

HERITAGE COMMERCE CORP
Form 10-Q
May 10, 2007

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

FORM 10-Q

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

For the quarterly period ended March 31, 2007

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 000-23877

Heritage Commerce Corp

(Exact name of Registrant as Specified in its Charter)

California

(State or Other Jurisdiction of Incorporation or
Organization)

77-0469558

(I.R.S. Employer Identification
Number)

150 Almaden Boulevard
San Jose, California 95113

(Address of Principal Executive Offices including Zip Code)

(408) 947-6900

(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 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer [] Accelerated filer [X] Non-accelerated filer []

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

The Registrant had 11,636,828 shares of Common Stock outstanding on April 24, 2007.

Heritage Commerce Corp and Subsidiaries
Quarterly Report on Form 10-Q
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Part I -- FINANCIAL INFORMATION
ITEM 1 - CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Heritage Commerce Corp
Consolidated Balance Sheets (Unaudited)

		March 31, 2007		December 31, 2006
(Dollars in thousands)				
Assets				
Cash and due from banks	\$	33,718	\$	34,285
Federal funds sold		90,400		15,100
Total cash and cash equivalents		124,118		49,385
Securities available-for-sale, at fair value		164,800		172,298
Loans held for sale, at lower of cost or market		11,351		17,234
Loans, net of deferred costs		701,066		725,754
Allowance for loan losses		(9,014)		(9,279)
Loans, net		692,052		716,475
Federal Home Loan Bank and Federal Reserve Bank stock, at cost		6,185		6,113
Company owned life insurance		36,519		36,174
Premises and equipment, net		2,446		2,539
Accrued interest receivable and other assets		33,593		36,920
Total assets	\$	1,071,064	\$	1,037,138
 Liabilities and Shareholders' Equity				
Liabilities:				
Deposits				
Demand, noninterest bearing	\$	221,206	\$	231,841
Demand, interest bearing		141,395		133,413
Savings and money market		351,005		307,266
Time deposits, under \$100		30,730		31,097
Time deposits, \$100 and over		96,813		111,017
Brokered deposits, \$100 and over		42,748		31,959
Total deposits		883,897		846,593
Notes payable to subsidiary grantor trusts		23,702		23,702
Securities sold under agreement to repurchase		15,100		21,800
Accrued interest payable and other liabilities		22,333		22,223
Total liabilities		945,032		914,318
Shareholders' equity:				
Preferred stock, no par value; 10,000,000 shares authorized; none outstanding		-		-
Common Stock, no par value; 30,000,000 shares authorized; shares outstanding: 11,636,828 at March 31, 2007 and 11,656,943 at December 31, 2006		61,958		62,363
Retained earnings		65,786		62,452
Accumulated other comprehensive loss		(1,712)		(1,995)
Total shareholders' equity		126,032		122,820

Total liabilities and shareholders' equity	\$	1,071,064	\$	1,037,138
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See notes to consolidated financial statements

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Heritage Commerce Corp
Consolidated Income Statements (Unaudited)

	Three Months Ended	
	March 31,	
	2007	2006
	(Dollars in thousands, except per share data)	
Interest income:		
Loans, including fees	\$ 14,670	\$ 14,721
Securities, taxable	1,909	1,746
Securities, non-taxable	44	46
Interest bearing deposits in other financial institutions	32	18
Federal funds sold	579	729
Total interest income	17,234	17,260
Interest expense:		
Deposits	4,785	4,319
Notes payable to subsidiary grantor trusts	581	562
Repurchase agreements and other	137	188
Total interest expense	5,503	5,069
Net interest income	11,731	12,191
Provision for loan losses	(236)	(489)
Net interest income after provision for loan losses	11,967	12,680
Noninterest income:		
Gain on sale of loans	1,011	1,497
Servicing income	517	468
Increase in cash surrender value of life insurance		