UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2012

OR

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

For the transition period from to

Commission file number 000-52498

FIRST CALIFORNIA FINANCIAL GROUP, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	38-3737811 (I.R.S. Employer Identification Number)
3027 Townsgate Road, Suite 300 Westlake Village, California (Address of Principal Executive Offices)	91361 (Zip Code)

Registrant’s telephone number, including area code: (805) 322-9655

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

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

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

Large accelerated filer	o		Accelerated filer	x
Non-accelerated filer	o	(Do not check if a smaller reporting company)	Smaller reporting company	o

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

29,220,271 shares of Common Stock, $0.01 par value, as of November 6, 2012

FIRST CALIFORNIA FINANCIAL GROUP, INC.
QUARTERLY REPORT ON
FORM 10-Q

For the Quarterly Period Ended September 30, 2012

TABLE OF CONTENTS

		Page
PART I — FINANCIAL INFORMATION		
Item 1	Financial Statements	3
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	37
Item 3	Quantitative and Qualitative Disclosures about Market Risk	64
Item 4	Controls and Procedures	64
PART II — OTHER INFORMATION		
Item 1	Legal Proceedings	64
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	64
Item 3	Defaults Upon Senior Securities	64
Item 4	Mine Safety Disclosures	64
Item 5	Other Information	64
Item 6	Exhibits	64
SIGNATURES		65

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

FIRST CALIFORNIA FINANCIAL GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (unaudited)

(in thousands, except share and per share data)		September 30, 2012		December 31, 2011
Cash and due from banks	$	42,387	$	40,202
Interest bearing deposits with other banks		34,095		21,230
Securities available-for-sale, at fair value		549,373		453,735
Non-covered loans, net		1,049,642		918,356
Covered loans		106,144		135,412
Premises and equipment, net		18,184		18,480
Non-covered foreclosed property		15,201		20,349
Covered foreclosed property		5,218		14,616
Goodwill		60,720		60,720
Other intangibles, net		12,205		13,887
FDIC shared-loss receivable		50,471		68,083
Cash surrender value of life insurance		12,991		12,670
Accrued interest receivable and other assets		34,173		34,924
Total assets	$	1,990,804	$	1,812,664
Non-interest checking	$	675,488	$	482,156
Interest checking		112,895		107,077
Money market and savings		483,293		486,000
Certificates of deposit, under $100,000		62,176		74,861
Certificates of deposit, $100,000 and over		266,040		275,175
Total deposits		1,599,892		1,425,269
Securities sold under agreements to repurchase		30,000		30,000
Federal Home Loan Bank advances		84,583		87,719
Junior subordinated debentures		26,805		26,805
Deferred tax liabilities, net		2,261		7,370
FDIC shared-loss liability		3,827		3,757
Accrued interest payable and other liabilities		6,873		8,637
Total liabilities		1,754,241		1,589,557
Commitments and Contingencies (Note 12)				
Perpetual preferred stock; authorized 2,500,000 shares				
Series A - $0.01 par value, 1,000 shares issued and outstanding as of September 30, 2012 and December 31, 2011		1,000		1,000
Series C - $0.01 par value, 25,000 shares issued and outstanding as of September 30, 2012 and December 31, 2011		25,000		25,000
Common stock, $0.01 par value; authorized 100,000,000 shares; 29,266,050 shares issued at September 30, 2012 and		292		292

29,220,079 shares issued at December 31, 2011; 29,220,271 and 29,220,079 shares outstanding at September 30, 2012 and December 31, 2011, respectively				
Additional paid-in capital		174,796		173,062
Treasury stock, 45,779 shares at cost at September 30, 2012 and no shares at December 31, 2011		(255)		—
Retained earnings		33,724		25,427
Accumulated other comprehensive income (loss)		2,006		(1,674)
Total shareholders' equity		236,563		223,107
Total liabilities and shareholders' equity	$	1,990,804	$	1,812,664

See accompanying notes to consolidated financial statements.

FIRST CALIFORNIA FINANCIAL GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income (unaudited)

(in thousands, except per share data)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Interest and fees on loans	$ 17,555	$ 16,896	$ 52,346	$ 49,264
Interest on securities	1,704	1,720	5,301	4,712
Interest on federal funds sold and interest bearing deposits	51	90	154	270
Total interest income	19,310	18,706	57,801	54,246
Interest on deposits	1,258	1,836	4,028	6,494
Interest on borrowings	887	916	2,739	2,853
Interest on junior subordinated debentures	159	336	628	1,001
Total interest expense	2,304	3,088	7,395	10,348
Net interest income before provision for loan losses	17,006	15,618	50,406	43,898
Provision for non-covered loan losses	500	1,550	1,500	4,550
Net interest income after provision for loan losses	16,506	14,068	48,906	39,348
Service charges on deposit accounts	735	878	2,335	2,633
Gain on loan sales and commissions	29	—	274	—
Net gain on sale of securities	510	209	1,104	699
Impairment loss on securities	(449)	—	(477)	(1,066)
Loss on non-hedged derivatives	(99)	(24)	(506)	(24)
(Amortization)accretion of FDIC shared-loss asset	(135)	48	131	143
Gain on acquisitions	—	—	—	35,202
Other income	1,519	1,189	5,063	2,812
Total noninterest income	2,110	2,300	7,924	40,399
Salaries and employee benefits	6,592	6,675	21,254	19,315
Premises and equipment	1,629	1,567	4,845	4,708
Data processing	910	810	2,531	2,685
Legal, audit, and other professional services	1,905	1,071	4,480	4,299
Printing, stationery and supplies	63	79	229	288
Telephone	193	218	637	592
Directors' expense	122	135	374	342
Advertising, marketing and business development	340	272	1,221	1,069
Postage	57	50	170	171
	553	364	1,633	1,777

Insurance and regulatory assessments				
(Gain)loss on and expense of foreclosed property	(701)	(672)	(108)	5,066
Amortization of intangible assets	539	624	1,682	1,665
Other expenses	664	840	2,513	2,387
Total noninterest expense	12,866	12,033	41,461	44,364
Income before provision for income taxes	5,750	4,335	15,369	35,383
Provision for income taxes	2,286	1,819	6,135	14,862
Net income	$ 3,464	$ 2,516	$ 9,234	$ 20,521
Preferred stock dividends	$ (313)	$ (1,616)	$ (938)	$ (2,241)
Net income available to common stockholders	$ 3,151	$ 900	$ 8,296	$ 18,280
Net income per common share:				
Basic	$ 0.11	$ 0.03	$ 0.28	$ 0.64
Diluted	$ 0.11	$ 0.03	$ 0.28	$ 0.64

See accompanying notes to consolidated financial statements.

FIRST CALIFORNIA FINANCIAL GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (unaudited)

	Three months ended September 30,		Nine months ended September 30,	
(dollars in thousands)	2012	2011	2012	2011
Other comprehensive income:				
Unrealized loss on interest rate cap	$(26)	$(288)	$(140)	$(510)
Unrealized gain on securities available-for-sale	4,572	2,219	7,034	5,098
Reclassification adjustment for net (gains) losses included in net income	(61)	(209)	(627)	367
Other comprehensive income, before tax	4,485	1,722	6,267	4,955
Income tax expense related to items of other comprehensive income	(2,570)	(721)	(2,587)	(2,069)
Other comprehensive income	1,915	1,001	3,680	2,886
Net income	3,464	2,516	9,234	20,521
Comprehensive income	$5,379	$3,517	$12,914	$23,407

See accompanying notes to consolidated financial statements.

FIRST CALIFORNIA FINANCIAL GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (unaudited)

(in thousands)	Nine Months Ended September 30, 2012	2011
Net income	$ 9,234	$ 20,521
Adjustments to reconcile net income to net cash from operating activities:		
Provision for non-covered loan losses	1,500	4,550
Stock-based compensation costs	1,530	832
Gain on acquisition	—	(35,202)
Gain on sales of securities	(1,104)	(699)
Gain on sales of loans	(274)	—
Net loss on sale and valuation adjustments of non-covered foreclosed property	1,753	4,371
Net gain on sale and valuation adjustments of covered foreclosed property	(2,126)	—
Impairment loss on securities	477	1,066
Amortization of net premiums on securities available-for-sale	4,846	2,672
Depreciation and amortization of premises and equipment	1,598	1,526
Amortization of intangible assets	1,682	1,665
Accretion of FDIC shared-loss asset	(131)	(143)
Loss(gain) on disposal of premises and equipment	40	(149)
Increase in cash surrender value of life insurance	(321)	(330)
Change in deferred taxes	(5,109)	2,298
Increase in accrued interest receivable and other assets, net of effects of acquisition	(20)	(12,123)
Decrease in accrued interest payable and other liabilities, net of effects of acquisition	(1,695)	(1,356)
Net cash provided (used) by operating activities	11,880	(10,501)
Purchases of securities available-for-sale, net of effects from acquisition	(348,380)	(146,184)
Proceeds from repayments and maturities of securities available-for-sale	145,923	102,943
Proceeds from sales of securities available-for-sale	108,380	26,344
Purchases of Federal Home Loan Bank and other stock	—	(5)
Net change in federal funds sold and interest bearing deposits, net of effects from acquisition	(12,865)	(3,664)
Loan originations, purchases and principal collections, net of effects of acquisition	(111,889)	71,542
Purchases of premises and equipment, net of effects of acquisition	(1,487)	(1,828)
Proceeds from sale of premises and equipment	6	1,267
Proceeds from redemption of Federal Home Loan Bank and other stock	748	1,459
Net proceeds from FDIC shared-loss asset	17,743	9,405

Proceeds from sale of non-covered foreclosed property		3,392		2,587
Proceeds from sale of covered foreclosed property		18,439		15,562
Net cash acquired in acquisition		—		122,119
Net cash (used) provided by investing activities		(179,990)		201,547
Net increase in noninterest-bearing deposits, net of effects of acquisition		193,333		40,160
Net decrease in interest-bearing deposits, net of effects of acquisition		(18,709)		(139,013)
Net decrease in FHLB advances and other borrowings, net of effects of acquisition		(3,136)		(75,267)
Dividends paid on preferred stock		(938)		(831)
Purchases of treasury stock		(255)		—
Net cash provided (used) by financing activities		170,295		(174,951)
Change in cash and due from banks		2,185		16,095
Cash and due from banks, beginning of period		40,202		25,487
Cash and due from banks, end of period	$	42,387	$	41,582
Supplemental cash flow information:				
Cash paid for interest	$	7,499	$	10,222
Cash paid for income taxes	$	11,725	$	7,520
Supplemental disclosure of noncash items:				
Net change in fair value of securities available-for-sale, net of tax	$	3,712	$	3,575
Net change in fair value of cash flow hedges, net of tax	$	(32)	$	(177)
Non-covered loans transferred to non-covered foreclosed property	$	—	$	328
Covered loans transferred to covered foreclosed property	$	6,721	$	15,657
Acquisitions:				
Assets acquired	$	—	$	456,922
Liabilities assumed	$	—	$	436,498

See accompanying notes to consolidated financial statements.

NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Organization and nature of operations – First California Financial Group, Inc., or First California, or the Company, is a bank holding company incorporated under the laws of the State of Delaware and headquartered in Westlake Village, California. The principal asset of the Company is the capital stock of First California Bank, or the Bank. The Bank is a full-service commercial bank headquartered in Westlake Village, California, chartered under the laws of the State of California and subject to supervision by the California Department of Financial Institutions and the Federal Deposit Insurance Corporation, or the FDIC. The FDIC insures the Bank's deposits up to the maximum legal limit.

On February 18, 2011, the Bank assumed certain liabilities and acquired certain assets and substantially all of the operations of San Luis Trust Bank, or SLTB, located in San Luis Obispo, California, from the FDIC. The Bank acquired, received and recognized certain assets with an estimated fair value of approximately $367 million, including $139 million of loans, $99 million of cash and federal funds sold, $70 million of a FDIC shared-loss asset, $41 million of securities, $13 million of foreclosed property and $5 million of other assets. Liabilities with an estimated fair value of approximately $346 million were also assumed and recognized, including $266 million of deposits, $62 million of Federal Home Loan Bank advances, $15 million in a deferred tax liability, $3 million of a FDIC shared-loss liability and $0.4 million of other liabilities. The Bank recorded a pre-tax bargain purchase gain of $36.5 million in connection with this transaction. This transaction increased the number of the Bank's full-service branch locations to 19 and the Bank fully integrated the former SLTB branch location into its full-service branch network in June 2011.

On April 8, 2011, the Bank completed the acquisition of the Electronic Banking Solutions division of Palm Desert National Bank. The transaction included the division's customer base, core deposits, and employees. The Electronic Payment Services Division, or the EPS division, its new name under the Bank, issues prepaid cards and sponsors merchant acquiring services for all national and regional networks, including Visa, MasterCard, and Discover throughout all 50 states and U.S. territories. The Bank acquired cash of $85.4 million, recognized intangible assets of $6.0 million, assumed $91 million of deposits and recognized a pre-tax bargain purchase gain of $0.5 million in connection with this transaction.

On February 28, 2012, the Bank entered into a definitive agreement and plan of merger to acquire Premier Service Bank, a state-chartered commercial bank headquartered in Riverside, California for $2.0 million. As part of the merger, the Bank will acquire certain assets and assume certain liabilities and substantially all of the operations, including two full-service branches located in Riverside and Corona, California, of Premier Service Bank. The Bank will acquire approximately $140 million of assets, including $104 million of loans related to the transaction. The Bank will assume approximately $112 million of deposits related to the transaction. The transaction is pending the receipt of the required regulatory and shareholder approvals.

The Bank serves the comprehensive financial needs of businesses and consumers in Los Angeles, Orange, Riverside, San Diego, San Bernardino, San Luis Obispo and Ventura counties through 15 full-service branch locations.

Consolidation – The accompanying condensed consolidated financial statements include, in conformity with generally accepted accounting principles in the United States of America, the accounts of the Company, the Bank, Wendy Road Office Development LLC, a subsidiary of the Bank which manages and disposes of real estate, and SC Financial, an inactive subsidiary of First California. The Company does not consolidate the accounts of FCB Statutory Trust I and First California Statutory Trust I, or the Trusts, in the consolidated financial statements. The Company does include, however, the junior subordinated debentures issued by the Company to the Trusts on the consolidated balance sheets. Results of operations for the three and nine months ended September 30, 2011 include the effects of the FDIC-assisted SLTB transaction and the EPS division acquisition from the date of the acquisitions. All material intercompany transactions have been eliminated.

Basis of presentation – The unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q as promulgated by the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnote disclosures normally required by generally accepted accounting principles for complete financial statements. In our opinion, all normal recurring adjustments necessary for a fair presentation are reflected in the unaudited condensed consolidated financial statements. Operating results for the period ended September 30, 2012 are not necessarily indicative of the results of operations that may be expected for any other interim period or for the year ending December 31, 2012. In preparing these financial statements, the Company has evaluated events and transactions subsequent to September 30, 2012 for potential recognition or disclosure. The unaudited condensed consolidated financial statements should be read in conjunction with the audited condensed consolidated financial statements and notes thereto included in the Company's 2011 Annual Report on Form 10-K.

Reclassifications – Certain reclassifications have been made to the 2011 consolidated financial statements to conform to the current year presentation. The effects of reclassification adjustments had no effect upon previously reported net income or net income per common share calculations.

Management's estimates and assumptions – The preparation of the consolidated financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported revenues and expenses for the reporting periods. Actual results could differ significantly from those estimates. Significant estimations made by management primarily involve the calculation of the allowance for loan losses, the carrying amount of deferred tax assets, the carrying amount of covered loans, the carrying amount of foreclosed property, the carrying amount of the FDIC shared-loss receivable and liability, the assessments for impairment related to goodwill and securities, the estimated fair value of financial instruments and the effectiveness of derivative instruments in offsetting changes in fair value or cash flows of hedged items.

Allowance for loan losses – The allowance for loan losses is established through a provision charged to expense. Loans are charged against the allowance when management believes that the collectability of principal is unlikely. The allowance is an amount that management believes will be adequate to absorb estimated probable losses on existing loans that may become uncollectable, based on evaluations of the collectability of loans and prior loan loss experience. The evaluation includes an assessment of the following factors: any external loan review and any regulatory examination, estimated probable loss exposure on each pool of loans, concentrations of credit, value of collateral, the level of delinquent and nonaccrual loans, trends in the portfolio volume, effects of any changes in the lending policies and procedures, changes in lending personnel, present economic conditions at the local, state and national levels, the amount of undisbursed off-balance sheet commitments, and a migration analysis of historical losses and recoveries for the prior twenty-two quarters. Individual loans are also evaluated for impairment and if a portion of a loan is impaired, the impaired amount is charged-off or a specific reserve is allocated for that loan. Various regulatory agencies, as a regular part of their examination process, periodically review the Company's allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance based on their judgment of information available to them at the time of their examinations. The allowance for loan losses was $18.2 million at September 30, 2012 and $17.8 million at December 31, 2011.

Non-covered foreclosed property - We acquire, through foreclosure or through full or partial satisfaction of a loan, real or personal property. At the time of foreclosure, the Company obtains an appraisal of the property and records the property at its estimated fair value less costs to sell. We charge the allowance for loan losses for the loan amount in excess of the fair value of the foreclosed property received; we credit recoveries, up to the amount of previous charge-offs, if any, and then earnings for the fair value amount of the foreclosed property in excess of the loan due. Subsequent to foreclosure, the Company periodically assesses our disposition efforts and the estimated fair value of the foreclosed property. The Company establishes a valuation allowance through a charge to earnings for estimated declines in fair value subsequent to foreclosure. Operating income and operating expense related to foreclosed property is included in earnings as are any ultimate gains or losses on the sale of the foreclosed property. Our recognition of gain is however dependent on the buyer's initial investment in the purchase of foreclosed property meeting certain criteria. The estimated fair value of non-covered foreclosed property was $15.2 million at September 30, 2012 and $20.3 million at December 31, 2011.

Covered foreclosed property - All foreclosed property acquired in FDIC-assisted acquisitions that are subject to a FDIC shared-loss agreement are referred to as "covered foreclosed property" and reported separately in our consolidated balance sheets. Covered foreclosed property is reported exclusive of expected reimbursement cash flows from the FDIC. Foreclosed covered loan collateral is transferred into covered foreclosed property at the collateral's net realizable value, less estimated selling costs.

Covered foreclosed property was initially recorded at its estimated fair value on the acquisition date based on similar market comparable valuations less estimated selling costs. Any subsequent valuation adjustments due to declines in fair value will be charged to non-interest expense, and will be mostly offset by non-interest income representing the corresponding increase to the FDIC shared-loss asset for the offsetting loss reimbursement amount. Any recoveries of

previous valuation adjustments will be credited to non-interest expense with a corresponding charge to non-interest income for the portion of the recovery that is due to the FDIC. The estimated fair value of covered foreclosed property was $5.2 million at September 30, 2012 and $14.6 million at December 31, 2011.

Deferred income taxes – The Company recognizes deferred tax assets subject to our judgment that realization of such assets are more-likely-than-not. A valuation allowance is established when the Company determines that the realization of income tax benefits may not occur in future years. There was no valuation allowance at September 30, 2012 or December 31, 2011. There were net deferred tax liabilities of $2.3 million at September 30, 2012 and $7.4 million at December 31, 2011.

FDIC shared-loss asset – The FDIC shared-loss asset is initially recorded at fair value, based on the discounted value of expected future cash flows under the shared-loss agreements. The difference between the present value and the undiscounted cash flows the Company expects to collect from the FDIC will be accreted or amortized into non-interest income over the life of the FDIC shared-loss asset. Subsequent to initial recognition, the FDIC shared-loss asset is reviewed quarterly and adjusted for any changes in expected cash flows based on recent performance and expectations for future performance of the covered portfolio. These adjustments are measured on the same basis as the related covered loans, at a pool level, and covered foreclosed property. Generally, any increases in cash flow of the covered assets over those previously expected will result in prospective increases in the loan pool yield and amortization of the FDIC shared-loss asset. Any decreases in cash flow of the covered assets under those previously expected will trigger impairments on the underlying loan pools and will result in a corresponding gain on the FDIC shared-loss asset. Increases and decreases to the FDIC shared-loss asset are recorded as adjustments to non-interest income.

FDIC shared-loss liability – Forty-five days following the tenth anniversary of the Western Commercial Bank, or WCB, and SLTB acquisition dates, the Company will be required to perform a calculation and determine if a payment to the FDIC is necessary. The payment amount will be 50 percent of the excess, if any, of (i) 20 percent of the intrinsic loss estimate minus (ii) the sum of (a) 20 percent of the net loss amount, plus (b) 25 percent of the asset discount bid, plus (c) 3.5 percent of total loss share assets at acquisition. The Company’s estimate for the present value of this liability was $3.8 million at both September 30, 2012 and December 31, 2011.

Derivative instruments and hedging – For derivative instruments designated in cash flow hedging relationships, we assess the effectiveness of the instruments in offsetting changes in the overall cash flows of designated hedged transactions on a quarterly basis. The Company recognizes the unrealized gains or losses of derivative instruments directly in current period earnings to the extent these instruments are not effective. At September 30, 2012, the Company had $37.1 million notional interest rate caps to limit the variable interest rate payments on our $26.8 million junior subordinated debentures. Our 2012 third quarter effectiveness assessment indicated that these instruments were effective.

At September 30, 2012, the Bank had $240 million notional interest rate caps that do not meet the criteria for hedge accounting to manage the interest rate risk associated with its fixed rate securities and loans. The Company may enter into derivative contracts that are intended to economically hedge certain of its risks, even though hedge accounting does not apply or the Company elects not to apply hedge accounting. Derivatives not designated as hedges are marked-to-market each period through earnings.

Assessments of impairment – Goodwill is assessed for impairment on an annual basis or at interim periods if an event occurs or circumstances change which may indicate a change in the implied fair value of the goodwill. The implied fair value of goodwill is estimated by comparing the estimated fair value of the Company to the estimated fair value of the Company’s individual assets, liabilities, and identifiable intangible assets. Impairment exists when the carrying amount of goodwill exceeds this implied fair value.

First California uses independent data where possible in determining the fair value of the Company and in determining appropriate market factors used in the fair value calculations. At December 31, 2011, the annual assessment resulted in the conclusion that goodwill was not impaired. No events occurred or circumstances changed since December 31, 2011 which indicated there was a material change in the implied fair value of goodwill.

An impairment assessment is performed quarterly on the securities available-for-sale portfolio in accordance with Financial Accounting Standards Board, or FASB, accounting standards codification guidance related to the consideration of impairment related to certain debt and equity securities. All of the securities classified as available-for-sale are debt securities.

If the Company does not intend to sell, and it is more likely than not that the Company is not required to sell a debt security before recovery of its cost basis, other-than-temporary impairment is separated into (a) the amount representing credit loss and (b) the amount related to other factors. The amount of the other-than-temporary impairment related to credit loss is recognized in earnings and other-than-temporary impairment related to other factors is recognized in other comprehensive income (loss). Other-than-temporary declines in fair value are assessed based on the duration the security has been in a continuous unrealized loss position, the severity of the decline in value, the rating of the security, the long-term financial outlook of the issuer, the expected future cash flows from the security and the Company's ability and intent to hold the security until the fair value recovers. Please see the "Securities" section of Management's Discussion and Analysis in this document for a detailed explanation of the impairment analysis process. The Company will continue to evaluate the securities portfolio for other-than-temporary impairment at each reporting date and can provide no assurance there will not be an other-than-temporary impairment in future periods.

For the three months ended September 30, 2012, we recognized an other-than-temporary impairment loss of $449,000 on a private-label CMO security which was sold in the third quarter. There was no other-than-temporary impairment loss for the three months ended September 30, 2011. For the nine months ended September 30, 2012, we recognized impairment losses of $477,000 - an other-than-temporary impairment loss on a private-label CMO security of

$449,000 and a permanent impairment loss of $28,000 on a $1.0 million community development-related equity investment. For the nine months ended September 30, 2011, we recognized an other-than-temporary impairment loss of $1.1 million related to two private-label CMO securities.

NOTE 2 – RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. ASU 2011-04 was issued concurrently with IFRS 13, Fair Value Measurements, to provide mainly identical guidance about fair value measurement and disclosure requirements. For U.S. GAAP, most of the changes are clarifications of existing guidance or wording changes to align with IFRS 13. ASU 2011-04 is effective during interim and annual periods beginning after December 15, 2011. Early adoption is not permitted. The adoption of this ASU did not have a material effect on our consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. ASU 2011-05 will require companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. This standard eliminates the option to present components of comprehensive income as part of the statement of changes in stockholders' equity. This standard does not change the items which must be reported in other comprehensive income, how such items are measured, or when they must be reclassified to net income. This standard is effective for interim and annual periods beginning after December 15, 2011. Early adoption is permitted. A portion of this ASU was deferred with the issuance of ASU 2011-12 discussed below.

In September 2011, the FASB issued ASU 2011-08, Intangibles – Goodwill and Other – Testing Goodwill for Impairment. ASU 2011-08 provides guidance on the application of a qualitative assessment of impairment indicators in the review of goodwill impairment. The ASU provides that in the event that the qualitative review indicates that it is more likely than not that no impairment has occurred, the Company would not be required to perform a quantitative review. The provisions of ASU 2011-08 will be effective for years beginning after December 15, 2011 for both public and nonpublic entities, although earlier adoption is allowed. The adoption of this standard did not have a significant impact on our consolidated financial statements.

In December 2011, the FASB issued ASU 2011-11, Disclosures about Offsetting Assets and Liabilities. ASU 2011-11 provides convergence to International Financial Reporting Standards, or IFRS, to provide common disclosure requirements for the offsetting of financial instruments. Existing GAAP guidance allowing balance sheet offsetting, including industry-specific guidance, remains unchanged. The new guidance is effective on a retrospective basis, including all prior periods presented, for interim and annual periods beginning on or after January 1, 2013. The Company does not expect that adoption of this standard will have a material impact on the Company's consolidated financial statements.

In December 2011, the FASB issued ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. ASU 2011-12 defers the requirements of ASU 2011-05 to display reclassification adjustments for each component of other comprehensive income in both net income and other comprehensive income and to present the components of other comprehensive income in interim financial statements. During 2012, the FASB will reconsider the reclassification requirements and the timing of their implementation. Management is currently evaluating the impact both of these ASU's will have on the disclosures in the Company's consolidated financial statements.

In July 2012, the FASB issued ASU 2012-02, Intangibles – Goodwill and Other. ASU 2012-02 provides guidance on the application of a qualitative assessment of impairment indicators in the review of impairment of indefinite-lived intangible assets. The ASU provides that in the event that the qualitative review indicates that it is more likely than not that no impairment has occurred, the Company would not be required to perform a quantitative review. The provisions of ASU 2012-02 will be effective for interim and annual impairment tests performed for fiscal years beginning after September 15, 2012 for both public and nonpublic entities, although earlier adoption is permitted. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In October 2012, the FASB issued ASU 2012-06, Business Combinations – Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution. ASU 2012-06 requires that when a reporting entity recognizes an indemnification asset as a result of a government-assisted acquisition of a financial institution and subsequently a change in the cash flows expected to be collected on the indemnification asset occurs, the reporting entity should subsequently account for the change in the measurement of the indemnification asset on the same basis as the change in the assets subject to indemnification. This standard is effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2012. Early adoption is permitted. The amendments should be applied prospectively to any new indemnification assets acquired after the date of adoption and to indemnification assets existing as of the date of adoption arising from a government-assisted

acquisition of a financial institution. Certain transition disclosures are required. The adoption of ASU 2012-06 is not expected to have a material impact on our consolidated financial statements.

NOTE 3 – ACQUISITION

On April 8, 2011, or the EPS Transaction Date, the Bank completed the acquisition of the Electronic Banking Solutions division of Palm Desert National Bank. The transaction included the division's customer base, core deposits, and employees. The Bank paid cash consideration of $5.5 million to purchase the EPS division. The Bank acquired cash of $85.4 million, recognized intangible assets of $6.0 million, assumed $91 million of deposits and recognized a pre-tax bargain purchase gain of $0.5 million in connection with this transaction. The Bank desired this transaction to expand its product and service offerings and diversify its sources of revenue.

Under the acquisition method of accounting, the Bank recorded the assets acquired and liabilities assumed based on their estimated fair values as of the EPS Transaction Date. Results of operations for the year ended December 31, 2011 included the effects of the EPS acquisition from the EPS Transaction Date.

The following table summarizes the estimated fair values of the assets acquired, received and recognized and the liabilities assumed and recognized as of the EPS Transaction Date.

		(Dollars in thousands)
Assets Acquired:		
Cash	$	85,389
Intangible assets		6,005
Other assets		89
Total assets acquired	$	91,483
Liabilities Assumed:		
Deposits	$	91,018
Deferred taxes		195
Total liabilities assumed		91,213
Net assets acquired (after-tax bargain purchase gain)		270
Total liabilities and net assets acquired	$	91,483

The Bank based the allocation of the purchase price above on the fair values of the assets acquired and the liabilities assumed. The net gain represents the excess of the estimated fair value of the assets acquired over the estimated fair value of the liabilities assumed. The gain was recognized as non-interest income in the Company's Condensed Consolidated Statements of Operations. Non-interest expense for the second quarter of 2011 included integration and conversion expenses related to the EPS division acquisition of approximately $350,000. The "Salaries and employee benefits", "Data processing" and "Legal, audit, and other professional services" categories were affected on the Company's Condensed Consolidated Statements of Income.

On February 18, 2011, or the SLTB Transaction Date, the Bank assumed certain liabilities and acquired certain assets and substantially all of the operations of SLTB from the FDIC, acting in its capacity as receiver of SLTB, pursuant to the terms of a purchase and assumption agreement entered into by the Bank and the FDIC, or the Purchase Agreement. The Bank acquired, received, and recognized certain assets with a fair value of approximately $367 million, including $139 million in loans, $99 million of cash and cash equivalents, $41 million of securities and $13 million of foreclosed property related to the transaction. These acquired assets represented approximately 20 percent of consolidated total assets at March 31, 2011. The Bank also assumed approximately $266 million of deposits and

$62 million of FHLB advances related to the transaction. The Bank also recorded an FDIC shared-loss asset of $70 million, a core deposit intangible of $0.3 million, deferred tax liabilities of $15 million, a FDIC shared-loss liability of $2.6 million and a premium on time deposits acquired of $0.8 million related to the transaction. The Bank continues to operate the one former SLTB branch location as part of the Bank's 15 branch locations. The Bank desired this transaction to expand its footprint into the California central coast region.

As part of the Purchase Agreement, the Bank and the FDIC entered into shared-loss agreements, whereby the FDIC will cover a substantial portion of any future losses on loans (and related unfunded loan commitments), foreclosed property and accrued interest on loans for up to 90 days. We refer to the acquired assets subject to the shared-loss agreements collectively as covered assets. Under the terms of the shared-loss agreements, the FDIC will absorb 80 percent of losses and share in 80 percent of loss recoveries. The shared-loss agreements for commercial and residential mortgage loans are in effect for 5 years and 10 years, respectively, from the SLTB Transaction Date and the loss recovery provisions are in effect for 8 years and 10 years, respectively, from the SLTB Transaction Date.

In March 2021, approximately ten years following the SLTB Transaction Date, the Bank is required to perform a calculation and determine if a payment to the FDIC is necessary. The payment amount will be 50 percent of the excess, if

any, of (i) 20 percent of the intrinsic loss estimate ($99.0 million) minus (ii) the sum of (a) 20 percent of the net loss amount, plus (b) 25 percent of the asset discount bid ($58.0 million), plus (c) 3.5 percent of total loss share assets at acquisition. At the SLTB Transaction Date, the Bank estimated a liability, on a present value basis, of $2.6 million under this provision.

Under the acquisition method of accounting, the Bank recorded the assets acquired and liabilities assumed based on their estimated fair values as of the SLTB Transaction Date. Results of operations for the year ended December 31, 2011 included the effects of the SLTB acquisition from the SLTB Transaction Date.

The following table summarizes the estimated fair values of the assets acquired, received and recognized and the liabilities assumed and recognized as of the SLTB Transaction Date.

	(Dollars in thousands)	
Assets Acquired:		
Cash and cash equivalents	$	98,820
Securities		40,972
Covered loans		138,792
Covered foreclosed property		12,772
FDIC shared-loss asset		70,293
Other assets		5,510
Total assets acquired	$	367,159
Liabilities Assumed:		
Deposits	$	266,149
FHLB advances		61,541
FDIC shared-loss liability		2,564
Deferred taxes		15,316
Other liabilities		437
Total liabilities assumed		346,007
Net assets acquired (after-tax bargain purchase gain)		21,152
Total liabilities and net assets acquired	$	367,159

The Bank based the allocation of the purchase price above on the fair values of the assets acquired and the liabilities assumed. The net gain represents the excess of the estimated fair value of the assets acquired over the estimated fair value of the liabilities assumed and is influenced significantly by the FDIC-assisted transaction process. Under the FDIC-assisted transaction process, only certain assets and liabilities are transferred to the acquirer and, depending on the nature and amount of the acquirer’s bid, the FDIC may be required to make a cash payment to the acquirer. The Bank received a cash payment from the FDIC for $34.4 million. The book value of net assets transferred to the Bank was $23.6 million (i.e., the cost basis). The pre-tax gain of $36.5 million or the after-tax gain of $21.1 million recognized by the Company is considered a bargain purchase transaction under ASC 805 “Business Combinations” since the total acquisition-date fair value of the identifiable net assets acquired exceeded the fair value of the consideration transferred. The gain was recognized as non-interest income in the Company’s Condensed Consolidated Statements of Operations. Non-interest expense for the first quarter of 2011 included integration and conversion expenses related to the SLTB acquisition of approximately $515,000. The “Salaries and employee benefits”, “Data processing” and “Legal, audit, and other professional services” categories were affected on the Company’s Condensed Consolidated Statements of Income.

In August 2011, the Bank exercised its option to purchase at fair value approximately $100,000 of furniture, fixtures and equipment related to the one SLTB branch location from the FDIC. The Bank also negotiated and executed a new five-year lease approximating current market rent for the one branch location.

The acquisition of assets and liabilities of SLTB were significant at a level to require disclosure of one year of historical financial information and related pro forma disclosure. However, given the pervasive nature of the shared-loss agreements entered into with the FDIC, the historical information of SLTB are much less relevant for purposes of assessing the future operations of the combined entity. In addition, prior to closure, SLTB had not completed an audit of their financial statements, and the Company determined that audited financial statements are not and will not be reasonably available for the year ended December 31, 2010. Given these considerations, the Company requested, and received, relief from the Securities and Exchange Commission from submitting certain historical and pro forma financial information of SLTB.

NOTE 4 – SECURITIES

Securities have been classified in the consolidated balance sheets according to management's intent and ability as available-for-sale. The amortized cost, gross unrealized gains, gross unrealized losses and estimated fair values of securities available-for-sale at September 30, 2012 and December 31, 2011 are summarized as follows:

	September 30, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
U.S. Treasury notes/bills	$19,037	$2	$—	$19,039
U.S. government agency notes	45,530	169	(30)	45,669
U.S. government agency mortgage-backed securities	226,915	4,921	—	231,836
U.S. government agency collateralized mortgage obligations	206,830	682	(815)	206,697
Private label collateralized mortgage obligations	5,763	—	(638)	5,125
Municipal securities	36,820	1,621	(113)	38,328
Other domestic debt securities	4,574	—	(1,895)	2,679
Securities available-for-sale	$545,469	$7,395	$(3,491)	$549,373

	December 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
U.S. Treasury notes/bills	$45,151	$14	$(4)	$45,161
U.S. government agency notes	59,212	257	(23)	59,446
U.S. government agency mortgage-backed securities	132,141	1,616	(82)	133,675
U.S. government agency collateralized mortgage obligations	168,158	384	(368)	168,174
Private label collateralized mortgage obligations	15,853	—	(2,811)	13,042
Municipal securities	28,572	813	(60)	29,325
Other domestic debt securities	7,151	—	(2,239)	4,912
Securities available-for-sale	$456,238	$3,084	$(5,587)	$453,735

As of September 30, 2012, securities available-for-sale with a fair value of $48.6 million were pledged as collateral for borrowings, public deposits and other purposes as required by various statutes and agreements.

The following table shows the gross unrealized losses and amortized cost of the Company's securities aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2012 and December 31, 2011.

At September 30, 2012		
Less Than 12 Months	Greater Than 12 Months	Total

	Amortized Cost	Unrealized Losses	Amortized Cost	Unrealized Losses	Amortized Cost	Unrealized Losses
			(in thousands)			
U.S. government agency notes	$3,999	$(30)	$—	$—	$3,999	$(30)
U.S. government agency collateralized mortgage obligations	120,020	(764)	7,175	(51)	127,195	(815)
Private-label collateralized mortgage obligations	—	—	5,763	(638)	5,763	(638)
Municipal securities	7,525	(113)	—	—	7,525	(113)
Other domestic debt securities	—	—	4,574	(1,895)	4,574	(1,895)
	$131,544	$(907)	$17,512	$(2,584)	$149,056	$(3,491)

	At December 31, 2011					
	Less Than 12 Months		Greater Than 12 Months		Total	
	Amortized Cost	Unrealized Losses	Amortized Cost	Unrealized Losses	Amortized Cost	Unrealized Losses
	(in thousands)					
U.S. Treasury notes/bills	$10,029	$(4)	$—	$—	$10,029	$(4)
U.S. government agency notes	10,000	(23)	—	—	10,000	(23)
U.S. government agency mortgage-backed securities	40,889	(82)	—	—	40,889	(82)
U.S. government agency collateralized mortgage obligations	99,894	(368)	—	—	99,894	(368)
Private-label collateralized mortgage obligations	—	—	15,853	(2,811)	15,853	(2,811)
Municipal securities	4,039	(60)	—	—	4,039	(60)
Other domestic debt securities	—	—	7,151	(2,239)	7,151	(2,239)
	$164,851	$(537)	$23,004	$(5,050)	$187,855	$(5,587)

Net unrealized holding gains were $3.9 million at September 30, 2012 and net unrealized holding losses were $2.5 million at December 31, 2011. As a percentage of securities, at amortized cost, net unrealized holding gains were 0.72 percent and net unrealized holding losses were 0.55 percent at the end of each respective period. Securities are comprised largely of U.S. Treasury bills and notes, and U.S. government agency notes, mortgage-backed securities and collateralized mortgage obligations. On a quarterly basis, we evaluate our individual available-for-sale securities in an unrealized loss position for other-than-temporary impairment. As part of this evaluation, we consider whether we intend to sell each security and whether it is more-likely-than-not that we will be required to sell the security before the anticipated recovery of the security's amortized cost basis. Should a security meet either of these conditions, we recognize an impairment charge to earnings equal to the entire difference between the security's amortized cost basis and its fair value at the balance sheet date. For securities in an unrealized loss position that meet neither of these conditions, we consider whether we expect to recover the entire amortized cost basis of the security by comparing our best estimate, on a present value basis, of the expected future cash flows from the security with the amortized cost basis of the security. If our best estimate of expected future cash flows is less than the amortized cost basis of the security, we recognize an impairment charge to earnings for this estimated credit loss.

The Company will continue to evaluate the securities portfolio for other-than-temporary impairment at each reporting date and can provide no assurance there will not be further other-than-temporary impairments in future periods.

The following table presents the other-than-temporary impairment activity related to credit loss, which is recognized in earnings, and the other-than-temporary impairment activity related to all other factors, which are recognized in other comprehensive income.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(in thousands)			
Beginning balance	$3,008	$3,322	$3,643	$2,256
Reduction for securities sold	(1,061)	—	(1,724)	—
Additional increases to the amount related to the credit loss for which an other-than-temporary impairment was previously recognized	449	—	477	1,066
Ending balance	$2,396	$3,322	$2,396	$3,322

The Company owns one pooled trust preferred security, rated triple-A at purchase, with an amortized cost basis of $4.6 million and an unrealized loss of $1.9 million at September 30, 2012. The gross unrealized loss is mainly due to extraordinarily high investor yield requirements resulting from an illiquid market, causing this security to be valued at a discount to its acquisition cost. One credit rating agency has recently upgraded the security to investment grade. The senior tranche owned by the Company has a collateral balance well in excess of the amortized cost basis of the tranche at September 30, 2012. Eighteen of the fifty-six issuers in the security have deferred or defaulted on their interest payments as

of September 30, 2012. The Company's analysis determined that approximately half of the issuers would need to default on their interest payments before the senior tranche owned by the Company would be at risk of loss. As the Company's estimated present value of expected cash flows to be collected is in excess of the amortized cost basis, the Company considers the gross unrealized loss on this security to be temporary.

The Company owns one mortgage-backed security also known as a private-label CMO. As of September 30, 2012, the par value of this security was $6.7 million and the amortized cost basis, net of other-than-temporary impairment charges, was $5.8 million. At September 30, 2012, the fair value of this security was $5.1 million, representing 1 percent of our securities portfolio. Gross unrealized losses related to this private-label CMO was $0.6 million, or 11 percent of the amortized cost basis of this security as of September 30, 2012.

The gross unrealized losses associated with this security were primarily due to extraordinarily high investor yield requirements resulting from an extremely illiquid market, significant uncertainty about the future condition of the mortgage market and the economy, and continued deterioration in the credit performance of loan collateral underlying these securities, causing these securities to be valued at significant discounts to their acquisition cost. This private-label CMO had credit agency ratings of less than investment grade at September 30, 2012. We performed a discounted cash flow analysis for this security using the current month, last three month and last twelve month historical prepayment speed, the cumulative default rate and the loss severity rate to determine if there was other-than-temporary impairment as of September 30, 2012. Based upon this analysis, we determined that there was no further other-than-temporary impairment than what had been previously recognized. We had previously recognized an other-than-temporary loss of $1.0 million on this security in prior periods. We do not intend to sell these securities and we do not believe it likely that we will be required to sell these securities before the anticipated recovery of the remaining amortized cost basis. If current conditions in the mortgage markets and general business conditions continue to deteriorate, the fair value of our private-label CMO may decline further and we may experience further impairment losses. For the three months ended September 30, 2012, we recognized an other-than-temporary impairment loss of $449,000 on a private-label CMO security which was sold in the third quarter. There was no other-than-temporary impairment loss for the three months ended September 30, 2011. For the nine months ended September 30, 2012, we recognized impairment losses of $477,000 - an other-than-temporary impairment loss on a private-label CMO security of $449,000 and a permanent impairment loss of $28,000 on a $1.0 million community development-related equity investment. For the nine months ended September 30, 2011, we recognized a credit loss of $1.1 million related to two private-label CMO securities.

The amortized cost and estimated fair value of securities by contractual maturities are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	At September 30, 2012	
	Amortized Cost	Fair Value
	(in thousands)	
Due in one year or less	$ 19,037	$ 19,039
Due after one year through five years	45,530	45,669
Due after five years through ten years	152,115	155,030
Due after ten years	328,787	329,635
Total	$ 545,469	$ 549,373

NOTE 5 – NON-COVERED LOANS AND ALLOWANCE FOR NON-COVERED LOAN LOSSES

The loans not acquired in the SLTB and WCB acquisitions and which are not covered by the related shared-loss agreements with the FDIC are referred to as non-covered loans. The non-covered loan portfolio by type consists of the following:

(in thousands)	At September 30, 2012	At December 31, 2011
Commercial mortgage	$ 453,137	$ 393,376
Multifamily	214,962	187,333
Commercial loans and lines	168,513	180,421
Home mortgage	152,710	106,350
Home equity loans and lines of credit	42,483	28,645
Construction and land	33,021	35,082
Installment and credit card	3,055	4,896
Total loans	1,067,881	936,103
Allowance for loan losses	(18,239)	(17,747)
Loans, net	$ 1,049,642	$ 918,356

At September 30, 2012, loans with a balance of $803.6 million were pledged as security for Federal Home Loan Bank, or FHLB, advances. Loan balances include net deferred loan costs of $6.6 million and $3.4 million at September 30, 2012 and December 31, 2011, respectively.

Most of the Company's lending activity is with customers located in Los Angeles, Orange, Ventura, Riverside, San Bernardino, San Diego and San Luis Obispo Counties and most loans are secured by or dependent on real estate. Although the Company has no significant exposure to any individual customer, economic conditions, particularly the recent sustained decline in real estate values in Southern California, could adversely affect customers and their ability to satisfy their obligations under their loan agreements.

Changes in the allowance for non-covered loan losses were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(Dollars in thousands)			
Beginning balance	$18,344	$18,306	$17,747	$17,033
Provision for loan losses	500	1,550	1,500	4,550
Loans charged-off	(643)	(2,292)	(1,269)	(4,319)
Recoveries on loans charged-off	38	214	261	514
Ending balance	$18,239	$17,778	$18,239	$17,778

The following table details activity in the allowance for non-covered loan losses by portfolio segment for the three months ended September 30, 2012. Allocation of a portion of the allowance to one segment of the loan portfolio does not preclude its availability to absorb losses in other segments.

(in thousands)	Commercial Mortgage	Commercial	Multifamily	Construction and Land	Home Mortgage	Home Equity	Installment	Total
Allowance for credit losses:								
Beginning balance	$ 5,441	$ 7,116	$ 2,933	$ 458	$1,861	$418	$ 117	$18,344
Charge-offs	—	(253)	(160)	—	(71)	—	(159)	(643)
Recoveries	—	32	—	—	—	—	6	38
Provision	297	(263)	191	35	87	83	70	500
Ending balance	$ 5,738	$ 6,632	$ 2,964	$ 493	$1,877	$501	$ 34	$18,239
Ending balance; individually evaluated for impairment	$ 61	$ 4,945	$ 139	$ 10	$198	$—	$ —	$5,353
Ending balance; collectively evaluated for impairment	5,677	1,687	2,825	483	1,679	501	34	12,886
Ending balance	$ 5,738	$ 6,632	$ 2,964	$ 493	$1,877	$501	$ 34	$18,239
Non-covered loan balances:								

Ending balance	$ 453,137	$ 168,513	$ 214,962	$ 33,021	$152,710	$42,483	$ 3,055	$1,067,881
Ending balance; individually evaluated for impairment	$ 671	$ 19,129	$ 2,014	$ 194	$1,526	$—	$ 29	$23,563
Ending balance; collectively evaluated for impairment	$ 452,466	$ 149,384	$ 212,948	$ 32,827	$151,184	$42,483	$ 3,026	$1,044,318

The following table details activity in the allowance for non-covered loan losses by portfolio segment for the three months ended September 30, 2011. Allocation of a portion of the allowance to one segment of the loan portfolio does not preclude its availability to absorb losses in other segments. At September 30, 2011, none of the allowance was associated with covered loans.

(in thousands)	Commercial Mortgage	Commercial	Multifamily	Construction and Land	Home Mortgage	Home Equity	Installment	Total
Allowance for credit losses:								
Beginning balance	$ 7,019	$ 5,469	$ 2,556	$ 874	$ 1,851	$ 426	$ 111	$ 18,306
Charge-offs	—	(2,237)	—	(7)	(3)	(37)	(8)	(2,292)
Recoveries	—	204	—	5	5	—	—	214
Provision	(878)	2,689	(70)	138	(276)	(31)	(22)	1,550
Ending balance	$ 6,141	$ 6,125	$ 2,486	$ 1,010	$ 1,577	$ 358	$ 81	$ 17,778
Ending balance; individually evaluated for impairment	$ —	$ 2,757	$ —	$ 45	$ —	$ —	$ 2	$ 2,804
Ending balance; collectively evaluated for impairment	1,141	3,368	2,486	965	1,577	358	79	14,974
Ending balance	$ 6,141	$ 6,125	$ 2,486	$ 1,010	$ 1,577	$ 358	$ 81	$ 17,778
Non-covered loan balances:								