

PACIFIC PREMIER BANCORP INC
Form 10-K/A
April 04, 2007

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

**FORM 10-K/A
Amendment No. 1**

ANNUAL REPORT PURSUANT TO SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

or

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

For the transition period from _to_ .

Commission File No.: 0-22193

Pacific Premier Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Delaware 33-0743196

(State of Incorporation) (I.R.S. Employer Identification No)

1600 Sunflower Ave. 2nd Floor, Costa Mesa, California 92626

(714) 431-4000

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value \$0.01 per share

(Title of class)

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the
Act. Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, i.e., persons other than directors and executive officers of the registrant, was approximately \$57,356,443 and was based upon the last sales price as quoted on The NASDAQ Stock Market as of June 30, 2006, the last business day of the most recently completed 2nd fiscal quarter.

As of March 30, 2007, the Registrant had 5,213,488 shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Explanatory Note

Pacific Premier Bancorp, Inc. ("Company") is filing this Amendment No. 1 on Form 10-K/A to amend its Form 10-K for the fiscal year ended December 31, 2006 filed with the Securities and Exchange Commission on April 2, 2007 ("Original Filing") in order to correct three amounts in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operation ("MD&A") and amend the Consent of Independent Registered Public Accounting Firm as requested by the Company's Independent Registered Public Accounting Firm.

The three changes in the MD&A occur under the heading "Comparison of Financial Condition at December 31, 2006 and December 31, 2005" and are as follows:

The sentence originally presented as 'Total assets of the Company were \$731.1 million as of December 31, 2006, compared to \$702.7 million as of December 31, 2005.' now reads as, 'Total assets of the Company were \$730.9 million as of December 31, 2006, compared to \$702.7 million as of December 31, 2005.'

The sentence originally presented as 'The \$28.4 million, or 4.0%, increase in total assets is primarily due to the purchase of \$10.0 million of Bank Owned Life Insurance ("BOLI") at the end of March 2006, and an increase in securities available for sale of \$26.0 million, partially offset by a decrease in federal funds sold of \$14.0 million.' now reads as, 'The \$28.2 million, or 4.0%, increase in total assets is primarily due to the purchase of \$10.0 million of Bank Owned Life Insurance ("BOLI") at the end of March 2006, and an increase in securities available for sale of \$26.0 million, partially offset by a decrease in federal funds sold of \$14.0 million.'

The sentence originally presented as ‘At December 31, 2006 and 2005, our stockholders’ equity amounted to \$58.3 million and \$50.6 million, respectively.’ now reads as, ‘At December 31, 2006 and 2005, our stockholders’ equity amounted to \$58.3 million and \$50.5 million, respectively.’

This Amendment No. 1 on Form 10-K/A does not modify or update in any way the Original Filing other than as described above.

PART II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Summary

Our principal business is attracting deposits from small businesses and consumers and investing those deposits together with funds generated from operations and borrowings, primarily in commercial business loans and various types of commercial real estate loans. In 2007, the Bank expects to fund substantially all of the loans that it originates or purchases through deposits, FHLB advances and internally generated funds. Deposit flows and cost of funds are influenced by prevailing market rates of interest primarily on competing investments, account maturities and the levels of savings in the Bank’s market area. The Bank’s ability to originate and purchase loans is influenced by the general level of product available. The Bank’s results of operations are also affected by the Bank’s provision for loan losses and the level of operating expenses. The Bank’s operating expenses primarily consist of employee compensation and benefits, premises and occupancy expenses, and other general expenses. The Company’s results of operations are also affected by prevailing economic conditions, competition, government policies and other actions of regulatory agencies.

Critical Accounting Policies

We have established various accounting policies that govern the application of accounting principles generally accepted in the United States of America in the preparation of the Company’s financial statements. The Company’s significant accounting policies are described in the Notes to the Consolidated Financial Statements. Certain accounting policies require management to make estimates and assumptions that have a material impact on the carrying value of certain assets and liabilities; management considers these to be critical accounting policies. The estimates and assumptions management uses are based on historical experience and other factors, which management believes to be reasonable under the circumstances. Actual results could differ significantly from these estimates and assumptions, which could have a material impact on the carrying value of assets and liabilities at balance sheet dates and the Company’s results of operations for future reporting periods.

We believe that the allowance for loan losses and the valuation allowance on deferred taxes are the critical accounting policies that require estimates and assumptions in the preparation of the Company’s financial statements that are most susceptible to significant change. For further information, see “Business—Allowances for Loan Losses” and Note 1 to the Consolidated Financial Statements.

Average Balance Sheet. The following tables set forth certain information relating to the Company for the years ended December 31, 2006, 2005, and 2004. The yields and costs are derived by dividing income or expense by the average balance of assets or liabilities, respectively, for the periods shown. Average balances are measured on a daily basis. The yields and costs include fees, which are considered adjustments to yields.

For the Year Ended December 31,

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	2006			2005			2004		
	Average Balance	Average Interest	Average Yield/Cost	Average Balance	Average Interest	Average Yield/Cost	Average Balance	Average Interest	Average Yield/Cost
(dollars in thousands)									
Assets:									
Interest-earning assets:									
Cash and cash equivalents (1)	\$ 602	\$ 126	20.93%	\$ 509	\$ 53	10.41%	\$ 4,096	\$ 57	1.39%
Federal funds sold	1,123	54	4.84%	575	20	3.50%	621	7	1.13%
Participation Contract	-	-	0.00%	-	-	0.00%	2,367	1,965	83.02%
Investment securities (2)	53,519	2,654	4.96%	47,564	1,924	4.05%	43,896	1,475	3.36%
Loans receivable, net (3)	607,439	41,294	6.80%	546,426	31,710	5.80%	351,968	19,719	5.60%
Total interest-earning assets	662,683	44,128	6.66%	595,074	33,707	5.66%	402,948	23,223	5.76%
Noninterest-earning assets	31,893			16,967			14,630		
Total assets	\$ 694,576			\$ 612,041			\$ 417,578		
Liabilities and Equity:									
Interest-bearing liabilities:									
Transaction accounts	\$ 91,169	1,669	1.83%	\$ 80,273	1,185	1.48%	\$ 73,818	812	1.10%
Certificate accounts	231,420	10,185	4.40%	224,546	7,148	3.18%	189,021	4,670	2.47%
Total interest-bearing deposits	322,589	11,854	3.67%	304,819	8,333	2.73%	262,839	5,482	2.09%
FHLB advances and other borrowings	299,274	14,348	4.79%	244,113	7,616	3.12%	102,258	1,995	1.95%
Subordinated debentures	10,310	801	7.77%	10,310	622	6.03%	7,939	340	4.28%
Total interest-bearing liabilities	632,173	27,003	4.27%	559,242	16,571	2.96%	373,036	7,817	2.10%
Noninterest-bearing liabilities	7,253			5,187			3,358		
Total liabilities	639,426			564,429			376,394		
Stockholders' equity	55,150			47,612			41,184		
Total liabilities and equity	\$ 694,576			\$ 612,041			\$ 417,578		
Net interest income		\$ 17,125		\$ 17,136			\$ 15,406		
			2.39%			2.70%			3.66%

Net interest rate spread (4)			
Net interest margin (5)	2.58%	2.88%	3.82%
Ratio of interest-earning assets to interest-bearing liabilities	104.83%	106.41%	108.02%

(1) Includes interest on float from cash disbursements.

(2) Includes unamortized discounts and premiums.

(3) Amount is net of deferred loan origination fees, unamortized discounts, premiums and allowance for estimated loan losses and includes loans held for sale and nonperforming loans. Loan fees were approximately \$1.1 million, \$1.6 million, and \$1.6 million for the years ended December 31, 2006, 2005, and 2004, respectively.

(4) Net interest rate spread represents the difference between the yield on interest-earning assets and the cost of interest-bearing liabilities.

(5) Net interest margin represents net interest income divided by average interest-earning assets.

Rate Volume Analysis. The following table presents the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected our interest income and interest expense during the periods indicated. Information is provided in each category with respect to: (i) changes attributable to changes in volume (changes in volume multiplied by prior rate); (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume); and (iii) the net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

	Year Ended December 31, 2006 Compared to Year Ended December 31, 2005			Year Ended December 31, 2005 Compared to Year Ended December 31, 2004		
	Increase (decrease) due to Average Volume	Increase (decrease) due to Average Rate	Net	Increase (decrease) due to Average Volume	Increase (decrease) due to Average Rate	Net
	(in thousands)					
Interest-earning assets:						
Cash and cash equivalents	\$ 11	\$ 62	\$ 73	\$ (88)	\$ 84	\$ (4)
Federal funds sold	25	9	34	-	13	13
Investment securities	260	470	730	131	318	449
Participation Contract	-	-	-	(1,965)	-	(1,965)
Loans receivable, net	3,780	5,804	9,584	11,261	730	11,991
Total interest-earning assets	4,076	6,345	10,421	9,339	1,145	10,484

Interest-bearing liabilities:						
Transaction accounts	175	309	484	76	297	373
Certificate accounts	208	2,829	3,037	978	1,500	2,478
FHLB advances and other borrowings	1,996	4,736	6,732	3,926	1,695	5,621
Subordinated debentures	-	179	179	119	163	282
Total interest-bearing liabilities	2,379	8,053	10,432	5,099	3,655	8,754
Changes in net interest income	\$ 1,697	\$ (1,708)	\$ (11)	\$ 4,240	\$ (2,510)	\$ 1,730

Comparison of Operating Results for the Year Ended December 31, 2006 and December 31, 2005

General: For the year ended December 31, 2006, the Company reported net income of \$7.4 million or \$1.11 per diluted share, compared with net income of \$7.2 million or \$1.08 per diluted share for the same period in 2005. The \$207,000 increase in net income in 2006 compared to 2005 was primarily the result of increases in total interest income of \$10.4 million, total noninterest income of \$2.4 million and the reversal of its valuation allowance for deferred taxes of \$2.4 million, which was partially offset by increases in total interest expense of \$10.4 million and noninterest expense of \$3.0 million.

Interest Income: Interest income for the year ended December 31, 2006 was \$44.1 million, compared to \$33.7 million for the year ended December 31, 2005. The increase of \$10.4 million, or 30.9%, is primarily due to interest income on loans receivable increasing \$9.6 million to \$41.3 million for the year ended December 31, 2006 from \$31.7 million for the year ended December 31, 2005. The increase in interest income on loans was primarily the result of an increase in the average loan balance of \$61.0 million from \$546.5 million in 2005 to \$607.4 million in 2006 combined with a 100 basis points increase in the average yield on said loans from 5.80% for 2005 to 6.80% for 2006. The increase in loan yield is primarily due to the re-pricing of our short-term adjustable-rate income property loans and the origination of higher yielding loans during 2006.

Interest Expense: Interest expense for the year ended December 31, 2006 was \$27.0 million, compared to \$16.6 million for the year ended December 31, 2005. The \$10.4 million increase, or 63.0%, primarily reflects an increase in the average balance of deposits and FHLB advances and other borrowings of \$17.8 million and \$55.2 million, respectively, during the year, combined with a 131 basis points increase in the average cost of interest-bearing liabilities that was due to a higher interest rate environment.

Net Interest Income: Our primary source of revenue is net interest income, which is the difference between interest income on earning assets and interest expense on interest-bearing liabilities. Net interest income and net interest margin are affected by several factors including (1) the level of, and the relationship between, the dollar amount of interest-earning assets and interest-bearing liabilities, (2) the relationship between repricing or maturity of our variable-rate and fixed-rate loans and securities, and our deposits and borrowings, and (3) the magnitude of our non-interest earning assets, including non-accrual loans and foreclosed real estate.

Net interest income before provision for loan losses was \$17.1 million for each of the years ended December 31, 2006 and 2005.

Provision for Loan Losses: The provision for loan losses increased to \$531,000 for the year ended December 31, 2006 from \$349,000 for the year ended December 31, 2005. The increase in the current year provision for loan losses was primarily due to the overall shift in our loan portfolio mix toward more commercial real estate, business and SBA loans, which was partially offset by a decrease in our nonperforming loans by 58.4% from \$1.7 million in 2005 to \$712,000 in 2006, Net charge-offs increased \$113,000 in 2006 from a net recoveries of \$75,000 in 2005 to \$38,000 in net charge-off in 2006. Total net loans receivable in 2006 increased \$1.7 million, or 2.8%, over 2005.

Noninterest Income: Noninterest income was \$6.5 million for the year ended December 31, 2006, compared to \$4.1 million for the year ended December 31, 2005. The \$2.4 million increase, or 57.7%, was primarily due to an increase in gains from loan sales of \$3.1 million in 2006 compared to 2005. Partially offsetting the increase from the gains on loan sales was a decrease in other income from the sale and collection of charged-off loans related to the Participation Contract. During 2006 and 2005, the Company collected \$171,000 and \$1.0 million, respectively, in recoveries on the collection of charged-off loans associated with the Participation Contract.

Noninterest Expense: Noninterest expense for the year ended December 31, 2006 was \$15.2 million compared to \$12.3 million for the year ended December 31, 2005. The \$2.9 million increase, or 24.2%, in noninterest expense was principally due to increases in compensation and benefits of \$1.6 million and premises and occupancy of \$805,000. These increases are reflective of the Bank's investments in its strategic expansion through de novo branching and the addition of experienced business bankers to staff its new locations. The number of employees at the Bank grew from 89 at December 31, 2005 to 106 at December 31, 2006. A large portion of the increases in compensation and benefits, \$996,000, and premises and occupancy expense, \$478,000, for the year ended December 31, 2006 compared to the prior year, is associated with the Bank's depository branches in the cities of Costa Mesa and Los Alamitos that opened in 2006 and Newport Beach (scheduled to open in the first quarter of 2007), and the SBA loan production office in Pasadena, which opened in January 2006.

Income Taxes: The provision for income taxes decreased to \$450,000 for the year ended December 31, 2006 compared to a provision of \$1.4 million for the year ended December 31, 2005. The Company had income before income taxes of \$7.9 million for the year ended December 31, 2006 compared to income before income taxes of \$8.7 million for the year ended December 31, 2005. In 2006, the Company eliminated its remaining valuation allowance for deferred taxes which reduced its provision by \$2.4 million. In 2005, the Company reduced its valuation allowance for deferred taxes by \$1.6 million. The elimination of the deferred tax valuation allowance is due to management's forecast of taxable earnings, based on assumptions regarding the Company's growth in the near future.

Comparison of Operating Results for the Year Ended December 31, 2005 and December 31, 2004

General: For the year ended December 31, 2005, the Company reported net income of \$7.2 million or \$1.08 per diluted share, compared with net income of \$6.7 million or \$1.02 per diluted share for the same period in 2004. The \$480,000 increase in net income was primarily the result of increases in net interest income of \$2.1 million which was partially offset by increases in noninterest expense and provision for income tax of \$1.0 million and \$464,000, respectively.

Interest Income: Interest income for the year ended December 31, 2005 was \$33.7 million, compared to \$23.2 million for the year ended December 31, 2004. The increase of \$10.5 million, or 45.1%, is primarily due to an increase of \$194.5 million in the average balance of our loans receivable, which was partially offset by no interest income from the Participation Contract in 2005 compared to \$2.0 million in 2004. The three residuals that made up the Participation Contract were either sold or terminated during 2004. Interest income on loans receivable increased \$12.0 million to \$31.7 million for the year ended December 31, 2005 from \$19.7 million for the year ended December 31, 2004. The increase in interest income on loans was primarily the result of an increase in the average loan balance from \$352.0 million in 2004 to \$546.5 million in 2005 combined with a 20 basis points increase in the average yield on loans. The increase in loan yield is primarily due to the re-pricing of our short-term adjustable-rate

income property loans.

Interest Expense: Interest expense for the year ended December 31, 2005 was \$16.6 million, compared to \$7.8 million for the year ended December 31, 2004. The \$8.8 million increase, or 112.0%, primarily reflects an increase in the average balance of deposits and FHLB advances and other borrowings of \$42.0 million and \$141.9 million, respectively, during the year, combined with an 86 basis points increase in the average cost of interest-bearing liabilities that was due to a higher interest rate environment.

Net Interest Income: Net interest income before provision for loan losses was \$17.1 million for the year ended December 31, 2005, compared to \$15.4 million for the year ended December 31, 2004. The \$1.7 million increase, or 11.2%, in net interest income before provision for loan losses is primarily due to the \$10.5 million increase in the Company's interest income which is predominately attributable to a 55.3% increase in average loans outstanding of \$194.5 million, over the prior year period, which was partially offset by a decline in net interest margin of 0.94%. The average cost of interest-bearing liabilities for the Company increased to 2.96% during the year ended 2005, compared with 2.10% during the same period in 2004. The Company's yield on average earning assets was 5.66% for the year ended December 31, 2005, compared with 5.76% for the same period in 2004. Total interest income increased \$10.5 million, or 45.1%, while total interest expense increased by \$8.8 million, or 112.0%.

Provision for Loan Losses: The provision for loan losses decreased to \$349,000 for the year ended December 31, 2005 from \$705,000 for the year ended December 31, 2004. The current year provision for loan losses was primarily due to the growth in our loan portfolio. Nonperforming loans decreased by 28.8% from \$2.4 million in 2004 to \$1.7 million in 2005, with a corresponding decrease in net charge-offs from \$63,000 in 2004 to recoveries of \$75,000 in 2005. Total loans receivable in 2005 increased \$133.5 million, or 28.3%, over 2004.

Noninterest Income: Noninterest income was \$4.1 million for the year ended December 31, 2005, compared to \$4.2 million for the year ended December 31, 2004. The \$116,000 decrease, or 2.7%, was primarily due to a reduction of income associated with the Participation Contract of \$1.4 million partially offset by an increase in prepayment penalties of \$882,000 and gains on loan sales of \$485,000. In 2004, the Participation Contract generated \$2.4 million gain from the sale or termination of the three residual interest components and \$141,000 from recoveries on the collection of charged-off loans associated with the Participation Contract. During 2005, the Company collected \$1.0 million in recoveries on the collection of charged-off loans associated with the Participation Contract.

Noninterest Expense: Noninterest expense for the year ended December 31, 2005 was \$12.3 million compared to \$11.2 million for the year ended December 31, 2004. The \$1.1 million increase, or 9.1%, in noninterest expense was principally due to increases in compensation and benefits of \$762,000 and premises and occupancy of \$166,000. The increase in compensation and benefits was primarily due to an increase in the number of employees from 80 full-time employees at December 31, 2004 to 87 full-time employees at December 31, 2005.

Income Taxes: The provision for income taxes increased to a tax provision of \$1.4 million for the year ended December 31, 2005 compared to a provision of \$972,000 for the year ended December 31, 2004. The Company had income before income taxes of \$8.7 million for the year ended December 31, 2005 compared to income before income taxes of \$7.7 million for the year ended December 31, 2004. The Company increased the deferred tax asset by reducing its deferred tax valuation allowance by \$1.6 million and \$1.4 million in 2005 and 2004, respectively. The decrease in the deferred tax valuation allowance is due to management's forecast of taxable earnings, based on assumptions regarding the Company's growth in the near future. As the Company achieves continuous taxable income and if the earning projections show that the Company will have the ability to use its net operating loss carry-forwards, then all or part of the remaining valuation allowance for deferred taxes of \$2.4 million will be eliminated.

Comparison of Financial Condition at December 31, 2006 and December 31, 2005

Total assets of the Company were \$730.9 million as of December 31, 2006, compared to \$702.7 million as of December 31, 2005. The \$28.2 million, or 4.0%, increase in total assets is primarily due to the purchase of \$10.0 million of Bank Owned Life Insurance ("BOLI") at the end of March 2006, and an increase in securities available for sale of \$26.0 million, partially offset by a decrease in federal funds sold of \$14.0 million.

Total liabilities of the Company were \$672.8 million at December 31, 2006 compared to \$652.2 million at December 31, 2005. The \$20.6 million increase, or 3.2%, was primarily due to increases of \$8.7 million in other borrowings and \$11.5 million in deposits. Total deposits at December 31, 2006 were \$339.4 million compared to \$327.9 million at December 31, 2005. In addition, FHLB advances and other borrowings increased by \$3.5 million and \$5.2 million, respectively, as of December 31, 2006 compared to the prior year-end.

At December 31, 2006 and 2005, our stockholders' equity amounted to \$58.3 million and \$50.5 million, respectively. The increase in stockholders' equity was due primarily to \$7.4 million of net income for the year ended December 31, 2006.

Liquidity

Our primary sources of funds are principal and interest payments on loans, deposits and FHLB advances. While maturities and scheduled amortization of loans are a predictable source of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition. We seek to maintain a level of liquid assets to ensure a safe and sound operation. Our average liquidity ratios were 7.20%, 6.32% and 13.70% for the years ended December 31, 2006, 2005 and 2004, respectively. The liquidity ratio is calculated by dividing the sum of cash balances plus unpledged securities by the sum of deposits that mature in one year or less plus transaction accounts and FHLB advances. Our liquidity is monitored daily.

We believe the level of liquid assets is sufficient to meet current and anticipated funding needs. Liquid assets of the Bank (which are comprised of cash and unpledged investments) represent approximately 9.2% of total assets at December 31, 2006, 9.9% of total assets at December 31, 2005 and 6.2% of total assets at December 31, 2004. At December 31, 2006, the Bank had four unsecured lines of credit with other correspondent banks totaling \$30.0 million to purchase federal funds as business needs dictate. The Bank had \$5.0 million on these lines at year end. Also, in March 2004, the Bank established a \$100.0 million credit facility which is secured by investments pledged to Salomon Brothers. We also have a line of credit with FHLB allowing us to borrow up to 45% of the Bank's total assets as of September 30, 2006 or \$318.1 million, \$300.3 million of which was outstanding as of such date. The FHLB advance line is collateralized by eligible loan collateral. At December 31, 2006, we had approximately \$480.2 million of loans pledged to secure FHLB borrowings.

We had commitments for capital expenditures of \$910,000 at December 31, 2006 related to the construction of our branch located in Newport Beach, California, that opened in the first quarter of 2007. At December 31, 2006, we had \$685,000 in outstanding commitments to originate or purchase loans compared to \$2.2 million and \$8.1 million at December 31, 2005 and 2004, respectively.

The Bank's loan to deposit and borrowing ratio was 91.9%, 94.5% and 96.4% as of December 31, 2006, 2005 and 2004, respectively. Certificates of deposit, which are scheduled to mature in one year or less from December 31, 2006, totaled \$228.3 million. We expect to retain a substantial portion of the maturing certificates of deposit at maturity.

Capital Resources

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can trigger certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial condition and results of operations.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

At December 31, 2006 and 2005, the Bank's leverage capital amounted to \$60.7 million and \$54.4 million, respectively, and its risk-based capital amounted to \$64.1 million and \$57.1 million, respectively. As a result, the Bank exceeded the capital levels required to be considered "well capitalized" at that date. Pursuant to regulatory guidelines under prompt corrective action rules, a bank must have total risk-based capital of 10% or greater, Tier 1 risk-based capital of 6% or greater and a leverage ratio of 5% or greater to be considered "well capitalized." At December 31, 2006, the Bank's total risk-based capital, Tier 1 risk-based capital and leverage ratios were 11.55%, 10.94%, and 8.38%, respectively.

Contractual Obligations and Commitments

The Company enters into contractual obligations in the normal course of business as a source of funds for its asset growth and to meet required capital needs. The following schedule summarizes our contractual obligations as of December 31, 2006:

	Payment Due by Period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
	(in thousands)				
Contractual Obligations:					
FHLB borrowings	\$ 300,300	\$ 150,300	\$ 150,000	\$ -	\$ -
Other borrowings	16,191	16,191	-	-	-
Subordinated debentures	10,310	-	-	-	10,310
Certificates of deposit	242,688	228,250	8,936	3,574	1,928
Operating leases	6,596	625	1,224	1,271	3,476
Total contractual cash obligations	\$ 576,085	\$ 395,366	\$ 160,160	\$ 4,845	\$ 15,714

The following table summarizes our contractual commitments with off-balance sheet risk as of December 31, 2006:

	2006
	(in thousands)
Other unused commitments:	
Loans to originate	\$ 685
	510

Home equity lines of credit	
Commercial lines of credit	17,690
Commercial letters of credit	8
Standby letters of credit	165
Total commitments	\$ 19,058

Impact of Inflation and Changing Prices

Our consolidated financial statements and related data presented in this annual report on Form 10-K have been prepared in accordance with accounting principles generally accepted in the United States which require the measurement of financial position and operating results in terms of historical dollar amounts (except with respect to securities classified as available for sale which are carried at market value) without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of our operations. Unlike most industrial companies, substantially all of our assets and liabilities are monetary in nature. As a result, interest rates have a greater impact on our performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same magnitude as the price of goods and services.

Impact of New Accounting Standards

In December 2004, the FASB SFAS No. 123R which is a revision to SFAS No. 123, and which addresses the accounting for transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. This statement eliminates the ability to account for share-based compensation transactions using Accounting Principles Board Opinion ("APB") No. 25 ("APB No. 25"), and generally requires instead that such transactions be accounted for using a fair-value-based method. The statement does not change the accounting in SFAS No. 123, for transactions in which an enterprise exchanges its equity instruments for services of parties other than employees or the accounting for employee stock ownership plans, which are subject to SOP 93-6.

The phase-in period for this statement, as amended April 14, 2005 by the SEC, began in the first quarter of 2006. Based on the SEC's phase-in period, we adopted SFAS No. 123R on January 1, 2006 and account for share-based compensation based on this new pronouncement. We compute compensation expense for stock options using the Black-Scholes valuation model and utilize the modified prospective method under SFAS No. 123R.

In March 2005, the SEC issued SAB No. 107, which provided interpretative guidance on SFAS No. 123R valuation method assumptions used in valuation models and the interaction of SFAS No. 123R with existing guidance.

In May 2005, FASB issued SFAS No. 154. SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154, effective January 1, 2006, did not have a material impact on our financial condition or operating results.

In February 2006, FASB issued SFAS No. 155, an amendment of SFAS No. 133 and SFAS No. 140. The provisions of this statement allow financial instruments that have embedded derivatives to be accounted for as a whole if the holder elects to account for the whole instrument on a fair value basis, and establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. The new statement also amends SFAS No. 140 to eliminate the prohibition on a qualifying special purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. The provisions of this standard are effective as of the beginning of our fiscal year 2007. We do not expect the adoption of SFAS No. 155 to have a material impact on our financial condition or operating results.

In March 2006, FASB issued SFAS No. 156. The provisions of this statement require mortgage servicing rights to be initially valued at fair value. SFAS No. 156 also allows servicers to choose one of the following measurement methods subsequent to the initial fair value measurement: (1) the “fair-value-measurement method”, which measures servicing rights at fair value at each reporting date, with changes in fair value reported in earnings or (2) the “amortization method”, which allows continued amortization of servicing rights over the period of estimated net servicing income or loss, consistent with the existing requirements of SFAS No. 140. The provisions of this standard are effective as of the beginning of our fiscal year 2007. We currently use the amortization method to account for our servicing rights, and we expect to continue this practice after implementing SFAS No. 156. We do not expect the adoption of SFAS No. 156 to have a material impact on our financial condition or operating results.

In June 2006, the FASB issued FIN No. 48. This interpretation clarifies the accounting for uncertainty in income taxes in an entity’s financial statements, in accordance with FASB Statement No. 109, “*Accounting for Income Taxes*” by prescribing the minimum recognition threshold a tax position must meet before being recognized in the financial statements. FIN No. 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We do not expect FIN No. 48, which is effective for fiscal years beginning after December 15, 2006, to have a material impact on our financial condition or operating results.

In September 2006, the FASB issued SFAS No. 157, a standard that provides enhanced guidance for using fair value to measure assets and liabilities. The standard also responds to investors’ requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. The standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. Under the standard, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. The standard clarifies that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, the standard establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data, for example, the reporting entity’s own data. Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy. It is required that we adopt SFAS No. 157 on January 1, 2008; however Management is evaluating the financial impact and may choose to adopt SFAS No. 157 effective January 1, 2007.

In September 2006, the FASB issued SFAS No. 158, which will require employers to fully recognize the obligations associated with single-employer defined benefit pension, retiree healthcare and other postretirement plans in their financial statements. The standard will make it easier for investors, employees, retirees and others to understand and assess an employer’s financial position and its ability to fulfill the obligations under its benefit plans. Specifically, SFAS No. 158 requires an employer to (a) recognize in its balance sheet an asset for a plan’s overfunded status or a liability for a plan’s underfunded status; (b) measure a plan’s assets and its obligations that determine its funded status as of the end of the employer’s fiscal year (with limited exceptions); and (c) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur. Those changes will be reported in comprehensive income of a business entity. The adoption of SFAS No. 158 did not have a material impact on our

financial condition or operating results. The requirement to recognize the funded status of a benefit plan and the disclosure requirements are effective as of December 31, 2006.

In September 2006, the SEC staff issued SAB No. 108, which expresses the SEC staff's views regarding the process of quantifying financial statement misstatements. SAB No. 108 was issued primarily to address diversity in the practice of quantifying financial statement misstatements and the potential under current practice to build up improper amounts on the balance sheet. This new guidance applies when uncorrected misstatements affect the current year. To eliminate diversity in practice, SAB No. 108 requires registrants to quantify misstatements using both the rollover and iron curtain methods, and then determine if either method results in a material error, as quantified in the existing guidance of Staff Accounting Bulletin No. 99 "*Materiality*". SAB No. 108 is effective for errors identified during the year ended December 31, 2006. The adoption of SAB No. 108 did not have a material impact on our financial condition or operating results.

In February 2007, the FASB issued SFAS No. 159, which provides companies with an option to report selected financial assets and liabilities at fair value. This statement requires companies to display on the face of the balance sheet the fair value of those assets and liabilities for which they have chosen to use fair value. This standard also requires companies to provide additional information that will help investors and other users of financial statements to easily understand the effect on earnings of a company's choice to use fair value. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. This statement is effective as of our fiscal year beginning January 1, 2008. It is required that we adopt SFAS No. 159 on January 1, 2008; however Management is evaluating the financial impact and may choose to adopt SFAS No. 159 effective January 1, 2007.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report.

(3) The following exhibits are filed as part of this Form 10-K/A, and this list includes the Exhibit Index.

Exhibit	Description
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No.

- | | |
|-------|--|
| 3.1.0 | Certificate of Incorporation of Pacific Premier Bancorp, Inc. (1) |
| 3.1.1 | First Certificate of Amendment to Certificate of Incorporation of Pacific Premier Bancorp, Inc. (2) |
| 3.1.2 | Second Certificate of Amendment to Certificate of Incorporation of Pacific Premier Bancorp, Inc. (2) |
| 3.1.3 | Third Certificate of Amendment to Certificate of Incorporation of Pacific Premier Bancorp, Inc. (2) |
| 3.1.4 | Fourth Certificate of Amendment to Certificate of Incorporation of Pacific Premier Bancorp, Inc. (3) |
| 3.2 | Bylaws of Pacific Premier Bancorp, Inc., as amended. (1) |
| 4.1 | Specimen Stock Certificate of Pacific Premier Bancorp, Inc. (4) |
| 4.2 | Form of Warrant to Purchase 1,166,400 Shares of Common Stock of Pacific Premier Bancorp, Inc. (5) |
| 4.3 | Indenture from PPBI Trust I. (8) |

- 10.1 2000 Stock Incentive Plan. (6)*
- 10.2 Purchase of Certain Residual Securities and Related Servicing Letter Agreement by and among Pacific Premier Bank, Bear, Stearns & Co. Inc. and EMC Mortgage Corporation, dated December 31, 1999. (7)
- 10.3 Note and Warrant Purchase Agreement between Pacific Premier Bancorp, Inc. and New Life Holdings, LLC, dated as of November 20, 2001. (5)
- 10.4 Pledge and Security Agreement between Pacific Premier Bancorp, Inc. and New Life Holdings, LLC, dated as of November 20, 2001. (5)
- 10.5 Employment Agreement between Pacific Premier Bancorp, Inc. and Steven Gardner dated January 2, 2004. (9)*
- 10.6 Employment Agreement between Pacific Premier Bank and Steven Gardner dated January 2, 2004. (9)*
- 10.7 Pacific Premier Bank Purchase Agreement for Corporate Offices, dated April 3, 2002. (2)
- 10.8 Amended and Restated Declaration of Trust from PPBI Trust I. (8)
- 10.9 Guarantee Agreement from PPBI Trust I. (8)
- 10.10 2004 Stock Incentive Plan. (10)*
- 10.11 Salary Continuation Agreements between Pacific Premier Bank and Steven R. Gardner. (12)*
- 10.12 Salary Continuation Agreements between Pacific Premier Bank and John Shindler. (12)*
- 10.13 Form of Pacific Premier Bancorp, Inc. 2004 Long-Term Incentive Plan agreement. (12)*
- 21 Subsidiaries of Pacific Premier Bancorp, Inc. (12)
- 23 Consent of Vavrinek, Trine, Day and Co., LLP.
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
- 32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act.

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- (1) Incorporated by reference from the Registrant's Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 31, 2003.
 - (2) Incorporated by reference from the Registrant's Form 10-K/A filed with the SEC on August 28, 2003.
 - (3) Incorporated by reference from the Registrant's Form 10-Q filed with the SEC on August 14, 2003.
 - (4) Incorporated by reference from the Registrant's Registration Statement on Form S-1 (Registration No. 333-20497) filed with the SEC on January 27, 1997.
 - (5) Incorporated by reference from the Registrant's Proxy Statement filed with the SEC on December 14, 2001.
 - (6) Incorporated by reference from the Registrant's Proxy Statement filed with the SEC on May 1, 2001.
 - (7) Incorporated by reference from the Registrant's Form 10-K/A filed with the SEC on May 1, 2001.
 - (8) Incorporated by reference from the Registrant's Form 10-Q filed with the SEC on May 3, 2004.
 - (9) Incorporated by reference from the Registrant's Form 10-K filed with the SEC on March 15, 2004.
 - (10) Incorporated by reference from the Registrant's Proxy Statement filed with the SEC on April 23, 2004.
 - (11) Incorporated by reference from the Registrant's Form 8-K filed with the SEC on May 19, 2006.
 - (12) Incorporated by reference from the Registrant's Form 10-K filed with the SEC on April 2, 2007.

* Management contract or compensatory plan or arrangement.

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.

PACIFIC PREMIER BANCORP, INC.

By: /s/ Steven R. Gardner

Steven R. Gardner

President and Chief Executive Officer

DATED: April 4, 2007
