PACIFIC PREMIER BANCORP INC
Form 10-Q
August 15, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2011

OR

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

For the transition period from _______ to _______

Commission File Number 0-22193

(Exact name of registrant as specified in its charter)

DELAWARE	33-0743196
(State or other jurisdiction of incorporation or organization)	(I.R.S Employer Identification No.)

1600 SUNFLOWER AVENUE, 2ND FLOOR, COSTA MESA, CALIFORNIA 92626
(Address of principal executive offices and zip code)

(714) 431-4000
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	[ ]	Accelerated filer	[ ]	Non-accelerated filer (Do not check if a smaller reporting company)	[ ]	Smaller reporting company	[X]

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

The number of shares outstanding of the registrant's common stock as of August 15, 2011 was 10,084,626.

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
FORM 10-Q
INDEX
FOR THE QUARTER ENDED JUNE 30, 2011

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

ASSETS	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)	June 30, 2010 (Unaudited)
Cash and due from banks	$ 36,034	$ 63,433	$ 34,645
Federal funds sold	10,998	29	29
Cash and cash equivalents	47,032	63,462	34,674
Investment securities available for sale	141,304	155,094	163,470
FHLB stock/Federal Reserve Bank stock, at cost	13,492	13,334	14,277
Loans held for investment	708,096	564,417	552,192
Allowance for loan losses	(8,517)	(8,879)	(9,169)
Loans held for investment, net	699,579	555,538	543,023
Accrued interest receivable	3,984	3,755	3,680
Other real estate owned	4,447	34	1,860
Premises and equipment	10,108	8,223	8,543
Deferred income taxes	8,960	11,103	10,989
Bank owned life insurance	12,714	12,454	12,195
Intangible assets	2,183	-	-
Other assets	4,308	3,819	4,531
TOTAL ASSETS	$ 948,111	$ 826,816	$ 797,242
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES:			
Deposit accounts:			
Noninterest bearing	$ 122,539	$ 47,229	$ 38,973

Interest bearing:			
Transaction accounts	283,565	203,029	198,906
Retail certificates of deposit	398,985	407,108	392,191
Wholesale/brokered certificates of deposit	10,896	1,874	1,973
Total deposits	815,985	659,240	632,043
FHLB advances and other borrowings	28,500	68,500	66,500
Subordinated debentures	10,310	10,310	10,310
Accrued expenses and other liabilities	11,499	10,164	12,885
TOTAL LIABILITIES	866,294	748,214	721,738
STOCKHOLDERS' EQUITY:			
Preferred Stock, $.01 par value; 1,000,000 shares authorized; no shares outstanding	-	-	-
Common stock, $.01 par value; 15,000,000 shares authorized; 10,084,626 shares at June 30, 2011, 10,033,836 shares at December 31, 2010 and June 30, 2010 issued and outstanding	101	100	100
Additional paid-in capital	76,509	79,942	79,917
Retained earnings (accumulated deficit)	5,031	(526)	(3,971)
Accumulated other comprehensive income (loss), net of tax (benefit) of $123 at June 30, 2011, ($639) at December 31, 2010, and ($379) at June 30, 2010	176	(914)	(542)
TOTAL STOCKHOLDERS' EQUITY	81,817	78,602	75,504
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 948,111	$ 826,816	$ 797,242

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

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands, except per share data)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
INTEREST INCOME				
Loans	$ 11,750	$ 8,842	$ 22,283	$ 17,997
	1,059	1,148	2,260	2,177

Investment securities and other interest-earning assets				
Total interest income	12,809	9,990	24,543	20,174
INTEREST EXPENSE				
Interest-bearing deposits:				
Interest on transaction accounts	369	476	814	889
Interest on certificates of deposit	1,792	1,910	3,615	4,078
Total interest-bearing deposits	2,161	2,386	4,429	4,967
FHLB advances and other borrowings	235	685	523	1,553
Subordinated debentures	77	77	153	152
Total interest expense	2,473	3,148	5,105	6,672
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES	10,336	6,842	19,438	13,502
PROVISION FOR LOAN LOSSES	1,300	639	1,406	1,695
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	9,036	6,203	18,032	11,807
NONINTEREST INCOME (LOSS)				
Loan servicing fees	160	142	377	212
Deposit fees	635	208	1,083	396
Net loss from sales of loans	(2,547)	(1,625)	(2,461)	(2,640)
Net gain from sales of investment securities	316	287	480	374
Other-than-temporary impairment loss on investment securities, net	(154)	(330)	(368)	(656)
Gain on FDIC transaction	-	-	4,189	-
Other income	497	280	846	550
Total noninterest income (loss)	(1,093)	(1,038)	4,146	(1,764)
NONINTEREST EXPENSE				
Compensation and benefits	3,489	2,052	6,670	4,065
Premises and occupancy	878	645	1,678	1,271
Data processing and communications	347	229	648	413
Other real estate owned operations, net	167	537	430	832
FDIC insurance premiums	303	334	567	682
Legal and audit	501	264	893	389
Marketing expense	328	208	557	357
Office and postage expense	194	128	361	251
Other expense	648	411	1,410	870
Total noninterest expense	6,855	4,808	13,214	9,130

NET INCOME BEFORE INCOME TAXES	1,088	357	8,964	913
INCOME TAX	303	20	3,407	120
NET INCOME	$ 785	$ 337	$ 5,557	$ 793
EARNINGS PER SHARE				
Basic	$ 0.08	$ 0.03	$ 0.55	$ 0.08
Diluted	$ 0.08	$ 0.03	$ 0.52	$ 0.07
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	10,084,626	10,033,836	10,067,066	10,033,836
Diluted	10,578,928	11,059,994	10,717,257	11,040,612

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

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(dollars in thousands)
(unaudited)

	Common Stock Shares	Amount	Additional Paid-in Capital	Accumulated Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income	Total Stockholders' Equity
Balance at December 31, 2010	10,033,836	$ 100	$ 79,942	$ (526)	$ (914)		$ 78,602
Comprehensive Income:							
Net income				5,557		$ 5,557	5,557
Unrealized holding gains on securities arising during the period, net of tax						1,426	
Reclassification adjustment for net gain on sale of securities included in net income, net of tax						(336)	
Net unrealized gain on securities, net of tax					1,090	1,090	1,090
Total comprehensive income						$ 6,647	
Share-based compensation expense			196				196
Common stock repurchased and	(10,610)	(1)	(69)				(70)

retired							
Warrants purchased and retired			(3,660)				(3,660)
Warrants exercised	41,400	1	31				32
Stock options exercised	20,000	1	69				70
Balance at June 30, 2011	10,084,626	$ 101	$ 76,509	$ 5,031	$ 176		$ 81,817
Balance at December 31, 2009	10,033,836	$ 100	$ 79,907	$ (4,764)	$ (1,741)		$ 73,502
Comprehensive Income:							
Net income				793		$ 793	793
Unrealized holding gains on securities arising during the period, net of tax						1,122	
Reclassification adjustment for net loss on sale of securities included in net income, net of tax						77	
Net unrealized gain on securities, net of tax					1,199	1,199	1,199
Total comprehensive income						$ 1,992	
Share-based compensation expense			10				10
Balance at June 30, 2010	10,033,836	$ 100	$ 79,917	$ (3,971)	$ (542)		$ 75,504

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

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 5,557	$ 793
Adjustments to net income:		
Depreciation and amortization expense	561	489
Provision for loan losses	1,406	1,695

Share-based compensation expense	196	10
Loss on sale and disposal of premises and equipment	63	12
Loss on sale of other real estate owned	21	191
Write down of other real estate owned	-	504
Amortization of premium/discounts on securities held for sale, net	389	233
Amortization of mark-to-market discount	(807)	-
Gain on sale of investment securities available for sale	(480)	(374)
Other-than-temporary impairment loss on investment securities, net	368	656
Loss on sale of loans held for investment	2,461	2,640
Gain on FDIC transaction	(4,189)	-
Deferred income tax provision	265	476
Change in accrued expenses and other liabilities, net	(3,695)	(392)
Income from bank owned life insurance, net	(260)	(269)
Change in accrued interest receivable and other assets, net	4,152	(1,067)
Net cash provided by operating activities	6,008	5,597
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and principal payments on loans held for investment	49,386	54,431
Net change in undisbursed loan funds	11,096	(4,326)
Purchase and origination of loans held for investment	(58,938)	(34,196)
Proceeds from sale of other real estate owned	9,626	4,355
Principal payments on securities available for sale	8,977	6,328
Purchase of securities available for sale	(19,612)	(106,048)
Proceeds from sale or maturity of securities available for sale	43,141	60,796
Purchases of premises and equipment	(2,471)	(331)
Redemption (purchase) of Federal Reserve Bank stock	155	(420)
Redemption of Federal Home Loan Bank of San Francisco stock	1,009	-
Cash acquired in FDIC transaction	26,389	473

Net cash provided by (used in) investing activities		68,758		(18,938)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase (decrease) in deposit accounts		(47,568)		13,309
Repayment of FHLB advances and other borrowings		(40,000)		(25,000)
Proceeds from exercise of stock options		32		-
Warrants purchased and retired		(3,660)		-
Net cash used in financing activities		(91,196)		(11,691)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(16,430)		(25,032)
CASH AND CASH EQUIVALENTS, beginning of period		63,462		59,706
CASH AND CASH EQUIVALENTS, end of period	$	47,032	$	34,674

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(in thousands)
(unaudited)

	Six Months Ended June 30,			
		2011		2010
SUPPLEMENTAL CASH FLOW DISCLOSURES				
Interest paid	$	5,030	$	6,658
Income taxes paid		2,445		1,035
Assets acquired (liabilities assumed) in acquisition:				
Investment securities		14,076		-
FDIC receivable		2,838		-
Loans		149,739		-
Core deposit intangible		2,270		-
Other real estate owned		11,953		-
Fixed assets		42		-
Other assets		1,599		-
Deposits		(204,678)		-
Other liabilities		(39)		-
NONCASH INVESTING ACTIVITIES DURING THE PERIOD				
Transfers from loans to other real estate owned	$	2,107	$	3,530

Investment securities available for sale purchased and not settled	$ 5,083	$ 8,275

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

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011
(UNAUDITED)

Note 1 - Basis of Presentation

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

In the opinion of management, the consolidated financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the Company’s financial position as of June 30, 2011, December 31, 2010, and June 30, 2010, the results of its operations for the three and six months ended June 30, 2011 and 2010 and the changes in stockholders’ equity, comprehensive income and cash flows for the six months ended June 30, 2011 and 2010. Operating results for the three and six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for any other interim period or the full year ending December 31, 2011.

Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2010.

The Company accounts for its investments in its wholly owned special purpose entity, PPBI Trust I, under the equity method whereby the subsidiary’s net earnings are recognized in the Company’s statement of income.

Note 2 – Recently Issued Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. ASU 2010-06 revised two disclosure requirements concerning fair value measurements and clarifies two others. It requires separate presentation of significant transfers into and out of Levels 1 and 2 of the fair value hierarchy and disclosure of the reasons for such transfers. It will also require the presentation of purchases, sales, issuances, and settlements within Level 3 on a gross basis rather than a net basis. The amendments also clarify that disclosures should be disaggregated by class of asset or liability and that disclosures about inputs and valuation techniques should be provided for both recurring and non-recurring fair value measurements. The Company’s disclosures about fair value measurements are presented in Note 9 – Fair Value Disclosures. These new disclosure requirements were effective for the period ended June 30, 2011, except for the requirement concerning gross presentation of Level 3 activity, which is effective for fiscal years beginning after December 15, 2010. There was no significant effect to the Company’s financial statement disclosure upon adoption of this ASU.

FASB ASU No. 2011-01, Receivables (Topic 310), Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20, was issued by FASB in January 2011. ASU 2011-01 temporarily delays the effective date of the disclosures about troubled debt restructurings (“TDRs”) in Update 2010-20 for public entities. The delay is intended to allow the FASB time to complete its deliberations on what constitutes a TDR. The effective date of the new disclosures about TDR and the guidance for determining what constitutes a TDR is anticipated to be effective for interim and annual periods ending after June 15, 2011.

Future Application of Accounting Pronouncements

The following accounting pronouncement has been issued by the FASB but is not yet effective: ASU 2011-02, Receivables (Topic 310), A Creditor’s Determination of Whether a Restructuring is a Troubled Debt Restructuring. ASU 2011-02 provides guidance clarifying under what circumstances a creditor should classify a restructured receivable as a TDR. A receivable is a TDR if both of the following exist: 1) a creditor has granted a concession to the debtor, and 2) the debtor is experiencing financial difficulties. ASU 2011-02 clarifies that a creditor should consider all aspects of a restructuring when evaluating whether it has granted a concession, which include determining whether a debtor can obtain funds from another source at market rates and assessing the value of additional collateral and guarantees obtained at the time of restructuring. ASU 2011-02 also provides factors a creditor should consider when determining if a debtor is experiencing financial difficulties, such as probability of payment default and bankruptcy declarations. ASU 2011-02 will become effective for us in third quarter 2011 with retrospective application to January 1, 2011. Early adoption is permitted. We are evaluating the impact these accounting changes may have on our consolidated financial statements.

Note 3 – Canyon National Bank Acquisition

Effective February 11, 2011, the Bank acquired certain assets and assumed certain liabilities of Canyon National Bank (“Canyon National”) from the FDIC as receiver for Canyon National (the “Canyon National Acquisition”), pursuant to the terms of a purchase and assumption agreement entered into by the Bank and the FDIC on February 11, 2011. The Canyon National Acquisition included the three branches of Canyon National, all of which became branches of the Bank upon consummation of the Canyon National Acquisition. As a result of the Canyon National Acquisition, the Bank acquired and received certain assets with a fair value of approximately $208.9 million, including $149.7 million of loans, $16.1 million of a FDIC receivable, $13.2 million of cash and cash equivalents, $12.8 million of investment securities, $12.0 million of other real estate owned, $2.3 million of a core deposit intangibles, $1.5 million of other assets and $1.3 million of FHLB and Federal Reserve Bank stock. Liabilities with a fair value of approximately $206.6 million were also assumed, including $204.7 million of deposits, $1.9 million in deferred tax liability and $39,000 of other liabilities. The fair values of the assets acquired and liabilities assumed were determined based on the requirements of Financial Accounting Standards Board Accounting Standards Codification Topic 820: Fair Value Measurements and Disclosures. The foregoing fair value amounts are subject to change for up to one year after the closing date of the Canyon National Acquisition as additional information relative to closing date fair values becomes available. The amounts are also subject to adjustments based upon final settlement with the FDIC.

Note 4 – Loans Held for Investment

The following table sets forth the composition of our loan portfolio in dollar amounts at the dates indicated:

	June 30, 2011	December 31, 2010 (in thousands)	June 30, 2010
Real estate loans:			

Multi-family	$ 231,604	$ 243,584	$ 258,021
Commercial non-owner occupied	155,419	130,525	136,053
One-to-four family (1)	64,550	20,318	14,243
Land	8,752	-	-
Business loans:			
Commercial owner occupied	147,186	113,025	108,465
Commercial and industrial	92,502	54,687	33,743
SBA	4,682	4,088	3,346
Other loans	6,497	1,417	1,869
Total gross loans (2)	711,192	567,644	555,740
Less loans held for sale	-	-	-
Total gross loans held for investment	711,192	567,644	555,740
Less (plus):			
Deferred loan origination costs (fees) and premiums (discounts)	(3,096)	(3,227)	(3,548)
Allowance for loan losses	(8,517)	(8,879)	(9,169)
Loans held for investment, net	$ 699,579	$ 555,538	$ 543,023

(1) Includes second trust deeds.
(2) Total gross loans for June 30, 2011 is net of the mark-to-market discount on Canyon National loans of $10.5 million.

From time to time, we may purchase or sell loans in order to manage concentrations, maximize interest income, change risk profiles, improve returns and generate liquidity.

The Company grants residential and commercial loans held for investment to customers located primarily in Southern California. Consequently, the underlying collateral for our loans and a borrower’s ability to repay may be impacted unfavorably by adverse changes in the economy and real estate market in the region.

Under applicable laws and regulations, the Bank may not make secured loans to one borrower in excess of 25% of unimpaired capital plus surplus and likewise in excess of 15% for unsecured loans. These loans-to-one borrower limitations result in a dollar limitation of $22.7 million for secured loans and $13.6 million for unsecured loans at June 30, 2011. At June 30, 2011, the Bank’s largest aggregate outstanding balance of loans to one borrower was $11.3 million of secured credit.

Purchase Credit Impaired

The following table provides a summary of the Company’s investment in purchase credit impaired loans, acquired from Canyon National, as of the period indicated:

	June 30, 2011 (in thousands)

Real estate loans:		
Commercial non-owner occupied	$	463
One-to-four family		1,350
Construction		-
Land		2,523
Business loans:		
Commercial owner occupied		4,227
Commercial and industrial		1,907
Total purchase credit impaired	$	10,470

On the acquisition date, the amount by which the undiscounted expected cash flows of the purchased credit impaired loans exceed the estimated fair value of the loan is the “accretable yield”. The accretable yield is measured at each financial reporting date and represents the difference between the remaining undiscounted expected cash flows and the current carrying value of the purchased credit impaired loan.

The following table summarizes the accretable yield on the purchased credit impaired for the six months ended June 30, 2011:

	Six Months Ended June 30, 2011 (in thousands)	
Balance at the beginning of period	$	-
Accretable yield at acquisition		4,692
Accretion		(296)
Disposals and other		(1,130)
Change in accretable yield		-
Balance at the end of		3,266

period

Impaired Loans

The following table provides a summary of the Company's investment in impaired loans as of and for the quarter ended June 30, 2011, and as of and for the year ended December 31, 2010:

	Impaired Loans						
	Recorded Investment	Unpaid Principal Balance	With Specific Allowance	Without Specific Allowance (in thousands)	Specific Allowance for Impaired Loans	Average Recorded Investment	Interest Income Recognized
June 30, 2011							
Real estate loans:							
Multi-family	$4,149	$4,149	$-	$4,149	$-	$2,786	$52
Commercial investor	3,427	3,427	462	2,965	44	2,736	82
One-to-four family	1,569	1,567	-	1,567	-	2,893	42
Construction	-	-	-	-	-	309	-
Land	2,523	2,523	-	2,523	-	2,627	54
Business loans:							
Commercial owner occupied	5,267	5,124	-	5,124	-	5,945	124
Commercial and industrial	2,143	2,143	-	2,143	-	4,200	61
SBA	1,659	930	-	930	-	1,001	28
Other loans	22	22	-	22	-	9	2
Totals	$20,759	$19,885	$462	$19,423	$44	$22,506	$445

	Impaired Loans						
	Recorded Investment	Unpaid Principal Balance	With Specific Allowance	Without Specific Allowance (in thousands)	Specific Allowance for Impaired Loans	Average Recorded Investment	Interest Income Recognized
December 31, 2010							
Real estate loans:							
Multi-family	$1,156	$1,156	$-	$1,156	$-	$2,114	$94
Commercial investor	2,068	2,068	465	1,603	47	1,949	127
One-to-four family	223	224	-	223	-	249	15
Business loans:							
	2,225	2,342	-	2,225	-	1,332	-

Commercial owner occupied							
Commercial and industrial	54	169	-	54	-	270	14
SBA	1,092	1,751	-	1,092	-	970	14
Totals	$6,818	$7,710	$465	$6,353	$47	$6,882	$ 264

The following table summarizes impaired loan balances for the period indicated below:

	June 30, 2010 (in thousands)
Impaired loans without a valuation allowance	$ 5,028
Imparied loans with a valuation allowance	$ 476
Valuation allowance related to impaired loans	$ 56
Average recorded investment in impaired loans for the six months ended June 30, 2010	$ 7,517

The Company considers a loan to be impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement or it is determined that the likelihood of the Company receiving all scheduled payments, including interest, when due is remote. The Company has no commitments to lend additional funds to debtors whose loans have been impaired.

The Company reviews loans for impairment when the loan is classified as substandard or worse, delinquent 90 days, or determined by management to be collateral dependent, or when the borrower files bankruptcy or is granted a TDR. Measurement of impairment is based on the loan’s expected future cash flows discounted at the loan’s effective interest rate, measured by reference to an observable market value, if one exists, or the fair value of the collateral if the loan is deemed collateral dependent. All loans are generally charged-off at such time the loan is classified as a loss. Valuation allowances are determined on a loan-by-loan basis or by aggregating loans with similar risk characteristics.

The following table provides additional detail on the components of impaired loans at the period end as indicated below.

	June 30, 2011	December 31, 2010	June 30, 2010
		(in thousands)	
Nonaccruing loans	$ 10,808	$ 3,270	$ 5,504
Accruing loans	9,077	3,548	42
Total impaired loans	$ 19,885	$ 6,818	$ 5,546

When loans are placed on nonaccrual status all accrued interest is reversed from earnings. Payments received on nonaccrual loans are generally applied as a reduction to the loan principal balance. If the likelihood of further loss is remote, the Company will recognize interest on a cash basis only. Loans may be returned to accruing status if the Company believes that all remaining principal and interest is fully collectible and there has been at least six months of sustained repayment performance since the loan was placed on nonaccrual.

The Company does not accrue interest on loans 90 days or more past due or when, in the opinion of management, there is reasonable doubt as to the collection of interest. The Company had impaired loans on nonaccrual status at June 30, 2011 of $10.8 million, December 31, 2010 of $3.3 million, and June 30, 2010 of $5.5 million. At June 30, 2011, the Company had $10.5 million of purchased credit impaired loans acquired from Canyon National, of which $3.3 million were placed on nonaccrual status. The Company had no loans 90 days or more past due and still accruing at June 30, 2011, December 31, 2010 or June 30, 2010.

Concentration of Credit Risk

The Company's loan portfolio was collateralized by various forms of real estate and business assets located principally in Southern California. The Company's loan portfolio contains concentrations of credit in multi-family real estate, commercial non-owner occupied real estate and commercial owner occupied business loans. The Company maintains Board approved policies that address these concentrations and continues to diversify its loan portfolio through loan originations, purchases and sales to meet approved concentration levels. While management believes that the collateral presently securing these loans is adequate, there can be no assurances that further significant deterioration in the California real estate market and economy would not expose the Company to significantly greater credit risk.

Credit Quality and Credit Risk Management

The Company's credit quality is maintained and credit risk managed in two distinct areas. The first is the loan origination process, wherein the Bank underwrites credit quality and chooses which risks it is willing to accept. The second is in the ongoing oversight of the loan portfolio, where existing credit risk is measured and monitored, and where performance issues are dealt with in a timely and comprehensive fashion.

The Company maintains a comprehensive credit policy which sets forth minimum and maximum tolerances for key elements of loan risk. The policy identifies and sets forth specific guidelines for analyzing each of the loan products the Company offers from both an individual and portfolio wide basis. The credit policy is reviewed annually by the Board of Directors. Seasoned underwriters ensure all key risk factors are analyzed with nearly all underwriting including a comprehensive global cash flow analysis. The credit approval process mandates multiple-signature approval by either the management or Board credit committee for every loan which requires any subjective credit analysis.

Credit risk is managed within the loan portfolio by the Company's Portfolio Management department based on a comprehensive credit and investment review policy. This policy requires a program of financial data collection and analysis, comprehensive loan reviews, property and/or business inspections and monitoring of portfolio concentrations and trends. The Portfolio Management department also monitors asset-based lines of credit, loan covenants and other conditions associated with the Company's business loans as a means to help identify potential credit risk. Individual loans, excluding the homogeneous loan portfolio, are reviewed at least biennially, or more frequently, if deemed necessary, and includes the assignment of a risk grade.

Risk grades are based on a six-grade Pass scale, along with Special Mention, Substandard, Doubtful and Loss classifications as such classifications are defined by the regulatory agencies. The assignment of risk grades allows the Company to, among other things, identify the risk associated with each credit in the portfolio, and to provide a basis for estimating credit losses inherent in the portfolio. Risk grades are reviewed regularly by the Company's Credit and Investment Review committee, and are reviewed annually by an independent third-party, as well as by regulatory agencies during scheduled examinations.

The following provides brief definitions for risk grades assigned to loans in the portfolio:

- Pass – Pass credits are well protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Such credits exhibit few weaknesses, if any, but may include credits with exposure to certain factors that may adversely impact the credit if they materialize. The Company has established six subcategories within the pass grade to stratify risk associated with pass loans. The Company maintains a subset of pass credits designated as “watch” loans which, for any of a variety of reasons, requires close monitoring.

- Special Mention – Loans graded special mention exhibit potential weaknesses that deserve management’s close attention. If left uncorrected, these potential weaknesses may, at some future date, result in the deterioration of the repayment prospects for the loan or the institution’s credit position. Special mention credits are not considered as part of the classified extensions of credit category and do not expose the Company to sufficient risk to warrant classification.

- Substandard – Substandard credits are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Extensions of credit classified as substandard have a well-defined weakness or weaknesses that jeopardizes the orderly payment of the debt. Substandard credits are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard credits, does not have to exist in individual extensions of credit classified substandard.

- Doubtful – Doubtful credits have all the weaknesses inherent in substandard credits, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors that may work to the advantage of and strengthen the credit, its classification as an estimated loss is deferred until its more exact status may be determined.

The Portfolio Management department also manages loan performance risks, collections, workouts, bankruptcies and foreclosures. Loan performance risks are mitigated by our portfolio managers acting promptly and assertively to address problem credit when they are identified. Collection efforts are commenced immediately upon non-payment, and the portfolio managers seek to promptly determine the appropriate steps to minimize the Company’s risk of loss. When foreclosure will maximize the Company’s recovery for a non-performing loan, the portfolio managers will take appropriate action to initiate the foreclosure process.

When a loan is graded as special mention or worse, the Company obtains an updated valuation of the underlying collateral. If the credit in question is also identified as impaired, a valuation allowance, if necessary, is established against such loan or a loss is recognized by a charge to the allowance for loan losses if management believes that the full amount of the Company’s recorded investment in the loan is no longer collectable. The Company typically continues to obtain updated valuations of underlying collateral for special mention and classified loans on an annual basis in order to have the most current indication of fair value. Once a loan is identified as impaired, an analysis of the underlying collateral is performed at least quarterly, and corresponding changes in any related valuation allowance are made or balances deemed to be fully uncollectable are charged-off.

The following tables stratifies the loan portfolio by the Company’s internal risk grading system as well as certain other information concerning the credit quality of the loan portfolio as of the periods indicated:

	Credit Risk Grades (1)			
	Pass	Special Mention	Substandard	Total Gross Loans

June 30, 2011		(in thousands)		
Real estate loans:				
Multi-family	$ 211,734	$ 13,058	$ 6,812	$ 231,604
Commercial non-owner occupied	149,974	604	4,841	155,419
One-to-four family	59,991	1,951	2,608	64,550
Land	8,367	-	385	8,752
Business loans:				
Commercial owner occupied	131,777	6,376	9,033	147,186
Commercial and industrial	85,903	1,665	4,934	92,502
SBA	4,474	-	208	4,682
Other loans	6,396	-	101	6,497
Totals	$ 658,616	$ 23,654	$ 28,922	$ 711,192

(1) Amounts are net of the mark-to-market discount on Canyon National loans of $10.5 million.

	Credit Risk Grades			
	Pass	Special Mention	Substandard	Total Gross Loans
December 31, 2010		(in thousands)		
Real estate loans:				
Multi-family	$ 226,270	$ 13,161	$ 4,153	$ 243,584
Commercial non-owner occupied	124,513	577	5,435	130,525
One-to-four family	19,823	-	495	20,318
Business loans:				
Commercial owner occupied	104,475	4,074	4,476	113,025
Commercial and industrial	53,188	360	1,139	54,687
SBA	2,956	-	1,132	4,088
Other loans	1,417	-	-	1,417
Totals	$ 532,642	$ 18,172	$ 16,830	$ 567,644

	Credit Risk Grades			
	Pass	Special Mention	Substandard	Total Gross Loans
June 30, 2010		(in thousands)		

Real estate loans:				
Multi-family	$ 227,777	$ 26,376	$ 3,868	$ 258,021
Commercial non-owner occupied	128,484	3,167	4,402	136,053
One-to-four family	13,713	-	530	14,243
Business loans:				-
Commercial owner occupied	99,540	5,827	3,098	108,465
Commercial and industrial	33,743	-	-	33,743
SBA	2,072	384	890	3,346
Other loans	1,869	-	-	1,869
Totals	$ 507,198	$ 35,754	$ 12,788	$ 555,740

	Days Past Due (1)				
	30-59	60-89	90+	Total Past Due	Non-Accruing
June 30, 2011			(in thousands)		
Real estate loans:					
Multi-family	$ -	$ -	$ 2,705	$ 2,705	$ 3,011
Commercial investor	328	989	822	2,139	2,502
One-to-four family	116	518	325	959	332
Land	62	-	257	-	257
Business loans:				-	
Commercial owner occupied	852	1,709	1,869	4,430	1,869
Commercial and industrial	1,089	20	1,078	2,187	2,063
SBA	72	-	720	792	834
Other loans	37	26	19	82	20
Totals	$ 2,556	$ 3,262	$ 7,795	$ 13,294	$ 10,888

(1) Amounts are net of the mark-to-market discount on Canyon National loans.

	Days Past Due				
	30-59	60-89	90+	Total Past Due	Non-Accruing
December 31, 2010			(in thousands)		
Real estate loans:					

Commercial investor	$ 617	$ -	$ -	$ 617	$ -
One-to-four family	402	17	20	439	26
Business loans:				-	
Commercial owner occupied	184	-	2,225	2,409	2,225
Commercial and industrial	-	-	-	-	54
SBA	-	-	846	846	971
Totals	$ 1,203	$ 17	$ 3,091	$ 4,311	$ 3,277

	Days Past Due				
	30-59	60-89	90+	Total Past Due	Non-Accruing
June 30, 2010			(in thousands)		
Real estate loans:					
One-to-four family	$ 69	$ -	$ 66	$ 135	$ 85
Business loans:					
Commercial owner occupied	-	-	957	957	957
Commercial and industrial	-	-	37	37	37
SBA	238	-	780	1,018	863
Totals	$ 307	$ -	$ 1,840	$ 2,147	$ 1,942

Note 5 – Allowance for Loan Losses

The Company's allowance for loan losses ("ALLL") covers estimated credit losses on individually evaluated loans that are determined to be impaired as well as estimated credit losses inherent in the remainder of the loan portfolio. The ALLL is prepared using the information provided by the Company's credit and investment review process together with data from peer institutions and economic information gathered from published sources.

The loan portfolio is segmented into groups of loans with similar risk characteristics. Each segment possesses varying degrees of risk based on, among other things, the type of loan, the type of collateral, and the sensitivity of the borrower or industry to changes in external factors such as economic conditions. An estimated loss rate calculated using the Company's actual historical loss rates adjusted for current portfolio trends, economic conditions, and other relevant internal and external factors, is applied to each group's aggregate loan balances.

The following provides a summary of the ALLL calculation for the major segments within the Company's loan portfolio.

Multi-Family and Non-Owner Occupied Commercial Real Estate Loans

The Company's base ALLL factor for multi-family and non-owner occupied commercial real estate loans is determined by management using the Bank's actual trailing twenty-four month, trailing twelve month and annualized trailing six month charge-off data. Adjustments to those base factors are made for relevant internal and external factors. For multi-family and non-owner occupied commercial real estate loans, those factors include:

- Changes in national, regional and local economic conditions, including trends in real estate values and the interest rate environment,
- Changes in volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans, and
- The existence and effect of concentrations of credit, and changes in the level of such concentrations.

The resulting total ALLL factor is compared for reasonableness against the 10-year average, 15-year average, and trailing twelve month total charge-off data for all Federal Deposit Insurance Corporation (the "FDIC") insured commercial banks and savings institutions based in California. This factor is applied to balances graded pass-1 through pass-5. For loans risk graded as watch or worse, progressively higher potential loss factors are applied based on Management's judgment, taking into consideration the specific characteristics of the Bank's portfolio and analysis of results from a select group of the Company's peers.

Owner Occupied Commercial Real Estate Loans, Commercial Business Loans and SBA Loans

The Company's base ALLL factor for owner occupied commercial real estate loans, commercial business loans and SBA loans is determined by management using the Bank's actual trailing twenty-four month, trailing twelve month and annualized trailing six month charge-off data. Adjustments to those base factors are made for relevant internal and external factors. For owner occupied commercial real estate loans, commercial business loans and SBA loans, those factors include:

- Changes in national, regional and local economic conditions, including trends in real estate values and the interest rate environment,
- Changes in the nature and volume of the loan portfolio, including new types of lending,
- Changes in volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans, and
- The existence and effect of concentrations of credit, and changes in the level of such concentrations.

The resulting total ALLL factor is compared for reasonableness against the 10-year average, 15-year average, and trailing twelve month total charge-off data for all FDIC insured commercial banks and savings institutions based in California. This factor is applied to balances graded pass-1 through pass-5. For loans risk graded as watch or worse, progressively higher potential loss factors are applied based on Management's judgment, taking into consideration the specific characteristics of the Bank's portfolio and analysis of results from a select group of the Company's peers.

Single Family and Consumer Loans

The Company's base ALLL factor for single family and consumer loans is determined by management using the Bank's actual trailing twenty-four month, trailing twelve month and annualized trailing six month charge-off data. Adjustments to those base factors are made for relevant internal and external factors. For single family and consumer loans, those factors include:

- Changes in national, regional and local economic conditions, including trends in real estate values and the interest rate environment.

The resulting total ALLL factor is compared for reasonableness against the 10-year average, 15-year average, and trailing twelve month total charge-off data for all FDIC insured commercial banks and savings institutions based in California. This factor is applied to balances graded pass-1 through pass-5. For loans risk graded as watch or worse, progressively higher potential loss factors are applied based on management's judgment, taking into consideration the specific characteristics of the Bank's portfolio and analysis of results from a select group of the Company's peers.

The following table summarizes the allocation of the allowance as well as the activity in the allowance attributed to various segments in the loan portfolio as of and for the six months ended June 30, 2011:

	Multi-family	Commercial non-owner occupied	One-to-four family	Land	Commercial owner occupied	Commercial and industrial	SBA	Other loans	Total
	(dollars in thousands)								
Balance, December 31, 2010	$2,730	$1,580	$332	$-	$1,687	$2,356	$145	$49	$8,879
Charge-offs	(321)	-	(274)	(161)	(98)	(712)	(52)	(55)	(1,673)
Recoveries	-	-	1	-	-	-	5	5	11
Provisions for (reduction in) loan losses	47	(90)	265	161	(53)	917	(1)	54	1,300
Balance, June 30, 2011	$2,456	$1,490	$324	$-	$1,536	$2,561	$97	$53	$8,517
Amount of allowance attributed to:									
Specifically evaluated impaired loans	$-	$44	$-	$-	$-	$-	$-	$-	$44
General portfolio allocation	$2,456	$1,446	$324	$-	$1,536	$2,561	$97	$53	$8,473
Loans individually evaluated for impairment	$4,149	$3,427	$1,567	$2,523	$5,124	$2,143	$930	$22	$19,885
Specific reserves to total loans individually evaluated for impairment	0.00 %	1.28 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.22 %
Loans collectively evaluated for impairment	$227,455	$151,992	$62,983	$-	$142,062	$90,359	$3,752	$15,227	$693,830
General reserves to total loans collectively evaluated for impairment	1.08 %	0.95 %	0.51 %	0.00 %	1.08 %	2.83 %	2.59 %	0.35 %	1.22 %

Total gross loans	$231,604	$155,419	$64,550	$8,752	$147,186	$92,502	$4,682	$6,497	$711,192
Total allowance to gross loans	1.06 %	0.96 %	0.50 %	0.00 %	1.04 %	2.77 %	2.07 %	0.82 %	1.20 %

The following is a summary of activity in the allowance for the six months ended June 30, 2010:

	Six Months Ended June 30, 2010 (in thousands)
Balance, beginning of period	$ 8,905
Provision for loan losses	1,695
Charge-offs:	
Real estate:	
Multi-family	(334)
Commercial non-owner occupied	(405)
One-to-four family	(107)
Business loans:	
Commercial and industrial	(515)
SBA	(240)
Total charge-offs	(1,601)
Recoveries :	
Real estate:	
One-to-four family	22
Business loans:	
Commercial owner occupied	10
SBA	131
Other loans	7
Total recoveries	170
Net loan charge-offs	(1,431)

Balance at end of period	$ 9,169

Note 6 – Subordinated Debentures

In March 2004, the Corporation issued $10.3 million of Floating Rate Junior Subordinated Deferrable Interest Debentures (the "Subordinated Debentures") to PPBI Trust I, which funded the payment of $10.0 million of Floating Rate Trust Preferred Securities issued by PPBI Trust I in March 2004. The net proceeds from the offering of Trust Preferred Securities were contributed as capital to the Bank to support further growth. Interest is payable quarterly on the Subordinated Debentures at three-month LIBOR plus 2.75% per annum, for an effective rate of 3.03% per annum as of June 30, 2011.

The Corporation is not allowed to consolidate PPBI Trust I into the Company's financial statements. The resulting effect on the Company's consolidated financial statements is to report the Subordinated Debentures as a component of liabilities.

Note 7 – Earnings Per Share

Basic earnings per share excludes dilution and is computed by dividing net income or loss available to common stockholders by the weighted average number of common shares outstanding for the period, excluding common shares in treasury. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted from the issuance of common stock that would then share in earnings and excludes common shares in treasury. Stock options exercisable for 362,198 shares of common stock for the three months ended June 30, 2011 and stock options exercisable for 492,742 shares of common stock for the three months ended June 30, 2010 and stock options exercisable for 362,992 shares of common stock for the six months ended June 30, 2011 and stock options exercisable for 512,124 shares of common stock for the six months ended June 30, 2010 were not included in the computation of earnings per share because their exercise price exceeded the average market price during the respective periods.

The following table sets forth the Company's unaudited earnings per share calculations for the periods indicated:

	Three Months Ended June 30,					
	2011			2010		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
	(dollars in thousands, except per share data)					
Net income	$785			$337		
Basic income available to common stockholders	785	10,084,626	$0.08	337	10,033,836	$0.03
Effect of warrants and dilutive stock options	-	494,302		-	1,026,158	
Diluted income available to common stockholders plus assumed conversions	$785	10,578,928	$0.08	$337	11,059,994	$0.03

Six Months Ended June 30,

	2011			2010		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
	(dollars in thousands, except per share data)					
Net income	$5,557			$793		
Basic income (loss) available to common stockholders	$5,557	10,067,066	$0.55	$793	10,033,836	$0.08
Effect of warrants and dilutive stock options	-	650,191		-	1,006,776	
Diluted income (loss) available to common stockholders plus assumed conversions	$5,557	10,717,257	$0.52	$793	11,040,612	$0.07

Note 8 – Fair Value of Financial Instruments

The Company's estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to develop the estimates of fair value. Accordingly, the estimates are not necessarily indicative of the amounts the Company could have realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since the balance sheet date and, therefore, current estimates of fair value may differ significantly from the amounts presented. The following methods were used to estimate the fair value of each class of financial instruments identified in the table immediately below.

Cash and Cash Equivalents—The carrying amount approximates fair value due to their short-term repricing characteristics.

Securities Available for Sale—Fair values are based on quoted market prices from securities dealers or readily available market quote systems.

Federal Home Loan Bank ("FHLB") of San Francisco and Federal Reserve Bank Stock —The carrying value approximates the fair value based upon the redemption provisions of the stock.

Loans Held for Sale—Fair values are based on quoted market prices or dealer quotes.

Loans Held for Investment—The fair value of gross loans receivable has been estimated using the present value of cash flow method, discounting expected future cash flows by estimated market interest rates for loans with similar characteristics, including credit ratings and maturities. Consideration is also given to estimated prepayments and credit losses.

Accrued Interest Receivable/Payable—The carrying amount approximates fair value.

Deposit Accounts—The fair value disclosed for checking, passbook and money market accounts is the amount payable on demand at the reporting date. The fair value of certificates of deposit accounts is estimated using a discounted cash flow calculation based on interest rates currently offered for certificate of deposits of similar remaining maturities.

FHLB Advances and Other Borrowings—The fair value disclosed for FHLB advances and other borrowings is determined by discounting contractual cash flows at current market interest rates for similar instruments with similar terms.

Subordinated Debentures—The fair value of subordinated debentures is estimated by discounting the balance by the current three-month LIBOR rate plus the current market spread. The fair value is determined based on the maturity date as the Company does not currently have intentions to call the debenture.

Off-balance sheet commitments and standby letters of credit—The notional amount disclosed for off-balance sheet commitments and standby letters of credit is the amount available to be drawn down on all lines and letters of credit. The cost to assume is calculated at 10% of the notional amount.

Based on the above methods and pertinent information available to management as of the periods indicated, the following table presents the carrying amount and estimated fair value of our financial instruments:

	At June 30, 2011		At December 31, 2010		At June 30, 2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
			(in thousands)			
Assets:						
Cash and cash equivalents	$47,032	$47,032	$63,462	$63,462	$34,674	$34,674
Securities available for sale	141,304	141,304	155,094	155,094	163,470	163,470
Federal Reserve Bank and FHLB stock, at cost	13,492	13,492	13,334	13,334	14,277	14,277
Loans held for investment, net	699,579	779,001	555,538	603,749	543,023	545,716
Accrued interest receivable	3,984	3,984	3,755	3,755	3,680	3,680
Liabilities:						
Deposit accounts	815,985	820,232	659,240	670,776	632,043	647,373
FHLB advances	-	-	40,000	40,032	38,000	38,690
Other borrowings	28,500	30,925	28,500	30,052	28,500	29,917
Subordinated debentures	10,310	5,119	10,310	5,232	10,310	7,715
Accrued interest payable	176	176	125	125	181	181
	Notional Amount	Cost to Cede or Assume	Notional Amount	Cost to Cede or Assume	Notional Amount	Cost to Cede or Assume
Off-balance sheet commitments and standby letters of credit	$65,495	$6,550	$34,706	$3,471	$18,187	$1,819

Note 9 – Fair Value Disclosures

The Company determines the fair market values of certain financial instruments based on the fair value hierarchy established in GAAP under ASC 820, “Fair Value Measurements and Disclosures”, and as modified by ASU No. 2010-06, “Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements”. GAAP requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value and describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities may include debt and equity securities that are actively traded in an exchange market or an over-the-counter market and are considered highly liquid. This category generally includes U.S. Government and agency mortgage-backed debt securities.

Level 2—Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities may include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and other instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes corporate debt securities, derivative contracts, residential mortgage and loans held-for-sale.

Level 3—Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, residential mortgage servicing rights, asset-backed securities (“ABS”), highly structured or long-term derivative contracts and certain collateralized debt obligations (“CDO”) where independent pricing information could not be obtained for a significant portion of the underlying assets.

The Company’s financial assets and liabilities measured at fair value on a recurring basis include securities available for sale and equity securities. Securities available for sale include U.S. Treasuries, municipal bonds and mortgage-backed securities. The Company’s financial assets and liabilities measured at fair value on a non-recurring basis include impaired loans and other real estate owned (“OREO”).

Marketable Securities. Where possible, the Company utilizes quoted market prices to measure debt and equity securities; such items are classified as Level 1 in the hierarchy and include equity securities, U.S. Treasuries and securities issued by government sponsored enterprises (“GSE”). When quoted market prices for identical assets are unavailable or the market for the asset is not sufficiently active, varying valuation techniques are used. Common inputs in valuing these assets include, among others, benchmark yields, issuer spreads, forward mortgage-backed securities trade prices and recently reported trades. Such assets are classified as Level 2 in the hierarchy and typically include private label mortgage-backed securities and corporate bonds. Pricing on these securities are provided to the Company by a pricing service vendor. In the Level 3 category, the Company is classifying all the securities that its pricing service vendor cannot price due to lack of trade activity in these securities.

Impaired Loans. A loan is considered impaired when it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. Impairment is measured based on the fair value of the underlying collateral less the anticipated selling costs or the discounted expected future cash flows. The Company does not measure loan impairment on loans less than $100,000. As such, the Company records impaired loans as non-recurring Level 2 when the fair value of the underlying collateral is based on an observable market price or current appraised value. When current market prices are not available or the Company determines that the fair value of the underlying collateral is further impaired below appraised values, the Company records impaired loans as Level 3. At June 30, 2011, substantially all the Company’s impaired loans were evaluated based on the fair value of their underlying collateral based upon the most recent appraisal available to management.

OREO. The Company generally obtains an appraisal and/or a market evaluation from a qualified third party on all OREO prior to obtaining possession. After foreclosure, an updated appraisal and/or a market evaluation is periodically performed, as deemed appropriate by management, due to changing market conditions or factors specifically attributable to the property’s condition. If the carrying value of the property exceeds its fair value less estimated cost to sell, a charge to operations is recorded and the OREO value is reduced accordingly.

The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following fair value hierarchy table presents information about the Company's assets measured at fair value on a recurring basis at the date indicated:

	June 30, 2011 Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Securities at Fair Value
	(in thousands)			
Investment securities available for sale:				
U.S. Treasury	$ 161	$ -	$ -	$ 161
Municipal bonds	23,184	-	-	23,184
Mortgage-backed securities:				
Government Sponsored Enterprise	113,150	1,536	-	114,686
Private label securities	-	2,019	1,254	3,273
Total securities available for sale	$ 136,495	$ 3,555	$ 1,254	$ 141,304
Stock:				
FHLB stock	$ 2,019	$ -	$ -	$ 2,019
Federal Reserve Bank stock	11,473	-	-	11,473
Total stock	$ 13,492	$ -	$ -	$ 13,492
Total securities	$ 149,987	$ 3,555	$ 1,254	$ 154,796

The following table provides a summary of the changes in balance sheet carrying values associated with Level 3 financial instruments for the period indicated:

	Fair Value Measurement Using Significant Other Unobservable Inputs (Level 3) Marketable securities (in thousands)
Beginning Balance, January 1, 2011	$ 1,505
Total gains or losses (realized/unrealized):	

Included in earnings (or changes in net assets)		(394)
Included in other comprehensive income		(189)
Purchases, issuances, and settlements		(256)
Transfer in and/or out of Level 3		588
Ending Balance, June 30, 2011	$	1,254

The following fair value hierarchy table presents information about the Company's assets measured at fair value on a non-recurring basis at the date indicated:

	June 30, 2011 Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Assets at Fair Value
	(in thousands)			
Assets				
Impaired loans	$ -	$ 19,885	$ -	$ 19,885
Other real estate owned	-	4,447	-	4,447
Total assets	$ -	$ 24,332	$ -	$ 24,332

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains information and statements that are considered "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements represent plans, estimates, objectives, goals, guidelines, expectations, intentions, projections and statements of our beliefs concerning future events, business plans, objectives, expected operating results and the assumptions upon which those statements are based. Forward-looking statements include without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and are typically identified with words such as "may," "could," "should," "will," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," or words or phrases of similar meaning. We ca that the forward-looking statements are based largely on our expectations and are subject to a number of known and unknown risks and uncertainties that are subject to change based on factors which are, in many instances, beyond our control. Actual results, performance or achievements could differ materially from those contemplated, expressed, or implied by the forward-looking statements.

The following factors, among others, could cause our financial performance to differ materially from that expressed in such forward-looking statements:

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The strength of the United States economy in general and the strength of the local economies in which we conduct operations;

- The effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System (the "Federal Reserve");
- Inflation/deflation, interest rate, market and monetary fluctuations;
- The timely development of competitive new products and services and the acceptance of these products and services by new and existing customers;
- The willingness of users to substitute competitors' products and services for our products and services;
- The impact of changes in financial services policies, laws and regulations, including those concerning taxes, banking, securities and insurance, and the application thereof by regulatory bodies;
- Technological changes;
- The effect of acquisitions we may make, if any, including, without limitation, the failure to achieve the expected revenue growth and/or expense savings from such acquisitions;
- Changes in the level of our nonperforming assets and charge-offs;
- Oversupply of inventory and continued deterioration in values of California real estate, both residential and commercial;
- The effect of changes in accounting policies and practices, as may be adopted from time-to-time by bank regulatory agencies, the SEC, the Public Company Accounting Oversight Board, the Financial Accounting Standards Board or other accounting standards setters;
- Possible other-than-temporary impairments ("OTTI") of securities held by us;
- The impact of current governmental efforts to restructure the U.S. financial regulatory system, including enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act;
- Changes in consumer spending, borrowing and savings habits;
- The effects of our lack of a diversified loan portfolio, including the risks of geographic and industry concentrations;
- Ability to attract deposits and other sources of liquidity;
- Changes in the financial performance and/or condition of our borrowers;
- Changes in the competitive environment among financial and bank holding companies and other financial service providers;
- Geopolitical conditions, including acts or threats of terrorism, actions taken by the United States or other governments in response to acts or threats of terrorism and/or military conflicts, which could impact business and economic conditions in the United States and abroad;
- Unanticipated regulatory or judicial proceedings; and

· Our ability to manage the risks involved in the foregoing.

If one or more of the factors affecting our forward-looking information and statements proves incorrect, then our actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking information and statements contained in this Quarterly Report on Form 10-Q and other reports and registration statements filed by us with the SEC. Therefore, we caution you not to place undue reliance on our forward-looking information and statements. We will not update the forward-looking information and statements to reflect actual results or changes in the factors affecting the forward-looking information and statements. The above factors and other risks and uncertainties are discussed in our 2010 Annual Report on Form 10-K.

Forward-looking information and statements should not be viewed as predictions, and should not be the primary basis upon which investors evaluate us. Any investor in our common stock should consider all risks and uncertainties disclosed in our filings with the SEC, all of which are accessible on the SEC's website at http://www.sec.gov.

GENERAL

This discussion should be read in conjunction with our Management Discussion and Analysis of Financial Condition and Results of Operations included in the 2010 Annual Report on Form 10-K, plus the unaudited consolidated financial statements and the notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q. The results for the three and six months ended June 30, 2011 are not necessarily indicative of the results expected for the year ending December 31, 2011.

We are a California-based bank holding company incorporated in the state of Delaware and registered as a bank holding company under the Bank Holding Company Act of 1956, as amended ("BHCA"). Our wholly owned subsidiary, Pacific Premier Bank, is a California state chartered commercial bank. As a bank holding company, the Corporation is subject to regulation and supervision by the Federal Reserve. We are required to file with the Federal Reserve quarterly and annual reports and such additional information as the Federal Reserve may require pursuant to the BHCA. The Federal Reserve may conduct examinations of bank holding companies, such as the Corporation, and their subsidiaries. The Corporation is also a bank holding company within the meaning of the California Financial Code (the "Financial Code"). As such, the Corporation and its subsidiaries are subject to examination by, and may be required to file reports with, the California Department of Financial Institutions ("DFI").

Under a policy of the Federal Reserve, a bank holding company is required to serve as a source of financial strength to its subsidiary depository institutions and to commit resources to support such institutions in circumstances where it might not do so absent such a policy. The Federal Reserve, under the BHCA, has the authority to require a bank holding company to terminate any activity or to relinquish control of a nonbank subsidiary (other than a nonbank subsidiary of a bank) upon the Federal Reserve's determination that such activity or control constitutes a serious risk to the financial soundness and stability of any bank subsidiary of the bank holding company.

As a California state-chartered commercial bank which is a member of the Federal Reserve System, the Bank is subject to supervision, periodic examination and regulation by the DFI and the Federal Reserve. The Bank's deposits are insured by the FDIC through the Deposit Insurance Fund. In general terms, insurance coverage is unlimited for non-interest bearing transaction accounts until December 31, 2012 and up to $250,000 per depositor for all other accounts in accordance with the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). As a result of this deposit insurance function, the FDIC also has certain supervisory authority and powers over our bank as well as all other FDIC insured institutions. If, as a result of an examination of the Bank, the regulators should determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of the Bank's operations are unsatisfactory or that the Bank or our management is violating or has violated any law or regulation, various remedies are available to the regulators. Such remedies include the power to enjoin unsafe or unsound practices, to require affirmative action to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in capital, to restrict growth, to assess civil monetary penalties, to remove officers and directors and ultimately to request the FDIC to terminate the Bank's deposit insurance. As a California-chartered commercial bank, the Bank is also subject to certain provisions of California law.

We provide banking services within our targeted markets in Southern California to businesses, including the owners and employees of those businesses, professionals, real estate investors and non-profit organizations, as well as consumers in the communities we serve. The Bank operates nine depository branches in Southern California located in the cities of Costa Mesa, Huntington Beach, Los Alamitos, Newport Beach, Palm Springs, Palm Desert, San Bernardino, and Seal Beach. Our corporate headquarters are located in Costa Mesa, California. Through our branches and our web site at www.ppbi.com, we offer a broad array of deposit products and services for both business and consumer customers, including checking, money market and savings accounts, cash management services, electronic banking, and on-line bill payment. We also offer a variety of loan products, including commercial business loans, lines of credit, commercial real estate loans, U.S. Small Business Administration ("SBA") loans, residential home loans, and home equity loans. The Bank funds it's lending and investment activities with retail deposits obtained through its branches, advances from the Federal Home Loan Bank ("FHLB"), lines of credit, and wholesale and brokered certificates of deposits.

Our principal source of income is the net spread between interest earned on loans and investments and the interest costs associated with deposits and borrowings used to finance the loan and investment portfolios. Additionally, the Bank generates fee income from loan and investment sales and various products and services offered to both depository and loan customers.

Regulatory Developments

On July 21, 2010, sweeping financial regulatory reform legislation entitled the "Dodd-Frank Wall Street Reform and Consumer Protection Act" was signed into law by President Obama. The Dodd-Frank Act implements far-reaching changes across the financial regulatory landscape, including provisions that, among other things, will:

· Centralize responsibility for consumer financial protection by creating a new agency, the Consumer Financial Protection Bureau, responsible for implementing, examining and enforcing compliance with federal consumer financial laws.

· Require federal bank regulators to seek to make their capital requirements countercyclical so that capital requirements increase in times of economic expansion and decrease in times of economic contraction.

· Require bank holding companies and banks to be both well-capitalized and well-managed in order to engage in interstate bank acquisitions.

· Impose comprehensive regulation of the over-the-counter derivatives market, which would include certain provisions that would effectively prohibit insured depository institutions from conducting certain derivatives businesses in the institution itself.

· Implement corporate governance revisions, including with regard to executive compensation and proxy access by shareholders.

· Make permanent the $250,000 limit for federal deposit insurance and increase the cash limit of Securities Investor Protection Corporation protection from $100,000 to $250,000 and provide unlimited federal deposit insurance through December 31, 2012 for non-interest bearing demand transaction accounts at all insured depository institutions.

· Repeal the federal prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts.

· Amend the Electronic Fund Transfer Act to, among other things, give the Federal Reserve the authority to establish rules regarding interchange fees charged for electronic debit transactions by payment card issuers having assets over $10 billion and to enforce a new statutory requirement that such fees be reasonable and proportional to the actual cost of a transaction to the issuer.

· Increase the authority of the Federal Reserve to examine bank holding companies, such as the Corporation, and their non-bank subsidiaries.

· Exempt non-accelerated filers, such as the Company, from the auditor attestation requirements on management's assessment of internal controls. However, the requirement of an assessment by management of the issuer's internal controls is not affected by this amendment.

Many aspects of the Dodd-Frank Act are subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on the Company, its customers or the financial industry generally. Provisions in the legislation that affect deposit insurance assessments, payment of interest on demand deposits and interchange fees could increase the costs associated with deposits as well as place limitations on certain revenues those deposits may generate.

CRITICAL ACCOUNTING POLICIES

Management has established various accounting policies which govern the application of accounting principles generally accepted in the United States of America in the preparation of our financial statements. Our significant accounting policies are described in the Notes to the Consolidated Financial Statements in our 2010 Annual Report on Form 10-K. Certain accounting policies require management to make estimates and assumptions which 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 our results of operations for future reporting periods.

We consider the allowance for loan losses ("ALLL") to be a critical accounting policy that requires judicious estimates and assumptions in the preparation of our financial statements that is particularly susceptible to significant change. For further information, see "Allowances for Loan Losses" discussed later in this report and in our 2010 Annual Report on Form 10-K.

CANYON NATIONAL BANK ACQUISITION

Effective February 11, 2011, the Bank acquired certain assets and assumed certain liabilities of Canyon National Bank ("Canyon National") from the FDIC as receiver for Canyon National (the "Canyon National Acquisition"), pursuant to the terms of a purchase and assumption agreement entered into by the Bank and the FDIC on February 11, 2011. The Canyon National Acquisition included the three branches of Canyon National, all of which became branches of the Bank upon consummation of the Canyon National Acquisition. As a result of the Canyon National Acquisition, the Bank acquired and received certain assets with a fair value of approximately $208.9 million, including $149.7 million of loans, $16.1 million of a FDIC receivable, $13.2 million of cash and cash equivalents, $12.8 million of investment securities, $12.0 million of other real estate owned, $2.3 million of a core deposit intangibles, $1.5 million of other assets and $1.3 million of FHLB and Federal Reserve Bank stock. Liabilities with a fair value of approximately $206.6 million were also assumed, including $204.7 million of deposits, $1.9 million in deferred tax liability and $39,000 of other liabilities. The fair values of the assets acquired and liabilities assumed were determined based on the requirements of Financial Accounting Standards Board Accounting Standards Codification Topic 820: Fair Value Measurements and Disclosures. The foregoing fair value amounts are subject to change for up to one year after the closing date of the Canyon National Acquisition as additional information relative to closing date fair values becomes available. The amounts are also subject to adjustments based upon final settlement with the FDIC.

RESULTS OF OPERATIONS

In the second quarter of 2011, we recorded net income of $785,000, or $0.08 per diluted share, up from net income of $337,000, or $0.03 per diluted share, for the second quarter of 2010.

The Company's pre-tax income totaled $1.1 million for the quarter ended June 30, 2011, up from $357,000 for the quarter ended June 30, 2010. The increase of $731,000 between quarters was substantially related to the Canyon National Acquisition from the FDIC and included:

- A $3.5 million increase in net interest income due to a higher level of interest earning assets and a higher net interest margin;
- A $427,000 increase in deposit fee income;
- A $370,000 decrease in other real estate owned ("OREO") operations, net expense; and
- A $217,000 increase in other income.

Partially offsetting the above favorable items was:

- A $2.4 million increase in noninterest expense, excluding OREO operations, net, primarily associated with higher expenses in compensation and benefits, legal and audit, other and premises and occupancy;
- A $922,000 increase in loss from sales of loans; and
- A $661,000 increase in provision for loan loss.

For the three months ended June 30, 2011, our return on average assets was 0.33% and return on average equity was 3.88%, up from a return on average assets of 0.17% and a return on average equity of 1.81% for the same comparable period of 2010.

For the first six months of 2011, the Company's net income totaled $5.6 million or $0.52 per share on a diluted basis, up from $793,000 or $0.07 per share for the first six months of 2010. The increase in net income was primarily related to the acquisition of Canyon National, which at the acquisition date of February 11, 2011, included interest-earning assets of $179.8 million, interest-bearing liabilities of $204.7 million and a bargain purchase pre-tax gain of $4.2 million.

For the six months ended June 30, 2011, our return on average assets was 1.19% and return on average equity was 13.94%, up from a return on average assets of 0.20% and a return on average equity of 2.14% for the same comparable period of 2010.

Net Interest Income

Our earnings are derived predominately from net interest income, which is the difference between the interest income earned on interest-earning assets, primarily loans and securities, and the interest expense incurred on interest-bearing liabilities, primarily deposits and borrowings. The spread between the yield on interest-earning assets and the cost of interest-bearing liabilities and the relative dollar amounts of these assets and liabilities principally affect net interest income.

Net interest income totaled $10.3 million in the second quarter of 2011, up $3.5 million or 51.1% from the second quarter of 2010. The increase in net interest income reflected an increase in average interest-earning assets of $171.0 million in the current quarter to total $903.7 million, and a higher net interest margin of 4.58% in the current quarter, compared with 3.74% in the second quarter of 2010. The increase in average interest-earning assets during the current quarter was primarily due to the full quarter effect of the Canyon National Acquisition, which added $179.8 million in interest earning assets on February 11, 2011. The increase in the current quarter net interest margin of 84 basis points resulted primarily from a decrease in the average costs on interest-bearing liabilities of 66 basis points and an increase in the yield on interest-earning assets of 22 basis points. For the current quarter, the decrease in costs on our interest-bearing liabilities was mainly associated with a decline in our cost of deposits of 50 basis points from 1.55% to 1.05%, primarily as a result of the deposits acquired from Canyon National which changed our deposit composition to have a higher mix of lower cost transaction accounts. In addition, our cost of borrowings declined by 75 basis points from the pay down of higher cost borrowings. The increase in yield on our interest-earning assets was mainly due to an increase in our yield on loans of 22 basis points from 6.65% in the second quarter of 2010 to 6.87% in the second quarter of 2011, primarily as a result of acquired loan discount accretion that was disproportionately accreted in the second quarter of 2011 as we completed our analysis of our problem loan credits acquired from Canyon National. The yield on our loans for the first six months of 2011 was 6.77%, compared with 6.62% for the first six months of 2010.

For the first six months of 2011, our net interest income totaled $19.4 million, an increase of $5.9 million or 44.0% from the same period in the prior year. The increase in net interest income was associated with a higher net interest margin which increased by 75 basis points to 4.40% from 3.65% from the same period during the prior year, and higher interest-earning assets, which grew by $143.7 million to $884.4 million from $740.7 million from the same period during the prior year. The increase in net interest margin resulted primarily from a lower overall acquired deposit cost added at the time of acquisition of 47 basis points.

The following table present for the periods indicated the average dollar amounts from selected balance sheet categories calculated from daily average balances and the total dollar amount, including adjustments to yields and costs, of:

· Interest income earned from average interest-earning assets and the resultant yields; and

· Interest expense incurred from average interest-bearing liabilities and resultant costs, expressed as rates.

The table also sets forth our net interest income, net interest rate spread and net interest rate margin for the periods indicated. The net interest rate margin reflects the relative level of interest-earning assets to interest-bearing liabilities and equals our net interest rate spread divided by average interest-earning assets for the periods indicated.

	Three Months Ended June 30, 2011			Three Months Ended June 30, 2010		
	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
Assets			(dollars in thousands)			
Interest-earning assets:						
Cash and cash equivalents	$63,393	$32	0.20 %	$57,575	$33	0.23 %
Federal funds sold	10,406	2	0.08 %	29	-	0.00 %
Investment securities	145,503	1,025	2.82 %	143,325	1,115	3.11 %
Loans receivable, net (1)	684,346	11,750	6.87 %	531,753	8,842	6.65 %
Total interest-earning assets	903,648	12,809	5.67 %	732,682	9,990	5.45 %
Noninterest-earning assets	49,164			42,969		
Total assets	$952,812			$775,651		
Liabilities and Equity						

Interest-bearing liabilities:								
Transaction accounts	$405,096	$369	0.37	%	$227,042	$476	0.84	%
Retail certificates of deposit	410,022	1,777	1.74	%	389,488	1,903	1.96	%
Wholesale/brokered certificates of deposit	11,792	15	0.51	%	2,559	7	1.10	%
Total interest-bearing deposits	826,910	2,161	1.05	%	619,089	2,386	1.55	%
FHLB advances and other borrowings	28,676	235	3.29	%	66,852	685	4.11	%
Subordinated debentures	10,310	77	3.00	%	10,310	77	3.00	%
Total borrowings	38,986	312	3.21	%	77,162	762	3.96	%
Total interest-bearing liabilities	865,896	2,473	1.15	%	696,251	3,148	1.81	%
Non-interest-bearing liabilities	5,948				4,856			
Total liabilities	871,844				701,107			
Stockholders' equity	80,968				74,544			
Total liabilities and equity	$952,812				$775,651			
Net interest income		$10,336				$6,842		
Net interest rate spread (2)			4.52	%			3.64	%
Net interest margin (3)			4.58	%			3.74	%
Ratio of interest-earning assets to interest-bearing liabilities			104.36	%			105.23	%

(1) Average balance includes loans held for sale and nonperforming loans and is net of deferred loan origination fees, unamortized discounts and premiums, and ALLL.
(2) Represents the difference between the yield on interest-earning assets and the cost of interest-bearing liabilities.
(3) Represents net interest income divided by average interest-earning assets.

	Six Months Ended June 30, 2011				Six Months Ended June 30, 2010			
			(dollars in thousands)					
Assets	Average Balance	Interest	Average Yield/Cost		Average Balance	Interest	Average Yield/Cost	
Interest-earning assets:								
Cash and cash equivalents	$59,779	$61	0.21	%	$58,663	$66	0.23	%
Federal funds sold	8,165	3	0.07	%	29	-	0.00	%
Investment securities	158,125	2,196	2.78	%	138,643	2,111	3.05	%
Loans receivable, net (1)	658,365	22,283	6.77	%	543,365	17,997	6.62	%
Total interest-earning assets	884,434	24,543	5.55	%	740,700	20,174	5.45	%
Noninterest-earning assets	46,658				43,153			
Total assets	$931,092				$783,853			
Liabilities and Equity								
Interest-bearing liabilities:								
Transaction accounts	$372,804	$814	0.44	%	$217,341	$889	0.82	%
Retail certificates of deposit	410,602	3,590	1.76	%	397,265	4,053	2.06	%
Wholesale/brokered certificates of deposit	9,841	25	0.51	%	3,451	25	1.46	%
Total interest-bearing deposits	793,247	4,429	1.13	%	618,057	4,967	1.62	%
FHLB advances and other borrowings	41,793	523	2.52	%	74,450	1,553	4.21	%
Subordinated debentures	10,310	153	2.99	%	10,310	152	2.97	%
Total borrowings	52,103	676	2.62	%	84,760	1,705	4.06	%

Total interest-bearing liabilities	845,350	5,105	1.22	%	702,817	6,672	1.91	%
Non-interest-bearing liabilities	6,034				6,771			
Total liabilities	851,384				709,588			
Stockholder equity	79,708				74,265			
Total liabilities and equity	$931,092				$783,853			
Net interest income		$19,438				$13,502		
Net interest rate spread (2)			4.33	%			3.54	%
Net interest margin (3)			4.40	%			3.65	%
Ratio of interest-earning assets to interest-bearing liabilities			104.62	%			105.39	%

(1) Average balance includes loans held for sale and nonperforming loans and is net of deferred loan origination fees, unamortized discounts and premiums, and ALLL.
(2) Represents the difference between the yield on interest-earning assets and the cost of interest-bearing liabilities.
(3) Represents net interest income divided by average interest-earning assets.

Changes in our net interest income are a function of changes in both volumes and rates of interest-earning assets and interest-bearing liabilities. The following table presents the impact the volume and rate changes have had on our net interest income for the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, we have provided information on changes to our net interest income with respect to:

· Changes in interest rates (changes in interest rates multiplied by prior volume);

· Changes in volume (changes in volume multiplied by prior rate); and

· The net change or the combined impact of volume and rate changes allocated proportionately to changes in volume and changes in interest rates.

	Three Months Ended June 30, 2011 Compared to Three Months Ended June 30, 2010 Increase (decrease) due to			Six Months Ended June 30, 2011 Compared to Six Months Ended June 30, 2010 Increase (decrease) due to		
	Rate	Volume	Net	Rate	Volume	Net
			(in thousands)			
Interest-earning assets						
Cash and cash equivalents	$(4)	$3	$(1)	$(6)	$1	$(5)
Federal funds sold	2	-	2	3	-	3
Investment securities	(107)	17	(90)	(197)	282	85
Loans receivable, net	300	2,608	2,908	415	3,871	4,286
Total interest-earning assets	$191	$2,628	$2,819	$215	$4,154	$4,369
Interest-bearing liabilities						
Transaction accounts	$(356)	$249	$(107)	$(531)	$456	$(75)
Retail certificates of deposit	(223)	97	(126)	(599)	136	(463)
Wholesale/brokered certificates of deposit	(6)	14	8	(24)	24	-
FHLB advances and other borrowings	(117)	(333)	(450)	(492)	(538)	(1,030)

Subordinated debentures	-	-	-	1	-	1
Total interest-bearing liabilities	$(702)	$27	$(675)	$(1,645)	$78	$(1,567)
Change in net interest income	$893	$2,601	$3,494	$1,860	$4,076	$5,936

Provision for Loan Losses

The Company recorded a $1.3 million provision for loan losses during the second quarter of 2011, compared with $639,000 recorded in the second quarter of 2010. Strong credit quality metrics and recent charge-off history within our organic loan portfolio was a significant determinate in estimating the adequacy of our ALLL and our resultant provision at the end of the second quarter of 2011. Net loan charge-offs amounted to $1.7 million in the current quarter, up $1.0 million from $639,000 experienced during the second quarter of 2010. The loan charge offs we experienced in the second quarter of 2011 were primarily related to the loans acquired from Canyon National. Of the current quarter total charge-offs, purchased credit impaired loans of $629,000 and other purchased loans of $616,000 related to the Canyon National Acquisition.

The charge-offs related to purchase credit impaired loans was due to the decrease of estimated cash flows of certain acquired loans from original cash flow estimations. At the closing of the Canyon National Acquisition, purchased credit impaired loans were recorded at their estimated fair value, which incorporated our estimated expected cash flows until the ultimate resolution of these credits. To the extent actual or projected cash flows are less than originally estimated, additional provisions for loan losses or charge-offs will be recognized into earnings or against the allowance, if applicable. To the extent actual or projected cash flows are more than originally estimated, the increase in cash flows is prospectively recognized in loan interest income. Due to the accounting rules associated with our purchase credit impaired loans, each quarter we are required to re-estimate cash flows which could cause volatility in our reported net interest margin and provision for loans losses.

For the first six months of 2011, the provision for loan losses totaled $1.4 million and net loan charge-offs were $1.8 million. This compares with a provision for loan losses of $1.7 million and net charge-offs of $1.4 million for the first six months of 2010.

Our Loss Mitigation Department continues collection efforts on loans previously written down and/or charged-off to maximize potential recoveries. See “Allowance for Loan Losses” discussed below in this report.

Noninterest Income (Loss)

Our noninterest income (loss) amounted to a $1.1 million loss in the second quarter of 2011, representing an increase in loss of $55,000 from the same period in the prior year. The increase was primarily driven by larger losses on the sale of loans in the current quarter of $922,000, as we sold a book value of $10.2 million of primarily sub-performing loans acquired from Canyon National, compared to the sale of $8.5 million in the year-ago quarter. This loss was partially offset by higher deposit fee income of $427,000, primarily associated with a full quarter of the acquired Canyon National deposits, an increase in other income of $217,000 and a decrease in OTTI of $176,000.

For the first six months of 2011, our noninterest income totaled $4.1 million, compared with a loss of $1.8 million for the same period a year ago. The favorable change was reflected in all our noninterest income categories, but primarily related to the Canyon National Acquisition for which we recorded a bargain purchase gain of $4.2 million. In addition, we experienced an increase in deposit fee income of $687,000 and other income of $296,000, along with a decrease in the amount of OTTI loss of $288,000.

Noninterest Expense

Noninterest expense totaled $6.9 million in the second quarter of 2011, up $2.0 million or 42.6% from the same period in the prior year. Most of our noninterest expense categories increased primarily as a result of the Canyon National

Acquisition, which included increases in compensation and benefits costs of $1.4 million; legal and audit fees of $237,000; other expenses of $237,000; premises and occupancy expenses of $233,000, which included depreciation expense for the purchase of one Canyon National branch location from the FDIC of $1.8 million; marketing expense of $120,000; and data processing and communication costs of $118,000, partially offset by lower OREO operations, net of $370,000. Although we expect to incur higher expenses in conjunction with the Canyon National Acquisition, we have achieved some efficiencies which are evidenced by our efficiency ratio of 58.3% for the second quarter of 2011, compared with 59.8% for the second quarter of 2010.

For the first six months of 2011, noninterest expense totaled $13.2 million, up $4.1 million or 44.7% from the first six months of 2010. The increase was almost entirely related to the Canyon National Acquisition, which included one-time costs of approximately $629,000. Most of our noninterest expense categories were higher which included increases in compensation and benefits costs of $2.6 million, primarily from an increase in employee count and termination costs; other expense of $540,000; legal and audit fees of $504,000; premises and occupancy expenses of $407,000; data processing and communication costs of $235,000; and marketing expense of $200,000, partially offset by lower OREO operations, net of $402,000.

Income Taxes

For the three months ended June 30, 2011, we had a tax provision of $303,000, compared to $20,000 for the same period in 2010. The change in income taxes was primarily due to a favorable change in net income before taxes of $731,000. For the six months ended June 30, 2011, we had a tax provision of $3.4 million, compared to $120,000 for the same period in 2010. The change in income taxes was primarily due to a favorable change in net income before taxes of $8.1 million. At June 30, 2011, we had no valuation allowance against our deferred tax asset of $9.0 million based on management's analysis that the asset was more-likely-than-not to be realized.

FINANCIAL CONDITION

At June 30, 2011, assets totaled $948.1 million, up $150.9 million or 18.9% from June 30, 2010 and up $121.3 million or 14.7% from December 31, 2010. The increase from a year ago and since year end 2010 is predominately related to the Canyon National Acquisition. During the second quarter of 2011, assets decreased $8.4 million, primarily due to the reduction in cash of $9.8 million, OREO of $6.1 million and other assets of $2.6 million. Partially offsetting these decreases was an increase in loans held for investment of $8.5 million.

Loans

At June 30, 2011, net loans held for investment totaled $699.6 million, up $156.6 million or 28.8% from June 30, 2010 and $144.0 million or 25.9% from December 31, 2010. The increase from a year ago and since year end 2010 is predominately related to the Canyon National Acquisition.

The following table sets forth the composition of our loan portfolio in dollar amounts, as a percentage of the portfolio and gives the weighted average interest rate by loan category at the dates indicated:

June 30, 2011			December 31, 2010			June 30, 2010		
Amount	Percent of Total	Weighted Average Interest Rate	Amount	Percent of Total	Weighted Average Interest Rate	Amount	Percent of Total	Weighted Average Interest Rate
			(dollars in thousands)					

Real estate loans:														
Multi-family	$ 231,604	32.6	%	6.15 %	$ 243,584	42.9	%	6.21 %	$ 258,021	46.4	%	6.17 %		
Commercial non-owner occupied	155,419	21.9	%	6.64 %	130,525	23.0	%	6.66 %	136,053	24.5	%	6.82 %		
One-to-four family (1)	64,550	9.1	%	5.22 %	20,318	3.6	%	5.44 %	14,243	2.6	%	6.69 %		
Construction	-	0.0	%	0.00 %	-	0.0	%	0.00 %	-	0.0	%	0.00 %		
Land	8,752	1.2	%	5.64 %	-	0.0	%	0.00 %	-	0.0	%	0.00 %		
Business loans:														
Commercial owner occupied (2)	147,186	20.7	%	6.51 %	113,025	20.0	%	6.55 %	108,465	19.5	%	6.56 %		
Commercial and industrial	92,502	12.9	%	6.14 %	54,687	9.6	%	6.32 %	33,743	6.1	%	6.56 %		
SBA	4,682	0.7	%	5.99 %	4,088	0.7	%	5.92 %	3,346	0.6	%	5.87 %		
Other loans	6,497	0.9	%	5.84 %	1,417	0.2	%	4.54 %	1,869	0.3	%	1.87 %		
Total gross loans	711,192	100.0	%	6.23 %	567,644	100.0	%	6.35 %	555,740	100.0	%	6.43 %		
Less loans held for sale	-				-				-					
Total gross loans held for investment	711,192				567,644				555,740					
Less (plus):														
Deferred loan origination costs (fees) and premiums (discounts)	(3,096	)			(3,227	)			(3,548	)				
Allowance for loan losses	(8,517	)			(8,879	)			(9,169	)				
Loans held for investment, net	$ 699,579				$ 555,538				$ 543,023					

(1) Includes second trust deeds.
(2) Majority secured by real estate.

Gross loans held for investment, which are net of the Canyon National loan discount, totaled $711.2 million at June 30, 2011, compared to $555.7 million at June 30, 2010 and $567.6 million at December 31, 2010. The increase of $155.5 million from the same period in the prior year and $143.6 million since year end 2010 is predominately related to the Canyon National Acquisition whereby we acquired loans of $149.7 million. During the second quarter of 2011, gross loans increased $8.1 million and included loan originations of $18.2 million, purchases of $19.1 million, a net change in undisbursed loan funds of $4.2 million, a decrease in the Canyon National loan discount of $4.1 million, partially offset by principal repayments of $22.0 million and loan sales of $11.7 million. From time to time, management utilizes loan purchases or sales to manage its liquidity, interest rate risk, loan to deposit ratio, diversification of the loan portfolio and net balance sheet growth. Given the weakness in the commercial real estate ("CRE") markets where our loans are located, during the first quarter of 2010, management implemented a strategy to sell CRE loans to reduce its concentration in the loan portfolio. In accordance with that strategy, during the second quarter of 2011, $2.9 million of performing, primarily CRE, loans were sold. Additionally during the quarter, as part of our loss mitigation strategy to minimize losses in our loan portfolio, we sold $7.3 million of sub-performing, primarily Canyon National acquired loans. The total of these loans were sold at a net loss of $2.5 million for the current quarter.

The following table sets forth loan originations, purchases, sales and principal repayments relating to our gross loans for the periods indicated:

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
	(in thousands)	
Beginning balance gross loans	$ 567,644	$ 576,268
Loans originated:		
Real estate loans:		
Multi-family	2,018	-
Business loans:		
Commercial owner occupied (1)	1,363	-
Commecial and industrial	26,070	11,065
SBA	3,604	600
Other loans	3,907	4,671
Total loans originated	36,962	16,336
Loans purchased:		
Multi-family	3,075	-
Commercial non-owner occupied	28,732	-
Commercial owner occupied	45,557	18,251
Commecial and industrial	28,536	363
One-to-four family	28,987	2,398
Construction	5,592	-
Land	9,414	-
Other loans	21,578	-
Total loans purchased	171,471	21,012
Total loan production	208,433	37,348
Principal repayments	(30,049)	(34,274)
Change in Canyon National mark-to-market discount	4,062	-
Change in undisbursed loan funds	(11,096)	4,326
Sales of loans	(23,852)	(22,797)
Charge-offs	(1,843)	(1,601)
Transfer to other real estate owned	(2,107)	(3,530)
Net increase (decrease) in gross loans	143,548	(20,528)
Ending balance gross loans	$ 711,192	$ 555,740

(1) Majority secured by real estate.

The following table sets forth the weighted average interest rates, weighted average number of months to reprice and the periods to repricing for our real estate portfolio and our commercial owner occupied loans, which are predominantly secured by real estate, at the date indicated:

	June 30, 2011			
	Number of Loans	Amount	Weighted Average Interest Rate	Weighted Average Months to Reprice
	(dollars in thousands)			
1 Year and less	537	$ 318,168	6.11 %	2.34
Over 1 Year to 3 Years	140	128,895	6.61 %	19.45
Over 3 Years to 5 Years	27	31,873	6.55 %	47.46
Over 5 Years to 7 Years	18	15,541	6.39 %	78.01
Over 7 Years to 10 Years	19	20,523	4.86 %	218.80
Total adjustable	741	515,000	6.22 %	20.33
Fixed	258	92,511	6.46 %	
Total	999	$ 607,511	6.25 %	

Delinquent Loans. When a borrower fails to make required payments on a loan and does not cure the delinquency within 30 days, we normally record a notice of default and, after providing the required notices to the borrower, commence foreclosure proceedings. If the loan is not reinstated within the time permitted by law, we may sell the property at a foreclosure sale. At these foreclosure sales, we generally acquire title to the property. At June 30, 2011, loans delinquent 30 or more days as a percentage of total gross loans was 1.91%, up from 0.76% at December 31, 2010 and up from 0.39% at June 30, 2010. The increase in the ratio at the end of the current quarter compared to the prior periods was primarily a result of the acquisition of delinquent loans from Canyon National. As we executed our loss mitigation strategies during the second quarter of 2011, delinquent loans declined $13.0 million to $13.6 million, primarily from loans moving to current status of $6.4 million and sales of $4.5 million. At June 30, 2011, we had $6.9 million in delinquent loans acquired from Canyon National, of which $3.0 million were 30-59 days delinquent, $2.3 million were 60-89 days delinquent and $1.6 million were 90 days or more delinquent.

The following table sets forth delinquencies in the Company's loan portfolio at the dates indicated:

	30 - 59 Days		60 - 89 Days		90 Days or More (1)		Total	
	# of Loans	Principal Balance of Loans	# of Loans	Principal Balance of Loans	# of Loans	Principal Balance of Loans	# of Loans	Principal Balance of Loans
	(dollars in thousands)							
At June 30, 2011								

Real estate loans:												
Multi-family	-	$-		-	$-		3	$2,705		3	$2,705	
Commercial non-owner occupied	1	328		2	989		3	822		6	2,139	
One-to-four family	2	116		4	518		5	325		11	959	
Land	1	62		-	-		6	257		7	319	
Business loans:												
Commercial owner occupied	2	852		1	1,709		4	1,869		7	4,430	
Commercial and industrial	6	1,089		1	20		4	1,078		11	2,187	
SBA	1	72		-	-		7	720		8	792	
Other	2	37		2	26		2	19		6	82	
Total	15	$2,556		10	$3,262		34	$7,795		59	$13,613	
Delinquent loans to total gross loans		0.36	%		0.46	%		1.10	%		1.91	%
At December 31, 2010												
Real estate loans:												
Commercial non-owner occupied	2	$617		-	$-		-	$-		2	$617	
One-to-four family	3	402		1	17		1	20		5	439	
Business loans:												
Commercial owner occupied	1	184		-	-		3	2,225		4	2,409	
SBA	-	-		-	-		7	846		7	846	
Total	6	$1,203		1	$17		11	$3,091		18	$4,311	
Delinquent loans to total gross loans		0.21	%		0.00	%		0.54	%		0.76	%
At June 30, 2010												
Real estate loans:												
One-to-four family	2	$69		-	$-		3	$66		5	135	
Business loans:												
Commercial owner occupied	-	-		-	-		2	957		2	957	
Commercial and industrial	-	-		-	-		1	37		1	37	
SBA	1	238		-	-		6	780		7	1,018	
Total	3	$307		-	$-		12	$1,840		15	$2,147	
Delinquent loans to total gross loans		0.06	%		0.00	%		0.33	%		0.39	%

(1) All loans that are delinquent 90 days or more are on nonaccrual status and reported as part of nonperforming loans.

Allowance for Loan Losses. The ALLL represents an estimate of probable losses inherent in our loan portfolio and is determined by applying a systematically derived loss factor to individual segments of the loan portfolio. The adequacy and appropriateness of the ALLL and the individual loss factors is reviewed each quarter by management.

The loss factor for each segment of our loan portfolio is generally based on our actual historical loss rate experience with emphasis on recent past periods to account for current economic conditions and supplemented by management judgment for certain segments where we lack loss history experience. We also consider historical charge-off rates for the last 10 and 15 years for commercial banks and savings institutions headquartered in California as collected and reported by the FDIC. The loss factor is adjusted by qualitative adjustment factors to arrive at a final loss factor for each loan portfolio segment. For additional information regarding the qualitative adjustments, please see "Allowances for Loan Losses" discussed in our 2010 Annual Report on Form 10-K. The qualitative factors allow management to assess current trends within our loan portfolio and the economic environment to incorporate their affect when calculating the ALLL. The final loss factors are applied to pass graded loans within our loan portfolio. Higher factors are applied to loans graded below pass, including classified and criticized assets.

No assurance can be given that we will not, in any particular period, sustain loan losses that exceed the amount reserved, or that subsequent evaluation of our loan portfolio, in light of the prevailing factors, including economic conditions which may adversely affect our market area or other circumstances, will not require significant increases in the loan loss allowance. In addition, regulatory agencies as an integral part of their examination process, periodically review our ALLL and may require us to recognize additional provisions to increase the allowance or take charge-offs in anticipation of future losses.

At June 30, 2011, the Company's ALLL was $8.5 million, a decrease of $652,000 from the same period in the prior year and a decrease of $362,000 from year-end 2010. During the second quarter of 2011, our ALLL decreased $362,000 primarily due to the net loan charge-offs of $1.7 million being larger than the recorded provision for loan losses of $1.3 million. Strong credit quality metrics and recent charge-off history within our organic loan portfolio was a significant determinate in estimating the adequacy of our allowance for loan losses and our resultant provision for the first quarter of 2011. At June 30, 2011, given the composition of our loan portfolio, the ALLL was considered adequate to cover estimated losses inherent in the loan portfolio.

The following table sets forth the Company's ALLL and its corresponding percentage of the loan category balance and the percent of loan balance to total gross loans in each of the loan categories listed for the periods indicated:

	June 30, 2011			December 31, 2010			June 30, 2010		
Balance at End of Period Applicable to	Amount	Allowance as a % of Category Total	% of Loans in Category to Total Loans	Amount	Allowance as a % of Category Total	% of Loans in Category to Total Loans	Amount	Allowance as a % of Category Total	% of Loans in Category to Total Loans
				(dollars in thousands)					
Real estate loans:									
Multi-family	$ 2,456	1.06 %	32.6 %	$ 2,730	1.12 %	42.9 %	$ 3,350	1.30 %	46.4 %
Commercial non-owner occupied	1,490	0.96 %	21.9 %	1,580	1.21 %	23.0 %	1,933	1.42 %	24.5 %
One-to-four family	324	0.50 %	9.1 %	332	1.63 %	3.6 %	222	1.56 %	2.6 %
Land	-	0.00 %	1.2 %	-	--	0.0 %	-	0.00 %	0.0 %
Business loans:									
Commercial owner occupied	1,536	1.04 %	20.7 %	1,687	1.49 %	20.0 %	1,170	1.08 %	19.5 %
	2,561	2.77 %	12.9 %	2,356	4.31 %	9.6 %	2,303	6.83 %	6.1 %

Commercial and industrial									
SBA	97	2.07 %	0.7 %	145	3.55 %	0.7 %	179	5.34 %	0.6 %
Other Loans	53	0.82 %	0.9 %	49	3.46 %	0.2 %	12	0.65 %	0.3 %
Total	$ 8,517	1.20 %	100.0 %	$ 8,879	1.56 %	100.0 %	$ 9,169	1.65 %	100.0 %

The ALLL as a percent of nonaccrual loans was 78.2% at June 30, 2011, down from 472.1% at June 30, 2010 and 270.9% at December 31, 2010. The decrease in ALLL as a percent of nonaccrual loans at June 30, 2011 compared to the same period in the prior year and year-end 2010 was primarily due to the addition of nonaccrual loans acquired from Canyon National in the first quarter of 2011. At June 30, 2011, the ratio of ALLL to total gross loans was 1.2%, down from 1.7% at June 30, 2010 and 1.6% at December 31, 2010. The decrease in these ratios compared to the same period in the prior year and year-end 2010 were primarily due to the loans acquired from Canyon National.

The following table sets forth the activity within the Company's ALLL in each of the loan categories listed for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(dollars in thousands)			
Balance, beginning of period	$ 8,879	$ 9,169	$ 8,879	$ 8,905
Provision for loan losses	1,300	639	1,406	1,695
Charge-offs:				
Real estate:				
Multi-family	(321)	-	(349)	(334)
Commercial non-owner occupied	-	(405)	-	(405)
One-to-four family	(274)	(97)	(416)	(107)
Land	(161)	-	(161)	-
Business loans:				
Commercial owner occupied	(98)	-	(98)	-
Commercial and industrial	(712)	-	(712)	(515)
SBA	(52)	(240)	(52)	(240)
Other loans	(55)	-	(55)	-
Total charge-offs	(1,673)	(742)	(1,843)	(1,601)
Recoveries :				
Real estate:				
One-to-four family	1	2	55	22
Business loans:				
Commercial owner occupied	-	10	-	10
SBA	5	88	11	131
Other loans	5	3	9	7
Total recoveries	11	103	75	170
Net loan charge-offs	(1,662)	(639)	(1,768)	(1,431)
Balance at end of period	$ 8,517	$ 9,169	$ 8,517	$ 9,169
Ratios:				

Net charge-offs to average total loans, net	0.97	%	0.48	%	0.54	%	0.53	%
Allowance for loan losses to gross loans at end of period	1.20	%	1.65	%	1.20	%	1.65	%

Investment Securities

Investment securities available for sale totaled $141.3 million at June 30, 2011, down $22.2 million or 13.6% from June 30, 2010 and $13.8 million or 8.9% from December 31, 2010. During the second quarter of 2011, investment securities remained essentially unchanged and included sales of $22.6 million and principal payments of $3.4 million, partially offset by purchases of $24.7 million. At June 30, 2011, the investment securities available for sale consisted of $114.7 million of GSE mortgage-backed securities, $23.2 million of municipal bonds, $3.3 million of private label mortgage-backed securities and $161,000 in U.S. Treasury securities. At June 30, 2011, 59 of our 72 private label mortgage-backed securities ("MBS") were classified as substandard or impaired and had a book value of $3.5 million and a market value of $2.8 million. Interest received from these securities is applied against their respective principal balances. All of our private label MBS were acquired when we redeemed our shares in certain mutual funds in 2008.

The following tables set forth the amortized cost, unrealized gains and losses, and estimated fair value of our investment securities portfolio at the dates indicated:

	June 30, 2011			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
	(in thousands)			
Investment securities available for sale:				
U.S. Treasury	$ 147	$ 14	$ -	$ 161
Municipal bonds	23,069	297	(182)	23,184
Mortgage-backed securities	117,789	1,411	(1,241)	117,959
Total securities available for sale	141,005	1,722	(1,423)	141,304
Stock:				
FHLB stock	11,473	-	-	11,473
Federal Reserve Bank stock	2,019	-	-	2,019
Total stock	13,492	-	-	13,492
Total securities	$ 154,497	$ 1,722	$ (1,423)	$ 154,796

	December 31, 2010			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
	(in thousands)			
Investment securities available for sale:				
U.S. Treasury	$ 148	$ 11	$ -	$ 159
Municipal bonds	20,555	7	(803)	19,759
	135,944	1,292	(2,060)	135,176

Mortgage-backed securities									
Total securities available for sale		156,647		1,310		(2,863	)		155,094
Stock:									
FHLB stock		11,315		-		-			11,315
Federal Reserve Bank stock		2,019		-		-			2,019
Total stock		13,334		-		-			13,334
Total securities	$	169,981	$	1,310	$	(2,863	)	$	168,428

	June 30, 2010								
	Amortized Cost		Unrealized Gain		Unrealized Loss			Estimated Fair Value	
	(in thousands)								
Investment securities available for sale:									
U.S. Treasury	$	147	$	13	$	-		$	160
Municipal bonds		21,861		189		(15	)		22,035
Mortgage-backed securities		142,384		1,114		(2,223	)		141,275
Total securities available for sale		164,392		1,316		(2,238	)		163,470
Stock:									
FHLB stock		12,258		-		-			12,258
Federal Reserve Bank stock		2,019		-		-			2,019
Total stock		14,277		-		-			14,277
Total securities	$	178,669	$	1,316	$	(2,238	)	$	177,747

The following table sets forth the fair values and weighted average yields on our investment securities available for sale portfolio by contractual maturity at the date indicated:

	June 30, 2011									
	One Year or Less		More than One to Five Years		More than Five Years to Ten Years		More than Ten Years		Total	
	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield
	(dollars in thousands)									
Investment securities available for sale:										
U.S. Treasury	$ -	0.00 %	$ 78	3.53 %	$ 83	4.15 %	$ -	0.00 %	$ 161	3.84 %
Municipal bonds	-	0.00 %	-	0.00 %	1,229	3.89 %	21,955	3.90 %	23,184	3.90 %
Mortgage-backed securities:										
Government Sponsored	-	0.00 %	198	2.41 %	88	4.63 %	114,400	2.87 %	114,686	2.87 %

Enterprise										
Private label securities	-	0.00 %	-	0.00 %	-	0.00 %	3,273	6.38 %	3,273	6.38 %
Total investment securities available for sale	-	0.00 %	276	2.73 %	1,400	3.96 %	139,628	3.11 %	141,304	3.14 %
Stock:										
FHLB	2,019	0.00 %	-	0.00 %	-	0.00 %	-	0.00 %	2,019	0.00 %
Federal Reserve Bank	11,473	6.00 %	-	0.00 %	-	0.00 %	-	0.00 %	11,473	6.00 %
Total stock	13,492	5.10 %	-	0.00 %	-	0.00 %	-	0.00 %	13,492	5.10 %
Total securities	$ 13,492	5.10 %	$ 276	2.73 %	$ 1,400	3.96 %	$ 139,628	3.11 %	$ 154,796	3.31 %

Each quarter, we review individual securities classified as available for sale to determine whether a decline in fair value below the amortized cost basis is other-than-temporary. If it is probable that we will be unable to collect all amounts due according to the contractual terms of the debt security, an OTTI write down is recorded against the security and a loss recognized.

In determining if a security has an OTTI loss, we review downgrades in credit ratings and the length of time and extent that the fair value has been less than the cost of the security. We estimate OTTI losses on a security primarily through:

- An evaluation of the present value of estimated cash flows from the security using the current yield to accrete beneficial interest and including assumptions in the prepayment rate, default rate, delinquencies, loss severity and percentage of nonperforming assets;
- An evaluation of the estimated payback period to recover principal;
- An analysis of the credit support available in the underlying security to absorb losses; and
- A review of the financial condition and near term prospects of the issuer.

During the quarter ended June 30, 2011, we took a net $154,000 OTTI charge against our private label mortgage-backed securities deemed to be impaired, compared to $330,000 of OTTI charges during the same period last year. These impaired private label mortgage-backed securities are classified as substandard assets with all the interest received since the date of impairment being applied against their principal balances.

Securities with OTTI credit losses recognized in noninterest income and associated OTTI non-credit losses recognized in accumulated other comprehensive loss during the periods indicated were as follows:

	Three Months Ended June 30, 2011				Three Months Ended June 30, 2010			
Rating	Number	Fair Value	OTTI Credit Loss	Non Credit Gain (Loss) in AOCL	Number	Fair Value	OTTI Credit Loss	Non Credit Loss in AOCL
				(dollars in thousands)				
C	1	$ 149	$ (13)	$ 38	4	$ 240	$ (80)	$ (4)
CC	2	13	(43)	(103)	3	127	(104)	(136)
CCC	3	140	(66)	(92)	3	87	(125)	(118)
D	3	162	(32)	(2)	2	204	(21)	(60)
	9	$ 464	$ (154)	$ (159)	12	$ 658	$ (330)	$ (318)

	Six Months Ended June 30, 2011				Six Months Ended June 30, 2010			
Rating	Number	Fair Value	OTTI credit loss	Non Credit Gain (Loss) in AOCL	Number	Fair Value	OTTI credit loss	Non Credit Loss in AOCL
	(dollars in thousands)							
BB	1	$7	$(7)	$ 3	-	$-	$-	$-
C	2	152	(37)	40	5	257	(195)	(15)
CC	3	504	(82)	(124)	5	365	(217)	(350)
CCC	5	158	(91)	(86)	3	87	(125)	(118)
C	9	168	(151)	(32)	4	204	(119)	(60)
	20	$989	$(368)	$ (199)	17	$913	$(656)	$(543)

The largest OTTI credit loss for any single debt security was $34,000 for the three months ended June 30, 2011 and $57,000 for the same period in the prior year.

Nonperforming Assets

Nonperforming assets consist of loans on which we have ceased accruing interest (nonaccrual loans), restructured loans and real estate acquired in settlement of loans (OREO). It is our general policy to account for a loan as nonaccrual when the loan becomes 90 days delinquent or when collection of interest appears doubtful.

At June 30, 2011, nonperforming assets totaled $15.3 million or 1.62% of total assets, up from $3.8 million or 0.48% at June 30, 2010 and $3.3 million or 0.40% at December 31, 2010. During the second quarter of 2011, nonperforming loans decreased $9.8 million to total $10.9 million and OREO decreased $6.1 million to total $4.4 million. Of the decrease in nonperforming loans, $6.5 million related to purchased credit impaired loans that were put on nonaccrual status when they were acquired from Canyon National, but were then subsequently placed on accrual status after we completed our analysis of these credits during the second quarter of 2011. The remainder of the decline in nonperforming loans as well as in OREO was primarily due to sales that were over and above any additions to these categories. Of the balances at June 30, 2011, 37% of nonperforming loans and all of OREO were associated with assets acquired from Canyon National.

The following table sets forth our composition of nonperforming assets at the dates indicated:

	June 30, 2011	December 31, 2010	June 30, 2010
		(dollars in thousands)	
Nonperforming assets			
Real estate:			
Multi-family	$ 3,011	$ -	$ -
Commercial non-owner occupied	2,502	-	-
One-to-four family	332	27	85
Land	257	-	-
Business loans:			
Commercial owner occupied	1,869	2,225	957
	2,063	54	37

Commercial and industrial								
SBA (1)		834			971			863	
Other loans		20			-			-	
Total nonaccrual loans		10,888			3,277			1,942	
Other real estate owned:									
Commercial non-owner occupied		1,410			-			-	
One-to-four family		1,765			34			-	
Construction		263			-			-	
Land		716			-			1,860	
Commercial owner occupied		293			-			-	
Total other real estate owned		4,447			34			1,860	
Total nonperforming assets, net	$	15,335		$	3,311		$	3,802	
Allowance for loan losses	$	8,517		$	8,879		$	9,169	
Allowance for loan losses as a percent of total nonperforming loans, gross		78.22	%		270.95	%		472.14	%
Nonperforming loans as a percent of gross loans receivable		1.53	%		0.58	%		0.35	%
Nonperforming assets as a percent of total assets		1.62	%		0.40	%		0.48	%

(1) The SBA totals include the guaranteed amount, which was $216,000 as of June 30, 2011, $245,000 as of December 31, 2010, and $377,000 as of June 30, 2010.

Liabilities and Stockholders’ Equity

Total liabilities were $866.3 million at June 30, 2011, compared to $721.7 million at June 30, 2010 and $748.2 million at December 31, 2010. The increase from a year ago and since year end 2010 is predominately related to the Canyon National Acquisition. During the second quarter of 2011, liabilities decreased $10.5 million, primarily due to a decrease in deposits of $16.8 million, partially offset by an increase in accrued expenses and other liabilities primarily associated with securities purchased, but not yet settled.

Deposits. Deposits totaled $816.0 million at June 30, 2011, up $183.9 million or 29.1% from June 30, 2010 and $156.7 million or 23.8% from December 31, 2010. The increase from a year ago and since year end 2010 is predominately related to the Canyon National Acquisition. During the second quarter of 2011, deposits decreased $16.8 million primarily due to decreases in certificates of deposit of $16.9 million and interest bearing transaction accounts of $4.1 million, partially offset by an increase in noninterest bearing checking of $4.3 million. Total average cost of deposits measured at period end decreased from 1.07% at March 31, 2011 to 1.02% at June 30, 2011, primarily due to the decline in certificates of deposit during the current quarter. At June 30, 2011, our gross loan to deposit ratio was 86.8%, down from 87.4% at June 30, 2010, but up from 85.6% at December 31, 2010.

The following table sets forth the distribution of the Company's deposit accounts at the dates indicated and the weighted average interest rates on each category of deposits presented:

	June 30, 2011			December 31, 2010			June 30, 2010		
	Balance	% of Total Deposits	Weighted Average Rate	Balance	% of Total Deposits	Weighted Average Rate	Balance	% of Total Deposits	Weighted Average Rate
				(dollars in thousands)					
Transaction accounts:									
Non-interest bearing checking	$ 122,539	15.0 %	0.00 %	$ 47,229	7.2 %	0.00 %	$ 38,973	6.2 %	0.00 %
Interest bearing checking	58,090	7.1 %	0.24 %	21,137	3.2 %	0.14 %	19,174	3.0 %	0.34 %
Money market	119,286	14.6 %	0.57 %	113,333	17.2 %	0.97 %	105,380	16.7 %	0.95 %
Regular passbook	106,189	13.0 %	0.49 %	68,559	10.3 %	0.96 %	74,352	11.7 %	1.11 %
Total transaction accounts	406,104	49.8 %	0.34 %	250,258	38.0 %	0.72 %	237,879	37.6 %	0.77 %
Certificates of deposit accounts:									
Less than 1.00%	69,348	8.5 %	0.55 %	46,528	7.1 %	0.46 %	55,037	8.7 %	0.42 %
1.00 - 1.99	195,183	23.9 %	1.56 %	172,974	26.2 %	1.61 %	112,364	17.8 %	1.75 %
2.00 - 2.99	138,183	16.9 %	2.30 %	186,173	28.2 %	2.31 %	222,930	35.3 %	2.32 %
3.00 - 3.99	1,745	0.2 %	3.50 %	984	0.1 %	3.24 %	1,022	0.2 %	3.28 %
4.00 - 4.99	2,024	0.2 %	4.45 %	1,097	0.2 %	4.41 %	1,600	0.3 %	4.44 %
5.00 and greater	3,398	0.4 %	5.22 %	1,226	0.2 %	5.30 %	1,211	0.2 %	5.30 %
Total certificates of deposit accounts	409,881	50.2 %	1.69 %	408,982	62.0 %	1.82 %	394,164	62.4 %	1.91 %
Total deposits	$ 815,985	100.0%	1.02 %	$ 659,240	100.0%	1.40 %	$ 632,043	100.0 %	1.49 %

Borrowings. At June 30, 2011, total borrowings amounted to $38.8 million, down $38.0 million or 49.5% from June 30, 2010 and $40.0 million or 50.8% from December 31, 2010. The reduction in borrowings from the same period in the prior year and since year-end 2010 was a result of the liquidity we received from the Canyon National Acquisition that allowed us to pay off $40.0 million in fixed rate FHLB term advances. Total borrowings during the second quarter remained unchanged and represented 4.1% of total assets and had a weighted average cost of 3.03% at June 30, 2011, compared with 9.6% of total assets at a weighted average cost of 3.97% at June 30, 2010 and 9.5% of total assets and at a weighted average cost of 1.81% at December 31, 2010. At June 30, 2011, total borrowings were comprised of the following:

· Three inverse putable reverse repurchase agreements totaling $28.5 million at a weighted average rate of 3.04% and secured by approximately $37.3 million of GSE mortgage backed securities; and

· Subordinated debentures used to fund the issuance of trust preferred securities in 2004 of $10.3 million with a rate of 3.03%.

The following table sets forth certain information regarding the Company's borrowed funds at the dates indicated:

June 30, 2011	December 31, 2010	June 30, 2010

	Balance	Weighted Average Rate	Balance	Weighted Average Rate	Balance	Weighted Average Rate
			(dollars in thousands)			
FHLB advances	$ -	0.00 %	$ 40,000	0.61 %	$ 38,000	4.92 %
Reverse repurchase agreements	28,500	3.04 %	28,500	3.04 %	28,500	3.04 %
Subordinated debentures	10,310	3.03 %	10,310	3.04 %	10,310	3.05 %
Total borrowings	$ 38,810	3.03 %	$ 78,810	1.81 %	$ 76,810	3.97 %
Weighted average cost of borrowings during the quarter	3.21 %		4.40 %		3.96 %	
Borrowings as a percent of total assets	4.1 %		9.5 %		9.6 %	

Stockholders' Equity. Total stockholders' equity was $81.8 million as of June 30, 2011, up from $75.5 million at June 30, 2010 and $78.6 million at December 31, 2010. The current year increase of $3.2 million was due to net income of $5.6 million and an improvement in accumulated other comprehensive income (loss) of $1.1 million, partially offset by a decrease in additional paid in capital of $3.5 million. The reduction in paid in capital primarily occurred during the first quarter when we repurchase and retired two outstanding warrants that were exercisable for an aggregate of 600,000 shares of the Company's common stock. The result of this transaction reduced the total amount of fully diluted shares outstanding by approximately 5.4%, and was accretive to the Company's fully diluted book value per share. Our basic book value per share increased to $8.11 at June 30, 2011 from $7.83 at December 31, 2010, while our diluted book value per share increased to $7.84 at June 30, 2011 from $7.18 at December 31, 2010. At June 30, 2011, the Company's tangible common equity to total assets ratio was 8.42%.

CAPITAL RESOURCES AND LIQUIDITY

Our primary sources of funds are deposits, advances from the FHLB and other borrowings, principal and interest payments on loans, and income from investments. While maturities and scheduled amortization of loans are a predictable source of funds, deposit inflows and outflows as well as loan prepayments are greatly influenced by general interest rates, economic conditions, and competition.

Our primary sources of funds generated during the first six months of 2011 were from:

- Proceeds of $52.1 million from the sale and principal payments on securities available for sale;
- Proceeds of $49.4 million from the sale and principal payments on loans held for investment;
- Proceeds of $26.4 million received from the FDIC for the acquisition of certain assets and assumption of certain liabilities of Canyon National;
- Proceeds from the sale of other real estate owned of $19.4 million; and
- A net change in undisbursed loan funds of $11.1 million.

We used these funds to:

- Purchase and originate loans held for investment of $58.9 million;
- Absorb deposit outflows of $47.6 million
- Reduce FHLB advances by $40.0 million; and
- Purchase securities available for sale of $19.6 million.

Our most liquid assets are unrestricted cash and short-term investments. The levels of these assets are dependent on our operating, lending and investing activities during any given period. Our liquidity position is continuously monitored and adjustments are made to the balance between sources and uses of funds as deemed appropriate. At June 30, 2011, cash and cash equivalents totaled $47.0 million and the market value of our investment securities available for sale totaled $141.3 million. If additional funds are needed, we have additional sources of liquidity that can be accessed, including FHLB advances, Federal Funds lines, the Federal Reserve's lending programs and loan sales. As of June 30, 2011, the maximum amount we could borrow through the FHLB was $428.3 million, of which $247.9 million was available for borrowing based on collateral pledged of $469.3 million in real estate loans and $11.5 million of FHLB Stock. At June 30, 2011, we had unsecured lines of credit aggregating $48.8 million, which consisted of $44.0 million with other financial institutions from which to draw funds and $4.8 million with the Federal Reserve Bank. At June 30, 2011, no funds were drawn against these lines. For the quarter ended June 30, 2011, our average liquidity ratio was 19.32%, down from a ratio of 20.23% for the same period in 2010.

To the extent that 2011 deposit growth is not sufficient to satisfy our ongoing commitments to fund maturing and withdrawalable deposits, repay maturing borrowings, fund existing and future loans, or make investments, we may access funds through our FHLB borrowing arrangement, unsecured lines of credit or other sources.

The Bank has a policy in place that permits the purchase of brokered funds, in an amount not to exceed 5% of total deposits, as a secondary source for funding. At June 30, 2011, we had no brokered time deposits.

The Corporation is a corporate entity separate and apart from the Bank that must provide for its own liquidity. The Corporation's primary sources of liquidity are dividends from the Bank. There are statutory and regulatory provisions that limit the ability of the Bank to pay dividends to the Corporation. Management believes that such restrictions will not have a material impact on the ability of the Corporation to meet its ongoing cash obligations.

The boards of directors of the Corporation and the Bank have adopted certain resolutions which require, among other things, that the Corporation provide prior written notice to the Federal Reserve Bank before (i) receiving any dividends or other distributions from the Bank, (ii) declaring any dividends or making any payments on trust preferred securities or subordinated debt, (iii) making any capital distributions, (iv) incurring, increasing, refinancing or guaranteeing any debt; (v) issuing any trust preferred securities or (iv) repurchasing, redeeming or acquiring any of our stock.

Contractual Obligations and Off-Balance Sheet Commitments

Contractual Obligations. The Company enters into contractual obligations in the normal course of business primarily as a source of funds for its asset growth and to meet required capital needs.

The following schedule summarizes maturities and payments due on our obligations and commitments, excluding accrued interest, as of the date indicated:

	June 30, 2011				
	Less Than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total

	(in thousands)				
Contractual obligations					
FHLB advances	$ -	$ -	$ -	$ -	$ -
Other borrowings	-	-	-	28,500	28,500
Subordinated debentures	-	-	-	10,310	10,310
Certificates of deposit	355,493	39,941	13,653	794	409,881
Operating leases	791	1,479	1,242	3,346	6,858
Total contractual cash obligations	$ 356,284	$ 41,420	$ 14,895	$ 42,950	$ 455,549

Off-Balance Sheet Commitments. We utilize off-balance sheet commitments in the normal course of business to meet the financing needs of our customers and to reduce our own exposure to fluctuations in interest rates. These financial instruments include commitments to originate real estate, business and other loans held for investment, undisbursed loan funds, lines and letters of credit, and commitments to purchase loans and investment securities for portfolio. The contract or notional amounts of those instruments reflect the extent of involvement we have in particular classes of financial instruments.

Commitments to originate loans held for investment are agreements to lend to a customer as long as there is no violation of any condition established in the commitment. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some commitments expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Undisbursed loan funds and unused lines of credit on home equity and commercial loans include committed funds not disbursed. Letters of credit are conditional commitments we issue to guarantee the performance of a customer to a third party. As of June 30, 2011, we had commitments to extend credit on existing lines and letters of credit of $65.5 million, compared to $18.2 million at June 30, 2010 and $34.7 million at December 31, 2010.

The following table summarizes our contractual commitments with off-balance sheet risk by expiration period at the date indicated:

	June 30, 2011				
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
			(in thousands)		
Other unused commitments					
Home equity lines of credit	$ -	$ -	$ 3	$ 5,502	$ 5,505
Commercial lines of credit	28,356	1,067	84	27,709	57,216
Other lines of credit	652	309	-	10	971
Standby letters of credit	903	900	-	-	1,803
Total commitments	$ 29,911	$ 2,276	$ 87	$ 33,221	$ 65,495

Regulatory Capital Compliance

The Corporation owns all of the capital stock of the Bank. Federal banking regulations define, for each capital category, the levels at which institutions are "well capitalized," "adequately capitalized," or undercapitalized. A "well capitalized" institution has a total risk-based capital ratio of 10.0% or higher; a Tier I risk-based capital ratio of 6.0% or higher; and a leverage ratio of 5.0% or higher. At June 30, 2011, the Bank exceeded the "well capitalized" standards.

The Bank's and the Company's capital amounts and ratios are presented in the following table along with the well capitalized requirement at the dates indicated:

	Tier-1 Capital to Adjusted Tangible Assets			Tier-1 Risk-Based Capital to Risk-Weighted Assets			Total Capital to Risk-Weighted Assets		
	Amount	Ratio		Amount	Ratio		Amount	Ratio	
				(dollars in thousands)					
June 30, 2011									
Bank:									
Regulatory capital	$83,266	8.80	%	$83,266	11.47	%	$91,782	12.64	%
Adequately capitalized requirement	37,836	4.00	%	29,049	4.00	%	58,098	8.00	%
Well capitalized requirement	47,296	5.00	%	43,573	6.00	%	72,622	10.00	%
Consolidated regulatory capital	84,102	8.90	%	84,102	11.69	%	92,619	12.88	%
December 31, 2010									
Bank:									
Regulatory capital	$82,784	10.29	%	$82,784	14.03	%	$90,180	15.28	%
Adequately capitalized requirement	32,183	4.00	%	23,608	4.00	%	47,216	8.00	%
Well capitalized requirement	40,229	5.00	%	35,415	6.00	%	59,020	10.00	%
Consolidated regulatory capital	83,711	10.41	%	83,711	14.07	%	91,167	15.32	%
June 30, 2010									
Bank:									
Regulatory capital	$79,375	10.30	%	$79,375	13.88	%	$86,551	15.13	%
Adequately capitalized requirement	30,827	4.00	%	22,881	4.00	%	45,763	8.00	%
Well capitalized requirement	38,533	5.00	%	34,322	6.00	%	57,204	10.00	%
Consolidated regulatory capital	80,484	10.44	%	80,484	13.95	%	87,720	15.20	%

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Management believes that there have been no material changes in our quantitative and qualitative information about market risk since December 31, 2010. For a complete discussion of our quantitative and qualitative market risk, see "Item 7A. Quantitative and Qualitative Disclosure About Market Risk" in our 2010 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, an evaluation was carried out by our management, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Controls

There have not been any changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We were not involved in any legal proceedings other than those occurring in the ordinary course of business, except for the "James Baker v. Century Financial, et al" which was discussed in "Item 3. Legal Proceedings" in our 2010 Annual Report on Form 10-K. Management believes that none of these legal proceedings, individually or in the aggregate, will have a material adverse impact on our results of operations or financial condition.

Item 1A. Risk Factors

There were no material changes to the risk factors as previously disclosed under Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2010.

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

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Reserved

Item 5. Other Information

None

Item 6. Exhibits

Exhibit 31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15(d)-14(a) under the Securities Exchange Act of 1934, as amended
Exhibit 31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15(d)-14(a) under the Securities Exchange Act of 1934, as amended
Exhibit 32	

	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 101.INS	XBRL Instance Document (1)
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document (1)
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (1)
Exhibit 101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document (1)
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document (1)
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (1)

(1) Pursuant to Rule 406T of Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, and is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended and otherwise is not subject to liability under these sections.

SIGNATURES

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

PACIFIC PREMIER BANCORP, INC.,

August 15, 2011 Date	By: /s/ Steven R. Gardner Steven R. Gardner President and Chief Executive Officer (principal executive officer)
August 15, 2011 Date	By: /s/ Kent J. Smith Kent J. Smith Executive Vice President and Chief Financial Officer (principal financial and accounting officer)

Index to Exhibits

Exhibit No.	Description of Exhibit
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