

PACIFIC PREMIER BANCORP INC

Form 10-Q

August 10, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-22193

(Exact name of registrant as specified in its charter)

DELAWARE

33-0743196

(State or other jurisdiction of incorporation or organization)

(I.R.S Employer Identification No.)

17901 VON KARMAN AVENUE, SUITE 1200, IRVINE, CALIFORNIA 92614

(Address of principal executive offices and zip code)

(949) 864-8000

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>	Non-accelerated filer (Do not check if a smaller reporting company)	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes No

The number of shares outstanding of the registrant's common stock as of August 10, 2015 was 21,510,558.

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
FORM 10-Q
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FOR THE QUARTER ENDED JUNE 30, 2015

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
 (dollars in thousands, except share data)

ASSETS	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)	June 30, 2014 (Unaudited)
Cash and due from banks	\$82,552	\$110,650	\$120,016
Federal funds sold	525	275	276
Cash and cash equivalents	83,077	110,925	120,292
Investment securities available for sale	280,434	201,638	235,116
FHLB and other stock, at cost	22,843	17,067	18,494
Loans held for investment	2,118,560	1,628,622	1,466,768
Allowance for loan losses	(15,100)	(12,200)	(9,733)
Loans held for investment, net	2,103,460	1,616,422	1,457,035
Accrued interest receivable	9,072	7,131	6,645
Other real estate owned	711	1,037	752
Premises and equipment	9,394	9,165	9,344
Deferred income taxes	12,305	9,383	10,796
Bank owned life insurance	38,665	26,822	26,445
Intangible assets	7,858	5,614	6,121
Goodwill	50,832	22,950	22,950
Other assets	18,105	10,743	7,535
TOTAL ASSETS	\$2,636,756	\$2,038,897	\$1,921,525
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES:			
Deposit accounts:			
Noninterest bearing checking	\$635,695	\$456,754	\$410,843
Interest-bearing:			
Checking	135,228	131,635	128,911
Money market/savings	795,725	600,764	533,672
Retail certificates of deposit	402,262	365,168	367,299
Wholesale/brokered certificates of deposit	127,073	76,505	4,856
Total interest-bearing	1,460,288	1,174,072	1,034,738
Total deposits	2,095,983	1,630,826	1,445,581
FHLB advances and other borrowings	167,389	116,643	255,287
Subordinated debentures	70,310	70,310	10,310
Accrued expenses and other liabilities	21,481	21,526	18,166
TOTAL LIABILITIES	2,355,163	1,839,305	1,729,344
STOCKHOLDERS' EQUITY:			
Common stock, \$.01 par value; 50,000,000 shares authorized; 21,510,558 shares at June 30, 2015, 16,903,884 shares at December 31, 2014, and 17,068,641 shares at June 30, 2014 issued and outstanding	215	169	171
Additional paid-in capital	220,759	147,474	149,942

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Retained earnings	61,044	51,431	42,090
Accumulated other comprehensive income (loss), net of tax (benefit) of \$(297) at June 30, 2015, \$362 at December 31, 2014 and (\$16) at June 30, 2014	(425) 518	(22)
TOTAL STOCKHOLDERS' EQUITY	281,593	199,592	192,181
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$2,636,756	\$2,038,897	\$1,921,525

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

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except per share data)

(unaudited)

	Three Months Ended			Six Months Ended	
	June 30, 2015	March 31, 2015	June 30, 2014	June 30, 2015	June 30, 2014
INTEREST INCOME					
Loans	\$27,581	\$24,513	\$17,922	\$52,094	\$34,507
Investment securities and other interest-earning assets	2,158	1,557	1,309	3,715	2,746
Total interest income	29,739	26,070	19,231	55,809	37,253
INTEREST EXPENSE					
Deposits	1,589	1,606	1,203	3,195	2,272
FHLB advances and other borrowings	407	375	255	782	498
Subordinated debentures	982	971	75	1,953	150
Total interest expense	2,978	2,952	1,533	5,930	2,920
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES	26,761	23,118	17,698	49,879	34,333
PROVISION FOR LOAN LOSSES	1,833	1,830	1,030	3,663	1,979
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	24,928	21,288	16,668	46,216	32,354
NONINTEREST INCOME					
Loan servicing fees	724	901	282	1,625	1,138
Deposit fees	634	582	463	1,216	917
Net gain from sales of loans	2,721	—	1,298	2,721	1,846
Net gain from sales of investment securities	139	116	98	255	160
Other income	494	427	330	921	462
Total noninterest income	4,712	2,026	2,471	6,738	4,523
NONINTEREST EXPENSE					
Compensation and benefits	9,486	9,522	6,485	19,008	13,376
Premises and occupancy	2,082	1,829	1,566	3,911	3,154
Data processing and communications	716	702	485	1,418	1,616
Other real estate owned operations, net	56	48	41	104	54
FDIC insurance premiums	363	314	266	677	503
Legal, audit and professional expense	661	521	385	1,182	978
Marketing expense	615	603	242	1,218	418
Office and postage expense	505	499	345	1,004	714
Loan expense	263	193	191	456	375
Deposit expense	982	805	747	1,787	1,508
Merger related expense	—	3,992	—	3,992	626
CDI amortization	344	314	254	658	507
Other expense	1,141	1,127	634	2,268	1,353
Total noninterest expense	17,214	20,469	11,641	37,683	25,182
NET INCOME BEFORE INCOME TAX	12,426	2,845	7,498	15,271	11,695
INCOME TAX	4,601	1,056	2,855	5,658	4,420
NET INCOME	\$7,825	\$1,789	\$4,643	\$9,613	\$7,275
EARNINGS PER SHARE					
Basic	\$0.36	\$0.09	\$0.28	\$0.46	\$0.43

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Diluted	\$0.36	\$0.09	\$0.27	\$0.46	\$0.42
WEIGHTED AVERAGE SHARES OUTSTANDING					
Basic	21,493,641	20,091,924	17,124,337	20,796,655	17,083,194
Diluted	21,828,876	20,382,832	17,476,390	21,126,542	17,422,928

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

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(dollars in thousands)

(unaudited)

	Three Months Ended			Six Months Ended	
	June 30, 2015	March 31, 2015	June 30, 2014	June 30, 2015	2014
Net income	\$7,825	\$1,789	\$4,643	\$9,613	\$7,275
Other comprehensive income (loss), net of tax (benefit):					
Unrealized holding gains (losses) on securities arising during the period, net of income taxes (benefits) (1)	(1,628	) 835	1,120	(793	) 3,149
Reclassification adjustment for net gain on sale of securities included in net income, net of income taxes (2)	(82	) (68	) (58	) (150	) (94
Net unrealized gain (loss) on securities, net of income taxes	(1,710	) 767	1,062	(943	) 3,055
Comprehensive income	\$6,115	\$2,556	\$5,705	\$8,670	\$10,330

(1) Income tax (benefit) on the unrealized gains (losses) on securities was \$(1.1) million for the three months ended June 30, 2015, \$584,000 for the three months ended March 31, 2015, \$741,000 for the three months ended June 30, 2014, \$(556,000) for the six months ended June 30, 2015 and \$2.1 million for the six months ended June 30, 2014.

(2) Income taxes on the reclassification adjustment for net gain on sale of securities included in net income was \$57,000 for the three months ended June 30, 2015, \$48,000 for the three months ended March 31, 2015, \$40,000 for the three months ended June 30, 2014, \$105,000 for the six months ended June 30, 2015 and \$66,000 for the six months ended June 30, 2014.

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

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014

(dollars in thousands)

(unaudited)

	Common Stock Shares	Common Stock	Additional Paid-in Capital	Accumulated Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance at December 31, 2014	16,903,884	\$ 169	\$ 147,474	\$ 51,431	\$ 518	\$ 199,592
Net income	—	—	—	9,613	—	9,613
Other comprehensive income	—	—	—	—	(943)	(943)
Share-based compensation expense	—	—	435	—	—	435
Common stock issued	4,480,645	45	72,207	—	—	72,252
Warrants exercised	125,196	1	688	—	—	689
Repurchase of common stock	(5,833)	—	(93)	—	—	(93)
Exercise of stock options	6,666	—	48	—	—	48
Balance at June 30, 2015	21,510,558	\$ 215	\$ 220,759	\$ 61,044	\$ (425)	\$ 281,593
Balance at December 31, 2013	16,656,279	\$ 166	\$ 143,322	\$ 34,815	\$ (3,077)	\$ 175,226
Net income	—	—	—	7,275	—	7,275
Other comprehensive income	—	—	—	—	3,055	3,055
Share-based compensation expense	—	—	257	—	—	257
Common stock repurchased and retired	(262,897)	(2)	(2,755)	—	—	(2,757)
Common stock issued	562,469	6	9,006	—	—	9,012
Stock options exercised	112,790	1	112	—	—	113
Balance at June 30, 2014	17,068,641	\$ 171	\$ 149,942	\$ 42,090	\$ (22)	\$ 192,181

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

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

(in thousands)

(unaudited)

	Six Months Ended	
	June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$9,613	\$7,275
Adjustments to net income:		
Depreciation and amortization expense	1,244	1,088
Amortization of Loan Fees and Discounts	(60) —
Provision for loan losses	3,663	1,979
Share-based compensation expense	435	257
Loss on sale and disposal of premises and equipment	—	23
Loss on sale of other real estate owned	51	17
Write down of other real estate owned	41	—
Amortization of premium/discounts on securities held for sale, net	1,763	1,220
Accretion of loan mark-to-market discount from acquisitions	(907	) (1,167
Gain on sale of investment securities available for sale	(255	) (160
Other-than-temporary impairment recovery on investment securities, net	—	(23
Gain on sale of loans held for investment	(2,721	) (1,846
Recoveries on loans	25	55
Principal payments from loans held for sale	—	31
Loss on loans held for sale	—	180
Deferred income tax benefit (provision)	1,706	(2,319
Change in accrued expenses and other liabilities, net	(1,840	) (595
Income from bank owned life insurance, net	(643	) (394
Change in accrued interest receivable and other assets, net	(5,159	) (2,754
Net cash provided by operating activities	6,956	2,867
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and principal payments on loans held for investment	309,960	147,372
Decrease in undisbursed loan funds	56,124	24,913
Purchase and origination of loans held for investment	(520,230	) (314,429
Proceeds from sale of other real estate owned	234	777
Principal payments on securities available for sale	15,907	13,430
Purchase of securities available for sale	(60,132	) (66,274
Proceeds from sale or maturity of securities available for sale	16,070	77,947
Investment in bank owned life insurance	—	(2,000
Purchases of premises and equipment	(842	) (517
Purchase of Federal Reserve Bank stock	(2,257	) (506
Purchase of FHLB stock	(1,150	) (2,538
Cash acquired (disbursed) in acquisitions, net	2,961	(7,793
Net cash used in investing activities	(183,355	) (129,618
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposit accounts	129,139	139,295
Repayment of FHLB advances and other borrowings, net	—	(16,421
Proceeds from FHLB advances	17,446	—

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Proceeds from issuance of common stock, net of issuance costs	1,323	—	
Proceeds from exercise of stock options	48	113	
Warrants exercised	688	—	
Repurchase of common stock	(93	) (2,757)
Net cash provided by financing activities	148,551	120,230	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(27,848	) (6,521)
CASH AND CASH EQUIVALENTS, beginning of period	110,925	126,813	
CASH AND CASH EQUIVALENTS, end of period	\$83,077	\$120,292	
SUPPLEMENTAL CASH FLOW DISCLOSURES			
Interest paid	\$5,979	\$2,924	
Income taxes paid	7,450	7,300	
Assets acquired (liabilities assumed and capital created) in acquisitions (See Note 4):			
Investment securities	53,752	—	
FHLB and Other Stock	2,369	—	
Loans	332,893	78,833	
Core deposit intangible	2,903	—	
Deferred income tax	4,794	—	
Bank owned life insurance	11,276	—	
Goodwill	27,882	5,522	
Fixed assets	2,134	74	
Other assets	2,402	702	
Deposits	(336,018) —	
Other borrowings	(33,300	) (67,617)
Other liabilities	(1,796	) (709)
Common stock and additional paid-in capital	(70,929	) (9,012)
NONCASH INVESTING ACTIVITIES DURING THE PERIOD			
Transfers from loans to other real estate owned	\$—	\$360	
Loans held for sale transfer to loans held for investment	\$—	\$2,936	

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

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

(UNAUDITED)

Note 1 - Basis of Presentation

The consolidated financial statements include the accounts of Pacific Premier Bancorp, Inc. (the "Corporation") and its wholly owned subsidiaries, including Pacific Premier Bank (the "Bank") (collectively, the "Company," "we," "our" or "us"). All significant intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, the consolidated financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the Company's financial position as of June 30, 2015, December 31, 2014 and June 30, 2014, the results of its operations and comprehensive income for the three months ended June 30, 2015, March 31, 2015 and June 30, 2014 and the six months ended June 30, 2015 and 2014 and the changes in stockholders' equity and cash flows for the six months ended June 30, 2015 and 2014. Operating results or comprehensive income for the six months ended June 30, 2015 are not necessarily indicative of the results or comprehensive income that may be expected for any other interim period or the full year ending December 31, 2015.