), the holding company of Foster Bank. The Company acquired Foster in order to expand its market in Illinois and into Virginia. Foster's primary subsidiary, Foster Bank, operated eight branches in Illinois and one branch in Virginia.

Under the terms of the acquisition agreement, Foster shareholders can elect to receive a cash price of $34.6703 per share or, for shareholders who qualified as accredited investors, 2.62771 shares of Company common stock for each share of Foster common stock. As of June 30, 2014, the Company had issued 180,300 shares of Company common stock in exchange for 68,619 shares of Foster common stock and paid $1.9 million for 58,906 shares of Foster common stock. As of June 30, 2014, there were 4,475 shares of Foster common stock that had not been redeemed, and the accrued liability for the unredeemed shares of Foster common stock was $155 thousand.

The consideration paid, the assets acquired, and the liabilities assumed are summarized in the following table:

	(In thousands)
Consideration paid:	
BBCN common stock issued in exchange for Foster common stock	$2,567
Cash paid for the redemption of Foster common stock	1,922
Liability for unredeemed Foster common stock	155
Total consideration paid	$4,644
Assets Acquired:	
Cash and cash equivalents	$42,883
Investment securities available for sale	4,844
Loans receivable	255,297
FRB and FHLB stock	1,714
OREO	14,251
Premises and equipment	4,733
Core deposit intangibles	2,763
Deferred tax assets, net	21,211
Other assets	2,353
Liabilities Assumed:	
Deposits	(321,596)
Borrowings	(18,045)
Subordinated debentures	(15,309)
Other liabilities	(5,980)
Total identifiable net assets	$(10,881)
Excess of consideration paid over fair value of net assets acquired (goodwill)	$15,525

The assets and liabilities of Foster were recorded on the consolidated balance sheet at estimated fair value on the acquisition date. The purchase price may change as additional information becomes available and when unredeemed Foster

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shares are redeemed. The fair values of the net deferred tax assets, loans and certain liabilities assumed from Foster were provisional and adjustments to the provisional amounts may occur during the measurement period as the Company obtains additional information about the facts and circumstances that existed as of the acquisition date.
The $15.5 million of goodwill recognized in the Foster acquisition represents the future economic benefit arising from the acquisition including the creation of a platform that can support future operations and strengthening the Company's existing presence in the Chicago metropolitan area and expansion into the Washington, D.C. market. Goodwill is not amortized for book purposes and is not deductible for tax purposes.

Acquisition of Pacific International Bancorp, Inc.

On February 15, 2013, the Company completed the acquisition of Pacific International Bancorp, Inc. ("PIB"), a Seattle based company, pursuant to an Agreement and Plan of Merger, dated October 22, 2012. The Company acquired PIB in order to increase its presence in the Seattle market. PIB's primary subsidiary, Pacific International Bank, a Washington state-chartered bank, operated four bank branches in the Seattle metropolitan area.
In connection with the acquisition, the consideration paid, the assets acquired, and the liabilities assumed are summarized in the following table:

	(In thousands)
Consideration paid:	
BBCN common stock issued	$8,437
Cash in lieu of fractional shares paid to PIB stockholders	1
Redemption of Preferred Stock	7,475
Total consideration paid	$15,913
Assets Acquired:	
Cash and cash equivalents	$25,968
Investment securities available for sale	7,810
Loans receivable	131,589
FRB and FHLB stock	1,829
OREO	3,418
Deferred tax assets, net	9,886
Core deposit intangibles	604
Other assets	2,514
Liabilities Assumed:	
Deposits	(143,665)
Borrowings	(14,698)
Subordinated debentures	(4,108)
Other liabilities	(5,116)
Total identifiable net assets	$16,031
Bargain purchase gain	$118

The bargain purchase gain of $118 thousand from the PIB acquisition was recorded in other income in the Consolidated Statements of Income.

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Acquired Loans

The Company estimated the fair value for most loans acquired by utilizing a methodology wherein loans with comparable characteristics were aggregated by type of collateral, remaining maturity and repricing terms. Cash flows for each pool were determined by estimating future credit losses and prepayment rates. Projected monthly cash flows were then discounted using a risk-adjusted market rate for similar loans to determine the fair value of each pool. To estimate the fair value of the remaining loans, management analyzed the value of the underlying collateral of the loans, assuming the fair values of the loans were derived from the eventual sale of the collateral. The value of the collateral was based on recently completed appraisals adjusted to the valuation date based on recognized industry indices. The Company discounted those values using market derived rates of return, with consideration given to the period of time and costs associated with the foreclosure and disposition of the collateral. There was no carryover of the allowance for loan losses associated with the loans the Company acquired as the loans were initially recorded at fair value. The following table presents loans acquired with deteriorated credit quality as of the date of acquisition:

	Foster	PIB
	(In thousands)	
Contractually required principal and interest at acquisition	$150,430	$54,462
Contractual cash flows not expected to be collected (nonaccretable discount)	37,447	9,687
Expected cash flows at acquisition	112,983	44,775
Interest component of expected cash flows (accretable discount)	14,928	4,945
Fair value of acquired impaired loans	$98,055	$39,830

The outstanding principal balances and the related carrying amounts of the acquired loans included in the statement of financial condition are $229.3 million and $187.8 million, respectively, for Foster and $99.6 million and $84.7 million, respectively, for PIB, as of June 30, 2014.

Pro Forma Information

The operating results of Foster and PIB from the dates of acquisitions through June 30, 2014 are included in the Condensed Consolidated Statement of Income for 2014 and 2013.

The following unaudited combined pro forma information presents the operating results for the three and six months ended June 30, 2014 and 2013, as if the Foster and PIB acquisitions had occurred on January 1, 2013:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In thousands, except share data)			
Net interest income	$67,490	$79,266	$132,455	$140,581
Net income	$22,312	$19,394	$44,508	$36,411
Pro forma earnings per share:				
Basic	$0.28	$0.24	$0.56	$0.46
Diluted	0.28	0.24	0.56	0.46

The above pro forma results are presented for illustrative purposes only and are not intended to represent or be indicative of the actual results of operations of the merged companies that would have been achieved had the acquisitions occurred at January 1, 2013, nor are they intended to represent or be indicative of future results of operations. The pro forma results do not include expected operating cost savings as a result of the acquisitions. These pro forma results require significant estimates and judgments particularly as it relates to valuation and accretion of income associated with acquired loans.

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Acquisition-Related Expenses

The following table presents acquisition-related expenses associated with the Foster and PIB acquisitions which were reflected in the Condensed Consolidated Statements of Income in merger and integration expense. These expenses are comprised primarily of salaries and benefits, occupancy expenses, professional services and other noninterest expense.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(Dollars in thousands)			
PIB	$—	$81	$31	$1,332
Foster	$50	$304	$193	$358
Total	$50	$385	$224	$1,690

4. Stock-Based Compensation

The Company has a stock-based incentive plan, the 2007 BBCN Bancorp Equity Incentive Plan (the “2007 Plan”). The 2007 Plan, approved by our stockholders on May 31, 2007, was amended and restated on July 25, 2007 and again on December 1, 2011. The 2007 Plan provides for grants of stock options, stock appreciation rights (“SARs”), restricted stock, performance shares and performance units (sometimes referred to individually or collectively as “awards”) to non-employee directors, officers, employees and consultants of the Company. Stock options may be either incentive stock options (“ISOs”), as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”), or nonqualified stock options (“NQSOs”).

The 2007 Plan gives the Company flexibility to (i) attract and retain qualified non-employee directors, executives and other key employees and consultants with appropriate equity-based awards; (ii) motivate high levels of performance; (iii) recognize employee contributions to the Company’s success; and (iv) align the interests of the 2007 Plan participants with those of the Company’s stockholders. The exercise price for shares under an ISO may not be less than 100% of fair market value on the date the award is granted under Code Section 422. Similarly, under the terms of the 2007 Plan the exercise price for SARs and NQSOs may not be less than 100% of fair market value on the date of grant. Performance units are awarded to a participant at the market price of the Company’s common stock on the date of award (after the lapse of the restriction period and the attainment of the performance criteria). No minimum exercise price is prescribed for performance shares and restricted stock awarded under the 2007 Plan.

ISOs, SARs and NQSOs have vesting periods of three to five years and have 10-year contractual terms. Restricted stock, performance shares, and performance units will be granted with a restriction period of not less than one year from the grant date for performance-based awards and not more than three years from the grant date for time-based vesting of grants. Compensation expense for awards is recognized over the vesting period.

The Company has another stock-based incentive plan, the Center Financial Corporation 2006 Stock Incentive Plan, adopted April 12, 2006, as amended and restated June 13, 2007 (the "2006 Plan"), which was assumed by the Company during the merger with Center Bank.

The 2006 Plan provides for the granting of incentive stock options to officers and employees and non-qualified stock options and restricted stock awards to employees (including officers) and non-employee directors. The option prices of all options granted under the 2006 Plan must be not less than 100% of the fair market value at the date of grant. All options granted generally vest at the rate of 20% per year except that the options granted to the non-employee directors vest at the rate of 33% per year. All options not exercised generally expire ten years after the date of grant.

Under the 2007 and 2006 Plans, 2,745,606 shares were available for future grants as of June 30, 2014.

The total shares reserved for issuance will serve as the underlying value for all equity awards under the 2007 and 2006 Plans. With the exception of the shares underlying stock options and restricted stock awards, the board of directors may choose to settle the awards by paying the equivalent cash value or by delivering the appropriate number of shares.

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The following is a summary of stock option activity under the 2007 and 2006 Plans for the six months ended June 30, 2014:

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding - January 1, 2014	420,594	$20.44		
Granted	—	—		
Exercised	—	—		
Expired	(36,601)	18.07		
Forfeited	—	—		
Outstanding - June 30, 2014	383,993	$20.67	2.5	$32,800
Options exercisable - June 30, 2014	383,993	$20.67	2.5	$32,800

The following is a summary of restricted and performance unit activity under the 2007 and 2006 Plans for the six months ended June 30, 2014:

	Number of Shares	Weighted-Average Grant Date Fair Value
Outstanding - January 1, 2014	200,165	$11.57
Granted	29,000	16.75
Vested	(58,326)	10.52
Forfeited	(19,888)	11.92
Outstanding - June 30, 2014	150,951	$12.99

The total fair value of restricted performance units vested for the six months ended June 30, 2014 and 2013 was $862 thousand and $3.9 million, respectively.
The amount charged against income related to stock-based payment arrangements was $184 thousand and $299 thousand for the three months ended June 30, 2014 and 2013, respectively. For the six months ended June 30, 2014 and 2013, $289 thousand and $1.0 million, respectively, were charged against income related to stock-based payment arrangements.
The income tax benefit recognized was $74 thousand and $1.3 million, for the three months ended June 30, 2014 and 2013, respectively and the amount recognized was $115 thousand and $1.2 million for the six months ended June 30, 2014 and 2013, respectively.
At June 30, 2014, total unrecognized compensation expense related to non-vested stock option grants and restricted and performance units aggregated $1.7 million, which is expected to be recognized over a weighted average vesting period of 3.00 years.

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5. Earnings Per Share ("EPS")

Basic EPS does not reflect the possibility of dilution that could result from the issuance of additional shares of common stock upon exercise or conversion of outstanding securities, and is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if stock options or other contracts to issue common stock were exercised or converted to common stock that would then share in our earnings. For the three months ended June 30, 2014 and 2013, stock options and restricted shares awards for 86,103 shares and 192,227 shares of common stock, respectively, were excluded in computing diluted earnings per common share because they were antidilutive. For the six months ended June 30, 2014 and 2013, stock options and restricted shares awards for 80,661 shares and 198,565 shares of common stock, respectively, were excluded in computing diluted earnings per common share because they were antidilutive. Additionally, warrants, issued pursuant to the Company's participation in the U.S. Treasury's TARP Capital Purchase Plan, to purchase 18,482 shares and 18,114 shares of common stock were antidilutive and excluded for the three and six months ended June 30, 2014 and 2013, respectively.

The following table shows the computation of basic and diluted EPS for the three months ended June 30, 2014 and 2013.

	Three Months Ended June 30,					
	2014			2013		
	Net income (Numerator)	Weighted-Average Shares (Denominator)	Per Share (Amount)	Net income (Numerator)	Weighted-Average Shares (Denominator)	Per Share (Amount)
	(In thousands, except share and per share data)					
Basic EPS - common stock	$22,312	79,490,767	$0.28	$22,671	79,062,233	$0.29
Effect of dilutive securities:						
Stock options and performance units		40,119			155,890	
Common stock warrants		83,160			18,609	
Diluted EPS - common stock	$22,312	79,614,046	$0.28	$22,671	79,236,732	$0.29

	Six Months Ended June 30,					
	2014			2013		
	Net income available to common stockholders (Numerator)	Weighted-Average Shares (Denominator)	Per Share (Amount)	Net income available to common stockholders (Numerator)	Weighted-Average Shares (Denominator)	Per Share (Amount)
	(In thousands, except share and per share data)					
Basic EPS - common stock	$44,508	79,481,359	$0.56	$40,132	78,746,444	$0.51
Effect of Dilutive Securities:						
Stock Options and Performance Units		49,132			238,957	
Common stock warrants		87,955			15,410	
Diluted EPS - common stock	$44,508	79,618,446	$0.56	$40,132	79,000,811	$0.51

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6. Securities Available for Sale

The following is a summary of securities available for sale as of the dates indicated:

	At June 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
Debt securities:				
U.S. Government agency and U.S. Government sponsored enterprises				
Collateralized mortgage obligations	$291,676	$1,564	$(5,102)	$288,138
Mortgage-backed securities	427,237	6,940	(2,983)	431,194
Trust preferred securities	4,524	—	(536)	3,988
Municipal bonds	5,675	448	(29)	6,094
Total debt securities	729,112	8,952	(8,650)	729,414
Mutual funds	17,425	—	(156)	17,269
	$746,537	$8,952	$(8,806)	$746,683

	At December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
Debt securities:				
U.S. Government agency and U.S. Government sponsored enterprises				
Collateralized mortgage obligations	$286,608	$1,104	$(13,611)	$274,101
Mortgage-backed securities	409,165	3,620	(7,789)	404,996
Trust preferred securities	4,516	—	(819)	3,697
Municipal bonds	5,687	319	(70)	5,936
Total debt securities	705,976	5,043	(22,289)	688,730
Mutual funds	17,425	—	(404)	17,021
	$723,401	$5,043	$(22,693)	$705,751

As of June 30, 2014 and December 31, 2013, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of stockholders' equity.

For the three months ended June 30, 2014 and 2013, $6.7 million of unrealized gains and $19.7 million of unrealized losses, respectively, were included in accumulated other comprehensive income during the periods. For the six months ended June 30, 2014 and 2013, $17.8 million of unrealized gains and $23.4 million of unrealized losses, respectively, were included in accumulated other comprehensive income during the periods. A total of $0 and $54 thousand of net gains on sales of securities were reclassified out of accumulated other comprehensive income into earnings for the six months ended June 30, 2014 and 2013, respectively. There were no securities sold during the three months ended June 30, 2014 and 2013.

The proceeds from sales of securities and the associated gross gains and losses recorded in earnings are listed below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In thousands)			

Proceeds	$—	$—	$—	$6,636
Gross gains	—	—	—	54
Gross losses	—	—	—	—

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The amortized cost and estimated fair value of debt securities at June 30, 2014, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

	Amortized Cost	Estimated Fair Value
	(In thousands)	
Available for sale:		
Due within one year	$—	$—
Due after one year through five years	340	348
Due after five years through ten years	3,884	4,292
Due after ten years	5,975	5,442
U.S. Government agency and U.S. Government sponsored enterprises		
Collateralized mortgage obligations	291,676	288,138
Mortgage-backed securities	427,237	431,194
Mutual funds	17,425	17,269
	$746,537	$746,683

Securities with carrying values of approximately $356.8 million and $360.6 million at June 30, 2014 and December 31, 2013, respectively, were pledged to secure public deposits, various borrowings and for other purposes as required or permitted by law.

The following table shows our investments' gross unrealized losses and estimated fair value, aggregated by investment category and the length of time that the individual securities have been in a continuous unrealized loss position as of the dates indicated.

	As of June 30, 2014								
	Less than 12 months			12 months or longer			Total		
Description of Securities	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses
	(In thousands)								
Collateralized mortgage obligations*	6	$44,798	$(676)	13	$140,569	$(4,426)	19	$185,367	$(5,102)
Mortgage-backed securities*	8	12,337	(57)	14	90,980	(2,926)	22	103,317	(2,983)
Trust preferred securities	—	—	—	1	3,988	(536)	1	3,988	(536)
Municipal bonds	—	—	—	1	1,141	(29)	1	1,141	(29)
Mutual funds	—	—	—	1	13,269	(156)	1	13,269	(156)
	14	$57,135	$(733)	30	$249,947	$(8,073)	44	$307,082	$(8,806)

* Investments in U.S. Government agency and U.S. Government sponsored enterprises

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	As of December 31, 2013								
	Less than 12 months			12 months or longer			Total		
Description of Securities	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses
	(In thousands)								
Collateralized mortgage obligations*	21	$198,713	$(12,460)	3	$13,381	$(1,151)	24	$212,094	$(13,611)
Mortgage-backed securities*	29	203,276	(7,293)	7	14,793	(496)	36	218,069	(7,789)
Trust Preferred securities	—	—	—	1	3,697	(819)	1	3,697	(819)
Municipal bonds	1	1,112	(70)	—	—	—	1	1,112	(70)
Mutual funds	1	13,021	(404)	—	—	—	1	13,021	(404)
	52	$416,122	$(20,227)	11	$31,871	$(2,466)	63	$447,993	$(22,693)

* Investments in U.S. Government agency and U.S. Government sponsored enterprises

The Company evaluates securities for other-than-temporary-impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the financial condition and near-term prospects of the issuer, the length of time and the extent to which the fair values of the securities have been less than the cost of the securities, and management's intention to sell, or whether it is more likely than not that management will be required to sell a security in an unrealized loss position before recovery of its amortized cost basis. In analyzing an issuer’s financial condition, the Company considers, among other considerations, whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer’s financial condition.

The Company has certain trust preferred securities and U.S. Government agency and U.S. Government sponsored enterprise collateralized mortgage obligations that were in a continuous unrealized loss position for twelve months or longer as of June 30, 2014. The trust preferred securities at June 30, 2014 had an amortized cost of $4.5 million and an unrealized loss of $536 thousand at June 30, 2014. The trust preferred securities are scheduled to mature in May 2047. These securities are rated investment grade and there are no credit quality concerns with the obligor. Certain of the Company's U.S. Government agency and U.S. Government sponsored enterprise investments were in an unrealized loss position at June 30, 2014. All of the Company's U.S. Government agency and U.S. Government sponsored enterprise investments have high credit ratings of "AA" grade or better. Interest on the trust preferred securities and the U.S. Government agency and U.S. Government sponsored enterprise investments have been paid as agreed, and management believes this will continue in the future and that the securities will be repaid in full as scheduled. The market value declines for these securities are deemed to be due to the current market volatility and are not reflective of management’s expectations of its ability to fully recover these investments, which may be at maturity. For these reasons, no OTTI was recognized on the trust preferred securities and the U.S. Government agency and U.S. Government sponsored collateralized mortgage obligations and mortgage-backed securities that are in an unrealized loss position at June 30, 2014.

The Company considers the losses on the investments in unrealized loss positions at June 30, 2014 to be temporary based on: 1) the likelihood of recovery; 2) the information relative to the extent and duration of the decline in market value; and 3) the Company’s intention not to sell, and management's determination that it is more likely than not that management will not be required to sell a security in an unrealized loss position before recovery of its amortized cost basis.

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7. Loans Receivable and Allowance for Loan Losses

The following is a summary of loans receivable by major category:

	June 30, 2014	December 31, 2013
	(In thousands)	
Loan portfolio composition		
Real estate loans:		
Residential	$10,019	$10,039
Commercial & industrial	4,089,242	3,821,163
Construction	85,037	72,856
Total real estate loans	4,184,298	3,904,058
Commercial business	929,143	949,093
Trade finance	141,053	124,685
Consumer and other	93,822	98,507
Total loans outstanding	5,348,316	5,076,343
Less: deferred loan fees	(1,259)	(2,167)
Loans receivable	5,347,057	5,074,176
Less: allowance for loan losses	(66,870)	(67,320)
Loans receivable, net of allowance for loan losses	$5,280,187	$5,006,856

The loan portfolio is made up of four segments: real estate loans, commercial business, trade finance and consumer and other. These segments are further segregated between loans accounted for under the amortized cost method ("Legacy Loans") and acquired loans that were originally recorded at fair value with no carryover of the related pre-acquisition allowance for loan losses ("Acquired Loans"). Acquired Loans are further segregated between Acquired Credit Impaired Loans (loans with credit deterioration on the acquisition date and accounted for under ASC 310-30, or "ACILs") and Acquired Performing Loans (loans that were pass graded on the acquisition date and the fair value adjustment is amortized over the contractual life under ASC 310-20, or "APLs").

The following table presents changes in the accretable discount on the ACILs for the three and six months ended June 30, 2014 and 2013:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In thousands)			
Balance at beginning of period	$32,583	$23,410	$47,398	$18,651
Additions due to acquisitions during the period	—	—	—	4,945
Accretion	(4,197)	(3,586)	(9,064)	(7,032)
Changes in expected cash flows	(102)	17,266	(10,050)	20,526
Balance at end of period	$28,284	$37,090	$28,284	$37,090

On the acquisition date, the amount by which the undiscounted expected cash flows exceed the estimated fair value of the ACILs is the “accretable yield.” The accretable yield is then measured at each financial reporting date and represents the difference between the remaining undiscounted expected cash flows and the current carrying value of the loans. The accretable yield will change from period to period due to the following: 1) estimates of the remaining life of acquired loans will affect the amount of future interest income; 2) indices for variable rates of interest on ACILs may change; and 3) estimates of the amount of the contractual principal and interest that will not be collected (nonaccretable difference) may change. The following tables detail the activity in the allowance for loan losses by portfolio segment for the three and six months ended June 30, 2014 and 2013:

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	Legacy Real Estate (In thousands)	Commercial Business	Trade Finance	Consumer and Other	Acquired Real Estate	Commercial Business	Trade Finance	Consumer and Other	Total
Three Months Ended June 30, 2014									
Balance, beginning of period	$38,586	$ 16,208	$2,944	$467	$6,838	$ 593	$ —	$63	$65,699
Provision (credit) for loan losses	1,066	(336)	1,624	(69)	622	88	—	1	2,996
Loans charged off	(726)	(1,794)	—	(18)	(188)	(45)	—	—	(2,771)
Recoveries of charge offs	132	581	—	211	17	3	—	2	946
Balance, end of period	$39,058	$ 14,659	$4,568	$591	$7,289	$ 639	$ —	$66	$66,870
Six Months Ended June 30, 2014									
Balance, beginning of period	$40,068	$ 16,796	$2,653	$461	$6,482	$ 796	$ —	$64	$67,320
Provision (credit) for loan losses	(348)	2,211	1,972	(62)	1,073	1,099	—	77	6,022
Loans charged off	(813)	(5,519)	(57)	(19)	(283)	(1,265)	—	(78)	(8,034)
Recoveries of charge offs	151	1,171	—	211	17	9	—	3	1,562
Balance, end of period	$39,058	$ 14,659	$4,568	$591	$7,289	$ 639	$ —	$66	$66,870

	Legacy Real Estate (In thousands)	Commercial Business	Trade Finance	Consumer and Other	Acquired Real Estate	Commercial Business	Trade Finance	Consumer and Other	Total
Three Months Ended June 30, 2013									
Balance, beginning of period	$43,709	$ 16,522	$1,698	$538	$9,889	$ 809	$ —	$103	$73,268
Provision (credit) for loan losses	(1,057)	1,043	637	(20)	(233)	484	—	(54)	800
Loans charged off	(777)	(1,413)	—	(2)	(24)	(684)	—	—	(2,900)
Recoveries of charge offs	57	368	—	12	—	45	—	25	507
Balance, end of period	$41,932	$ 16,520	$2,335	$528	$9,632	$ 654	$ —	$74	$71,675
Six Months Ended June 30, 2013									
	$41,505	$ 16,490	$2,349	$658	$4,718	$ 1,115	$ 3	$103	$66,941

Balance, beginning of period									
Provision (credit) for loan losses	2,012	1,082	12	(149)	5,087	295	(3)	(30)	8,306
Loans charged off	(1,682)	(1,596)	(26)	(9)	(175)	(808)	—	(33)	(4,329)
Recoveries of charge offs	97	544	—	28	2	52	—	34	757
Balance, end of period	$41,932	$ 16,520	$2,335	$528	$9,632	$ 654	$ —	$74	$71,675

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The following tables disaggregate the allowance for loan losses and the loans outstanding by impairment methodology at June 30, 2014 and December 31, 2013:

	June 30, 2014								
	Legacy				Acquired				
	Real Estate	Commercial Business	Trade Finance	Consumer and Other	Real Estate	Commercial Business	Trade Finance	Consumer and Other	Total
	(In thousands)								
Allowance for loan losses:									
Individually evaluated for impairment	$3,394	$3,225	$2,298	$—	$431	$393	$—	$—	$9,741
Collectively evaluated for impairment	35,664	11,434	2,270	591	978	246	—	66	51,249
ACILs	—	—	—	—	5,880	—	—	—	5,880
Total	$39,058	$14,659	$4,568	$591	$7,289	$639	$—	$66	$66,870
Loans outstanding:									
Individually evaluated for impairment	$53,937	$37,546	$8,985	$516	$19,365	$2,867	$—	$942	$124,158
Collectively evaluated for impairment	3,470,699	793,559	128,930	35,723	507,900	56,393	—	28,506	5,021,710
ACILs	—	—	—	—	132,397	38,778	3,138	28,135	202,448
Total	$3,524,636	$831,105	$137,915	$36,239	$659,662	$98,038	$3,138	$57,583	$5,348,316

	December 31, 2013								
	Legacy				Acquired				
	Real Estate	Commercial Business	Trade Finance	Consumer and Other	Real Estate	Commercial Business	Trade Finance	Consumer and Other	Total
	(In thousands)								
Allowance for loan losses:									
Individually evaluated for impairment	$5,578	$5,183	$159	$32	$1,092	$622	$—	$—	$12,666
Collectively evaluated for impairment	34,490	11,613	2,494	429	612	174	—	64	49,876
ACILs	—	—	—	—	4,778	—	—	—	4,778
Total	$40,068	$16,796	$2,653	$461	$6,482	$796	$—	$64	$67,320
Loans outstanding:									
Individually evaluated for	$49,177	$37,314	$5,692	$535	$19,992	$2,792	$—	$767	$116,269

impairment									
Collectively evaluated for impairment	3,076,924	778,350	117,249	32,421	613,696	84,325	—	31,802	4,734,767
ACILs	—	—	—	—	144,269	46,312	1,744	32,982	225,307
Total	$3,126,101	$815,664	$122,941	$32,956	$777,957	$133,429	$1,744	$65,551	$5,076,343

As of June 30, 2014 and December 31, 2013, the liability for unfunded commitments was $1.5 million and $885 thousand, respectively. For the three months ended June 30, 2014 and 2013, the recognized provision for credit losses related to unfunded commitments was $547 thousand and $0, respectively. For the six months ended June 30, 2014 and 2013, the recognized provision for credit losses related to unfunded commitments was $588 thousand and $0, respectively.

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The recorded investment in individually impaired loans was as follows:

	June 30, 2014	December 31, 2013
	(In thousands)	
With allocated allowance		
Without charge off	$70,372	$85,920
With charge off	2,134	851
With no allocated allowance		
Without charge off	43,342	23,160
With charge off	8,310	6,338
Allowance on impaired loans	(9,741)	(12,666)
Impaired loans, net of allowance	$114,417	$103,603

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The following tables detail impaired loans (Legacy and APLs that became impaired subsequent to being acquired) as of June 30, 2014 and December 31, 2013 and for the three and six months ended June 30, 2014 and 2013 and for the year ended December 31, 2013. Loans with no related allowance for loan losses are believed by management to have adequate collateral securing their carrying value.

	As of June 30, 2014			For the Six Months Ended June 30, 2014		For the Three Months Ended June 30, 2014	
Total Impaired Loans	Recorded Investment*	Unpaid Contractual Principal Balance	Related Allowance	Average Recorded Investment*	Interest Income Recognized during Impairment	Average Recorded Investment*	Interest Income Recognized during Impairment
	(In thousands)						
With related allowance:							
Real estate—residential	$—	$ —	$—	$—	$—	$—	$ —
Real estate—commercial							
Retail	4,063	4,227	484	5,238	46	4,198	27
Hotel & motel	11,651	11,651	1,901	11,771	266	11,696	133
Gas station & car wash	2,100	2,273	439	2,774	38	2,589	19
Mixed use	1,285	1,295	162	1,049	20	1,109	10
Industrial & warehouse	6,936	6,936	53	9,104	151	7,456	76
Other	7,785	7,810	786	9,353	166	8,898	82
Real estate—construction	—	—	—	—	—	—	—
Commercial business	30,087	32,184	3,618	30,875	594	28,981	310
Trade finance	8,599	15,786	2,298	6,526	99	6,990	51
Consumer and other	—	—	—	178	—	—	—
	$72,506	$ 82,162	$9,741	$76,868	$1,380	$71,917	$ 708
With no related allowance:							
Real estate—residential						$—	
Real estate—commercial							
Retail	8,358	11,904	—	6,875	124	8,300	62
Hotel & motel	6,438	11,380	—	6,480	—	6,468	—
Gas station & car wash	4,961	8,384	—	4,820	—	4,808	—
Mixed use	1,286	1,374	—	1,143	—	1,292	—
Industrial & warehouse	9,334	12,889	—	7,528	160	9,389	83
Other	7,517	10,087	—	4,401	56	5,828	30
Real estate—construction	1,588	1,588	—	1,606	42	1,596	21
Commercial business	10,326	11,005	—	9,345	138	11,296	75
Trade finance	386	468	—	453	—	634	—
Consumer and other	1,458	1,534	—	1,234	15	1,468	8
	$51,652	$ 70,613	$—	$43,885	$535	$51,079	$ 279
Total	$124,158	$ 152,775	$9,741	$120,753	$1,915	$122,996	$ 987

*Unpaid contractual principal balance less charge offs, interest applied to principal and purchase discounts.

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Total Impaired Loans	For the Six Months Ended June 30, 2013 Average Recorded Investment*	For the Six Months Ended June 30, 2013 Interest Income Recognized during Impairment	For the Three Months Ended June 30, 2013 Average Recorded Investment*	For the Three Months Ended June 30, 2013 Interest Income Recognized during Impairment
With related allowance:				
Real estate—residential	$—	$—	$—	$—
Real estate—commercial				
Retail	7,529	116	8,556	73
Hotel & motel	11,077	275	12,120	138
Gas station & car wash	1,711	53	1,621	27
Mixed use	1,223	23	1,385	10
Industrial & warehouse	8,880	127	12,283	62
Other	11,041	110	8,469	55
Real estate—construction	—	—	—	—
Commercial business	24,529	550	23,617	270
Trade finance	4,675	—	3,913	—
Consumer and other	221	11	303	6
	$70,886	$1,265	$72,267	$641
With no related allowance:				
Real estate—residential	$—	$—	$—	$—
Real estate—commercial				
Retail	3,063	—	3,336	—
Hotel & motel	6,114	—	6,065	—
Gas station & car wash	3,085	—	3,762	—
Mixed use	593	—	441	—
Industrial & warehouse	4,684	5	4,830	3
Other	3,531	16	4,111	8
Real estate—construction	1,690	45	1,680	22
Commercial business	1,877	—	2,356	—
Trade finance	—	—	—	—
Consumer and other	1,266	10	1,259	5
	$25,903	$76	$27,840	$38
Total	$96,789	$1,341	$100,107	$679

*Unpaid contractual principal balance less charge offs, interest applied to principal and purchase discounts.

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Impaired APLs	As of June 30, 2014			For the Six Months Ended June 30, 2014		For the Three Months Ended June 30, 2014	
	Recorded Investment*	Unpaid Contractual Principal Balance	Related Allowance	Average Recorded Investment*	Interest Income Recognized during Impairment	Average Recorded Investment*	Interest Income Recognized during Impairment
	(In thousands)						
With related allowance:							
Real estate—residential	$—	$—	$—	$—	$—	$—	$—
Real estate—commercial							
Retail	297	294	2	264	—	201	—
Hotel & motel	—	—	—	—	—	—	—
Gas station & car wash	1,802	1,974	409	1,791	30	2,289	15
Mixed use	354	348	2	118	—	177	—
Industrial & warehouse	—	—	—	1,709	—	—	—
Other	388	407	17	1,054	4	899	2
Real estate—construction	—	—	—	—	—	—	—
Commercial business	783	1,342	393	1,240	4	868	3
Trade finance	—	—	—	—	—	—	—
Consumer and other	—	—	—	—	—	—	—
	$3,624	$4,365	$823	$6,176	$38	$4,434	$20
With no related allowance:							
Real estate—residential	$—	$—	$—	$—	$—	$—	$—
Real estate—commercial							
Retail	1,570	3,585	—	1,549	15	1,702	7
Hotel & motel	6,317	8,674	—	6,379	—	6,347	—
Gas station & car wash	935	1,241	—	1,029	—	736	—
Mixed use	455	465	—	307	—	460	—
Industrial & warehouse	1,418	1,604	—	3,281	5	3,981	