BANC OF CALIFORNIA, INC.
Form 10-K/A
August 18, 2014
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2013

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 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) (949) 236-5211

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	The NASDAQ Stock Market LLC
Depositary Shares each representing a 1/40th Interest in a share of 8.00% Non-Cumulative Perpetual Preferred Stock, Series C	The NASDAQ Stock Market LLC
7.50% Senior Notes Due April 15, 2020	The NASDAQ Stock Market LLC

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 x

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 x

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

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

Indicate by check mark 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	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

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 NASDAQ Stock Market LLC as of June 30, 2013, was $200.9 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 March 3, 2014, the registrant had outstanding 19,689,430 shares of voting common stock and 590,068 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 Shareholders to be held in 2014.

BANC OF CALIFORNIA, INC.

FORM 10-K/A

December 31, 2013

TABLE OF CONTENTS

Table of Contents

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A amends our original Annual Report on Form 10-K for the year ended December 31, 2013. The sole purpose of this Amendment No. 1 is to (i) revise MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING, appearing under Item 8, regarding management s assessment of the effectiveness of our internal control over financial reporting and the REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM of KPMG LLP also appearing under Item 8, to the extent such report refers to the separate report of KPMG LLP on the effectiveness of our internal control over financial reporting and (ii) to amend Item 9A to revise the disclosure on the effectiveness of our disclosure controls and procedures and the disclosure on, and report of KPMG LLP regarding the effectiveness of, our internal control over financial reporting. Other than the inclusion with this Amendment No. 1 of new certifications required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended, and new consents of the independent registered public accounting firms, this Amendment No. 1 does not modify, or update any other disclosures contained in, our original Annual Report on Form 10-K for the year ended December 31, 2013.

Table of Contents

PART II

Item 8. Financial Statements and Supplementary Data

BANC OF CALIFORNIA, INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013, 2012, and 2011

Contents

Table of Contents

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management s Report on Internal Control Over Financial Reporting. The management of BANC OF CALIFORNIA, INC. (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention of overriding controls. Accordingly, even effective internal control over financial reporting can only provide reasonable assurance with respect to financial statement preparation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2013, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control Integrated Framework (1992). As included in Management s Report on Internal Control Over Financial Reporting from our previously filed Annual Report on Form 10-K for the year ended December 31, 2013, management concluded that, as of December 31, 2013, the Company s internal control over financial reporting was effective based on the criteria established in Internal Control Integrated Framework (1992). Management subsequently determined that the material weakness described below existed as of December 31, 2013. As a result, management has concluded that, as of December 31, 2013, the Company s internal control over financial reporting was not effective based on the criteria established in Internal Control Integrated Framework (1992).

Subsequent to the issuance of the consolidated financial statements as of and for the year ended December 31, 2013 immaterial errors related to prior periods were identified that indicated certain deficiencies existed in the Company s internal control over financial reporting. Specifically, during the year ending 2013, financial reporting resources did not sufficiently complete certain account level reviews that presented a low potential risk of material error to the Company s financial reporting, to ensure that the possibility that the aggregation of all potential errors in these accounts, which were more than remote, could not result in a material misstatement.

The Company has concluded that in 2013 these deficiencies when aggregated could have resulted in a material misstatement of the consolidated financial statements that would not have been prevented or detected on a timely basis, and as such, these control deficiencies result in a material weakness.

The material weakness did not result in any material misstatement of the Company s financial statements and disclosures for the years ended December 31, 2013, 2012, and 2011.

Remediation and Plans for Remediation. The Company believes it has made significant progress toward remediation of the underlying causes of the material weakness, having taken a number of actions to remediate the material weakness. Among other things, we have:

- Appointed Robert Sznewajs as new Audit Committee chairman and Ronald Nicolas as bank Chief Financial Officer as well as hired additional accounting and finance resources and professionals, including a new Chief Accounting Officer in March 2014, a new Controller in March 2014, a Director of Accounting Policy in May 2014, and a new Director of Internal Audit, together with other new hires in the accounting, finance, and audit departments;

- Designed new controls around the review and analysis of the allowance for loan and lease losses (ALLL) including the addition of a new Credit Risk Analytics team to oversee the ALLL process;

Implemented a new automated accounting software platform that eliminates the reliance on manual review of significant spreadsheets; and

Established a Sarbanes-Oxley steering committee in 2014 that meets bi-weekly with the participation of the Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, and the Director of Internal Audit.

The Company and its Board of Directors are committed to maintaining a strong internal control environment, and believe that these remediation efforts represent significant improvements in our control environment. The identified material weakness in internal control will not be considered fully addressed until the internal controls over these areas have been in operation for a sufficient period of time for our management to conclude that the material weakness has been fully remediated. The Company will continue to work on implementing and testing the new controls in order to make this final determination.

Report of Independent Registered Public Accounting Firm. KPMG LLP, the independent registered public accounting firm that audited the consolidated financial statements included in our previously filed Annual Report on Form 10-K for the year ended December 31, 2013, has reissued its report, which includes an adverse audit report on the Company s effectiveness of internal control over financial reporting.

/s/ Steven A. Sugarman	/s/ Ronald J. Nicolas, Jr.
Steven A. Sugarman	Ronald J. Nicolas, Jr.
President and	Executive Vice President and
Chief Executive Officer	Chief Financial Officer
Dated: August 18, 2014	Dated: August 18, 2014

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

Banc of California, Inc.:

We have audited the accompanying consolidated statements of financial condition of Banc of California, Inc. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), shareholders equity, and cash flows for each of the years in the two-year period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banc of California, Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Banc of California, Inc. and subsidiaries internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 17, 2014 (except for the restatement of the effectiveness of internal control over financial reporting for the material weakness related to financial reporting resources not sufficiently completing certain account level reviews, which is as of August 18, 2014) expressed an adverse opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG LLP
KPMG LLP

Irvine, California

March 17, 2014, except as to the restatement of the effectiveness of internal control over financial reporting for a material weakness, which is as of August 18, 2014

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors

BANC OF CALIFORNIA, INC.

Irvine, California

We have audited the accompanying consolidated statements of operations, comprehensive income (loss), shareholders equity and cash flows of Banc of California, Inc., formerly known as First PacTrust Bancorp, Inc., (the Company) for the year ended December 31, 2011. The Company s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of the Company s operations and cash flows for the year ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

/s/ Crowe Horwath LLP

Crowe Horwath LLP

Costa Mesa, California

March 30, 2012

Table of Contents

BANC OF CALIFORNIA, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

December 31, 2013 and 2012

(Amounts in thousands, except share and per share data)

	December 31, 2013	December 31, 2012
ASSETS		
Cash and due from banks	$ 4,937	$ 8,254
Interest-bearing deposits	105,181	100,389
Total cash and cash equivalents	110,118	108,643
Time deposits in financial institutions	1,846	5,027
Securities available for sale, at fair value	170,022	121,419
Loans held for sale, carried at fair value	192,613	113,158
Loans held for sale, carried at lower of cost or fair value	524,120	
Loans and leases receivable, net of allowance of $18,805 at December 31, 2013 and $14,448 at December 31, 2012	2,427,306	1,234,023
Federal Home Loan Bank and other bank stock, at cost	22,600	8,842
Servicing rights, net ($13,535 measured at fair value at December 31, 2013 and $1,739 at December 31, 2012)	13,883	2,278
Accrued interest receivable	10,866	5,002
Other real estate owned, net		4,527
Premises, equipment, and capital leases, net	66,260	16,147
Bank-owned life insurance	18,881	18,704
Deferred income tax, net		7,572
Goodwill	30,143	7,048
Affordable housing fund investment	5,628	6,197
Income tax receivable	2,995	5,545
Other intangible assets, net	12,152	5,474
Other assets	18,590	13,096
Total assets	**$ 3,628,023**	**$ 1,682,702**
LIABILITIES AND SHAREHOLDERS EQUITY		
Noninterest-bearing deposits	$ 429,158	$ 194,662
Interest-bearing deposits	2,489,486	1,111,680
Total deposits	2,918,644	1,306,342
Advances from Federal Home Loan Bank	250,000	75,000
Notes payable, net	82,320	81,935
Reserve for loss on repurchased loans	5,427	3,485
Accrued expenses and other liabilities	46,763	27,183
Total liabilities	3,303,154	1,493,945
Commitments and contingent liabilities		
Preferred stock, $0.01 par value per share, 50,000,000 shares authorized:		
Series A, non-cumulative perpetual preferred stock, $1,000 per share liquidation preference, 32,000 shares authorized, 32,000 shares issued and outstanding at December 31, 2013 and December 31, 2012	31,934	31,934
Series B, non-cumulative perpetual preferred stock, $1,000 per share liquidation preference, 10,000 shares authorized, 10,000 shares issued and outstanding at December 31, 2013 and 0 shares issued and outstanding	10,000	

at December 31, 2012		
Series C, 8.00% non-cumulative perpetual preferred stock, $1,000 per share liquidation preference, 40,250 shares authorized, 40,250 shares issued and outstanding at December 31, 2013 and 0 shares issued and outstanding at December 31, 2012	37,943	
Common stock, $.01 par value per share, 196,863,844 shares authorized; 20,959,286 shares issued and 19,561,469 shares outstanding at December 31, 2013; 12,013,717 shares issued and 10,780,427 shares outstanding at December 31, 2012	210	120
Class B non-voting non-convertible Common stock, $.01 par value per share, 3,136,156 shares authorized; 584,674 shares issued and outstanding at December 31, 2013 and 1,112,188 shares issued and outstanding at December 31, 2012	6	11
Additional paid-in capital	256,306	154,563
Retained earnings	16,981	26,550
Treasury stock, at cost (1,397,817 shares at December 31, 2013 and 1,233,290 shares at December 31, 2012)	(27,911)	(25,818)
Accumulated other comprehensive income (loss), net	(600)	1,397
Total shareholders equity	324,869	188,757
Total liabilities and shareholders equity	**$ 3,628,023**	**$ 1,682,702**

See accompanying notes to consolidated financial statements

Table of Contents

BANC OF CALIFORNIA, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2013, 2012, and 2011

(Amounts in thousands, except share and per share data)

	Year ended December 31, 2013	2012	2011
Interest and dividend income			
Loans, including fees	$ 116,673	$ 51,942	$ 30,997
Securities	2,632	2,736	3,963
Dividends and other interest-earning assets	1,206	353	217
Total interest and dividend income	120,511	55,031	35,177
Interest expense			
Deposits	16,051	5,960	4,989
Federal Home Loan Bank advances	269	348	1,048
Notes payable and other interest-bearing liabilities	6,962	2,171	
Total interest expense	23,282	8,479	6,037
Net interest income	97,229	46,552	29,140
Provision for loan and lease losses	7,963	5,500	5,388
Net interest income after provision for loan and lease losses	89,266	41,052	23,752
Noninterest income			
Customer service fees	1,942	1,883	1,473
Loan servicing income	2,049	92	
Income from bank owned life insurance	177	253	300
Net gain (loss) on sales of securities available for sale	331	(83)	2,888
Net gain on sale of loans	8,700	1,106	
Net gain on mortgage banking activities	67,890	21,310	
Gain on sale of branches	12,104		
Bargain purchase gain		11,627	
Other income	3,550	431	252
Total noninterest income	96,743	36,619	4,913
Noninterest expense			
Salaries and employee benefits	110,687	41,891	13,914
Occupancy and equipment	19,662	7,902	2,848
Professional fees	13,864	7,888	2,121
Data processing	4,710	3,011	1,345
Advertising	4,361	1,046	477
Regulatory assessments	2,535	1,519	1,513
Loan servicing and foreclosure expense	905	980	1,282
Operating loss on equity investment	569	364	313
Valuation allowance for other real estate owned	97	703	4,843
Net (gain) loss on sales of other real estate owned	(464)	(464)	760
Provision for loan repurchases	2,383	256	
Amortization of intangible assets	2,651	696	
Impairment on intangible assets	1,061		
All other expense	15,649	5,768	2,273

Total noninterest expense	178,670	71,560	31,689
Income (loss) before income taxes	7,339	6,111	(3,024)
Income tax expense (benefit)	7,260	115	(296)
Net income (loss)	**79**	**5,996**	**(2,728)**
Preferred stock dividends	2,185	1,359	534
Net income (loss) available to common shareholders	**$ (2,106)**	**$ 4,637**	**$ (3,262)**
Basic earnings (loss) per common share	$ (0.14)	$ 0.40	$ (0.31)
Diluted earnings (loss) per common share	$ (0.14)	$ 0.40	$ (0.31)
Basic earnings (loss) per class B common share	$ (0.14)	$ 0.40	$ (0.31)
Diluted earnings (loss) per class B common share	$ (0.14)	$ 0.40	$ (0.31)

See accompanying notes to consolidated financial statements

Table of Contents

BANC OF CALIFORNIA, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years ended December 31, 2013, 2012, and 2011

(Amounts in thousands)

	Year ended December 31, 2013	2012	2011
Net income (loss)	$ 79	$ 5,996	$ (2,728)
Unrealized (loss) gain on available-for-sale securities:			
Unrealized gain (loss) arising during the period, net of tax (expense) benefit of none, none and $1,285, respectively	(1,892)	2,253	(1,838)
Reclassification adjustment for (gain) loss included in net income, net of tax (expense) benefit of none, none and $1,188, respectively	(331)	83	(1,700)
Total change in unrealized loss (gain) on available-for-sale securities	(2,223)	2,336	(3,538)
Unrealized gain on cash flow hedge			
Unrealized gain arising during the period, net of tax (expense) benefit of none, none and none, respectively	226		
Total change in unrealized gain on cash flow hedge	226		
Total other comprehensive (loss) income, net of tax	(1,997)	2,336	(3,538)
Comprehensive income (loss)	**$ (1,918)**	**$ 8,332**	**$ (6,266)**

See accompanying notes to consolidated financial statements

Table of Contents

BANC OF CALIFORNIA, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

(Amounts in thousands)

	Preferred Stock			Common Stock							
	Series A	Series B	Series C	Class A	Class B	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Unearned ESOP	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2010	**$**	**$**	**$**	**$ 99**	**$ 10**	**$ 123,170**	**$ 35,773**	**$ (25,135)**	**$ (507)**	**$ 2,599**	**$ 136,009**
Comprehensive income (loss):											
Net loss							(2,728)				(2,728)
Other comprehensive income, net										(3,538)	(3,538)
Forfeiture and retirement of common stock						13		(13)			
Stock option compensation expense						816					816
ESOP forfeitures used to reduce ESOP contribution						7					7
Stock awards earned						412					412
Issuance of stock awards						(611)		107			(504)
Purchase of 5,224 shares of treasury stock								(55)			(55)
ESOP shares earned						98			507		605
Tax loss of restricted share awards vesting						(4)					(4)
Issuance of common stock				18	1	27,028					27,047
Dividends declared ($0.45 per common share)						516	(4,888)				(4,372)
Repurchase of warrants TARP						(1,003)					(1,003)
Tax effect of ESOP						256					256
Tax effect of options redeemed						147					147
Reissuance of ESOP shares						(59)		59			
Preferred stock dividends							(534)				(534)
Issuance of 32,000 shares of preferred stock, net of issuance cost of $66	31,934										31,934
Balance at December 31, 2011	**31,934**			**117**	**11**	**150,786**	**27,623**	**(25,037)**		**(939)**	**184,495**
Comprehensive income (loss):											
Net income							5,996				5,996
Other comprehensive income, net										2,336	2,336
Forfeiture and retirement of shares of common stock						187		(216)			(29)
Stock option compensation expense						495					495
Stock awards earned						1,180					1,180
Severance payment						(129)					(129)
Purchase of 42,895 shares of treasury stock								(565)			(565)
Dividends declared ($0.48 per common share)				3		1,052	(5,710)				(4,655)
Preferred stock dividends							(1,359)				(1,359)
Tax loss of restricted share awards vesting						(17)					(17)
Warrants issued with Beach Business Bank purchase						1,009					1,009

Balance at December 31, 2012	**$ 31,934**	**$**	**$**	**$ 120**	**$ 11**	**$ 154,563**	**$ 26,550**	**$ (25,818)**	**$**	**$ 1,397**	**$ 188,757**

Table of Contents

	Preferred Stock			Common Stock							
	Series A	Series B	Series C	Class A	Class B	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Unearned ESOP	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2012	**$ 31,934**	**$**	**$**	**$ 120**	**$ 11**	**$ 154,563**	**$ 26,550**	**$ (25,818)**	**$**	**$ 1,397**	**$ 188,757**
Net income							79				79
Other comprehensive income, net										(1,997)	(1,997)
Issuance of common stock				90	(5)	99,261					99,346
Issuance of preferred stock			37,943								37,943
Preferred stock assumed through business acquisition		10,000									10,000
Replacement stock option expense related to business acquisition						9					9
Exercise of stock options						540					540
Forfeiture and retirement of restricted stock						311		(270)			41
Purchase of 377,517 shares of treasury stock								(5,046)			(5,046)
Issuance of stock awards from treasury stock						(3,223)		3,223			
Shares purchased under the Dividend Reinvestment Plan						519	(727)				(208)
Stock option compensation expense						582					582
Restricted stock compensation expense						2,311					2,311
Conversion of stock appreciation rights to stock options						1,433					1,433
Dividends declared ($0.48 per common share)							(6,736)				(6,736)
Preferred stock dividends							(2,185)				(2,185)
Balance at December 31, 2013	**$ 31,934**	**$ 10,000**	**$ 37,943**	**$ 210**	**$ 6**	**$ 256,306**	**$ 16,981**	**$ (27,911)**	**$**	**$ (600)**	**$ 324,869**

See accompanying notes to consolidated financial statements

Table of Contents

BANC OF CALIFORNIA, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2013, 2012, and 2011

(Amounts in thousands, except share and per share data)

	Year ended December 31, 2013	2012	2011
Cash flows from operating activities:			
Net income (loss)	$ 79	$ 5,996	$ (2,728)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Provision for loan losses	7,963	5,500	5,388
Bargain purchase gain		(11,627)	
Provision for loan repurchases	2,383	256	
Net gain on mortgage banking activities	(67,890)	(21,310)	
Gain on sale of loans	(8,700)	(1,106)	
Net amortization (accretion) of securities	1,742	1,430	(333)
Depreciation on premises and equipment	4,283	1,714	650
Amortization of intangibles	2,651	696	
Amortization of debt issuance cost	385	135	
Employee stock ownership plan compensation expense			605
Stock option compensation expense	582	495	816
Stock award compensation expense	2,311	1,188	412
Replacement stock options expense related to business acquisition	9		
Stock appreciation right expense	1,072		
Bank owned life insurance income	(177)	(253)	(300)
Operating loss on equity investment	569	364	313
Impairment of intangible assets	1,061		
Net (gain) loss on sale of securities available for sale	(331)	83	(2,888)
(Gain) loss on sale of other real estate owned	(464)	(464)	760
Gain on sale of branches	(12,104)		
Gain on sale of property and equipment		(412)	
Deferred income tax (benefit) expense	7,573	100	1,949
Increase in valuation allowances on other real estate owned	97	703	4,843
Originations of loans held for sale from mortgage banking	(1,942,622)	(515,327)	
Originations of other loans held for sale	(441,969)		
Proceeds from sales of loans held for sale from mortgage banking	1,916,746	495,796	
Proceeds from sales of other loans held for sale	107,222		
Change in deferred loan (costs) fees	(248)	662	715
Amortization of premiums and discounts on purchased loans	(20,304)	(2,218)	(1,685)
Change in accrued interest receivable	(5,865)	(322)	(38)
Change in other assets	3,110	4,610	304
Change in accrued interest payable and other liabilities	5,347	346	4,855
Net cash provided by (used) in operating activities	(435,489)	(32,965)	13,638
Cash flows from investing activities:			
Proceeds from sales of securities available-for-sale	127,298	11,940	62,823
Proceeds from maturities and calls of securities available-for-sale	12,606	52,287	5,000
Proceeds from principal repayments of securities available-for-sale	98,287		21,355
Net cash acquired through acquisitions	5,644	43,671	
Net cash used in branch sale	(448,891)		
Funding of equity investment		(624)	

Purchases of securities available-for-sale	(71,129)	(77,697)	(128,975)
Purchase of interest bearing deposits		(353)	
Loan originations and principal collections, net	(385,272)	(159,105)	(75,307)
Purchase of loans	(857,733)	(96,917)	(58,027)
Redemption of Federal Home Loan Bank stock	25	702	1,351
Purchase of Federal Home Loan Bank and Other Bank Stocks	(13,783)		
Proceeds from sale of loans held for investment	276,516	79,307	
Net change in time deposits in financial institutions	3,181		
Proceeds from sale of other real estate owned	5,123	13,789	9,069
Proceeds from sale of buildings and equipment		1,324	

Table of Contents

	Year ended December 31,		
	2013	**2012**	**2011**
Additions to premises and equipment	(54,965)	(6,151)	(4,891)
Payments of capital lease obligations	(389)	(54)	
Net cash used in investing activities	(1,303,482)	(137,881)	(167,602)
Cash flows from financing activities:			
Net increase in deposits	1,514,930	105,692	140,026
Repayments of Federal Home Loan Bank advances	(5,704,699)	(20,000)	(55,000)
Proceeds from Federal Home Loan Bank advances	5,837,866	75,000	
Net proceeds from issuance of common stock	67,792		26,542
Net proceeds from issuance of preferred stock	37,943	(7)	31,935
Net proceeds from issuance of long term debt		81,800	
Payments for debt issuance costs		(1,517)	
Net proceeds from other borrowings		642	
Purchase of treasury stock	(5,005)	(565)	(55)
Redemption/issuance of warrants			(1,003)
Proceeds from exercise of stock options	540		
Tax benefit (expense) from restricted stock vesting		(17)	(4)
Tax effect of ESOP			256
Tax effect of options redeemed			147
ESOP forfeitures to reduce ESOP contribution			7
Dividends paid on preferred stock	(2,185)	(1,359)	(534)
Dividends paid on common stock	(6,736)	(4,655)	(2,978)
Net cash provided by financing activities	1,740,446	235,014	139,339
Net change in cash and cash equivalents	1,475	64,168	(14,625)
Cash and cash equivalents at beginning of year	108,643	44,475	59,100
Cash and cash equivalents at end of year	**$ 110,118**	**$ 108,643**	**$ 44,475**
Supplemental cash flow information			
Interest paid on deposits and borrowed funds	$ 23,277	$ 7,606	$ 6,045
Income taxes paid			950
Supplemental disclosure of noncash activities			
Transfer from loans to other real estate owned, net	$	$ 3,863	$ 22,802
Transfer of loans receivable to loans held for, net of transfer of $1,443 from allowance for loan and lease losses	$ 181,360		
Equipment acquired under capital leases	2,675	532	
Conversion of stock appreciation rights to stock options	1,433		

See accompanying notes to consolidated financial statements

11

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying unaudited consolidated financial statements include the accounts of Banc of California, Inc. (the Company, we, us and our) and its wholly owned subsidiaries, Banc of California, National Association (the Bank), the Palisades Group, LLC (the Palisades Group), and PTB Property Holdings, LLC, as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011, except that the accounts of the Palisades Group were not included in amounts prior to September 10, 2013. All intercompany transactions and balances are eliminated in consolidation. Unless the context requires otherwise, all references to the Company include its wholly owned subsidiaries.

Nature of Operations: The principal business of the Company is the ownership of the Bank. The Bank operates under a national bank charter issued by the Office of the Comptroller of the Currency (the OCC), its primary regulator. The Bank is a member of the Federal Home Loan Bank (FHLB) system, and maintains insurance on deposit accounts with the Federal Deposit Insurance Corporation (FDIC). PTB Property Holdings, LLC manages and disposes of other real estate owned properties and the Palisades Group, LLC provides financial advisory and asset management services.

The Bank is engaged in the business of retail banking, with operations conducted through 15 banking offices as of December 31, 2013, serving San Diego, Los Angeles, and Orange counties, California and 68 producing loan production offices in California, Arizona, Oregon, Montana, Virginia and Washington as of December 31, 2013. As of December 31, 2013, single family residential (SFR) mortgage loans and Green loans (SFR mortgage lines of credit) accounted for approximately 46.6 percent and 6.3 percent, respectively, of the Company s loan and lease portfolio, with a high percentage of such loans concentrated in Southern California. The customer s ability to repay their loans or leases is dependent on the real estate market and general economic conditions in the area.

The accounting and reporting polices of the Company are based upon U.S. generally accepted accounting principles (GAAP) and conform to predominant practices within the banking industry. Significant accounting policies followed by the Company are presented below.

Segment Information and Disclosures. Generally Accepted Accounting Principles establish standards to report information about operating segments in annual financial statements and require reporting of selected information about operating segments in interim reports to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. Through its branch network and lending offices, the Company provides a broad range of financial services to individuals and companies located primarily in Southern California. These services include demand, time and savings deposits; and commercial and industrial, real estate and consumer lending. While our chief decision makers monitor the revenue streams of our various products and services, operations are managed and financial performance is evaluated on a company-wide basis. Accordingly, we consider all of our operations to be aggregated in one reportable operating segment.

Use of Estimates in the Preparation of Financial Statements: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and disclosures provided, and actual results could differ. The allowance for loan and lease losses, reserve for loss reimbursements on sold loans, servicing rights, other real estate owned, realization of deferred tax assets, goodwill, other intangible assets, mortgage banking derivatives, purchased credit impaired

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

loan discount accretion fair value of assets and liabilities acquired in business combinations, fair value estimate of financial instruments are particularly subject to change and such change could have a material effect on the consolidated financial statements.

Cash and cash equivalents: Cash and cash equivalents include cash on hand, deposits with other financial institutions with original maturities under 90 days, and daily federal funds sold. Net cash flows are reported for customer loan and deposit transactions, interest bearing deposits in other financial institutions, and federal funds purchased, including overnight borrowings with the Federal Home Loan Bank.

Interest-bearing Deposits in Other Financial Institutions: Interest-bearing deposits in other financial institutions mature within 90 days and are carried at cost.

Securities: Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available-for-sale when they might be sold before maturity. Equity securities with readily determinable fair values are classified as available-for-sale. Securities available-for-sale are carried at fair value with unrealized holding gains and losses, net of taxes, reported in other comprehensive income or loss.

Accreted discounts and amortized premiums are included in interest income using the level yield method, and realized gains or losses from sales of securities are calculated using the specific identification method.

Management evaluates securities for other-than-temporary impairment (OTTI) at least on a quarterly basis, and more frequently when economic conditions warrant such an evaluation. Investment securities classified as available for sale or held-to-maturity are generally evaluated for OTTI under Statement of Financial Accounting Standards Accounting Standards Codification (ASC) 320, Accounting for Certain Investments in Debt and Equity Securities. 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 of below AA are evaluated using the model outlined in 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.

In determining OTTI under the ASC 320 model, management considers the extent and duration of the unrealized loss and the financial condition and near-term prospects of the issuer. Management also considers whether the market decline was affected by macroeconomic conditions, and assesses whether the Company intends to sell, or it is more likely than not it will be required to sell a security in an unrealized loss position before recovery of its amortized cost basis. The assessment of whether OTTI exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time.

The second segment of the portfolio uses the OTTI guidance provided by ASC 325 that is specific to purchased beneficial interests that, on the purchase date, were rated below AA. Under the ASC 325 model, the Company compares the present value of the remaining cash flows as estimated at the preceding evaluation date to the current expected remaining cash flows. An OTTI is deemed to have occurred if there has been an adverse change in the remaining expected future cash flows.

When OTTI occurs in either model, the amount of the impairment recognized in earnings depends on the Company s intent to sell the security or if it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met,

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement and 2) other-than-temporary impairment related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. For equity securities the entire amount of impairment is recognized through earnings.

Federal Home Loan Bank (FHLB) Stock: The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Investments in Affordable Housing Partnerships: The Company has invested in two limited partnerships that were formed to develop and operate several apartment complexes designed as high-quality affordable housing for lower income tenants throughout the State of California and other states. The Company s ownership in each limited partnership varies from 8 percent to 19 percent. At December 31, 2013 and 2012, the gross investments in these limited partnerships amounted to $5.6 million and $6.2 million, respectively, with original investment amount to be $9.5 million. The unfunded portion was $2.2 million at December 31, 2013. The two limited partnerships invested in by the Company are accounted for using the equity method of accounting. Each of the partnerships must meet the regulatory minimum requirements for affordable housing for a minimum 15-year compliance period to fully utilize the tax credits. If the partnerships cease to qualify during the compliance period, the credit may be denied for any period in which the project is not in compliance and a portion of the credit previously taken is subject to recapture with interest.

The approximate future federal and state tax credits to be generated over a multiple-year period are $5.6 million and $5.4 million at December 31, 2013 and 2012, respectively. The Company had an unused tax credit carryforward of $386 thousand related to 2013 and 2012. Investment amortization amounted to $569 thousand and $305 thousand for the years ended December 31, 2013 and December 31, 2012 respectively.

Loans and Leases: Loans and leases (other than purchased credit-impaired loans and leases) that management has the intent and ability to hold for the foreseeable future, or until maturity or payoff are stated at the principal balance outstanding, net of purchase premiums and discounts, net deferred loan fees and costs, and an allowance for loan and lease losses. The deferred net loan fees and costs are recognized in interest income as an adjustment to yield over the loan term using the effective interest method. Interest income is accrued on the unpaid principal balance and is discontinued on a loan when management believes, after considering economic and business conditions and collection efforts, that the borrower s financial condition is such that full collection of principal or interest becomes uncertain, regardless of the length of past due status. Generally loans are placed on nonaccrual status when they are greater than 90 days past due. When interest accrual is discontinued, all unpaid accrued interest is reversed against interest income. Interest received on such loans and leases is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans and leases are returned to accrual status when the borrower has demonstrated a satisfactory payment trend subject to management s assessment of the borrower s ability to repay the loan. Consumer loans, other than those secured by real estate, are typically charged off no later than 180 days past due.

Concentration of Credit Risk: Most of the Company s lending activity is with customers located within San Diego, Los Angeles, Orange and Riverside Counties, California. Therefore, the Company s exposure to credit

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

risk is significantly affected by economic conditions in those areas. Our loans are concentrated geographically in the Southern California market place.

Allowance for Loan and Lease Losses: The allowance for loan and lease losses is maintained at a level considered adequate by management to provide for probable incurred credit losses. The allowance is increased by provisions charged against income, while loan and lease losses are charged against the allowance when management deems a loan balance to be uncollectible. 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. Allocations of the allowance may be made for specific loans and leases, but the entire allowance is available for any loan or lease that, in management s judgment, should be charged off. The allowance consists of specific and general components. The specific component relates to loans and leases that are individually classified as impaired. A loan or lease is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan or lease agreement. The Company evaluates all impaired loans and leases individually under the guidance of ASC 310, Receivables, primarily through the evaluation of collateral values and cash flows. Loans and leases for which the terms have been modified and where the borrower is experiencing financial difficulties are considered troubled debt restructurings and classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans and leases that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan or lease and the borrower, including the length of the delay, the reasons for the delay, the borrower s prior payment record, and the amount of the shortfall in relation to the principal and interest owed. The impairment amount on a collateral dependent loan is charged-off to the allowance and the impairment amount on a loan that is not collateral dependent is set-up as a specific reserve. Troubled debt restructurings are also measured at the present value of estimated future cash flows using the loan s or lease s effective rate at inception or at the fair value of collateral if repayment is expected solely from the collateral. Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan s or lease s effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan or lease, the loan or lease is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Company determines the amount of reserve in accordance with the accounting policy for the allowance for loan and lease losses.

The general component of the allowance for loan and lease losses covers loans and leases that are not impaired and is determined by portfolio segment and is based on actual loss history experienced by the Company. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans and leases; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans and leases; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; effects of changes in credit concentrations and other factors. For 2012 and 2013, the Company used a three year historical loss look back for

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

determining the level of its allowance for loan and lease losses. Prior to this, the Company used a one year historical look back. This change was made to better reflect the economic cycle. Management uses available information to recognize loan and lease losses, however, future loan and lease loss provisions may be necessary based on changes in the above mentioned factors. In addition, regulatory agencies, as an integral part of their examination process, periodically review the allowance for loan and lease losses and may require the Bank to recognize additional provisions based on their judgment of information available to them at the time of their examination.

At December 31, 2013, the following portfolio segments have been identified: commercial and industrial secured; commercial and industrial unsecured; commercial real estate retail; commercial real estate office; commercial real estate industrial; commercial real estate hospitality; commercial real estate acquisition and development; commercial real estate condo conversion; commercial real estate other; construction; SBA; leases; single family residence 1st trust deed (amortizing, interest only now amortizing, interest only, negative amortization, and Green Loans); single family residence 2nd trust deeds; other consumer. The Company categorizes loans and leases into risk categories based on relevant information about the ability of borrowers and lessees (also referred to as borrowers) to service their obligations such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans and leases individually by classifying the loans and leases as to credit risk. This analysis includes all loans and leases delinquent over 60 days and non-homogenous loans and leases such as commercial and commercial real estate loans. Classification of problem one-to-four family residential loans is performed on a monthly basis while analysis of non-homogenous loans is performed on a quarterly basis.

Loans secured by multi-family and commercial real estate properties generally involve a greater degree of credit risk than one-to-four family residential mortgage loans. 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. Commercial business loans are also considered to have a greater degree of credit risk than one-to-four family residential mortgage loans due to the fact commercial business 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 business loans may be substantially dependent on the success of the business itself (which, in turn, is often dependent in part upon general economic conditions). SBA business loans are similar to commercial business loans, but have additional credit enhancement provided by the U.S. Small Business Administration, 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. Commercial equipment leases are also similar to commercial business loans in that the leases 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 equipment leases may be substantially dependent on the success of the business itself (which, in turn, is often dependent in part upon general economic conditions). Consumer and other real estate loans may entail greater risk than do one-to-four family residential mortgage loans given that collection of these loans is dependent on the borrower s continuing financial stability and, thus, are more likely to be adversely affected by job loss, divorce, illness, or personal bankruptcy. Green Loans are also considered to carry a higher degree of credit risk due to their unique cash flows. Credit risk on this asset class is also managed through the completion of regular re-appraisals of the underlying collateral and monitoring of the borrower s usage of this account to determine if the borrower is making monthly payments from external sources or drawdowns on their line. In cases where the

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

property values have declined to levels less than the original loan-to-value, or other levels deemed prudent by the Company, the Company may curtail the line and/or require monthly payments or principal reductions to bring the loan in balance.

Impaired Assets: Federal regulations provide for the classification of loans, 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 wort 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 is not warranted. When an insured institution classifies problem assets as loss, it is required to charge off such amount. The Bank s determination as to the classification of its assets and the amount of its valuation allowances is subject to review by its primary regulator, which may order the establishment of additional general or specific loss allowances.

Troubled Debt Restructurings (TDR): a loan is identified as a troubled debt restructuring when a borrower is experiencing financial difficulties and for economic or legal reasons related to these difficulties, the Company grants a concession to the borrower in the restructuring that it would not otherwise consider. The Company has granted a concession when, as a result of the restructuring to a troubled borrower, it does not expect to collect all amounts due, including principal and/or interest accrued at the original terms of the loan. The concessions may be granted in various forms, including a below-market change in the stated interest rate, a reduction in the loan balance or accrued interest, an extension of the maturity date, or a note split with principal forgiveness. A restructuring executed at an interest rate that is at market interest rates based on the current credit characteristics of the borrower is not a TDR.

The Bank includes in its classification of Substandard Assets loans and leases that are performing under terms of a TDR, but where the borrower has yet to make twelve or more payments under the TDR, and where the loan or lease remains impaired, as well as loans where the borrower is current in his or her payments on the subject loan but may be a guarantor on another loan that is classified as a result of weakness in the credit or collateral. TDR loans and leases that have continued to make payments for twelve months or more, but where the collateral remains impaired, retain a Substandard classification. As of December 31, 2013, the Bank had $1.4 million of loans and leases classified as substandard and TDR with less than twelve months of payment performance, and $5.2 million of TDR loans and leases classified as substandard with payment performance for more than twelve months.

Purchased Credit-Impaired Loans and Leases: The Company purchases loans and leases 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 or lease modification history, updated borrower credit scores and updated loan or lease-to-value (LTV) ratios, some of which may not be immediately available as of the purchase date. Purchased loans and leases with evidence of credit quality deterioration where the Company estimates that it will not receive all contractual payments are accounted for as purchased credit impaired loans and leases (PCI loans and leases). The excess of the cash flows expected to be collected on PCI loans and leases, 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

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

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 and leases that have similar risk characteristics, primarily credit risk, collateral type and interest rate risk, are pooled and accounted for as a single unit with a single composite interest rate and an aggregate expectation of cash flows.

Loans and leases that were acquired during 2012 in connection with the Beach and Gateway acquisitions and during 2013 in connection with the PBOC acquisition that were considered credit impaired were recorded at fair value at the acquisition date and the related allowance for loan and lease losses was not carried over to the Company s allowance. Any losses on such loans and leases are charged against the non-accretable difference established in purchase accounting and are not reported as charge-offs until such non-accretable difference is fully utilized.

The Company estimates cash flows expected to be collected over the life of the loan or lease using management s best estimate which is derived using 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 due to a deterioration of credit, the PCI loan or lease 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 non-accretable 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. Adjustments in interest rate assumptions for variable rate loans do not impact the Company s assessment of credit impairment. The present value of the expected cash flows for PCI loans and leases 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 may include sales of loans and leases, receipt of payments in full from the borrower or foreclosure. Write-downs are not recorded on the PCI loan or lease pool until actual losses exceed the remaining non-accretable difference. To date, no write-downs have been recorded for the PCI loans and leases held by the Company.

Conforming Mortgage Loans Held for Sale: Mortgage loans originated and intended for sale in the secondary market are carried at the fair value as of each balance sheet date, as determined by outstanding commitments from investors or what secondary markets are currently offering for portfolios with similar characteristics. The fair value includes the servicing value of the loans as well as any accrued interest. Mortgage loans held for sale are generally sold with servicing rights retained. Origination fees and costs are recognized in earnings at the time of origination for newly originated loans held for sale. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

The Company s conforming mortgage loans held for sale at fair value are Government-sponsored enterprise (GSE) or Government-eligible at December 31, 2013. These loans are considered to have reliable market price information and the fair value of these loans at December 31, 2013 was based on quoted market prices of similar assets and included the value of loan servicing.

In scenarios of market disruptions, the current secondary market prices that are generally relied on to value GSE-eligible mortgage loans may not be readily available. In these circumstances, the Company may consider

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

other factors, including: 1) quoted market prices for to-be-announced securities (for agency-eligible loans); 2) recent transaction settlements or traded but unsettled transactions for similar assets; 3) recent third party market transactions for similar assets; and 4) modeled valuations using assumptions that the Bank believes would be used by market participants in estimating fair value (assumptions may include prepayment rates, interest rates, volatilities, mortgage spreads and projected loss rates).

Adjustments to reflect unrealized gains and losses resulting from changes in fair value and realized gains and losses upon ultimate sale of the loans are classified as part of net gain on mortgage banking activities included in noninterest income in the accompanying consolidated statements of operations.

Non-Conforming Mortgage Loans Held for Sale: Non-conforming mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value on an aggregate basis. A decline in the aggregate fair value of the loans below their aggregate carrying amount is recognized through a charge to earnings in the period of such a decline. Unearned income on the loans and leases is taken into earnings when they are sold.

SBA Loans Held for Sale: SBA loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated market value in the aggregate. Net unrealized losses are recognized through a valuation allowance by charges to income. Gains or losses realized on the sales of SBA loans are recognized at the time of sale and are determined by the difference between the net sales proceeds and the carrying value of the loans sold, adjusted for any servicing asset or liability. Gains and losses on sales of SBA loans are included in noninterest income.

Accounting for Derivative Instruments and Hedging Activities: The Company records its derivative instruments at fair value as either assets or liabilities in the accompanying consolidated statements of financial condition in other assets and accrued expenses and other liabilities, respectively. The change in derivative instruments fair value is recorded in current earnings in net gain on mortgage banking activities in the accompanying consolidated statements of operations.

The Company enters into commitments to originate mortgage loans whereby the interest rate on the loan is set prior to funding (interest rate lock commitments, or IRLCs). Interest rate lock commitments on mortgage loans that are intended to be sold are considered derivatives and are recorded at fair value in other assets or accrued expenses and other liabilities on the consolidated statements of financial condition with the change in fair value recorded in the consolidated statements of operations. The estimated fair value is based on current market prices for similar instruments.

The Company hedges the risk of the overall change in the fair value of loan commitments to borrowers by selling forward contracts on securities of GSE. Forward contracts on securities are considered derivative instruments. The Company has not formally designated these derivatives as a qualifying hedge relationship and accordingly, accounts for such forward contracts as freestanding derivatives with changes in fair value recorded to earnings each period.

Servicing Rights Mortgage (Fair Value Method): A servicing asset or liability is recognized when undertaking an obligation to service a financial asset under mortgage servicing contract, including a transfer of the servicer s financial assets that meet the requirements for sale accounting. Such servicing asset or liability is initially measured at fair value based on either market prices for comparable servicing contracts or alternatively

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

is based on a valuation model that is based on the present value of the contractually specified servicing fee, net of servicing costs, over the estimated life of the loan, using a discount rate based on the related note rate and is recorded in the accompanying consolidated statements of operations.

Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income.

Under the fair value measurement method, the Company measures servicing rights at fair value at each reporting date and reports changes in fair value of servicing assets in earnings in the period in which the changes occur, and are included with net gain on mortgage banking activities on the consolidated statements of operations. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimates and actual prepayment speeds and default rates and losses. Currently the Company does not hedge the income statement effects of changes in fair value of the servicing assets.

Servicing fee income, which is reported on the consolidated statements of operations as loan servicing income, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned. Late fees and ancillary fees related to loan servicing are not material.

Servicing Rights Small Business Administration Loans (Amortized Cost Method): As a general course of business, the Bank originates and sells the guaranteed portion of its SBA loans. To calculate the gain (loss) on sales of SBA loans, the Bank s investment in the loan is allocated among the retained portion of the loan, the servicing retained, the interest-only strip and the sold portion of the loan, based on the relative fair market value of each portion. The gain (loss) on the sold portion of the loan is recognized at the time of sale based on the difference between sale proceeds and the amount of the allocated investment to the sold portion of the loan.

The portion of the servicing fees that represent contractually specified servicing fees (contractual servicing) is reflected as a servicing asset and is amortized over the estimated life of the servicing; in the event future prepayments exceed management s estimates and future expected cash flows are inadequate to cover the servicing asset, impairment is recognized. The portion of servicing fees in excess of contractual servicing fees are reflected as interest-only (I/O) strips receivable, which is included in other assets on the accompanying consolidated statements of financial condition. The I/O strips receivable are carried at fair value, with unrealized gains and losses recorded in the consolidated statements of operations. The Company did not have any I/O strip receivable at December 31, 2013 and 2012.

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 may have 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 reimbursements on sold 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, which include first and second trust deed loans. At the point the loans are repurchased, the

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

associated reserves are transferred to the allowance for loan and lease losses. At the point when loss reimbursements are made directly to the investor, the reserve for loss reimbursements on sold loans is charged for the losses incurred.

Business Combinations: Business combinations are accounted for under the acquisition method of accounting in accordance with ASC 805, Business Combinations. Under the acquisition method the acquiring entity in a business combination recognizes 100 percent of the acquired assets and assumed liabilities, regardless of the percentage owned, at their estimated fair values as of the date of acquisition. Any excess of the purchase price over the fair value of net assets and other identifiable intangible assets acquired is recorded as goodwill. To the extent the fair value of net assets acquired, including other identifiable assets, exceed the purchase price, a bargain purchase gain is recognized. Assets acquired and liabilities assumed from contingencies must also be recognized at fair value, if the fair value can be determined during the measurement period. Results of operations of an acquired business are included in the statement of operations from the date of acquisition. Acquisition-related costs, including conversion and restructuring charges, are expensed as incurred. The Company applied this guidance to the PBOC, Palisades and CS Financial acquisitions that were consummated in 2013.

Goodwill and Other Intangible Assets: Goodwill is 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 at least annually. Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values.

In accordance with ASU 2011-08 Intangibles Goodwill and Other (Topic 350): the Company makes a qualitative assessment of whether it is more likely than not that not that its fair value is less than its carrying amount before applying the two-step goodwill impairment test. If we conclude that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, we do not perform the two-step impairment test. Goodwill is also tested for impairment on an interim basis if circumstances change or an event occurs between annual tests that would more likely than not reduce the fair value of the reporting unit below its carrying amount. 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.

At December 31, 2013, the Company had goodwill of $30.1 million related to the CS Financial, PBOC and Beach acquisitions discussed in Note 2, Business Combinations. No goodwill impairment charges were recorded for the years ended December 31, 2013, 2012 and 2011. Goodwill is the only intangible asset with an indefinite life on the consolidated statements of financial condition.

Other intangible assets consist of core deposit intangibles and trade name intangibles arising from acquisitions, and are amortized on an accelerated method over their estimated useful lives of 2-7 years and 1-20 years, respectively. The Company had $12.2 million of other intangible assets at December 31, 2013. The Company recognized impairment of intangible assets of $1.1 million by writing off all remaining trade name intangible assets of Beach, Gateway and PBOC of $976 thousand due to the merger of the Company s two

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

banking subsidiaries into a single bank and a portion of core deposit intangibles on savings deposits acquired from Gateway of $85 thousand due to the lower remaining balance than forecasted.

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method with the following estimated useful lives: building 40 years and leasehold improvements-life of lease, and furniture, fixtures, and equipment 5-7 years. Maintenance and repairs are charged to expense as incurred, and improvements that extend the useful lives of assets are capitalized.

Other Real Estate Owned: Other real estate owned, which represents real estate acquired through foreclosure in satisfaction of commercial and real estate loans, is initially recorded at fair value less estimated selling costs of the real estate, based on current independent appraisals obtained at the time of acquisition, less costs to sell when acquired, establishing a new cost basis. Loan balances in excess of fair value of the real estate acquired at the date of acquisition are charged to the allowance for loan losses. Any subsequent operating expenses or income, reduction in estimated fair values, and gains or losses on disposition of such properties are included in other expense in the consolidated statements of operations. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed. Gains and losses on the sale of REO and operating expenses of such assets are included in other expense in the consolidated statements of operations.

Bank Owned Life Insurance: Banc of California, NA has purchased life insurance policies on certain key current and former executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Long-term Assets: Premises and equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Deferred Financing Costs: Deferred financing costs associated with the Company s senior notes are included in other assets on the consolidated statements of financial condition. The deferred financing costs are being amortized on a basis that approximates a level yield method over the eight-year term of the senior notes.

Loan Commitments and Related Financial Statements: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Stock-Based Compensation: Compensation cost is recognized for stock appreciation right, stock options and restricted stock awards issued to employees and directors, based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Company s common stock at the date of grant is used for restricted stock awards. Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future deductible or taxable amounts for the temporary differences attributable to events that have been recognized in the financial statements, computed using enacted tax rates. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, the projected future taxable income and tax planning strategies in making this assessment. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. The Company had a $17.3 million and $8.4 million valuation allowance for its net deferred tax asset at December 31, 2013 and 2012, respectively. See further discussion in Note 13.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. The Company is no longer subject to examination by U.S. Federal taxing authorities for years before 2010 and for all state income taxes before 2009.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense. The Company had none accrued for interest and penalties at December 31, 2013 and December 31, 2012.

Employee Stock Ownership Plan: The Company s employee stock ownership plan (ESOP) was terminated in 2011. When it was active, the cost of shares issued to the ESOP but not yet allocated to participants was shown as a reduction of shareholders equity. Compensation expense was based on the average market price of shares as they were committed to be released to participant accounts. Dividends on allocated ESOP shares reduced retained earnings; dividends on unearned ESOP shares reduced debt and accrued interest on the loan that was made by the Company to the ESOP to purchase shares.

Earnings (Loss) Per Common Share: Basic earnings (loss) per common share is net income (loss) available to common shareholders divided by the weighted average number of common shares outstanding during the period. ESOP shares are considered outstanding for this calculation unless unearned. All outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends are considered participating securities for this calculation. Diluted earnings (loss) per common share includes the dilutive effect of additional securities that could share in the earnings of the Company. Dividends paid, and the accretion of discount on the Company s preferred stock, reduce the earnings available to common shareholders.

Comprehensive Income (Loss): Comprehensive income (loss) consists of net income (loss) and other comprehensive income or loss. Other comprehensive income or loss includes unrealized gains and losses on securities available for sale and interest rate swap, net of tax, which are recognized as a separate component of shareholders equity.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the consolidated financial statements.

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the Company or by the Company to shareholders.

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Fair Values of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 3, Fair Values of Financial Instruments. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Transfer of Financial Assets Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income (loss) or shareholders equity.

Adoption of New Accounting Standards: (In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-05, Comprehensive Income (Topic 220), and Presentation of Comprehensive Income (ASU 2011-05). ASU 2011-05 revises the manner in which entities present comprehensive income in their financial statements. The new guidance requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. In December 2011, the FASB issued ASU 2011-12, Comprehensive Income (Topic 220), Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items out of Accumulated Other Comprehensive Income in ASU 2011- 05 (ASU 2011-12). ASU 2011-12 indefinitely deferred the provision of ASU 2011-05 that would have required entities to present reclassification adjustments out of AOCI by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. ASU 2011-05 and ASU 2011-12 became effective for the Company for first quarter 2012 reporting. The new guidance was applied retrospectively for all periods presented.

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04). ASU 2011-04 represents the converged guidance of the FASB and International Accounting Standards Board on fair value. The new guidance establishes a common framework for measuring fair value and for disclosing information about fair value measurements. While ASU 2011- 04 is largely consistent with existing fair value measurement principles, it does expand disclosure requirements and amends certain guidance. Under the revised guidance, the highest and best use and valuation premise concepts only apply to measuring the fair value of nonfinancial assets. The highest and best use of a nonfinancial asset is one that is physically possible, legally permissible and financially feasible. The valuation premise guidance provides that the highest and best use of a nonfinancial asset is either on a stand-alone basis or in combination with other assets as a group. The ASU provides a framework for considering whether a premium or discount can be applied in a fair value measurement and provides a model for measuring the fair value of an instrument classified in shareholders equity. The expanded disclosure requirements include more detailed disclosures about the valuation processes used in fair value measurements within Level 3 of the fair value hierarchy, and categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial position but for which fair value is required to be disclosed in accordance with ASC Topic 825, Financial Instruments. The Company adopted ASU 2011-04 and expanded its disclosures starting with its first quarter 2012 reporting. The effect of

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

adopting this standard did not have a material effect on the Company s consolidated operating results or financial condition, but the additional disclosures are included in Note 3, Fair Values of Financial Instruments.

In September 2011, the FASB issued ASU 2011-08, Intangible Goodwill and other. ASU 2011-08 permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in ASC Topic 350. Under these amendments, an entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendments include a number of events and circumstances for an entity to consider in conducting the qualitative assessment. ASU 2011-08 became effective for interim and annual goodwill impairment tests performed after December 15, 2011. Adoption of ASU 2011-08 did not have a significant impact on the Company s consolidated financial statements or disclosures.

In April 2011, the FASB issued ASU 2011-03, Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements (ASU 2011-03). ASC Topic 860, Transfers and Servicing, provides the criteria for determining whether a transfer of financial assets under a repurchase agreement is accounted for as a secured borrowing or as a sale. In a typical repurchase transaction, an entity transfers financial assets to a counterparty in exchange for cash with an agreement for the counterparty to return the same or equivalent financial assets for a fixed price in the future. Under the guidance, an entity that maintains effective control over transferred assets must account for the transfer as a secured borrowing. ASU 2011-03 eliminates the requirement for entities to consider whether a transferor has the ability to repurchase the financial assets in a repurchase agreement for purposes of determining whether the transferor has maintained effective control. The ASU does not change the other criteria applicable to the assessment of effective control. Adoption of ASU 2011-03 on January 1, 2012 did not have a significant impact on the Company s consolidated financial statements.

In January 2013, the FASB issued ASU 2013-01, Balance Sheet (Topic 210), Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities (ASU 2013-01). ASU 2013-01 clarifies that ordinary trade receivables and other receivables are not in the scope of ASU 2011-11, Balance Sheet (Topic 210), Disclosures about Offsetting Assets and Liabilities (ASU 2011-11). Specifically, ASU 2011-11 applies only to derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with specific criteria contained in the ASC or subject to a master netting arrangement or similar agreement. The amendments in ASU 2013-01 are effective for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods. Adoption of the new guidance did not have a significant impact on the Company s consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, Other Comprehensive Income (Topic 220), Reporting of Amounts Reclassified out of Other Comprehensive Income (ASU 2013-02). The provisions in the ASU supersede and replace the presentation requirements for reclassifications out of AOCI in ASUs 2011-05 and 2011-12. ASU 2013-02 requires entities to disclose additional information about reclassification adjustments, including (1) changes in AOCI balances by component and (2) significant items reclassified out of AOCI. The new disclosure requirements are effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. The Company adopted ASU 2013-02 for its first quarter 2013 reporting. Adoption of the new guidance did not have a significant impact on the Company s consolidated financial statements.

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

In July 2013, the FASB issued guidance ASU 2013-10, Derivatives and Hedging (Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes . ASU 2013-10 amends existing guidance to permit the Fed Funds Effective Swap Rate to be used as a U.S. benchmark interest rate for hedge accounting purposes. Prior to the update, only the U.S. Treasury and LIBOR rates were permitted for use as benchmark interest rates. ASU 2013-10 is effective prospectively for qualifying new or designated hedging relationships entered into on or after July 17, 2013. The adoption of the new guidance did not have a significant impact on the Company s consolidated financial statement.

In January 2014, the FASB issued guidance within ASU 2014-01, Accounting for Investments in Qualified Affordable Housing Projects. The amendments in ASU 2014-01 to Topic 323, Equity Investments and Joint Ventures, provide guidance on accounting for investments by a reporting entity in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. The 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. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received, and recognizes the net investment performance in the income statement as a component of income tax expense (benefit). The amendments are effective for fiscal years, and interim periods within those years, beginning after December 31, 2014 and should be applied retrospectively to all periods presented. Early adoption is permitted. All of the Company s affordable housing fund investments are within the scope of this this guidance. The Company is in the process of evaluating the impact that adoption of this guidance may have on its consolidated financial statements.

In January 2014, the FASB issued ASU No. 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. ASU 2014-04 clarifies that an in substance repossession or foreclosure has occurred, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure. Interim and annual disclosure is required of both the amount of foreclosed residential real estate property held by the creditor and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure. ASU 2014-04 is effective using either the modified retrospective transition method or a prospective transition method for fiscal years and interim periods within those years, beginning after December 15, 2014, and early adoption is permitted. The Company is in the process of evaluating the impact that adoption of this guidance may have on its consolidated financial statements.

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

NOTE 2 BUSINESS COMBINATIONS AND BRANCH SALES

The Company completed the following acquisitions during the time period between January 1, 2012 and December 31, 2013, use the acquisition method of accounting, and accordingly, the operating results of the acquired entities have been included in the consolidated financial statements from their respective dates of acquisition. The following table presents a summary of acquired assets and assumed liabilities along with a summary of considerations as of respective dates of acquisition:

	Acquisition and Date Acquired				
	CS Financial	The Palisades Group, LLC	Private Bank of California	Gateway Business Bank	Beach Business Bank
	October 31, 2013	September 10, 2013	July 1, 2013 ($ in thousands)	August 18, 2012	July 1, 2012
Assets acquired:					
Cash and due from banks	$ 482	$ 900	$ 33,752	$ 1,783	$ 5,867
Interest-bearing deposits		5			4,674
Federal funds sold				35,090	55,478
Securities available for sale			219,298	76	5,661
Loans held for sale	4,982				
Loans and leases receivable			385,256	131,322	229,722
Federal Home Loan Bank and other bank stock, at cost				940	1,554
Servicing rights				1,636	
Premises, equipment, and capital leases	1,050		1,501	741	709
Income tax receivable			682		
Goodwill	8,057		15,038		7,048
Other intangible assets			10,400	1,675	4,495
Other assets	621	364	6,578	4,702	3,831
Total assets acquired	$ 15,192	$ 1,269	$ 672,505	$ 177,965	$ 319,039
Liabilities assumed:					
Deposits	$	$	$ 561,689	$ 142,995	$ 271,320
Advances from Federal Home Loan Bank			41,833		
Other liabilities	7,270	1,219	2,756	7,940	7,565
Total liabilities assumed	$ 7,270	$ 1,219	$ 606,278	$ 150,935	$ 278,885
SBLF preferred stock assumed	$	$	$ 10,000	$	$
Total consideration paid	$ 7,922	$ 50	$ 56,227	$ 15,403	$ 40,154

Summary of consideration					
Cash paid	$ 1,500	$ 50	$ 27,915	$ 15,403	$ 39,145
Common stock issued	$ 1,964	$	$ 28,282	$	$
Replacement awards	$	$	$ 30	$	$
Stock warrants issued	$	$	$	$	$ 1,009
Noninterest-bearing note	$ 3,150	$	$	$	$
Performance based equity	$ 1,308	$	$	$	$

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Beach Business Bank Merger

Effective July 1, 2012, the Company acquired Beach Business Bank pursuant to the terms of the Agreement and Plan of Merger (the Merger Agreement) dated August 30, 2011, as amended October 31, 2011. At the effective time of the transaction, a newly formed and wholly owned subsidiary of the Company (Merger Sub) merged with and into Beach (the Merger), with Beach continuing as the surviving entity in the Merger and a wholly owned subsidiary of the Company. Pursuant and subject to the terms of the Merger Agreement, each outstanding share of Beach common stock (other than specified shares owned by the Company, Merger Sub or Beach, and other than in the case of shares in respect of, or underlying, certain Beach options and other equity awards, which were treated as set forth in the Merger Agreement) was converted into the right to receive $9.21415 in cash and one warrant. Each warrant entitled the holder to purchase 0.33 of a share of Company common stock at an exercise price of $14.00 per share for a period of one year. All of the warrants expired on June 30, 2013 without being exercised. The aggregate cash consideration paid to Beach shareholders in the Merger was approximately $39.1 million. In addition, Beach shareholders received in aggregate warrants to purchase the equivalent of 1,401,959 shares of the Company s common stock with an estimated fair value of $1.0 million.

Beach (re-named The Private Bank of California effective July 1, 2013 and merged with Pacific Trust Bank on October 11, 2013 to form the Bank) operated branches in Manhattan Beach, Long Beach, and Costa Mesa, California. Beach also had a division named The Doctors Bank®, which serves physicians and dentists nationwide. Additionally, Beach provided loans to small businesses based on Small Business Administration (SBA) lending programs. Beach s consolidated assets and equity (unaudited) as of June 30, 2012 totaled $311.9 million and $33.3 million, respectively. The acquired assets and liabilities were recorded at fair value at the date of acquisition.

In accordance with GAAP guidance for business combinations, the Company recorded $7.0 million of goodwill and $4.5 million of other intangible assets during the year ended December 31, 2012. The other intangible assets are primarily related to core deposits and are being amortized on an accelerated basis over 2 7 years. For tax purposes purchase accounting adjustments, including goodwill are all non-taxable and/or non-deductible.

The market opportunity that was created with the acquisition is that it creates for our Company the opportunity to leverage Beach s branch network, SBA lending platform, the Doctors Bank product offerings and other programs that can be deployed throughout our market which we expect will help augment our customer base. This acquisition was consistent with the Company s strategy to build a regional presence in Southern California. The acquisition offers the Company the opportunity to increase profitability by introducing existing products and services to the acquired customer base as well as acquire new customers in the expanded region.

Gateway Bancorp Acquisition

Effective August 18, 2012, the Company acquired Gateway Bancorp, the holding company of Gateway Business Bank (Gateway) pursuant to the terms of the Stock Purchase Agreement (the Purchase Agreement) dated June 3, 2011, as amended on November 28, 2011, February 24, 2012, June 30, 2012, and July 31, 2012. The acquisition was accomplished by the Company s purchase of all of the outstanding stock of Gateway Bancorp, followed by the merger of Gateway into PacTrust Bank. Under the terms of the Purchase Agreement, the Company purchased all of the issued and outstanding shares of Gateway Bancorp for $15.4 million in cash.

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Gateway operated branches in Lakewood and Laguna Hills, California. As part of the acquisition, Mission Hills Mortgage Bankers, a division of Gateway, including its 22 loan production offices in California, Arizona, Oregon and Washington, became a part of the Bank s mortgage banking operations. Gateway s consolidated assets and equity (unaudited) as of August 17, 2012 totaled $175.5 million and $25.8 million, respectively. The acquired assets and liabilities were recorded at fair value at the date of acquisition.

In accordance with GAAP guidance for business combinations, the Company recorded $11.6 million of bargain purchase gain and $1.7 million of other intangible assets during the year ended December 31, 2012. The other intangible assets are related to $720 thousand of core deposits, which are being amortized on an accelerated basis over 4 6 years, and $955 thousand of trade name intangible which is being amortized over 20 years. For tax purposes the purchase accounting adjustments and bargain purchase gain are non-taxable and/or non-deductible. Due to circumstances that Gateway faced at the time the acquisition was negotiated, which include regulatory orders and operating losses, the terms negotiated included a purchase price that was $5 million lower than Gateway Bancorp s equity book value. The discount was further increased to $6.5 million in exchange for the elimination of any contingent liability to the shareholder of Gateway Bancorp related to mortgage repurchase risk. Due to delays in obtaining regulatory approval, the transaction closed nine months later than originally planned. This passage of time allowed Gateway to eliminate all regulatory orders, return to profitability, improve asset quality, and increase the book value of equity by reducing the expected discount on assets. As a result, a bargain purchase gain of $11.6 million resulted at the time of purchase.

This acquisition was consistent with the Company s strategy to build a regional presence in Southern California. The acquisition offers the Company the opportunity to increase profitability by introducing existing products and services to the acquired customer base as well as add new customers in the expanded region.

The Private Bank of California Acquisition

Effective July 1, 2013, the Company completed its acquisition of The Private Bank of California, (PBOC) pursuant to the terms of the Agreement and Plan of Merger, dated as of August 21, 2012, as amended (the PBOC Merger Agreement), by and between the Company, Beach (then a separate subsidiary bank of the Company) and PBOC. PBOC merged with and into Beach, with Beach continuing as the surviving entity in the merger and a wholly owned subsidiary of the Company, and changing its name to The Private Bank of California. On October 11, 2013, The Private Bank of California was merged with the Company s other wholly owned banking subsidiary, Banc of California, National Association (formerly Pacific Trust Bank), to form the Bank.

Pursuant to the terms of the Merger Agreement, the Company paid aggregate merger consideration of (1) 2,082,654 shares of Company common stock (valued at $28.3 million based on the $13.58 per share closing price of Company common stock on July 1, 2013), and (2) $25.3 million in cash. Additionally, the Company paid out $2.7 million for certain outstanding options to acquire PBOC common stock in accordance with the merger agreement and converted outstanding PBOC stock options to the Company s stock options with an assumed fair value of approximately $30 thousand. On the basis of the number of shares of PBOC common stock issued and outstanding immediately prior to the completion of the Merger, each outstanding share of PBOC common stock was converted into the right to receive $6.52 in cash and 0.5379 shares of Company common stock.

In addition, upon completion of the acquisition, each share of preferred stock issued by PBOC as part of the Small Business Lending Fund (SBLF) program of the United States Department of Treasury (10,000 shares in the aggregate with a liquidation preference amount of $1,000 per share) was converted automatically into one

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

substantially identical share of preferred stock of the Company. The terms of the preferred stock issued by the Company in exchange for the PBOC preferred stock are substantially identical to the preferred stock previously issued by the Company as part of its own participation in the SBLF program (32,000 shares in aggregate with a liquidation preference amount of $1,000 per share).

PBOC provided a range of financial services, including credit and deposit products as well as cash management services, from its headquarters located in the Century City area of Los Angeles, California as well as full-service branches in Hollywood and Irvine, and a loan production office in downtown Los Angeles. PBOC s target clients included high-net worth and high income individuals, business professionals and their professional service firms, business owners, entertainment service businesses and non-profit organizations.

In accordance with GAAP guidance for business combinations, the Company has expensed approximately $2.6 million of direct acquisition costs and recorded $15.0 million of goodwill and $10.4 million of other intangible assets. The other intangible assets are primarily related to core deposits and are being amortized on an accelerated basis over 2-7 years. Loans that were acquired from PBOC that were considered credit impaired were written down at the acquisition date in accordance with purchase accounting to fair value. In addition, the allowance for loan losses for all PBOC loans was not carried over to the Company s allowance for loan and lease losses. A full valuation allowance for the deferred tax asset was recorded based on management s evaluation of the expectation of recovery of deferred tax assets for the Company . For tax purposes purchase accounting adjustments, including goodwill are all nontaxable and/or non-deductible.

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The following table summarizes the fair value of the total consideration transferred as a part of the PBOC acquisition as well as the fair value adjustments to the PBOC s balance sheet as of the respective acquisition date and the resulting goodwill derived:

		July 1, 2013 ($ in thousands)
Consideration paid		
Cash		$ 25,252
Options payout		2,663
Replacement options fair market value		30
Shares issued(1)		28,282
Total consideration		56,227
SBLF preferred stock assumed		10,000
Total consideration		66,227
Net assets pre-acquisition		51,278
Fair value adjustments		
Loans receivable	$ (10,856)	
Allowance for loan losses	7,380	
Investment securities	(2,495)	
Fixed assets	5	
Trade name	70	
Core deposit intangible	10,330	
Deferred taxes assets, net	(4,207)	
Prepaid rent	(64)	
Lease liability	(56)	
Certificate of deposits purchase premium	(196)	
Total fair value adjustments		(89)
Fair value of net assets acquired		51,189
Excess of consideration paid over fair value of net assets acquired (goodwill)		**$ 15,038**

(1) @$13.58/share

Certain valuations related to assumed liabilities are considered preliminary and could differ significantly when finalized.

The Palisades Group, LLC, Acquisition

Effective September 10, 2013, the Company acquired The Palisades Group, LLC (Palisades), a Delaware limited liability company and a registered investment adviser under the Investment Advisers Act of 1940, pursuant to the terms of the Amended and Restated Units Purchase Agreement dated as of November 30, 2012, amended and restated as of August 12, 2013, for $50 thousand. Palisades provides financial advisory and asset management services to third parties, including the Bank, with respect to the purchase, sale and management of portfolios of residential mortgage loans.

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The Palisades acquisition was accounted for under GAAP guidance for business combinations. The assets and liabilities were recorded at their estimated fair values as of the September 10, 2013 acquisition date. No goodwill was recognized.

CS Financial Acquisition

Effective October 31, 2013, the Company acquired CS Financial (CS Financial), a California corporation and Southern California-based mortgage banking firm controlled by former Company director and current Company executive Jeffery T. Seabold. The CS Financial became a wholly owned subsidiary of the Bank. For additional information regarding this transaction, see note 25-Related-Party Transactions.

The CS Financial acquisition was accounted for under GAAP guidance for business combinations. The purchased assets, including identifiable intangible assets and assumed liabilities were recorded at their estimated fair values as of October 31, 2013. Because of the short time period between acquisition date and December 31, 2013, the Company used significant estimates and assumptions to value the identifiable assets acquired and liabilities assumed. The closing date valuations related to loans, premises, equipment, capital leases, other intangible assets, other assets, and assumed liabilities are considered preliminary and could differ significantly when finalized.

Branch Sales

On October 4, 2013, the Bank completed a branch sale transaction to AmericanWest Bank, a Washington state chartered bank (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. Certain other assets related to the branches include the real estate for three of the branch locations and certain overdraft and other credit facilities related to the deposit accounts. The Company recognized a gain of $12.1 million from this transaction.

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Unaudited Pro Forma Information

The following table presents unaudited pro forma information as if the acquisitions of PBOC, Palisades and CS Financial had occurred on January 1, 2013 and 2012 after giving effect to certain adjustments. The unaudited pro forma information for the years ended December 31, 2013 and 2012 includes adjustments for interest income on loans and securities acquired, amortization of intangibles arising from the transaction, interest expense on deposits and borrowings acquired, and the related income tax effects.

	For the year ended December 31,	
	2013	2012
	(In thousands, except per share data)	
Net interest income	$ 107,607	$ 67,249
Provision for loan and lease losses	8,822	7,013
Noninterest income	118,459	64,701
Noninterest expense	208,082	113,091
Income (loss) before income taxes	9,162	11,846
Income tax expense (benefit)	8,252	2,522
Net income (loss)	**$ 910**	**$ 9,324**
Basic earnings (loss) per common share	$ (0.08)	$ 0.56
Diluted earnings (loss) per common share	$ (0.08)	$ 0.56

The above unaudited pro forma financial information for 2013 and 2012 includes the pre-acquisition periods for PBOC, Palisades, and CS Financial. The above unaudited pro forma financial information includes pre-acquisition provisions for loan and lease losses recognized by PBOC and CS Financial of $859 thousand and $1.5 million for the years ended December 31, 2013 and 2012, respectively. Pro forma statements do not include cost saves or integration costs and may not be reflective of what is would have looked like had they been put together at that date.

The following table presents unaudited pro forma information as if the acquisitions of Beach and Gateway had occurred on January 1, 2012 and 2011 after giving effect to certain adjustments. The unaudited pro forma information for the years ended December 31, 2012 and 2011 includes adjustments for interest income on loans and securities acquired, amortization of intangibles arising from the transaction, interest expense on deposits and borrowings acquired, and the related income tax effects.

	For the year ended December 31,	
	2012	2011
	(In thousands, except per share data)	
Net interest income	$ 57,921	$ 49,534
Provision for loan and lease losses	6,350	6,062
Noninterest income	54,918	34,465

Noninterest expense	106,260	83,043
Income (loss) before income taxes	229	(5,106)
Income tax expense (benefit)	2,529	(1,172)
Net income (loss)	**$ (2,300)**	**$ (3,934)**
Basic earnings (loss) per common share	$ (0.33)	$ (0.45)
Diluted earnings (loss) per common share	$ (0.33)	$ (0.45)

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The above unaudited pro forma financial information for 2012 and 2011 includes the pre-acquisition periods for Beach and Gateway. Excluded from the above pro forma financial information is revenue of $11.6 million related to the bargain purchase gain recorded in connection with the Gateway acquisition for the year ended December 31, 2012. The above unaudited pro forma financial information includes the provision for loan and lease losses recognized by Beach and Gateway prior to acquisition of $0.9 million and $0.7 million for the years ended December 31 2012 and 2011, respectively. Excluded from the above pro forma financials for the year ended December 31, 2012 is a gain of $11.6 million related to the bargain purchase gain for the Gateway acquisition. Pro forma statements do not include cost saves or integration costs and may not be reflective of what is would have looked like had they been put together at that date.

NOTE 3 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair Value Hierarchy. ASC 820-10 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The topic describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Securities Available for Sale. The fair values of securities available for sale are generally determined by quoted market prices, if available (Level 1), or by matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities relationship to other benchmark quoted securities (Level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3). The fair values of the Company s Level 3 securities are determined by the Company or an independent third-party provider using a discounted cash flow methodology. The methodology uses discount rates that are based upon observed market yields for similar securities. Prepayment speeds are estimated based upon the prepayment history of each bond and a detailed analysis of the underlying collateral. Gross weighted average coupon, geographic concentrations, loan to value, FICO and seasoning are among the different loan attributes that are factored into our prepayment curve. Default rates and severity are estimated based upon geography of the collateral, delinquency, modifications, loan to value ratios, FICO scores, and past performance.

Impaired Loans and Leases. The fair value of impaired loans and leases with specific allocations of the allowance for loan and lease losses based on collateral values is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value.

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Loans Held for Sale. The fair value of loans held for sale is based on commitments outstanding from investors as well as what secondary markets are currently offering for portfolios with similar characteristics. Therefore, loans held for sale subjected to recurring fair value adjustments are classified as Level 2. The Company had $192.6 million of loans held for sale at such fair value. As of December 31, 2013, the Company also had $524.1 million of non-conforming jumbo mortgage loans held for sale at the lower of cost or fair value. The Company obtains quotes, bid or pricing indications on all or part of these loans directly from the buyers. Premiums and discounts received or to be received on the quotes, bids or pricing indications are indicative of the fact that the cost is lower or higher than fair value.

Derivative Assets and Liabilities. The Company s derivative assets and liabilities are carried at fair value as required by GAAP and are accounted for as freestanding derivatives. The Company has entered into pay-fixed, receive-variable interest rate swap contracts with institutional counterparties to hedge against variability in cash flow attributable to interest rate risk caused by changes in the LIBOR benchmark interest rate on the Company s ongoing LIBOR based variable rate deposits. The Company is accounting for the swaps as cash flow hedges under ASC 815. The other derivative assets are interest rate lock commitments (IRLCs) with prospective residential mortgage borrowers whereby the interest rate on the loan is locked by borrower prior to funding. These IRLCs are determined to be derivative instruments in accordance with GAAP. The derivative liabilities are hedging instruments typically mortgage-backed to-be-announced (TBA securities) used to hedge the risk of fair value changes affected by interest rates changes relating to the Company s mortgage banking operations. The Company hedges the period from the interest rate lock (assuming a fall-out factor) to the date of the loan sale. The estimated fair value is based on current market prices for similar instruments. Given the meaningful level of secondary market activity for derivative contracts, active pricing is available for similar assets and accordingly, the Company classifies its derivative assets and liabilities as Level 2.

Servicing Rights Mortgage. The Company retains servicing on some of its mortgage loans sold and elected the fair value option for valuation of these mortgage servicing rights. The value is based on a third party provider that calculates the present value of the expected net servicing income from the portfolio based on key factors that include interest rates, prepayment assumptions, discount rate and estimated cash flows. Because of the significance of unobservable inputs, these servicing rights are classified as Level 3.

Other Real Estate Owned Assets. Other real estate owned assets (OREO) are recorded at the fair value less estimated costs to sell at the time of foreclosure. The fair value of other real estate owned assets is generally based on recent real estate appraisals adjusted for estimated selling costs. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments may be significant and result in a Level 3 classification of the inputs for determining fair value. Only OREO with a valuation allowance are considered to be carried at fair value. For the years ended December 31, 2013, 2012 and 2011, the Company experienced $97 thousand, $703 thousand and $4.8 million in valuation allowance expense for those assets, respectively.

Assets and Liabilities Measured on a Recurring and Non-Recurring Basis

Available-for-sale securities, certain conforming mortgage loans held for sale, derivative assets and liabilities, and servicing rights mortgage are measured at fair value on a recurring basis, whereas impaired loans and leases, non-conforming jumbo mortgage loans held for sale and other real estate owned are measured at fair value on a non-recurring basis.

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The following table presents the Company s financial assets and liabilities measured at fair value on a recurring basis as of the dates indicated:

		Fair Value Measurements Level		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level One)	Significant Other Observable Inputs (Level Two)	Significant Unobservable Inputs (Level Three)
	(In thousands)			
December 31, 2013:				
Assets				
Available-for-sale securities:				
SBA loan pools securities	$ 1,736	$	$ 1,736	$
U.S. government-sponsored entities and agency securities	1,920		1,920	
Private label residential mortgage-backed securities	14,752		14,752	
Agency mortgage-backed securities	151,614		151,614	
Loans held for sale	192,613		192,613	
Derivative assets(1)	5,493		5,493	
Mortgage servicing rights(2)	13,535			13,535
Liabilities				
Derivative liabilities(3)				
December 31, 2012:				
Assets				
Available-for-sale securities:				
U.S. government-sponsored entities and agency securities	$ 2,710	$	$ 2,710	$
State and Municipal securities	9,944		9,944	
Private label residential mortgage-backed securities	41,846		39,632	2,214
Agency mortgage-backed securities	66,919		66,919	
Loans held for sale	113,158		113,158	
Derivative assets (1)	2,890		2,890	
Mortgage servicing rights (2)	1,739			1,739
Liabilities				
Derivative liabilities (3)	988		988	

(1) Included in other assets on the consolidated statements of financial condition
(2) Included in servicing rights, net on the consolidated statements of financial condition
(3) Included in accrued expenses and other liabilities on the consolidated statements of financial condition

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The following table presents the Company s financial assets and liabilities measured at fair value on a non-recurring basis as of the dates indicated:

	Carrying Value	Fair Value Measurements Level Quoted Prices in Active Markets for Identical Assets (Level One)	Significant Other Observable Inputs (Level Two)	Significant Unobservable Inputs (Level Three)
		(In thousands)		
December 31, 2013:				
Assets				
Impaired loans:				
Real estate 1-4 family first mortgage	$ 12,814	$	$ 8,769	$ 4,045
Real estate mortgage	3,868		105	3,763
Multifamily	1,972			1,972
HELOC s, home equity loans, and other consumer installment credit	249		216	33
Commercial and industrial	33			33
SBA	10			10
December 31, 2012:				
Assets				
Impaired loans:				
Real estate 1-4 family first mortgage	$ 21,778	$	$ 3,041	$ 18,737
Multifamily	5,442			5,442
Real estate mortgage	2,531		829	1,702
HELOC s, home equity loans, and other consumer installment credit	3			3
Other real estate owned assets:				
Real estate 1-4 family first mortgage	118			118
Land	3,889			3,889

The Company did not have any other real estate owned at December, 31 2013. At December 31, 2012, real estate owned measured at fair value less costs to sell, had a net carrying value of $4.0 million, which is made up of the outstanding balance of $6.6 million, net of a valuation allowance of $2.1 million.

The following table presents the gains and (losses) recognized on assets measured at fair value on a non-recurring basis for the periods indicated:

	For the year ended December 31, 2013	2012	2011
		(In thousands)	
Impaired loans:			
Real estate 1-4 family first mortgage	$ (1,143)	$ (1,890)	$ (978)

Real estate mortgage		(987)	(169)
Multifamily	(465)		(2,136)
SBA			
HELOC s, home equity loans, and other consumer installment credit	(2)		(108)
Other real estate owned assets	367	(239)	(5,603)

37

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The following table presents a reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the periods ended indicated:

	Private label residential mortgage-backed securities	Mortgage Servicing Rights (In thousands)	Total
Balance of recurring Level 3 securities at December 31, 2012	$ 2,214	$ 1,739	$ 3,953
Transfers out of Level 3 (1)			
Total gains or losses (realized/unrealized):			
Included in earnings-realized			
Included in earnings-fair value adjustment		1,360	1,360
Included in other comprehensive income			
Amortization of premium (discount)			
Additions		11,463	11,463
Sales and settlements	(2,214)	(1,027)	(3,241)
Balance of recurring Level 3 securities at December 31, 2013	$	$ 13,535	$ 13,535
Balance of recurring Level 3 securities at December 31, 2011	$ 76,203	$	$ 76,203
Transfers out of Level 3 (1)	(56,767)		(56,767)
Total gains or losses (realized/unrealized):			
Included in earnings-realized	(83)		(83)
Included in earnings-fair value adjustment		(42)	(42)
Included in other comprehensive income	(2,173)		(2,173)
Amortization of premium (discount)	(196)		(196)
Additions		1,975	1,975
Sales and settlements	(14,770)	(194)	(14,964)
Balance of recurring Level 3 securities at December 31, 2012	$ 2,214	$ 1,739	$ 3,953

(1) The Company s policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that cause the transfer.

The following table presents quantitative information about Level 3 fair value measurements on a recurring basis as of the dates indicated:

	Fair Value	Unobservable Input(s)	Range (Weighted Average)

	($ in thousands)		Valuation Technique(s)		
December 31, 2013:					
Mortgage servicing rights	$	13,535	Discounted cash flow	Discount rate Prepayment rate	10.00% to 17.94% (10.26%) 4.19% to 34.54% (9.85%)
December 31, 2012:					
Private label residential mortgage-backed securities	$	2,214	Discounted cash flow	Voluntary prepayment rate Collateral default rate Loss severity at default	3.15% to 8.00% (5.80%) 8.46% to 8.56% (8.5%) 55%
Mortgage servicing rights	$	1,739	Discounted cash flow	Discount rate Prepayment rate	10.5% to 11.5% (10.5%) 4.3% to 35.3% (13.8%)

38

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The significant unobservable inputs used in the fair value measurement of the Company s servicing rights include the discount rate and estimated cash flows. There may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results.

The significant unobservable inputs used in the fair value measurement of the Company s private label and agency residential mortgage backed securities are prepayment rates, collateral default rates, and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation could result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the collateral default rates is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The following table presents the carrying amounts and estimated fair values of financial assets and liabilities as of the dates indicated:

	Carrying Amount	Fair Value Measurements Level Level 1	Level 2 (In thousands)	Level 3	Total
December 31, 2013:					
Financial assets					
Cash and cash equivalents	$ 110,118	$ 110,118	$	$	$ 110,118
Time deposits in financial institutions	1,846	1,846			1,846
Securities available-for-sale	170,022		170,022		170,022
FHLB and other bank stock	22,600		22,600		22,600
Loans held for sale	716,733		719,496		719,496
Loans and leases receivable, net of allowance	2,427,306			2,460,953	2,460,953
Accrued interest receivable	10,866	10,866			10,866
Derivative assets	5,493		5,493		5,493
Financial liabilities					
Deposits	2,918,644		2,877,650		2,877,650
Advances from the FHLB	250,000		250,090		250,090
Notes payable	82,320	85,564			85,564
Derivative liabilities					
Accrued interest payable	1,646	1,646			1,646
December 31, 2012:					
Financial assets					
Cash and cash equivalents	$ 108,643	$ 108,643	$	$	$ 108,643
Time deposits in financial institutions	5,027	5,027			5,027
Securities available-for-sale	121,419		119,205	2,214	121,419
FHLB and other bank stock	8,842		8,842		8,842
Loans held for sale	113,158		113,158		113,158
Loans and leases receivable, net of allowance	1,234,023			1,267,292	1,267,292
Accrued interest receivable	5,002	7	50	4,945	5,002
Derivative assets	2,890		2,890		2,890
Financial liabilities					
Deposits	1,306,342		1,305,884		1,305,884
Advances from the FHLB	75,000		75,166		75,166
Notes payable	81,935	86,106			86,106
Derivative liabilities	988		988		988
Accrued interest payable	1,639	1,335	304		1,639

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The methods and assumptions used to estimate fair value are described as follows:

Carrying amount is the estimated fair value for cash and cash equivalents, time deposits in financial institutions, and accrued interest receivable and payable. The methods for determining the fair values for securities available for sale, and derivatives assets and liabilities are described above. For fixed rate loans or deposits and for variable rate loans or deposits with infrequent re-pricing or re-pricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life and credit risk. Fair value of FHLB advances and long-term debt is based on current rates for similar financing, and therefore not indicative of an exit price. It was not practicable to determine the fair value of FHLB stock due to restrictions placed on its transferability. The fair value of off-balance-sheet items is not considered material (or is based on the current fees or costs that would be charged to enter into or terminate such arrangements) and is not presented.

NOTE 4 SECURITIES AVAILABLE FOR SALE

The following table presents the amortized cost and fair value of the available-for-sale 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, 2013:				
Available-for-sale				
SBA loan pools 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**
December 31, 2012:				
Available-for-sale				
U.S. government-sponsored entities and agency securities	$ 2,706	$ 4	$	$ 2,710
State and Municipal securities	9,660	284		9,944
Private label residential mortgage-backed securities	41,499	475	(128)	41,846
Agency mortgage-backed securities	66,818	335	(234)	66,919
Total securities available for sale	**$ 120,683**	**$ 1,098**	**$ (362)**	**$ 121,419**

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The following table presents amortized cost and fair value of the available-for-sale securities portfolio by expected maturity. In the case of residential mortgage-backed securities and SBA loan pool securities, expected maturities may differ from contractual maturities because borrowers generally have the right to call or prepay obligations with or without call or prepayment penalties. For that reason, mortgage-backed securities and SBA loan pool securities are not included in the maturity categories.

	December 31, 2013	
	Amortized Cost	Fair Value
	(In thousands)	
Maturity:		
Available-for-sale		
Within one year	$	$
One to five years		
Five to ten years	1,928	1,920
Greater than ten years		
SBA loan pools, private label residential mortgage backed and agency mortgage-backed securities	169,581	168,102
Total	**$ 171,509**	**$ 170,022**

At December 31, 2013 and December 31, 2012, 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 shareholders equity.

The following table presents a summary of the investment securities with unrealized losses by aggregated major 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, 2013:						
Available-for-sale						
SBA loan pools securities	$ 1,736	$ (58)	$	$	$ 1,736	$ (58)
U.S. government-sponsored entities and agency securities	1,920	(8)			1,920	(8)
Private label residential mortgage-backed securities	2,064	(11)	3,913	(25)	5,977	(36)
Agency mortgage-backed securities	114,104	(1,790)	1,821	(29)	115,925	(1,819)
Total available-for-sale	**$ 119,824**	**$ (1,867)**	**$ 5,734**	**$ (54)**	**$ 125,558**	**$ (1,921)**

December 31, 2012:

Available-for-sale						
Private label residential mortgage-backed securities	$ 2,194	$ (13)	$ 10,061	$ (115)	$ 12,255	$ (128)
Agency residential mortgage-backed securities	37,388	(234)			37,388	(234)
Total available-for-sale	**$ 39,582**	**$ (247)**	**$ 10,061**	**$ (115)**	**$ 49,643**	**$ (362)**

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The Company recorded no other-than-temporary impairment (OTTI) for securities available for sale for the years ended December 31, 2013, 2012 and 2011.

As of December 31, 2013, the Company s securities available for sale portfolio consisted of 120 securities, 84 of which were in an unrealized loss position. The unrealized losses are related to an overall increase in interest rates and a decrease in prepayment speeds of the agency mortgage-backed securities.

The Company s private label residential mortgage-backed securities that are in an unrealized loss position had a fair value of $6.0 million with unrealized losses of $36 thousand at December 31, 2013. The Company s agency residential mortgage-backed securities that are in an unrealized loss position had a fair value of $115.9 million with unrealized losses of $1.8 million at December 31, 2013. The Company s private label residential mortgage-backed securities that are in an unrealized loss position had a fair value of $12.3 million with unrealized losses of $128 thousand at December 31, 2012. The Company s agency residential mortgage-backed securities that are in an unrealized loss position had a fair value of $37.4 million with unrealized losses of $234 thousand at December 31, 2012.

The Company monitors to insure it has adequate credit support and as of December 31, 2013, the Company believes there is no OTTI and it does not have the intent to sell these securities and it is not likely that it will be required to sell the securities before their anticipated recovery. Of the Company s $170.0 million securities portfolio, $169.8 million were rated AAA, AA or A, and $247 thousand were rated BBB based on the most recent credit rating as of December 31, 2013. The Company considers the lowest credit rating for identification of potential OTTI.

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,		
	2013	**2012**	**2011**
		(In thousands)	
Gross realized gains on sales of securities available-for-sale	$ 438	$ 19	$ 3,008
Gross realized losses on sales of securities available-for-sale	(107)	(102)	(120)
Net realized gains (losses) on sales of securities available-for-sale	**$ 331**	**$ (83)**	**$ 2,888**
Proceeds from sales of securities available-for-sale	$ 127,298	$ 11,940	$ 67,823

The tax expense (benefit) related to these net realized gains and losses were none, none, and $1.2 million for 2013, 2012 and 2011, respectively.

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

NOTE 5 LOANS AND LEASES AND THE ALLOWANCE FOR LOAN AND LEASE LOSSES

The following table presents the balances in the Company s loans and leases portfolio as of the dates indicated:

	Non-Traditional Mortgages (NTM)	Traditional Loans	Total NTM and Traditional Loans (In thousands)	Purchased Credit Impaired	Total Loans and Leases Receivable
December 31, 2013:					
Commercial:					
Commercial and industrial	$	$ 283,743	$ 283,743	$ 4,028	$ 287,771
Real estate mortgage		514,869	514,869	15,014	529,883
Multi-family		141,580	141,580		141,580
SBA		23,740	23,740	3,688	27,428
Construction		24,933	24,933		24,933
Lease financing		31,949	31,949		31,949
Consumer:					
Real estate 1-4 family first mortgage	156,490	667,526	824,016	314,820	1,138,836
Green Loans (HELOC) First Liens	147,705		147,705		147,705
Green Loans (HELOC) Second Liens	5,289		5,289		5,289
Other HELOC s, home equity loans, and other consumer installment credit	113	108,888	109,001	1,736	110,737
Total Gross Loans	**$ 309,597**	**$ 1,797,228**	**$ 2,106,825**	**$ 339,286**	**$ 2,446,111**
Percentage to total gross loans	12.7%	73.4%	86.1%	13.9%	100.0%
Allowance for loan losses					**(18,805)**
Loans and leases receivable, net					**$ 2,427,306**
December 31, 2012:					
Commercial:					
Commercial and industrial	$	$ 73,579	$ 73,579	$ 6,808	$ 80,387
Real estate mortgage		317,063	317,063	21,837	338,900
Multi-family		114,237	114,237	845	115,082
SBA		30,468	30,468	5,608	36,076
Construction		6,623	6,623		6,623
Lease financing		11,203	11,203		11,203
Consumer:					
Real estate 1-4 family first mortgage	161,767	213,114	374,881	65,066	439,947
Green Loans (HELOC) First Liens	198,720		198,720		198,720
Green Loans (HELOC) Second Liens	7,659		7,659		7,659

Other HELOC s, home equity loans, and other consumer installment credit	114	13,704	13,818	56	13,874
Total Gross Loans	**$ 368,260**	**$ 779,991**	**$ 1,148,251**	**$ 100,220**	**$ 1,248,471**
Percentage to total gross loans	29.5%	62.5%	92.0%	8.0%	100.0%
Allowance for loan losses					**(14,448)**
Loans and leases receivable, net					**$ 1,234,023**

44

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Non Traditional Mortgage Loans

The Company s non-traditional mortgage (NTM) portfolio is comprised of three interest only products: the Green Account Loans (Green Loans), the hybrid interest only fixed or adjustable rate mortgage (Interest Only) and a small number of loans with the potential for negative amortization. As of December 31, 2013 and 2012, the non-traditional mortgage loans totaled $309.6 million or 12.7 percent of the total gross loan portfolio and $368.3 million or 29.5 percent of the total gross loan portfolio, respectively. Total NTM portfolio decreased by $58.7 million, or 15.9 percent, during the year ended December 31, 2013.

The following table presents the composition of the NTM portfolio as of the dates indicated:

	As of December 31,					
		2013			2012	
	Count	Amount	Percent	Count	Amount	Percent
			($ in thousands)			
Green Loans (HELOC) first liens	173	$ 147,705	47.7%	212	$ 198,720	53.9%
Interest-only first liens	244	139,867	45.2%	187	142,426	38.7%
Negative amortization	37	16,623	5.4%	40	19,341	5.3%
Total NTM first liens	454	304,195	98.3%	439	360,487	97.9%
Green Loans (HELOC) second liens	23	5,289	1.7%	27	$ 7,659	2.1%
Interest-only second liens	1	113	0.0%	1	114	0.0%
Total NTM second liens	24	5,402	1.7%	28	7,773	2.1%
Total NTM loans	**478**	**$ 309,597**	**100.0%**	**467**	**$ 368,260**	**100.0%**
Total gross loan portfolio		$ 2,446,111			$ 1,248,471	
% of NTM to total gross loan portfolio		12.7%			29.5%	

Green Account Loans

Green Loans are single family residential 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. At December 31, 2013, Green Loans totaled $153.0 million, a decrease of $53.4 million, or 25.9 percent from $206.4 million at December 31, 2012, primarily due to reductions in principal balance and payoffs. As of December 31, 2013 and 2012, $5.7 million and $5.6 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 loan-to-value ratios and the Company s contractual ability to curtail loans when the value of underlying collateral declines. The Company discontinued origination of the Green Loan products in 2011.

Interest Only Loans

Interest only loans are primarily single family residential first mortgage loans with payment features that allow interest only payment in initial periods before converting to fully amortizing payments. As of December 31, 2013, our interest only loans decreased by $2.6 million, or 1.8

percent, to $140.0 million from $142.5 million at December 31, 2012, primarily due to purchases of $57.0 million, acquired loans through PBOC acquisition of $22.5 million, and originations of $197.2 million, partially offset by sales of $115.8 million, payoffs and principal reductions of $43.2 million, loans transferred to held for sale of $91.6 million, and reclassification of $28.5 million

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

from NTM interest only to traditional loans due to the expiration of the initial interest only period and conversion to a fully amortizing basis. As of December 31, 2013 and 2012, $752 thousand and $5.8 million, respectively, of the interest only loans were non-performing.

Loans with the Potential for Negative Amortization

Negative amortization loans decreased by $2.7 million, or 14.1 percent, to $16.6 million as of December 31, 2013 from $19.3 million as of December 31, 2012. The Company discontinued origination of negative amortization loans in 2007. As of December 31, 2013 and 2012, $1.2 million and none, respectively, of the 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 its policies on loan-to-value ratios. Negative amortization loans of $16.0 million, or 96.2 percent, had begun amortizing and a loan of $627 thousand, or 3.8 percent of total negative amortization loans, was subject to negative amortization as of December 31, 2013.

Risk Management of Non-Traditional Mortgages

The Company has assessed that the most significant performance indicators for non-traditional mortgages are loan-to-value (LTV) and FICO scores. Accordingly, the Company manages credit risk in the NTM portfolio through semi-annual review of the loan portfolio that includes refreshing FICO scores on the Green Loans and home equity lines of credit, as needed in conjunction with portfolio management, and ordering third party automated valuation models. The loan review is designed to provide a method of identifying borrowers who may be experiencing financial difficulty before they actually 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 of 10 percent or more and/or a resulting FICO of 620 or less. The loans are then further analyzed to determine if the risk rating should be downgraded which will increase the reserves the Company will establish for potential losses. A report of the semi-annual loan review is published and regularly monitored.

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 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 detailed analysis on its portfolio with emphasis on the NTM portfolio. The Company s Internal Asset Review Committee (IARC) conducts monthly 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.

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 delinquency. 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.

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Non Traditional Mortgage Performance Indicators

The table below presents the Company s non-traditional one-to-four family residential mortgage Green Loans first lien portfolio at December 31, 2013 by FICO scores that were obtained during the fourth quarter of 2013, comparing to the FICO scores for those same loans that were obtained during the fourth quarter of 2012:

	As of December 31, 2013								
	2013			2012			Changes		
	Count	Amount	Percent	Count	Amount ($ in thousands)	Percent	Count	Amount	Percent
FICO Score									
800+	7	$ 1,382	0.9%	7	$ 7,183	4.9%		$ (5,801)	-4.0%
700-799	94	74,876	50.8%	98	75,556	51.2%	(4)	(680)	-0.4%
600-699	44	42,739	28.9%	44	37,718	25.5%		5,021	3.4%
<600	14	11,965	8.1%	14	12,122	8.2%		(157)	-0.1%
No FICO	14	16,743	11.3%	10	15,126	10.2%	4	1,617	1.1%
Totals	**173**	**$ 147,705**	**100.0%**	**173**	**$ 147,705**	**100.0%**		**$**	**0.0%**

At December 31, 2013 and December 31, 2012, the Company had updated the FICO scores on real estate one-to-four family residential mortgage Green Account loans. The 700-799 category was 50.8 percent and 51.2 percent for FICO scores at December 31, 2013 and December 31, 2012, respectively.

The table below presents the Company s one-to-four family residential NTM first lien portfolio by LTV as of the dates indicated:

	Green			Interest-Only			Negative Amortization			Total		
	Count	Amount	Percent	Count	Amount	Percent ($ in thousands)	Count	Amount	Percent	Count	Amount	Percent
December 31, 2013:												
LTV s (1)												
< 61	90	$ 78,807	53.3%	80	$ 65,181	44.6%	13	$ 4,930	29.7%	183	$ 148,918	49.0%
61-80	38	33,604	22.8%	51	28,999	20.7%	13	7,643	45.9%	102	70,246	23.1%
81-100	26	14,917	10.1%	43	21,474	15.4%	8	3,277	19.7%	77	39,668	13.0%
> 100	19	20,377	13.8%	70	24,213	17.3%	3	773	4.7%	92	45,363	14.9%
Totals	**173**	**$ 147,705**	**100.0%**	**244**	**$ 139,867**	**100.0%**	**37**	**$ 16,623**	**100.0%**	**454**	**$ 304,195**	**100.0%**
December 31, 2012:												
LTV s (1)												

< 61	51	$ 59,679	30.0%	59	$ 47,368	33.3%	11	$ 2,450	12.7%	121	$ 109,497	30.4%
61-80	63	52,107	26.2%	72	58,972	41.3%	4	1,228	6.3%	139	112,307	31.1%
81-100	60	62,335	31.4%	26	17,478	12.3%	9	6,568	34.0%	95	86,381	24.0%
> 100	38	24,599	12.4%	30	18,608	13.1%	16	9,095	47.0%	84	52,302	14.5%
	212	**$ 198,720**	**100.0%**	**187**	**$ 142,426**	**100.0%**	**40**	**$ 19,341**	**100.0%**	**439**	**$ 360,487**	**100.0%**

(1) LTV represents estimated current loan to value as current unpaid principal balance divided by estimated property value.

47

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The decrease in Green Loans was primarily due to reductions in principal balance and payoffs. During 2013, overall improvement on LTV of the Company s one-to-four family residential NTM first lien portfolio was due to the improvement in the real estate market and the economy in Southern California.

Allowance for Loan and Lease Losses

The Company has an established credit risk management process that includes regular management review of the loan and lease portfolio to identify problem loans and leases. During the ordinary course of business, management becomes aware of borrowers and lessees that may not be able to meet the contractual requirements of the loan and lease agreements. Such loans and leases are subject to increased monitoring. Consideration is given to placing the loan or lease on non-accrual status, assessing the need for additional allowance for loan and lease losses, and partial or full charge-off. The Company maintains the allowance for loan and lease losses at a level that is considered adequate to cover the estimated and known inherent risks in the loan portfolio and off-balance sheet unfunded credit commitments. The allowance for loan and lease losses includes allowances for loan, lease, and off-balance sheet unfunded credit commitment losses.

The credit risk monitoring system is designed to identify impaired and potential problem loans, and to permit periodic evaluation of impairment and the adequacy level of the allowance for credit losses in a timely manner. In addition, the Board of Directors of the Bank has adopted a credit policy that includes a credit review and control system which it believes should be effective in ensuring that the Company maintains an adequate allowance for credit losses. The Board of Directors provides oversight and guidance for management s allowance evaluation process, including quarterly valuations, and consideration of management s determination of whether the allowance is adequate to absorb losses in the loan and lease portfolio. The determination of the amount of the allowance for loan and lease losses and the provision for loan and lease losses is based on management s current judgment about the credit quality of the loan and lease portfolio and takes into consideration known relevant internal and external factors that affect collectability when determining the appropriate level for the allowance for loan and lease losses. The nature of the process by which the Company determines the appropriate allowance for loan and lease losses requires the exercise of considerable judgment. Additions to the allowance for loan and lease losses are made by charges to the provision for loan and lease losses. Identified credit exposures that are determined to be uncollectible are charged against the allowance for loan and lease losses. Recoveries of previously charged off amounts, if any, are credited to the allowance for loan and lease losses.

The following table presents a summary of activity in the allowance for loan and lease losses and ending balances of loans evaluated for impairment for the periods indicated:

	Year ended December 31,		
	2013	**2012**	**2011**
		(In thousands)	
Balance at beginning of year	$ 14,448	$ 12,780	$ 14,637
Loans and leases charged off	(3,013)	(4,071)	(7,512)
Recoveries of loans and leases previously charged off	850	239	267
Transfer of loans to held-for-sale	(1,443)		
Provision for loan and lease losses	7,963	5,500	5,388
Balance at end of year	**$ 18,805**	**$ 14,448**	**$ 12,780**

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The following table presents the activity and balance in the allowance for loan and lease losses and the recorded investment in loans and leases by portfolio segment and is based on the impairment method as of or for the years ended as of dates indicated:

	Commercial and Industrial	Commercial Real Estate Mortgage	Multi-Family	SBA	Construction	Lease Financing	Real Estate 1-4 family First Mortgage	HELOC s, Home Equity Loans, and Other Consumer Credit	Unallocated	TOTAL
	(In thousands)									
December 31, 2013:										
Allowance for loan and lease losses:										
Balance as of December 31, 2012	$ 263	$ 3,178	$ 1,478	$ 118	$ 21	$ 261	$ 8,855	$ 274	$	$ 14,448
Charge-offs		(472)	(553)	(648)		(23)	(1,302)	(15)		(3,013)
Recoveries	98	268	88	285		11	92	8		850
Transfer of loans to held-for-sale							(1,443)			(1,443)
Provision	1,461	2,510	1,553	480	223	179	842	265	450	7,963
Balance as of December 31, 2013	**$ 1,822**	**$ 5,484**	**$ 2,566**	**$ 235**	**$ 244**	**$ 428**	**$ 7,044**	**$ 532**	**$ 450**	**$ 18,805**
Individually evaluated for impairment	$	$	$ 60	$	$	$	$ 34	$ 2	$	$ 96
Collectively evaluated for impairment	1,822	5,484	2,506	235	244	428	6,814	530	450	18,513
Acquired with deteriorated credit quality							196			196
Total ending allowance balance	**$ 1,822**	**$ 5,484**	**$ 2,566**	**$ 235**	**$ 244**	**$ 428**	**$ 7,044**	**$ 532**	**$ 450**	**$ 18,805**
Loans:										
Individually evaluated for impairment	$ 33	$ 3,868	$ 1,972	$ 10	$	$	$ 12,814	$ 249	$	$ 18,946
Collectively evaluated for	283,710	511,001	139,608	23,730	24,933	31,949	958,907	114,041		2,087,879

impairment										
Acquired with deteriorated credit quality	4,028	15,014		3,688			314,820	1,736		339,286
Total ending loan balances	**$ 287,771**	**$ 529,883**	**$ 141,580**	**$ 27,428**	**$ 24,933**	**$ 31,949**	**$ 1,286,541**	**$ 116,026**	**$**	**$ 2,446,111**

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

	Commercial and Industrial	Commercial Real Estate Mortgage	Multi-Family	SBA	Construction	Lease Financing	Real Estate 1-4 family First Mortgage	HELOC s, Home Equity Loans, and Other Consumer Credit	Unallocated	TOTAL
					(In thousands)					
December 31, 2012:										
Allowance for loan and lease losses:										
Balance as of December 31, 2011	$ 128	$ 2,234	$ 1,541	$	$	$	$ 8,635	$ 242	$	$ 12,780
Charge-offs		(987)		(64)			(3,006)	(14)		(4,071)
Recoveries				14			221	4		239
Provision	135	1,931	(63)	168	21	261	3,005	42		5,500
Balance as of December 31, 2012	**$ 263**	**$ 3,178**	**$ 1,478**	**$ 118**	**$ 21**	**$ 261**	**$ 8,855**	**$ 274**	**$**	**$ 14,448**
Individually evaluated for impairment	$	$	$ 590	$ 53	$	$	$ 597	$	$	$ 1,240
Collectively evaluated for impairment	263	3,178	888	65	21	261	8,258	274		13,208
Acquired with deteriorated credit quality										
Total ending allowance balance	**$ 263**	**$ 3,178**	**$ 1,478**	**$ 118**	**$ 21**	**$ 261**	**$ 8,855**	**$ 274**	**$**	**$ 14,448**
Loans:										
Individually evaluated for impairment	$ 1,879	$ 3,988	$ 5,442	$ 438	$	$	$ 21,778	$ 3	$	$ 33,528
Collectively evaluated for impairment	71,700	313,075	108,795	30,030	6,623	11,203	551,823	21,474		1,114,723
Acquired with deteriorated credit quality	6,808	21,837	845	5,608			65,066	56		100,220
Total ending loan balances	**$ 80,387**	**$ 338,900**	**$ 115,082**	**$ 36,076**	**$ 6,623**	**$ 11,203**	**$ 638,667**	**$ 21,533**	**$**	**$ 1,248,471**

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The following table presents loans and leases individually evaluated for impairment by class of loans and leases as of the dates indicated. The recorded investment presents customer balances net of any partial charge-offs recognized on the loans and leases and net of any deferred fees and costs.

	As of December 31, 2013			As of December 31, 2012		
	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
	(In thousands)					
As of and for the year ended December 31, 2013:						
With no related allowance recorded:						
Commercial:						
Commercial and industrial	$ 50	$ 33	$	$ 2,168	$ 1,879	$
Real estate mortgage	4,951	3,868		5,748	3,988	
Multi-family	487	270				
SBA	26	10		457	30	
Consumer:						
Real estate 1-4 family first mortgage	10,765	9,487		8,681	8,156	
HELOC s, home equity loans, and other consumer installment credit	248	247		3	3	
With an allowance recorded:						
Commercial:						
Multi-family	1,797	1,702	60	5,441	5,442	590
SBA				439	408	53
Consumer:						
Real estate 1-4 family first mortgage	3,378	3,327	34	13,567	13,622	597
HELOC s, home equity loans, and other consumer installment credit	2	2	2			
Total	**$ 21,704**	**$ 18,946**	**$ 96**	**$ 36,504**	**$ 33,528**	**$ 1,240**

	For the year ended December 31,								
	2013			2012			2011		
	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
	(In thousands)								
Commercial:									
Commercial and industrial	$ 67	$ 10	$ 10	$ 1,879	$ 21	$ 60	$	$	$
Real estate mortgage	3,554	163	171	4,743	170	217	2,101	28	28
Multi-family	1,345	35	37	5,468	256	266	5,030	134	43

SBA	12	1	1	438	10	16			
Consumer:									
Real estate 1-4 family first mortgage	12,562	304	308	21,912	299	599	20,703	494	257
HELOC s, home equity loans, and other consumer installment credit	693	2	2	3			74	19	
Total	**$ 18,233**	**$ 515**	**$ 529**	**$ 34,443**	**$ 756**	**$ 1,158**	**$ 27,908**	**$ 675**	**$ 328**

51

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The following table presents information for impaired loans and leases for the periods indicated:

	For the year ended December 31, 2013	2012 (In thousands)	2011
Average of individually impaired loans during the period	$ 18,233	$ 34,443	$ 27,908
Interest income recognized during impairment	515	756	675
Cash-basis interest income recognized	529	1,158	328

The following table presents nonaccrual loans and leases and loans past due 90 days still on accrual as of the dates indicated:

	As of December 31, 2013 Traditional Loans	NTM Loans	Total	2012 Traditional Loans	NTM Loans	Total
			(In thousands)			
Loans past due 90 days or more still on accrual	$	$	$	$	$	$
Nonaccrual loans						
The Company maintains specific allowance allocations for these loans of $95 in 2013 and $1,517 in 2012	23,950	7,698	31,648	11,538	11,361	22,993

The following table presents the composition of nonaccrual loans and leases as of the dates indicated:

	As of December 31, 2013 Traditional Loans	NTM Loans	Total	2012 Traditional Loans	NTM Loans	Total
			(In thousands)			
Commercial:						
Commercial and industrial	$ 33	$	$ 33	$	$	$
Real estate mortgage	3,868		3,868	2,906		2,906
Multi-family	1,972		1,972	5,442		5,442
SBA	10		10	141		141
Construction						
Lease financing						
Consumer:						
Real estate 1-4 family first mortgage	18,032	2,000	20,032	3,142	5,797	8,939
Green Loans (HELOC) First Liens		5,482	5,482		5,564	5,564
Green Loans (HELOC) Second Liens		216	216			
Other HELOC s, home equity loans, and other consumer installment credit	35		35	1		1

Total	**$ 23,950**	**$ 7,698**	**$ 31,648**	**$ 11,632**	**$ 11,361**	**$ 22,993**

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Past Due Loans and Leases

The following table presents the aging of the recorded investment in past due loans and leases as of December 31, 2013, excluding accrued interest receivable which is not considered to be material by class of loans and leases:

	As of December 31, 2013					
	30 59 Days Past Due	60 89 Days Past Due	Greater than 89 Days Past Due	Total Past Due	Current	Gross Loans and Leases Receivables
	(In thousands)					
NTM loans:						
Real estate 1-4 family first mortgage	$ 1,003	$ 1,854	$ 769	$ 3,626	$ 152,864	$ 156,490
Green Loans (HELOC) First Liens	653		437	1,090	146,615	147,705
Green Loans (HELOC) Second Liens					5,289	5,289
HELOC s, home equity loans, and other consumer installment credit					113	113
Total NTM loans	$ 1,656	$ 1,854	$ 1,206	$ 4,716	$ 304,881	$ 309,597
Traditional loans:						
Commercial:						
Commercial and industrial	$ 52	$ 235	$	$ 287	$ 283,456	$ 283,743
Real estate mortgage	5,554	194		5,748	509,121	514,869
Multi-family	602			602	140,978	141,580
SBA	14	48		62	23,678	23,740
Construction					24,933	24,933
Lease financing	271	92	19	382	31,567	31,949
Consumer:						
Real estate 1-4 family first mortgage	20,684	6,124	12,181	38,989	628,537	667,526
HELOC s, home equity loans, and other consumer installment credit	209	110	35	354	108,534	108,888
Total traditional loans	$ 27,386	$ 6,803	$ 12,235	$ 46,424	$ 1,750,804	$ 1,797,228
PCI loans:						
Commercial:						
Commercial and industrial	$	$	$	$	$ 4,028	$ 4,028
Real estate mortgage					15,014	15,014
Multi-family						
SBA	45	1	106	152	3,536	3,688
Construction						
Lease financing						
Consumer:						

Real estate 1-4 family first mortgage	21,888	8,580	12,099	42,567	272,253	314,820
HELOC s, home equity loans, and other consumer installment credit					1,736	1,736
Total PCI loans	$ 21,933	$ 8,581	$ 12,205	$ 42,719	$ 296,567	$ 339,286
Total	**$ 50,975**	**$ 17,238**	**$ 25,646**	**$ 93,859**	**$ 2,352,252**	**$ 2,446,111**

53

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The following table presents the aging of the recorded investment in past due loans and leases as of December 31, 2012, excluding accrued interest receivable which is not considered to be material by class of loans and leases:

	As of December 31, 2012					
	30 59 Days Past Due	60 89 Days Past Due	Greater than 89 Days Past Due	Total Past Due	Current	Gross Loans and Leases Receivables
	(In thousands)					
NTM loans:						
Real estate 1-4 family first mortgage	$ 631	$ 424	$ 911	$ 1,966	$ 159,801	$ 161,767
Green Loans (HELOC) First Liens	1,411	2,507	5,564	9,482	189,238	198,720
Green Loans (HELOC) Second Liens					7,659	7,659
HELOC s, home equity loans, and other consumer installment credit					114	114
Total NTM loans	$ 2,042	$ 2,931	$ 6,475	$ 11,448	$ 356,812	$ 368,260
Traditional loans:						
Commercial:						
Commercial and industrial	$ 248	$ 7	$	$ 255	$ 73,324	$ 73,579
Real estate mortgage	257	518	375	1,150	315,913	317,063
Multi-family					114,237	114,237
SBA	26	110		136	30,332	30,468
Construction					6,623	6,623
Lease financing	118			118	11,085	11,203
Consumer:						
Real estate 1-4 family first mortgage	1,314	1,510	2,272	5,096	208,018	213,114
HELOC s, home equity loans, and other consumer installment credit	27		1	28	13,676	13,704
Total traditional loans	$ 1,990	$ 2,145	$ 2,648	$ 6,783	$ 773,208	$ 779,991
PCI loans:						
Commercial:						
Commercial and industrial	$	$	$ 178	$ 178	$ 6,630	$ 6,808
Real estate mortgage	1,080	377	445	1,902	19,935	21,837
Multi-family					845	845
SBA	317	63	687	1,067	4,541	5,608
Construction						
Lease financing						
Consumer:						
Real estate 1-4 family first mortgage	1,008	1,082	2,080	4,170	60,896	65,066
					56	56

HELOC s, home equity loans, and other consumer installment credit						
Total PCI loans	$ 2,405	$ 1,522	$ 3,390	$ 7,317	$ 92,903	$ 100,220
Total	**$ 6,437**	**$ 6,598**	**$ 12,513**	**$ 25,548**	**$ 1,222,923**	**$ 1,248,471**

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Troubled Debt Restructurings

Troubled Debt Restructurings (TDRs) of loans are defined by ASC 310-40, Troubled Debt Restructurings by Creditors and ASC 470-60, Troubled Debt Restructurings by Debtors and evaluated for impairment in accordance with ASC 310-10-35. The concessions may be granted in various forms, including reduction in the stated interest rate, reduction in the amount of principal amortization, forgiveness of a portion of a loan balance or accrued interest, or extension of the maturity date. In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Company s internal underwriting policy.

For the years ended December 31, 2013, 2012 and 2011, there were 2, 4 and 4 loans, respectively, that were modified through extensions of maturities. The following table presents loans and leases by class, modified as TDRs that occurred for the periods indicated:

	For the year ended December 31, ($ in thousands)								
	2013			2012			2011		
	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
NTM and Traditional loans:									
Commercial:									
Real estate mortgage	0	$	$	1	$ 288	$ 288	0	$	$
SBA	0			3	420	420	0		
Consumer:									
Real estate 1-4 family first mortgage	0			0			4	4,685	4,477
HELOC s, home equity loans, and other consumer installment credit	2	435	435	0			0		
Total	**2**	**$ 435**	**$ 435**	**4**	**$ 708**	**$ 708**	**4**	**$ 4,685**	**$ 4,477**

The following table presents loans and leases by class modified as TDRs for which there was a payment default within twelve months following the modification for the periods indicated:

	For the year ended December 31, ($ in thousands)					
	2013		2012		2011	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
TDRs that subsequently defaulted:						
Real estate 1-4 family first mortgage	0		1	4	0	

Total	**0**	**$**	**1**	**$**	**4**	**0**	**$**

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

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

	As of December 31,					
	2013			2012		
	NTM Loans	Traditional Loans	PCI Loans	NTM Loans	Traditional Loans	PCI Loans
	(In thousands)					
Commercial:						
Commercial and industrial	$	$	$ 85	$	$	$ 1,236
Real estate mortgage		194	2,868		530	1,355
Multi-family					3,090	
SBA		10	704			423
Consumer:						
Real estate 1-4 family first mortgage		3,605		4,875	3,690	
Green Loans (HELOC) first liens	3,468			3,482		
HELOC s, home equity loans, and other consumer installment credit			1,736		1	
Total	**$ 3,468**	**$ 3,809**	**$ 5,393**	**$ 8,357**	**$ 7,311**	**$ 3,014**

TDRs, excluding purchased credit impaired loans, were $7.3 million and $15.7 million at December 31, 2013 and 2012, respectively. The Company did not have any commitments to lend to customers with outstanding loans or leases that are classified as troubled debt restructurings as of December 31, 2013 and 2012.

Credit Quality Indicators:

The Company categorizes loans and leases into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company performs historical loss analysis that is combined with a comprehensive loan or lease to value analysis to analyze the associated risks in the current loan and lease portfolio. The Company analyzes loans and leases individually by classifying the loans and leases as to credit risk. This analysis includes all loans and leases delinquent over 60 days and non-homogenous loans and leases such as commercial and commercial real estate loans and leases. Classification of problem single family residential loans is performed on a monthly basis while analysis of non-homogenous loans and leases is performed on a quarterly basis. The Company uses the following definitions for risk ratings:

Pass: Loans and leases classified as pass are in compliance in all respects with the Bank s credit policy and regulatory requirements, and do not exhibit any potential or defined weakness as defined under Special Mention , Substandard or Doubtful/Loss .

Special Mention: Loans and leases classified as special mention have a potential weakness that deserves management s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or lease or of the Company s credit position at some future date.

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Substandard: Loans and leases classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans and leases so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful/Loss: Loans and leases classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Not-Rated: When accrual of income on a pool of purchased credit impaired (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 FICO scores, loan-to-value, delinquency, and actual cash flows versus expected cash flows of the loan pools.

Loans and leases not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans and leases.

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The following table presents the risk categories for loans and leases as of December 31, 2013:

	As of December 31, 2013					
	Pass	Special Mention	Substandard	Doubtful	Not-Rated	Gross Loans and Leases Receivables
			(In thousands)			
NTM loans:						
Real estate 1-4 family first mortgage	$ 151,728	$ 2,321	$ 2,441	$	$	$ 156,490
Green Loans (HELOC) First Liens	129,679	11,470	6,556			147,705
Green Loans (HELOC) Second Liens	5,073		216			5,289
HELOC s, home equity loans, and other consumer installment credit	113					113
Total NTM loans	$ 286,593	$ 13,791	$ 9,213	$	$	$ 309,597
Traditional loans:						
Commercial:						
Commercial and industrial	$ 280,527	$ 1	$ 3,215	$	$	$ 283,743
Real estate mortgage	510,117		4,752			514,869
Multi-family	139,608		1,972			141,580
SBA	23,714		26			23,740
Construction	24,933					24,933
Lease financing	31,949					31,949
Consumer:						
Real estate 1-4 family first mortgage	640,701	6,350	20,475			667,526
HELOC s, home equity loans, and other consumer installment credit	108,745	108	33	2		108,888
Total traditional loans	$ 1,760,294	$ 6,459	$ 30,473	$ 2	$	$ 1,797,228
PCI loans:						
Commercial:						
Commercial and industrial	$	$ 969	$ 3,059	$	$	$ 4,028
Real estate mortgage	10,148		4,866			15,014
Multi-family						
SBA	844	605	2,239			3,688
Construction						
Lease financing						
Consumer:						
Real estate 1-4 family first mortgage			287		314,533	314,820
HELOC s, home equity loans, and other consumer installment credit			1,736			1,736

Total PCI loans	$ 10,992	$ 1,574	$ 12,187	$	$ 314,533	$ 339,286
Total	**$ 2,057,879**	**$ 21,824**	**$ 51,873**	**$ 2**	**$ 314,533**	**$ 2,446,111**

PCI loan pools are not risk rated.

58

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The following table presents the risk categories for loans and leases as of December 31, 2012:

	As of December 31, 2012					
	Pass	Special Mention	Substandard (In thousands)	Doubtful	Not-Rated	Gross Loans and Leases Receivables
NTM loans:						
Real estate 1-4 family first mortgage	$ 154,417	$ 655	$ 6,695	$	$	$ 161,767
Green Loans (HELOC) -First Liens	184,970	7,140	6,610			198,720
Green Loans (HELOC) -Second Liens	7,659					7,659
HELOC s, home equity loans, and other consumer installment credit	114					114
Total NTM loans	**$ 347,160**	**$ 7,795**	**$ 13,305**	**$**	**$**	**$ 368,260**
Traditional loans:						
Commercial:						
Commercial and industrial	$ 73,579	$	$	$	$	$ 73,579
Real estate mortgage	310,976	1,618	4,469			317,063
Multi-family	109,059		5,178			114,237
SBA	30,296	18	154			30,468
Construction	6,623					6,623
Lease financing	11,203					11,203
Consumer:						
Real estate 1-4 family first mortgage	204,541	3,427	5,146			213,114
HELOC s, home equity loans, and other consumer installment credit	13,298	193	213			13,704
Total traditional loans	$ 759,575	$ 5,256	$ 15,160	$	$	$ 779,991
PCI loans:						
Commercial:						
Commercial and industrial	$	$ 189	$ 6,619	$	$	$ 6,808
Real estate mortgage	15,108	1,080	5,649			21,837
Multi-family	845					845
SBA	1,148	1,085	3,375			5,608
Construction						
Lease financing						
Consumer:						
Real estate 1-4 family first mortgage			137		64,929	65,066
HELOC s, home equity loans, and other consumer installment credit			56			56

Total PCI loans	$ 17,101	$ 2,354	$ 15,836	$	$ 64,929	$ 100,220
Total	**$ 1,123,836**	**$ 15,405**	**$ 44,301**	**$**	**$ 64,929**	**$ 1,248,471**

PCI loan pools are not risk rated.

59

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Purchased Credit Impaired Loans and Leases

During the years ended December 31, 2013 and 2012, the Company purchased loans and leases for which there was, at acquisition, evidence of deterioration of credit quality subsequent to origination and it was probable, at acquisition, that all contractually required payments would not be collected. The following table presents the outstanding balance and carrying amount of those loans and leases, which are sometimes collectively referred to as PCI loans as of the dates indicated:

	As of December 31,			
	2013		2012	
	Outstanding Balance	Carrying Amount	Outstanding Balance	Carrying Amount
	(In thousands)			
Commercial:				
Commercial and industrial	$ 5,838	$ 4,028	$ 11,350	$ 6,808
Real estate mortgage	17,682	15,014	22,698	21,837
Multi-family			1,208	845
SBA	4,940	3,688	7,967	5,608
Consumer:				
Real estate 1-4 family first mortgage	414,341	314,820	108,428	65,066
HELOC s, home equity loans, and other consumer installment credit	2,134	1,736	110	56
Total	**$ 444,935**	**$ 339,286**	**$ 151,761**	**$ 100,220**

The following table presents a summary of accretable yield, or income expected to be collected for the periods indicated:

	For the year ended December 31,	
	2013	2012
	(In thousands)	
Balance at beginning of year	$ 32,206	$
New loans or leases purchased	155,416	36,000
Accretion of income	(19,177)	(3,633)
Changes in expected cash flows	(17,358)	
Disposals	(24,751)	(161)
Balance at end of year	**$ 126,336**	**$ 32,206**

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The following table presents loans and leases purchased and acquired through business acquisitions at acquisition dates for which it was probable at acquisition that all contractually required payments would not be collected for the periods indicated:

	For the year ended December 31, 2013	2012
	(In thousands)	
Commercial:		
Commercial and industrial	$ 2,721	$ 12,542
Real estate mortgage	3,226	24,164
Multi-family		1,222
SBA		8,684
Construction	4,333	
Lease financing		
Consumer:		
Real estate 1-4 family first mortgage	473,942	115,207
HELOC s, home equity loans, and other consumer installment credit	844	
Outstanding Balance	$ 485,066	$ 161,819
Cash flows expected to be collected at acquisitions	504,197	141,302
Fair value of acquired loans at acquisition	348,569	105,302

During the year ended December 31, 2013, the Company completed five seasoned SFR mortgage loan pool acquisitions with unpaid principal balances and fair values of $1.02 billion and $849.9 million, respectively, at the respective acquisition dates. The Company determined that unpaid principal balance and fair value of $473.9 million and $342.1 million of these loans displayed evidence of credit quality deterioration since origination and it was probable, at acquisition that all contractually required payments would not be collected (2013 PCI Loans). During the year ended December 31, 2013, the Company sold a portion of 2013 PCI loans with unpaid principal balances and carrying values of $131.4 million and $74.2 million, respectively. The total unpaid principal balances and carrying values of the 2013 PCI Loans as of December 31 were $326.0 million and $261.3 million, respectively.

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Purchases and Sales

The following table presents loans and leases purchased and/or sold by portfolio segment, excluding loans and leases acquired in business combinations and purchased credit-impaired loans and leases for the periods indicated:

	For the year ended December 31,			
	2013		2012	
	Purchases	Sales	Purchases	Sales
	(In thousands)			
Commercial:				
Commercial and industrial	$	$	$	$
Real estate mortgage			1,400	
Multi-family			17,274	
SBA		2,507		7,116
Construction				
Lease financing	7,850		11,772	
Consumer:				
Real estate 1-4 family first mortgage	507,736	186,140		70,438
HELOC s, home equity loans, and other consumer installment credit				
Totals	**$ 515,586**	**$ 188,647**	**$ 30,446**	**$ 77,554**

The Company purchased the above loans and leases at a net discount of $43.4 million and 231 thousand for the years ended December 31, 2013 and 2012, respectively. For the purchased loans and leases disclosed above, the Company did not incur any specific allowances for loan and lease losses during the year ended December 31, 2013 and 2012. The Company determined that it was probable at acquisition that all contractually required payments would be collected.

During 2013, the Company also strategically transferred certain loans of $181.4 million, net of transfer of $1.4 million from allowance from loan and leases, from loans and leases held for investment to loans held for sale at lower of cost or fair value and sold them in pools, unlike the loans individually originated to be sold into the secondary market on a whole loan basis. Starting with the year ended December 31, 2013, the Company began originating these certain loans directly into the held for sale status.

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

NOTE 6 PREMISES, EQUIPMENT, AND CAPITAL LEASES, NET

The following table presents the summary of premises and equipment, including capital leases that are included in equipment, as of the dates indicated:

	As of December 31,			
	2013		2012	
	Total Premises and Equipment	Capital Leases	Total Premises and Equipment	Capital Leases
	(In thousands)			
Land	$ 18,000	$	$ 1,187	$
Building and improvement	26,995		6,695	
Furniture, fixtures, and equipment	22,583	3,207	10,845	532
Leasehold improvements	7,001		4,876	
Construction in process	2,341		611	
Total	76,920	3,207	24,214	532
Less accumulated depreciation and amortization	(10,660)	(498)	(8,067)	(49)
Premises and equipment, net	**$ 66,260**	**$ 2,709**	**$ 16,147**	**$ 483**

During the year ended December 31, 2013, the Company purchased a certain improved real property office complex located at 1588 South Coast Drive, Costa Mesa, California (the Property) at a purchase price of approximately $40.0 million. The Property will be used for the Company s main office in the future following the completion of certain renovation and construction.

On October 4, 2013, the Company completed the sale of eight branch locations to AmericanWest Bank, a Washington state chartered bank. The transaction included net book values of $1.2 million of land and improvement, $1.2 million of buildings, $402 thousand of furniture, fixtures and equipment, and $348 thousand of leasehold improvement as of the transaction date.

The Company recognized depreciation expense of $4.3 million, $1.7 million and $650 thousand for years ended December 31, 2013, 2012, and 2011, respectively.

The Company leases certain equipment under capital leases. The lease arrangements require monthly payments through 2020.

The Company leases certain properties under operating leases. Total rent expense for the years ended December 31, 2013, 2012, and 2011 amounted to $7.6 million, $3.2 million and $608 thousand, respectively. Pursuant to the terms of non-cancelable lease agreements in effect at December 31, 2013 pertaining to banking premises and equipment, future minimum rent commitments under various operating leases are as follows, before considering renewal options that generally are present.

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The following table presents the future commitments under operating leases and capital leases as of December 31, 2013:

	2014	2015	2016	2017	2018 and after	Total
			(In thousands)			
Commitments under operating leases	$ 8,984	$ 8,238	$ 6,692	$ 4,939	$ 6,745	$ 35,598
Commitments under capital lease	666	666	666	591	133	2,722
	$ 9,650	**$ 8,904**	**$ 7,358**	**$ 5,530**	**$ 6,878**	**$ 38,320**

NOTE 7 SERVICING RIGHTS

The Company retains mortgage servicing rights (MSRs) from certain of its sales of residential mortgage loans. MSRs on residential mortgage loans are reported at fair value. Income earned by the Company on its MSRs is derived primarily from contractually specified mortgage servicing fees and late fees, net of curtailment costs and third party subservicing costs. Prior to the acquisition of Gateway, the Company did not have any MSRs and prior to the acquisitions of Beach and Gateway, the Company did not have any SBA servicing rights. The Company retains servicing rights in connection with its SBA loan operations, which are measured using the amortization method.

Income earned from servicing rights for the year ended December 31, 2013 and 2012 were $2.0 million and $92 thousand, respectively. This amount is reported in loan servicing income in the consolidated statements of operations. The following table presents a composition of servicing rights as of the dates indicated:

	As of December 31, 2013	As of December 31, 2012
	(In thousands)	
Mortgage servicing rights, at fair value	$ 13,535	$ 1,739
SBA servicing rights, at cost	348	539
Total	**$ 13,883**	**$ 2,278**

Servicing retained sold mortgage loans are not reported as assets and are subserviced by a third party vendor. The unpaid principal balance of these loans at December 31, 2013 and 2012 was $1.37 billion and $211.4 million, respectively. Custodial escrow balances maintained in connection with serviced loans were $5.9 million and $1.1 million at December 31, 2013 and 2012, respectively.

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Mortgage Servicing Rights

The following table presents the key characteristics, inputs and economic assumptions used to estimate the fair value of the MSRs as of dates indicated:

	As of December 31,	
	2013	2012
	($ in thousands)	
Fair value of retained MSRs	$ 13,535	$ 1,739
Decay (prepayment/default)	15.40%	25.19%
Discount rate	10.39%	10.50%
Constant prepayment rate	10.28%	13.86%
Weighted-average life (in years)	7.37	5.85

The following table presents activity in the MSRs for the periods indicated:

	For the year ended December 31,	
	2013	2012
	(In thousands)	
Balance at beginning of year	$ 1,739	$
Acquired in business combinations		1,534
Additions	11,463	441
Prepayments	(480)	(69)
Changes in fair value resulting from valuation inputs or assumptions	1,360	(42)
Other loans paid off	(547)	(125)
Balance at end of year	**$ 13,535**	**$ 1,739**

SBA Servicing Rights

The Company used a discount rate of 7.25 percent to calculate the present value of cash flows and an estimated prepayment speed based on prepayment data available. Discount rates and prepayment speed are reviewed quarterly and adjusted as appropriate. The following table presents activity in the SBA servicing rights for the periods indicated:

	For the year ended December 31,	
	2013	2012
	(In thousands)	
Balance at beginning of year	$ 539	$
Acquired in business combinations		557
Additions	32	171

Amortization, including prepayments	(223)	(189)
Balance at end of year	**$ 348**	**$ 539**

There was no valuation allowance as of December 31, 2013 and 2012 for SBA servicing rights.

65

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The Company did not have any interest-only strip outstanding as of December 31, 2013 and 2012. The following table presents activity in the interest-only strip for the periods indicated:

	For the year ended December 31,	
	2013	2012
	(In thousands)	
Balance at beginning of year	$	$
Acquired in business combinations		30
Additions		
Disposals		(29)
Amortization, including prepayments		(1)
Balance at end of year	**$**	**$**

NOTE 8 OTHER REAL ESTATE OWNED

The following table presents the activity in other real estate owned for the periods indicated:

	For the year ended December 31,		
	2013	2012	2011
		(In thousands)	
Balance at beginning of year	$ 4,527	$ 14,692	$ 6,562
Additions	229	3,863	22,414
Sales and net direct write-downs	(6,825)	(16,040)	(13,582)
Net change in valuation allowance	2,069	2,012	(702)
Balance at end of year	**$**	**$ 4,527**	**$ 14,692**

The following table presents the activity in the other real estate owned valuation allowance for the periods indicated:

	For the year ended December 31,		
	2013	2012	2011
		(In thousands)	
Balance at beginning of year	$ 2,069	$ 4,081	$ 3,379
Additions	97	703	4,843
Net direct write-downs and removals upon sale	(2,166)	(2,715)	(4,141)
Balance at end of year	**$**	**$ 2,069**	**$ 4,081**

The following table presents expenses related to foreclosed assets included in loan servicing and foreclosure expenses on the consolidated statements of operations for the periods indicated:

	For the year ended December 31,		
	2013	**2012**	**2011**
		(In thousands)	
Net gain (loss) on sales	$ 464	$ 464	$ (760)
Operating expenses, net of rental income	(362)	(676)	(1,176)
Total	**$ 102**	**$ (212)**	**$ (1,936)**

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The following table presents loans provided for sales of other real estate owned, included in other assets on the consolidated statements of financial condition, and deferred gain on real estate sold on contract, included in accrued expenses and other liabilities on the consolidated statements of financial condition for the periods indicated:

	For the year ended December 31,		
	2013	2012	2011
		(In thousands)	
Loans provided for sales of other real estate owned sold on contract	$	$ 914	$ 1,145
Deferred gain on other real estate sold on contract		10	50

NOTE 9 GOODWILL AND OTHER INTANGIBLE ASSETS, NET

At December 31, 2013, the Company had goodwill of $30.1 million related to the CS Financial, PBOC, and Beach acquisitions discussed above in Note 2, Business Combinations. The following table presents changes in the carrying amount of goodwill for the periods indicated:

	For the year ended December 31,		
	2013	2012	2011
		(In thousands)	
Goodwill balance at beginning of the year	$ 7,048	$	$
Goodwill acquired during the year	23,095	7,048	
Impairment losses			
Goodwill balance at end of year	**$ 30,143**	**$ 7,048**	**$**
Accumulated impairment losses at end of year	$	$	$

During the year ended December 31, 2013, the Company wrote off all remaining trade name intangible assets of Beach, Gateway and PBOC of $976 thousand due to the merger of the Company s two banking subsidiaries into a single bank. The Company also wrote off a portion of core deposit intangibles on savings deposits acquired through Gateway acquisition of $85 thousand due to lower remaining deposit balances than forecasted.

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Core deposit intangibles are amortized over their useful lives ranging from 4 to 7 years. As of December 31, 2013, the weighted average remaining amortization period for core deposit intangibles was approximately 6.2 years. The following table presents a summary of other intangible assets as of the dates indicated:

	Gross Carrying Value	Accumulated Amortization (In thousands)	Intangible Assets, Net
December 31, 2013:			
Amortized intangible assets:			
Trade name	$	$	$
Core deposit intangibles	15,433	3,281	12,152
Totals	**$ 15,433**	**$ 3,281**	**$ 12,152**
December 31, 2012:			
Amortized intangible assets:			
Trade name	$ 980	$ 28	$ 952
Core deposit intangibles	5,190	668	4,522
Totals	**$ 6,170**	**$ 696**	**$ 5,474**

Aggregate amortization of intangible assets was $2.7 million and $696 thousand for the years ended December 31, 2013 and 2012, respectively. The following table presents estimated future amortization expenses as of December 31, 2013:

	2014	2015	2016	2017 (In thousands)	2018 and after	Total
Estimated future amortization expense	$ 3,487	$ 2,878	$ 2,275	$ 1,684	$ 1,828	$ 12,152

NOTE 10 DEPOSITS

The following table presents the components of interest-bearing deposits as of the dates indicated:

	As of December 31, 2013	2012
	(In thousands)	
Interest-bearing demand deposits	$ 539,098	$ 15,111
Money market accounts	518,696	294,804
Savings accounts	963,536	159,055
Time deposits under $100,000	27,921	153,066

Time deposits of $100,000 or more	440,235	489,644
Total interest-bearing deposits	**$ 2,489,486**	**$ 1,111,680**

Total interest-bearing deposits increased $1.38 billion during the year ended December 31, 2013. The increase is mainly due to $325.8 million in interest-bearing deposits acquired through PBOC acquisition and $1.37 billion in deposits generated through strategic plans aiming to increase core deposits by launching interest-

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

bearing core deposit products with enhanced features to attract high net worth depositors in the Company s target markets while reducing the reliance on time deposits, which also resulted in $174.6 million decrease in time deposits, partially offset by $438.3 million interest-bearing deposits sold through the branch sale transaction with AWB.

As of December 31, 2013, the Bank had brokered deposits of $350.0 million, which represented 9.7 percent of total assets. The Bank has an asset liability management policy that limits brokered deposit balances to no more than 45 percent of total assets, with an operating target of less than 20 percent of total assets.

The following table presents scheduled maturities of time deposits as of December 31, 2013:

	2014	2015	2016	2017	2018 and after	Total
			(In thousands)			
Time deposits under $100,000	$ 20,650	$ 2,908	$ 2,938	$ 1,098	$ 327	$ 27,921
Time deposits of $100,000 or more	253,323	52,119	82,806	24,692	27,295	440,235
Total time deposits	**$ 273,973**	**$ 55,027**	**$ 85,744**	**$ 25,790**	**$ 27,622**	**$ 468,156**

NOTE 11 FEDERAL HOME LOAN BANK ADVANCES

At December 31, 2013, $25.0 million of the Bank s advances from the FHLB were fixed-rate and had interest rates ranging from 0.59 percent to 0.82 percent with a weighted average rate of 0.73 percent. At December 31, 2013, $225.0 million of the Bank s advances from the FHLB were variable-rate and had a weighted average interest rate of 0.06 percent as of that date. At December 31, 2012, $63.0 million of the Bank s advances from the FHLB were fixed-rate and had interest rates ranging from 0.28 percent to 0.82 percent with a weighted average rate of 0.47 percent and $12.0 million of Bank s advances from the FHLB advances were variable-rate and had a weighted average interest rate of 0.28 percent. The following table presents contractual maturities by year of the Bank s advances as of December 31, 2013:

	2014	2015	2016	2017	2018 and after	Total
			(In thousands)			
Fixed rate	$ 10,000	$ 15,000	$	$	$	$ 25,000
Variable rate	225,000					225,000
Total FHLB advances	**$ 235,000**	**$ 15,000**	**$**	**$**	**$**	**$ 250,000**

Each advance is payable at its maturity date. Advances totaling $235.0 million matured in January 2014. Advances paid early are subject to a prepayment penalty. At December 31, 2013 and 2012, the Bank s advances from the FHLB were collateralized by certain real estate loans of an aggregate unpaid principal balance of $740.1 million and $458.9 million, respectively, and the Bank s investment in capital stock of the FHLB of San Francisco totaled $14.4 million and $8.4 million, respectively. Based on this collateral and the Bank s holding of FHLB stock, the Bank was eligible to borrow additional $322.9 million at December 31, 2013. In addition, the Bank had available lines of credit with the Federal Reserve Bank totaling $80.8 million at December 31, 2013.

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The following table presents financial data of FHLB advances as of the dates or for the periods indicated:

	For the year ended December 31,		
	2013	2012	2011
		($ in thousands)	
Weighted-average interest rate at end of year	0.13%	0.44%	1.79%
Average interest rate during the year	0.36%	0.64%	2.63%
Average balance	$ 74,712	$ 54,030	$ 39,918
Maximum amount outstanding at any month-end	$ 250,000	$ 100,000	$ 70,000
Balance at end of the year	$ 250,000	$ 75,000	$ 20,000

NOTE 12 LONG TERM DEBT

On April 23, 2012, the Company completed the public offering of $33.0 million aggregate principal amount of its 7.50 percent Senior Notes due April 15, 2020 (the Notes) at a price to the public of $25.00 per Note. Net proceeds after discounts were approximately $31.7 million. The Notes were issued under the Senior Debt Securities Indenture, dated as of April 23, 2012 (the Base Indenture), as supplemented by the First Supplemental Indenture, dated as of April 23, 2012 (the Supplemental Indenture, and together with the Base Indenture, the Indenture), between the Company and U.S. Bank National Association, as trustee.

On December 6, 2012, the Company completed the issuance and sale of an additional $45.0 million aggregate principal amount of the Notes at a price to the public of $25.00 per Note, plus accrued interest from October 15, 2012. Net proceeds after discounts, including a full exercise of the $6.8 million underwriters overallotment option on December 7, 2012, were approximately $50.1 million.

The Notes are the Company s senior unsecured debt obligations and rank equally with all of the Company s other present and future unsecured unsubordinated obligations. The Notes bear interest at a per-annum rate of 7.50 percent. The Company makes interest payments on the Notes quarterly in arrears.

The Notes will mature on April 15, 2020. However, the Company may, at the Company s option, on April 15, 2015, or on any scheduled interest payment date thereafter, redeem the Notes in whole or in part on not less than 30 nor more than 60 days prior notice. The Notes will be redeemable at a redemption price equal to 100 percent of the principal amount of the Notes to be redeemed plus accrued and unpaid interest to the date of redemption.

The Indenture contains several covenants which, among other things, restrict the Company s ability and the ability of the Company s subsidiaries to dispose of or incur liens on the voting stock of certain subsidiaries and also contains customary events of default.

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

NOTE 13 INCOME TAXES

The following table presents the components of income tax expense (benefit) for the periods indicated:

	For the year ended December 31,		
	2013	2012 (In thousands)	2011
Current income taxes:			
Federal	$ (332)	$ 34	$ (2,245)
State	19		
Total current income tax expense (benefit)	(313)	34	(2,245)
Deferred income taxes:			
Federal	2,646	(1,252)	457
State	858	(356)	163
Total deferred income tax expense (benefit)	3,504	(1,608)	620
Change in valuation allowance	4,069	1,689	1,329
Income tax expense (benefit)	**$ 7,260**	**$ 115**	**$ (296)**

The following table presents a reconciliation of the recorded income tax expense (benefit) to the amount of taxes computed by applying the applicable statutory Federal income tax rate of 34 percent to income (loss) before income taxes for the periods indicated:

	For the year ended December 31,		
	2013	2012	2011
Computed expected income expense (benefit) at Federal statutory rate	34.0%	34.0%	-34.0%
Increase (decrease) resulting from:			
Book bargain purchase gain from Gateway acquisition		-68.4%	
Other permanent book-tax differences	3.6%	9.1%	-16.2%
State tax expense, net of federal benefit	7.8%	-3.8%	3.6%
Change in valuation allowance	55.4%	30.4%	43.9%
Other, net	-1.9%	0.8%	-7.1%
Effective tax rates	**98.9%**	**2.1%**	**-9.8%**

The Company had net income taxes receivable of $3.0 million and $5.5 million at December 31, 2013 and December 31, 2012, respectively, on its consolidated balance sheet. The Company had available at December 31, 2013, $11.7 million of unused Federal net operating loss carryforwards that may be applied against future taxable income through 2033. The Company had available at December 31, 2013, $39.1 million of unused state net operating loss carryforwards that may be applied against future taxable income through 2033. The Company had available at

December 31, 2013, $1.7 million of unused federal income tax credits that may be applied to future income tax liabilities through 2033. Utilization of the net operating loss and other carryforwards are subject to annual limitations set forth in Section 382 of the Internal Revenue Code. The tax attributes acquired in the Beach Business Bank and Gateway Bancorp acquisitions are subject to an annual Section 382 limitation of $1.3 million and $0.5 million, respectively.

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The following table presents the tax effects of temporary difference that give rise to significant portions of deferred tax assets and deferred tax liabilities as of the dates indicated:

	For the year ended December 31,		
	2013	**2012**	**2011**
		(In thousands)	
Deferred tax assets:			
Allowance for loan losses	$ 15,138	$ 9,537	$ 5,260
Investment in Partnership	316		135
Stock options and awards	2,212	1,336	420
Accrued expenses	2,112	1,515	
OREO valuation allowance		852	1,679
Reserve for loss on repurchased loans	2,433	1,421	
Federal NOL	3,988	2,357	
State NOL	4,235	2,314	945
Federal Credits	1,764	1,749	1,038
Unrealized loss on securities available for sale	662		
Other deferred tax assets	1,509	1,453	1,452
	34,369	22,534	10,929
Deferred tax liabilities:			
Unrealized gain on securities available-for-sale		(1,219)	(683)
Derivative instruments adjustment	(2,362)	(736)	
Investment in Partnership		(6)	
Mortgage servicing rights	(6,070)	(716)	
FHLB stock dividends	(609)	(618)	(567)
Intangible amortization	(5,460)	(2,451)	
Other deferred tax liabilities	(2,525)	(800)	(707)
	(17,026)	(6,546)	(1,957)
Valuation allowance	(17,343)	(8,416)	(1,329)
Net deferred tax assets	**$**	**$ 7,572**	**$ 7,643**

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, and tax planning strategies. Based on this analysis, the Company determined that a full valuation allowance of $17.3 million against net deferred tax assets was required as of December 31, 2013. The reversal of the valuation allowance will be reduced by the federal tax effect on the Bank s state deferred tax assets of approximately $2 million. The Company had recorded a valuation allowance of $8.4 million as of December 31, 2012. The increase in the valuation allowance against its federal and state deferred tax assets was due to current year losses, the acquisition of PBOC and its associated deferred tax assets, and the Company s inability to project sufficient future taxable income to utilize the net deferred tax assets as of December 31, 2013.

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The Company adopted the provisions of ASC 740-10-25, which relates to the accounting for uncertainty in income taxes recognized in an enterprise s financial statements on January 1, 2007. 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 derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. At December 31, 2013 and December 31, 2012, the Company had unrecognized tax benefits of $2.2 million and zero respectively. The unrecognized tax benefits, if recognized, would not result in a reduction of income tax expense.

In the event we are assessed interest and/or penalties by federal or state tax authorities, such amounts will be classified in the financial statements as income tax expense. At December 31, 2013 and 2012, the Company had no accrued interest or penalties.

The table below summaries the activity related to our unrecognized tax benefits:

	For the year ended December 31,	
	2013	**2012**
	(In thousands)	
Beginning Balance	$	$
Increase related to prior year tax positions	345	
Increase in current year tax positions	$ 1,858	
Ending Balance	**$ 2,203**	**$**

The Company does not expect the unrecognized tax benefits to change significantly over the next 12 months.

Banc of California, Inc. and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. The Company is no longer subject to examination by U.S. Federal taxing authorities for tax years before 2010 and for all state tax years before 2009. Banc of California, Inc. and its subsidiaries are currently under exam by the Internal Revenue Service (IRS) for the 2010 and 2011 tax years. The consolidated returns for these years include Banc of California, Inc. and the Bank. The exam on Gateway Bancorp, Inc. and its subsidiaries by IRS for the 2008 and 2009 tax years is also currently open. Based on this exam, the Company recognized an income tax receivable of $331 thousand related to an adjustment to the allowance for loan and lease losses proposed by IRS and agreed to by the Company.

NOTE 14 MORTGAGE BANKING ACTIVITIES

The Bank originates conforming single family residential mortgage loans and sells these loans in the secondary market. This activity is conducted in the name of the Bank with certain retail channels operating under different DBA or trade names such as Banc Home Loans and CS Financial. During the year ended December 31, 2013, the mortgage operations unit expanded its platform to include wholesale and warehouse lending and added 46 new producing loan production offices. The amount of net gain on mortgage banking activities is a function of mortgage loans originated for sale and the fair value of these loans. Net gain on mortgage banking activities includes mark to market pricing adjustments on loan commitments and forward sales contracts, initial capitalized value of mortgage servicing rights (MSRs) and loan origination fees.

During the year ended December 31, 2013, the Bank originated $1.94 billion of conforming single family residential mortgage loans and sold $1.86 billion of loans in the secondary market. The net gain and margin were

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

$58.0 million and 3.0 percent, respectively, and loan origination fees were $9.9 million for the year ended December 31, 2013. Included in the net gain is the initial capitalized value of our MSRs, which totaled $10.9 million, on loans sold to Fannie Mae, Freddie Mac and Ginnie Mae for the year ended December 31, 2013.

During the year ended December 31, 2012, the Bank originated $518 million of conforming single family residential mortgage loans and sold $477 million of loans in the secondary market. The net gain and margin were $18.9 million and 3.7 percent, respectively, and loan origination fees were $2.8 million for the year ended December 31, 2012. Included in the net gain is the initial capitalized value of our MSRs, which totaled $441 thousand, on loans sold to Fannie Mae for the year ended December 31, 2013.

In addition to net gain on mortgage banking activities, the Company records provisions to the representation and warranty reserve representing our initial estimate of losses on probable mortgage repurchases or loss reimbursements. Provision for loan repurchases totaled $2.4 million and $256 thousand for the year ended December 31, 2013 and 2012, respectively.

Mortgage Loan Repurchase Obligations

The following table presents a summary of activity in the reserve for loss reimbursements on sold loans for the periods indicated:

	For the year ended December 31, 2013	2012
	(In thousands)	
Balance at beginning of year	$ 3,485	$
Acquired in business combinations	314	3,254
Provision for loan repurchases	2,383	256
Payments made for loss reimbursement on sold loans	(755)	(25)
Balance at end of year	**$ 5,427**	**$ 3,485**

NOTE 15 RISK MANAGEMENT AND DERIVATIVE INSTRUMENTS

The Company uses derivative instruments and other risk management techniques to reduce its exposure to adverse fluctuations in interest rates in accordance with its risk management policies. The Company utilizes forward contracts and investor commitments to economically hedge mortgage banking products and may from time to time use interest rate swaps as hedges against certain liabilities.

On September 30, 2013, the Company entered into pay-fixed, receive-variable interest-rate swap contracts with institutional counterparties to hedge against variability in cash flows attributable to interest rate risk caused by changes in the LIBOR benchmark interest rate on the Company s ongoing LIBOR based variable rate deposits. The Company is accounting for the swaps as cash flow hedges under ASC 815. The notional amount of the interest rate swaps were $50.0 million with a maturity date of September 27, 2018. The fair values of the interest rate swaps were $226 thousand as of December 31, 2013.

The Company originates residential real estate mortgage loans and generates revenues from the origination and sale of these loans. Although management closely monitors market conditions, such activities are sensitive to

74

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

fluctuations in prevailing interest rates and real estate markets. As of December 31, 2013, approximately 85.7 percent of all properties securing loans held for sale were located in California. A change in the underlying economic conditions of the California residential real estate market could have an adverse impact on the Company s results of operations.

In connection with mortgage banking activities, if interest rates increase, the value of the Company s loan commitments to borrowers and fixed rate mortgage loans held-for-sale are adversely impacted. The Company attempts to economically hedge the risk of the overall change in the fair value of loan commitments to borrowers and mortgage loans held for sale by selling forward contracts on securities with government-sponsored enterprises (GSEs) and investors in loans. Forward contracts on securities of GSEs and loan commitments to borrowers are non-designated derivative instruments and the gains and losses resulting from these derivative instruments are included in net gain on mortgage banking activities in the accompanying consolidated statements of operations. At December 31, 2013, the resulting derivative asset of $5.3 million and liability of none, are included in other assets and accrued expenses and other liabilities, respectively, on the accompanying consolidated statements of financial condition. At December 31, 2013, the Company had outstanding forward sales commitments totaling $242.3 million. At December 31, 2013, the Company was committed to fund loans for borrowers of approximately $129.0 million.

The net losses relating to free-standing derivative instruments used for risk management were $270 thousand for the year ended December 31, 2013, and are included in net gain on mortgage banking activities in the consolidated statements of operations. Prior to the third quarter of 2012, the Company held no derivatives.

The following table presents the amount and market value of mortgage banking derivatives included in the consolidated statements of financial condition as of the dates indicated. Note 3, Fair Value of Financial Instruments, contains further disclosures pertaining to the fair value of mortgage banking derivatives.

	As of December 31,			
	2013		2012	
	Notional Amount	Fair Value	Notional Amount	Fair Value
	(In thousands)			
Included in assets:				
Interest rate lock commitments	$ 129,010	$ 3,962	$ 82,668	$ 2,102
Mandatory forward commitments	242,337	1,305	54,273	197
Other assets (best efforts commitments)			8,619	591
Options				
Interest rate swap	$ 50,000	$ 226	$	$
Total included in assets	**$ 421,347**	**$ 5,493**	**$ 145,560**	**$ 2,890**
Included in liabilities:				
Interest rate lock commitments	$	$	$ 7,604	$ 71
Mandatory forward commitments			86,790	441
Other liabilities (best efforts commitments)			34,208	476
Total included in liabilities	**$**	**$**	**$ 128,602**	**$ 988**

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

NOTE 16 EMPLOYEE STOCK COMPENSATION

Share-based Compensation Expense

For the years ended December 31, 2013, 2012 and 2011, share-based compensation expense was $2.9 million, $1.7 million, and $1.2 million, respectively. The Company recognized any tax benefit (expense) of none, $(17) thousand and $143 thousand for the years ended December 31, 2013, 2012 and 2011.

On July 16, 2013, the Company s stockholders approved the Company s 2013 Omnibus Stock Incentive Plan (the 2013 Omnibus Plan). Upon the approval of the 2013 Omnibus Plan, no new awards may be granted under the Company s 2011 Omnibus Incentive Plan or any prior equity incentive plans. The 2013 Omnibus Plan provides that the aggregate number of shares of Company common stock that may be subject to awards under the 2013 Omnibus Plan will be 20 percent of the then outstanding shares of Company common stock (the Share Limit), provided that in no event will the Share Limit be less than the greater of 2,384,711 shares of Company common stock and the aggregate number of shares of Company common stock with respect to which awards have been properly granted under the 2013 Omnibus Plan up to that point in time. As of December 31, 2013, the Share Limit and available shares for future awards under the 2013 Omnibus Plan were 2,992,497 shares.

Unrecognized Share-based Compensation Expense

The following table presents unrecognized share-based compensation expense as of December 31, 2013:

	Unrecognized Expense	Average Expected Recognition Period
	($ in thousands)	
Stock option awards	$ 1,376	3.8 years
Restricted stock awards	11,143	3.7 years
Total	**$ 12,519**	3.7 years

Stock Options

The Company has issued stock options to certain employees, officers and directors. Stock options are issued at the current market price on the date of grant, and generally have provided for a three-year to five-year vesting period and contractual terms of 7 to 10 years.

The weighted-average estimated fair value per share options granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions.

	For the year ended December 31,		
	2013	2012	2011
	($ in thousands, except per share data)		
Granted date fair value of options granted	$ 1,399	$ 634	$ 522

Fair value of options vested	$ 1,090	$	$
Total intrinsic value of options exercised	$ 104	$	$
Cash received from options exercised	$	$	$
Weighted-average estimated fair value per share of options granted	$ 3.52	$ 3.84	$ 3.52

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Expected volatility was determined based on the historical monthly volatility of our stock price over a period equal to the expected term of the options granted. The expected term of the options represents the period that options granted are expected to be outstanding based primarily on the historical exercise behavior associated with previous options grants. The risk-free interest rate was based on the U.S. Treasury yield curve at the time of grant for a period equal to the expected term of the options granted.

The following table presents a summary of weighted-average assumptions used for calculating fair value options for the periods indicated:

	For the year ended December 31,		
	2013	2012	2011
Weighted-average assumptions			
Dividend yield	3.87%	4.07%	2.89%
Expected volatility	41.06%	47.18%	40.80%
Expected term	5.0 years	10.0 years	3.0 years
Risk-free interest rate	1.21%	1.67%	0.83%

The following table presents stock option activity and weighted-average exercise price per share for the periods indicated:

	For the year ended December 31,					
	2013		2012		2011	
	Number of Shares	Weighted-Average Exercise Price per Share	Number of Shares	Weighted-Average Exercise Price per Share	Number of Shares	Weighted-Average Exercise Price per Share
Outstanding at beginning of period	525,799	$ 12.16	918,569	$ 12.01	770,000	$ 11.42
Granted	389,569	$ 13.72	165,000	$ 11.54	148,569	$ 15.09
Replacement awards issued	22,581	$ 12.65				
Exercised	(44,988)	$ 12.00				
Forfeited	(158,240)	$ 13.41	(557,770)	$ 11.80		
Outstanding at end of period	**734,721**	**$ 12.73**	**525,799**	**$ 12.16**	**918,569**	**$ 12.01**
Exercisable at end of period	526,667	$ 12.00	259,131	$ 12.46	256,664	$ 11.42

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The following table presents unvested stock option activities and weighted-average exercise price per share for the periods indicated:

	For the year ended December 31,					
	2013		2012		2011	
	Number of Shares	Weighted-Average Exercise Price per Share	Number of Shares	Weighted-Average Exercise Price per Share	Number of Shares	Weighted-Average Exercise Price per Share
Non-vested outstanding at beginning of period	266,668	$ 11.70	723,904	$ 12.17	770,000	$ 11.42
Granted	389,569	$ 13.72	165,000	$ 11.80	148,569	$ 15.09
Vested	(93,334)	$ 11.68	(170,236)	$ 13.26	(194,665)	$ 11.45
Forfeited	(143,334)	$ 12.95	(452,000)	$ 11.90		
Non-vested outstanding at end of period	**419,569**	**$ 13.16**	**266,668**	**$ 11.70**	**723,904**	**$ 12.17**

The following table presents a summary of stock options outstanding as of December 31, 2013:

	Options Outstanding				Options Exercisable			
	Number of Shares	Intrinsic Value	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Life	Number of Shares	Intrinsic Value	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Life
$11.36 to $12.00	326,667	$ 618,467	$ 11.52	7.4 years	326,667	$ 618,467	$ 11.52	7.4 years
$12.00 to $13.00	75,000	87,750	$ 12.24	8.7 years	75,000	87,750	$ 12.24	8.7 years
$13.00 to $13.41	125,000	35,250	$ 13.13	9.5 years	125,000	35,250	$ 13.13	9.5 years
$13.41 to $15.00	167,162		$ 14.25	5.5 years			$	
$15.00 to $15.81	40,892		$ 15.81	7.5 years			$	
Total	**734,721**	**$ 741,467**	$ 12.73	7.5 years	**526,667**	**$ 741,467**	$ 12.00	8.1 years

Restricted Stock Awards

The Company also has granted restricted stock awards to certain employees, officers and directors. The restricted stock awards are valued at the closing price of the Company s stock on the date of award. The restricted stock awards fully vest after one to five years of continued employment from the date of grant. The Company recognizes an income tax deduction in an amount equal to the taxable income reported by the holders of the restricted stock, generally when vested.

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The following table presents a summary of changes in the Company s nonvested shares for the periods indicated:

	For the year ended December 31,					
	2013		2012		2011	
	Number of Shares	Weighted-Average Exercise Price per Share	Number of Shares	Weighted-Average Exercise Price per Share	Number of Shares	Weighted-Average Exercise Price per Share
Non-vested shares outstanding at beginning of period	163,682	$ 11.43	58,716	$ 13.28	33,878	$ 13.80
Granted	936,542	$ 13.82	224,943	$ 11.72	48,606	$ 11.84
Vested	(88,169)	$ 11.98	(104,414)	$ 12.45	(23,228)	$ 10.81
Forfeited	(118,169)	$ 12.70	(15,563)	$ 15.81	(540)	$ 22.23
Non-vested shares outstanding at end of period	**893,886**	**$ 13.78**	**163,682**	**$ 11.43**	**58,716**	**$ 13.28**

Stock Appreciation Rights Plan

On August 21, 2012, the Company granted to its chief executive officer a ten-year stock appreciation right (SAR) with respect to 500,000 shares (Initial SAR) of the Company s common stock with a base price of $12.12 per share. Compensation expense for the SAR is recognized over the vesting period based on the fair value as calculated using Black Scholes as of the grant date and adjusted each quarter. The SAR will be settled in cash. One third of the SAR vested on the grant date, one third vested on the first anniversary of the grant date and one-third will vest on the second anniversary of the grant date such that the SAR will be fully vested on the second anniversary of the grant date. On June 21, 2013, a SAR with respect to an additional 150,933 shares (Additional SAR I) with a base price of $13.00 per share was granted to the Company s chief executive officer pursuant to the anti-dilutive provision under his SAR agreement with the Company due to the Company s issuance on that date of shares of common stock in an underwritten public offering. On July 1, 2013, July 2, 2013 and December 10, 2013, SARs with respect to an additional 88,366, 15,275 and 70,877 shares (Additional SARs II, III and IV, respectively) with base prices of $13.49, $13.49 and $12.65 per share, respectively, were granted to the Company s chief executive officer pursuant to his SAR agreement with the Company due to the Company s issuances on those dates of shares of common stock in connection with the completion of the PBOC acquisition, the exercise of the over-allotment option granted to the underwriters of the Company s public common stock offering initially completed on June 21, 2013 and the private placement in accordance with a Securities Purchase Agreement executed on December 3, 2013. The Additional SARs have the same terms and conditions as the Initial SAR granted pursuant to the SAR agreement.

The weighted-average grant date fair values were $3.58, $1.92, and $2.93 for initial SAR, Additional SARs, and total SARs, respectively. On December 13, 2013, the Company converted all outstanding SARs to stock options with the same terms absent an ability to settle in cash. The weighted-average fair value of the total SARs was $2.28 per share on the conversion date and the Company transferred $1.4 million of total recognized fair value from liability to additional paid in capital. During the year ended December 31, 2013, the Company recognized the SAR related compensation expense of $1.1 million, compared to $687 thousand for the year

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

ended December 31, 2012. The following table presents a summary of assumptions used to calculate fair values of the stock options that were previously SARs as of December 13, 2013:

	As of December 13, 2013
SARs granted	825,451
Weighted average estimated fair value per share of SARs granted	$ 12.48
Risk-free interest rate	0.56%
Expected term	2.6 years
Expected stock price volatility	29.43%
Dividend yield	3.73%

NOTE 17 EMPLOYEE BENEFIT PLANS

The Company has a 401(k) plan whereby all employees, with the exception of Beach employees discussed below, can participate in the plan. Employees may contribute up to 100 percent of their compensation subject to certain limits based on federal tax laws. The Company makes an enhanced safe-harbor matching contribution that equals to 100 percent of the first 4 percent of the employee s deferral rate not to exceed 4 percent of the employee s compensation. The safe-harbor matching contribution is fully vested by the participant when made.

For the years ended December 31, 2013, 2012 and 2011 expense attributable to both of the 401(k) plans amounted to $1.7 million, $709 thousand and $170 thousand, respectively.

The Company has adopted a Deferred Compensation Plan under Section 401 of the Internal Revenue Code. The purpose of this plan is to provide specified benefits to a select group of management and highly compensated employees. Participants may elect to defer compensation, which accrues interest quarterly at the prime rate as reflected in The Wall Street Journal as of the last business day of the prior quarter. The Company does not make contributions to the Plan.

Employee Equity Ownership Plan

The Company established the Employee Equity Ownership Plan (EEOP) effective October 15, 2013 for the benefit of employees. The EEOP is administered under the Company s 2013 Omnibus Stock Incentive Plan and the awards thereunder are issued upon the terms and conditions and subject to the restrictions of the Company s 2013 Omnibus Stock Incentive Plan. The EEOP provides that employees eligible to receive awards under the EEOP are any employees with titles below Assistant Vice President or any employees who are not otherwise given shares pursuant to any other Company-sponsored equity program. The Company issued 157,100 shares of restricted stock awards under the EEOP in 2013.

Employee Stock Ownership Plan

The Company maintained the Employee Stock Ownership Plan (ESOP) for the benefit of its employees. The Company issued 423,200 shares of common stock to the ESOP in exchange for a ten-year note in the amount of approximately $5.1 million. The $5.1 million for the ESOP purchase was borrowed from the Company. The ESOP was terminated effective December 2011 and was completely distributed in October 2013. The ten-year note was paid in full at December 31, 2011.

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Shares issued to the ESOP were allocated to ESOP participants based on principal repayments made by the ESOP on the loan from the Company. The loan was secured by shares purchased with the loan proceeds and was repaid by the ESOP with funds from the Company s contributions to the ESOP and earnings on ESOP assets. Principal payments were scheduled to occur over a ten-year period. Dividends on allocated and/or unearned shares first reduced accrued interest and secondly principal.

During 2011 and 2010, 42,320 shares of stock with an average fair value of $14.29 and $10.75 per share were committed to be released, resulting in ESOP compensation expense of $605 thousand and $455 thousand, respectively, for each year. As of December 31, 2012, the remaining shares committed to be released were fully allocated to participants. There was no ESOP compensation expense recorded during 2012. During 2011 and 2010, 1,861, and 144 shares were forfeited, respectively. There were no shares forfeited during 2012. Per the terms of the ESOP plan, the forfeited shares were sold out of the plan and the proceeds were used to reduce the Company s contribution resulting in a reduction of compensation expense. The ESOP was completely liquidated in October 2013.

NOTE 18 SHAREHOLDERS EQUITY

Warrants

On November 1, 2010, the Company issued warrants to TCW Shared Opportunity Fund V, L.P. for up to 240,000 shares of non-voting common stock at an exercise price of $11.00 per share, subject to anti-dilutive adjustments. These warrants are exercisable from the date of issuance through November 1, 2015. On November 1, 2010, the Company also issued warrants to COR Advisors LLC to purchase up to 1,395,000 shares of non-voting stock at an exercise price of $11.00 per share, subject to anti-dilutive adjustments. These warrants are exercisable at the time of issuance based upon the additional shares issued and the anti-dilutive provisions set in the agreement and became fully exercisable at the time the anti-dilutive occurred. These warrants are exercisable for five years after the original vesting date. The warrants are exercisable for voting common stock in lieu of non-voting common stock following the transfer of the warrants in a widely disbursed offering or in other limited circumstances.

On July 1, 2012, in connection with the Company s acquisition of Beach, the Company issued one-year warrants to purchase an aggregate of 1,401,959 shares of the Company s common stock at an exercise price of $14.00 per share. All of the warrants expired on June 30, 2013 without being exercised. See Note 2, Business Combinations.

Common Stock

On June 21, 2013, the Company issued 2,268,000 shares of its voting common stock in an underwritten public offering for gross proceeds of approximately $29.5 million and 1,153,846 shares of voting common stock to two institutional investors in a registered direct offering for gross proceeds of approximately $15 million. On July 2, 2013, the Company issued an additional 360,000 shares of voting common stock upon the exercise in full by the underwriters of the underwritten public offering of their 30-day over-allotment option, for additional gross proceeds of approximately $4.4 million. On December 10, 2013, the Company completed the issuance and sale of an aggregate of 1,509,450 shares of common stock to Patriot Financial Partners, L.P. and Patriot Financial Partners Parallel, L.P. at $13.25 per share, in exchange for aggregate cash consideration of approximately $20 million.

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Perpetual Preferred Stock

On June 12, 2013, in an underwritten public offering, the Company sold 1,400,000 depositary shares, each representing a 1/40th interest in a share of its 8.00 percent Non-Cumulative Perpetual Preferred Stock, Series C, par value $0.01 per share and liquidation preference of $1,000 per share, at an offering price of $25.00 per depositary share, for gross proceeds of $33.9 million. The Company also granted the underwriters a 30-day option to purchase up to an additional 210,000 depositary shares to cover over-allotments, if any, at the same price, for potential additional gross proceeds of $5.1 million, which the underwriters exercised in full on July 8, 2013.

As discussed under Note 2, Business Combinations and Branch Sales, on July 1, 2013, the Company completed its previously announced acquisition of PBOC. Upon completion of the acquisition, each share of preferred stock issued by PBOC as part of the Small Business Lending Fund (SBLF) program of the United States Department of Treasury (10,000 shares in the aggregate with a liquidation preference amount of $1,000 per share) was converted automatically into one substantially identical share of preferred stock of the Company with a liquidation preference amount of $1,000 per share, designated as the Company s Non-Cumulative Perpetual Preferred Stock, Series B. The terms of the preferred stock issued by the Company in exchange for the PBOC preferred stock are substantially identical to the preferred stock previously issued by the Company as part of its own participation in the SBLF program (32,000 shares in aggregate with a liquidation preference amount of $1,000 per share), designated as the Company s Non-Cumulative Perpetual Preferred Stock, Series A.

Change in Accumulated Other Comprehensive Income

The Company s accumulated other comprehensive income includes unrealized gain (losses) on available-for-sale investment securities and unrealized gain on cash flow hedge. Changes to other accumulated other comprehensive income are presented net of tax effect as a component of equity. Reclassification from accumulated comprehensive income are recorded on the statements of operations either as a gain or loss.

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The following table presents changes to accumulate other comprehensive income by components are presented in the following tables for the periods indicated:

	Unrealized Gain (Losses) on AFS Securities	Cash Flow Hedge (In thousands)	Total
Balance at January 1, 2011	**$ 2,599**	**$**	**$ 2,599**
Unrealized gain (loss) arising during the period	(3,123)		(3,123)
Reclassification adjustment from other comprehensive income	(2,888)		(2,888)
Tax effect of current period changes	2,473		2,473
Total changes, net of taxes	(3,538)		(3,538)
Balance at December 31, 2011	**$ (939)**	**$**	**$ (939)**
Unrealized gain (loss) arising during the period	2,253		2,253
Reclassification adjustment from other comprehensive income	83		83
Tax effect of current period changes			
Total changes, net of taxes	2,336		2,336
Balance at December 31, 2012	**$ 1,397**	**$**	**$ 1,397**
Unrealized gain (loss) arising during the period	(1,892)	226	(1,666)
Reclassification adjustment from other comprehensive income	(331)		(331)
Tax effect of current period changes			
Total changes, net of taxes	(2,223)	226	(1,997)
Balance at December 31, 2013	**$ (826)**	**$ 226**	**$ (600)**

NOTE 19 REGULATORY CAPITAL MATTERS

The Company and the Bank are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. Management believes as of December 31, 2013, the Company and the Bank met all capital adequacy requirements to which they are subject. With respect to the Bank, prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If only adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At December 31, 2013, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution s category.

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

The following table presents the capital amounts and ratios for the Company and the Bank as of December 31, 2013 and for the Company, the Bank (then known as Pacific Trust Bank), and PBOC (then known as Beach Business Bank) as of December 31, 2012

	Amount		Minimum Capital Requirements		Minimum Required to Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			($ in thousands)			
December 31, 2013:						
Banc of California, Inc.						
Total risk-based capital ratio	$ 307,457	12.45%	$ 197,503	8.00%	N/A	N/A
Tier 1 risk-based capital ratio	281,786	11.41%	98,752	4.00%	N/A	N/A
Tier 1 leverage ratio	281,786	8.02%	140,463	4.00%	N/A	N/A
Banc of California, NA						
Total risk-based capital ratio	$ 360,634	14.65%	$ 196,998	8.00%	$ 246,247	10.00%
Tier 1 risk-based capital ratio	334,963	13.60%	98,499	4.00%	$ 147,748	6.00%
Tier 1 leverage ratio	334,963	9.58%	139,874	4.00%	$ 174,842	5.00%
December 31, 2012:						
Banc of California, Inc.						
Total risk-based capital ratio	$ 184,439	15.50%	$ 95,170	8.00%	N/A	N/A
Tier 1 risk-based capital ratio	169,498	14.25%	47,585	4.00%	N/A	N/A
Tier 1 leverage ratio	169,498	10.15%	66,786	4.00%	N/A	N/A
Pacific Trust Bank						
Total risk-based capital ratio	$ 163,647	17.59%	$ 74,410	8.00%	$ 93,012	10.00%
Tier 1 risk-based capital ratio	151,948	16.34%	37,205	4.00%	55,807	6.00%
Tier 1 leverage ratio	151,948	11.16%	54,485	4.00%	68,106	5.00%
Beach Business Bank						
Total risk-based capital ratio	$ 36,886	15.09%	$ 19,551	8.00%	$ 24,439	10.00%
Tier 1 risk-based capital ratio	35,983	14.72%	9,776	4.00%	14,664	6.00%
Tier 1 leverage ratio	35,983	11.96%	12,036	4.00%	15,045	5.00%

Federal bank regulatory agencies currently require bank holding companies such as the Company to maintain a minimum ratio of qualifying total capital to risk-weighted assets of 8.0 percent and a minimum ratio of Tier 1 capital to risk-weighted assets of 4.0 percent. In addition to the risk-based guidelines, federal bank regulatory agencies currently require bank holding companies to maintain a minimum ratio of Tier 1 capital to average total assets, referred to as the leverage ratio, of 4.0 percent. In order to be considered well capitalized, federal bank regulatory agencies currently require depository institutions such as the Bank to maintain a minimum ratio of qualifying total capital to risk-weighted assets of 10.0 percent and a minimum ratio of Tier 1 capital to risk-weighted assets of 6.0 percent. In addition to the risk-based guidelines, the federal bank regulatory agencies require depository institutions to maintain a minimum ratio of Tier 1 capital to average total assets, referred to as the leverage ratio, of 5.0 percent.

In July 2013, the Federal banking regulators approved a final rule to implement the revised capital adequacy standards of the Basel Committee on Banking Supervision, commonly called Basel III, and to address relevant

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). The final rule strengthens the definition of regulatory capital, increases risk-based capital requirements, makes selected changes to the calculation of risk-weighted assets, and adjusts the prompt corrective action thresholds. The Company and the Bank will become subject to the new rule on January 1, 2015 and certain provisions of the new rule will be phased in over the period of 2015 through 2019.

The final rule:

- Permits banking organizations that had less than $15 billion in total consolidated assets as of December 31, 2009, to include in Tier 1 capital trust preferred securities and cumulative perpetual preferred stock that were issued and included in Tier 1 capital prior to May 19, 2010, subject to a limit of 25 percent of Tier 1 capital elements, excluding any non-qualifying capital instruments and after all regulatory capital deductions and adjustments have been applied to Tier 1 capital.

- Establishes new qualifying criteria for regulatory capital, including new limitations on the inclusion of deferred tax assets and mortgage servicing rights.

- Requires a minimum ratio of common equity Tier 1 capital to risk-weighted assets of 4.5 percent .

- Increases the minimum Tier 1 capital to risk-weighted assets ratio requirement from 4 percent to 6 percent.

- Retains the minimum total capital to risk-weighted assets ratio requirement of 8 percent.

- Establishes a minimum leverage ratio requirement of 4 percent.

- Retains the existing regulatory capital framework for one-to-four family residential mortgage exposures.

- Permits banking organizations that are not subject to the advanced approaches rule, such as the Company and the Bank, to retain, through a one-time election, the existing treatment for most accumulated other comprehensive income, such that unrealized gains and losses on securities available for sale will not affect regulatory capital amounts and ratios.

- Implements a new capital conservation buffer requirement for a banking organization to maintain a common equity capital ratio more than 2.5 percent above the minimum common equity Tier 1 capital, Tier 1 capital and total risk-based capital ratios in order to avoid limitations on capital distributions, including dividend payments, and certain discretionary bonus payments. The capital conservation buffer requirement will be phased in beginning on January 1, 2016 at 0.625 percent and will be fully phased in at 2.50

percent by January 1, 2019. A banking organization with a buffer of less than the required amount would be subject to increasingly stringent limitations on such distributions and payments as the buffer approaches zero. The new rule also generally prohibits a banking organization from making such distributions or payments during any quarter if its eligible retained income is negative and its capital conservation buffer ratio was 2.5 percent or less at the end of the previous quarter. The eligible retained income of a banking organization is defined as its net income for the four calendar quarters preceding the current calendar quarter, based on the organization s quarterly regulatory reports, net of any distributions and associated tax effects not already reflected in net income.

Increases capital requirements for past-due loans, high volatility commercial real estate exposures, and certain short-term commitments and securitization exposures.

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Expands the recognition of collateral and guarantors in determining risk-weighted assets.

Removes references to credit ratings consistent with the Dodd Frank Act and establishes due diligence requirements for securitization exposures.

The Company s management is currently evaluating the provisions of the final rule and their expected impact on the Company.

Dividend Restrictions

The Company s principal source of funds for dividend payments is dividends received from the Bank. Federal banking laws and regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. Under these regulations, in the case of the Bank, the amount of dividends that may be paid in any calendar year is limited to the current year s net profits, combined with the retained net profits of the preceding two years, subject to the capital requirements described above. For the year of 2013, the Bank had $3.3 million plus any net profits generated in 2013 available to pay dividends to the Company.

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

NOTE 20 EARNINGS (LOSS) PER COMMON SHARE

Basic earnings (loss) per common share were computed by dividing net income (loss) available to common shareholders by the weighted average number of shares outstanding. Diluted earnings (loss) per common share were computed by dividing net income (loss) available to common shareholders by the weighted average number of shares outstanding, adjusted for the dilutive effect of the outstanding stock options, restricted stock awards, and warrants to purchase common stock. The following table presents computations for basic and diluted earnings (loss) available to common shareholders per common share for the periods indicated:

	For the year ended December 31,								
	2013			2012			2011		
	Common Stock	Class B Common Stock	Total	Common Stock	Class B Common Stock	Total	Common Stock	Class B Common Stock	Total
	($ in thousands, except per share data)								
Basic:									
Net (loss) income	$ 75	$ 4	$ 79	$ 5,442	$ 554	$ 5,996	$ (2,461)	$ (267)	$ (2,728)
Less: preferred stock dividends	2,070	115	2,185	1,234	125	1,359	482	52	534
Net (loss) income available to common shareholders	$ (1,995)	$ (111)	$ (2,106)	$ 4,208	$ 429	$ 4,637	$ (2,943)	$ (319)	$ (3,262)
Weighted average common shares outstanding	14,481,060	805,774	15,286,834	10,622,577	1,080,754	11,703,331	9,605,006	1,041,505	10,646,511
Basic (loss) earnings per common share	$ (0.14)	$ (0.14)	$ (0.14)	$ 0.40	$ 0.40	$ 0.40	$ (0.31)	$ (0.31)	$ (0.31)
Diluted:									
Net (loss) income available to common shareholders	$ (1,995)	$ (111)	$ (2,106)	$ 4,208	$ 429	$ 4,637	$ (2,943)	$ (319)	$ (3,262)
Weighted average common shares outstanding for basic (loss) earnings per common share	14,481,060	805,774	15,286,834	10,622,577	1,080,754	11,703,331	9,605,006	1,041,505	10,646,511
Add: Dilutive effects of stock awards				9,176		9,176			
Average shares and dilutive common shares	14,481,060	805,774	15,286,834	10,631,753	1,080,754	11,712,507	9,605,006	1,041,505	10,646,511
	$ (0.14)	$ (0.14)	$ (0.14)	$ 0.40	$ 0.40	$ 0.40	$ (0.31)	$ (0.31)	$ (0.31)

Diluted (loss) earnings
per common share

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

There was a total of 1,560,172, 410,476 and 918,569 stock options and stock awards and 1,635,000, 3,036,959 and 1,635,000 warrants that were not considered in computing diluted earnings (loss) per common share for the years ended December 31, 2013, 2012, and 2011, respectively, because they were anti-dilutive.

NOTE 21 LOAN COMMITMENTS AND OTHER RELATED ACTIVITIES

Some financial instruments such as loan commitments, credit lines, letters of credit, and overdraft protection are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Risk of credit loss exists up to the face amount of these instruments. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The following table presents contractual amount of financial instruments with off-balance-sheet risk for the dates indicated:

	As of December 31,			
	2013		2012	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
	(In thousands)			
Financial instruments whose contract amounts represent credit risk				
Commitments to extend credit	$ 35,425	$ 61,613	$ 52,883	$ 21,317
Unused lines of credit	3,403	268,669	4,021	84,036
Standby letters of credit	10	6,289	10	1,396

Commitments to make loans are generally made for periods of 30 days or less.

As of December 31, 2013, the Company had total commitments to sell loans of $185.6 million. Total commitments outstanding for the loans held for sale portfolio and IRLCs were $177.3 million and $10.8 million, respectively. For the loans held for sale commitments, $161.4 million and $15.9 million were mandatory commitments and best efforts commitments, respectively. Generally speaking, best efforts commitments do not have a financial penalty for non-delivery. As of December 31, 2013, the IRLCs commitments consisted of $10.8 million best efforts commitments and $132.5 million of mandatory commitments.

NOTE 22 SEGMENT REPORTING

Through the branch network and lending offices, the Company provides a broad range of financial services to individuals and companies located primarily in Southern California. These services include demand, time and savings deposits; and commercial and industrial, real estate and consumer lending. The Company also provides financial advisory and asset management services to third parties with respect to the purchase, sale and management of portfolios of residential mortgage loans. While our chief decision makers monitor the revenue streams of our various products and services, operations are managed and financial performance is evaluated on a company-wide basis. Accordingly, we consider all of our operations to be aggregated in one reportable operating segment.

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

NOTE 23 PARENT COMPANY FINANCIAL STATEMENTS

The parent company only condensed statements of financial condition as of December 31, 2013 and 2012, and the related condensed statements of operations and condensed statements of cash flows for the year ended December 31, 2013, 2012, and 2011 are presented below:

Condensed Statements of Financial Condition

	As of December 31,	
	2013	2012
	(In thousands)	
ASSETS		
Cash and cash equivalents	$ 25,220	$ 59,306
FHLB and other bank stock	78	78
Loans and leases receivable	6,043	
Other assets	7,385	9,988
Investment in bank subsidiaries	378,005	207,912
Total assets	**$ 416,731**	**$ 277,284**
LIABILITIES AND STOCKHOLDERS EQUITY		
Notes payable, net	82,320	81,935
Accrued expenses and other liabilities	9,542	6,592
Shareholders equity	324,869	188,757
Total liabilities and shareholders equity	**$ 416,731**	**$ 277,284**

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Condensed Statements of Operations

	For the year ended December 31, 2013	2012	2011
		(In thousands)	
Income			
Dividends from subsidiary	$	$	$
Interest income on loans	159		
Interest income on ESOP loan			28
Interest income on deposits in other financial institutions		104	130
Interest income on securities			360
Net gain (loss) on sales of securities available-for-sale			(629)
Other operating income	5		
Total income	164	104	(111)
Expenses			
Interest expense for notes payable	6,941	2,162	
Other operating expense	14,015	8,010	2,925
Total expenses	20,956	10,172	2,925
Income (loss) before income taxes and equity in undistributed earnings of bank subsidiary	(20,792)	(10,068)	(3,036)
Income tax expense (benefit)	20	(458)	309
Income (loss) before equity in undistributed earnings of bank subsidiary	(20,812)	(9,610)	(3,345)
Equity in undistributed earnings of bank subsidiary	20,891	15,606	617
Net income (loss)	**$ 79**	**$ 5,996**	**$ (2,728)**

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Condensed Statements of Cash Flows

	For the year ended December 31,		
	2013	2012	2011
		(In thousands)	
Cash flows from operating activities:			
Net income (loss)	$ 79	$ 5,996	$ (2,728)
Adjustments to reconcile net income (loss) to net cash from operating activities			
Equity in undistributed earnings of bank subsidiary	(20,891)	(15,606)	(617)
Stock option compensation expense	121	148	
Stock award compensation expense	806	75	
Stock appreciation right expense	1,072	1,039	412
Amortization of debt	385	135	
Net accretion of securities			(104)
Net gain (loss) on sales of securities available-for-sale			629
Increase in valuation allowances on other real estate owned			300
Net change in other assets and liabilities	8,601	3,725	(14,900)
Net cash used in operating activities	(9,827)	(4,488)	(17,008)
Cash flows from investing activities:			
Loan purchases from bank and principal collections, net	(6,043)		
Proceeds from principal repayments of securities available-for-sale		1,813	2,662
Proceeds from sales of securities available-for-sale			12,518
Purchases of securities available-for-sale			(17,525)
Capital contribution to bank subsidiary	(81,000)	(4,750)	(28,800)
Capital contribution to non-bank subsidiary	(100)		
Investment in acquired business	(29,465)	(53,182)	
Proceeds from ESOP loan payments			507
Net cash used in investing activities	(116,608)	(56,119)	(30,638)
Cash flows from financing activities:			
Net proceeds from debt issuance		81,800	
Redemption/issuance of warrants			(1,003)
Net proceeds from issuance of common stock	67,792		26,542
Net proceeds from issuance of preferred stock	37,943	(7)	31,935
Purchase of treasury stock	(5,005)	(565)	(55)
Proceeds from exercise of stock options	540		
Tax effect of ESOP			256
Tax effect of options redeemed			147
Tax benefit (expense) from restricted stock vesting		(17)	
Dividends paid on common stock	(6,736)	(4,656)	(2,978)
Dividends paid on preferred stock	(2,185)	(1,359)	(534)
Net cash provided by financing activities	92,349	75,196	54,310

Net change in cash and cash equivalents	(34,086)	14,589	6,664
Cash and cash equivalents at beginning of year	59,306	44,717	38,053
Cash and cash equivalents at end of year	**$ 25,220**	**$ 59,306**	**$ 44,717**

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

NOTE 24 QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following table presents the unaudited quarterly results for the periods indicated:

	Three Months Ended, ($ in thousands, except per share data) March 31,	June 30,	September 30,	December 31,
2013:				
Interest income	$ 19,168	$ 26,741	$ 33,846	$ 40,756
Interest expense	3,809	5,116	6,903	7,454
Net interest income	15,359	21,625	26,943	33,302
Provision for loan losses	2,168	1,918	2,109	1,768
Noninterest income	17,928	26,072	18,226	34,517
Noninterest expense	29,558	39,594	52,304	57,214
Income (loss) before income tax	1,561	6,185	(9,244)	8,837
Income tax expense (benefit)	632	1,822	(710)	5,516
Net income (loss)	929	4,363	(8,534)	3,321
Dividends on preferred stock	288		946	951
Net income (loss) available to common shareholders	**$ 641**	**$ 4,363**	**$ (9,480)**	**$ 2,370**
Basic earnings (loss) per common share	$ 0.05	$ 0.36	$ (0.53)	$ 0.13
Diluted earnings (loss) per common share	$ 0.05	$ 0.36	$ (0.53)	$ 0.12
Basic earnings (loss) per class B common share	$ 0.05	$ 0.36	$ (0.53)	$ 0.13
Diluted earnings (loss) per class B common share	$ 0.05	$ 0.36	$ (0.53)	$ 0.13
2012:				
Interest income	$ 10,325	$ 10,378	$ 16,722	$ 17,606
Interest expense	1,449	1,947	2,314	2,769
Net interest income	8,876	8,431	14,408	14,837
Provision for loan losses	691	279	1,031	3,499
Noninterest income	503	639	19,512	15,965
Noninterest expense	8,218	9,943	24,456	28,943
Income (loss) before income tax	470	(1,152)	8,433	(1,640)
Income tax expense (benefit)	93	(413)	(1,110)	1,545
Net income (loss)	377	(739)	9,543	(3,185)
Dividends on preferred stock	400	314	328	317

Net income (loss) available to common shareholders	**$**	**(23)**	**$**	**(1,053)**	**$**	**9,215**	**$**	**(3,502)**
Basic earnings (loss) per common share	$		$	(0.09)	$	0.79	$	(0.30)
Diluted earnings (loss) per common share	$		$	(0.09)	$	0.79	$	(0.30)
Basic earnings (loss) per class B common share	$		$	(0.09)	$	0.79	$	(0.30)
Diluted earnings (loss) per class B common share	$		$	(0.09)	$	0.79	$	(0.30)

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

NOTE 25 RELATED-PARTY TRANSACTIONS

The Bank has granted loans to certain officers and directors and their related interests. Such loans amounted to $748 thousand and $9 thousand at December 31, 2013 and December 31, 2012, respectively.

Deposits from principal officers, directors, and their related interests amounted to $10.5 million and $11.4 million at December 31, 2013 and December 31, 2012, respectively.

Transactions Involving Steven A. Sugarman. The following is a description of transactions involving the Company and certain entities affiliated with or relatives of Steven A. Sugarman, President and Chief Executive Officer of the Company and the Bank and a member of the Board of Directors of the Company and the Bank.

Palisades Lease Payment Reimbursements. The Company acquired its subsidiary, Palisades Group, LLC (Palisades) on September 16, 2013, at which time Palisades occupied (and continues to occupy) premises in Santa Monica, California leased by COR Securities Holding, Inc. (CORSHI), of which Mr. Sugarman is the Chief Executive Officer as well as a shareholder (both directly and indirectly). In light of the benefit received by Palisades of its occupancy of the Santa Monica premises, the non-interested directors of the Company s Board ratified reimbursement to CORSHI for rental payments made for the Santa Monica premises for the period commencing September 16, 2013 through the last date Palisades occupies the premises. Palisades is negotiating with an unaffiliated third party a lease for new premises and plans to vacate the Santa Monica premises on May 3, 2014.

If Palisades continues to occupy the Santa Monica premises through May 3, 2014 then the aggregate rent payments under the lease to be reimbursed to CORSHI from September 16, 2013 through May 3, 2014 will be $87,753. This aggregate amount is comprised of (i) $5,661, the pro-rated base rent amount for the partial month of September 2013; (ii) $11,324 per month in base rent for the months of October and November 2013, and (iii) $11,663 per month in base rent for the month of December 2013 and the months of January through April 2014; and (iv) $1,129 for the partial month of May 2014. The continued reimbursement costs are being monitored by the Board s Compensation, Nominating and Corporate Governance Committee.

In addition to the rental payments, the Company reimbursed CORSHI relating to a security deposit amount for the premises of $33,844. All or a portion of the security deposit will be reimbursed to the Company subsequent to the Palisades relocation, with the actual amount to be determined based on the review and recommendation made by the Board s Compensation, Nominating and Corporate Governance Committee.

Palisades Consulting Agreement. As discussed above, the Company acquired its subsidiary, Palisades on September 16, 2013. Effective July 1, 2013, Palisades entered into a consulting agreement with Jason Sugarman, Mr. Sugarman s brother. Jason Sugarman provides advisory services to financial institutions and other institutional clients related to investments in residential mortgages, real estate and real estate related assets and Palisades entered into the agreement with Jason Sugarman to provide these types of consulting services. The consulting agreement is for a term of 5 years, with a minimum payment of $30,000 owed at the end of each quarter for consulting services Jason Sugarman has provided Palisades. There is also the potential for additional bonus payments based on the nature of work performed and the financial results of Palisades. The aggregate amount of identified payments that will be paid by Palisades to Jason Sugarman under the five-year term of the consulting agreement will exceed $600,000. The $600,000 is the minimum amount owed but does not include any bonuses that may be earned under the agreement. For the year ended December 31, 2013, the payments to Jason Sugarman under the consulting agreement totaled $120,662. The consulting agreement may be terminated

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

at any time by ether Palisades or Jason Sugarman upon 30 days prior written notice. The consulting agreement with Jason Sugarman was reviewed as a related party transaction and approved by the Compensation, Nominating and Corporate Governance Committee and approved by the disinterested directors of the Board.

CS Financial Acquisition. Certain relatives and entities affiliated with Mr. Sugarman received benefits as part of the CS Financial acquisition described in detail below under Transactions Involving Jeffrey T. Seabold.

Transactions Involving Jeffrey T. Seabold. The following is a description of transactions involving the Company and certain entities affiliated with Jeffrey T. Seabold, who currently is employed as the Bank s Managing Director, Chief Lending Officer and previously served as a director of the Company and the Bank.

CS Financial Acquisition. Effective October 31, 2013, the Company acquired CS Financial Inc. (CS Financial), a California corporation and Southern California-based mortgage banking firm controlled by Jeffrey T. Seabold and in which certain relatives and entities affiliated with Mr. Sugarman also own certain minority, non-controlling interests. The following is a description of the transaction.

CS Financial Service Agreement. On December 27, 2012, the Company entered into a Management Services Agreement (the Services Agreement) with CS Financial. On December 27, 2012, Mr. Seabold was then a member of the Board of Directors of each of the Company and the Bank. Under the Services Agreement, CS Financial agreed to provide the Bank such reasonably requested financial analysis, management consulting, knowledge sharing, training services and general advisory services as the Bank and CS Financial mutually agreed upon with respect to the Bank s residential mortgage lending business, including strategic plans and business objectives, compliance function, monitoring, reporting and related systems, and policies and procedures, at a monthly fee of $100,000. The Services Agreement was recommended by disinterested members of management of the Bank and negotiated and approved by special committees of the Board of Directors of each of the Company and the Bank (the Special Committees), comprised exclusively of independent, disinterested directors of the Boards. Each of the Boards of Directors of the Bank and the Company also considered and approved the Services Agreement, upon the recommendation of the Special Committees.

On May 13, 2013, the Bank hired Mr. Seabold as Managing Director and Chief Lending Officer. The Bank entered into a three-year employment agreement with Mr. Seabold (the Employment Agreement). Simultaneously, the Bank terminated, with immediate effect, its Services Agreement with CS Financial. For the year ended December 31, 2013, the total compensation paid to CS Financial under the Services Agreement was to $439,000.

Option to Acquire CS Financial. Under the Employment Agreement, Mr. Seabold granted to the Company and the Bank an option (the CS Call Option), to acquire CS Financial for a purchase price of $10 million, payable pursuant to the terms provided under the Employment Agreement. Based upon the recommendation of the Special Committees, with the assistance of outside financial and legal advisors and consultants, the Boards of Directors of the Company and the Bank, with Mr. Sugarman recusing himself from the discussions and vote due to previously disclosed conflicts of interest, approved the recommendation of the Special Committees and, pursuant to a letter dated July 29, 2013, the Company indicated that the CS Call Option was being exercised by the Bank, subject to the negotiation and execution of definitive transaction documentation consistent with the applicable provisions of the Employment Agreement and the satisfaction of the terms and conditions set forth therein.

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Merger Agreement. After exercise of the CS Call Option as described above, the Company and the Bank entered into an Agreement and Plan of Merger (the Merger Agreement) with CS Financial, the stockholders of CS Financial (the Sellers) and Mr. Seabold, as the Sellers Representative and completed its acquisition of CS Financial on October 31, 2013.

Subject to the terms and conditions set forth in the Merger Agreement, which was approved by the Board of Directors of each of the Company, the Bank and CS Financial, at the effective time of the Merger, the outstanding shares of common stock of CS Financial was converted into the right to receive in the aggregate: (1) upon the closing of the Merger, (a) 173,791 shares (the Closing Date Shares) of voting common stock, par value $0.01 per share, of the Company (the Company Common Stock), and (b) $1,500,000 in cash and $3,150,000 in the form of a noninterest-bearing note issued by the Company to Mr. Seabold that was due and paid by the Company on January 2, 2014; and (2) upon the achievement of certain performance targets by the Bank s Lending Division following the closing of the Merger that are set forth in the Merger Agreement, up to 92,781 shares (the Performance Shares) of Company Common Stock ((1) and (2), together, the Merger Consideration).

Seller Stock Consideration. The Sellers under the Merger Agreement included Mr. Seabold, and the following relatives of Mr. Sugarman: Jason Sugarman (brother), Elizabeth Sugarman (sister-in-law), and Michael Sugarman (father), who each owned minority, non-controlling interests in CS Financial.

Upon the closing of the Merger and pursuant to the terms of the Merger Agreement, the aggregate shares of Company Common Stock issued as the consideration to the Sellers was 173,791 shares, which was allocated by the Sellers and issued as follows: (i) 103,663 shares to Mr. Seabold, (ii) 16,140 shares to Jason Sugarman, (iii) 16,140 shares to Elizabeth Sugarman, (iv) 3,228 shares to Michael Sugarman, and (v) 34,620 shares to certain employees of CS Financial. Of the 103,663 shares to be issued to Mr. Seabold, as allowed under the Merger Agreement and in consideration of repayment of a certain debt incurred by CS Financial owed to an entity controlled by Elizabeth Sugarman, Mr. Seabold requested the Company to issue all 103,663 shares directly to Elizabeth Sugarman, and such shares were so issued by the Company to Elizabeth Sugarman.

Approval of the CS Call Option, Merger Agreement and Merger. All decisions and actions with respect to the exercise of the CS Agreement Option, the Merger Agreement and the Merger (including without limitation the determination of the Merger Consideration and the other material terms of the Merger Agreement) fall under the purview and authority of special committees of the Board of Directors of each of the Company and the Bank, which are each composed exclusively of independent, disinterested directors of such Boards of Directors, with the assistance of outside financial and legal advisors. Mr. Sugarman abstained from the vote of each of the Boards of Directors of the Company and the Bank to approve the Merger Agreement and the Merger.

Transaction With TCW Shared Opportunity Fund V, L.P., a Greater than 5 percent Shareholder. TCW Shared Opportunity Fund V, L.P. (TCW) initially became a holder of the Company s voting common stock (Voting Common Stock) and non-voting common stock (Non-Voting Common Stock) as a lead investor in the November 2010 recapitalization of the Company (the Recapitalization). In connection with its investment in the Recapitalization, TCW also was issued by the Company an immediately exercisable five-year warrant (the TCW Warrant) to purchase 240,000 shares of Non-Voting Common Stock or, to the extent provided therein, shares of Voting Common Stock in lieu of Non-Voting Common Stock. TCW was issued shares of Non-Voting Common Stock in the Recapitalization because at that time, a controlling interest in TCW Asset Management Company, the investment manager to TCW, was held by a foreign banking organization, and in order to prevent TCW from being

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

considered a bank holding company under the Bank Holding Company Act of 1956, as amended, the number of shares of Voting Common Stock it purchased in the Recapitalization had to be limited to 4.99 percent of the total number of shares of Voting Common Stock outstanding immediately following the Recapitalization. For the same reason, the TCW Warrant could be exercised by TCW for Voting Common Stock in lieu of Non-Voting Common Stock only to the extent TCW s percentage ownership of the Voting Common Stock at the time of exercise would be less than 4.99 percent as a result of dilution occurring from additional issuances of Voting Common Stock subsequent to the Recapitalization.

In 2013, the foreign banking organization sold its controlling interest in TCW Asset Management Company, eliminating the need to limit TCW s percentage ownership of the Voting Common Stock to 4.99 percent. As a result, on May 29, 2013, the Company and TCW entered into a Common Stock Share Exchange Agreement, dated May 29, 2013 (the Exchange Agreement), pursuant to which TCW may from time to time exchange its shares of Non-Voting Common Stock for shares of Voting Common Stock issued by the Company on a share-for-share basis, provided that immediately following any such exchange, TCW s percentage ownership of Voting Common Stock does not exceed 9.99 percent. The shares of Non-Voting Common Stock that may be exchanged by TCW pursuant to the Exchange Agreement include the shares of Non-Voting Common Stock it purchased in the Recapitalization, the additional shares of Non-Voting Common Stock TCW acquired subsequent to the Recapitalization (and may in the future acquire) pursuant to the Company s Dividend Reinvestment Plan and any additional shares of Non-Voting Common Stock that TCW acquires pursuant to its exercise of the TCW Warrant.

On June 3, 2013, TCW exchanged 550,000 shares of Non-Voting Common Stock for the same number of shares of Voting Common Stock. As a result of that exchange and based on a Schedule 13-F and 13-G TCW filed with the SEC during the first quarter of 2014, the Company believes that as of December 31, 2013 TCW held 1,078,250 shares of Voting Common Stock and 466,830 shares of Non-Voting Common Stock, plus the TCW Warrant under which up to 240,000 shares of Non-Voting Common Stock may be issued upon exercise and may therafter be exchanged for shares of Voting Common Stock pursuant to the Exchange Agreement.

NOTE 26 SUBSEQUENT EVENTS

On January 17, 2014, Banc of California, Inc. became a financial holding company. A financial holding company may engage in activities permissible for bank holding companies and may engage in other activities that are financial in nature or incidental or complementary to activities that are financial in nature, primarily securities, insurance and merchant banking activities.

On January 31, 2014, the Company completed an acquisition of 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.

On March 3, 2014, Lonny D. Robinson tendered his resignation as Executive Vice President and Chief Accounting Officer of the Company and Executive Vice President and Chief Financial Officer of the Bank, effective March 18, 2014. There were no disagreements between the Company and Mr. Robinson on accounting matters. Concurrently with Mr. Robinson s resignation, the Board of Directors of the Company has appointed Ronald J. Nicolas, who currently serves, and will continue to serve, as Executive Vice President and Chief Financial Officer of the Company, as Executive Vice President and Chief Financial Officer of the Bank, and Nathan Duda, who currently serves as Senior Vice President of Finance of the Bank, as Chief Accounting Officer of the Company. These appointments will take effect on March 18, 2014.

Table of Contents

BANC OF CALIFORNIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2013, 2012 and 2011

(Dollar amounts in thousands, except share and per share data)

Management has evaluated subsequent events through the date of issuance of the financial data included herein. There have been no subsequent events other than the above mentioned that occurred during such period that would require disclosure in this Annual Report on Form 10-K or would be required to be recognized in the Consolidated Financial Statements as of December 31, 2013.

Item 9A. Controls and Procedures

Evaluation of disclosure controls and procedures. An evaluation of the Company s disclosure controls and procedures (as defined in Section 13a-15(e) of the Securities Exchange Act of 1934 (the Act)) as of December 31, 2013 was carried out under the supervision and with the participation of the Company s Chief Executive Officer, Chief Financial Officer and other members of the Company s senior management. At the time that our Annual Report on Form 10-K for the year ended December 31, 2013 was filed, management concluded that the Company s disclosure controls and procedures were effective in ensuring that the information required to be disclosed by the Company in the reports it files or submits under the Act is (i) accumulated and communicated to the Company s management (including the Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosure, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. However, because of a material weakness in our internal control over financial reporting identified subsequent to December 31, 2013 and further described below, a subsequent evaluation was performed under the supervision and with the participation of the Company s Chief Executive Officer and Chief Financial Officer and the conclusion was that the Company s disclosure controls and procedures were not effective as of December 31, 2013.

Management s Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework (1992) in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

This evaluation under the framework in Internal Control Integrated Framework (1992) includes an assessment of the Company s internal control over financial reporting, which are designed to provide reasonable assurance regarding the reliability of the Company s financial reporting and the preparation of the Company s financial statements for external purposes in accordance with generally accepted accounting principles. Management s report on internal control over financial reporting is set forth in Item 8 of this report.

In connection with the audit of year-end financial statements, the Company s independent registered public accounting firm, KPMG LLP (KPMG), is responsible for auditing both (i) the financial statements to obtain reasonable assurance about whether they are free of material misstatement, and (ii) the effectiveness of the Company s internal controls over financial reporting.

Subsequent to the issuance of the consolidated financial statements as of and for the year ended December 31, 2013 immaterial errors related to prior periods were identified that indicated certain deficiencies existed in the Company s internal control over financial reporting. Specifically, during the year ending 2013, financial reporting resources did not sufficiently complete certain account level reviews that presented a low potential risk of material error to the Company s financial reporting, to ensure that the possibility that the aggregation of all potential errors in these accounts, which were more than remote, could not result in a material misstatement.

The Company has concluded that in 2013 these deficiencies when aggregated could have resulted in a material misstatement of the consolidated financial statements that would not have been prevented or detected on a timely basis, and as such, these control deficiencies result in a material weakness.

The material weakness did not result in any material misstatement of the Company s financial statements and disclosures for the years ended December 31, 2013, 2012, and 2011.

Remediation and Plans for Remediation. The Company believes it has made significant progress toward remediation of the underlying causes of the material weakness, having taken a number of actions to remediate the material weakness. Among other things, we have:

- Appointed Robert Sznewajs as new Audit Committee chairman and Ronald Nicolas as bank Chief Financial Officer as well as hired additional accounting and finance resources and professionals, including a new Chief Accounting Officer in March 2014, a new Controller in March 2014, a Director of Accounting Policy in May 2014, and a new Director of Internal Audit, together with other new hires in the accounting, finance, and audit departments;

- Designed new controls around the review and analysis of the allowance for loan and lease losses (ALLL) including the addition of a new Credit Risk Analytics team to oversee the ALLL process;

Implemented a new automated accounting software platform that eliminates the reliance on manual review of significant spreadsheets; and

Established a Sarbanes-Oxley steering committee in 2014 that meets bi-weekly with participation of the Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, and the Director of Internal Audit.

Table of Contents

The Company and its Board of Directors are committed to maintaining a strong internal control environment, and believe that these remediation efforts represent significant improvements in our control environment. The identified material weakness in internal control will not be considered fully addressed until the internal controls over these areas have been in operation for a sufficient period of time for our management to conclude that the material weakness has been fully remediated. The Company will continue to work on implementing and testing the new controls in order to make this final determination.

Report of the Independent Registered Public Accounting Firm. KPMG, the independent registered public accounting firm that audited the consolidated financial statements included in our previously filed Annual Report on Form 10-K for the year ended December 31, 2013, has reissued its report, which includes an adverse audit report on the Company s effectiveness of internal control over financial reporting. Such reissued report appears below.

Changes in Internal Control Over Financial Reporting. There were no changes in our internal control over financial reporting that occurred during the fourth quarter of 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

As discussed above, subsequent to the issuance of the consolidated financial statements as of and for the year ended December 31, 2013 immaterial errors related to prior periods were identified that indicated certain deficiencies existed in the Company s internal controls over financial reporting. The Company has concluded that in 2013 these deficiencies when aggregated could have resulted in a material misstatement of the consolidated financial statements that would not have been prevented or detected on a timely basis, and as such, these control deficiencies result in a material weakness. The material weakness did not result in any material misstatement of the Company s financial statements and disclosures for the years ended December 31, 2013, 2012, and 2011. The identified material weakness in internal control will not be considered fully addressed until the internal controls over these areas have been in operation for a sufficient period of time for our management to conclude that the material weakness has been fully remediated. The Company will continue to work on implementing and testing the new controls in order to make this final determination.

The Company does not expect that its disclosure controls and procedures and internal control over financial reporting will prevent all errors and fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any control procedure also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control procedure, misstatements due to error or fraud may occur and not be detected.

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Banc of California, Inc.:

We have audited Banc of California, Inc. and subsidiaries internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Banc of California, Inc. and subsidiaries management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management s Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company s annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness related to financial reporting resources not sufficiently completing certain account level reviews has been identified and included in the accompanying *Management s Report on Internal Control over Financial Reporting*. We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial condition of Banc of California, Inc. and subsidiaries as of December 31, 2013 and the related consolidated statements of operations, comprehensive income (loss), shareholders equity, and cash flows for each of the years in the two-year period ended December 31, 2013 and 2012. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2013 consolidated financial statements, and this report does not affect our report dated March 17, 2014, except as to the restatement of the effectiveness of internal control over financial reporting for a material weakness, which is as of August 18, 2014, which expressed an unqualified opinion on those consolidated financial statements.

In our opinion, because of the effect of the aforementioned material weakness on the achievement of the objectives of the control criteria, Banc of California, Inc. has not maintained effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ KPMG LLP

KPMG LLP

Irvine, California

March 17, 2014, except as to the restatement of the effectiveness of internal control over financial reporting for the material weakness, which is as of August 18, 2014

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements: See Part II Item 8. Financial Statements and Supplementary Data
(a)(2) Financial Statement Schedule: All financial statement schedules have been omitted as the information is not required under the related instructions or is not applicable.
(a)(3) Exhibits

2.1	Stock Purchase Agreement, dated as of June 3, 2011, by and among Banc of California, Inc., (f/k/a First PacTrust Bancorp, Inc.) (sometimes referred to below as the Registrant or the Company), Gateway Bancorp, Inc. (Gateway), each of the stockholders of Gateway and the D & E Tarbell Trust, u/d/t dated February 19, 2002 (in its capacity as the Sellers Representative)	(a)
2.1A	Amendment No. 1, dated as of November 28, 2011, to Stock Purchase Agreement, dated as of June 3, 2011, by and among The Registrant, Gateway Bancorp, the Sellers named therein and the D & E Tarbell Trust, u/d/t dated February 19, 2002 (in its capacity as the Sellers Representative)	(a)(1)
2.2B	Amendment No. 2, dated as of February 24, 2012, to Stock Purchase Agreement, dated as of June 3, 2011, by and among the Registrant, Gateway Bancorp, the Sellers named therein and the D & E Tarbell Trust, u/d/t dated February 19, 2002 (in its capacity as the Sellers Representative)	(a)(2)
2.2C	Amendment No. 3, dated as of June 30, 2012, to Stock Purchase Agreement, dated as of June 3, 2011, by and among the Registrant, Gateway Bancorp, the Sellers named therein and the D & E Tarbell Trust, u/d/t dated February 19, 2002 (in its capacity as the Sellers Representative)	(a)(3)
2.2D	Amendment No. 4, dated as of July 31, 2012, to Stock Purchase Agreement, dated as of June 3, 2011, by and among the Registrant, Gateway Bancorp, the Sellers named therein and the D & E Tarbell Trust, u/d/t dated February 19, 2002 (in its capacity as the Sellers Representative)	(a)(4)
2.3	Agreement and Plan of Merger, dated as of August 30, 2011, by and between the Registrant and Beach Business Bank, as amended by Amendment No. 1thereto dated as of October 31, 2011	(b)
2.4	Agreement and Plan of Merger, dated as of August 21, 2012, by and among First PacTrust Bancorp, Inc., Beach Business Bank and The Private Bank of California	(c)
2.5	Amendment No. 1, dated as of May 5, 2013, to Agreement and Plan of Merger, dated as of August 21, 2012, by and among the Registrant, Beach Business Bank and The Private Bank of California	(dd)
2.6	Agreement and Plan of Merger, dated as of October 25, 2013, by and among the Registrant, Banc of California, National Association, CS Financial, Inc., the Sellers named therein and the Sellers Representative named therein	(ee)
3.1	Articles of Incorporation of the Registrant	(d)
3.2	Articles of Amendment to the Charter of the Registrant	(e)
3.3	Articles supplementary to the Charter of the Registrant containing the terms of the Registrant s Senior Non-Cumulative Perpetual Preferred Stock, Series A	(f)
3.4	Articles supplementary to the Charter of the Registrant containing the terms of the Registrant s Class B Non-Voting Common Stock	(g)

3.5	Articles of Amendment to Articles Supplementary to the Charter of the Registrant containing the terms of the Registrant s Class B Non-Voting Common Stock	(h)
3.6	Articles supplementary to the Charter of the Registrant containing the terms of the Registrant s 8.00 percent Non-Cumulative Perpetual Preferred Stock, Series C	(u)
3.7	Articles supplementary to the Charter of the Registrant containing the terms of the Registrant s Non-Cumulative Perpetual Preferred Stock, Series B	(v)
3.8	Articles of Amendment to the Charter of the Registrant changing the Registrant s name	(w)
3.9	Bylaws of the Registrant	(u)
4.1	Warrant to purchase up to 240,000 shares of the Registrant common stock originally issued on November 1, 2010	(g)
4.2	Warrant to purchase up to 1,395,000 shares of the Registrant common stock originally issued on November 1, 2010	(g)
4.3	Senior Debt Securities Indenture, dated as of April 23, 2012, between the Registrant and U.S. Bank National Association, as Trustee	(q)
4.4	Supplemental Indenture, dated as of April 23, 2012, between the Registrant and U.S. Bank National Association, as Trustee, relating to the Registrant s 7.50 percent Senior Notes due April 15, 2020 and form of 7.50 percent Senior Notes due April 15, 2020	(q)
4.5A	Warrant Agreement, dated as of June 29, 2012 (the Warrant Agreement), by and between the Registrant and Registrar and Transfer Company, as Warrant Agent	(i)
4.5B	Form of Warrant Certificate (included as Exhibit A to the Warrant Agreement filed as Exhibit 4.5A)	(i)
4.6	Deposit Agreement, dated as of June 12, 2013, among the Registrant, Registrar and Transfer Company, as Depositary and the holders from time to time of the depositary receipts described therein	(u)
10.1	Employment Agreement, dated as of November 1, 2010, between the Registrant and Gregory A. Mitchell (including as exhibits thereto the forms of agreements for the restricted stock inducement grant and stock option inducement grant made to Mr. Mitchell pursuant to his Employment Agreement)	(g)
10.1A	Separation and Settlement Agreement, dated as of September 21, 2012, by and between the Registrant and Gregory A. Mitchell	(j)
10.2	Employment Agreement, dated as of November 17, 2010, by and among the Registrant and Pacific Trust Bank and Richard Herrin (including as exhibits thereto the forms of agreements for the restricted stock inducement grant and stock option inducement grant made to Mr. Herrin pursuant to his Employment Agreement)	(k)
10.2A	Incentive Bonus Award Agreement, dated as of September 21, 2012, supplementing and amending the Employment Agreement with Richard Herrin	(l)
10.2B	Second Amendment, dated as of September 25, 2012, to Employment Agreement with Richard Herrin	(l)
10.3	Reserved	
10.4	Employment Agreement with Gaylin Anderson (including as exhibits thereto the forms of agreements for the restricted stock inducement grant and stock option inducement grant made to Mr. Anderson pursuant to his Employment Agreement)	(m)

Table of Contents

10.4A	Incentive Bonus Award Agreement, dated as of September 21, 2012, supplementing and amending the Employment Agreement with Gaylin Anderson	(l)
10.4B	Second Amendment, dated as of September 25, 2012, to Employment Agreement with Gaylin Anderson	(l)
10.5	Employment Agreement, dated as of November 29, 2012, by and among the Registrant and Pacific Trust Bank and Chang Liu (including as exhibits thereto the forms of agreements for the restricted stock inducement grant and stock option inducement grant made to Mr. Liu pursuant to his Employment Agreement)	(m)
10.5A	Incentive Bonus Award Agreement, dated as of September 21, 2012, supplementing and amending the Employment Agreement with Chang Liu	(l)
10.5B	Second Amendment, dated as of September 25, 2012, to Employment Agreement with Chang Liu	(l)
10.6	Employment Agreement, dated as of May 6, 2011, by and among the Registrant and Pacific Trust Bank and Marangal I. Domingo (including as exhibits thereto the forms of agreements for the restricted stock inducement grant and stock option inducement grant made to Mr. Domingo pursuant to his Employment Agreement)	(n)
10.6A	Incentive Bonus Award Agreement, dated as of September 21, 2012, supplementing and amending the Employment Agreement with Marangal I. Domingo	(l)
10.6B	Consulting Agreement, dated as of December 26, 2012, between and among Marangal I. Domingo, the Registrant and Pacific Trust Bank	(s)
10.7	Employment Agreement, dated as of August 21, 2012, by and between the Registrant and Steven Sugarman	(l)
10.7A	Stock Appreciation Right Grant to Steven Sugarman dated August 21, 2012	(l)
10.8	Employment Agreement, dated as of September 25, 2012, by and among the Registrant, Pacific Trust Bank and Beach Business Bank and Robert M. Franko	(l)
10.8A	Mutual Termination and Release Letter Agreement, dated September 25, 2012, relating to Executive Employment Agreement, dated June 1, 2003, between Doctors Bancorp, predecessor-in-interest to Beach Business Bank, and Robert M. Franko	(l)
10.9A	Employment Agreement, dated as of August 22, 2012, by and among the Registrant and John C. Grosvenor	(l)
10.9B	Employment Agreement, dated as of November 5, 2012, by and among the Registrant and Ronald J. Nicolas, Jr.	(l)
10.9C	Employment Agreement, dated as of November 14, 2012, by and among the Registrant and Lonny D. Robinson	(l)
10.9D	Employment Agreement, dated as of September 17, 2013, by and among the Registrant and Hugh F. Boyle	(gg)
10.10	Registrant s 2011 Omnibus Incentive Plan	(o)
10.10A	Form of Incentive Stock Option Agreement under 2011 Omnibus Incentive Plan	(r)
10.10B	Form of Non-Qualified Stock Option Agreement under 2011 Omnibus Incentive Plan	(r)
10.10C	Form of Restricted Stock Agreement Under 2011 Omnibus Incentive Plan	(r)
10.11	Registrant s 2003 Stock Option and Incentive Plan	(p)

Table of Contents

10.12	Registrant s 2003 Recognition and Retention Plan	(p)
10.13	Small Business Lending Fund-Securities Purchase Agreement, dated August 30, 2011, between the Registrant and the Secretary of the United States Treasury	(f)
10.4	Management Services Agreement, dated as of December 27, 2012, by and between CS Financial, Inc. and Pacific Trust Bank	(t)
10.15	Employment Agreement, dated as of May 13, 2013, by and among Pacific Trust Bank and Jeffrey Seabold	(ff)
10.16	Registrant s 2013 Omnibus Stock Incentive Plan	(x)
10.17	Form of Incentive Stock Option Agreement under 2013 Omnibus Stock Incentive Plan	(y)
10.18	Form of Non-Qualified Stock Option Agreement under 2013 Omnibus Stock Incentive Plan	(y)
10.19	Form of Restricted Stock Agreement under 2013 Omnibus Stock Incentive Plan	(y)
10.19A	Form of Restricted Stock Unit Agreement under 2013 Omnibus Stock Incentive Plan	(jj)
10.19B	Form of Restricted Stock Unit Agreement for Employee Equity Ownership Program under 2013 Omnibus Stock Incentive Plan	(jj)
10.20	Agreement to Assume Liabilities and to Acquire Assets of Branch Banking Offices, dated as of May 31, 2013, between Pacific Trust Bank and AmericanWest Bank	(z)
10.21	Common Stock Share Exchange Agreement, dated as of May 29, 2013, by and between the Registrant and TCW Shared Opportunity Fund V, L.P.	(aa)
10.22	Purchase and Sale Agreement and Escrow Instructions, dated as of July 24, 2013, by and between the Registrant and Memorial Health Services	(bb)
10.23	Assumption Agreement, dated as of July 1, 2013, by and between the Registrant and The Private Bank of California	(cc)
11.0	Statement regarding computation of per share earnings	(hh)
12.0	Statement regarding ratio of earnings to combined fixed charges	(jj)
18.0	Letter regarding change in accounting principles	None
21.0	Subsidiaries of the Registrant	(jj)
22.0	Published report regarding matters submitted to vote of security holders	None
23.1	Consent of KPMG LLP	23.1
23.2	Consent of Crowe Horwath LLP	23.2
24.0	Power of Attorney	(ii)
31.1	Rule 13a-14(a) Certification (Chief Executive Officer)	31.1
31.2	Rule 13a-14(a) Certification (Chief Financial Officer)	31.2
31.3	Rule 13a-14(a) Certification (Chief Accounting Officer)	31.3
32.0	Rule 13a-14(b) and 18 U.S.C. 1350 Certification	32.0
101.0	The following financial statements and footnotes from the Registrant s Annual Report on Form 10-K for the year ended December 31, 2013 formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Financial Condition; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Comprehensive Income (Loss) (iv) Consolidated Statements of Shareholders Equity; (v) Consolidated Statements of Cash Flows; and (vi) the Notes to Consolidated Financial Statements.	(jj)

(a) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on June 9, 2011 and incorporated herein by reference.
(a)(1) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on December 1, 2011 and incorporated herein by reference.
(a)(2) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on February 28, 2012 and incorporated herein by reference
(a)(3) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on July 2, 2012 and incorporated herein by reference.
(a)(4) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on August 2, 2012 and incorporated herein by reference.
(b) Filed as Appendix A to the proxy statement/prospectus included in the Registrant s Registration Statement on Form S-4 filed on November 1, 2011 and incorporated herein by reference.
(c) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on August 27, 2012 and incorporated herein by reference
(d) Filed as an exhibit to the Registrant s Registration Statement on Form S-1 filed on March 28, 2002 and incorporated herein by reference.
(e) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on March 4, 2011 and incorporated herein by reference.
(f) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on August 30, 2011 and incorporated herein by reference.
(g) Filed as an exhibit to the Registrant s Current Report on Form 8-K/A filed on November 16, 2010 and incorporated herein by reference.
(h) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on May 12, 2011 and incorporated herein by reference
(i) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on July 5, 2012 and incorporated herein by reference.
(j) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on September 27, 2012 and incorporated herein by reference.
(k) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on November 19, 2010 and incorporated herein by reference.
(l) Filed as an exhibit to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 and incorporated herein by reference.
(m) Filed as an exhibit to the Company s Annual Report on Form 10-K for the year ended December 31, 2010 and incorporated herein by reference.
(n) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on May 10, 2011 and incorporated herein by reference.
(o) Filed as an appendix to the Registrant s definitive proxy statement filed on April 25, 2011 and incorporated herein by reference
(p) Filed as an appendix to the Registrant s definitive proxy statement filed on March 21, 2003 and incorporated herein by reference.
(q) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on April 23, 2012 and incorporated herein by reference.
(r) Filed as an exhibit to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2011 and incorporated herein by reference.
(s) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on December 28, 2012 and incorporated herein by reference.
(t) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on January 3, 2013 and incorporated herein by reference.
(u) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on June 12, 2013 and incorporated herein by reference.

Table of Contents

(v) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on July 3, 2013 and incorporated herein by reference.
(w) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on July 17, 2013 and incorporated herein by reference.
(x) Filed as an appendix to the Registrant s definitive proxy statement filed on June 11, 2013 and incorporated herein by reference.
(y) Filed as an exhibit to the Registrant s Registration Statement on Form S-8 filed on July 31, 2013 and incorporated herein by reference.
(z) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on June 3, 2013 and incorporated herein by reference.
(aa) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on June 4, 2013 and incorporated herein by reference.
(bb) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on July 30, 2013 and incorporated herein by reference.
(cc) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on July 3, 2013 and incorporated herein by reference.
(dd) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on May 6, 2013 and incorporated herein by reference
(ee) Filed as an exhibit to the Registrant s Current Report on Form 8-K filed on October 31, 2013 and incorporated herein by reference
(ff) Field as an exhibit to the Registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 and incorporated herein by reference
(gg) Field as an exhibit to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 and incorporated herein by reference
(hh) Refer to Note 20 of the notes to consolidated financial statements contained in Item 8 of this report
(ii) The Power of Attorney is included on the signatory pages of the Registrant s Annual Report on Form 10-K for the year ended December 31, 2013 and is incorporated herein by reference.
(jj) Filed as an exhibit to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2013 and incorporated herein by reference.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, and hereunto duly authorized.

BANC OF CALIFORNIA, INC.

Date: August 18, 2014	By: /s/ Steven A. Sugarman **Steven A. Sugarman, President/ Chief Executive Officer** *(Duly Authorized Representative and Principal Executive Officer)*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: August 18, 2014	/s/ Steven A. Sugarman **Steven A. Sugarman** **President/ Chief Executive Officer, Director**
Date: August 18, 2014	/s/ Ronald J. Nicolas, Jr. **Ronald J. Nicolas, Jr.** **Executive Vice President/ Chief Financial Officer**
Date: August 18, 2014	/s/ Nathan Duda **Nathan Duda** **Senior Vice President/ Chief Accounting Officer**
Date: August 18, 2014	* **Chad T. Brownstein, Director**
Date: August 18, 2014	* **Eric Holoman, Director**
Date: August 18, 2014	* **Jeffrey Karish, Director**
Date: August 18, 2014	* **Jonah Schnel, Director**
Date: August 18, 2014	/s/ Halle Benett **Halle Benett, Director**
Date: August 18, 2014	/s/ Robert D. Sznewajs **Robert D. Sznewajs, Director**
Date: August 18, 2014	

*By: /s/ Steven A. Sugarman
Steven A. Sugarman, Attorney-in-Fact

Table of Contents

EXHIBIT INDEX

Exhibit No.	Description
23.1*	Consent of KPMG LLP
23.2*	Consent of Crowe Howarth LLP
31.1*	Rule 13a-14(a) Certification (Chief Executive Officer)
31.2*	Rule 13a-14(a) Certification (Chief Financial Officer)
31.3*	Rule 13a-14(a) Certification (Chief Accounting Officer)
32.0**	Rule 13a-14(b) and 18 U.S.C. 1350 Certification

* Filed herewith
** Furnished herewith