Ramirez Gregory K
Form 5
January 12, 2018

FORM 5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).
Form 3 Holdings Reported
Form 4 Transactions Reported

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

ANNUAL STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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1. Name and Address of Reporting Person *
Ramirez Gregory K

(Last) (First) (Middle)

C/O ARTISAN PARTNERS ASSET MANAGEMENT,Â 875 EAST WISCONSIN AVENUE, SUITE 800

(Street)

MILWAUKEE,Â WIÂ 53202

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Artisan Partners Asset Management Inc. [APAM]

3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year)
12/31/2017

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director __X__ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Executive Vice President

6. Individual or Joint/Group Reporting

(check applicable line)

_X_ Form Filed by One Reporting Person
___ Form Filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned at end of Issuer's Fiscal Year (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
				Amount	(A) or (D)	Price			
Class B Common Stock, par value $0.01 per share [(1)]	11/08/2017	Â	M4 [(2)(3)]	2,500 [(2)] [(3)]	D	$ 0	77,364	D	Â
Class A Common Stock, par	11/08/2017	Â	M4 [(2)(3)]	2,500	A	$ 0	30,900	D	Â

value $0.01
per share

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 2270 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. De Se (In
					(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Class B Common Units of Artisan Partners Holdings LP	Â	11/08/2017	Â	M4 (2)(3)	Â	2,500 (2) (3)	Â (2)	Â (2)	Class A Common Stock, par value $0.01 per share	2,500	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Ramirez Gregory K C/O ARTISAN PARTNERS ASSET MANAGEMENT 875 EAST WISCONSIN AVENUE, SUITE 800 MILWAUKEE,Â WIÂ 53202	Â	Â X	Â Executive Vice President	Â

Signatures

/s/ Lisa A. Moran, attorney-in-fact for Mr. Ramirez	01/11/2018
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) In connection with the Company's initial public offering and related reorganization transactions, on March 12, 2013, each holder of a Class B common unit ("Class B Common Unit") of Artisan Partners Holdings LP received a number of shares of Class B common stock,

par value $0.01 per share ("Class B Common Stock"), of the Company equal to the number of Class B Common Units then held by such person. Shares of Class B Common Stock do not have economic rights.

(2) Pursuant to an Exchange Agreement among the Company and each holder of limited partnership units of Artisan Partners Holdings LP ("Exchange Agreement"), which became effective on March 12, 2013, each holder of Class B Common Units has the right, pursuant to and subject to the limitations and restrictions set forth in the Exchange Agreement, to exchange his, her or its Class B Common Units for an equal number of shares of Class A common stock, par value $0.01 per share ("Class A Common Stock"), of the Company. Upon any such exchange for Class A Common Stock, the corresponding shares of Class B Common Stock then held by such holder will be cancelled. The Class B Common Units have no expiration date.

(3) On November 8, 2017, pursuant to the Company's Exchange Agreement, the reporting person exchanged 2,500 Class B Common Units for 2,500 shares of Class A Common Stock of the Company. In connection therewith, on November 8, 2017, the reporting person delivered to the Company an equal number of shares of Class B Common Stock and Class B Common Units for cancellation.

Note: File three copies of this Form, one of which must be manually signed. If space provided is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. x;">

$
227,778

$
97,906

Less:
Tax benefit on discontinued operations
—

—

(3
)

—

(1,067
)
Add:
Tax expense on continuing operations
39,777

45,287

42,911

131,137

73,744

Pre-tax earnings
109,393

130,370

105,179

358,915

170,583

Add:
Acquisition, integration, and reorganization costs
747

900

5,193

3,647

93,635

Less:
FDIC loss sharing expense, net
(4,449
)

(5,107
)

(7,415
)

(13,955
)

(27,370
)

Gain (loss) on sale of loans and leases

27

163

973

190

594

Gain (loss) on sale of securities
655

(186
)

—

3,744

4,841

Covered OREO (expense) income, net
(20
)

12

(452
)

11

1,348

Gain on sale of owned office building
—

—

—

—

1,570

Adjusted pre-tax earnings before accelerated discount accretion
113,927

136,388

117,266

372,572

283,235

Less:
Accelerated discount accretion from early payoffs of

acquired loans
9,659

19,447

4,501

46,458

Explanation of Responses:

27,446

Adjusted pre-tax earnings
104,268

116,941

112,765

326,114

255,789

Tax expense (1)
(39,101
)

(43,853
)

(45,895
)

(122,293
)

(104,106
)
Adjusted net earnings
$
65,167

$
73,088

$
66,870

$
203,821

$
151,683

Explanation of Responses:

Average assets
$
16,690,177

$
16,463,311

$
15,716,539

$
16,484,817

$
12,456,182

Average stockholders' equity
$
3,572,765

$
3,548,748

$
3,465,119

$
3,551,763

$
2,515,506

Less:
Average intangible assets
1,741,902

1,743,340

1,744,542

1,740,911

1,208,266

Average tangible common equity
$
1,830,863

$
1,805,408

$
1,720,577

$
1,810,852

$
1,307,240

Return on average assets [2]
1.65
%

2.07
%

1.57
%

1.85
%

1.05
%
Return on average equity [3]
7.73
%

9.62
%

7.13
%

8.57
%

5.20
%
Return on average tangible equity [4]
15.09
%

18.90
%

14.36
%

16.82
%

10.01
%
Adjusted return on average assets [5]
1.55
%

1.78
%

1.69
%

1.65
%

1.63
%
Adjusted return on average equity [6]
7.24
%

8.26
%

7.66
%

7.67
%

8.06
%
Adjusted return on average tangible equity [7]
14.12
%

16.24
%

15.42
%

15.05
%

15.51
%

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(1) Full-year expected effective rate of 37.5% for the 2015 periods and actual effective rate of 40.7% for the 2014 periods.
(2) Annualized net earnings divided by average assets.

(3) Annualized net earnings divided by average stockholders' equity.
(4) Annualized net earnings divided by average tangible common equity.
(5) Annualized adjusted net earnings divided by average assets.
(6) Annualized adjusted net earnings divided by average stockholders' equity.
(7) Annualized adjusted net earnings divided by average tangible common equity.

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Adjusted Efficiency Ratio:	Three Months Ended September 30, 2015	June 30, 2015	September 30, 2014	Nine Months Ended September 30, 2015	2014
	(Dollars in thousands)				
Noninterest expense	$90,139	$85,276	$94,923	$259,775	$314,287
Less: Intangible asset amortization	1,497	1,502	1,608	4,500	4,649
Foreclosed assets expense (income), net	4,521	(2,340)	4,827	2,517	3,463
Acquisition, integration, and reorganization costs	747	900	5,193	3,647	93,635
Noninterest expense used for efficiency ratio	$83,374	$85,214	$83,295	$249,111	$212,540
Net interest income (TE) [1]	$195,274	$204,721	$190,373	$600,855	$472,151
Noninterest income	15,758	19,623	16,314	56,252	29,484
Net revenues	211,032	224,344	206,687	657,107	501,635
Less: Gain (loss) on sale of securities	655	(186)	—	3,744	4,841
Gain on sale of owned office building	—	—	—	—	1,570
Net revenues used for efficiency ratio	210,377	224,530	206,687	653,363	495,224
Less: Accelerated discount accretion from early					
payoffs of acquired loans	9,659	19,447	4,501	46,458	27,446
FDIC loss sharing expense, net	(4,449)	(5,107)	(7,415)	(13,955)	(27,370)
Adjusted net revenues	$205,167	$210,190	$209,601	$620,860	$495,148
Efficiency ratio	39.6%	38.0%	40.3%	38.1%	42.9%
Adjusted efficiency ratio[2]	40.6%	40.5%	39.7%	40.1%	42.9%

(1) Includes tax-equivalent adjustments related to tax-exempt income on municipal securities of $2.8 million, $2.2 million, and $1.5 million for the three months ended September 30, 2015, June 30, 2015, and September 30, 2014, respectively, and $6.7 million and $4.8 million for the nine months ended September 30, 2015 and 2014, respectively. The federal statutory tax rate utilized was 35% for the periods.

(2) Noninterest expense used for efficiency ratio divided by adjusted net revenues.

Tangible Common Equity:	September 30, 2015		December 31, 2014	
	(Dollars in thousands)			
PacWest Bancorp Consolidated:				
Stockholders' equity	$3,581,704		$3,506,230	
Less: Intangible assets	1,741,084		1,737,683	
Tangible common equity	$1,840,620		$1,768,547	
Total assets	$16,814,105		$16,234,605	
Less: Intangible assets	1,741,084		1,737,683	
Tangible assets	$15,073,021		$14,496,922	
Equity to assets ratio	21.30	%	21.60	%
Tangible common equity ratio[1]	12.21	%	12.20	%
Book value per share	$ 34.76		$ 34.03	
Tangible book value per share	$ 17.86		$ 17.17	
Shares outstanding	103,053,694		103,022,017	
Pacific Western Bank:				
Stockholder's equity	$3,466,817		$3,378,879	
Less: Intangible assets	1,741,084		1,737,683	
Tangible common equity	$1,725,733		$1,641,196	
Total assets	$16,707,072		$15,995,719	
Less: Intangible assets	1,741,084		1,737,683	
Tangible assets	$14,965,988		$14,258,036	
Equity to assets ratio	20.75	%	21.12	%
Tangible common equity ratio[1]	11.53	%	11.51	%

(1) Tangible common equity divided by tangible assets.

Adjusted Allowance for Credit Losses to Loans and Leases (Excludes PCI Loans):	September 30, 2015		December 31, 2014	
	(Dollars in thousands)			
Adjustment for allowance on acquired loans and leases:				
Allowance for credit losses	$100,690		$76,767	
Less: Allowance related to acquired Non-PCI loans and leases	(12,173	)	(4,184	)
Adjusted allowance for credit losses	$88,517		$72,583	
Gross Non-PCI loans and leases	$12,300,057		$11,613,832	
Less: Carrying value of acquired Non PCI loans and leases	(5,180,808	)	(6,562,237	)
Adjusted loans and leases	$7,119,249		$5,051,595	
Allowance for credit losses to loans and leases	0.82	%	0.66	%
Adjusted allowance for credit losses to adjusted loans and leases	1.24	%	1.44	%
Adjustment for unamortized purchase discount on acquired loans and leases:				
Allowance for credit losses	$100,690		$76,767	
Add: Unamortized purchase discount related to acquired Non-PCI loans and leases	88,690		156,428	
Adjusted allowance for credit losses	$189,380		$233,195	
Gross Non-PCI loans and leases	$12,300,057		$11,613,832	

Add: Unamortized purchase discount related to acquired Non-PCI loans and leases	88,690	156,428
Adjusted loans and leases	$12,388,747	$11,770,260
Adjusted allowance for credit losses to adjusted loans and leases	1.53 %	1.98 %

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Results of Operations
Acquisitions Impact Earnings Performance
The comparability of financial information is affected by our acquisitions. We completed the CapitalSource Inc. acquisition on April 7, 2014, adding assets of $9.1 billion. This transaction has been accounted for using the acquisition method of accounting and, accordingly, the related operating results have been included in the consolidated financial statements from the acquisition date.
Earnings Performance
The following table presents profitability metrics for the periods indicated:

	Three Months Ended			Nine Months Ended	
	September 30, 2015	June 30, 2015	September 30, 2014	September 30, 2015	2014
Profitability Measures:					
Diluted earnings per share	$0.68	$0.83	$0.60	$2.21	$1.18
Annualized return on:					
Average assets	1.65 %	2.07 %	1.57 %	1.85 %	1.05 %
Average tangible equity [1]	15.09 %	18.90 %	14.36 %	16.82 %	10.01 %
Annualized adjusted return on:					
Average assets [2]	1.55 %	1.78 %	1.69 %	1.65 %	1.63 %
Average tangible equity [1][2]	14.12 %	16.24 %	15.42 %	15.05 %	15.51 %
Net interest margin (tax equivalent)	5.46 %	5.89 %	5.82 %	5.76 %	6.05 %
Core net interest margin (tax equivalent) [3]	5.19 %	5.33 %	5.68 %	5.31 %	5.70 %
Efficiency ratio	39.6 %	38.0 %	40.3 %	38.1 %	42.9 %
Adjusted efficiency ratio [2]	40.6 %	40.5 %	39.7 %	40.1 %	42.9 %

(1) Calculation reduces average equity by average intangible assets.
(2) See "Non-GAAP Measurements" for the calculation of this item.
(3) Excludes accelerated accretion of acquisition discounts resulting from early payoffs of acquired loans.

Third Quarter of 2015 Compared to Second Quarter of 2015
Net earnings were $69.6 million, or $0.68 per diluted share for the third quarter of 2015, compared to $85.1 million, or $0.83 per diluted share, for the second quarter of 2015. The quarter over quarter decrease of $15.5 million in net earnings was due to lower net interest income of $10.0 million, a $3.8 million decrease in gains and dividends on equity investments and a$6.9 million increase in foreclosed assets expense. The decrease in net interest income was attributable to lower discount accretion on acquired loans and lower FHLB dividends, offset by one more day in the third quarter and lower interest expense. Gains on the sale of equity investments decreased $5.9 million and dividends on equity investments increased $2.2 million in the third quarter. The second quarter of 2015 included the sale of three equity investments at a net gain of $6.0 million compared to one sale at a gain of $0.1 million in the third quarter. The increase in foreclosed assets expense was due mostly to a write-down of $4.6 million on an existing foreclosed property in the third quarter, while the second quarter included gains related to foreclosed asset sales of $2.8 million. When certain income and expense items are excluded, adjusted net earnings were $65.2 million for the third quarter of 2015 compared to $73.1 million for the prior quarter. See "Non-GAAP Measurements" for the calculation of adjusted net earnings. The $7.9 million decrease in adjusted net earnings was driven mainly by lower equity investment income, higher foreclosed assets expense and a higher provision for credit losses. The lower adjusted net earnings resulted in the adjusted return on average assets decreasing to 1.55% from 1.78% and the adjusted return on average tangible equity decreasing to 14.12% from 16.24%. The adjusted efficiency ratio increased slightly to 40.6% for the third quarter of 2015 compared to 40.5% for the prior quarter.

Third Quarter of 2015 Compared to Third Quarter of 2014

Net earnings for the third quarter of 2015 were $69.6 million, or $0.68 per diluted share, compared to net earnings for the third quarter of 2014 of $62.3 million, or $0.60 per diluted share. The $7.3 million increase in net earnings was due to higher net interest income of $3.7 million and lower noninterest expense of $4.8 million. The increase in net interest income was attributable to higher average interest-earning asset balances partially offset by higher interest expense. The decrease in noninterest expense was due primarily to lower acquisition, integration and reorganization costs of $4.4 million. The acquisition, integration and reorganization costs in the third quarter of 2015 related to the Square 1 acquisition while these costs for the third quarter of 2014 related to the CapitalSource Inc. merger.

Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Net earnings were $227.8 million, or $2.21 per diluted share for the nine months ended September 30, 2015 compared to $97.9 million, or $1.18 per diluted share, for the nine months ended September 30, 2014. The $129.9 million increase in net earnings was due to higher net interest income of $126.8 million, higher noninterest income of $26.8 million, and lower noninterest expense of $54.5 million, offset by higher income tax expense from continuing operations of $57.4 million and a higher provision for credit losses of $22.3 million. The decrease in noninterest expense was due mainly to a reduction in acquisition, integration and reorganization costs of $90.0 million. Excluding this item, all of the changes from period to period were due mostly to including the operations of CapitalSource Inc. for the entire 2015 period compared to only subsequent to its April 7, 2014 acquisition date for the 2014 period.

Net Interest Income

Net interest income, which is our principal source of revenue, represents the difference between interest earned on interest earning assets and interest paid on interest bearing liabilities. Net interest margin is net interest income expressed as a percentage of average interest earning assets. Net interest income is affected by changes in both interest rates and the volume of average interest earning assets and interest bearing liabilities.

The following table presents, for the periods indicated, the distribution of average assets, liabilities and stockholders' equity, as well as interest income and yields earned on average interest earning assets and interest expense and rates paid on average interest bearing liabilities presented on a tax equivalent basis:

	Three Months Ended								
	September 30, 2015			June 30, 2015			September 30, 2014		
	Average Balance	Interest Income/ Expense	Yields and Rates	Average Balance	Interest Income/ Expense	Yields and Rates	Average Balance	Interest Income/ Expense	Yields and Rates
	(Dollars in thousands)								
ASSETS:									
Loans and leases, net of deferred fees [1]	$12,112,881	$193,539	6.34 %	$12,108,016	$203,781	6.75 %	$11,285,689	$189,961	6.68 %
Investment securities [2]	1,806,628	16,709	3.67 %	1,672,590	16,739	4.01 %	1,584,811	13,858	3.47 %
Deposits in financial institutions	278,973	178	0.25 %	161,683	104	0.26 %	99,276	64	0.26 %
Total interest earning assets [2]	14,198,482	210,426	5.88 %	13,942,289	220,624	6.35 %	12,969,776	203,883	6.24 %
Other assets	2,491,695			2,521,022			2,746,763		
Total assets	$16,690,177			$16,463,311			$15,716,539		
LIABILITIES AND STOCKHOLDERS' EQUITY:									
Interest checking deposits	$787,271	300	0.15 %	$741,966	202	0.11 %	$605,288	86	0.06 %
Money market deposits	2,417,280	1,218	0.20 %	2,065,190	1,088	0.21 %	1,733,445	908	0.21 %
Savings deposits	746,362	449	0.24 %	740,878	555	0.30 %	759,177	575	0.30 %
Time deposits	5,042,768	8,433	0.66 %	5,559,903	9,388	0.68 %	5,680,732	7,253	0.51 %
Total interest bearing deposits	8,993,681	10,400	0.46 %	9,107,937	11,233	0.49 %	8,778,642	8,822	0.40 %
Borrowings	70,171	72	0.41 %	81,164	88	0.43 %	96,711	74	0.30 %
Subordinated debentures	434,420	4,680	4.27 %	432,656	4,582	4.25 %	434,625	4,614	4.21 %
Total interest bearing liabilities	9,498,272	15,152	0.63 %	9,621,757	15,903	0.66 %	9,309,978	13,510	0.58 %
Noninterest bearing demand deposits	3,486,780			3,157,129			2,778,260		
Other liabilities	132,360			135,677			163,182		
Total liabilities	13,117,412			12,914,563			12,251,420		
Stockholders' equity	3,572,765			3,548,748			3,465,119		
Total liabilities and stockholders' equity	$16,690,177			$16,463,311			$15,716,539		
Net interest income (tax equivalent) [2]		$195,274			$204,721			$190,373	

Net interest rate spread			5.25 %			5.69 %			5.66 %
Net interest margin			5.46 %			5.89 %			5.82 %
Total deposits [3]	$12,480,461	$10,400	0.33 %	$12,265,066	$11,233	0.37 %	$11,556,902	$8,822	0.30 %
Funding sources [4]	$12,985,052	$15,152	0.46 %	$12,778,886	$15,903	0.50 %	$12,088,238	$13,510	0.44 %

(1) Includes nonaccrual loans and leases and loan fees.

(2) Includes tax-equivalent adjustments of $2.8 million, $2.2 million, and $1.5 million for the three months ended September 30, 2015, June 30, 2015, and September 30, 2014, respectively, related to tax-exempt income on municipal securities. The federal statutory tax rate utilized was 35% for the periods.

(3) Total deposits is the sum of interest-bearing deposits and noninterest-bearing demand deposits. The cost of total deposits is calculated as annualized interest expense on deposits divided by average total deposits.

(4) Funding sources is the sum of interest-bearing liabilities and noninterest-bearing demand deposits. The cost of funding sources is calculated as annualized total interest expense divided by average funding sources.

	Nine Months Ended September 30,					
	2015			2014		
	Average Balance	Interest Income/ Expense	Yields and Rates	Average Balance	Interest Income/ Expense	Yields and Rates
	(Dollars in thousands)					
ASSETS:						
Loans and leases, net of deferred fees [1]	$12,092,402	$599,417	6.63 %	$8,698,351	$459,625	7.06 %
Investment securities [2]	1,698,254	47,428	3.73 %	1,568,382	39,897	3.40 %
Deposits in financial institutions	158,708	304	0.26 %	164,613	314	0.26 %
Total interest earning assets [2]	13,949,364	647,149	6.20 %	10,431,346	499,836	6.41 %
Other assets	2,535,453			2,024,836		
Total assets	$16,484,817			$12,456,182		
LIABILITIES AND STOCKHOLDERS' EQUITY:						
Interest checking deposits	$752,217	696	0.12 %	$611,499	241	0.05 %
Money market deposits	2,108,317	3,251	0.21 %	1,626,539	2,400	0.20 %
Savings deposits	747,902	1,575	0.28 %	570,317	1,137	0.27 %
Time deposits	5,359,911	26,590	0.66 %	4,005,299	13,582	0.45 %
Total interest bearing deposits	8,968,347	32,112	0.48 %	6,813,654	17,360	0.34 %
Borrowings	190,502	395	0.28 %	51,894	352	0.91 %
Subordinated debentures	433,233	13,787	4.25 %	326,858	9,973	4.08 %
Total interest bearing liabilities	9,592,082	46,294	0.65 %	7,192,406	27,685	0.51 %
Noninterest bearing demand deposits	3,199,843			2,568,396		
Other liabilities	141,129			179,874		
Total liabilities	12,933,054			9,940,676		
Stockholders' equity	3,551,763			2,515,506		
Total liabilities and stockholders' equity	$16,484,817			$12,456,182		
Net interest income (tax equivalent) [2]		$600,855			$472,151	
Net interest rate spread			5.55 %			5.90 %
Net interest margin			5.76 %			6.05 %
Total deposits [3]	$12,168,190	$32,112	0.35 %	$9,382,050	$17,360	0.25 %
Funding sources [4]	$12,791,925	$46,294	0.48 %	$9,760,802	$27,685	0.38 %

(1) Includes nonaccrual loans and leases and loan fees.

(2) Includes tax-equivalent adjustments of $6.7 million and $4.8 million for the nine months ended September 30, 2015 and 2014, respectively, related to tax-exempt income on municipal securities. The federal statutory tax rate utilized was 35% for the periods.

(3) Total deposits is the sum of interest-bearing deposits and noninterest-bearing demand deposits. The cost of total deposits is calculated as annualized interest expense on deposits divided by average total deposits.

(4) Funding sources is the sum of interest-bearing liabilities and noninterest-bearing demand deposits. The cost of funding sources is calculated as annualized total interest expense divided by average funding sources.

The tax equivalent net interest margin ("NIM") and loan and lease yields are impacted by accelerated accretion of acquisition discounts resulting from early payoffs of acquired loans, which causes volatility from period to period. The effects of this item on the NIM and loan and lease yield are shown in the following table for the periods indicated:

	Three Months Ended			Nine Months Ended	
	September 30, 2015	June 30, 2015	September 30, 2014	September 30, 2015	2014
NIM:					
Reported	5.46 %	5.89 %	5.82 %	5.76 %	6.05 %
Less: Accelerated accretion of acquisition discounts from early payoffs of acquired loans	(0.27)%	(0.56)%	(0.14)%	(0.45)%	(0.35)%
Core	5.19 %	5.33 %	5.68 %	5.31 %	5.70 %
Loan and Lease Yield:					
Reported	6.34 %	6.75 %	6.68 %	6.63 %	7.06 %
Less: Accelerated accretion of acquisition discounts from early payoffs of acquired loans	(0.32)%	(0.64)%	(0.16)%	(0.51)%	(0.42)%
Core	6.02 %	6.11 %	6.52 %	6.12 %	6.64 %

The following table presents the impact on tax equivalent net interest income and NIM from all purchase accounting items as indicated in the table below for the periods indicated:

	Three Months Ended				
	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
	(Dollars in thousands)				
Impact on Net Interest Income:					
Net interest income (tax equivalent)	$195,274	$204,721	$200,860	$196,618	$190,373
Less:					
Accelerated accretion of acquisition discounts from early payoffs of acquired loans	(9,659)	(19,447)	(17,352)	(11,421)	(4,501)
Remaining accretion of Non-PCI loan acquisition discounts	(7,485)	(8,575)	(11,128)	(13,073)	(15,072)
Total accretion of loan acquisition discounts	(17,144)	(28,022)	(28,480)	(24,494)	(19,573)
Amortization of TruPS discount	1,399	1,400	1,401	1,401	1,402
Accretion of time deposits premium	(576)	(799)	(1,285)	(2,469)	(5,081)
Total purchase accounting adjustments	(16,321)	(27,421)	(28,364)	(25,562)	(23,252)
Net interest income - excluding purchase accounting	$178,953	$177,300	$172,496	$171,056	$167,121
Impact on Net Interest Margin:					
Net interest margin (tax equivalent)	5.46 %	5.89 %	5.95 %	5.91 %	5.82 %
Less:					
Accelerated accretion of acquisition discounts	(0.27)%	(0.56)%	(0.51)%	(0.34)%	(0.14)%

from early payoffs of acquired loans					
Remaining accretion of Non-PCI loan acquisition discounts	(0.21)%	(0.25)%	(0.33)%	(0.39)%	(0.46)%
Total accretion of loan acquisition discounts	(0.48)%	(0.81)%	(0.84)%	(0.73)%	(0.60)%
Amortization of TruPS discount	0.04 %	0.04 %	0.04 %	0.04 %	0.04 %
Accretion of time deposits premium	(0.02)%	(0.02)%	(0.04)%	(0.07)%	(0.16)%
Total purchase accounting adjustments	(0.46)%	(0.79)%	(0.84)%	(0.76)%	(0.72)%
Net interest margin - excluding purchase accounting	5.00 %	5.10 %	5.11 %	5.15 %	5.10 %

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The following table presents the loan and lease yields and related average balances of our Non PCI loans and leases, PCI loans, and total loan and lease portfolio for the periods indicated:

	Three Months Ended						Nine Months Ended			
	September 30, 2015		June 30, 2015		September 30, 2014		September 30, 2015		2014	
	(Dollars in thousands)									
Yields:										
Non PCI loans and leases	6.19	%	6.61	%	6.41	%	6.47	%	6.63	%
PCI loans	15.42	%	13.87	%	14.74	%	15.05	%	17.07	%
Total loans and leases	6.34	%	6.75	%	6.68	%	6.63	%	7.06	%
Average Balances:										
Non PCI loans and leases	$11,919,787		$11,879,799		$10,922,640		$11,865,330		$8,339,073	
PCI loans	193,094		228,217		363,049		227,072		359,278	
Total loans and leases	$12,112,881		$12,108,016		$11,285,689		$12,092,402		$8,698,351	

Third Quarter of 2015 Compared to Second Quarter of 2015

Net interest income decreased $10.1 million to $192.5 million for the third quarter of 2015 compared to $202.6 million for the second quarter of 2015 due to lower discount accretion on acquired loans and lower FHLB dividends, offset by one more day in the third quarter and lower interest expense. The loan and lease yield for the third quarter of 2015 was 6.34% compared to 6.75% for the second quarter of 2015. The decrease in the loan and lease yield was due to lower discount accretion on acquired loans and the lower yield on new originations compared to the current portfolio yield. Discount accretion on acquired loans was $17.1 million in the third quarter of 2015 (57 basis points on the loan and lease yield) compared to $28.0 million in the second quarter of 2015 (92 basis points on the loan and lease yield). The decrease in discount accretion was due primarily to lower accelerated accretion from early payoffs. The tax equivalent NIM for the third quarter of 2015 was 5.46% compared to 5.89% for the second quarter of 2015. The decrease in the NIM was due to lower discount accretion on acquired loans, lower FHLB dividends and lower-yielding assets representing a higher percentage of average earning assets. Discount accretion on acquired loans contributed 48 basis points to the NIM in the third quarter of 2015 and 81 basis points in the second quarter of 2015. A $1.4 million special dividend received from the FHLB in the second quarter of 2015 contributed four basis points to the second quarter NIM. Tax free interest income represented eight basis points of the tax equivalent NIM for the third quarter of 2015 and six basis points for the second quarter of 2015.

The cost of total deposits decreased to 0.33% from 0.37% in the prior quarter due primarily to a lower level of higher-cost time deposits and the increased balance of noninterest-bearing deposits. The repricing of maturing time deposits at current rates and new time deposit production resulted in the decline in the weighted average contractual interest rate on time deposits to 0.67% at September 30, 2015 from 0.71% at June 30, 2015.

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Third Quarter of 2015 Compared to Third Quarter of 2014
Net interest income increased by $3.7 million to $192.5 million for the third quarter of 2015 compared to $188.8 million for the third quarter of 2014 due mainly to higher average interest-earning asset balances offset partially by lower yields on interest-earning assets.
The tax equivalent NIM decreased 36 basis points to 5.46% for the third quarter of 2015 compared to 5.82% for the same quarter last year, due mostly to lower yields on new originations compared to the average portfolio yield, the higher-yielding PCI loan portfolio being a smaller percentage of the entire loan portfolio and lower accretion of loan acquisition discounts and time deposit acquisition premiums. The impact on the NIM from accretion of loan and lease acquisition discounts was 48 basis points for the third quarter of 2015 compared to 60 basis points for the third quarter of 2014. Accretion of time deposit acquisition premiums was $0.6 million in the third quarter of 2015 (two basis points on the NIM) compared to $5.1 million in the third quarter of 2014 (16 basis points on the NIM).
The yield on loans and leases decreased 34 basis points to 6.34% for the third quarter of 2015 compared to 6.68% for the same quarter of 2014 due mainly to yields on newly originated loans being lower than the average portfolio yield, the higher-yielding PCI loan portfolio being a smaller percentage of the entire loan portfolio, and lower accretion of loan acquisition discounts.
The cost of all funding sources increased two basis points to 0.46% for the third quarter of 2015 from 0.44% for the third quarter of 2014 due mainly to lower premium accretion on time deposits acquired in the CapitalSource Inc. merger. The total deposit cost increased 3 basis points to 0.33% for the third quarter of 2015 from 0.30% for the same quarter last year. The cost of total interest bearing liabilities increased 5 basis points to 0.63% for the third quarter of 2015 from 0.58% for the same quarter last year.
Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014
Net interest income increased by $126.8 million to $594.1 million for the nine months ended September 30, 2015, compared to $467.4 million for the nine months ended September 30, 2014 due to the significant increase in interest-earning assets acquired in the CapitalSource Inc. merger on April 7, 2014.
The tax equivalent NIM decreased 29 basis points to 5.76% for the nine months ended September 30, 2015 compared to 6.05% for the same period in 2014, due mostly to lower loan yield and lower accretion of time deposit acquisition premiums. The positive impact on the NIM from accretion of time deposits acquisition premiums was three basis points for the first nine months of 2015 compared to 15 basis points for the same period in 2014. Tax free interest income represented six basis points of the tax equivalent NIM for the nine months ended September 30, 2014 and six basis points for the same period in 2014.
The yield on loans and leases decreased 43 basis points to 6.63% for the nine months ended September 30, 2015 compared to 7.06% for the same period in 2014 due mainly to yields on newly originated loans being lower than the average portfolio yield, the higher-yielding PCI loan portfolio representing a smaller percentage of the entire loan portfolio, and the PCI loan yield being lower in the current period.
The cost of all funding sources increased 10 basis points to 0.48% for the nine months ended September 30, 2015 from 0.38% for the same period last year due mainly to the $5.3 billion of higher-cost time deposits acquired in the CapitalSource Inc. merger contributing to the funding cost for the entire 9-month period in 2015 compared to contributing for only six months in the 2014 period. The total deposit cost increased 10 basis points to 0.35% for the first nine months of 2015 from 0.25% for the same period last year. The cost of total interest bearing liabilities increased 14 basis points to 0.65% for the nine months ended September 30, 2015 from 0.51% for the same period last year.

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Provision for Credit Losses

The following table sets forth the details of the provision for credit losses and allowance for credit losses data for the periods indicated:

	Three Months Ended			Nine Months Ended	
	September 30, 2015	June 30, 2015	September 30, 2014	September 30, 2015	2014
	(Dollars in thousands)				
Provision For Credit Losses:					
Addition to allowance for Non PCI loans and leases	$10,500	$4,000	$3,684	$31,104	$9,415
Addition to (reduction in) reserve for unfunded loan commitments	500	1,000	(931)	2,063	(1,662)
Total provision for Non PCI loans and leases	11,000	5,000	2,753	33,167	7,753
(Negative provision) provision for PCI Loans	(2,254)	1,529	2,297	(1,458)	1,683
Total provision for credit losses	$8,746	$6,529	$5,050	$31,709	$9,436
Non PCI Credit Quality Metrics:					
Net charge offs (recoveries) on Non PCI loans and leases	$3,231	$(1,367)	$6,123	$9,244	$6,572
Annualized net charge offs (recoveries) to average Non-PCI loans and leases	0.11%	(0.05)%	0.22%	0.10%	0.11%
At period end:					
Allowance for loan and lease losses	$92,316	$85,047	$63,084		
Allowance for credit losses	100,690	92,921	68,997		
Non PCI nonaccrual loans and leases	107,190	131,178	88,948		
Non PCI classified loans and leases	328,038	379,988	260,986		
Allowance for credit losses to Non PCI loans and leases	0.82%	0.78%	0.61%		
Allowance for credit losses to Non PCI nonaccrual loans and leases	93.9%	70.8%	77.6%		

Provisions for credit losses are charged to earnings for both on and off balance sheet credit exposures. We have a provision for credit losses on our Non PCI loans and leases and a provision for credit losses on our PCI loans. The provision for credit losses on our Non PCI loans and leases is based on our allowance methodology and is an expense, or contra expense, that, in our judgment, is required to maintain an adequate allowance for credit losses. Our allowance methodology uses our actual historical loan and lease charge-off experience on pools of similar loans and leases, considers the current credit risk ratings, giving greater weight to loans with more adverse credit risk ratings, and considers subjective criteria such as current economic trends and forecasts, current commercial real estate values and performance trends, and the loan portfolio credit performance trends. The provision for credit losses on our PCI loans results from decreases or increases in expected cash flows on such loans compared to those previously estimated.

We recorded a provision for credit losses of $8.7 million in the third quarter of 2015 and $6.5 million in the second quarter of 2015 in accordance with our allowance methodology, which takes into consideration new loan and lease fundings, commitments to make loans and leases and underlying credit quality trends. For the Non-PCI portfolio, the $11.0 million provision, offset by net charge-offs of $3.2 million, resulted in a $7.8 million increase to the allowance for credit losses in the third quarter of 2015.

Certain circumstances may lead to increased provisions for credit losses in the future. Examples of such circumstances are net loan and lease and unfunded commitment growth, an increased amount of loan and lease charge-offs, changes in economic conditions, such as the rate of economic growth, the rate of inflation, the unemployment rate, increases in the general level of interest rates, declines in real estate values and adverse conditions in borrowers' businesses. See further discussion in "Balance Sheet Analysis - Allowance for Credit Losses on Non PCI Loans" and "Balance Sheet Analysis - Allowance for Credit Losses on PCI Loans" contained herein.

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Noninterest Income

The following table summarizes noninterest income by category for the periods indicated:

	Three Months Ended			Nine Months Ended	
	September 30,	June 30,	September 30,	September 30,	
	2015	2015	2014	2015	2014
	(In thousands)				
Noninterest Income:					
Service charges on deposit accounts	$2,601	$2,612	$2,725	$7,787	$8,446
Other commissions and fees	6,376	7,123	6,371	18,895	14,046
Leased equipment income	5,475	5,375	5,615	16,232	11,287
Gain on sale of loans and leases	27	163	973	190	594
Gain (loss) on sale of securities	655	(186)	—	3,744	4,841
FDIC loss sharing expense, net	(4,449)	(5,107)	(7,415)	(13,955)	(27,370)
Other income:					
Dividends and realized gains on equity investments	4,357	8,169	3,625	16,003	4,283
Foreign currency translation net (losses) gains	(373)	(1,377)	2,253	847	2,504
Income recognized on early repayment of leases	12	1,648	510	2,396	4,976
Gain on sale of owned office building	—	—	—	—	1,570
Other	1,077	1,203	1,657	4,113	4,307
Total noninterest income	$15,758	$19,623	$16,314	$56,252	$29,484

The following table presents the details of FDIC loss sharing expense, net for the periods indicated:

	Three Months Ended			Nine Months Ended	
	September 30,	June 30,	September 30,	September 30,	
	2015	2015	2014	2015	2014
	(In thousands)				
FDIC Loss Sharing Expense, Net:					
Loss on FDIC loss sharing asset[(1)]	$(846)	$(725)	$(1,735)	$(1,849)	$(4,932)
FDIC loss sharing asset amortization, net	(3,484)	(4,286)	(6,074)	(11,785)	(21,256)
Net reimbursement (to) from FDIC for covered OREOs[(2)]	(11)	7	491	(7)	(908)
Other	(108)	(103)	(97)	(314)	(274)
Total FDIC loss sharing expense, net	$(4,449)	$(5,107)	$(7,415)	$(13,955)	$(27,370)

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(1) Includes increases related to covered loan loss provisions and decreases for: (a) write offs for covered loans expected to be resolved at amounts higher than their carrying values, and (b) amounts to be reimbursed to the FDIC for covered loans resolved at amounts higher than their carrying values.

(2) Represents amounts to be reimbursed to the FDIC for gains on covered other real estate owned ("OREO") sales and due from the FDIC for covered OREO write downs.

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Third Quarter of 2015 Compared to Second Quarter of 2015

Noninterest income decreased by $3.8 million to $15.8 million for the third quarter of 2015 compared to $19.6 million for the second quarter of 2015 due mostly to lower dividends and realized gains on equity investments and lower fee income recognized as a result of loan and lease prepayments, offset by lower foreign currency translation net losses and higher net gains on sale of securities. Realized gains and dividends on equity investments tend to fluctuate from period to period based upon sales activity and actual dividends received. Dividends increased $2.2 million while realized gains on sales of equity investments decreased $5.9 million in the third quarter compared to the prior quarter. The second quarter of 2015 included the sale of three equity investments at a net gain of $6.0 million compared to one sale in the third quarter at a gain of $0.1 million. Foreign currency translation net losses decreased $1.0 million from the prior quarter as a result of movement of the U.S. Dollar against various foreign currencies, principally the Euro. In June 2015, PacWest hedged its Euro-denominated subordinated debenture with a cross currency swap to reduce the related foreign currency translation volatility. The gain on sale of securities was $0.7 million for the third quarter of 2015 compared to a net loss of $0.2 million for the second quarter; all sales related to ongoing portfolio risk management activities.

Third Quarter of 2015 Compared to Third Quarter of 2014

Noninterest income decreased by $0.6 million to $15.8 million for the third quarter of 2015 compared to $16.3 million for the third quarter of 2014. The decrease was due mostly to lower foreign currency translation net gains of $2.6 million and lower gain on sale of loans of $0.9 million offset by lower FDIC loss sharing expense of $3.0 million. As a result of the cross currency swap entered into in June 2015, the impact of foreign currency translation net gains was reduced in the 2015 third quarter as compared to the 2014 period. The decrease in FDIC loss sharing expense resulted from a $2.6 million reduction in the amortization expense of the FDIC loss sharing asset, as one of the Bank's loss sharing agreements reached the end of its initial indemnification period during the third quarter of 2014.

Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Noninterest income increased by $26.8 million to $56.3 million for the nine months ended September 30, 2015, compared to $29.5 million for the nine months ended September 30, 2014. The increase was due mostly to income streams gained in the CapitalSource Inc. merger, including higher dividends and realized gains on equity investments of $11.7 million, lower FDIC loss sharing expense of $13.4 million, higher leased equipment income of $4.9 million and higher other commissions and fees of $4.8 million, offset by lower gains on the sale of securities of $1.1 million. The 2015 period included the sale of four equity investments at a net gain of $6.1 million and dividends received of $9.9 million; the 2014 period included a net gain of $1.2 million on the sale of eleven equity investments and dividends received of $3.1 million. The decrease in FDIC loss sharing expense resulted from a $9.5 million decline in the amortization expense of the FDIC loss sharing asset, as one of the Bank's loss sharing agreements reached the end of its initial indemnification period during the third quarter of 2014; a $3.1 million decrease in the loss on the FDIC loss sharing asset; and a $0.9 million decrease in net reimbursement expense to the FDIC for covered OREO's. The increase in other commissions and fees was due to higher loan-related unused commitment fees and prepayment fees.

Noninterest Expense

The following table summarizes noninterest expense by category for the periods indicated:

	Three Months Ended			Nine Months Ended	
	September 30,	June 30,	September 30,	September 30,	
	2015	2015	2014	2015	2014
	(In thousands)				
Noninterest Expense:					
Compensation	$48,152	$49,033	$45,861	$144,922	$119,569
Occupancy	10,762	10,588	11,188	31,950	29,861
Data processing	4,322	4,402	3,929	13,032	10,568
Other professional services	3,396	3,332	3,687	9,949	8,053
Insurance and assessments	3,805	4,716	3,020	11,546	7,792
Intangible asset amortization	1,497	1,502	1,608	4,500	4,649
Leased equipment depreciation	3,162	3,103	2,961	9,368	6,056
Foreclosed assets expense (income), net	4,521	(2,340)	4,827	2,517	3,463
Acquisition, integration and reorganization costs	747	900	5,193	3,647	93,635
Other expense:					
Loan expense	1,494	1,486	3,711	3,319	7,929
Other	8,281	8,554	8,938	25,025	22,712
Total noninterest expense	$90,139	$85,276	$94,923	$259,775	$314,287

The following table presents the components of foreclosed assets expense (income), net for the periods indicated:

	Three Months Ended			Nine Months Ended	
	September 30,	June 30,	September 30,	September 30,	
	2015	2015	2014	2015	2014
	(In thousands)				
Foreclosed Assets Expense (Income):					
Provision for losses	$4,757	$282	$4,698	$5,163	$5,066
Operating (income) expense	(152)	(2,642)	177	(2,688)	1,151
(Gain) loss on sale	(84)	20	(48)	42	(2,754)
Total foreclosed assets expense (income), net	$4,521	$(2,340)	$4,827	$2,517	$3,463

Third Quarter of 2015 Compared to Second Quarter of 2015

Noninterest expense increased by $4.8 million to $90.1 million for the third quarter of 2015 compared to $85.3 million for the second quarter of 2015. The increase was due mostly to higher foreclosed assets expense of $6.9 million, offset by lower insurance and assessments expense of $0.9 million and lower compensation expense of $0.9 million. The increase in foreclosed assets expense was due mostly to a write-down of $4.6 million on an existing foreclosed property in the third quarter, while the second quarter included gains related to foreclosed asset sales of $2.8 million. Insurance and assessments expense decreased due to lower FDIC insurance assessment expense. The reduction in compensation expense was due principally to lower stock-based compensation expense.

Third Quarter of 2015 Compared to Third Quarter of 2014

Noninterest expense decreased by $4.8 million to $90.1 million for the third quarter of 2015 compared to $94.9 million for the third quarter of 2014. The decrease in noninterest expense was due mainly to lower acquisition, integration and reorganization costs of $4.4 million. The acquisition, integration and reorganization costs for the third quarter of 2015 related to the Square 1 acquisition, and the costs for the third quarter of 2014 related to the CapitalSource Inc. merger.

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Explanation of Responses:

Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Noninterest expense decreased by $54.5 million to $259.8 million for the nine months ended September 30, 2015 compared to $314.3 million for the nine months ended September 30, 2014. The decrease in noninterest expense was due mainly to lower acquisition, integration and reorganization costs of $90.0 million. Excluding this item, all of the changes from period to period were due mostly to including the operations of CapitalSource Inc. for the entire 2015 period and only subsequent to its April 7, 2014 acquisition date for the 2014 period. The acquisition, integration and reorganization costs for the nine months ended September 30, 2015 related to the Square 1 acquisition, and the costs for the same period last year related to the CapitalSource Inc. merger.

Income Taxes

The effective tax rate for the third quarter of 2015 was 36.4% compared to 34.7% for the second quarter of 2015 and 40.8% for the third quarter of 2014. The lower effective rate in the second quarter of 2015 is related to utilization of a portion of the capital loss carryforward and adjustments to certain deferred tax assets. The Company's blended statutory tax rate for federal and state is 41%. The effective tax rate for calendar year 2015 is expected to be 37.5%.

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Business Segments

The Company's reportable segments consist of "Community Banking," "National Lending," and "Other." The Community Banking and National Lending segments include all of the operations of Pacific Western Bank. The Other segment consists of holding company and non-bank subsidiary operations, and intercompany eliminations.

As a result of the CapitalSource Inc. merger, the Bank formed the CapitalSource Division and reorganized our legacy asset based lending and leasing operations to be a part of this division. The National Lending Segment includes the lending operations gained through the CapitalSource Inc. merger, Pacific Western Equipment Finance, and the CapitalSource Business Finance Group.

The CapitalSource Division lends throughout the United States, providing middle-market businesses asset-secured loans, equipment-secured loans, cash flow loans, and real estate loans secured by various property types. The CapitalSource Division's loan and lease origination efforts are conducted through offices located in Chevy Chase, Maryland; Los Angeles and San Jose, California; Phoenix, Arizona; St. Louis, Missouri; Denver, Colorado; Chicago, Illinois; New York, New York; and Midvale, Utah.

The Community Banking segment includes the operations of Pacific Western Bank, excluding the CapitalSource Division, and includes lending and deposit gathering activities conducted primarily through its California-based branch offices and the Bank's treasury management function and corporate overhead.

The Other segment consists of holding company operations that result in expenses principally for compensation, facilities, professional services, interest on subordinated debentures, and the non-bank subsidiary operations including interest income from a loan portfolio and related loan servicing expense.

For further information, see Note 14, Business Segments, in the Notes to Condensed Consolidated Financial Statements (Unaudited) contained in "Item 1. Condensed Consolidated Financial Statements (Unaudited)."

The following tables present information regarding our business segments as of and for the periods indicated:

	September 30, 2015			
Balance Sheet Data:	Community Banking	National Lending	Other	Consolidated Company
	(In thousands)			
Loans and leases, net of deferred fees	$3,141,576	$9,302,580	$8,049	$12,452,205
Allowance for loan and lease losses	(39,522)	(63,749)	—	(103,271)
Total loans and leases, net	$3,102,054	$9,238,831	$8,049	$12,348,934
Goodwill	$333,979	$1,394,401	$—	$1,728,380
Core deposit and customer relationship intangibles, net	12,143	561	—	12,704
Total assets	6,288,790	10,418,282	107,033	16,814,105
Total deposits(1)	12,484,050	36,586	(404,873)	12,115,763

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(1) The negative balance for total deposits in the "Other" segment represents the elimination of holding company cash held in deposit accounts at the Bank.

	September 30, 2014			
Balance Sheet Data:	Community Banking	National Lending	Other	Consolidated Company
	(In thousands)			
Loans and leases, net of deferred fees	$3,482,125	$8,064,868	$27,892	$11,574,885
Allowance for loan and lease losses	(56,712)	(25,187)	—	(81,899)
Total loans and leases, net	$3,425,413	$8,039,681	$27,892	$11,492,986
Goodwill	$327,728	$1,394,401	$—	$1,722,129
Core deposit and customer relationship intangibles, net	17,814	1,009	—	18,823
Total assets	6,492,674	9,182,617	262,859	15,938,150
Total deposits(1)	11,826,681	—	(303,244)	11,523,437

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(1) The negative balance for total deposits in the “Other” segment represents the elimination of holding company cash held in deposit accounts at the Bank.

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Results of Operations:	Three Months Ended September 30, 2015 Community Banking (In thousands)	National Lending	Other	Consolidated Company
Interest income	$58,368	$148,264	$1,040	$207,672
Interest expense	(10,430)	(42)	(4,680)	(15,152)
Intersegment interest income (expense)	6,629	(6,629)	—	—
Net interest income (expense)	54,567	141,593	(3,640)	192,520
Negative provision (provision) for credit losses	1,309	(10,145)	90	(8,746)
Gain on sale of securities	655	—	—	655
FDIC loss sharing expense, net	(4,449)	—	—	(4,449)
Other noninterest income	7,956	7,478	4,118	19,552
Total noninterest income	4,162	7,478	4,118	15,758
Foreclosed assets (expense) income, net	(4,787)	39	227	(4,521)
Intangible asset amortization	(1,385)	(112)	—	(1,497)
Acquisition, integration and reorganization costs	(747)	—	—	(747)
Other noninterest expense	(56,318)	(23,763)	(3,293)	(83,374)
Total noninterest expense	(63,237)	(23,836)	(3,066)	(90,139)
Intersegment noninterest income (expense)	28,280	(28,280)	—	—
Total noninterest expense - adjusted	(34,957)	(52,116)	(3,066)	(90,139)
Earnings (loss) before taxes	25,081	86,810	(2,498)	109,393
Income tax (expense) benefit	(9,584)	(33,172)	2,979	(39,777)
Net earnings	$15,497	$53,638	$481	$69,616

Results of Operations:	Three Months Ended September 30, 2014 Community Banking (In thousands)	National Lending	Other	Consolidated Company
Interest income	$67,132	$134,624	$600	$202,356
Interest expense	(8,851)	(45)	(4,614)	(13,510)
Intersegment interest income (expense)	5,250	(5,250)	—	—
Net interest income (expense)	63,531	129,329	(4,014)	188,846
Negative provision (provision) for credit losses	6,314	(11,364)	—	(5,050)
FDIC loss sharing expense, net	(7,415)	—	—	(7,415)
Other noninterest income	7,566	9,953	6,210	23,729
Total noninterest income	151	9,953	6,210	16,314
Foreclosed assets (expense) income, net	(4,627)	(322)	122	(4,827)
Intangible asset amortization	(1,517)	(91)	—	(1,608)
Acquisition, integration and reorganization costs	(3,953)	(1,240)	—	(5,193)
Other noninterest expense	(53,078)	(24,835)	(5,382)	(83,295)
Total noninterest expense	(63,175)	(26,488)	(5,260)	(94,923)
Intersegment noninterest income (expense)	26,411	(26,411)	—	—
Total noninterest expense - adjusted	(36,764)	(52,899)	(5,260)	(94,923)
Earnings (loss) from continuing operations before taxes	33,232	75,019	(3,064)	105,187
Income tax (expense) benefit	(14,576)	(30,113)	1,778	(42,911)
Net earnings (loss) from continuing operations	18,656	44,906	(1,286)	62,276
Loss from discontinued operations before taxes	(8)	—	—	(8)
Income tax benefit	3	—	—	3
Net loss from discontinued operations	(5)	—	—	(5)
Net earnings (loss)	$18,651	$44,906	$(1,286)	$62,271

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Explanation of Responses:

Results of Operations:	Nine Months Ended September 30, 2015 Community Banking (In thousands)	National Lending	Other	Consolidated Company
Interest income	$184,716	$454,299	$1,426	$640,441
Interest expense	(32,364)	(143)	(13,787)	(46,294)
Intersegment interest income (expense)	20,490	(20,490)	—	—
Net interest income (expense)	172,842	433,666	(12,361)	594,147
Negative provision (provision) for credit losses	10,107	(41,814)	(2)	(31,709)
Gain on sale of securities	3,744	—	—	3,744
FDIC loss sharing expense, net	(13,955)	—	—	(13,955)
Other noninterest income	21,766	27,085	17,612	66,463
Total noninterest income (expense)	11,555	27,085	17,612	56,252
Foreclosed assets (expense) income, net	(5,182)	(44)	2,709	(2,517)
Intangible asset amortization	(4,164)	(336)	—	(4,500)
Acquisition, integration and reorganization costs	(3,443)	—	(204)	(3,647)
Other noninterest expense	(169,827)	(70,764)	(8,520)	(249,111)
Total noninterest expense	(182,616)	(71,144)	(6,015)	(259,775)
Intersegment noninterest income (expense)	83,700	(83,700)	—	—
Total noninterest expense - adjusted	(98,916)	(154,844)	(6,015)	(259,775)
Earnings (loss) before taxes	95,588	264,093	(766)	358,915
Income tax (expense) benefit	(36,941)	(102,020)	7,824	(131,137)
Net earnings	$58,647	$162,073	$7,058	$227,778

Results of Operations:	Nine Months Ended September 30, 2014 Community Banking (In thousands)	National Lending	Other	Consolidated Company
Interest income	$214,704	$278,131	$2,244	$495,079
Interest expense	(17,528)	(184)	(9,973)	(27,685)
Intersegment interest income (expense)	9,543	(9,543)	—	—
Net interest income (expense)	206,719	268,404	(7,729)	467,394
Negative provision (provision) for credit losses	11,558	(20,994)	—	(9,436)
Gain on sale of securities	4,841	—	—	4,841
FDIC loss sharing expense, net	(27,370)	—	—	(27,370)
Other noninterest income	18,144	26,885	6,984	52,013
Total noninterest income	(4,385)	26,885	6,984	29,484
Foreclosed assets (expense) income, net	(3,399)	(284)	220	(3,463)
Intangible asset amortization	(4,238)	(411)	—	(4,649)
Acquisition, integration and reorganization costs	(83,866)	(8,714)	(1,055)	(93,635)
Other noninterest expense	(144,164)	(55,892)	(12,484)	(212,540)
Total noninterest expense	(235,667)	(65,301)	(13,319)	(314,287)
Intersegment noninterest income (expense)	49,944	(49,944)	—	—
Total noninterest expense - adjusted	(185,723)	(115,245)	(13,319)	(314,287)
Earnings (loss) from continuing operations before taxes	28,169	159,050	(14,064)	173,155
Income tax (expense) benefit	(16,240)	(63,703)	6,199	(73,744)
Net earnings (loss) from continuing operations	11,929	95,347	(7,865)	99,411
Loss from discontinued operations before taxes	(2,572)	—	—	(2,572)
Income tax benefit	1,067	—	—	1,067
Net loss from discontinued operations	(1,505)	—	—	(1,505)
Net earnings (loss)	$10,424	$95,347	$(7,865)	$97,906

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Explanation of Responses:

Third Quarter of 2015 Compared to Third Quarter of 2014

Net earnings for the Community Banking segment decreased $3.2 million for the third quarter of 2015 to $15.5 million, compared to $18.7 million in the third quarter of 2014. Net earnings before taxes decreased $8.2 million as a result of lower net interest income of $9.0 million and a lower negative credit loss provision of $5.0 million offset by higher noninterest income of $4.0 million and lower noninterest expense-adjusted of $1.8 million. Net interest income decreased compared to the prior year period due to lower average loan and lease balances and a lower loan and lease yield. The increase in noninterest income is due to lower FDIC loss sharing expense of $3.0 million during the third quarter of 2015 when compared to the third quarter of 2014. The decrease in noninterest expense-adjusted is due mostly to lower acquisition, integration and reorganization costs of $3.2 million.

Net earnings for the National Lending segment increased $8.7 million for the third quarter of 2015 to $53.6 million, compared to $44.9 million for the third quarter of 2014. The increase in net earnings is a result of increased interest-earning assets and the related increase in pre-tax net interest income of $12.3 million. Loans increased $1.2 billion to $9.3 billion as of September 30, 2015 from $8.1 billion as of September 30, 2014.

Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Net earnings for the Community Banking segment increased $48.2 million for the nine months ended September 30, 2015 to $58.6 million compared to $10.4 million for the nine months ended September 30, 2014. Net earnings before taxes increased $70.0 million primarily as a result of lower noninterest expense-adjusted of $86.8 million and higher noninterest income of $15.9 million offset by lower net interest income of $33.9 million. The decrease in noninterest expense-adjusted is due mostly to lower acquisition, integration and reorganization costs of $80.4 million. The increase in noninterest income is due to lower FDIC loss sharing expense of $13.4 million. Net interest income decreased compared to the prior year period due to lower average loan and lease balances and a lower loan and lease yield combined with higher interest expense on deposits due to lower accretion of the premium on acquired time deposits in the 2015 period.

Net earnings for the National Lending segment increased $66.8 million for the nine months ended September 30, 2015 to $162.1 million compared to net earnings of $95.3 million for the nine months ended September 30, 2014. The increase in earnings is a result of the CapitalSource Inc. interest-earning assets and operations being included for nine months in the 2015 period compared to six months in the 2014 period. The loan and lease balance increased approximately $8.0 billion from 2014 to 2015.

Balance Sheet Analysis
Investment Portfolio
The following table presents the components, yields, and durations of our securities available-for-sale as of the date indicated:

Security Type:	September 30, 2015 Amortized Cost	Fair Value	Yield[(1)(2)]	Duration (in years)
	(Dollars in thousands)			
Residential mortgage-backed securities:				
Government agency and government-sponsored enterprise pass through securities	$391,904	$407,598	2.81%	3.8
Government agency and government-sponsored enterprise collateralized mortgage obligations	206,380	211,419	2.46%	4.4
Private label collateralized mortgage obligations	32,172	38,288	9.39%	2.4
Municipal securities	844,782	858,837	4.39%	6.1
Corporate debt securities	47,380	47,396	7.61%	5.5
Collateralized loan obligations	133,159	132,317	2.56%	0.3
SBA loan pool securities	51,153	51,548	2.59%	5.0
Government-sponsored enterprise debt securities	36,284	37,524	2.20%	4.8
Other securities	24,972	24,437	0.89%	4.6
Total securities available-for-sale	$1,768,186	$1,809,364	3.72%	4.8

(1) Represents the yield for the month of September 30, 2015.
(2) Tax-equivalent basis.

The following table shows the geographic composition of the majority of our municipal securities portfolio as of the date indicated:

Municipal Securities by State:	September 30, 2015 Carrying Value	% of Total	
	(Dollars in thousands)		
Washington	$94,147	11	%
Texas	92,945	11	%
California	84,377	10	%
Ohio	72,363	8	%
New York	51,511	6	%
Illinois	40,044	5	%
Massachusetts	32,663	4	%
Indiana	27,794	3	%
Colorado	27,411	3	%
Oregon	27,058	3	%
Total of 10 largest states	550,313	64	%
All other states	308,524	36	%
Total municipal securities	$858,837	100	%

Loans and Leases

The following table presents our total loans and leases, net of deferred fees, by portfolio segment and class as of the dates indicated:

	September 30, 2015			June 30, 2015			December 31, 2014		
	Amount	% of Total		Amount	% of Total		Amount	% of Total	
	(Dollars in thousands)								
Real estate mortgage:									
Hospitality	$635,160	5	%	$619,510	5	%	$570,634	5	%
SBA	402,382	3	%	401,832	3	%	380,890	3	%
Commercial real estate	2,334,497	19	%	2,414,464	20	%	2,583,965	21	%
Healthcare real estate	1,140,450	9	%	1,127,111	10	%	1,051,491	9	%
Multi-family	992,325	8	%	883,083	7	%	789,271	7	%
Other	184,977	2	%	193,821	2	%	220,751	2	%
Total real estate mortgage	5,689,791	46	%	5,639,821	47	%	5,597,002	47	%
Real estate construction and land:									
Residential	145,262	1	%	119,825	1	%	96,749	1	%
Commercial	229,904	2	%	213,091	2	%	217,297	2	%
Total real estate construction and land	375,166	3	%	332,916	3	%	314,046	3	%
Total real estate loans	6,064,957	49	%	5,972,737	50	%	5,911,048	50	%
Commercial:									
Collateralized	359,214	3	%	371,954	3	%	439,567	4	%
Unsecured	126,726	1	%	120,415	1	%	131,939	1	%
Asset-based	2,022,492	16	%	1,840,514	15	%	1,794,907	15	%
Cash flow	2,805,817	23	%	2,691,743	22	%	2,486,411	21	%
Equipment finance	894,777	7	%	904,488	8	%	969,489	8	%
SBA	48,107	—	%	45,769	—	%	47,304	—	%
Total commercial	6,257,133	50	%	5,974,883	49	%	5,869,617	49	%
Consumer	130,115	1	%	86,569	1	%	101,767	1	%
Total loans and leases, net of deferred fees[(1)]	$12,452,205	100	%	$12,034,189	100	%	$11,882,432	100	%

(1) Includes PCI loans of $193.3 million, $222.6 million and $290.8 million at September 30, 2015, June 30, 2015 and December 31, 2014, of which the majority are included in the Real Estate Mortgage - "Other" category in this table.

Our real estate portfolio exposes us to risk elements associated with mortgage loans on commercial property. Commercial real estate mortgage loan repayments typically do not rely on the sale of the underlying collateral, but instead rely on the income producing potential of the collateral as the source of repayment. Ultimately, though, due to the loan amortization period generally being greater than the contractual loan term, the borrower may be required to refinance the loan, either with us or another lender, or pay off the loan, by selling the underlying collateral. Our commercial-related real estate loans do not expose us to risks generally associated with residential mortgage loans such as option ARM, interest-only, or subprime mortgage loans.

Credit Exposure Affected by Low Oil Prices

At September 30, 2015, we had 27 outstanding loan and lease relationships totaling $152.3 million to borrowers and lessees primarily involved in the oil and gas industry as compared to $177.2 million at June 30, 2015. The obligors under these loans and leases either conduct oil and gas extraction or provide industrial support services to such types of businesses. The collateral for these loans and leases primarily includes equipment, such as drilling and mining equipment and transportation vehicles, used directly and indirectly in these activities. At September 30, 2015, four relationships totaling $47.9 million were on nonaccrual status and were classified, down from $64.2 million at June

30, 2015.

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The following table presents loan and lease relationships having exposure to the oil and gas industries as of the dates indicated:

	September 30, 2015		June 30, 2015	
	Amount	Obligors	Amount	Obligors
	(Dollars in thousands)			
Loans	$83,025	7	$87,005	8
Leases	69,247	20	90,189	21
Total oil & gas support services	$152,272	27	$177,194	29
Nonaccrual	$47,853	4	$64,232	4
Classified	$47,853	4	$64,232	4

The following table presents the composition of our total real estate mortgage loan portfolio as of the dates indicated:

	September 30, 2015			June 30, 2015			December 31, 2014		
Loan Category:	Amount	% of Total		Amount	% of Total		Amount	% of Total	
	(Dollars in thousands)								
Commercial real estate mortgage:									
Industrial/warehouse	$446,601	8	%	$382,074	7	%	$480,437	9	%
Retail	475,587	8	%	507,900	9	%	469,340	8	%
Office buildings	762,418	14	%	813,377	14	%	776,718	14	%
Owner-occupied	663,627	12	%	688,074	12	%	601,729	11	%
Hotel	603,345	11	%	616,439	11	%	572,855	10	%
Healthcare	1,133,285	20	%	1,081,025	19	%	1,030,852	19	%
Mixed use	183,068	3	%	167,446	3	%	129,135	2	%
Gas station	10,980	—	%	11,059	—	%	11,428	—	%
Self storage	31,553	1	%	46,117	1	%	60,262	1	%
Restaurant	9,279	—	%	9,360	—	%	17,145	—	%
Land acquisition/development	6,592	—	%	33,827	1	%	28,910	1	%
Unimproved land	7,417	—	%	7,445	—	%	7,483	—	%
Other	216,725	4	%	222,125	4	%	224,875	4	%
Total commercial real estate mortgage	4,550,477	81	%	4,586,268	81	%	4,411,169	79	%
Residential real estate mortgage:									
Multi-family	759,267	13	%	689,854	13	%	774,710	14	%
Single family owner-occupied	132,438	2	%	138,880	2	%	161,652	3	%
Single family nonowner-occupied	182,356	3	%	157,372	3	%	173,964	3	%
Mixed use	10,999	—	%	11,157	—	%	11,537	—	%
HELOCs	54,254	1	%	56,290	1	%	63,970	1	%
Total residential real estate mortgage	1,139,314	19	%	1,053,553	19	%	1,185,833	21	%
Total gross real estate mortgage loans	$5,689,791	100	%	$5,639,821	100	%	$5,597,002	100	%

The following table presents a roll forward of the loan and lease portfolio by business division for the period indicated:

Loan and Lease Roll Forward by Business Division[1]:	Three Months Ended September 30, 2015 Community Banking	National Lending	Total
	(Dollars in thousands)		
Beginning balance	$3,101,834	$8,932,355	$12,034,189
New production	267,560	803,426	1,070,986
Existing loans and leases:			
Principal repayments, net[2]	(226,451)	(403,841)	(630,292)
Loan and lease sales	—	(6,864)	(6,864)
Transfers to foreclosed assets	(378)	(10,005)	(10,383)
Charge-offs	(989)	(4,442)	(5,431)
Ending balance	$3,141,576	$9,310,629	$12,452,205
Weighted average yields on new production for the three months ended:			
September 30, 2015	4.33%	5.47%	5.16%
June 30, 2015	5.17%	6.00%	5.89%
March 31, 2015	5.28%	5.84%	5.76%
December 31, 2014	5.09%	5.76%	5.67%

(1) Includes direct financing leases but excludes equipment leased to others under operating leases.

(2) Includes principal repayments on existing loans, changes in revolving lines of credit (repayments and draws), loan participation sales and other changes within the loan portfolio.

The Company identified an $82 million group of multi-family loans during the third quarter and re-underwrote and acquired them in anticipation of launching a multi-family loan origination group later this year that will initially focus on Los Angeles, Orange County and Bay Area metropolitan markets. We expect this initiative will reduce overall portfolio credit risk, especially in an adverse economic environment.

The Company's portfolio of student loans has repaid rapidly. In order to replace such runoff and to further diversify the loan and lease portfolio by product and geography, we purchased a $50 million pool of student loans in the third quarter. These multi-family and student loans, which are included under "Community Banking" in the above table, reduced the third quarter total new production yield by 23 basis points to 5.16%.

Allowance for Credit Losses on Non-PCI Loans and Leases

The allowance for credit losses on non-purchased credit impaired ("Non-PCI") loans and leases is the combination of the allowance for loan and lease losses and the reserve for unfunded loan commitments. The allowance for loan and lease losses is reported as a reduction of outstanding loan and lease balances and the reserve for unfunded loan commitments is included within "Accrued interest payable and other liabilities" on the condensed consolidated balance sheets. The following discussion is for Non-PCI loans and leases and the allowance for credit losses thereon. Refer to "Balance Sheet Analysis - Allowance for Credit Losses on PCI Loans" for the policy on PCI loans. For loans and leases acquired and measured at fair value and deemed non-impaired on the acquisition date, our allowance methodology measures deterioration in credit quality or other inherent risks related to these acquired assets that may occur after the acquisition date.

The allowance for loan and lease losses is maintained at a level deemed appropriate by management to adequately provide for known and inherent risks in the loan and lease portfolio and other extensions of credit at the balance sheet date. The allowance is based upon our continual review of the credit quality of the loan and lease portfolio, which includes loan and lease payment trends, borrowers' compliance with loan agreements, borrowers' current and budgeted financial performance, collateral valuation trends, and current economic factors and external conditions that may

affect our borrowers' ability to pay. Loans and leases that are deemed to be uncollectable are charged off and deducted from the allowance. The provision for loan and lease losses and recoveries on loans and leases previously charged off are added to the allowance.

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The allowance for loan and lease losses contains a general reserve component for loans and leases with no credit impairment and a specific reserve component for loans and leases determined to be impaired.
A loan or lease is considered impaired when it is probable that we will be unable to collect all amounts due according to the original contractual terms of the agreement. We assess our loans for impairment on an ongoing basis using certain criteria such as payment performance, borrower reported financial results and budgets, and other external factors when appropriate. We measure impairment of a loan based upon the fair value of the loan's collateral if the loan is collateral-dependent or the present value of cash flows, discounted at the loan's effective interest rate, if the loan is not collateral-dependent. We measure impairment of a lease based upon the present value of the scheduled lease and residual cash flows, discounted at the lease's effective interest rate. To the extent a loan or lease balance exceeds the estimated collectable value, a specific reserve or charge-off is recorded depending upon the certainty of the estimate of loss. Smaller balance loans (under $250,000), with a few exceptions for certain loan types, are generally not individually assessed for impairment but are evaluated collectively.
The methodology we use to estimate the general reserve component of our allowance for credit losses considers both quantitative and qualitative criteria. The quantitative criteria uses our actual historical loan and lease charge-off experience on pools of similar loans and leases to establish loss factors that are applied to our current loan and lease balances to estimate inherent credit losses. When estimating the general reserve component for the various pools of similar loan types, the loss factors applied to the loan pools consider the current credit risk ratings, giving greater weight to loans with more adverse credit risk ratings. We recognize that the determination of the allowance for loan and lease losses is sensitive to the assigned credit risk ratings and inherent loss rates at any given point in time. To ensure the accuracy of our credit risk ratings, an independent credit review function assesses the ratings assigned to loans on an ongoing basis.
The qualitative criteria considered when establishing the loss factors include the following:

- current economic trends and forecasts;
- current commercial real estate values, performance trends, and overall outlook in the markets where we lend;
- legal and regulatory matters that could impact our borrowers' ability to repay our loans and leases;
- our loan and lease portfolio composition and any loan concentrations;
- our current lending policies and the effects of any new policies or policy amendments;
- our new loan and lease origination volume and the nature of it;
- our loan and lease portfolio credit performance trends; and
- the results of our ongoing independent credit review.

The reserve for unfunded commitments is estimated using the same loss factors as used for the allowance for loan and lease losses and is computed based only on the expected usage of the unfunded commitments.
The credit risk ratings assigned to every loan and lease are either "pass," "special mention," "substandard" or "doubtful" and defined as follows:

- Pass: Loans and leases classified as "pass" are not adversely classified and collection and repayment in full are expected.
- Special Mention: Loans and leases classified as "special mention" have a potential weakness that requires management's attention. If not addressed, these potential weaknesses may result in further deterioration in the borrower's ability to repay the loan or lease.
- Substandard: Loans and leases classified as "substandard" have a well-defined weakness or weaknesses that jeopardize the collection of the debt. They are characterized by the possibility that we will sustain some loss if the weaknesses are not corrected.
- Doubtful: Loans and leases classified as "doubtful" have all the weaknesses of those classified as "substandard," with the additional trait that the weaknesses make collection or repayment in full highly questionable and improbable.

In addition, we may refer to the loans and leases with assigned credit risk ratings of "substandard" and "doubtful" together as "classified" loans and leases. For further information on classified loans and leases, see Note 6, Loans and Leases, of the Notes to Condensed Consolidated Financial Statements (Unaudited) contained in "Item 1. Condensed Consolidated Financial Statements (Unaudited)."

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Explanation of Responses:

Management believes that the allowance for credit losses is appropriate for the known and inherent risks in our Non-PCI loan and lease portfolio and that the credit risk ratings and inherent loss rates currently assigned are appropriate. It is possible that others, given the same information, may at any point in time reach different conclusions that could result in a significant impact to the Company's financial statements. In addition, current credit risk ratings are subject to change as we continue to monitor our loans and leases. To the extent we experience, for example, increased levels of documentation deficiencies, adverse changes in collateral values, or negative changes in economic and business conditions that adversely affect our borrowers, our classified loans and leases may increase. Higher levels of classified loans and leases generally result in increased provisions for credit losses and an increased allowance for credit losses. Although we have established an allowance for credit losses that we consider appropriate, there can be no assurance that the established allowance will be sufficient to absorb related losses in the future.
The following table presents information regarding the allowance for credit losses on Non-PCI loans and leases as of the dates indicated:

Non-PCI Allowance for Credit Losses Data:	September 30, 2015		June 30, 2015		December 31, 2014		September 30, 2014	
	(Dollars in thousands)							
Allowance for loan and lease losses	$92,316		$85,047		$70,456		$63,084	
Reserve for unfunded loan commitments	8,374		7,874		6,311		5,913	
Total allowance for credit losses	$100,690		$92,921		$76,767		$68,997	
Allowance for credit losses to loans and leases	0.82	%	0.78	%	0.66	%	0.61	%
Allowance for credit losses to nonaccrual loans and leases	93.9	%	70.8	%	91.8	%	77.6	%

All acquired loans are recorded initially at their estimated fair value with such initial fair value including an estimate of credit losses. Two additional credit coverage ratios shown in the table below are presented to give an indication of overall credit risk coverage:

Non-PCI Credit Risk Coverage Ratios:	September 30, 2015 Non-PCI Loans and Leases	Allowance/ Discount	Coverage Ratio		June 30, 2015 Non-PCI Loans and Leases	Allowance/ Discount	Coverage Ratio	
	(Dollars in thousands)							
Ending balance	$12,300,057	$100,690	0.82	%	$11,846,314	$92,921	0.78	%
Acquired loans	(5,180,808)	(12,173)			(5,587,662)	(12,697)		
Adjusted balance	$7,119,249	$88,517	1.24	%	$6,258,652	$80,224	1.28	%
Ending balance	$12,300,057	$100,690	0.82	%	$11,846,314	$92,921	0.78	%
Unamortized purchase discount	88,690	88,690			103,302	103,302		
Adjusted balance	$12,388,747	$189,380	1.53	%	$11,949,616	$196,223	1.64	%

The first additional credit coverage ratio calculation makes adjustments for acquired loans and leases and the related allowance. Our Non PCI loans and leases at September 30, 2015, included $5.2 billion in loans and leases acquired in acquisitions. These acquired loans and leases were initially recorded at their estimated fair values and such initial fair values included an estimate of credit losses. The allowance calculation for Non PCI loans and leases takes into consideration those acquired loans and leases whose credit quality has deteriorated since their acquisition dates. At September 30, 2015, our allowance for credit losses included $12.2 million related to these acquired loans and leases. When these acquired loans and leases are excluded from the total of Non PCI loans and leases and the related allowance is excluded from the allowance for credit losses, the result is an adjusted coverage ratio of our allowance for credit losses to Non PCI loans and leases of 1.24% at September 30, 2015; at June 30, 2015, this ratio was 1.28%.

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The second additional credit coverage ratio calculation makes an adjustment for the unamortized purchase discount on acquired loans and leases. Our acquired Non-PCI loans and leases included an unamortized purchase discount of $88.7 million at September 30, 2015, which is assigned specifically to those loans and leases only. Such discount represents the acquisition date fair value adjustment based on market, liquidity, interest rate and credit risk. When the unamortized purchase discount is added back separately to both our Non-PCI loans and leases and allowance for credit losses, the result is an adjusted coverage ratio of our allowance for credit losses to Non-PCI loans and leases of 1.53% at September 30, 2015; at June 30, 2015, this ratio was 1.64%.

The unamortized purchase discount is being accreted to interest income over the remaining life of the respective loans and leases using the interest method. Use of the interest method results in steadily declining amounts being taken into income in each reporting period. The remaining discount of $88.7 million at September 30, 2015 is expected to be substantially accreted to income by the end of 2018.

The following table presents the changes in our allowance for credit losses on Non-PCI loans and leases for the periods indicated:

	Three Months Ended			Nine Months Ended	
	September 30,	June 30,	September 30,	September 30,	
Non-PCI Allowance for Credit Losses:	2015	2015	2014	2015	2014
	(Dollars in thousands)				
Allowance for credit losses, beginning of period	$92,921	$86,554	$72,367	$76,767	$67,816
Provision for credit losses:					
Addition to allowance for loan and lease losses	10,500	4,000	3,684	31,104	9,415
Addition to (reduction in) reserve for unfunded loan commitments	500	1,000	(931)	2,063	(1,662)
Provision for credit losses	11,000	5,000	2,753	33,167	7,753
Loans and leases charged off:					
Real estate mortgage	(252)	(62)	(395)	(1,767)	(976)
Commercial	(4,035)	(534)	(7,282)	(12,964)	(9,049)
Consumer	(25)	(27)	(171)	(115)	(203)
Total loans and leases charged off	(4,312)	(623)	(7,848)	(14,846)	(10,228)
Recoveries on loans charged off:					
Real estate mortgage	288	200	1,312	1,783	1,949
Real estate construction and land	390	12	24	1,034	112
Commercial	239	1,744	337	2,393	1,301
Consumer	164	34	52	392	294
Total recoveries on loans charged off	1,081	1,990	1,725	5,602	3,656
Net (charge-offs) recoveries	(3,231)	1,367	(6,123)	(9,244)	(6,572)
Allowance for credit losses, end of period	$100,690	$92,921	$68,997	$100,690	$68,997
Annualized net charge-offs (recoveries) to average loans and leases	0.11%	(0.05)%	0.22%	0.10%	0.11%

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Allowance for Credit Losses on PCI Loans

The PCI loans are subject to our internal and external credit review. For PCI loans, the allowance for loan losses is measured at the end of each financial reporting period based on expected cash flows. Decreases or (increases) in the amount and changes in the timing of expected cash flows on the PCI loans as of the financial reporting date compared to those previously estimated are usually recognized by recording a provision or a (negative provision) for credit losses on such loans. If deterioration in the expected cash flows results in a reserve requirement, a provision for credit losses is charged to earnings.

The following table presents the changes in our allowance for credit losses on PCI loans for the periods indicated:

	Three Months Ended			Nine Months Ended	
	September 30,	June 30,	September 30,	September 30,	
PCI Allowance for Credit Losses:	2015	2015	2014	2015	2014
	(In thousands)				
Allowance for credit losses on PCI loans, beginning of period	$14,328	$12,698	$16,626	$13,999	$21,793
(Negative provision) provision	(2,254)	1,529	2,297	(1,458)	1,683
Net (charge-offs) recoveries	(1,119)	101	(108)	(1,586)	(4,661)
Allowance for credit losses on PCI loans, end of period	$10,955	$14,328	$18,815	$10,955	$18,815

Nonperforming Assets and Performing Restructured Loans

The following table presents nonperforming assets and performing restructured loans information as of the dates indicated:

	September 30, 2015	June 30, 2015	December 31, 2014	September 30, 2014
	(Dollars in thousands)			
Nonaccrual Non-PCI loans and leases	$107,190	$131,178	$83,621	$88,948
Nonaccrual PCI loans(1)	4,823	6,016	25,264	27,670
Total nonaccrual loans	112,013	137,194	108,885	116,618
Foreclosed assets, net	33,216	31,668	43,721	40,524
Total nonperforming assets	$145,229	$168,862	$152,606	$157,142
Performing restructured loans(2)	$39,956	$38,203	$35,244	$34,308
Nonaccrual loans and leases to loans and leases	0.90 %	1.14 %	0.91 %	1.01 %
Nonperforming assets to loans and leases and foreclosed assets, net	1.16 %	1.40 %	1.28 %	1.35 %

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(1) Represents legacy CapitalSource Inc. borrowing relationships placed on nonaccrual status as of the acquisition date.

(2) Excludes PCI loans.

Nonperforming assets include Non-PCI and PCI nonaccrual loans and leases and foreclosed assets and totaled $145.2 million at September 30, 2015 compared to $168.9 million at June 30, 2015. The $23.6 million decrease in nonperforming assets was due to a $25.2 million decline in nonaccrual loans and leases offset by a $1.5 million increase in foreclosed assets. The ratio of nonperforming assets to loans and leases and foreclosed assets decreased to 1.16% at September 30, 2015 from 1.40% at June 30, 2015.

Nonaccrual Loans and Leases

The $25.2 million decrease in nonaccrual loans and leases during the third quarter of 2015 was attributable to $15.6 million in principal payments and other reductions, a $10.0 million transfer to foreclosed assets, and $6.0 million returned to accrual status, offset by $6.4 million in additions.

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Explanation of Responses:

The following table presents our Non-PCI nonaccrual loans and leases and accruing loans and leases past due between 30 and 89 days by portfolio segment and class as of the dates indicated:

	Nonaccrual Loans and Leases				Accruing and 30 - 89 Days Past Due	
	September 30, 2015		June 30, 2015			
	Amount	% of Loan Category	Amount	% of Loan Category	September 30, 2015 Amount	June 30, 2015 Amount
	(Dollars in thousands)					
Real estate mortgage:						
Hospitality	$1,845	— %	$7,894	1 %	$779	$—
SBA	11,682	3 %	10,141	3 %	233	2,272
Other	18,294	— %	16,213	— %	2,090	2,482
Total real estate mortgage	31,821	1 %	34,248	1 %	3,102	4,754
Real estate construction and land:						
Residential	374	— %	377	— %	—	—
Commercial	—	— %	—	— %	—	—
Total real estate construction and land	374	— %	377	— %	—	—
Commercial:						
Collateralized	2,771	1 %	3,761	1 %	82	131
Unsecured	923	1 %	537	— %	11	—
Asset-based	90	— %	40	— %	—	—
Cash flow	11,761	— %	14,605	1 %	—	—
Equipment finance (1)	53,153	6 %	71,130	8 %	—	915
SBA	2,918	6 %	3,068	7 %	—	—
Total commercial	71,616	1 %	93,141	2 %	93	1,046
Consumer	3,379	3 %	3,412	4 %	88	1
Total Non-PCI loans and leases	$107,190	1 %	$131,178	1 %	$3,283	$5,801

(1) Includes nonaccrual loans and leases to companies involved in the oil and gas industries of $47.9 million and $64.2 million at September 30, 2015 and June 30, 2015.

As of September 30, 2015, the Company's ten largest Non-PCI loan relationships on nonaccrual status had an aggregate carrying value of $78.7 million and represented 73% of total Non-PCI nonaccrual loans and leases. The largest of these relationships had an aggregate carrying value of $40.5 million and is secured by a fleet of vessels used to service shallow water oil platforms in the Gulf of Mexico. Although the borrower's business has been adversely affected by low oil prices, it is still operating and, as of September 30, 2015, in compliance with the terms of a restructured loan agreement. A recent independent appraisal of the associated collateral indicated the liquidation value was in excess of the carrying value.

Foreclosed Assets

The following table presents the components of foreclosed assets (primarily other real estate owned, or OREO) as of the dates indicated:

Property Type:	September 30, 2015	June 30, 2015	December 31, 2014	September 30, 2014
	(In thousands)			
Commercial real estate	$3,558	$3,704	$2,449	$2,559
Construction and land development	14,343	18,942	24,759	27,731
Multi-family	3,481	4,551	4,823	835
Single family residence	1,663	2,260	3,392	13
Total OREO, net	23,045	29,457	35,423	31,138
Other foreclosed assets	10,171	2,211	8,298	9,386
Total foreclosed assets	$33,216	$31,668	$43,721	$40,524

Foreclosed assets increased $1.5 million during the third quarter of 2015 mainly as a result of additions of $10.4 million offset by sales proceeds received of $4.1 million and write-downs on existing foreclosed properties of $4.8 million.

Performing Restructured Loans

Non-PCI performing restructured loans increased by $1.8 million during the third quarter of 2015 to $40.0 million at September 30, 2015. The increase was attributable primarily to $6.1 million transfered from nonaccrual status and $2.1 million in additions, offset partially by $3.2 million transfered to nonaccrual status and $3.2 million in payoffs and other reductions. At September 30, 2015, we had $27.3 million in real estate mortgage loans, $7.7 million in real estate construction and land loans, $4.8 million in commercial loans, and $0.2 million in consumer loans that were accruing interest under the terms of troubled debt restructurings.

The majority of the performing restructured loans was on accrual status prior to the loan modifications and have remained on accrual status after the loan modifications due to the borrowers making payments before and after the restructurings. In these circumstances, generally, a borrower may have had a fixed-rate loan that they continued to repay, but may be having cash flow difficulties. In an effort to work with certain borrowers, we have agreed to interest rate reductions and/or interest-only payments for a period of time. In these cases, we do not forgive principal but may consider the extension of maturity date as part of the loan modification in order to assist the borrower. As a result of the current economic environment, we anticipate loan restructurings to continue.

PCI Delinquent and Nonaccrual Loans

Loans accounted for as PCI are generally considered accruing and performing loans as the loans accrete their discount to interest income over the estimated life of the loan when cash flows are reasonably estimable. Accordingly, PCI loans that are contractually past due are still considered to be accruing and performing loans. If the timing and amount of future cash flows is not reasonably estimable, the loans are classified as nonaccrual loans and interest income is not recognized until the timing and amount of future cash flows can be reasonably estimated. As of September 30, 2015, there were $4.8 million of PCI loans on nonaccrual status and included in the delinquency table below.

The following table presents a summary of the borrowers' underlying payment status of PCI loans as of the dates indicated:

	September 30, 2015	June 30, 2015	December 31, 2014	September 30, 2014
	(In thousands)			
Current	$182,576	$204,288	$268,263	$309,129
30 to 89 days past due	1,789	4,672	2,700	3,685
90 days or more past due	8,924	13,678	19,828	38,565
Total	$193,289	$222,638	$290,791	$351,379

Explanation of Responses:

Deposits

The following table presents the balance of each major category of deposits at the dates indicated:

	September 30, 2015			June 30, 2015			December 31, 2014		
Deposit Category:	Amount	% of Total		Amount	% of Total		Amount	% of Total	
	(Dollars in thousands)								
Noninterest-bearing deposits	$3,508,682	29	%	$3,396,688	26	%	$2,931,352	25	%
Interest checking deposits	693,632	6		722,231	6		732,196	6	
Money market deposits	1,860,983	15		1,722,633	14		1,709,068	15	
Savings deposits	751,955	6		743,054	6		762,961	6	
Total core deposits	6,815,252	56		6,584,606	52		6,135,577	52	
Brokered non-maturity deposits	713,215	6		651,925	5		120,613	1	
Total non-maturity deposits	7,528,467	62		7,236,531	57		6,256,190	53	
Time deposits under $100,000	1,951,938	16		2,328,109	19		2,467,338	21	
Time deposits $100,000 and over	2,635,358	22		3,017,176	24		3,031,600	26	
Total time deposits	4,587,296	38		5,345,285	43		5,498,938	47	
Total deposits	$12,115,763	100	%	$12,581,816	100	%	$11,755,128	100	%

Total deposits decreased $466.1 million during the third quarter to $12.1 billion at September 30, 2015, due mainly to a decrease in time deposits of $758.0 million offset partially by an increase in core deposits of $230.6 million. The decrease in time deposits was planned as liquidity was being managed in anticipation of the Square 1 acquisition closing. At September 30, 2015, core deposits totaled $6.8 billion, or 56% of total deposits, including $3.5 billion of noninterest-bearing demand deposits, or 29% of total deposits. Deposits obtained from CapitalSource Division borrowers totaled $527.8 million at September 30, 2015, of which $514.1 million were core deposits. The remaining unamortized purchase accounting premium on acquired CapitalSource Inc. time deposits as of September 30, 2015 was $1.2 million, of which $0.4 million will be recognized as a reduction of interest expense during the fourth quarter of 2015.

The following table summarizes the maturities of time deposits, together with their weighted average contractual rate and estimated effective rate, as of the date indicated:

	September 30, 2015				
Maturity:	Time Deposits Under $100,000	Time Deposits $100,000 or More	Total Time Deposits	Contractual Rate	Estimated Effective Rate
	(Dollars in thousands)				
Due in three months or less	$456,408	$394,312	$850,720	0.54%	0.49%
Due in over three months through six months	572,782	757,604	1,330,386	0.63%	0.61%
Due in over six months through twelve months	745,563	1,258,958	2,004,521	0.74%	0.72%
Due in over 12 months through 24 months	136,844	195,105	331,949	0.72%	0.64%
Due in over 24 months	40,341	29,379	69,720	1.03%	0.81%
Total	$1,951,938	$2,635,358	$4,587,296	0.67%	0.65%
At June 30, 2015	$2,328,109	$3,017,176	$5,345,285	0.71%	0.69%

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Regulatory Matters

Capital

Bank regulatory agencies measure capital adequacy through standardized risk-based capital guidelines that compare different levels of capital (as defined by such guidelines) to risk-weighted assets and off-balance sheet obligations. At September 30, 2015, Banks and bank holding companies considered to be “well capitalized” must maintain a minimum Tier 1 leverage ratio of 5.00%, a minimum common equity Tier 1 risk-based capital ratio of 6.50%, a minimum Tier 1 risk-based capital ratio of 8.00%, and a minimum total risk-based capital ratio of 10.00%. Regulatory capital requirements limit the amount of deferred tax assets that may be included when determining the amount of regulatory capital. Deferred tax asset amounts in excess of the calculated limit are disallowed from regulatory capital. At September 30, 2015, such disallowed amounts were $37.0 million for the Company and none were disallowed for the Bank. No assurance can be given that the regulatory capital deferred tax asset limitation will not increase in the future or that the Company or Bank will not have increased deferred tax assets that are disallowed.

New comprehensive regulatory capital rules for U.S. banking organizations pursuant to the capital framework of the Basel Committee on Banking Supervision, generally referred to as “Basel III”, became effective for the Company and the Bank on January 1, 2015, subject to phase-in periods for certain of their components and other provisions. The most significant of the provisions of the New Capital Rules which applied to the Company and the Bank were as follows: the phase-out of trust preferred securities from Tier 1 capital, the higher risk-weighting of high volatility and past due real estate loans and the capital treatment of deferred tax assets and liabilities above certain thresholds.

The following table presents our regulatory capital ratios and the regulatory capital requirements under Basel III:

	September 30, 2015					
	Pacific Western Bank		PacWest Bancorp Consolidated		Well Capitalized Requirement	
Tier 1 Leverage	11.56	%	12.04	%	5.00	%
Common Equity Tier-1 Capital	12.25		12.74		6.50	
Tier 1 Capital	12.25		12.74		8.00	
Total Capital	13.05		16.32		10.00	

Subordinated Debentures

The Company issued subordinated debentures to trusts that were established by us or entities we have acquired, which, in turn, issued trust preferred securities. The amount of subordinated debentures totaled $435.4 million at September 30, 2015. At September 30, 2015, $32.8 million of the trust preferred securities was included in the Company's Tier I capital and $391.0 million was included in Tier II capital.

Dividends on Common Stock and Interest on Subordinated Debentures

Bank holding companies, such as PacWest, are required to notify the Board of Governors of the Federal Reserve System (“FRB”) prior to declaring and paying a dividend to stockholders during any period in which quarterly and/or cumulative twelve-month net earnings are insufficient to fund the dividend amount, among other requirements. Interest payments made by the Company on subordinated debentures are considered dividend payments under FRB regulations.

Liquidity

Liquidity Management

The goals of our liquidity management are to ensure the ability of the Company to meet its financial commitments when contractually due and to respond to other demands for funds such as the ability to meet the cash flow requirements of customers who may be either depositors wanting to withdraw funds or borrowers who may need assurance that sufficient funds will be available to meet their credit needs. We have an Executive Management ALM Committee, or "Executive ALM Committee," which is comprised of members of senior management and is responsible for managing balance sheet and off-balance sheet commitments to meet the needs of customers while achieving our financial objectives. Our Executive ALM Committee meets regularly to review funding capacities, current and forecasted loan demand, and investment opportunities.

The Company manages its liquidity by maintaining pools of liquid assets on-balance sheet, consisting of cash and due from banks, interest-earning deposits in other financial institutions and unpledged investment securities available-for-sale, which we refer to as our primary liquidity. In addition, we also maintain available borrowing capacity under secured borrowing lines with the FHLB and the Federal Reserve Bank of San Francisco (“FRBSF”), which we refer to as our secondary liquidity. In addition to its secured lines of credit, the Bank also maintains unsecured lines of credit, subject to availability, of $80.0 million with correspondent banks and $99.0 million with the FHLB, both for the purchase of overnight funds.

The following table provides a summary of the Bank’s primary and secondary liquidity levels at the dates indicated:

	September 30, 2015	June 30, 2015	December 31, 2014
	(In thousands)		
Primary Liquidity - On-Balance Sheet:			
Cash and due from banks	$154,652	$207,598	$164,757
Interest-earning deposits at financial institutions	81,642	433,033	148,469
Investment securities available-for-sale	1,809,364	1,698,158	1,567,177
Less: pledged securities	(366,181)	(364,300)	(308,555)
Total primary liquidity	$1,679,477	$1,974,489	$1,571,848
Ratio of primary liquidity to total deposits	13.9%	15.7%	13.4%

	September 30, 2015	June 30, 2015	December 31, 2014
	(In thousands)		
Secondary Liquidity - Off-Balance Sheet			
Available Secured Borrowing Capacity:			
Total secured borrowing capacity with the FHLB	$2,363,841	$2,484,956	$2,391,157
Less: secured advances outstanding	(550,000)	—	(380,000)
Net secured borrowing capacity with the FHLB	1,813,841	2,484,956	2,011,157
Secured borrowing capacity with the FRBSF	1,980,643	1,973,725	1,305,650
Total secondary liquidity	$3,794,484	$4,458,681	$3,316,807

During the three months ended September 30, 2015, the Bank’s primary liquidity decreased $295.0 million due to a $351.4 million decrease in interest-earning deposits in financial institutions, a $52.9 million decrease in cash and due from banks, and a $1.9 million increase in pledged investment securities available-for-sale, offset by a $111.2 million increase in investment securities available-for-sale. The Bank’s secondary liquidity decreased $664.2 million during the third quarter due mainly to a $550.0 million increase in FHLB secured advances outstanding and a $121.1 million decrease in the borrowing capacity on the secured credit line with the FHLB. The decrease in liquidity during the third quarter was planned in anticipation of the liquidity to be acquired at the close of the Square 1 acquisition.

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At September 30, 2015, certain qualifying loans totaling $2.6 billion were specifically pledged as collateral for the secured borrowing line maintained with the FRBSF. The FHLB borrowing lines are secured by a blanket lien on certain qualifying loans that are not pledged to the FRBSF.
In addition to our primary liquidity, we generate liquidity from cash flows from our amortizing loan and securities portfolios and from our large base of core customer deposits, defined as noninterest-bearing demand, interest checking, savings and money market accounts. At September 30, 2015, such deposits totaled $6.8 billion and represented 56% of the Bank's total deposits. These core deposits are normally less volatile, often with customer relationships tied to other products offered by the Company promoting long-standing relationships and stable funding sources.
Deposits from our customers may decrease if interest rates increase significantly or if corporate customers move funds from the Bank generally. In order to address the Bank’s liquidity risk as deposit balances may fluctuate, the Bank maintains adequate levels of available liquidity.
The following table provides a summary of the Bank’s core deposits at the dates indicated:

	September 30, 2015	June 30, 2015	December 31, 2014
	(In thousands)		
Core Deposits:			
Noninterest-bearing demand	$3,508,682	$3,396,688	$2,931,352
Interest checking	693,632	722,231	732,196
Money market deposits	1,860,983	1,722,633	1,709,068
Savings deposits	751,955	743,054	762,961
Total core deposits	$6,815,252	$6,584,606	$6,135,577

Our liquidity policy establishes various liquidity guidelines for the Bank. The policy includes guidelines for On-Balance Sheet Liquidity (a measurement of primary liquidity to total deposits plus borrowings), Coverage and Crisis Coverage Ratios (measurements of liquid assets to expected short-term liquidity required for the loan and deposit portfolios under normal and stressed conditions), Loan to Funding Ratio (measurement of gross loans net of fees divided by deposits plus FHLB borrowings), Wholesale Funding Ratio (measurement of wholesale funding divided by interest-earning assets), and other guidelines developed for measuring and maintaining liquidity. As of September 30, 2015, we were in compliance with all liquidity guidelines established in the liquidity policy.
We use brokered deposits, the availability of which is uncertain and subject to competitive market forces, for liquidity management purposes. At September 30, 2015, brokered deposits totaled $1.2 billion, consisting of $423.3 million of brokered time deposits, $713.2 million of non-maturity brokered sweep accounts, $37.8 million of CDARS Program deposits, and $16.2 million of other miscellaneous brokered deposits. At December 31, 2014, brokered deposits totaled $776.5 million, consisting of $592.7 million of brokered time deposits, $120.6 million of non-maturity brokered sweep accounts, $44.0 million of CDARS Program deposits, and $19.1 million of other miscellaneous brokered deposits, The CDARS Program represents deposits that are participated with other FDIC insured financial institutions as a means to provide FDIC deposit insurance coverage for the full amount of our customers’ deposits. The amount of our brokered deposits has increased in recent quarters because of favorable market conditions for brokered deposits compared to retail time deposits we obtain from the Bank's branch network and the large amount of deposits that can be obtained in a short period of time to manage liquidity and funding needs.
Holding Company Liquidity
The primary sources of liquidity for the holding company include dividends from the Bank and our ability to raise capital, issue subordinated debt and secure outside borrowings. Our ability to obtain funds for the payment of dividends to our stockholders and for other cash requirements is largely dependent upon the Bank’s earnings. The Bank is subject to restrictions under certain federal and state laws and regulations that limit its ability to transfer funds to the holding company through intercompany loans, advances or cash dividends.

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Explanation of Responses:

Dividends paid by state banks, such as the Bank, are regulated by the California Department of Business Oversight ("DBO") under its general supervisory authority as it relates to a bank's capital requirements and the FDIC. A state bank may declare a dividend without the approval of the DBO and the FDIC as long as the total dividends declared in a calendar year do not exceed either the retained earnings or the total of net profits for three previous fiscal years less any dividends paid during such period. During the three and nine months ended September 30, 2015, PacWest received $55.0 million and $150.0 million in dividends from the Bank. For the foreseeable future, any dividends from the Bank to the holding company require DBO and FDIC approval.

At September 30, 2015, PacWest had $405.7 million in cash, of which the majority is on deposit at the Bank. We believe this amount of cash, along with anticipated dividends from the Bank, will be sufficient to fund the holding company's cash flow needs over the next 12 months.

PacWest did not renew the unsecured, variable-rate revolving line of credit in the amount of $75.0 million which expired on September 30, 2015.

Asset/Liability Management and Interest Rate Sensitivity

For discussion regarding market risks which affect the Company's assets and liabilities, see "Item 3. Quantitative and Qualitative Disclosures About Market Risk" presented elsewhere in this report.

Contractual Obligations

The following table summarizes the known contractual obligations of the Company as of the date indicated:

	September 30, 2015				
	Due Within One Year	Due in One to Three Years	Due in Three to Five Years	Due After Five Years	Total
	(In thousands)				
Time deposits[1]	$4,184,254	$380,711	$20,569	$389	$4,585,923
Overnight FHLB advance	550,000	—	—	—	550,000
Long-term debt obligations[1]	1,348	982	167	540,610	543,107
Contractual interest[2]	14,279	4,085	797	16	19,177
Operating lease obligations	21,888	36,513	25,035	31,860	115,296
Other contractual obligations	12,262	14,098	8,305	21,084	55,749
Total	$4,784,031	$436,389	$54,873	$593,959	$5,869,252

(1) Excludes purchase accounting fair value adjustments.
(2) Excludes interest on subordinated debentures as these instruments are variable rate.

Long-term debt obligations include subordinated debentures. Debt obligations are also discussed in Note 9, Borrowings, Subordinated Debentures and Brokered Deposits, in the Notes to Condensed Consolidated Financial Statements (Unaudited) contained in "Item 1. Condensed Consolidated Financial Statements (Unaudited)." Operating lease obligations are discussed in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2014. The other contractual obligations relate to our minimum liability associated with our data and item processing contract with a third-party provider, commitments to contribute capital to investments in low income housing project partnerships and private equity funds, and commitments under deferred compensation arrangements.

We believe that we will be able to meet our contractual obligations as they come due through the maintenance of adequate cash levels. We expect to maintain adequate cash levels through profitability, loan and securities repayment and maturity activity, and continued deposit gathering activities. We believe we have in place various borrowing mechanisms for both short-term and long-term liquidity needs.

Off-Balance Sheet Arrangements

Our obligations also include off-balance sheet arrangements consisting of loan and lease-related commitments, of which only a portion is expected to be funded. At September 30, 2015, our loan and lease-related commitments, including standby letters of credit, totaled $2.1 billion. The commitments, which may result in funded loans and leases, increase our profitability through net interest income. We manage our overall liquidity taking into consideration funded and unfunded commitments as a percentage of our liquidity sources. Our liquidity sources have been and are expected to be sufficient to meet the cash requirements of our lending activities.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This analysis should be read in conjunction with text under the caption "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the year ended December 31, 2014, which text is incorporated herein by reference. Our analysis of market risk and market-sensitive financial information contains forward-looking statements and is subject to the disclosure at the beginning of Item 2 regarding such forward-looking information.

Market Risk - Foreign Currency Exchange

The Company enters into foreign exchange contracts with its clients and counterparty banks primarily for the purpose of offsetting or hedging clients' transaction and economic exposures arising out of commercial transactions. We have experienced and will continue to experience fluctuations in our net income as a result of transaction gains or losses related to revaluing certain asset and liability balances that are denominated in currencies other than the U.S. Dollar. We recognized foreign currency gains of $0.8 million and $2.5 million for the nine months ended September 30, 2015 and 2014, respectively. In June 2015, we hedged our Euro-denominated subordinated debentures with a cross currency swap to reduce the related foreign currency translation volatility.

Asset/Liability Management and Interest Rate Sensitivity

Interest Rate Risk

We measure our interest rate risk position on at least a quarterly basis using two methods: (i) net interest income simulation analysis; and (ii) market value of equity modeling. The Executive ALM Committee and the Board Asset Liability Management Committee review the results of these analyses quarterly. If hypothetical changes to interest rates cause changes to our simulated net present value of equity and/or net interest income outside our pre established limits, we may adjust our asset and liability mix in an effort to bring our interest rate risk exposure within our established limits.

We evaluated the results of our net interest income simulation and market value of equity models prepared as of September 30, 2015, the results of which are presented below. Our net interest income simulation indicates that our balance sheet is asset sensitive. An asset sensitive profile would suggest that a sudden sustained increase in rates would result in an increase in our estimated net interest income and market value of equity, while a liability sensitive profile would suggest that these amounts would decrease. In general, we view the net interest income model results as more relevant to the Company’s current operating profile and manage our balance sheet giving priority to this information.

Net Interest Income Simulation

We used a simulation model to measure the estimated changes in net interest income that would result over the next 12 months from immediate and sustained changes in interest rates as of September 30, 2015. This model is an interest rate risk management tool and the results are not necessarily an indication of our future net interest income. This model has inherent limitations and these results are based on a given set of rate changes and assumptions at one point in time. We have assumed no growth in either our total interest sensitive assets or liabilities over the next 12 months; therefore, the results reflect an interest rate shock to a static balance sheet.

This analysis calculates the difference between net interest income forecasted using both increasing and decreasing interest rate scenarios using the forward yield curve at September 30, 2015. In order to arrive at the base case, we extend our balance sheet at September 30, 2015 one year and reprice any assets and liabilities that would contractually reprice or mature during that period using the products’ pricing as of September 30, 2015. Based on such repricing, we calculate an estimated net interest income and net interest margin.

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Explanation of Responses:

The repricing relationship for each of our assets and liabilities includes many assumptions. For example, many of our assets are variable rate loans, which are assumed to reprice in accordance with their contractual terms. Some loans and investment vehicles include the opportunity of prepayment (imbedded options) and the simulation model uses prepayment assumptions to estimate these prepayments and reinvest these proceeds at current simulated yields. Our deposit products reprice at our discretion and are assumed to reprice more slowly in a rising or declining interest rate environment and usually reprice at a rate less than the change in market rates. The effects of certain balance sheet attributes, such as fixed rate loans, variable rate loans that have reached their floors, the 4.00% floor we have administered on the Bank's base lending rate (affecting $492 million of variable-rate loans originated by the Community Banking segment tied to this index), and the volume of noninterest bearing deposits as a percentage of earning assets, impact our assumptions and consequently the results of our interest rate risk management model. Changes that could vary significantly from our assumptions include loan and deposit growth or contraction, changes in the mix of our earning assets or funding sources, and future asset/liability management decisions, all of which may have significant effects on our net interest income.

The following table presents as of September 30, 2015, forecasted net interest income and net interest margin for the next 12 months using a base market interest rate and the estimated change to the base scenario given immediate and sustained parallel upward and downward movements in interest rates of 100, 200 and 300 basis points:

September 30, 2015 Interest Rate Scenario:	Estimated Net Interest Income (Dollars in millions)	Percentage Change From Base	Estimated Net Interest Margin	Estimated Net Interest Margin Change From Base
Up 300 basis points	$870.6	14.1%	6.03%	0.74%
Up 200 basis points	$828.7	8.6%	5.74%	0.45%
Up 100 basis points	$789.1	3.4%	5.47%	0.18%
BASE CASE	$763.1	—	5.29%	—
Down 100 basis points	$765.5	0.3%	5.31%	0.02%
Down 200 basis points	$765.9	0.4%	5.31%	0.02%
Down 300 basis points	$766.8	0.5%	5.32%	0.03%

Total base case year 1 net interest income increased to $763 million at September 30, 2015 from $735.5 million at June 30, 2015. The increase in base case year 1 net interest income was due to the increase in the ending balance of the loan and securities portfolios during the quarter. The net interest income ("NII") simulation model prepared as of September 30, 2015 suggests our balance sheet is asset sensitive. The degree of asset sensitivity in the third quarter's NII rate shock results increased slightly compared to the prior quarter primarily due to the increase in the balance of variable rate loans and the increase in the balance of core deposits during the quarter.

In addition to parallel interest rate shock scenarios, the Company also models various alternative rate vectors that are viewed as more likely to occur in a typical monetary policy tightening cycle. One such scenario provides for market rates to increase during the next six months in accordance with forward U.S. Treasury rates and thereafter to increase by 25 basis points every six months. The expected first year NII under this alternative rising rate scenario would be approximately 0.50% higher than the base case.

Although $9.6 billion of the $12.3 billion of total loans in the portfolio have variable interest rate terms, only $2.4 billion of those variable-rate loans would immediately reprice at September 30, 2015 under the modeled scenarios. Of the remaining variable-rate loans, $6.5 billion would not immediately reprice because the loans' fully-indexed rates are below their floor rates.

Of the $6.5 billion of loans at their floors, the fully-indexed rates would rise off of the floors and reprice as follows:

September 30, 2015	
Cumulative Amount of Loans	Rate Increase Needed to Reprice
(Dollars in millions)	
$5,906.0	100 bps
$6,235.5	200 bps
$6,383.4	300 bps

Additionally, certain variable-rate hybrid ARM loans do not immediately reprice because the loans contain an initial fixed-rate period before they become adjustable. The cumulative amounts of hybrid ARM loans that would switch from being fixed-rate to variable-rate, because the initial fixed-rate term would expire, was approximately $196 million, $295 million, and $517 million in the next one, two, and three years.

Market Value of Equity

We measure the impact of market interest rate changes on the net present value of estimated cash flows from our assets, liabilities and off-balance sheet items, defined as the market value of equity, using a simulation model. This simulation model assesses the changes in the market value of our interest-sensitive financial instruments that would occur in response to an instantaneous and sustained increase or decrease in market interest rates of 100, 200, and 300 basis points. This analysis assigns significant value to our noninterest-bearing deposit balances. The projections are by their nature forward-looking and therefore inherently uncertain, and include various assumptions regarding cash flows and interest rates.

This model is an interest rate risk management tool and the results are not necessarily an indication of our actual future results. Actual results may vary significantly from the results suggested by the market value of equity table. Loan prepayments and deposit attrition, changes in the mix of our earning assets or funding sources, and future asset/liability management decisions, among others, may vary significantly from our assumptions. The base case is determined by applying various current market discount rates to the estimated cash flows from the different types of assets, liabilities and off-balance sheet items existing at September 30, 2015.

The following table shows the projected change in the market value of equity for the set of rate scenarios presented as of September 30, 2015:

September 30, 2015 Interest Rate Scenario:	Estimated Market Value	Dollar Change From Base	Percentage Change From Base	Percentage of Total Assets	Ratio of Estimated Market Value to Book Value
	(Dollars in millions)				
Up 300 basis points	$4,169.9	$102.8	2.5 %	24.8 %	116.4 %
Up 200 basis points	$4,144.1	$77.0	1.9 %	24.6 %	115.7 %
Up 100 basis points	$4,108.4	$41.3	1.0 %	24.4 %	114.7 %
BASE CASE	$4,067.1	$—	—	24.2 %	113.6 %
Down 100 basis points	$4,026.0	$(41.1)	(1.0)%	23.9 %	112.4 %
Down 200 basis points	$3,916.2	$(150.9)	(3.7)%	23.3 %	109.3 %
Down 300 basis points	$3,875.3	$(191.8)	(4.7)%	23.0 %	108.2 %

In comparing the September 30, 2015 simulation results to June 30, 2015, our base case estimated market value of equity has decreased while our overall profile has remained relatively unchanged. Base case market value of equity decreased $225.3 million compared to June 30, 2015. The decrease in base case market value of equity was due primarily to a decrease in net present value of loans due to the increased discount rate used for the calculation. The discount rate used to value loans is derived from the prevailing spread of high yield bonds, which increased during the quarter.

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Explanation of Responses:

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, an evaluation was carried out by the Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, these disclosure controls and procedures were effective.

There have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of our business, we are party to various legal actions, which we believe are incidental to the operation of our business. The outcome of such legal actions and the timing of ultimate resolution are inherently difficult to predict. In the opinion of management, based upon information currently available to us, any resulting liability, in addition to amounts already accrued, taking into consideration insurance which may be applicable, would not have a material adverse effect on the Company’s financial statements or operations.

ITEM 1A. RISK FACTORS

For information regarding factors that could affect the Company's results of operations, financial condition and liquidity, see the risk factors disclosed in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2014. See also "Forward-Looking Information" disclosed in Part I, Item 2 of this quarterly report on Form 10-Q.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table presents stock purchases made during the third quarter of 2015:

Purchase Dates	Total Number of Shares Purchased[1]	Average Price Paid Per Share
July 1, 2015 - July 31, 2015	—	$—
August 1, 2015 - August 31, 2015	1,195	46.37
September 1, 2015 - September 30, 2015	—	—
Total	1,195	$46.37

(1) Shares repurchased pursuant to net settlement by employees and directors, in satisfaction of income tax withholding obligations incurred through the vesting of Company stock.

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ITEM 6. INDEX TO EXHIBITS

Exhibit Number	Description
2.1	Agreement and Plan of Merger dated March 1, 2015 between PacWest Bancorp and Square 1 Financial, Inc. (Exhibit 2.1 to Form 8-K filed on March 5, 2015 and incorporated herein by this reference).
3.1	Certificate of Incorporation, as amended, of PacWest Bancorp, a Delaware corporation, dated April 22, 2008 (Exhibit 3.1 to Form 8-K filed on May 14, 2008 and incorporated herein by this reference).
3.2	Certificate of Amendment of Certificate of Incorporation of PacWest Bancorp, a Delaware Corporation, dated May 14, 2010 (Exhibit 3.1 to Form 8-K filed on May 14, 2010 and incorporated herein by this reference).
3.5	Amended and Restated Bylaws of PacWest Bancorp, a Delaware corporation, dated November 5, 2014 (Exhibit 3.5 to Form 10-Q filed on November 7, 2014 and incorporated herein by this reference).
10.1	Form of Voting Agreement dated March 1, 2015, between PacWest Bancorp and certain stockholders of Square 1 Financial, Inc. (Exhibit 99.1 to Form 8-K filed on March 5, 2015 and incorporated herein by this reference).
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer. *
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer. *
32.1	Section 1350 Certification of Chief Executive Officer. *
32.2	Section 1350 Certification of Chief Financial Officer. *
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets as of September 30, 2015 and December 31, 2014, (ii) the Condensed Consolidated Statements of Earnings for the three months ended September 30, 2015, June 30, 2015 and September 30, 2014 and nine months ended September 30, 2015 and 2014, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three months ended September 30, 2015, June 30, 2015 and September 30, 2014 and nine months ended September 30, 2015 and 2014, (iv) the Condensed Consolidated Statement of Changes in Stockholders' Equity for the nine months ended September 30, 2015 and 2014, (v) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and 2014, and (vi) the Notes to Condensed Consolidated Financial Statements.

* Filed herewith.

Signatures

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

PACWEST BANCORP

Date: November 6, 2015

/s/ Patrick J. Rusnak
Patrick J. Rusnak
Executive Vice President and Chief Financial Officer

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