FEDERATED PREMIER MUNICIPAL INCOME FUND
Form DEFA14A
October 24, 2017
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement

[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

[ ] Definitive Proxy Statement

[X] Definitive Additional Materials

[ ] Soliciting Material Pursuant to Rule 14a-12

Federated Premier Municipal Income Fund

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

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1) Amount Previously Paid:

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CFS Only Proxy Call Flow – Voting Campaigns

Hello, I am trying to reach < SH Full Name >. Is he/she available?

If yes, confirm SH identity

My name is < First Name, Last name > and I am calling on a recorded line regarding your investment in < Specific Fund Name >.

Use Alternate Scripting (trust, custodian) if appropriate

Materials were sent to you regarding the upcoming shareholder meeting and at this time we have not received your vote. The Board is recommending a vote < recommendation >. Would you like to vote along with the recommendations of the Board?

Who’s Calling? (prior to confirming SH)

My name is < First name, Last name > and I’m calling on a recorded line regarding the upcoming < Fund Family Name > shareholder meeting.

Is < SH Full Name > available?

If yes

If no

If yes / If vote direction is given

If No / SH Declines to Vote

Is there a better time to reach them?

If Households for same SH: I see you have additional investments with the < Fund Family >. Would you like to vote the same way on those investments?

< Use Appropriate Rebuttal followed by> Would you like to vote along with the recommendations of the Board?

Vote direction is given

SH Declines to Vote after rebuttals

Thank you. I am recording a < For / Against / Abstain > vote on your < Fund Family name > investment(s) and will send a printed confirmation <for each> to < Registration Street address >.

For confirmation purposes, may I have your city, state and zip code?

For BEN Shareholders Only:

Thank you. When you receive the confirmation, please feel free to call us at 1-866-962-7225 if you have any concerns about your telephone vote.

Thank you for your time and your vote. Have a great < day / evening >.

< If appropriate >

We can be reached at < Campaign Toll Free Number > and are available weekdays between 9am and 11 EST and between < noon > and < 6pm > EST on Saturday.

Thank you for your time. Have a great < day / evening >.

If yes

If Households for additional SHs:

Thank you. I see that < Other SH Name > also holds this investment. May I speak to them?

If no

NCU Proxy Rebuttals

SH states ……	**Response**
Why are you calling me?	< *Fund Family Name* > has asked us to contact you because we sent you a proxy card to register your vote for the upcoming shareholder meeting and haven't received it back. <*The Fund / The Company* > would like to hear from all shareholders on this matter and we are calling to offer you the convenience of voting over the phone. Would you like to vote along with the Board's recommendations?
I'm not interested / I don't want to vote / I don't have enough shares.	Every vote is important and helps bring the Fund a step closer to holding the meeting. If not enough votes are received, the shareholder meeting may have to be adjourned. Would you like to vote along with the Board's recommendations?
I don't know how to vote.	Management is recommending shareholders vote < *Vote Recommended* >. I'd be happy to go over the proposals and answer any questions you may have.
My spouse takes care of this.	I understand. Are you authorizing your < *husband / wife / spouse* > to vote on your behalf? *(If yes):* Are they available to speak with me? *(If spouse is unavailable):* Your vote is very important to the fund, as your wife/husband is unavailable, I would be more than happy to assist you with voting by reviewing the proposal(s). This would only take a brief moment of your time. *(If spouse is not authorized): Y*our vote is very important to the fund. As I am only able to take a vote from an authorized party, I would be more than happy to assist you with voting by reviewing the proposal(s). This would only take a brief moment of your time.
My broker takes care of this.	I understand that your Broker may help you choose your investments, however certain proposal*(s)* for this proxy require a direct vote from the shareholder and cannot be voted by your Broker. I can go over the proposal*(s)* quickly for you now if you wish.
I don't have time right now.	I understand, however your vote is very important and voting now will only take a brief moment of your time. Management would like to hear from all shareholders on this matter and they have asked us to call to offer you the convenience of voting over the phone. Would you like to vote along with the Board's recommendations?

I'll vote later / I'll vote via mail, online, etc.	I understand. The Fund has asked us to call to offer you the convenience of voting over the phone which makes the voting process much easier and faster. I would be happy to record your vote for you now and send you a printed confirmation that your vote has been recorded. Would you like to vote along with the Board's recommendations?

I sold my shares / **I no longer own those shares.**	I understand. However you were a shareholder as of the record date and therefore you are the only person who can vote those shares. As a courtesy to the remaining shareholders, would you like to vote along with the Board's recommendations?
I've never received a call like this before.	This has become a standard in the industry and < *if applicable* > the proxy statement mentions that if your vote is not received you may receive a call offering you the convenience of voting by telephone. The Board is recommending shareholders vote < *Vote Recommended* >. Would you like to vote along with the Board's recommendations?
Is there strong opposition to the Board's recommendation?	I do not have that information. We are just calling because not enough votes have been received to hold the meeting so we are calling to offer the convenience of voting over the phone. Would you like to vote along with the Board's recommendations?
How many votes do you still need?	I do not have that information. What I do know is that every vote is important at this point and that is why we are calling you and other shareholders to ask if you would like to vote along with the recommendations of your Board?
I don't accept these types of calls / Do Not Call Me / **Add Me to Your DNC** **List.**	I understand how you feel about unwanted calls and will add you to our internal Do Not Call list. However, I did want to let you know that this call is regarding your current investment in < *Fund Family* > and we are simply calling to advise you of the shareholder meeting and are asking if you would like to register your vote.
I already voted.	**NO votes recorded in Proxy:** Thank you for voting. Our records indicate that your vote has not yet been updated in our system. I can record your vote for you now and send you a printed confirmation that your vote has been recorded. How would you like me to record your vote? **SOME BUT NOT ALL investments are voted:** - Ask for the vote on the investments that are NOT voted using the call flow. - Disposition the investments that are not voted as appropriate to the call. - Do NOT disposition the investments that are already voted.

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—

1,384

9,640

11,024

Trade finance
—

—

—

—

3,194

3,194

Consumer and other
36

—

—

36

18

54

Subtotal
$
2,083

$
1,812

$
—

$
3,895

$
28,815

$
32,710

Acquired Loans: (1)

Real estate—residential
$
—

$
—

$
—

$
—

$

—

$
—

Real estate—commercial

Retail
1,402

—

—

1,402

2,792

4,194

Hotel & motel
—

—

—

—

5,591

5,591

Gas station & car wash
—

—

—

—

736

736

Mixed use
345

—

—

345

352

697

Industrial & warehouse
—

—

361

361

1,185

1,546

Other
—

—

—

—

4,370

4,370

Real estate—construction
—

—

—

—

—

—

Commercial business
36

347

—

383

1,468

1,851

Trade finance
—

—

—

—

—

—

Consumer and other
23

90

—

113

1,044

1,157

Subtotal
$
1,806

$

437

$
361

$
2,604

$
17,538

$
20,142

TOTAL
$
3,889

$
2,249

$
361

$
6,499

$
46,353

$
52,852

(1) The Acquired Loans exclude ACILs.
(2) Nonaccrual loans exclude guaranteed portion of delinquent SBA loans that are in liquidation totaling $28.9 million.

Loans accounted for under ASC 310-30 are generally considered accruing and performing loans and the accretable discount is accreted to interest income over the estimated life of the loan when cash flows are reasonably estimable. Accordingly, ACILs that are contractually past due are still considered to be accruing and performing loans. The loans may be classified as nonaccrual if the timing and amount of future cash flows is not reasonably estimable.
The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, including, but not limited to, current financial information, historical payment experience, credit

documentation, public information, and current economic trends. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes all non-homogeneous loans. This analysis is performed at least on a quarterly basis. The definitions for risk ratings are as follows:

- Pass: Loans that meet a preponderance or more of the Company's underwriting criteria and evidence an acceptable level of risk.
- Special Mention: Loans that 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 of the institution’s credit position at some future date.

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- Substandard: Loans that are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the repayment 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 that have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

The following tables present the risk rating for Legacy Loans and Acquired Loans as of June 30, 2015 and December 31, 2014 by class of loans:

	As of June 30, 2015				
	Pass	Special Mention	Substandard	Doubtful/Loss	Total
	(In thousands)				
Legacy Loans:					
Real estate—residential	$35,985	$—	$—	$ —	$35,985
Real estate—commercial					
Retail	975,319	23,326	14,022	—	1,012,667
Hotel & motel	889,763	113	6,929	—	896,805
Gas station & car wash	573,688	8,814	4,865	—	587,367
Mixed use	303,047	787	3,430	—	307,264
Industrial & warehouse	422,067	8,508	9,577	—	440,152
Other	796,285	29,621	14,676	—	840,582
Real estate—construction	104,901	—	—	—	104,901
Commercial business	853,739	20,092	38,219	210	912,260
Trade finance	93,430	11,458	10,039	—	114,927
Consumer and other	40,765	6	1,317	10	42,098
Subtotal	$5,088,989	$102,725	$103,074	$ 220	$5,295,008
Acquired Loans:					
Real estate—residential	$436	$285	$—	$ —	$721
Real estate—commercial					
Retail	141,896	3,617	17,990	—	163,503
Hotel & motel	37,499	6,214	13,112	—	56,825
Gas station & car wash	25,251	381	7,089	—	32,721
Mixed use	18,681	11,626	2,825	—	33,132
Industrial & warehouse	45,691	1,237	10,694	—	57,622
Other	61,192	529	13,016	417	75,154
Real estate—construction	—	—	—	—	—
Commercial business	38,317	1,547	18,142	521	58,527
Trade finance	—	—	—	—	—
Consumer and other	35,686	1,634	7,394	895	45,609
Subtotal	$404,649	$27,070	$90,262	$ 1,833	$523,814
Total	$5,493,638	$129,795	$193,336	$ 2,053	$5,818,822

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	As of December 31, 2014				
	Pass	Special Mention	Substandard	Doubtful/Loss	Total
	(In thousands)				
Legacy Loans:					
Real estate—residential	$20,586	$—	$—	$ —	$20,586
Real estate—commercial					
Retail	1,015,195	20,177	14,805	—	1,050,177
Hotel & motel	784,586	114	7,746	—	792,446
Gas station & car wash	553,901	—	8,857	—	562,758
Mixed use	288,409	1,147	2,187	—	291,743
Industrial & warehouse	347,805	9,181	12,313	—	369,299
Other	699,644	28,044	13,013	—	740,701
Real estate—construction	92,564	—	1,521	—	94,085
Commercial business	765,280	18,792	41,138	26	825,236
Trade finance	103,844	18,599	12,319	—	134,762
Consumer and other	37,256	38	470	13	37,777
Subtotal	$4,709,070	$96,092	$114,369	$ 39	$4,919,570
Acquired Loans:					
Real estate—residential	$539	$290	$—	$ —	$829
Real estate—commercial					
Retail	157,485	3,531	25,469	—	186,485
Hotel & motel	69,236	3,889	9,241	—	82,366
Gas station & car wash	27,936	369	8,542	268	37,115
Mixed use	25,843	7,001	3,048	—	35,892
Industrial & warehouse	66,214	667	14,177	—	81,058
Other	76,956	2,076	15,242	36	94,310
Real estate—construction	—	—	—	—	—
Commercial business	48,270	6,331	22,721	1,063	78,385
Trade finance	—	—	—	—	—
Consumer and other	40,136	2,089	9,066	781	52,072
Subtotal	$512,615	$26,243	$107,506	$ 2,148	$648,512
Total	$5,221,685	$122,335	$221,875	$ 2,187	$5,568,082

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Reclassification to held for sale	(In thousands)			
Real estate - Commercial	$235	$—	$685	$34
Consumer	1,088	—	1,088	—
Total	$1,323	$—	$1,773	$34

The adequacy of the allowance for loan losses is determined by management based upon an evaluation and review of the credit quality of the loan portfolio, consideration of historical loan loss experience, relevant internal and external factors that affect the collection of a loan, and other pertinent factors.

Migration analysis is a formula methodology derived from the Bank's actual historical net charge off experience for each loan class (type) pool and risk grade. The migration analysis ("Migration Analysis") is centered on the Bank's internal credit risk rating system. Management's internal loan review and external contracted credit review examinations are used to determine and validate loan risk grades. This credit review system takes into consideration factors such as: borrower's background and experience; historical and current financial condition; credit history and payment performance; economic conditions and their impact on various industries; type, fair value and volatility of the fair value of collateral; lien position; and the financial strength of any guarantors.

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A general loan loss allowance is provided on loans not specifically identified as impaired ("non-impaired loans"). The Bank's general loan loss allowance has two components: quantitative and qualitative risk factors. The quantitative risk factors are based on a migration analysis methodology described above. The loans are classified by class and risk grade and the historical loss migration is tracked for the various classes. Loss experience is quantified for a specified period and then weighted to place more significance on the most recent loss history. That loss experience is then applied to the stratified portfolio at each quarter end. For ACILs, a general loan loss allowance is provided to the extent that there has been credit deterioration since the date of acquisition.

Additionally, in order to systematically quantify the credit risk impact of other trends and changes within the loan portfolio, the Bank utilizes qualitative adjustments to the Migration Analysis within established parameters. The parameters for making adjustments are established under a Credit Risk Matrix that provides seven possible scenarios for each of the factors below. The matrix allows for up to three positive (Major, Moderate, and Minor), three negative (Major, Moderate, and Minor), and one neutral credit risk scenarios within each factor for each loan type pool. However, if information exists to warrant adjustment to the Migration Analysis, changes are made in accordance with the established parameters supported by narrative and/or statistical analysis. The Credit Risk Matrix and the nine possible scenarios enable the Bank to qualitatively adjust the Loss Migration Ratio by as much as 50 basis points in either direction (positive or negative) for each loan type pool. This matrix considers the following nine factors, which are patterned after the guidelines provided under the FFIEC Interagency Policy Statement on the Allowance for Loan and Lease Losses:

- Changes in lending policies and procedures, including underwriting standards and collection, charge off, and recovery practices;
- Changes in national and local economic and business conditions and developments, including the condition of various market segments;
- Changes in the nature and volume of the loan portfolio;
- Changes in the experience, ability and depth of lending management and staff;
- Changes in the trends of the volume and severity of past due loans, Classified Loans, nonaccrual loans, troubled debt restructurings and other loan modifications;
- Changes in the quality of our loan review system and the degree of oversight by the Directors;
- Changes in the value of underlying collateral for collateral-dependent loans;
- The existence and effect of any concentrations of credit and changes in the level of such concentrations; and
- The effect of external factors, such as competition and legal and regulatory requirements, on the level of estimated losses in our loan portfolio.

The Company also establishes specific loss allowances for loans that have identified potential credit risk conditions or circumstances related to a specific individual credit. The specific allowance amounts are determined by a method prescribed by FASB ASC 310-10-35-22, Measurement of Impairment. The loans identified as impaired will be accounted for in accordance with one of the three acceptable valuation methods: 1) the present value of future cash flows discounted at the loan's effective interest rate; 2) the loan's observable market price; or 3) the fair value of the collateral, if the loan is collateral dependent. For the collateral dependent impaired loans, management obtains a new appraisal to determine the amount of impairment as of the date that the loan became impaired. The appraisals are based on an "as is" valuation. To ensure that appraised values remain current, management either obtains updated appraisals every twelve months from a qualified independent appraiser or an internal evaluation of the collateral is performed by qualified personnel. If the third party market data indicates that the value of the collateral property has declined since the most recent valuation date, management adjusts the value of the property downward to reflect current market conditions. If the fair value of the collateral is less than the recorded amount of the loan, management recognizes impairment by creating or adjusting an existing valuation allowance with a corresponding charge to the provision for loan losses. If an impaired loan is expected to be collected through liquidation of the underlying collateral, the loan is deemed to be collateral dependent and the amount of impairment is charged off against the allowance for loan losses.

The Company considers a loan to be impaired when it is probable that not all amounts due (principal and interest) will be collectible in accordance with the contractual terms of the loan agreement. 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 that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. The significance of payment delays and payment shortfalls is determined on a case-by-case basis by taking into consideration all of the circumstances surrounding the loan 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.

For commercial business loans, real estate loans and certain consumer loans, management bases the measurement of loan impairment on the present value of the expected future cash flows, discounted at the loan's effective interest rate or on the fair

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value of the loan's collateral if the loan is collateral dependent. Management evaluates most consumer loans for impairment on a collective basis because these loans generally have smaller balances and are homogeneous in the underwriting of terms and conditions and in the type of collateral.

For ACILs, the allowance for loan losses is based upon expected cash flows for these loans. To the extent that a deterioration in borrower credit quality results in a decrease in expected cash flows subsequent to the acquisition of the loans, an allowance for loan losses would be established based on an estimate of future credit losses over the remaining life of the loans.

The following table presents loans by portfolio segment and impairment method at June 30, 2015 and December 31, 2014:

	As of June 30, 2015						
	Real Estate—Residential	Real Estate—Commercial	Real Estate—Construction	Commercial Business	Trade Finance	Consumer and Other	Total
	(In thousands)						
Impaired loans (gross carrying value)	$—	$72,345	$—	$38,044	$6,670	$1,639	$118,698
Specific allowance	$—	$2,374	$—	$4,756	$320	$615	$8,065
Loss coverage ratio	N/A	3.3 %	N/A	12.5 %	4.8 %	37.5 %	6.8 %
Non-impaired loans	$36,706	$4,431,449	$104,901	$932,743	$108,257	$86,068	$5,700,124
General allowance	$247	$47,773	$593	$11,522	$1,440	$478	$62,053
Loss coverage ratio	0.7 %	1.1 %	0.6 %	1.2 %	1.3 %	0.6 %	1.1 %
Total loans	$36,706	$4,503,794	$104,901	$970,787	$114,927	$87,707	$5,818,822
Total allowance for loan losses	$247	$50,147	$593	$16,278	$1,760	$1,093	$70,118
Loss coverage ratio	0.7 %	1.1 %	0.6 %	1.7 %	1.5 %	1.2 %	1.2 %

	As of December 31, 2014						
	Real Estate—Residential	Real Estate—Commercial	Real Estate—Construction	Commercial Business	Trade Finance	Consumer and Other	Total
	(In thousands)						
Impaired loans (gross carrying value)	$—	$76,020	$1,521	$42,607	$5,936	$1,061	$127,145
Specific allowance	$—	$2,374	$—	$7,236	$1,312	$—	$10,922
	N/A	3.1 %	0.0 %	17.0 %	22.1 %	0.0 %	8.6 %

Loss coverage ratio							
Non-impaired loans	$21,415	$4,248,329	$92,565	$861,014	$128,826	$88,788	$5,440,937
General allowance	$146	$44,161	$667	$9,235	$2,144	$483	$56,836
Loss coverage ratio	0.7 %	1.0 %	0.7 %	1.1 %	1.7 %	0.5 %	1.0 %
Total loans	$21,415	$4,324,349	$94,086	$903,621	$134,762	$89,849	$5,568,082
Total allowance for loan losses	$146	$46,535	$667	$16,471	$3,456	$483	$67,758
Loss coverage ratio	0.7 %	1.1 %	0.7 %	1.8 %	2.6 %	0.5 %	1.2 %

Under certain circumstances, the Company provides borrowers relief through loan modifications. These modifications are either temporary in nature ("temporary modifications") or are more substantive. At June 30, 2015, total modified loans were $75.4 million, compared to $76.1 million at December 31, 2014. The temporary modifications generally consist of interest only

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payments for a three to six month period, whereby principal payments are deferred. At the end of the modification period, the remaining principal balance is re-amortized based on the original maturity date. Loans subject to temporary modifications are generally downgraded to Special Mention or Substandard. At the end of the modification period, the loan either 1) returns to the original contractual terms; 2) is further modified and accounted for as a troubled debt restructuring in accordance with ASC 310-10-35; or 3) is disposed of through foreclosure or liquidation.

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 on 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 Bank's internal underwriting policy.

A summary of TDRs on accrual and nonaccrual status by type of concession as of June 30, 2015 and December 31, 2014 is presented below:

	As of June 30, 2015								
	TDRs on Accrual				TDRs on Nonaccrual				
	Real Estate—Commercial	Commercial Business	Other	Total	Real Estate—Commercial	Commercial Business	Other	Total	Total
	(In thousands)								
Payment concession	$11,885	$465	$—	$12,350	$3,888	$4,454	$—	$8,342	$20,692
Maturity / Amortization concession	3,568	18,766	4,066	26,400	1,250	545	232	2,027	28,427
Rate concession	13,441	5,202	—	18,643	7,423	39	171	7,633	26,276
Principal forgiveness	—	—	—	—	—	11	—	11	11
	$28,894	$24,433	$4,066	$57,393	$12,561	$5,049	$403	$18,013	$75,406

	As of December 31, 2014								
	TDRs on Accrual				TDRs on Nonaccrual				
	Real Estate—Commercial	Commercial Business	Other	Total	Real Estate—Commercial	Commercial Business	Other	Total	Total
	(In thousands)								
Payment concession	$12,235	$556	$—	$12,791	$3,840	$517	$—	$4,357	$17,148
Maturity / Amortization concession	2,189	20,053	3,387	25,629	1,207	3,158	1,550	5,915	31,544
Rate concession	13,684	5,024	—	18,708	8,473	80	176	8,729	27,437
Principal forgiveness	—	—	—	—	—	15	—	15	15
	$28,108	$25,633	$3,387	$57,128	$13,520	$3,770	$1,726	$19,016	$76,144

TDRs on accrual status are comprised of loans that were accruing at the time of restructuring and for which the Bank anticipates full repayment of both principal and interest under the restructured terms. TDRs that are on nonaccrual status can be returned to accrual status after a period of sustained performance, generally determined to be six months of timely payments as modified. Sustained performance includes the periods prior to the modification if the prior performance met or exceeded the modified terms. TDRs on accrual status at June 30, 2015 were comprised of 25 commercial real estate loans totaling $28.9 million, 31 commercial business loans totaling $24.4 million, and 3 other loans totaling $4.1 million. TDRs on accrual status at December 31, 2014 were comprised of 24 commercial real estate loans totaling $28.1 million, 30 commercial business loans totaling $25.6 million and 3 other loans totaling $3.4 million. The Company expects that the TDRs on accrual status as of June 30, 2015, which were all performing in accordance with their restructured terms, to continue to comply with the restructured terms because of the reduced principal or interest payments on these loans. TDRs that were restructured at market interest rates and had sustained performance as agreed under the modified loan terms may be reclassified as non-TDRs after each year end but are reserved for under ASC 310-10.

The Company has allocated $5.9 million and $5.7 million of specific reserves to TDRs as of June 30, 2015 and December 31, 2014, respectively.

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The following table presents loans by class modified as TDRs that occurred during the three and six months ended June 30, 2015:

	Three Months Ended June 30, 2015			Six Months Ended June 30, 2015		
	Number of Loans	Pre-Modification	Post-Modification	Number of Loans	Pre-Modification	Post-Modification
	(Dollars in thousands)					
Legacy Loans:						
Real estate—commercial						
Retail	1	$255	$253	1	$255	$253
Hotel & motel	—	—	—	—	—	—
Gas station & car wash	—	—	—	1	142	131
Mixed use	—	—	—	—	—	—
Industrial & warehouse	—	—	—	—	—	—
Other	—	—	—	2	1,762	1,734
Real estate - construction	—	—	—	—	—	—
Commercial business	8	4,620	4,443	10	4,711	4,486
Trade finance	—	—	—	—	—	—
Consumer and other	—	—	—	—	—	—
Subtotal	9	$4,875	$4,696	14	$6,870	$6,604
Acquired Loans:						
Real estate—commercial						
Retail	—	$—	$—	—	$—	$—
Hotel & motel	—	—	—	—	—	—
Gas station & car wash	—	—	—	—	—	—
Mixed use	1	64	64	1	64	64
Industrial & warehouse	—	—	—	—	—	—
Other	—	—	—	—	—	—
Real estate—construction	—	—	—	—	—	—
Commercial business	—	—	—	—	—	—
Trade finance	—	—	—	—	—	—
Consumer and other	—	—	—	—	—	—
Subtotal	1	$64	$64	1	$64	$64
Total	10	$4,939	$4,760	15	$6,934	$6,668

The specific reserves for the TDRs that occurred during the three and six months ended June 30, 2015 totaled $2.4 million and $2.4 million, respectively, and there were $0 and $42 thousand in charge offs for the three and six months ended June 30, 2015, respectively.

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The following table presents loans by class for TDRs that have been modified within the previous twelve months and have subsequently had a payment default during the three and six months ended June 30, 2015:

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	Number of Loans	Balance	Number of Loans	Balance
	(Dollars In thousands)			
Legacy Loans:				
Real estate—commercial				
Retail	—	$—	—	$—
Gas station & car wash	1	131	1	131
Industrial & warehouse	1	21	1	21
Other	1	325	1	325
Commercial business	8	4,047	8	4,047
Subtotal	11	$4,524	11	$4,524
Acquired Loans:				
Real estate—commercial				
Retail	—	$—	—	$—
Gas station & car wash	—	—	—	—
Hotel & motel	—	—	—	—
Industrial & warehouse	—	—	—	—
Other	—	—	—	—
Commercial business	1	31	1	31
Subtotal	1	$31	1	$31
	12	$4,555	12	$4,555

A loan is considered to be in payment default once it is 30 days contractually past due under the modified terms. As of June 30, 2015, the specific reserves totaled $2.4 million and $2.4 million for the TDRs that had payment defaults during the three and six months ended June 30, 2015, respectively. The total charge offs for the TDRs that had payment defaults during the three and six months ended June 30, 2015 were $0 and $0, respectively.

There were eleven Legacy Loans that subsequently defaulted during the three and six months ended June 30, 2015 that were modified as follows: eight Commercial Business loan totaling $4.0 million were modified through payment concessions, two Real Estate Commercial loans totaling $152 thousand were modified through payment concessions, and one Real Estate Commercial loan totaling $325 thousand was modified through maturity concession.

There was one Acquired Loan that defaulted during the three and six months ended June 30, 2015 that was modified as follows: one Commercial Business loan totaling $31 thousand was modified through payment concession.

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Covered Assets

On April 16, 2010, the Department of Financial Institutions closed Innovative Bank, California, and appointed the FDIC as its receiver. On the same date, the Bank assumed the banking operations of Innovative Bank from the FDIC under a purchase and assumption agreement and two related loss sharing agreements with the FDIC. These agreements provide for the sharing of losses and recoveries on the covered assets. The loss sharing provisions of the agreements expired on June 30, 2015, however, the Company will continue to reimburse the FDIC for recoveries on its covered assets until June 30, 2018.

Covered nonperforming assets totaled $2.1 million and $1.5 million at June 30, 2015 and December 31, 2014, respectively. These covered nonperforming assets are subject to the loss sharing agreements with the FDIC. The covered nonperforming assets at June 30, 2015 and December 31, 2014 were as follows:

	June 30, 2015	December 31, 2014
	(In thousands)	
Covered loans on nonaccrual status	$1,172	$1,355
Covered OREO	956	96
Total covered nonperforming assets	$2,128	$1,451
Acquired covered loans	$27,259	$32,560

Related Party Loans

In the ordinary course of business, the Company enters into loan transactions with certain of its directors or associates of such directors (“Related Parties”). The loans to Related Parties are on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties. In management’s opinion, these transactions did not involve more than normal credit risk or present other unfavorable features. All loans to Related Parties were current as of June 30, 2015 and December 31, 2014, and the outstanding principal balance as of June 30, 2015 and December 31, 2014 was $3.6 million and $3.7 million, respectively.

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7. Borrowings

The Company maintains a secured credit facility with the FHLB against which the Bank may take advances. The borrowing capacity is limited to the lower of 30% of the Bank's total assets or the Bank's collateral capacity, which was $2.23 billion at June 30, 2015 and $2.17 billion at December 31, 2014. The terms of this credit facility require the Company to pledge eligible collateral with the FHLB equal to at least 100% of outstanding advances.

At June 30, 2015 and December 31, 2014, real estate secured loans with a carrying amount of approximately $2.96 billion and $2.89 billion, respectively, were pledged as collateral for borrowings from the FHLB. At June 30, 2015 and December 31, 2014, other than FHLB stock, no securities are pledged as collateral for borrowings from the FHLB.

At June 30, 2015 and December 31, 2014, FHLB advances were $580.8 million and $481.0 million, respectively, had a weighted average interest rate of 1.05% and 1.09%, respectively, and had various maturities through June 2020. At June 30, 2015 and December 31, 2014, $20.8 million and $21.0 million, respectively, of the advances were putable advances with various putable dates and strike prices. The stated rate of FHLB advances as of June 30, 2015 ranged between 0.21% and 2.02%. At June 30, 2015, the Company had a remaining borrowing capacity of $1.65 billion.

At June 30, 2015, the contractual maturities for FHLB advances were as follows:

	Contractual Maturities	Maturity/ Put Date
	(In thousands)	
Due within one year	$165,000	$185,785
Due after one year through five years	415,785	395,000
	$580,785	$580,785

In addition, as a member of the FRB system, the Bank may also borrow from the FRB of San Francisco. The maximum amount that the Bank may borrow from the FRB's discount window is up to 95% of the outstanding principal balance of the qualifying loans and the fair value of the securities that are pledged. At June 30, 2015, the outstanding principal balance of the qualifying loans was $697.7 million, and the collateral value of investment securities was $1.3 million. There were no borrowings outstanding against this line as of June 30, 2015 and December 31, 2014.

8. Subordinated Debentures

At June 30, 2015, the Company had five wholly-owned subsidiary grantor trusts that had issued $46 million of pooled trust preferred securities. Trust preferred securities accrue and pay distributions periodically at specified annual rates as provided in the indentures. The trusts used the net proceeds from the offering to purchase a like amount of subordinated debentures (the "Debentures") of BBCN Bancorp. The Debentures are the sole assets of the trusts. The Company's obligations under the subordinated debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company of the obligations of the trusts. The trust preferred securities are mandatorily redeemable upon the maturity of the Debentures, or upon earlier redemption as provided in the indentures. The Company has the right to redeem the Debentures in whole (but not in part) on or after specific dates, at a redemption price specified in the indentures plus any accrued but unpaid interest to the redemption date. The Company also has a right to defer consecutive payments of interest on the debentures for up to five years.

The following table is a summary of trust preferred securities and Debentures at June 30, 2015:

Issuance Trust	Issuance Date	Trust Preferred Security Amount	Carrying Value of Subordinated Debentures	Rate Type	Current Rate		Maturity Date
		(Dollars in thousands)					
Nara Capital Trust III	6/5/2003	$5,000	$ 5,155	Variable	3.44	%	6/15/2033
Nara Statutory Trust IV	12/22/2003	5,000	5,155	Variable	3.13	%	1/7/2034
Nara Statutory Trust V	12/17/2003	10,000	10,310	Variable	3.23	%	12/17/2033

Nara Statutory Trust VI	3/22/2007	8,000	8,248	Variable	1.94	%	6/15/2037
Center Capital Trust I	12/30/2003	18,000	13,373	Variable	3.13	%	1/7/2034
TOTAL ISSUANCE		$46,000	$ 42,241				

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The Company’s investment in the common trust securities of the issuer trusts of $1.5 million and $1.6 million at June 30, 2015 and December 31, 2014, respectively, is included in other assets. Although the subordinated debt issued by the trusts are not included as a component of stockholders' equity in the consolidated balance sheets, the debt is treated as capital for regulatory purposes. The trust preferred security debt issuances are includable in Tier I capital up to a maximum of 25% of capital on an aggregate basis. Any amount that exceeds 25% qualifies as Tier 2 capital.

9. Derivative Financial Instruments

The Company offers a loan hedging program to certain loan customers. Through this program, the Company originates a variable rate loan with the customer. The Company and the customer will then enter into a fixed interest rate swap. Lastly, an identical offsetting swap is entered into by the Company with a correspondent bank. These “back to back” swap arrangements are intended to offset each other and allow the Company to book a variable rate loan, while providing the customer with a contract for fixed interest payments. In these arrangements, the Company’s net cash flow is equal to the interest income received from the variable rate loan originated with the customer. These customer swaps are not designated as hedging instruments and are recorded at fair value in other assets and other liabilities. The changes in fair value are recognized in the income statement in other income and fees.

At June 30, 2015, the following interest rate swaps related to our loan hedging program were outstanding:

	As of June 30, 2015	
Interest rate swaps on loans with loan customers		
Notional amount (in thousands)	$83,848	
Weighted average remaining term	7.5 years	
Received fixed rate (weighted average)	4.44	%
Pay variable rate (weighted average)	2.55	%
Estimated fair value (in thousands)	$1,127	
Back to back interest rate swaps with correspondent banks		
Notional amount (in thousands)	$83,848	
Weighted average remaining term	7.5 years	
Received variable rate (weighted average)	2.55	%
Pay fixed rate (weighted average)	4.44	%
Estimated fair value (in thousands)	$(1,127	)

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10. Intangible Assets

The carrying amount of the Company's goodwill as of June 30, 2015 and December 31, 2014 was $105.4 million. There was no impairment of goodwill during the three and six months periods ended June 30, 2015 and 2014.

Core deposit intangible assets are amortized over their estimated lives, which range from seven to ten years. Amortization expense related to core deposit intangible assets totaled $267 thousand and $324 thousand for the three months ended June 30, 2015 and 2014, respectively. The amortization expense related to core deposit intangible assets totaled $534 thousand and $648 thousand for the six months ended June 30, 2015 and 2014, respectively. The following table provides information regarding the core deposit intangibles at June 30, 2015:

		As of June 30, 2015	
	Amortization period	Gross Carrying Amount	Accumulated Amortization
		(In thousands)	
Core deposit—Center Financial Corporation acquisition	7 years	$4,100	$(2,971)
Core deposit—PIB acquisition	7 years	603	(324)
Core deposit—Foster acquisition	10 years	2,763	(817)
Total		$7,466	$(4,112)

Servicing assets are recognized when SBA loans are sold with servicing retained with the income statement effect recorded in gains on sales of SBA loans. Servicing assets are initially recorded at fair value 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. The Company's servicing costs approximates the industry average servicing costs of 40 basis points. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Management periodically evaluates servicing assets for impairment based upon the fair value of the rights as compared to the carrying amount. Impairment is determined by stratifying rights into groupings based on loan type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount.

The changes in servicing assets for the three and six months ended June 30, 2015 and 2014 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(In thousands)			
Balance at beginning of period	$10,529	$9,123	$10,341	$8,915
Additions through originations of servicing assets	1,144	858	2,189	1,672
Amortization	(738)	(957)	(1,595)	(1,563)
Balance at end of period	$10,935	$9,024	$10,935	$9,024

The Company utilizes the discounted cash flow method to calculate the initial excess servicing assets. The inputs used in determining the fair value of the servicing assets at June 30, 2015 and December 31, 2014 are presented below.

	June 30, 2015	December 31, 2014
	Range	Range
Weighted-average discount rate	5.32% ~ 5.92%	5.44% ~ 5.74%
Constant prepayment rate	7.00% ~ 11.90%	8.80% ~12.40%

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11. Income Taxes

The Company and its subsidiaries are subject to U.S. federal income tax, as well as state income taxes. The Company had total unrecognized tax benefits of $1.8 million and $1.8 million at June 30, 2015 and December 31, 2014, respectively, that relate primarily to uncertainties in California enterprise zone loan interest deductions.

Management believes it is reasonably possible that the unrecognized tax benefits may decrease by approximately $200 thousand in the next twelve months.

The statute of limitations related to the consolidated Federal income tax returns is closed for all tax years up to and including 2009. The expiration of the statute of limitations related to the various state income and franchise tax returns varies by state. The Company is currently under examination by the Internal Revenue Service (IRS) for the 2011 tax year and by the California Franchise Tax Board (FTB) for the 2009 and 2010 tax years. While the outcome of the examinations is unknown, the Company expects no material adjustments. The Company recognizes interest and penalties related to income tax matters in income tax expense. The Company recorded approximately $125 thousand and $96 thousand for accrued interest and penalties at June 30, 2015 and December 31, 2014, respectively.

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 recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. In assessing the realization of deferred tax assets, management evaluates both positive and negative evidence, including the existence of any cumulative losses in the current year and the prior two years, the amount of taxes paid in available carry-back years, the forecasts of future income, applicable tax planning strategies, and assessments of current and future economic and business conditions. This analysis is updated quarterly and adjusted as necessary. Based on the analysis, the Company has determined that a valuation allowance for deferred tax assets was not required as of June 30, 2015.

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12. Fair Value Measurements

Accounting guidance 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 standard 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 estimates of assumptions that market participants would use in pricing the asset or liability.

Securities Available for Sale

The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a 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).

The fair values of the Company's Level 3 securities available for sale were measured using an income approach valuation technique. The primary inputs and assumptions used in the fair value measurement were derived from the securities' underlying collateral, which included discount rates, prepayment speeds, payment delays, and an assessment of the risk of default of the underlying collateral, among other factors. Significant increases or decreases in any of the inputs or assumptions would result in a significant increase or decrease in the fair value measurement.

Impaired Loans

The fair values of impaired loans are generally measured for impairment using the practical expedients permitted by FASB ASC 310-10-35 including impaired loans measured at an observable market price (if available), or at the fair value of the loan's collateral (if the loan is collateral dependent). Fair value of the loan's collateral, when the loan is dependent on collateral, is determined by appraisals or independent valuation and result in a Level 2 classification.

OREO

OREO is fair valued at the time the loan is foreclosed upon and the asset is transferred to OREO. The value is based primarily on third party appraisals, less costs to sell and result in a Level 2 classification of the inputs for determining fair value. OREO is reviewed and evaluated on at least an annual basis for additional impairment and adjusted to lower of cost or market accordingly, based on the same factors identified above.

Loans held for sale

Loans held for sale are carried at the lower of cost or fair value, as determined by outstanding commitments from investors, or based on recent comparable sales (Level 2 inputs), if available, and if not available, are based on discounted cash flows using current market rates applied to the estimated life and credit risk (Level 3 inputs) or may be assessed based upon the fair value of the collateral, which is obtained from recent real estate appraisals (Level 3 inputs). These appraisals may utilize a single valuation approach or a combination of approaches including 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 Level 3 classification of the inputs for determining fair value.

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Assets and liabilities measured at fair value on a recurring basis are summarized below:

	June 30, 2015	Fair Value Measurements at the End of the Reporting Period Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Assets:				
Securities available for sale:				
GSE collateralized mortgage obligations	$362,153	$—	$362,153	$—
GSE mortgage-backed securities	452,327	—	452,327	—
Trust preferred securities	3,963	—	3,963	—
Municipal bonds	39,669	—	38,523	1,146
Mutual funds	17,293	17,293	—	—

	December 31, 2014	Fair Value Measurements at the End of the Reporting Period Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Assets:				
Securities available for sale:				
GSE collateralized mortgage obligations	$302,774	$—	$302,774	$—
GSE mortgage-backed securities	465,489	—	465,489	—
Trust preferred securities	3,987	—	3,987	—
Municipal bonds	6,930	—	5,752	1,178
Mutual funds	17,343	17,343	—	—

There were no transfers between Level 1, 2 and 3 during the three and six months ended June 30, 2015 and 2014. There were no gains or losses recognized in earnings during the three months ended June 30, 2015 and 2014. For the six months ended June 30, 2015 and 2014, there were $424 thousand and $0 gains in gains recorded in earnings, respectively.

The table below presents a reconciliation and income statement classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the six months ended June 30, 2015:

	Six Months Ended June 30,	
	2015	2014
	(In thousands)	
Beginning Balance, January 1	$1,178	$1,112
Purchases, issuances and settlements	—	—

Amortization	—	—
Total gains or (losses) included in earnings	—	—
Total gains or (losses) included in other comprehensive income	(32)	29
Ending Balance, June 30	$1,146	$1,141

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Assets measured at fair value on a non-recurring basis are summarized below:

	June 30, 2015	Fair Value Measurements at the End of the Reporting Period Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Assets:				
Impaired loans at fair value:				
Real estate loans	$38,705	$—	$38,705	$—
Commercial business	7,546	—	7,546	—
Trade finance	1,654	—	1,654	—
Consumer	573	—	573	—
Loans held for sale, net	699	—	699	—
OREO	3,844	—	3,844	—

	December 31, 2014	Fair Value Measurements at the End of the Reporting Period Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Assets:				
Impaired loans at fair value:				
Real estate loans	$43,708	$—	$43,708	$—
Commercial business	4,114	—	4,114	—
Trade Finance	1,883	—	1,883	—
Consumer	596	—	596	—
Loans held for sale, net	2,000	—	2,000	—
OREO	17,985	—	17,985	—

For assets measured at fair value on a non-recurring basis, the total net gains (losses), which include charge offs, recoveries, specific reserves, and gains and losses on sales recognized are summarized below:

	For the Three Months ended June 30,		For the Six Months ended June 30,	
	2015	2014	2015	2014
	(In thousands)			
Assets:				
Impaired loans at fair value:				
Real estate loans	$(89)	$212	$445	$1,916
Commercial business	1,650	(242)	2,924	(3,416)
Trade Finance	315	(1,537)	5	(2,196)

Consumer	712	195	700	149
Loans held for sale, net	45	—	227	—
OREO	325	(320)	814	(330)

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Fair Value of Financial Instruments

Carrying amounts and estimated fair values of financial instruments, not previously presented, at June 30, 2015 and December 31, 2014 were as follows:

	June 30, 2015		
	Carrying Amount	Estimated Fair Value	Fair Value Measurement Using
	(In thousands)		
Financial Assets:			
Cash and cash equivalents	$321,266	$321,266	Level 1
Loans held for sale	33,785	35,439	Level 2
Loans receivable—net	5,745,706	6,097,107	Level 3
Customers' liabilities on acceptances	1,359	1,359	Level 2
Financial Liabilities:			
Noninterest bearing deposits	$1,689,137	$1,689,137	Level 2
Saving and other interest bearing demand deposits	1,812,972	1,812,972	Level 2
Time deposits	2,256,181	2,262,634	Level 2
FHLB advances	580,785	582,562	Level 2
Subordinated debentures	42,241	44,036	Level 2
Bank's liabilities on acceptances outstanding	1,359	1,359	Level 2

	December 31, 2014		
	Carrying Amount	Estimated Fair Value	Fair Value Measurement Using
	(In thousands)		
Financial Assets:			
Cash and cash equivalents	$462,160	$462,160	Level 1
Loans held for sale	28,311	29,626	Level 2
Loans receivable—net	5,497,434	5,826,924	Level 3
Customers' liabilities on acceptances	1,889	1,889	Level 2
Financial Liabilities:			
Noninterest bearing deposits	$1,543,018	$1,543,018	Level 2
Saving and other interest bearing demand deposits	1,862,060	1,862,060	Level 2
Time deposits	2,288,374	2,292,831	Level 2
FHLB advances	480,975	481,290	Level 2
Subordinated debentures	42,158	43,987	Level 2
Bank's liabilities on acceptances outstanding	1,889	1,889	Level 2

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

The carrying amount is the estimated fair value for cash and cash equivalents, savings and other interest bearing demand deposits, accrued interest receivable and payable, customer's and Bank's liabilities on acceptances, noninterest bearing deposits, short-term debt, secured borrowings and variable rate loans or deposits that reprice frequently and fully. For fixed rate loans or deposits and for variable rate loans or deposits with infrequent repricing or repricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life and credit risk. The allowance for loan losses is considered to be a reasonable estimate of discount for credit quality concerns. Fair value of SBA loans held for sale is based on market quotes. For fair value of non-SBA loans held for sale, see the measurement method discussed previously. Fair value of time deposits and debt is based on current rates for similar financing. It was not practicable to determine the fair value of FRB stock or FHLB stock due to restrictions placed on their transferability. The fair value of commitments to fund loans represents fees currently charged to enter into similar agreements with similar remaining maturities and is not presented herein. The fair value of these financial instruments is not material to the consolidated financial statements.

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13. Stockholders’ Equity

In June 2012, the Company redeemed all of the Fixed Rate Cumulative Perpetual Preferred Stock issued under the U.S. Treasury Department's TARP Capital Purchase Program.

The Company assumed certain warrants (related to the TARP Capital Purchase Plan) to purchase shares of the Company's common stock. On May 20, 2015, the U.S. Treasury Department completed an auction to sell certain of its warrant positions, and the Company submitted the winning bid to repurchase an outstanding warrant to purchase 350,767 shares of the Company's common stock. The Company repurchased this warrant for $1.2 million. As of June 30, 2015, the U.S. Treasury Department held one remaining warrant for the purchase of 19,014 shares of the Company's common stock.

The Company's Board of Directors declared quarterly dividends of $0.11 per common share for the second quarter of 2015 and $0.075 per common share for the second quarter of 2014.

The following table presents the components of accumulated other comprehensive (loss) income, net at June 30, 2015 and December 31, 2014:

	June 30, 2015		December 31, 2014
	(In thousands)		
Net unrealized (loss) gain on securities available for sale	$(445	)	$1,631
Net unrealized gain on interest-only strips	70		74
Total accumulated other comprehensive (loss) income, net	$(375	)	$1,705

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14. Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by the federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material and adverse effect on the Company's and the Bank's financial statements, such as restrictions on growth or the payment of dividends or other capital distributions or management fees. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Prompt corrective action provisions are not applicable to bank holding companies.
In July, 2013, the federal bank regulatory agencies adopted final regulations, which revised their risk-based and leverage capital requirements for banking organizations to meet requirements of Dodd-Frank and to implement Basel III international agreements reached by the Basel Committee. The final rules began for the Company and the Bank on January 1, 2015 and are subject to a phase-in period through January 1, 2019. The final rules that had an impact on the Company and the Bank include:

- An increase in the minimum Tier 1 capital ratio from 4.00% to 6.00% of risk-weighted assets;
- A new category and a required 4.50% of risk-weighted assets ratio is established for "common equity Tier 1" as a subset of Tier 1 capital limited to common equity;
- A minimum non-risk-based leverage ratio is set at 4.00%, eliminating a 3.00% exception for higher rated banks;
- Changes in the permitted composition of Tier 1 capital to exclude trust preferred securities, mortgage servicing rights and certain deferred tax assets and include unrealized gains and losses on available for sale debt and equity securities;
- The risk-weights of certain assets for purposes of calculating the risk-based capital ratios are changed for high volatility commercial real estate acquisition, development and construction loans, certain past due non-residential mortgage loans and certain mortgage-backed and other securities exposures; and
- A new additional capital conservation buffer of 2.5% of risk weighted assets over each of the required capital ratios will be phased in from 2016 to 2019 and must be met to avoid limitations on the ability of the Bank to pay dividends, repurchase shares or pay discretionary bonuses.

Management believes that the capital ratios for the Company and the Bank under Basel III will continue to exceed the well capitalized minimum capital requirements. As of June 30, 2015, the ratios for the Company and the Bank are sufficient to meet the fully phased-in conservation buffer.
As of June 30, 2015 and December 31, 2014, the most recent regulatory notification categorized the Bank as "well-capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well-capitalized", the Bank must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table below. There are no conditions or events since the notification that management believes have changed the Bank's category.

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The Company's and the Bank's actual capital amounts and ratios are presented in the table below:

	Actual			Required For Capital Adequacy Purposes			Required To Be Well Capitalized under Prompt Corrective Action Provisions		
	Amount	Ratio		Amount	Ratio		Amount	Ratio	
	(Dollars in thousands)								
As of June 30, 2015									
Common equity tier 1 capital (to risk weighted assets):									
Company	$802,821	12.58	%	$287,124	4.50	%	N/A	N/A	
Bank	$833,935	13.08	%	$286,883	4.50	%	$414,387	6.50	%
Total capital (to risk-weighted assets):									
Company	$915,181	14.34	%	$510,443	8.00	%	N/A	N/A	
Bank	$905,479	14.20	%	$510,014	8.00	%	$637,518	10.00	%
Tier I capital (to risk-weighted assets):									
Company	$843,637	13.22	%	$382,832	6.00	%	N/A	N/A	
Bank	$833,935	13.08	%	$382,511	6.00	%	$510,014	8.00	%
Tier I capital (to average assets):									
Company	$843,637	11.80	%	$286,052	4.00	%	N/A	N/A	
Bank	$833,935	11.67	%	$285,903	4.00	%	$357,379	5.00	%

	Actual			Required For Capital Adequacy Purposes			Required To Be Well Capitalized under Prompt Corrective Action Provisions		
	Amount	Ratio		Amount	Ratio		Amount	Ratio	
	(Dollars in thousands)								
As of December 31, 2014									
Total capital (to risk-weighted assets):									
Company	$881,794	14.80	%	$476,490	8.00	%	N/A	N/A	
Bank	$869,343	14.61	%	$476,101	8.00	%	$595,126	10.00	%
Tier I capital (to risk-weighted assets):									
Company	$812,464	13.64	%	$238,245	4.00	%	N/A	N/A	
Bank	$800,013	13.44	%	$238,050	4.00	%	$357,076	6.00	%
Tier I capital (to average assets):									
Company	$812,464	11.62	%	$279,709	4.00	%	N/A	N/A	
Bank	$800,013	11.45	%	$279,585	4.00	%	$349,481	5.00	%

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A)
The following discussion and analysis should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2014 and the unaudited consolidated financial statements and notes set forth elsewhere in this report.

GENERAL
Selected Financial Data
The following tables sets forth a performance overview concerning the periods indicated and should be read in conjunction with the unaudited consolidated financial statements and the following Results of Operations and Financial Condition sections in the MD&A.

	At or for the Three Months Ended June 30,		At or for the Six Months Ended June 30,	
	2015	2014	2015	2014
	(Dollars in thousands, except share and per share data)			
Income Statement Data:				
Interest income	$77,075	$76,453	$151,629	$149,806
Interest expense	9,684	8,963	19,115	17,351
Net interest income	67,391	67,490	132,514	132,455
Provision for loan losses	1,000	2,996	2,500	6,022
Net interest income after provision for loan losses	66,391	64,494	130,014	126,433
Noninterest income	10,568	10,492	21,773	21,587
Noninterest expense	38,698	37,739	77,932	74,013
Income before income tax provision	38,261	37,247	73,855	74,007
Income tax provision	15,320	14,935	29,556	29,499
Net income	$22,941	$22,312	$44,299	$44,508
Per Share Data:				
Earnings per common share - basic	$0.29	$0.28	$0.56	$0.56
Earnings per common share - diluted	$0.29	$0.28	$0.56	$0.56
Book value per common share (period end, excluding warrants) [8]	$11.42	$10.72	$11.42	$10.72
Cash dividends declared per common share	$0.11	$0.075	$0.21	$0.15
Tangible book value per common share (period end, excluding warrants) [8] [10]	$10.05	$9.34	$10.05	$9.34
Number of common shares outstanding (period end)	79,550,403	79,493,732	79,550,403	79,493,732
Weighted average shares - basic	79,549,097	79,490,767	79,539,789	79,481,359
Weighted average shares - diluted	79,608,405	79,614,046	79,610,656	79,618,446
Tangible common equity ratio [8]	11.07 %	10.99 %	11.07 %	10.99 %
Statement of Financial Condition Data - at Period End:				
Assets	$7,333,319	$6,866,291	$7,333,319	$6,866,291
Securities available for sale	875,405	746,683	875,405	746,683
Loans receivable	5,815,824	5,347,057	5,815,824	5,347,057
Deposits	5,758,290	5,470,388	5,758,290	5,470,388
FHLB advances	580,785	461,166	580,785	461,166
Subordinated debentures	42,241	42,076	42,241	42,076

Stockholders’ equity	908,588	852,609	908,588	852,609

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	At or for the Three Months Ended June 30,				At or for the Six Months Ended June 30,			
	2015		2014		2015		2014	
	(Dollars in thousands)							
Average Balance Sheet Data:								
Assets	$7,264,687		$6,821,827		$7,213,533		$6,674,506	
Securities available for sale	819,820		721,270		801,166		710,163	
Loans receivable and loans held for sale	5,742,153		5,289,059		5,680,364		5,236,721	
Deposits	5,786,213		5,450,585		5,745,023		5,320,402	
Stockholders' equity	906,310		842,837		898,302		831,155	
Selected Performance Ratios:								
Return on average assets [(1)]	1.26	%	1.31	%	1.23	%	1.33	%
Return on average stockholders' equity[(1)]	10.13	%	10.59	%	9.86	%	10.71	%
Average stockholders' equity to average assets	12.48	%	12.36	%	12.45	%	12.45	%
Return on average tangible equity [(1)] [(9)]	11.51	%	12.18	%	11.23	%	12.35	%
Dividend payout ratio (dividends per share / earnings per share)	37.93	%	26.79	%	37.50	%	26.79	%
Efficiency ratio [(2)]	49.64	%	48.39	%	50.51	%	48.05	%
Net interest spread	3.64	%	3.95	%	3.63	%	4.00	%
Net interest margin [(3)]	3.91	%	4.20	%	3.89	%	4.24	%
Regulatory Capital Ratios [(4)]								
Leverage capital ratio [(5)]	11.80	%	11.66	%	11.80	%	11.66	%
Tier 1 risk-based capital ratio	13.22	%	13.71	%	13.22	%	13.71	%
Total risk-based capital ratio	14.34	%	14.90	%	14.34	%	14.90	%
Common equity tier 1 capital ratio [(11)]	12.58	%	12.99	%	12.58	%	12.99	%
Asset Quality Ratios:								
Allowance for loan losses to loans receivable	1.21	%	1.25	%	1.21	%	1.25	%
Allowance for loan losses to nonaccrual loans	176.70	%	156.78	%	176.70	%	156.78	%
Allowance for loan losses to nonperforming loans[(6)]	71.98	%	77.26	%	71.98	%	77.26	%
Allowance for loan losses to nonperforming assets[(7)]	59.63	%	62.40	%	59.63	%	62.40	%
Nonaccrual loans to loans receivable	0.68	%	0.80	%	0.68	%	0.80	%
Nonperforming loans to loans receivable [(6)]	1.67	%	1.62	%	1.67	%	1.62	%
Nonperforming assets to loans receivable and OREO [(7)]	2.01	%	2.00	%	2.01	%	2.00	%
Nonperforming assets to total assets [(7)]	1.60	%	1.56	%	1.60	%	1.56	%

(1) Annualized.

(2) Efficiency ratio is defined as noninterest expense divided by the sum of net interest income before provision for loan losses and noninterest income.

(3) Net interest margin is calculated by dividing annualized net interest income by average total interest earning assets.

(4) The ratios generally required to meet the definition of a "well-capitalized" institution under certain banking regulations are 5% leverage capital, 8% tier I risk-based capital, 10% total risk-based capital, and 6.5% common equity tier 1 capital.

(5) Calculations are based on average quarterly asset balances.

(6) Nonperforming loans include nonaccrual loans, Legacy Loans and APLs past due 90 days or more and still accruing interest, and accruing restructured loans.

(7) Nonperforming assets consist of nonperforming loans and OREO.

(8)

Excludes TARP preferred stock related stock warrants of $0 and $378 thousand at June 30, 2015 and 2014, respectively.

(9) Average tangible equity is calculated by subtracting average goodwill and average core deposit intangibles assets from average stockholders' equity. This is a non-GAAP measure that we believe provides investors with information that is useful in understanding our financial performance and position.

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(Dollars in thousands)			
Net income	$22,941	$22,312	$44,299	$44,508
Average stockholders' equity	$906,310	$842,837	$898,302	$831,155
Less: Average goodwill and core deposit intangible assets, net	(108,916)	(110,138)	(109,044)	(110,299)
Average tangible equity	$797,394	$732,699	$789,258	$720,856
Net income (annualized) to average tangible equity	11.51 %	12.18 %	11.23 %	12.35 %

(10) Tangible book value per common share is calculated by subtracting goodwill and core deposit intangible assets from total stockholders' equity and dividing the difference by the number of shares of common stock outstanding. This is a non-GAAP measure that we believe provides investors with information that is useful in understanding our financial performance and position.

	June 30, 2015	June 30, 2014
	(In thousands, except per share data)	
Total stockholders' equity	$908,588	$852,609
Less: Common stock warrant	—	(378)
Goodwill and core deposit intangible assets, net	(108,755)	(109,936)
Tangible common equity	$799,834	$742,295
Common shares outstanding	79,550,403	79,493,732
Tangible book value per common share	$10.05	$9.34

(11) The Common equity tier 1 capital ratio is calculated by dividing Tier 1 capital less non-common elements, including perpetual preferred stock and related surplus, minority interest in subsidiaries, trust preferred securities and mandatory convertible preferred securities by total risk-weighted assets less the disallowed allowance for loan losses.

	June 30, 2015	June 30, 2014
	(Dollars in thousands)	
Tier 1 capital	$843,637	$783,006
Less: Trust preferred securities less unamortized acquisition discount	(40,816)	(40,651)
Common equity tier 1 capital	$802,821	$742,355
Total risk weighted assets less disallowed allowance for loan losses	$6,380,538	$5,713,242
Common equity tier 1 capital ratio	12.58 %	12.99 %

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Results of Operations
Overview
Total assets increased $193.0 million from $7.14 billion at December 31, 2014 to $7.33 billion at June 30, 2015. The increase in total assets was primarily due to a $248.3 million increase in loans receivable, net of allowance for loan losses, from $5.50 billion at December 31, 2014 to $5.75 billion at June 30, 2015. The increase in total assets was also related to the increase in securities available for sale of $78.9 million to $875.4 million at June 30, 2015 and the increase in other assets of $10.0 million to $30.4 million at June 30, 2015. The increase in assets was primarily offset by a $162.3 million decrease in cash and cash equivalents from $462.2 million at December 31, 2014 to $321.3 million at June 30, 2015. The increase in total assets was primarily funded by a $99.8 million increase in FHLB borrowings from $481.0 million at December 31, 2014 to $580.8 million at June 30, 2015. The increase in total assets was also funded by a $64.8 million increase in total deposits to $5.76 billion at June 30, 2015 and net income of $44.3 million for the six months ended June 30, 2015.
Net income for the second quarter of 2015 was $22.9 million, or $0.29 per diluted common share, compared to $22.3 million, or $0.28 per diluted common share, for the same period of 2014, which was an increase of $0.6 million, or 2.82%. The increase in net income was primarily due to a decrease in the provision for loan losses of $2.0 million which was primarily offset by an increase in noninterest expense of $959 thousand.
Net income for the six months ended June 30, 2015 was $44.3 million, or $0.56 per diluted common share, compared to $44.5 million, or $0.56 per diluted common share, for the same period of 2014, a decrease of $200 thousand, or 0.47%. The decrease in net income was primarily due to the increase in noninterest expense of $3.9 million which was primarily offset by the decrease in the provision for loan losses of $3.5 million.
Net income for the three and six months ended June 30, 2015 and 2014 was impacted by the accretion of discounts and the amortization of premiums relating to past acquisitions. The following table summarizes the accretion and amortization adjustments that are included within net income for the three and six months period ended June 30, 2015 and June 30, 2014:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(Dollars in thousands)			
Accretion of discounts on acquired performing loans	$2,515	$4,575	$4,698	$7,778
Accretion of discounts on acquired credit impaired loans	1,694	2,096	3,249	4,741
Amortization of premiums on assumed FHLB advances	95	94	189	186
Accretion of discounts on assumed subordinated debt	(42)	(40)	(82)	(131)
Amortization of premiums on assumed time deposits	49	231	124	544
Amortization of core deposit intangible assets	(267)	(324)	(534)	(648)
Total	$4,044	$6,632	$7,644	$12,470

The annualized return on average assets was 1.26% for the second quarter of 2015, compared to 1.31% for the same period of 2014. The annualized return on average stockholders' equity was 10.13% for the second quarter of 2015 compared to 10.59% for the same period of 2014. The efficiency ratio was 49.64% for the second quarter of 2015 compared to 48.39% for the same period of 2014.
The annualized return on average assets was 1.23% for the six months ended June 30, 2015, compared to 1.33% for the same period of 2014. The annualized return on average stockholders' equity was 9.86% for the six months ended June 30, 2015 compared to 10.71% for the same period of 2014. The efficiency ratio was 50.51% for the six months ended June 30, 2014 compared to 48.05% for the same period of 2014.

Net Interest Income and Net Interest Margin

Net Interest Income

A principal component of our earnings is net interest income, which is the difference between the interest and fees earned on loans and investments and the interest paid on deposits and borrowed funds. Net interest income expressed as a percentage of average interest earning assets is referred to as the net interest margin. The net interest spread is the yield on average interest earning assets less the cost of average interest bearing liabilities. Net interest income is affected by changes in the balances of

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interest earning assets and interest bearing liabilities and changes in the yields earned on interest earning assets and the rates paid on interest bearing liabilities.

Comparison of Three Months Ended June 30, 2015 with the Same Period of 2014

Net interest income before provision for loan losses was flat at $67.4 million for the second quarter of 2015 compared to $67.5 million for the same period of 2014 as interest income and interest expense increased by $622 thousand and $721 thousand, respectively, during the period.

Interest income for the second quarter of 2015 was $77.1 million, an increase of 0.78%, compared to $76.5 million for the same period of 2014. The increase of $6.3 million was attributed to the increase in total interest earning assets during the quarter. Also, interest from other investments increased by $1.1 million due to slight increases in yields and a special dividend from the FHLB during the quarter. However, these increases were offset by a $6.4 million and $387 thousand decrease attributable to lower yields on loans and securities available for sale, respectively, during the quarter.

Interest expense for the second quarter of 2015 was $9.7 million, an increase of 9.6% compared to $9.0 million for the same period of 2014. A $264 thousand increase in interest expense was attributable to increases in average balances during the quarter, primarily in interest bearing demand accounts and time deposits. A $387 thousand increase and a $139 thousand increase was attributable to the increase in rates on time deposits and interest bearing demand accounts, respectively.

Comparison of Six Months Ended June 30, 2015 with the Same Period of 2014

Net interest income before provision for loan losses was flat at $132.5 million for the six months ended June 30, 2015 compared to $132.5 million for the same period of 2014 as interest income and interest expense both increased by $1.8 million during the period.

Interest income for the six months ended June 30, 2015 was $151.6 million, an increase of 1.2% compared to $149.8 million for the same period of 2014. The increase resulted from an $12.7 million increase in interest income due to an increase in average interest earning assets, which was partially offset by a $10.9 million decrease in interest income due to a decrease in the yields on loans receivable and securities available for sale.

Interest expense for the six months ended June 30, 2015 was $19.1 million, an increase of 10.2% compared to $17.4 million for the same period of 2014. Both the average interest rates and average balances on time deposits increased during the period. Increases in interest expense of $973 thousand and $225 thousand were attributable to the increase in average rates and average balances, respectively.

Net Interest Margin

Our reported net interest margin is impacted by the weighted average rates we earn on interest earning assets and pay on interest bearing liabilities and the effect of acquisition accounting adjustments. The net interest margin for the second quarter of 2015 was 3.91%, a decrease of 29 basis points from 4.20% for the same period of 2014. Net interest margin for the six months ended June 30, 2015 was 3.89%, a decrease of 35 basis points from 4.24% for the same period of 2014.

The change in the our reported net interest margin for the three and six months ended June 30, 2015 and 2014 is summarized in the table below.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2015		2014		2015		2014	
Net interest margin, excluding the effect of acquisition accounting adjustments	3.63	%	3.72	%	3.63	%	3.77	%
Acquisition accounting adjustments[(1)]	0.28		0.48		0.26		0.47	
Reported net interest margin	3.91	%	4.20	%	3.89	%	4.24	%

(1) Acquisition accounting adjustments are calculated by subtracting net interest margin, excluding the effect of acquisition accounting adjustments, from reported net interest margin.

As noted in the table above, excluding the effect of the acquisition accounting adjustments, the net interest margin for the second quarter of 2015 decreased 9 basis points to 3.63% from 3.72% for the same period of 2014. Excluding the effect of

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acquisition accounting adjustments, the net interest margin for the six months ended June 30, 2015 decreased 14 basis points to 3.63% from 3.77% for the same period of 2014.

The decrease in the net interest margin was due to a decline in the effect of acquisition accounting adjustments and a decline in the weighted average yield on the loan portfolio. The decrease in net interest margin was also caused by an increase in the cost of deposits and a decrease in yields from our investment securities.

The acquisition related adjustments that impact the net interest margin declined by $2.6 million, totaling $4.3 million during the second quarter of 2015 compared to $6.6 million for the same period of 2014. The adjustments declined by $4.8 million when comparing the total adjustments of $7.6 million during the six months ended June 30, 2015 to a total of $12.5 million in adjustments for the same period in 2014.

The weighted average yield on loans decreased to 4.98% for the second quarter of 2015 from 5.44% for the second quarter of 2014 and decreased to 5.00% for the six months ended June 30, 2015 from 5.41% for the same period in 2014. The change in the yield was due to continued pricing pressure on loan interest rates and a 34 basis points and 33 basis points decline in the effects of acquisition accounting adjustments for the three and six months ended June 30, 2015, respectively, as summarized in the following table.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2015		2014		2015		2014	
The weighted average yield on loans, excluding the effect of acquisition accounting adjustments	4.64	%	4.86	%	4.67	%	4.84	%
Acquisition accounting adjustments[(1)]	0.34		0.58		0.33		0.57	
Reported weighted average yield on loans	4.98	%	5.44	%	5.00	%	5.41	%

(1) Acquisition accounting adjustments are calculated by subtracting the weighted average yield on loans, excluding the effect of acquisition accounting adjustments, from the reported weighted average yield on loans.

Excluding the effects of acquisition accounting adjustments, the weighted average yield on loans for the second quarter of 2015 decreased 22 basis points to 4.64% from 4.86% for the same period of 2014. Excluding the effects of acquisition accounting adjustments, the weighted average yield on loans for the six months ended June 30, 2015 decreased 17 basis points to 4.67% from 4.84% for the same period of 2014. In addition to the continued pricing pressures, the declining loan yields were caused by a higher mix of lower yielding fixed rate loans particularly from the acquired loan portfolios and the high demand for fixed rate loans in the market. At June 30, 2015, fixed rate loans accounted for 51% of the loan portfolio, compared to 50% at June 30, 2014. The weighted average yield on the variable rate and fixed rate loan portfolios (excluding loan discount accretion) at June 30, 2015 was 4.07% and 4.72%, respectively, compared with 4.29% and 4.85% at June 30, 2014.

The weighted average yield on securities available for sale for the second quarter of 2015 was 2.06% compared to 2.26% for the same period of 2014. The weighted average yield on securities available for sale for the six months ended June 30, 2015 was 2.11% compared to 2.30% for the same period of 2014. The decrease was primarily attributable to a decrease in treasury yields resulting in lower interest earned for the newly purchased collateralized mortgage obligations and mortgage-backed securities compared to the same period in 2014.

The weighted average cost of deposits for the second quarter of 2015 was 0.55%, an increase of 1 basis point from 0.54% for the same period of 2014. The weighted average cost of deposits for the six months ended June 30, 2015 was 0.55%, an increase of 2 basis points from 0.53% for the same period of 2014. The amortization of the premium on time deposits assumed in the acquisitions positively affected the weighted average cost of deposits, as summarized in the following table.

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
The weighted average cost of deposits, excluding effect of acquisition accounting adjustments	0.56 %	0.55 %	0.56 %	0.55 %
Acquisition accounting adjustments[1]	(0.01)	(0.01)	(0.01)	(0.02)
Reported weighted average cost of deposits	0.55 %	0.54 %	0.55 %	0.53 %

[1] Acquisition accounting adjustments are calculated by subtracting the weighted average cost of deposits, excluding the effect of acquisition accounting adjustments, from the reported weighted average cost of deposits.

Excluding the amortization of premiums on time deposits assumed in acquisitions, the weighted average cost of deposits was 0.56% for the second quarter of 2015, compared to 0.55% for the same period of 2014 and 0.56% for the six months ended June 30, 2015 compared to 0.55% for the same period of 2014. The increase was due to an increase in retail deposits, primarily money market and time deposits, due to our deposit campaigns and promotions. The average cost of the retail deposits was 0.85% at June 30, 2015 compared to 0.82% at June 30, 2014.

The weighted average cost of FHLB advances for the second quarter of 2015 was 1.10%, a decrease of 8 basis points from 1.18% for the same period of 2014. For the six months ended June 30, 2015, the weighted average cost of FHLB advances was 1.10%, a decrease of 7 basis points from 1.17% for the same period of 2014.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
The weighted average cost of FHLB advances, excluding effect of acquisition accounting adjustments	1.18 %	1.27 %	1.18 %	1.26 %
Acquisition accounting adjustments[1]	(0.08)	(0.09)	(0.08)	(0.09)
Reported weighted average cost of FHLB advances	1.10 %	1.18 %	1.10 %	1.17 %

[1] Acquisition accounting adjustments are calculated by subtracting the weighted average cost on FHLB advances, excluding the effect of acquisition accounting adjustments, from reported weighted average cost on FHLB advances.

Excluding amortization of premiums on FHLB advances assumed in acquisitions, the weighted average cost of FHLB advances decreased to 1.18% for the second quarter of 2015 from 1.27% for the same period of 2014 and 1.18% for the six months ended June 30, 2015 compared to 1.26% for the same period of 2014. The average cost decreased due to the maturity of five advances totaling $94.0 million that had effective rates ranging from 3.5% to 3.8%, while the effective rates for FHLB advances obtained during the most recent twelve months were no higher than 2.02%.

The following table presents our condensed consolidated average balance sheet information, together with interest rates earned and paid on the various sources and uses of funds for the periods indicated:

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	Three Months Ended June 30, 2015			Three Months Ended June 30, 2014		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate *	Average Balance	Interest Income/ Expense	Average Yield/ Rate *
	(Dollars in thousands)					
INTEREST EARNINGS ASSETS:						
Loans[1] [2]	$5,742,153	$71,249	4.98 %	$5,289,059	$71,687	5.44 %
Securities available for sale[3]	819,820	4,215	2.06 %	721,270	4,078	2.26 %
FRB and FHLB stock and other investments	348,690	1,611	1.83 %	426,924	668	0.62 %
Federal funds sold	—	—	NA	13,407	20	0.60 %
Total interest earning assets	$6,910,663	$77,075	4.47 %	$6,450,660	$76,453	4.75 %
INTEREST BEARING LIABILITIES:						
Deposits:						
Demand, interest bearing	$1,608,495	$2,873	0.72 %	$1,483,473	$2,499	0.68 %
Savings	194,053	416	0.86 %	207,312	539	1.04 %
Time deposits:						
$100,000 or more	1,750,089	3,514	0.81 %	1,626,200	2,984	0.74 %
Other	609,654	1,167	0.77 %	695,740	1,250	0.72 %
Total time deposits	2,359,743	4,681	0.80 %	2,321,940	4,234	0.73 %
Total interest bearing deposits	4,162,291	7,970	0.77 %	4,012,725	7,272	0.73 %
FHLB advances	481,946	1,327	1.10 %	445,835	1,311	1.18 %
Other borrowings	40,670	387	3.76 %	40,490	380	3.71 %
Total interest bearing liabilities	4,684,907	$9,684	0.83 %	4,499,050	$8,963	0.80 %
Noninterest bearing demand deposits	1,623,922			1,437,860		
Total funding liabilities/cost of funds	$6,308,829			$5,936,910		0.61 %
Net interest income/net interest spread		$67,391	3.64 %		$67,490	3.95 %
Net interest margin			3.91 %			4.20 %
Net interest margin, excluding the effect of nonaccrual loan income (expense)[4]			3.91 %			4.18 %
Net interest margin, excluding the effect of nonaccrual loan income (expense) and prepayment fee income[4] [5]			3.88 %			4.16 %
Cost of deposits:						
Noninterest bearing demand deposits	$1,623,922	$—		$1,437,860	—	
Interest bearing deposits	4,162,291	7,970	0.77 %	4,012,725	7,272	0.73 %
Total deposits	$5,786,213	$7,970	0.55 %	$5,450,585	$7,272	0.54 %

* Annualized

(1) Interest income on loans includes loan fees.

(2) Average balances of loans consist of loans receivable and loans held for sale.

(3) Interest income and yields are not presented on a tax-equivalent basis.

(4) Nonaccrual interest income recognized (reversed) was $(21) thousand and $211 thousand for the three months ended June 30, 2015 and 2014, respectively.

(5)

Loan prepayment fee income excluded was $457 thousand and $302 thousand for the three months ended June 30, 2015 and 2014, respectively.

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	Six Months Ended June 30, 2015			Six Months Ended June 30, 2014		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate *	Average Balance	Interest Income/ Expense	Average Yield/ Rate *
	(Dollars in thousands)					
INTEREST EARNINGS ASSETS:						
Loans[(1) (2)]	$5,680,364	$140,888	5.00 %	$5,236,721	$140,381	5.41 %
Securities available for sale[(3)]	801,166	8,434	2.11 %	710,163	8,172	2.30 %
FRB and FHLB stock and other investments	379,659	2,307	1.21 %	343,479	1,233	0.71 %
Federal funds sold	—	—	NA	6,740	20	0.60 %
Total interest earning assets	$6,861,189	$151,629	4.45 %	$6,297,103	$149,806	4.79 %
INTEREST BEARING LIABILITIES:						
Deposits:						
Demand, interest bearing	$1,617,021	$5,638	0.70%	$1,438,138	$4,776	0.67 %
Savings	194,555	841	0.87 %	212,341	1,139	1.08 %
Time deposits:						
$100,000 or more	1,731,812	6,891	0.80 %	1,593,865	5,663	0.72 %
Other	617,879	2,354	0.77 %	679,947	2,384	0.71 %
Total time deposits	2,349,691	9,245	0.79 %	2,273,812	8,047	0.71 %
Total interest bearing deposits	4,161,267	15,724	0.76 %	3,924,291	13,962	0.72 %
FHLB advances	481,447	2,624	1.10 %	433,644	2,522	1.17 %
Other borrowings	40,647	767	3.75 %	46,412	867	3.71 %
Total interest bearing liabilities	4,683,361	$19,115	0.82 %	4,404,347	$17,351	0.79 %
Noninterest bearing demand deposits	1,583,756			1,396,111		
Total funding liabilities/cost of funds	$6,267,117		0.61 %	$5,800,458		0.60 %
Net interest income/net interest spread		$132,514	3.63 %		$132,455	4.00 %
Net interest margin			3.89 %			4.24 %
Net interest margin, excluding the effect of nonaccrual loan income (expense)[(4)]			3.89 %			4.24 %
Net interest margin, excluding the effect of nonaccrual loan income (expense) and prepayment fee income[(4) (5)]			3.86 %			4.21 %
Cost of deposits:						
Noninterest bearing demand deposits	$1,583,756	$—		$1,396,111	$—	
Interest bearing deposits	4,161,267	15,724	0.76 %	3,924,291	13,962	0.72 %
Total deposits	$5,745,023	$15,724	0.55 %	$5,320,402	$13,962	0.53 %

* Annualized

(1) Interest income on loans includes loan fees.

(2) Average balances of loans consist of loans receivable and loans held for sale.

(3) Interest income and yields are not presented on a tax-equivalent basis.

(4) Nonaccrual interest income recognized (reversed) was $(45) thousand and $75 thousand for the six months ended June 30, 2015 and 2014, respectively.

(5) Loan prepayment fee income excluded was $967 thousand and $914 thousand for the six months ended June 30, 2015 and 2014, respectively.

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Changes in net interest income are a function of changes in interest rates and volumes of interest earning assets and interest bearing liabilities. The following table sets forth information regarding the changes in interest income and interest expense for the periods indicated. The total change for each category of interest earning assets and interest bearing liabilities is segmented into the change attributable to variations in volume (changes in volume multiplied by the old rate) and the change attributable to variations in interest rates (changes in rates multiplied by the old volume). Nonaccrual loans are included in average loans used to compute this table.

	Three Months Ended June 30, 2015 over June 30, 2014		
	Net Increase (Decrease)	Change due to Rate	Volume
	(In thousands)		
INTEREST INCOME:			
Interest and fees on loans	$(438)	$(6,385)	$5,947
Interest on securities	137	(387)	524
Interest on FRB and FHLB stock and other investments	923	1,073	(150)
Total interest income	$622	$(5,699)	$6,321
INTEREST EXPENSE:			
Interest on demand, interest bearing	$374	$139	$235
Interest on savings	(123)	(88)	(35)
Interest on time deposits	447	387	60
Interest on FHLB advances	16	17	(1)
Interest on other borrowings	7	2	5
Total interest expense	$721	$457	$264
NET INTEREST INCOME	$(99)	$(6,156)	$6,057

	Six Months Ended June 30, 2015 over June 30, 2014		
	Net Increase (Decrease)	Change due to Rate	Volume
	(In thousands)		
INTEREST INCOME:			
Interest and fees on loans	$507	$(11,119)	$11,626
Interest on securities	262	(726)	988
Interest on FRB and FHLB stock and other investments	1,054	935	119
Total interest income	$1,823	$(10,910)	$12,733
INTEREST EXPENSE:			
Interest on demand, interest bearing	$862	$247	$615
Interest on savings	(298)	(208)	(90)
Interest on time deposits	1,198	973	225
Interest on FHLB advances	102	(159)	261
Interest on other borrowings	(100)	10	(110)
Total interest expense	$1,764	$863	$901
NET INTEREST INCOME	$59	$(11,773)	$11,832

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Provision for Loan Losses

The provision for loan losses reflects our judgment of the current period cost associated with credit risk inherent in our loan portfolio. The loan loss provision for each period is dependent upon many factors, including loan growth, net charge offs, changes in the composition of the loan portfolio, delinquencies, assessments by management, third parties' and regulators' examination of the loan portfolio, the value of the underlying collateral for problem loans and the general economic conditions in our market areas. Specifically, the provision for loan losses represents the amount charged against current period earnings to achieve an allowance for loan losses that, in our judgment, is adequate to absorb probable incurred losses inherent in our loan portfolio. Periodic fluctuations in the provision for loan losses result from management's assessment of the adequacy of the allowance for loan losses; however, actual loan losses may vary in material respects from current estimates. If the allowance for loan losses is inadequate, it may have a material adverse effect on our financial condition.

The provision for loan losses for the second quarter of 2015 was $1.0 million, a decrease of $2.0 million, or 66.6%, from $3.0 million for the same period last year. The decrease in the provision was primarily due to an decrease in quantitative reserves due to declining historical loss rates. The provision for loan losses for the six months period ended June 30, 2015 was $2.5 million, a decrease of $3.5 million, or 58.5%, from $6.0 million for the same period last year. The decrease is primarily due to overall reduction in quantitative reserves as a result of decreasing historical loss rates and decreased specific reserves on impaired loans.

See Financial Condition section of this MD&A for additional information and further discussion.

Noninterest Income

Noninterest income is primarily comprised of service fees on deposit accounts, fees received on trade finance letters of credit and net gains on sales of loans.

Noninterest income for the second quarter of 2015 was $10.6 million compared to $10.5 million for the same quarter of 2014, an increase of $76 thousand, or 0.7%. The increase was principally due to a $308 thousand increase in net gains on sales of SBA loans and a $245 thousand increase in loan servicing fees, net. The increase was offset by a $330 thousand decrease in servicing fees on deposit accounts, a $108 thousand decrease in international service fees, and $48 thousand decrease in wire transfer fees.

Noninterest income for the six months ended June 30, 2015 was $21.8 million compared to $21.6 million for the same period of 2014, an increase of $186 thousand, or 0.9 %. The increase was principally due to a $391 thousand increase from other income and fees, a $630 thousand increase in net gains on sales of SBA loans, a $227 thousand increase in net gains on sale of other loans, and a $424 thousand increase in net gains on sales and calls of securities available for sale. The increases were partially offset by a $740 thousand decrease in service fees on deposit accounts, $298 thousand decrease in international service fees, and a $254 decrease in net gains on sales of OREO.

Noninterest income by category is summarized below:

	Three Months Ended June 30,		Increase (Decrease)	
	2015	2014	Amount	Percent (%)
	(Dollars in thousands)			
Service fees on deposit accounts	$3,030	$3,360	$(330)	(9.8)%
International service fees	1,005	1,113	(108)	(9.7)%
Loan servicing fees, net	855	610	245	40.2%
Wire transfer fees	871	919	(48)	(5.2)%
Other income and fees	1,570	1,648	(78)	(4.7)%
Net gains on sales of SBA loans	3,119	2,811	308	11.0%
Net gains on sales of other loans	45	—	45	N/A
Net gains on sales of OREO	73	31	42	135.5%
Total noninterest income	$10,568	$10,492	$76	0.7%

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	Six Months Ended June 30,		Increase (Decrease)	
	2015	2014	Amount	Percent (%)
	(Dollars in thousands)			
Service fees on deposit accounts	$6,092	$6,832	$(740)	(10.8%)
International service fees	1,818	2,116	(298)	(14.1%)
Loan servicing fees, net	1,575	1,578	(3)	(0.2%)
Wire transfer fees	1,633	1,824	(191)	(10.5%)
Other income and fees	3,658	3,267	391	12.0%
Net gains on sales of SBA loans	6,163	5,533	630	11.4%
Net gains on sales of other loans	227	—	227	N/A
Net gains on sales of securities available for sale	424	—	424	N/A
Net gains on sales of OREO	183	437	(254)	(58.1%)
Total noninterest income	$21,773	$21,587	$186	0.9%

Noninterest Expense

Noninterest expense for the second quarter of 2015 was $38.7 million, an increase of $1.0 million, or 2.5%, from $37.7 million for the same period of 2014. Salaries and employee benefits expense increased $2.8 million due to an increase in the number of full-time equivalent employees, which increased to 928 at June 30, 2015 from 875 at June 30, 2014. Data processing fees and furniture and equipment expenses also increased by $164 thousand and $311 thousand, respectively, compared to the same period in 2014. Occupancy and FDIC expenses also increased by $95 thousand compared to the same period in 2014. These increases were offset by a decrease of $1.0 million in credit related expenses.

Noninterest expense for the six months ended June 30, 2015 was $77.9 million, an increase of $3.9 million, or 5.3%, from $74.0 million for the same period of 2014. Salaries and employee benefits expense increased $5.0 million due to an increase in the number of full-time equivalent employees. Data processing fees and furniture and equipment expenses also increased by $392 thousand and $560 thousand, respectively, compared to the same period in 2014. Occupancy and advertising and marketing expenses also increased by $163 thousand and $279 thousand, respectively. Professional fees also increased by $49 thousand. These increases were offset by a decrease of $82 thousand in FDIC assessment expenses and $272 thousand decrease in credit related expenses compared to the same period in 2014.

The breakdown of changes in noninterest expense by category is shown in the following table:

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	Three Months Ended June 30,		Increase (Decrease)	
	2015	2014	Amount	Percent (%)
	(Dollars in thousands)			
Salaries and employee benefits	$20,932	$18,143	$2,789	15.4 %
Occupancy	4,810	4,715	95	2.0 %
Furniture and equipment	2,323	2,012	311	15.5 %
Advertising and marketing	1,484	1,508	(24)	(1.6)%
Data processing and communications	2,463	2,299	164	7.1 %
Professional fees	1,253	1,315	(62)	(4.7)%
FDIC assessment	909	1,080	(171)	(15.8)%
Credit related expenses	1,976	3,016	(1,040)	(34.5)%
Other	2,548	3,651	(1,103)	(30.2)%
Total noninterest expense	$38,698	$37,739	$959	2.5 %

	Six Months Ended June 30,		Increase (Decrease)	
	2015	2014	Amount	Percent (%)
	(Dollars in thousands)			
Salaries and employee benefits	$42,113	$37,082	$5,031	13.6 %
Occupancy	9,502	9,339	163	1.7 %
Furniture and equipment	4,586	4,026	560	13.9 %
Advertising and marketing	2,875	2,596	279	10.7 %
Data processing and communications	4,812	4,420	392	8.9 %
Professional fees	2,677	2,628	49	1.9 %
FDIC assessment	2,021	2,103	(82)	(3.9)%
Credit related expenses	4,165	4,437	(272)	(6.1)%
Other	5,181	7,382	(2,201)	(29.8)%
Total noninterest expense	$77,932	$74,013	$3,919	5.3 %

Provision for Income Taxes

Income tax expense was $15.3 million and $14.9 million for the quarters ended June 30, 2015 and 2014, respectively. The effective income tax rates were 40.0% and 40.1% for the quarters ended June 30, 2015 and 2014, respectively. Income tax expense was $29.6 million and $29.5 million for the six months ended June 30, 2015 and 2014, respectively. The effective income tax rates for the six months ended June 30, 2015 and 2014 were 40.0% and 39.9%, respectively.

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Financial Condition

At June 30, 2015, our total assets were $7.33 billion, an increase of $193.0 million from $7.14 billion at December 31, 2014. The increase was principally due to a $248.3 million increase in loans receivable, net of allowance for loan losses, a $78.9 million increase in securities available for sale, and a $31.4 million increase in other assets. The increases were offset by decreases in cash and cash equivalents totaling $162.3 million and a decrease in FHLB stock of $9.2 million. The increase in total assets was funded primarily by a $64.8 million increase in deposits and net income of $44.3 million.

Investment Securities Portfolio

As of June 30, 2015, we had $875.4 million in available for sale securities, compared to $796.5 million at December 31, 2014. The net unrealized loss on the available for sale securities at June 30, 2015 was $963 thousand, compared to a net unrealized gain on such securities of $2.6 million at December 31, 2014. During the six months ended June 30, 2015, $176.2 million in securities were purchased, $69.2 million in mortgage related securities were paid down and $22.5 million in securities were sold. During the same period last year, $82.6 million in securities were purchased, $57.6 in mortgage related securities were paid down and no securities were sold. The weighted average duration (the weighted average of the times of the present values of all the cash flows) of the available for sale securities was 4.53 years and 4.06 years at June 30, 2015 and December 31, 2014, respectively. The weighted average life (the weighted average of the times of the principal repayments) of the available for sale securities was 5.07 years and 4.49 years at June 30, 2015 and December 31, 2014, respectively.

Loan Portfolio

As of June 30, 2015, loans receivable totaled $5.82 billion, an increase of $250.6 million from $5.57 billion at December 31, 2014. Total loan originations during the three months ended June 30, 2015 were $360.2 million, including SBA loan originations of $70.3 million, of which $58.3 million was included as additions to loans held for sale during the period.

The following table summarizes our loan portfolio by amount and percentage of total loans outstanding in each major loan category at the dates indicated:

	June 30, 2015		December 31, 2014	
	Amount	Percent (%)	Amount	Percent (%)
	(Dollars in thousands)			
Loan portfolio composition				
Real estate loans:				
Residential	$36,706	0 %	$21,415	0 %
Commercial & industrial	4,503,794	77 %	4,324,349	78 %
Construction	104,901	2 %	94,086	2 %
Total real estate loans	4,645,401	79 %	4,439,850	80 %
Commercial business	970,787	17 %	903,621	16 %
Trade finance	114,927	2 %	134,762	2 %
Consumer and other	87,707	2 %	89,849	2 %
Total loans outstanding	5,818,822	100 %	5,568,082	100 %
Less: deferred loan fees	(2,998)		(2,890)	
Loans receivable	5,815,824		5,565,192	
Less: allowance for loan losses	(70,118)		(67,758)	
Loans receivable, net of allowance for loan losses	$5,745,706		$5,497,434	

SBA loans are included in commercial business loans and commercial and industrial real estate loans. SBA loans included in commercial business loans were $47.7 million at June 30, 2015 and $52.0 million at December 31, 2014. SBA loans included in commercial and industrial real estate loans were $192.5 million at June 30, 2015 and $188.8 million at December 31, 2014.

We normally do not extend lines of credit or make loan commitments to business customers for periods in excess of one year. We use the same credit policies in making commitments and conditional obligations as we do for providing loan facilities to our customers. We perform annual reviews of such commitments prior to renewal.

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The following table shows our loan commitments and letters of credit outstanding at the dates indicated:

	June 30, 2015	December 31, 2014
	(In thousands)	
Loan commitments	$710,345	$586,714
Standby letters of credit	43,388	41,987
Other commercial letters of credit	55,868	37,439
	$809,601	$666,140

Nonperforming Assets

Nonperforming assets, which consist of nonaccrual loans, loans 90 days or more past due and on accrual status, accruing restructured loans and OREO, were $117.6 million at June 30, 2015 compared to $125.8 million at December 31, 2014. The ratio of nonperforming assets to loans receivable and OREO was 2.01% and 2.25% at June 30, 2015 and December 31, 2014, respectively.

The following table summarizes the composition of our nonperforming assets as of the dates indicated.

	June 30, 2015		December 31, 2014	
	(Dollars in thousands)			
Nonaccrual loans [(1)]	$39,681		$46,352	
Loans 90 days or more days past due on accrual status	333		361	
Accruing restructured loans	57,393		57,128	
Total nonperforming loans	97,407		103,841	
OREO	20,187		21,938	
Total nonperforming assets	$117,594		$125,779	
Nonperforming loans to loans receivable	1.67	%	1.87	%
Nonperforming assets to loans receivable and OREO	2.01	%	2.25	%
Nonperforming assets to total assets	1.60	%	1.76	%
Allowance for loan losses to nonperforming loans	71.98	%	65.25	%
Allowance for loan losses to nonperforming assets	59.63	%	53.87	%

(1) Nonaccrual loans exclude the guaranteed portion of delinquent SBA loans that are in liquidation totaling $22.6 million and $28.9 million as of June 30, 2015 and December 31, 2014, respectively.

Allowance for Loan Losses

The allowance for loan losses was $70.1 million at June 30, 2015 compared to $67.8 million at December 31, 2014. The allowance for loan losses was 1.21% of loans receivable at June 30, 2015 and 1.22% of loans receivable at December 31, 2014. The increase in the allowance for loan losses was driven by an increase in the amount of qualitative reserves. The qualitative reserves increased due to an increase in the volume of loans compared to December 31, 2014. The increase in qualitative reserves were offset by decreases in the quantitative reserves which was caused by decreasing historical losses and decreasing "Substandard" rated loans. In addition, the reserve on our impaired loans decreased to $8.1 million at June 30, 2015 from $10.9 million at December 31 ,2014.

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The following table reflects our allocation of the allowance for loan and lease losses ("ALLL") by loan type and the ratio of each loan category to total loans as of the dates indicated:

	Allocation of Allowance for Loan Losses			
	June 30, 2015		December 31, 2014	
	Amount of Allowance for Loan Losses	Percent of ALLL to Total ALLL	Amount of Allowance for Loan Losses	Percent of ALLL to Total ALLL
	(Dollars in thousands)			
Loan Type				
Real estate - residential	$247	0.35 %	$146	0.22 %
Real estate - commercial	50,147	71.52 %	46,535	68.68 %
Real estate - construction	593	0.85 %	667	0.98 %
Commercial business	16,278	23.21 %	16,471	24.31 %
Trade finance	1,760	2.51 %	3,456	5.10 %
Consumer and other	1,093	1.56 %	483	0.71 %
Total	$70,118	100 %	$67,758	100 %

For a better understanding of the changes in the ALLL, the loan portfolio has been segmented for disclosures purposes between loans which are accounted for under the amortized cost method (Legacy Loans) and loans acquired from acquisitions (Acquired Loans). Acquired Loans have been further segregated between Acquired Credit Impaired Loans (loans with credit deterioration at the time they were acquired and accounted for under ASC 310-30, or "ACILs") and performing loans (loans that were pass graded at the time they were acquired, or "APLs"). The activity in the ALLL for the three and six months ended June 30, 2015 is as follows:

		Acquired Loans(2)		
Three Months Ended June 30, 2015	Legacy Loans(1)	ACILs	APLs	Total
	(Dollars in thousands)			
Balance, beginning of period	$55,397	$12,647	$1,550	$69,594
Provision for loan losses	472	—	528	1,000
Loans charged off	(1,268)	—	(183)	(1,451)
Recoveries of loan charge offs	962	—	13	975
Balance, end of period	$55,563	$12,647	$1,908	$70,118

		Acquired Loans (2)		
Six Months Ended June 30, 2015	Legacy Loans (1)	ACILs	APLs	Total
	(Dollars in thousands)			
Balance, beginning of period	$58,644	$7,347	$1,767	$67,758
Provision for loan losses	(3,357)	5,300	557	2,500
Loans charged off	(2,143)	—	(433)	(2,576)
Recoveries of loan charge offs	2,419	—	17	2,436
Balance, end of period	$55,563	$12,647	$1,908	$70,118
Total loans outstanding	$5,295,008	$135,653	$388,161	$5,818,822
Loss coverage ratio	1.05 %	9.32 %	0.49 %	1.21 %

(1) Legacy Loans includes Acquired Loans that have been renewed or refinanced subsequent to the acquisition date.
(2) Acquired Loans were marked to fair value at the acquisition date and provisions for loan losses reflect credit deterioration subsequent to the acquisition date.

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The following table shows the provisions made for loan losses, the amount of loans charged off and the recoveries on loans previously charged off, together with the balance in the ALLL at the beginning and end of each period, the amount of average and loans receivable outstanding, and certain other ratios as of the dates and for the periods indicated:

	At or for the Three Months Ended June 30,	
	2015	2014
	(Dollars in thousands)	
LOANS:		
Average loans receivable, including loans held for sale	$5,742,153	$5,289,059
Loans receivable	$5,815,824	$5,347,057
ALLOWANCE:		
Balance, beginning of period	$69,594	$65,699
Less loan charge offs:		
Commercial & industrial real estate	(74)	(914)
Commercial business loans	(618)	(1,839)
Trade finance	(759)	—
Consumer and other loans	—	(18)
Total loan charge offs	(1,451)	(2,771)
Plus loan recoveries:		
Commercial & industrial real estate	61	149
Commercial business loans	817	584
Trade Finance	—	—
Consumer and other loans	97	213
Total loans recoveries	975	946
Net loan charge offs	(476)	(1,825)
Provision for loan losses	1,000	2,996
Balance, end of period	$70,118	$66,870
Net loan (recoveries) charge offs to average loans receivable, including loans held for sale*	0.01%	0.14%
Allowance for loan losses to loans receivable at end of period	1.21%	1.25%
Net loan (recoveries) charge offs to beginning allowance *	2.74%	11.11%
Net loan (recoveries) charge offs to provision for loan losses	47.60%	60.91%

* Annualized

We believe the allowance for loan losses as of June 30, 2015 is adequate to absorb probable incurred losses in the loan portfolio. However, no assurance can be given that actual losses will not exceed the estimated amounts.

Deposits and Other Borrowings

Deposits. Deposits are our primary source of funds used in our lending and investment activities. At June 30, 2015, deposits increased $64.8 million, or 1.1%, to $5.76 billion from $5.69 billion at December 31, 2014. The net increase in deposits is primarily due to increases in retail deposits due to the impact of recent deposit campaigns and promotions. In addition, wholesale deposits were increased to help fund loan growth. Interest bearing demand deposits, including money market and Super Now accounts and time deposits, totaled $4.07 billion at June 30, 2015 and $4.15 billion at December 31, 2014.

At June 30, 2015, 29% of total deposits were noninterest bearing demand deposits, 39% were time deposits and 32% were interest bearing demand and savings deposits. At December 31, 2014, 27% of total deposits were noninterest bearing demand deposits, 40% were time deposits, and 33% were interest bearing demand and savings deposits.

At June 30, 2015, we had $241.8 million in brokered deposits and $300.0 million in California State Treasurer deposits, compared to $206.3 million and $300.0 million of such deposits at December 31, 2014, respectively. The California State Treasurer deposits had three-month maturities with a weighted average interest rate of 0.04% at June 30, 2015 and were collateralized with securities with a carrying value of $337.7 million.

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The following is a schedule of certificates of deposit maturities as of June 30, 2015:

	Balance	Percent (%)	
	(Dollars in thousands)		
Three months or less	$720,621	31.94	%
Over three months through six months	365,665	16.21	%
Over six months through nine months	354,052	15.69	%
Over nine months through twelve months	456,391	20.23	%
Over twelve months	359,452	15.93	%
Total time deposits	$2,256,181	100.00	%

Other Borrowings. Advances may be obtained from the FHLB as an alternative source of funds. FHLB advances are typically secured by a pledge of commercial real estate loans and/or securities with a market value at least equal to the outstanding advances plus our investment in FHLB stock.

At June 30, 2015, we had $580.8 million of FHLB advances with average remaining maturities of 2.2 years, compared to $481.0 million with average remaining maturities of 2.6 years at December 31, 2014. The weighted average rate was 1.05% and 1.09% at June 30, 2015 and December 31, 2014, respectively.

Subordinated debentures totaled $42.2 million at June 30, 2015 and $42.2 million at December 31, 2014. The Trust Preferred Securities accrue and pay distributions periodically at specified annual rates as provided in the related indentures for the securities. The Trusts used the net proceeds from their respective offerings to purchase a like amount of subordinated debentures (the “Debentures”) issued by us. The Debentures are the sole assets of the trusts. Our obligations under the Debentures and related documents, taken together, constitute a full and unconditional guarantee by us of the obligations of the trusts. The Trust Preferred Securities are mandatorily redeemable upon the maturity of the Debentures, or upon earlier redemption as provided in the indentures. We have the right to redeem the Debentures in whole (but not in part) on or after specific dates, at redemption prices specified in the indentures plus any accrued but unpaid interest to the redemption date.

Off-Balance-Sheet Activities and Contractual Obligations

We routinely engage in activities that involve, to varying degrees, elements of risk that are not reflected, in whole or in part, in the consolidated financial statements. These activities are part of our normal course of business and include traditional off-balance-sheet credit-related financial instruments, interest rate swap contracts, operating leases and long-term debt.

Traditional off-balance-sheet credit-related financial instruments are primarily commitments to extend credit and standby letters of credit. These activities could require us to make cash payments to third parties if certain specified future events occur. The contractual amounts represent the extent of our exposure in these off-balance-sheet activities. However, since certain off-balance-sheet commitments, particularly standby letters of credit, are expected to expire or be only partially used, the total amount of commitments does not necessarily represent future cash requirements. These activities are necessary to meet the financing needs of our customers.

We enter into interest rate swap contracts under which we are required to either receive cash from or pay cash to counterparties depending on changes in interest rates. We also purchase interest rate caps to protect against increases in market interest rates. We utilize interest rate swap contracts and interest rate caps to help manage the risk of changing interest rates.

We sell interest rate swaps to certain adjustable rate commercial loan customers to fix the interest rate on their floating rate loan. When the fixed rate swap is originated with the customer, an identical offsetting swap is also entered into by us with a correspondent bank.

Our leased banking facilities and equipment are leased under non-cancelable operating leases under which we must make monthly payments over periods up to 15 years.

We do not anticipate that our current off-balance-sheet activities will have a material impact on our future results of operations or our financial condition. Further information regarding our financial instruments with off-balance-sheet risk can be found in Item 3 “Quantitative and Qualitative Disclosures about Market Risk.”

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Stockholders’ Equity and Regulatory Capital

Historically, our primary source of capital has been the retention of earnings, net of dividend payments to shareholders. We seek to maintain capital at a level sufficient to assure our stockholders, our customers and our regulators that our Company and our bank subsidiary are financially sound. For this purpose, we perform ongoing assessments of our components of capital, as well as projected sources and uses of capital in conjunction with projected increases in assets and levels of risks.

Total stockholders’ equity was $908.6 million at June 30, 2015 compared to $882.8 million at December 31, 2014. The federal banking agencies require a minimum ratio of qualifying total capital to risk-weighted assets of 8% and a minimum ratio of Tier I capital to risk-weighted assets of 6%. In addition to the risk-based guidelines, federal banking agencies require banking organizations to maintain a minimum amount of Tier I capital to average total assets, referred to as the leverage ratio, of 4%. Beginning January 1, 2015 agencies require a minimum Common Equity Tier 1 capital to risk weighted assets ratio of 4.5%. Capital requirements apply to the Company and the Bank separately. In addition to these uniform risk-based capital guidelines and leverage ratios that apply across the industry, the regulators have the discretion to set individual minimum capital requirements for specific institutions at rates significantly above the minimum guidelines and ratios.

At June 30, 2015, our Common Equity Tier 1 capital was $802.8 million. Our Tier I capital, defined as stockholders’ equity less intangible assets was $843.6 million, compared to $812.5 million at December 31, 2014, representing an increase of $31.2 million, or 3.8%. The increase was primarily due to the increase in retained earnings from net income during the six months ended June 30, 2015 of $44.3 million, which was partially offset by $15.9 million of cash dividends. At June 30, 2015, the Common Equity Tier 1 capital ratio was 12.58%. The total capital to risk-weighted assets ratio was 14.34% and the Tier I capital to risk-weighted assets ratio was 13.22%. The Tier I leverage capital ratio was 11.80%.

As of June 30, 2015 and December 31, 2014, the most recent regulatory notification categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be generally categorized as "well-capitalized", the Bank must maintain minimum Common Equity Tier 1 capital, total risk-based, Tier I risk-based and Tier I leverage capital ratios as set forth in the table below.

	As of June 30, 2015 (Dollars in thousands)								
	Actual			To Be Well-Capitalized			Excess		
	Amount	Ratio		Amount	Ratio		Amount	Ratio	
BBCN Bancorp, Inc									
Common Equity Tier 1 capital ratio	$802,821	12.58	%	N/A	N/A				
Total risk-based capital ratio	$915,181	14.34	%	N/A	N/A				
Tier 1 risk-based capital ratio	$843,637	13.22	%	N/A	N/A				
Tier 1 capital to total assets	$843,637	11.80	%	N/A	N/A				
BBCN Bank									
Common Equity Tier 1 capital ratio	$833,935	13.08	%	$414,387	6.50	%	$419,548	6.58	%
Total risk-based capital ratio	$905,479	14.20	%	$637,518	10.00	%	$267,961	4.20	%
Tier 1 risk-based capital ratio	$833,935	13.08	%	$510,014	8.00	%	$323,921	5.08	%
Tier I capital to total assets	$833,935	11.67	%	$357,379	5.00	%	$476,556	6.67	%

	As of December 31, 2014 (Dollars in thousands)								
	Actual			To Be Well-Capitalized			Excess		
	Amount	Ratio		Amount	Ratio		Amount	Ratio	
BBCN Bancorp, Inc									
Total risk-based capital ratio	$881,794	14.80	%	N/A	N/A				
Tier 1 risk-based capital ratio	$812,464	13.64	%	N/A	N/A				

Tier 1 capital to total assets	$812,464	11.62 %	N/A	N/A		
BBCN Bank						
Total risk-based capital ratio	$869,343	14.61 %	$595,126	10.00 %	$274,217	4.61 %
Tier 1 risk-based capital ratio	$800,013	13.44 %	$357,076	6.00 %	$442,937	7.44 %
Tier I capital to total assets	$800,013	11.45 %	$349,481	5.00 %	$450,532	6.45 %

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Liquidity Management

Liquidity risk is the risk of reduction in our earnings or capital that would result if we were not able to meet our obligations when they come due without incurring unacceptable losses. Liquidity risk includes the risk of unplanned decreases or changes in funding sources and changes in market conditions that affect our ability to liquidate assets quickly and with minimum loss of value. Factors considered in liquidity risk management are the stability of the deposit base; the marketability, maturity, and pledging of our investments; the availability of alternative sources of funds; and our demand for credit. The objective of our liquidity management is to have funds available to meet cash flow requirements arising from fluctuations in deposit levels and the demands of daily operations, which include funding of securities purchases, providing for customers' credit needs, and ongoing repayment of borrowings.

Our primary sources of liquidity are derived from financing activities, which include customer and broker deposits, federal funds facilities, and borrowings from the FHLB and the FRB Discount Window. These funding sources are augmented by payments of principal and interest on loans and securities, proceeds from sale of loans and the liquidation or sale of securities from our available for sale portfolio. Primary uses of funds include withdrawal of and interest payments on deposits, originations of loans, purchases of investment securities, and payment of operating expenses.

At June 30, 2015, our total borrowing capacity from the FHLB was $2.23 billion, of which $1.65 billion was unused and available to borrow. At June 30, 2015, our total borrowing capacity from the FRB was $531.4 million, of which $531.4 million was unused and available to borrow. In addition to these lines, our liquid assets, consisting of cash and cash equivalents, interest bearing cash deposits with other banks, overnight federal funds sold to other banks, liquid investment securities available for sale, and loan repayments within 30 days, were $843.0 million at June 30, 2015, compared to $929.0 million at December 31, 2014. Cash and cash equivalents, including federal funds sold, were $321.3 million at June 30, 2015, compared to $462.2 million at December 31, 2014. We believe our liquidity sources to be stable and adequate to meet our day-to-day cash flow requirements.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

The objective of our asset and liability management activities is to maximize our earnings while maintaining adequate liquidity and an exposure to interest rate risk deemed by management to be acceptable by adjusting the type and mix of assets and liabilities to seek to effectively address changing conditions and risks. Through overall management of our balance sheet and by seeking to control various risks, we seek to optimize our financial returns within safe and sound parameters. Our operating strategies for attaining this objective include managing net interest margin through appropriate risk/return pricing of assets and liabilities and emphasizing growth in retail deposits, as a percentage of interest bearing liabilities, to reduce our cost of funds. We also seek to improve earnings by controlling noninterest expense, and enhancing noninterest income. We also use risk management instruments to modify interest rate characteristics of certain assets and liabilities to hedge against our exposure to interest rate fluctuations with the objective of reducing the effects fluctuations might have on associated cash flows or values. Finally, we perform internal analysis to measure, evaluate and monitor risk.

Interest Rate Risk

Interest rate risk is the most significant market risk impacting us. Interest rate risk occurs when interest rate sensitive assets and liabilities do not reprice simultaneously and in equal volume. A key objective of asset and liability management is to manage interest rate risk associated with changing asset and liability cash flows and values of our assets and liabilities and market interest rate movements. The management of interest rate risk is governed by policies reviewed and approved annually by the Board of Directors. Our Board delegates responsibility for interest rate risk management to the Asset and Liability Committee of the Board ("ALCO") and to the Asset and Liability Management Committee (“ALM”), which is composed of the Bank’s senior executives and other designated officers.

Market risk is the risk of adverse impacts on our future earnings, the fair values of our assets and liabilities, or our future cash flows that may result from changes in the price of a financial instrument. The fundamental objective of our ALM is to manage our exposure to interest rate fluctuations while maintaining adequate levels of liquidity and capital. Our ALM meets regularly to monitor interest rate risk, the sensitivity of our assets and liabilities to interest rate changes, the book and market values of our assets and liabilities, and our investment activities. It also directs changes in the composition of our assets and liabilities. Our strategy has been to reduce the sensitivity of our earnings to interest rate fluctuations by more closely matching the effective maturities or repricing characteristics of our assets and liabilities. Certain assets and liabilities, however, may react in different degrees to changes in market interest rates. Furthermore, interest rates on certain types of assets and liabilities may fluctuate prior to changes in market interest rates, while interest rates on other types may lag behind changes in market interest rates. We consider the anticipated effects of these factors when implementing our interest rate risk management objectives.

Interest Rate Sensitivity

We monitor interest rate risk through the use of a simulation model that provides us with the ability to simulate our net interest income. In order to measure, at June 30, 2015, the sensitivity of our forecasted net interest income to changing interest rates, both rising and falling interest rate scenarios were projected and compared to base market interest rate forecasts. One application of our simulation model measures the impact of market interest rate changes on the net present value of estimated cash flows from our assets and liabilities, defined as our market value of equity. This analysis assesses the changes in market values of interest rate sensitive financial instruments that would occur in response to immediate and parallel changes in market interest rates.

The impacts on our net interest income and market value of equity exposed to immediate and parallel hypothetical changes in market interest rates as projected by the model we use for this purpose are illustrated in the following table.

	June 30, 2015		December 31, 2014	
Simulated Rate Changes	Estimated Net Interest Income Sensitivity	Market Value Of Equity Volatility	Estimated Net Interest Income Sensitivity	Market Value Of Equity Volatility
+ 200 basis points	6.14 %	(2.45)%	5.74 %	(2.77)%
+ 100 basis points	2.77 %	(1.00)%	2.68 %	(1.07)%
- 100 basis points	(0.14)%	0.18 %	(1.02)%	0.06 %

- 200 basis points	(0.34)%	(2.55)%	(1.39)%	(2.09)%

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to management, including the Principal Executive Officer and the Principal Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Company's management, with the participation of our Principal Executive Officer and Principal Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms, and is accumulated and communicated to management, including the Principal Executive Officer and the Principal Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II
OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in routine litigation incidental to our business, none of which is expected to have a material adverse effect on us.

Item 1A. Risk Factors

Management is not aware of any material changes to the risk factors discussed in Part 1, Item 1A of the Annual Report on Form 10-K for the year ended December 31, 2014. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors discussed in Part I, Item 1A of the Annual Report on Form 10-K for the year ended December 31, 2014, which could materially and adversely affect the Company's business, financial condition and results of operations. The risks described in the Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not presently known to management or that management presently believes not to be material
may also result in material and adverse effects on our business, financial condition and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

(a) Additional Disclosures. None.

(b) Stockholder Nominations. There have been no material changes in the procedures by which shareholders may recommend nominees to the Board of Directors during the three months ended June 30, 2015. Please see the discussion of these procedures in the most recent proxy statement on Schedule 14A filed with the U.S. Securities and Exchange Commission.

Item 6. Exhibits

See "Index to Exhibits."

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	BBCN BANCORP, INC.
Date: August 6, 2015	/s/ Kevin S. Kim Kevin S. Kim Chairman, President and Chief Executive Officer
Date: August 6, 2015	/s/ Douglas J. Goddard Douglas J. Goddard Executive Vice President and Chief Financial Officer

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INDEX TO EXHIBITS

Exhibit Number	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Public Company Accounting Reform and Investor Protection Act of 2002**
32.2	Certification of Chief Financial Officer pursuant to section 906 of the Public Company Accounting Reform and Investor Protection Act of 2002**
101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema Document**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**

* Filed herewith
** Furnished herewith