PACIFIC PREMIER BANCORP INC
Form 10-Q
November 14, 2008

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 September 30, 2008

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.
(X) 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	[ ]	Smaller reporting company	[x]
				(Do not check if a smaller reporting company)			

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 September 30, 2008 was 4,903,784.

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARIES
FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2008

INDEX

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

Consolidated Statements of Financial Condition: At June 30, 2008 (unaudited) and December 31, 20007

Consolidated Statements of Income: For the three and six months ended June 30, 2008 and 2007 (unaudited)

Consolidated Statements of Stockholders' Equity and Comprehensive Income: For the three and six months ended June 30, 2008 and 2007

Consolidated Statements of Cash Flows: For the six months ended June 30, 2008 and 2007 (unaudited)

Notes to Consolidated Financial Statements (unaudited)

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

Item 3 - Quantitative and Qualitative Disclosures About Market Risk

Item 4 - Controls and Procedures

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

Item 1A - Risk Factors

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

Item 3 - Defaults Upon Senior Securities

Item 4 - Submission of Matters to a Vote of Security Holders

Item 5 - Other Information

Item 6 - Exhibits

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollars in thousands)

	September 30, 2008 (Unaudited)	December 31, 2007
ASSETS		
Cash and due from banks	$ 7,187	$ 8,307
Federal funds sold	2,325	25,714
Cash and cash equivalents	9,512	34,021
Investment securities available for sale	60,084	56,238
FHLB Stock/Federal Reserve Stock, at cost	14,203	16,804
Loans:		
Loans held for sale, net	682	749
Loans held for investment, net of allowance of $5,867 (2008) and $4,598 (200)	639,461	622,114
Accrued interest receivable	3,813	3,995
Other real estate owned	26	711
Premises and equipment	9,298	9,470
Current income taxes	-	524
Deferred income taxes	9,320	6,754
	11,263	10,869

Bank owned life insurance				
Other assets		935		1,171
Total Assets	$	758,597	$	763,420
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES				
Deposit accounts				
Noninterest bearing	$	28,403	$	25,322
Interest bearing:				
Transaction accounts		59,747		63,989
Retail certificates of deposit		303,047		257,515
Wholesale/brokered certificates of deposit		30,757		39,909
Total Deposits		421,954		386,735
Borrowings		261,500		297,965
Subordinated debentures		10,310		10,310
Accrued expenses and other liabilities		6,817		7,660
Total Liabilities	$	700,581	$	702,670
COMMITMENTS AND CONTINGENCIES		-		-
STOCKHOLDERS' EQUITY				
Common stock, $.01 par value; 15,000,000 shares authorized; 4,903,784 (2008) and 5,163,488 (2007) shares issued and outstanding	$	49	$	53
Additional paid-in capital		64,548		66,417
Accumulated deficit		(4,409)		(5,012)
Accumulated other comprehensive loss, net of tax of $1,518 (2008) and $494 (2007)		(2,172)		(708)
Total Stockholders' Equity	$	58,016	$	60,750
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	758,597	$	763,420

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

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except per share data)
(UNAUDITED)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
INTEREST INCOME:				
Loans	$ 10,444	$ 11,758	$ 31,633	$ 33,890
Other interest-earning assets	1,126	1,050	3,413	3,125
Total interest income	11,570	12,808	35,046	37,015
INTEREST EXPENSE:				
Interest on transaction accounts	352	452	1,168	1,338
Interest on certificates of deposit	3,008	3,703	9,676	10,020
Total deposit interest expense	3,360	4,155	10,844	11,358
Other borrowings	2,517	3,730	8,046	11,324
Subordinated debentures	143	208	463	617
Total interest expense	6,020	8,093	19,353	23,299
NET INTEREST INCOME	5,550	4,715	15,693	13,716
PROVISION FOR LOAN LOSSES	664	403	1,683	917
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	4,886	4,312	14,010	12,799
NONINTEREST INCOME:				
Loan servicing fee income	231	167	833	856
Bank and other fee income	155	155	424	463
Net gain from loan sales	-	970	92	3,034
Net gain (loss) from sale of investment securities	45	-	(3,586)	-
Other income	216	227	810	766
Total noninterest (loss) income	647	1,519	(1,427)	5,119
NONINTEREST EXPENSE:				
Compensation and benefits	2,223	2,716	6,862	8,029
Premises and occupancy	632	601	1,832	1,809

Data processing		114		137		405		384
Net loss on foreclosed real estate		54		35		73		59
Legal and audit		144		147		465		702
Marketing expense		221		220		494		566
Office and postage expense		53		95		247		299
Other expense		510		455		1,558		1,295
Total noninterest expense		3,951		4,406		11,936		13,143
INCOME BEFORE INCOME TAXES		1,582		1,425		647		4,775
PROVISION FOR INCOME TAXES		581		574		45		1,818
NET INCOME	$	1,001	$	851	$	602	$	2,957
INCOME PER SHARE:								
Basic income per share	$	0.20	$	0.16	$	0.12	$	0.57
Diluted income per share	$	0.16	$	0.13	$	0.10	$	0.45
WEIGHTED AVERAGE SHARES OUTSTANDING:								
Basic		4,903,784		5,163,488		4,963,385		5,197,737
Diluted		6,143,646		6,491,760		6,248,787		6,554,247

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

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(Dollars in thousands)
(UNAUDITED)

	Common Stock Shares		Amount		Additional Paid-in Capital		Accumulated Deficit		Accumulated Other Comprehensive Loss		Comprehensive Income (Loss)		Total Stockholders' Equity
Balance at December 31, 2006	5,263,488	$	54	$	67,306	$	(8,631)	$	(691)			$	58,038
Net income	-		-		-		2,957		-	$	2,957		2,957
Unrealized loss on investments, net of tax of $(101)	-		-		-		-		(145)		(145)		(145)
Total comprehensive income										$	2,812		

	Common Stock Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Comprehensive Income (Loss)	Total Stockholders' Equity
Common stock repurchased and retired	(100,000)	(3)	(1,090)				(1,093)
Restricted stock vested		1	(1)				-
Share-based compensation expense			156				156
Balance at September 30, 2007	5,163,488	$ 52	$ 66,371	$ (5,674)	$ (836)		$ 59,913

	Common Stock Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2007	5,163,488	$ 53	$ 66,417	$ (5,011)	$ (708)		$ 60,751
Net income	-	-	-	602	-	602	602
Unrealized gain on investments, net of tax of ($1,024)	-	-	-	-	(1,464)	(1,464)	(1,464)
Total comprehensive income						$ (862)	
Share-based compensation expense			196				196
Common stock repurchased and retired	(259,704)	(4)	(2,065)				(2,069)
Balance at September 30, 2008	4,903,784	$ 49	$ 64,548	$ (4,409)	$ (2,172)		$ 58,016

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

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(UNAUDITED)

	Nine Months Ended September 30,	
	2008	2007

CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 602	$ 2,957
Adjustments to net income:		
Depreciation expense	703	599
Provision for loan losses	1,683	917
Share-based compensation	202	156
Gain (loss) on sale and disposal of premises and equipment	3	(200)
Loss on sale, provision, and write-down of foreclosed real estate	57	95
Net unrealized loss (gain) and amortization on investment securities	2,428	(18)
Gain on sale of loans held for sale	(25)	-
Loss on sale of investment securities available for sale	3,586	-
Gain on sale of loans held for investment	(67)	(3,034)
Purchase and origination of loans held for sale	(408)	(2,181)
Proceeds from the sales of, and principal payments from, loans held for sale	500	825
(Increase) decrease in current and deferred income tax receivable	(2,042)	107
(Decrease) increase in accrued expenses and other liabilities	(843)	955
Federal Home Loan Bank stock dividend	(649)	(611)
Income from bank owned life insurance	(394)	(394)
Decrease in accrued interest receivable and other assets	418	289
Net cash provided by operating activities	5,754	462
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and principal payments on loans held for investment	129,146	319,845
Purchase, origination and advances of loans held for investment	(149,660)	(337,423)
Principal payments on securities available for sale	9,362	4,629
Proceeds from sale of foreclosed real estate	710	69
Purchase of securities available for sale	(33,401)	(39,980)
Proceeds from sale or maturity of securities available for sale	14,179	-

Proceeds from sale of equipment		20		200
Increase in premises and equipment		(554)		(1,623)
Redemption (purchase) of FHLB and FRB stock		3,250		(663)
Net cash used in investing activities		(26,948)		(54,946)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in deposit accounts		35,219		50,602
(Repayment of) proceeds from FHLB advances		(64,965)		10,400
Proceeds from (repayment of) other borrowings		28,500		(15,606)
Repurchase of common stock		(2,069)		(1,093)
Net cash (used in) provided by financing activities		(3,315)		44,303
NET DECREASE IN CASH AND CASH EQUIVALENTS		(24,509)		(10,181)
CASH AND CASH EQUIVALENTS, beginning of period		34,021		17,040
CASH AND CASH EQUIVALENTS, end of period	$	9,512	$	6,859
SUPPLEMENTAL CASH FLOW DISCLOSURES				
Interest paid	$	15,916	$	23,498
Income taxes paid	$	2,765	$	1,775
NONCASH OPERATING ACTIVITIES DURING THE PERIOD				
Restricted stock vested	$	122	$	125
NONCASH INVESTING ACTIVITIES DURING THE PERIOD				
Transfers from loans to foreclosed real estate	$	82	$	46

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

PACIFIC PREMIER BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2008
(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"). All significant intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, the unaudited consolidated financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the Company's financial position as of September 30, 2008, and the results of its operations, changes in stockholders' equity, comprehensive income and cash flows for the nine months ended September 30, 2008 and 2007. Operating results for the three and nine months ended September 30, 2008 are not necessarily indicative of the results that may be expected for any other interim period or the full year ending December 31, 2008.

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, as amended, for the year ended December 31, 2007.

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

Note 2 – Recently Issued Accounting Pronouncements

In March 2008, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 161, Disclosures about Derivative and Hedging Activities, an amendment of FASB Statement No. 133 ("SFAS 161"). SFAS 161 requires enhanced disclosures about a company's derivative and hedging activities. These enhanced disclosures will discuss (a) how and why a company uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under FASB Statement No. 133 and its related interpretations and (c) how derivative instruments and related hedged items affect a company's financial position, results of operations and cash flows. SFAS 161 is effective for fiscal years beginning on or after November 15, 2008, with earlier adoption allowed. The Company is currently evaluating the impact of adopting SFAS 161.

In May 2008, FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles ("SFAS 162"). The new standard is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles (GAAP) for nongovernmental entities. SFAS 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board Auditing amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. The Company does not anticipate the adoption of SFAS 162 to have a material impact of its financial position, results of operations or cash flow.

Note 3 – Regulatory Matters

It is our goal to maintain capital levels within the regulatory "well capitalized" category. The Company's (on a consolidated basis) and the Bank's capital amounts and ratios are presented in the following tables:

Actual	To be adequately capitalized	To be well capitalized

	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(dollars in thousands)			
At September 30, 2008 (Unaudited)						
Total Capital (to risk-weighted assets)						
Bank	$ 70,660	11.34%	$ 49,848	8.00%	$ 62,310	10.00%
Consolidated	71,479	11.38%	50,229	8.00%	62,786	10.00%
Tier 1 Capital (to adjusted tangible assets)						
Bank	64,793	8.96%	28,935	4.00%	36,169	5.00%
Consolidated	65,612	9.02%	29,102	4.00%	36,378	5.00%
Tier 1 Risk-Based Capital (to risk-weighted assets)						
Bank	64,793	10.40%	24,924	4.00%	37,386	6.00%
Consolidated	65,612	10.45%	25,115	4.00%	37,672	6.00%
At December 31, 2007						
Total Capital (to risk-weighted assets)						
Bank	$ 69,873	11.44%	$ 48,874	8.00%	$ 61,093	10.00%
Consolidated	70,595	11.56%	48,855	8.00%	61,068	10.00%
Tier 1 Capital (to adjusted tangible assets)						
Bank	65,275	8.81%	29,639	4.00%	37,049	5.00%
Consolidated	65,997	8.90%	29,662	4.00%	37,077	5.00%
Tier 1 Risk-Based Capital (to risk-weighted assets)						
Bank	65,275	10.68%	24,437	4.00%	36,656	6.00%
Consolidated	65,997	10.81%	24,421	4.00%	36,631	6.00%

Note 4 – Borrowings

At September 30, 2008, total borrowings of the Company amounted to $271.8 million. The borrowings were comprised of Federal Home Loan Bank (“FHLB”) term and overnight borrowings of $195.0 million and $38.0 million, respectively, $10.3 million Trust Preferred Securities at 5.54%, and three inverse putable reverse repurchase agreements totaling $28.5 million at a average rate of 1.93% secured by approximately $32.5 million of mortgage backed securities issued by the Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Federal National Mortgage Association. The Bank’s $233.0 million in FHLB advances had a weighted average interest rate of 4.12% and the term advances had a weighted average maturity of 0.87 year as of September 30, 2008. As of such date, advances from the FHLB were collateralized by pledges of certain real estate

loans with an aggregate principal balance of $531.4 million. As of September 30, 2008, the Bank was able to borrow up to 45% of its total assets as of June 30, 2008 under the line, which amounted to $320.9 million, a decrease of $27.5 million from the year ended December 31, 2007. FHLB advances consisted of the following as of September 30, 2008:

FHLB Advances Maturing in:	Amount	Percent of Total	Weighted Average Annual Interest Rate
	(dollars in thousands)		
One month or less	$ 58,000	24.89%	1.67%
Over one month to three months	37,000	15.88%	4.97%
Over three months to six months	-	0.00%	0.00%
Over six months to one year	-	0.00%	0.00%
Over one year	138,000	59.23%	4.92%
Total FHLB advances	$ 233,000	100.00%	4.12%

Note 5 – 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 5.54% per annum as of September 30, 2008.

Under FIN 46R, “Consolidation of Variable Interest Entities, an interpretation of ARB No. 51,” 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. Prior to the issuance of FIN 46R, bank holding companies typically consolidated these entities and reported the Trust Preferred Securities as a component of liabilities.

Note 6 – Earnings Per Share

Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed by dividing income available to common stockholders including common stock equivalents, such as outstanding stock options and warrants by the weighted average number of common shares and common stock equivalents outstanding for the period. Stock options totaling 410,893 and 510,542 shares for the three and nine months ended September 30, 2008,

respectively and 161,862 and 190,110 shares for the three and nine months ended September 30, 2007, respectively, were excluded from the computations of diluted earnings per share due to their exercise price exceeding the average market price for their respective periods.

During the quarter ended September 30, 2008, the Company issued 135,500 options that vest over three years with a strike price of $5.01 to the Company's directors and various employees pursuant to the Pacific Premier Bancorp, Inc. 2004 Long-Term Incentive Plan. The estimated cost of the options using the Black-Scholes model as of the grant date is $380,530 which is to be amortized over 36 months at $9,513 per month.

The table below set forth the Company's unaudited earnings per share calculations for the three and nine months ended September 30, 2008 and 2007.

	For the Three Months Ended September 30,					
	2008			2007		
	Net Earnings	Shares	Per Share Amount	Net Earnings	Shares	Per Share Amount
	(dollars in thousands)					
Net Earnings	$ 1,001			$ 851		
Basic EPS Earnings available to common stockholders	1,001	4,903,784	$ 0.20	851	5,163,488	$ 0.16
Effect of Warrants and dilutive stock options	-	1,239,862		-	1,328,272	
Diluted EPS Earnings Available to common stockholders plus assumed conversions	$ 1,001	6,143,646	$ 0.16	$ 851	6,491,760	$ 0.13

	For the Nine Months Ended September 30,					
	2008			2007		
	Net Earnings	Shares	Per Share Amount	Net Earnings	Shares	Per Share Amount
	(dollars in thousands)					
Net Earnings	$ 602			$ 2,957		
Basic EPS Earnings available to common stockholders	$ 602	4,963,385	$ 0.12	$ 2,957	5,197,737	$ 0.57
Effect of Warrants and dilutive stock options	-	1,285,402		-	1,356,510	
Diluted EPS Earnings Available to common stockholders plus assumed conversions	$ 602	6,248,787	$ 0.10	$ 2,957	6,554,247	$ 0.45

Note 7 – Fair Value of Financial Instruments

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurement" ("SFAS 157"). This statement defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The statement establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies

assumptions about risk and the effect of a restriction on the sale or use of an asset. The standard is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FASB Staff Position (FSP) No. FAS 157-2, “Effective Date of FASB Statement No. 157.” This FSP delays the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. Adoption of SFAS 157 did not have a material impact on the Company.

SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 establishes a three-tiered value hierarchy that prioritizes inputs to valuation techniques used in fair value calculations. The three levels of inputs are defined as follows:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets accessible by the Company

Level 2 – inputs that are observable in the marketplace other than those inputs classified as Level 1

Level 3 – inputs that are unobservable in the marketplace and significant to the valuation

SFAS 157 requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs. If a financial instrument uses inputs that fall in different levels of the hierarchy, the instrument will be categorized based upon the lowest level of input that is significant to the fair value calculation.

The Company’s financial assets and liabilities measured at fair value on a recurring basis include securities available for sale, loans held for sale, and impaired loans. Securities available for sale include mortgage-backed securities and equity securities. Loans held for sale include the guarantee portion of our saleable SBA loans. Impaired loans include loans that are in a non-accrual status and where the Bank has reduced the principal to the value of the underlying collateral less the anticipated selling cost.

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, US government bonds and securities issued by federally sponsored agencies. 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 our pricing service vendor cannot price due to lack of trade activity in these securities.

Loans held for sale. The fair value of loans held for sale is determined, when possible, using quoted secondary-market prices. If no such quoted price exists, the fair value of a loan is determined using quoted prices for a similar asset or assets, adjusted for the specific attributes of that loan.

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 or the discounted expected future cash flows. The Company measures impairment on all non-accrual loans for which it has reduced the principal balance to the value of the underlying collateral less the anticipated selling cost. 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 September 30, 2008, 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.

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:

	Fair Value Measurement as of September 30, 2008 Using			
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	As of September 30, 2008
	(in thousands)			
Assets				
Marketable securities	$ 38,476	$ 18,913	$ 2,695	$ 60,084
Total assets	$ 38,476	$ 18,913	$ 2,695	$ 60,084

	Fair Value Measurement Using Significant Other Unobservable Inputs (Level 3)			
	U.S. Treasuries	Govt. Sponsored Agencies	Private Label	Total
	(in thousands)			
Beginning Balance	$ 149	$ 7,747	$ 13,259	$ 21,155
Total gains or losses (realized/unrealized):				
Included in earnings (or changes in net assets)	-	-	-	-
Included in other comprehensive income	-	-	-	-
Purchases, issuances, and settlements	-	-	-	-
Transfer in and/or out of Level 3	(149)	(7,747)	(10,564)	(18,460)
Ending Balance	$ -	$ -	$ 2,695	$ 2,695

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

	Fair Value Measurement as of September 30, 2008 Using			
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	As of September 30, 2008
	(in thousands)			
Assets				
Impaired loans	$ -	$ -	$ -	$ -
Loans held for sale	-	682	-	682
Total assets	$ -	$ 682	$ -	$ 682

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115" ("SFAS 159"). The standard provides companies with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The new standard is effective for the Company on January 1, 2008. The Company did not elect the fair value option for any financial assets or liabilities as of January 1, 2008. Adoption of SFAS 159 did not have a material impact on the Company.

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

FORWARD-LOOKING STATEMENTS

The statements contained herein that are not historical facts are forward-looking statements based on management's current expectations and beliefs concerning future developments and their potential effects on the Company. There can be no assurance that future developments affecting the Company will be the same as those anticipated by management. Actual results may differ from those projected in the forward-looking statements. These forward-looking statements include, among others, statements with respect to the Company's beliefs, plans, objectives, goals, guidelines, expectations, anticipations, estimates and intentions that are subject to significant risks and uncertainties and are subject to change based on various factors (many of which are beyond the Company's control). The words "may", "could", "should", "would", "believe", "anticipate", "estimate", "expect", "intend", "plan" and similar expre intended to identify forward-looking statements. These forward-looking statements involve risks and uncertainties. These include, but are not limited to, the following risks: (1) changes in the performance of the financial markets, (2) changes in the demand for and market acceptance of the Company's products and services, (3) changes in general economic conditions including interest rates, presence of competitors with greater financial resources, and the impact of competitive products and pricing, (4) the effect of the Company's policies, (5) the continued availability of adequate funding sources, and (6) various legal, regulatory and litigation risks.

GENERAL

The following presents management's discussion and analysis of the consolidated financial condition and operating results of the Company for the three and nine months ended September 30, 2008 and 2007. The discussion should be

read in conjunction with the Company's Management Discussion and Analysis included in the 2007 Annual Report on Form 10-K, as amended, plus the unaudited consolidated financial statements and the notes thereto appearing elsewhere in this report. The results for the three and nine months ended September 30, 2008 are not necessarily indicative of the results expected for the year ending December 31, 2008.

We are a California-based bank holding company incorporated in the state of Delaware and registered as a banking holding company under the Bank Holding Company Act of 1956, as amended ("BHCA"), for Pacific Premier Bank, a California state chartered commercial bank. The Bank is subject to examination and regulation by the California Department of Financial Institutions ("DFI"), the Board of Governors of the Federal Reserve System (the "Federal Reserve"), and by the Federal Deposit Insurance Corporation ("FDIC"). Additionally, the Corporation is subject to regulation and supervision by the Federal Reserve. The primary business of the Company is community banking.

The Bank was founded in 1983 as a state chartered savings and loan, became a federally chartered stock savings bank in 1991 and in March 2007, converted to a California state chartered commercial bank. The Bank is a member of the FHLB of San Francisco, which is a member bank of the Federal Home Loan Bank System, and the Federal Reserve. As of September 30, 2008, the Bank's deposit accounts were insured up to the $100,000 maximum amount, except for retirement accounts which were insured up to the $250,000 maximum allowable under federal laws by the Deposit Insurance Fund, which is an insurance fund administered by the FDIC. On October 3, 2008, the maximum deposit insurance coverage allowable under federal law increased from $100,000 to $250,000 per account, which expires at the end of 2009.

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 six depository branches in Southern California located in the cities of Costa Mesa, Huntington Beach, Los Alamitos, Newport Beach, San Bernardino, and Seal Beach. The Company's corporate headquarters are located in Costa Mesa, California. Through our branches and our web site at www.PPBI.net on the Internet, we offer a broad array of deposit products and services for both businesses, and consumer customers including checking, money market and savings accounts, cash management services, electronic banking, and on-line bill payment. We offer a wide array of loan products, such as 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 its lending and investment activities with retail deposits obtained through its branches, advances from the FHLB of San Francisco, lines of credit, and wholesale and brokered certificates of deposits.

The Company's principal sources of income are the net spread between interest earned on loans and investments and the interest costs associated with deposits and other borrowings used to finance its loan and investment portfolio. Additionally, the Bank generates fee income from loan sales and various products and services offered to both depository and loan customers.

Recent Developments

The global and U.S. economies are experiencing significantly reduced business activity as a result of, among other factors, disruptions in the financial system during the past year. Dramatic declines in the housing market during the past year, with falling home prices and increasing foreclosures and unemployment, have resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. These write-downs, initially of mortgage-backed securities but spreading to credit default swaps and other derivative securities, have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail.

In response to the financial crises affecting the banking system and financial markets, Congress passed, and President Bush signed, the Emergency Economic Stabilization Act of 2008 (the "EESA") on October 3, 2008. Pursuant to the

EESA, the U.S. Department of Treasury ("Treasury") was granted the authority to, among others, purchase up to $700 billion of mortgages, mortgage-backed securities and certain other financial instruments from financial institutions for the purpose of stabilizing and providing liquidity to the U.S. financial markets.

On October 14, 2008, Treasury announced the Troubled Asset Relief Program Capital Purchase Program (the "Capital Purchase Program"), under which it will purchase equity stakes in a wide variety of banks and thrifts. Pursuant to the Capital Purchase Program, Treasury will make $250 billion of capital available to U.S. financial institutions in the form of preferred stock. In conjunction with the purchase of preferred stock, Treasury will receive warrants to purchase common stock with an aggregate market price equal to 15% of the preferred investment. The exercise price on the warrants would be the market price of the participating institution's common stock at the time of issuance, calculated on a 20-day trading day trailing average. Participating financial institutions will be required to adopt Treasury's standards for executive compensation and corporate governance for the period during which Treasury holds equity issued under the Capital Purchase Program. The Company is currently evaluating its participation in the Capital Purchase Program.

Additionally, on October 14, 2008, Treasury triggered the systemic risk exception to the FDIC Act, enabling the FDIC to temporarily provide a 100% guarantee of the senior debt of all FDIC-insured institutions and their holding companies, as well as deposits in non-interest bearing transaction deposit accounts under a Temporary Liquidity Guarantee Program ("TLGP"). Coverage under the TLGP is available for 30 days without charge and thereafter at a cost of 75 basis points per annum for senior unsecured debt and 10 basis points per annum surcharge for non-interest bearing transaction deposits in excess of $250,000 per account. The Company is currently evaluating its participation in the TLGP.

It is presently unclear what impact the EESA, the Capital Purchase Program, the TLGP, other previously announced liquidity and funding initiatives of the Federal Reserve and other agencies and any additional programs that may be initiated in the future will have on the financial markets and the other difficulties described above, or on the U.S. banking and financial industries and the broader U.S. and global economies. Further adverse effects could have an adverse impact on the Company and its business.

In October 2008, the FDIC announced its intention to seek an increase in deposit insurance premiums that, beginning in 2009, would effectively double the average insurance premiums paid by depository institutions, such as the Bank, to ensure that the deposit insurance fund can adequately cover projected losses from future bank failures. At this time, the Company cannot provide any assurance as to the amount of any projected increase in its deposit insurance premium rate, should such an increase occur, as such changes are dependent upon a variety of factors, some of which are beyond the Company's control.

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 the Company's financial statements. The Company's significant accounting policies are described in the Notes to the Consolidated Financial Statements in our 2007 Annual Report on Form 10-K, as amended. 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 the Company's results of operations for future reporting periods.

Management believes that the allowance for loan losses is the critical accounting policy that requires estimates and assumptions in the preparation of the Company's financial statements that is most susceptible to significant change. For further information, see "Allowances for Loan Losses" discussed later in this report and in our 2007 Annual Report on Form 10-K, as amended.

FINANCIAL CONDITION

Total assets of the Company were $758.6 million as of September 30, 2008, compared to $763.4 million as of December 31, 2007. The $4.8 million, or 0.63%, decrease in total assets is primarily due to a decrease in federal funds sold of $23.4 million, partially offset by increases in net loans and investment securities available for sale of $17.3 million and $3.9 million, respectively.

Investment Securities Available for Sale

Investment securities available for sale totaled $60.1 million at September 30, 2008 compared to $56.2 million at December 31, 2007. The increase is primarily due to the purchase of securities totaling $33.4 million which was partially offset by sale of securities totaling $14.2 million and investment principal received of approximately $9.4 million. The investment securities consist of $152,000 in US Treasuries, $38.8 million in government sponsor entities ("GSE") mortgage backed securities, and $21.3 million of private label mortgage backed securities. Twelve of the private label securities totaling $337,000 are rated below investment grade, which is a rating of "BB" or less. In addition, $32.5 million of the GSE securities have been pledged as collateral for the Bank's $28.5 million of reverse repurchase agreements.

A summary of the Company's investment securities held for sale as of September 30, 2008 and December 31, 2007 is as follows:

	September 30, 2008			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Market Value
	(in thousands)			
Securities Available for Sale:				
US Treasury Notes	$ 148	$ 4	$ -	$ 152
Mortgage-Backed Securities (1)	63,626	165	(3,859)	59,932
Total securities available for sale	$ 63,774	$ 169	$ (3,859)	$ 60,084

	December 31, 2007			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Market Value
	(in thousands)			
Securities Available for Sale:				
Mortgage-Backed Securities	$ 29,719	$ 35	$ (1)	$ 29,753

Mutual Funds		27,719		-		(1,234)		26,485
Total securities available for sale	$	57,438	$	35	$	(1,235)	$	56,238

(1) At September 30, 2008, mortgage-backed securities included collateralized mortgage obligations ("CMO") with an aggregate carrying value of $27.6 million of which $13.8 million are private label issuances and $13.8 million are secured by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association.

Investment Securities Held for Sale by Contractual Maturity as of September 30, 2008

	One Year or Less		More than One to Five Years		More than Five to Ten Years		More than Ten Years		Total	
	Carrying Value	Yield	Carrying Value	Yield	Carrying Value	Yield	Carrying Value	Yield	Carrying Value	Yield
	(dollars in thousands)									
US Treasury Notes	$ -	0.00%	$ 76	3.53%	$ 76	4.15%	$ -	0.00%	$ 152	3.84%
Mortgage-Backed Securities	-	0.00%	$ 4	4.77%	$ 22,808	5.19%	$ 37,120	6.14%	$ 59,932	5.78%
Total securities available for sale	$ -	0.00%	$ 80	3.59%	$ 22,884	5.18%	$ 37,120	6.14%	$ 60,084	5.77%

The Company reviewed 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 the Company will be unable to collect all amounts due according to contractual terms of the debt security not impaired at acquisition, an other-than-temporary impairment shall be considered to have occurred. If an other-than-temporary impairment occurs, the cost basis of the security would have been written down to its fair value as the new cost basis and the write down accounted for as a realized loss. Management has determined that the unrealized losses on these securities are temporary in nature.

Loans

Gross loans outstanding totaled $645.3 million at September 30, 2008 compared to $626.7 million at December 31, 2007. The increase is primarily due to loan originations and loan purchases of $88.4 million and $67.6 million, respectively, during the period ending September 30, 2008. Partially offsetting the loan originations and loan purchases were loan payoffs and a loan sale, consisting primarily of multi-family loans, of $106.0 million and $6.2 million, respectively. From time to time, management utilizes loan sales or purchases to manage its liquidity, interest rate risk, loan to deposit ratio, diversification of the loan portfolio, and net balance sheet growth.

A summary of the Company's loan originations, loan purchases, loan sales and principal repayments for the nine months ended September 30, 2008 and 2007 are as follows:

	For the Nine Months Ended	
	September 30, 2008	September 30, 2007
	(in thousands)	
Beginning balance, gross	$ 626,692	$ 607,618

Loans originated and purchased:		
Real Estate:		
Multi-family	32,458	248,011
Commercial real estate	53,807	21,751
One-to-four family (1)	-	3,191
Construction-Multi-family	-	-
Business Loans:		
Commercial Owner Occupied (1)	51,273	13,111
Commercial and Industrial (1)	16,386	30,430
SBA (1)	907	12,841
Other	1,193	2,780
Total loans originated and purchased	156,024	332,115
Total	782,716	939,733
Less:		
Principal repayments	123,851	133,119
Change in undisbursed loan funds	5,956	(7,489)
Charge-offs	582	101
Loan Sales	6,235	184,176
Transfers to Real Estate Owned	82	46
Total Gross loans	646,010	629,780
Less ending balance loans held for sale (gross)	(682)	(2,134)
Ending balance loans held for investment (gross)	$ 645,328	$ 627,646

(1) Includes lines of credit

The following table sets forth the composition of the Company’s loan portfolio in dollar amounts and as a percentage of the portfolio at the dates indicated:

	September 30, 2008			December 31, 2007		
	Amount	Percent of Total	Weighted Average Interest Rate	Amount	Percent of Total	Weighted Average Interest Rate
			(dollars in thousands)			
Real Estate Loans:						
Multi-family	$ 301,247	46.63%	6.37%	$ 341,263	54.44%	6.77%
Commercial	169,317	26.21%	7.05%	142,134	22.67%	7.42%
Construction	2,661	0.41%	8.00%	2,048	0.33%	8.00%
Land	3,125	0.48%	14.50%	5,389	0.86%	11.95%
	10,071	1.56%	8.86%	13,080	2.09%	8.60%

One-to-four family (1)						
Business Loans:						
Commercial Owner Occupied	112,280	17.38%	7.13%	57,614	9.19%	7.56%
Commercial and Industrial	38,169	5.91%	6.98%	50,993	8.13%	8.13%
SBA	5,135	0.78%	7.16%	14,264	2.28%	8.51%
Other Loans	4,005	0.62%	4.59%	64	0.01%	2.53%
Total Gross loans	$ 646,010	100.00%	6.80%	$ 626,849	100.00%	7.19%

(1) Includes second trust deeds.

The following table sets forth the repricing characteristics of the Company's multi-family, commercial real estate and commercial owner occupied loan portfolio in dollar amounts as of September 30, 2008:

	Number of Loans	Amount	Weighted Average Interest Rate	Months to Reprice
		(dollars in thousands)		
1 Year and less (1)	204	$ 156,035	6.734%	3.47
Over 1 Year to 3 Years	111	162,827	6.757%	25.12
Over 3 Years to 5 Years	133	163,070	6.705%	48.87
Over 5 Years to 7 Years	11	22,632	6.725%	74.70
Over 7 Years to 10 Years	23	23,502	7.030%	103.98
Fixed	54	60,565	6.909%	-
Total	536	$ 588,630	6.762%	207.96

(1) Included three and five year hybrid loans that have reached their initial repricing date.

Allowance for Loan Losses

The allowance for loan losses totaled $5.9 million as of September 30, 2008 and $4.6 million as of December 31, 2007. The increase in the allowance for loan losses was primarily due to increases in the Bank's loss factors for loans. Net nonaccrual loans and other real estate owned were $4.5 million and $26,000, respectively, at September 30, 2008, compared to $4.2 million and $711,000, respectively, as of December 31, 2007. The allowance for loan losses as a percent of nonaccrual loans increased to 129% as of September 30, 2008 from 110% at December 31, 2007. The ratio of nonperforming assets to total assets at September 30, 2008 was 0.60%, compared to 0.64% at December 31, 2007.

The Bank's methodology for assessing the appropriateness of the allowance consists of several key elements, including the formula allowance. The formula allowance is calculated by applying loss factors to all loans held for investment. The loss factors for each segment of the loan portfolio, except for loans secured by single family residences originated prior to 2002, are derived by using the average of the last 10 years and 15 years historical charge-off rates by loan types for commercial banks and savings institutions headquartered in the state of California as collected by the FDIC as the base rate. Then the average is adjusted for the following internal and external risk factors:

Internal Factors

- Changes in lending policies and procedures, including underwriting standards and collection, charge-off, and recovery practices;
- Changes in the nature and volume of the loan portfolio and in the terms of loans, as well as new types of lending;
- Changes in the experience, ability, and depth of lending management and other relevant staff that may have an impact on the Bank's loan portfolio;
- Changes in volume and severity of past due and classified loans, and in volumes of non-accruals, troubled debt restructurings, and other loan modifications;
- Changes in the quality of the Bank's loan review system and the degree of oversight by the Board; and
- The existence and effect of any concentrations of credit, and changes in the level of such concentrations.

External Factors

- Changes in national, state and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments (includes trends in real estate values and the interest rate environment);
- Changes in the value of the underlying collateral for collateral-dependent loans; and
- The effect of external factors, such as competition, legal, regulatory requirements on the level of estimated credit losses in the Bank's current loan portfolio.

The factor amount for each of the nine above described risked factors are determined by the Senior Portfolio Manager and Chief Credit Officer and approved by the Credit and Investment Review Committee on a quarterly basis.

For the homogeneous single-family residential loan portfolio, the ALLL loss factors for pre-2002 originations of first and second deeds of trust loans are based upon the Bank's historical loss experience from charge-offs and real estate owned, and the migration history analysis. The Bank has tracked its historical losses for the last 40 quarters. For loans secured with single family residences made after 2001, the factor is calculated using the average of the FDIC charge-off for 10 and 15 years plus the nine credit loss factors mentioned above.

Given the composition of the Company's loan portfolio, the $5.9 million allowance for loan losses was considered adequate to cover losses inherent in the Company's loan portfolio at September 30, 2008. However, no assurance can be given that the Company will not, in any particular period, sustain loan losses that exceed the amount reserved, or that subsequent evaluation of the loan portfolio, in light of the prevailing factors, including economic conditions which may adversely affect the Company's 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 the Bank's allowance for loan losses. Such agencies may require the Bank to recognize additional provisions to increase the allowance or take charge-offs in anticipation of future losses.

The table below summarizes the activity of the Company's allowance for loan losses for the three and nine months ended September 30, 2008 and 2007:

	Three Months Ended	Nine Months Ended

	September 30,		September 30,	
	2008	2007	2008	2007
	(in thousands)			
Balance, beginning of period	$ 5,267	$ 4,090	$ 4,598	$ 3,543
ALLL Transfer In *	-	-	8	-
Provision for loan losses	664	403	1,683	917
Charge-offs				
Real estate:				
Multi-family	-	-	-	-
Commercial	-	-	-	-
One-to-four family	(48)	(56)	(77)	(101)
Business Loans:				
Commercial Owner Occupied	-	-	-	-
Commercial and Industrial	-	-	-	-
SBA loans	(122)	-	(505)	-
Other loans	-	-	-	-
Total charge-offs	(170)	(56)	(582)	(101)
Recoveries				
Real estate:				
Multi-family	-	-	-	-
Commercial real estate	103	-	103	-
One-to-four family	1	10	48	86
Business Loans:				
Commercial Owner Occupied	-	-	-	-
Commercial and Industrial	-	-	-	-
SBA loans	(2)	-	(2)	-
Other loans	4	-	11	2
Total recoveries	106	10	160	88
Net charge-offs	(64)	(46)	(422)	(13)
Balance, end of period	$ 5,867	$ 4,447	$ 5,867	$ 4,447

* Note: Represents the addition of valuation reservers for overdrafts that wer previously held outside of the General Allowance.

Composition of Nonperforming Assets

The table below summarizes the Company’s composition of nonperforming assets as of the dates indicated. Net nonperforming assets totaled $4.6 million at September 30, 2008 and $4.9 million as of December 31, 2007, or 0.60% and 0.64% of total assets, respectively. The decrease in nonperforming assets is primarily due to a reduction in other real estate owned, which was partially offset by an increase in non-performing SBA loans during the period ending September 30, 2008.

Nonperforming assets:	At September 30, 2008	At December 31, 2007
	(dollars in thousands)	
Real Estate:		
One-to-four family	$ 411	$ 284
Multi-family	-	-
Commercial	3,125	3,125
Business loans:		
Commercial owner occupied	-	-
Commercial and industrial	-	-
SBA	1,001	784
Other loans	-	-
Total nonaccrual loans	4,537	4,193
Foreclosed real estate owned ("OREO")	26	711
Total nonperforming assets (1)	$ 4,563	$ 4,904
Restructured Loans	$ -	$ -
Allowance for loan losses as a percent of gross loans receivable (2)	0.91%	0.73%
Allowance for loan losses as a percent of total nonperforming loans, gross	129.31%	109.66%
Nonperforming loans as a percent of gross loans receivable	0.70%	0.67%
Nonperforming assets as a	0.60%	0.64%

percent of total assets

(1) Nonperforming assets consist of nonperforming loans and OREO. Nonperforming loans include all loans 90 days or more past due and loans that are less than 90 days and are classified as non-accruing.
(2) Gross loans include loans receivable that are held for investment and held for sale.

Liabilities and Stockholders' Equity

Total liabilities of the Company decreased from $702.7 million at December 31, 2007 to $700.6 million at September 30, 2008. The decrease is primarily due to a decrease in borrowings of $36.5 million which was partially offset by an increase in total deposits of $35.2 million during the nine months ended September 30, 2008.

The Company had $261.5 million in borrowings as of September 30, 2008, compared to $298.0 million in such borrowings at December 31, 2007. Borrowings consist primarily of advances from the FHLB which are collateralized by pledges of certain real estate loans with an aggregate principal balance of $531.4 million at September 30, 2008. See "Note 4 –Borrowings" above. The Bank may borrow up to 45% of its assets under the FHLB line. As of September 30, 2008, the maximum amount that the Bank may borrow through the FHLB was $320.9 million, based on the Bank's assets as of June 30, 2008. The total cost of the Company's borrowings for the nine month period ending September 30, 2008 was 4.26%, a decrease of 95 basis points compared to the same period in 2007.
The Corporation had $10.3 million of subordinated debentures as of September 30, 2008 which were used to fund the issuance of trust preferred securities in 2004. The total cost of the subordinated debentures for the nine months ending September 30, 2008 was 5.99%, compared to 7.98% for the same period in 2007.

Total deposits were $422.0 million as of September 30, 2008, compared to $386.7 million at December 31, 2007, an annualized increase of 12.1%. The increase in deposits was comprised of an increase of $45.5 million in retail certificate of deposits, which were partially offset by decreases in transaction accounts and broker certificates of deposits of $4.2 million and $9.2 million, respectively. The total average annualized cost of deposits for the nine months ending September 30, 2008 was 3.59%, compared to 4.22% for the same period in 2007.

During the three and nine months ended September 30, 2008, our average annualized cost of funds was 3.64% and 3.86%, respectively, a decrease of 113 and 82 basis points compared to the same periods in 2007.

Total equity was $58.0 million as of September 30, 2008, compared to $60.7 million at December 31, 2007, a decrease of $2.7 million. The decrease in equity is primarily due to the repurchase and retirement of 259,704 shares of common stock at a cost $2.1 million, or at an average cost of $7.96 per share, and the decrease in accumulated adjustment to stockholders' equity of $1.5 million due to the temporary decrease in value of the Company's investment portfolio.

RESULTS OF OPERATIONS

Highlights for the three and nine months ended September 30, 2008 and 2007

The Company recorded a third quarter net income of $1.0 million, or $0.16 per diluted share, compared to net income of $851,000, or $0.13 per diluted share, for the third quarter of 2007. The net income for the nine months ended September 30, 2008 was $602,000, or $0.10 per diluted share, compared to net income of $3.0 million, or $0.45 per diluted share in the comparable prior period. All diluted earnings per share amounts have been adjusted to reflect the dilutive effect of all warrants and stock options, except for options whose exercise price exceeds the closing market price as of September 30, 2008, outstanding. See "Item 1. Financial Statements-Note 6 – Earnings Per Share".

Return on average assets (ROAA) for the three and nine months ended September 30, 2008 was 0.55% and 0.11%, respectively, compared to 0.45% and 0.54% for the same periods in 2007, respectively. The Company's return on average equity (ROAE) for the three and nine months ended September 30, 2008 was 6.87% and 1.35%, respectively, compared to 5.13% and 6.61%, for the three and nine months ended September 30, 2007, respectively. The Company’s basic book value per share increased to $11.83, at September 30, 2008, reflecting an annualized increase of 2.04% from December 31, 2007. The increase is primarily due to the decrease in total equity related to the repurchase and retirement of the Company stock at a cost below our book value during the first quarter of 2008, partially offset by the decrease in accumulated adjustment to stockholders’ equity of $1.5 million due to the temporary decrease in value of the Company’s investment portfolio. The Company’s diluted book value per share decreased to $9.58, at September 30, 2008, reflecting an annualized decrease of 4.54% from December 31, 2007. Options whose exercise price exceeds the closing market price as of September 30, 2008 are excluded from the diluted book value calculation.

Net Interest Income

The Company’s 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 net interest margin is the net interest income divided by the average interest-earning assets.

For the three and nine months ended September 30, 2008, net interest income was $5.6 million and $15.7 million, respectively, compared to $4.7 million and $13.7 million for the same periods a year earlier, respectively. The increase is predominately attributable to a 25.6% and 16.9% decrease in interest expense for the three and nine months ended September 30, 2008, respectively, compared to the same periods in 2007. For the three months ended September 30, 2008, interest expense totaled $6.0 million compared to $8.1 million for the same period in 2007. For the nine months ended September 30, 2008, interested expense totaled $19.4 million compared to $23.3 million for the same period in 2007. The reduction in interest expense for the 2008 periods was primarily due to decreases in deposit expense and borrowing costs associated with the Bank’s FHLB and other borrowings of 89 basis points and 92 basis points, respectively, over the prior year periods. Partially offsetting the decrease in interest expense was a decrease in interest income for the three and nine months ended September 30, 2008 of $1.2 million and $2.0 million, respectively, compared to the same periods in the prior year. The decrease in interest income was primarily attributable to the repricing of our adjustable rate loans downward. Our weighted average loan yield for the quarter ended September 30, 2008 was 6.87%, a decrease of 53 basis points from 7.40% for the same period a year earlier.

The net interest margin for the three and nine months ended September 30, 2008 was 3.20% and 2.97%, respectively, compared to 2.65% and 2.64% for the same periods a year ago, respectively. The increases were primarily attributable to decreases in the average cost of liabilities of 113 basis points and 82 basis points for the three and nine months ended September 30, 2008, respectively, compared to the same periods in 2007, which was partially offset by a decrease in the average loan yield of 53 basis points and 48 basis points for the three and nine months ended September 30, 2008, respectively. The decreases are attributable to the Federal Reserve interest rate cuts and their affects on the repricing of the Bank’s adjustable loan portfolio, maturing deposits, and short-term borrowings. As of September 30, 2008, the Bank had $57.0 million in short-term FHLB advances, $68.5 million of certificate of deposits, and $55.3 million of loans that reprice in the next quarter.

The following tables set forth the Company’s average balance sheets and the related weighted average yields and costs on average interest-earning assets and interest-bearing liabilities, for the three and nine months ended September 30, 2008 and 2007. The yields and costs are derived by dividing income or expense by the average balance of assets or liabilities, respectively, for the periods shown. Average balances are measured on a daily basis. The yields and costs include fees that are considered adjustments to yields.

	Three Months Ended	Three Months Ended

Assets	September 30, 2008 Average Balance	Interest	Average Annualized Yield/Cost	September 30, 2007 Average Balance	Interest	Average Annualized Yield/Cost
	(dollars in thousands)					
Interest-earning assets:						
Cash and cash equivalents	$ 7,460	$ 7	0.38%	$ 623	$ 20	12.84%
Federal funds sold	1,976	10	2.02%	974	13	5.34%
Investment securities	76,039	1,109	5.83%	76,072	1,017	5.35%
Loans receivable	608,169	10,444	6.87%	635,288	11,758	7.40%
Total interest-earning assets	693,644	11,570	6.67%	712,957	12,808	7.19%
Non-interest-earning assets	32,090			39,951		
Total assets	$ 725,734			$ 752,908		
Liabilities and Equity						
Interest-bearing liabilities:						
Transaction accounts	$ 97,853	$ 352	1.44%	$ 94,503	$ 453	1.92%
Retail certificates of deposit	283,722	2,722	3.84%	244,942	3,225	5.27%
Wholesale/brokered certificates of deposit	29,839	286	3.83%	35,441	478	5.39%
Total interest-bearing deposits	411,414	3,360	3.27%	374,886	4,156	4.43%
Borrowings	239,367	2,517	4.21%	292,824	3,730	5.10%
Subordinated debentures	10,310	143	5.55%	10,310	207	8.03%
Total borrowings	249,677	2,660	4.26%	303,134	3,937	5.20%
Total interest-bearing liabilities	661,091	6,020	3.64%	678,020	8,093	4.77%
Non-interest-bearing liabilities	6,338			8,526		
Total liabilities	667,429			686,546		
Equity	58,305			66,362		
Total liabilities and equity	$ 725,734			$ 752,908		
Net interest income		$ 5,550			$ 4,715	
Net interest rate spread			3.03%			2.41%
Net interest margin			3.20%			2.65%
Ratio of interest-earning assets to interest-bearing liabilities			104.92%			105.15%

Assets	Nine Months Ended September 30, 2008 Average Balance	Interest	Average Annualized Yield/Cost	Nine Months Ended September 30, 2007 Average Balance	Interest	Average Annualized Yield/Cost
	(dollars in thousands)					

Interest-earning assets:						
Cash and cash equivalents	$ 7,314	$ 30	0.55%	$ 497	$ 61	16.36%
Federal funds sold	1,143	20	2.33%	1,591	61	5.14%
Investment securities	83,691	3,362	5.36%	76,439	3,003	5.24%
Loans receivable	611,640	31,634	6.90%	612,911	33,890	7.37%
Total interest-earning assets	703,788	35,046	6.64%	691,438	37,015	7.14%
Non-interest-earning assets	32,203			39,464		
Total assets	$ 735,991			$ 730,902		
Liabilities and Equity						
Interest-bearing liabilities:						
Transaction accounts	$ 99,263	$ 1,168	1.57%	$ 94,921	$ 1,338	1.88%
Retail certificates of deposit	269,455	8,829	4.37%	235,623	8,906	5.04%
Wholesale/brokered certificates of deposit	34,481	847	3.28%	28,121	1,114	5.28%
Total interest-bearing deposits	403,199	10,844	3.59%	358,665	11,358	4.22%
Borrowings	255,758	8,046	4.19%	295,162	11,324	5.12%
Subordinated debentures	10,310	463	5.99%	10,310	617	7.98%
Total borrowings	266,068	8,509	4.26%	305,472	11,941	5.21%
Total interest-bearing liabilities	669,267	19,353	3.86%	664,137	23,299	4.68%
Non-interest-bearing liabilities	7,439			7,157		
Total liabilities	676,706			671,294		
Equity	59,285			59,608		
Total liabilities and equity	$ 735,991			$ 730,902		
Net interest income		$ 15,693			$ 13,716	
Net interest rate spread			2.78%			2.46%
Net interest margin			2.97%			2.64%
Ratio of interest-earning assets to interest-bearing liabilities			105.16%			104.11%

The following table sets forth the effects of changing rates and volumes (changes in the average balances) on the Company's net interest income. Information is provided with respect to (i) effects on interest income attributable to changes in rate (changes in rate multiplied by prior volume); (ii) effects on interest income attributable to changes in volume (changes in volume multiplied by prior rate); and (iii) the net change.

	Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007 Increase (decrease) due to			Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007 Increase (decrease) due to		
	Rate	Volume	Net	Rate	Volume	Net
	(in thousands)					
Interest-earning assets:						
Cash and cash equivalents	$ 131	$ (144)	$ (13)	$ 118	$ (149)	$ (31)
Federal funds sold	39	(42)	(3)	(14)	(28)	(42)
Investment securities	(0)	(43)	(43)	290	69	359
Loans receivable, net	(488)	(826)	(1,314)	(70)	(2,186)	(2,256)
Total interest-earning assets	$ (319)	$ (1,054)	$ (1,373)	$ 324	$ (2,294)	$ (1,970)

Interest-bearing liabilities:												
Transaction accounts	$	100	$	(201)	$	(101)	$	91	$	(261)	$	(170)
Retail certificates of deposit		2,394		(2,897)		(503)		1,601		(1,678)		(77)
Wholesale/brokered certificates of deposit		(68)		(124)		(192)		322		(589)		(267)
Borrowings		(619)		(610)		(1,229)		(1,395)		(1,900)		(3,295)
Subordinated debentures		-		(64)		(64)		-		(154)		(154)
Total interest-bearing liabilities	$	1,807	$	(3,896)	$	(2,089)	$	618	$	(4,581)	$	(3,963)
Change in net interest income	$	(2,127)	$	2,843	$	716	$	(294)	$	2,287	$	1,993

Provision for Loan Losses

The Bank's provision for loan losses was $664,000 and $1.7 million, respectively, for the three and nine months ended September 30, 2008, compared to $403,000 and $917,000 for the same periods in 2007. The increase in the provision for the three and nine months ended September 30, 2008 is primarily due to increases in the Bank's loss reserve factors due to the unfavorable business climate and an increase in the Bank's charge-offs compare to the same periods in 2007. Net charge-offs in the three and nine months ended September 30, 2008 were $64,000 and $422,000, respectively, compared to $46,000 and $13,000 for the same periods ended September 30, 2007. The increase in the Bank's loss reserve factors is due to management's expectation that, with the weakening economy, our borrowers and/or the collateral securing our loans could be adversely impacted. The Bank's Loss Mitigation Department continues collection efforts on loans previously written-down and/or charged-off to maximize potential recoveries. See "Allowance for Loan Losses."

Noninterest Income

Noninterest income for the three and nine months ended September 30, 2008 was income of $647,000 and a loss of $1.4 million, respectively, compared to income of $1.5 million and $5.1 million for the same periods ended September 30, 2007. The decrease in the noninterest income for the three and nine months ended September 30, 2008 is primarily due to the Company's sale of loans during the same periods in 2007 that generated gains of $970,000 and $3.0 million, respectively, compared to loan sales income of zero and $92,000 for the same periods in 2008, respectively. Additionally, for the nine month period ended September 30, 2008, the Bank sold its mutual funds which resulted in a one-time non-cash charge of $3.6 million (pre-tax) as was previously disclosed The decrease in loan sales was anticipated and the Bank has taken steps in past quarters to lower its cost structure by reducing staff and lowering other expenses.

Noninterest Expense

Noninterest expenses were $4.0 million and $11.9 million for the three and nine months ended September 30, 2008, respectively, compared to $4.4 million and $13.1 million for the same periods ended September 30, 2007. The decrease in noninterest expense for the three months was the result of a decrease in compensation and benefits expense of $493,000 which was partially offset by an increase in other expenses of $55,000. The decrease in noninterest expense for the nine months was the result of decreases in compensation and benefits and legal and audit expense of $1.2 million and $237,000, respectively. Partially offsetting these decreases was an increase in other expense for the three and nine months ending September 30, 2008 of $55,000 and $263,000, respectively, compared to the same periods in the prior year. The decrease in compensation and benefits for the quarter is attributable to management's staff reductions, which occurred during the fourth quarter of 2007 and in the first quarter of 2008. The number of employees with the Bank at September 30, 2008 was 90 compared to 114 at September 30, 2007. The decrease in legal and audit expense is primarily due to a lawsuit that was settled in June 2007 that cost the Bank a total of $250,000 in legal and settlement fees during the first nine months of 2007 with no such expense in 2008.

Provision for Income Taxes

The Company had a tax provision for the three and nine months ended September 30, 2008 of $581,000 and $45,000, respectively. For the same periods in 2007, the Company had a tax provision of $574,000 and $1.8 million, respectively. The decrease in the tax provision for the nine month ended September 30, 2008 was primarily due to a reduction in income before taxes of $4.1 million. The Company's valuation allowance for deferred taxes was zero at September 30, 2008, as the deferred tax assets based on management's analysis were determined, more likely than not, to be realized.

LIQUIDITY

The Bank's primary sources of funds are principal and interest payments on loans, deposits and borrowings. While maturities and scheduled amortization of loans are a predictable source of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions, and competition. The Bank's average liquidity ratios were 9.93% and 10.31% for the quarters ended September 30, 2008 and 2007, respectively.

The Company's cash flows are comprised of three primary classifications: operating activities, investing activities and financing activities. Cash flows provided by operating activities were $5.8 million for the nine months ended September 30, 2008, compared to net cash used in operating activities of $462,000 for the nine months ended September 30, 2007. Net cash used in investing activities was $26.9 million for the nine months ended September 30, 2008, compared to net cash used in investing activities of $54.9 million for the nine months ended September 30, 2007. Net cash used in financing activities was $3.3 million for the nine months ended September 30, 2008, compared to net cash provided by financing activities of $44.3 million for the nine months ended September 30, 2007.

The Company's most liquid assets are unrestricted cash and short-term investments. The levels of these assets are dependent on the Company's operating, lending and investing activities during any given period. At September 30, 2008, cash and cash equivalents totaled $9.5 million and the market-value of the Bank's investments in mortgage-backed securities totaled $60.1 million. The Company has other sources of liquidity, if a need for additional funds arises, including the utilization of FHLB advances, Federal Funds lines, credit facility with Salomon Brothers, and loan sales.

As of September 30, 2008, the Bank had commitments to extend credit of $18.7 million as compared to $20.9 million at December 31, 2007. There were no material changes to the Company's commitments or contingent liabilities as of September 30, 2008 compared to the period ended December 31, 2007 as discussed in the notes to the audited consolidated financial statements of Pacific Premier Bancorp, Inc. for the year ended December 31, 2007 included in the Company's Annual Report on Form 10-K, as amended, for such year.

CAPITAL RESOURCES

The regulatory agencies require a minimum ratio of qualifying total capital to risk-adjusted assets of 8.0 percent and a minimum ratio of Tier 1 capital to risk-adjusted assets of 4.0 percent. In addition to the risk-based guidelines, regulators require banking organizations to maintain a minimum amount of Tier 1 capital to total assets, referred to as the leverage ratio, of 4.0 percent. For a bank rated in the highest of the five categories used by regulators to rate banks, the minimum leverage ratio is 3.0 percent. In addition to these uniform risk-based capital guidelines that apply across the industry, the regulators have the discretion to set individual minimum capital requirements for specific institutions at rates significantly above the minimum guidelines and ratios.

The table in "Item 1. Financial Statements - Note 3 - Regulatory Matters" reflects the Company's and Bank's capital ratios based on the end of the period covered by this report and the regulatory requirements to be adequately capitalized and well capitalized. As of September 30, 2008, the Bank met the capital ratios required to be considered

well capitalized.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Management believes that there have been no material changes in the Company's quantitative and qualitative information about market risk since December 31, 2007. For a complete discussion of the Company's quantitative and qualitative market risk, see "Item 7A. Quantitative and Qualitative Disclosure About Market Risk" in the Company's 2007 Annual Report on Form 10-K, as amended.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and its Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures as defined in Rules 13a-15(c) and 15-d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report (the "Evaluation Date") have concluded that as of the Evaluation Date, the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities, particularly during the period in which this quarterly report was being prepared. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files under the Exchange Act is accumulated and communicated to its Management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-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, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is 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 the Company's Annual Report on Form 10-K, as amended, for the year ended December 31, 2007. Management believes that none of these legal proceedings, individually or in the aggregate, will have a material adverse impact on the results of operations or financial condition of the Company.

Item 1A. Risk Factors

There are no material changes from the risk factors set forth under Part 1A. "Risk Factors" in the Company's 2007 Annual Report on Form 10-K, as amended, other than the addition of the following risk factors:

There can be no assurance that recently enacted legislation authorizing the U.S. government to take direct actions within the financial services industry will help stabilize the U.S. financial system.

On October 3, 2008, the President signed into law the Emergency Economic Stabilization Act of 2008 (the "EESA"). The legislation was the result of a proposal by Treasury Secretary Henry Paulson to the U.S. Congress on September 20, 2008 in response to the financial crises affecting the banking system and financial markets and going concern threats to investment banks and other financial institutions. Pursuant to the EESA, the U.S. Treasury will have the authority to, among other things, invest in financial institutions and purchase up to $700 billion of mortgages, mortgage-backed securities and certain other financial instruments from financial institutions for the purpose of stabilizing and providing liquidity to the U.S. financial markets. Pursuant to this authority, the U.S. Treasury has announced its Capital Purchase Program, under which it has begun to purchase up to $250 billion of preferred stock in eligible institutions to increase the flow of financing to U.S. businesses and consumers and to support the U.S. economy. In addition, other recent regulatory measures designed to strengthen financial market stability include actions enabling the FDIC to temporarily guarantee the newly-issued senior debt of FDIC-insured institutions and their holding companies, as well as deposits in noninterest-bearing deposit transaction accounts, and the Federal Reserve's Commercial Paper Funding Facility, providing a backstop for the commercial paper market of high quality issuers. There can be no assurance, however, as to the actual impact that the EESA and these related actions will have on the financial markets, including the extreme levels of volatility and limited credit availability currently being experienced. The failure of the EESA and these related actions to help stabilize the financial markets and a continuation or worsening of current financial market conditions could materially and adversely affect our business, financial condition, results of operations, or access to credit.

Difficult market conditions may adversely affect our industry, business, results of operations and access to capital.

Dramatic declines in the housing market over the past year, with falling home prices and increasing foreclosures, unemployment and under-employment, have negatively impacted the credit performance of mortgage loans and resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities as well as major commercial and investment banks. These write-downs, initially of mortgage-backed securities but spreading to credit default swaps and other derivative and cash securities, in turn, have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced or ceased providing funding to borrowers, including to other financial institutions. This market turmoil and tightening of credit have led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of business activity generally. The resulting lack of available credit and lack of confidence in the financial markets could materially and adversely affect our financial condition and results of operations and our access to capital. In particular, we may face the following risks in connection with these events:

- Market developments may affect consumer confidence levels and may cause adverse changes in payment patterns, causing increases in delinquencies and default rates on loans and other credit facilities.

- The processes we use to estimate allowance for loan losses and reserves may no longer be reliable because they rely on complex judgments, including forecasts of economic conditions, which may no longer be capable of accurate estimation.

- Our ability to borrow from other financial institutions or raise additional capital on favorable terms or at all could be adversely affected by further disruptions in the capital markets or other events.

- We may be required to pay significantly higher FDIC premiums because market developments have significantly depleted the insurance fund of the FDIC and reduced the ratio of reserves to insured deposits.

- We expect to face increased regulation of our industry. Compliance with such regulation may increase our costs, limit our ability to pursue business opportunities, and increase compliance challenges.

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

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits

Exhibit 31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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.,

November 14, 2008 By: /s/ Steven R. Gardner
Date Steven R. Gardner
President and Chief Executive Officer
(principal executive officer)

November 14, 2008 /s/ John Shindler

Date John Shindler
Executive Vice President and Chief Financial Officer
(principal financial and accounting officer)

Index to Exhibits

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