SHEPHERD W CLYDE III
Form 4
April 10, 2007

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
SHEPHERD W CLYDE III

(Last) (First) (Middle)

3490 PIEDMONT ROAD, SUITE 1550

(Street)

ATLANTA, GA 30305

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
FIDELITY SOUTHERN CORP [LION]

3. Date of Earliest Transaction (Month/Day/Year)
04/05/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Fidelity Southern Corporation - Common Stock	04/05/2007		P		523.7035	A	$ 19.09	7,605.3565	D	
Fidelity Southern Corporation - Common Stock								1,800	I	By Custodian For Child
								5,000	I	

Fidelity Southern Corporation - Common Stock			By family partnership
Fidelity Southern Corporation - Common Stock	34,530	I	By Trust

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SHEPHERD W CLYDE III 3490 PIEDMONT ROAD SUITE 1550 ATLANTA, GA 30305	X			

Signatures

By: Barbara McNeill, Attorney in Fact	04/10/2007
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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December 31, 2015 Estimated Fair Value
Carrying
Amounts Quoted Prices in
Active Markets for
Identical Assets
(Level 1) Significant
Other
Observable
Inputs
(Level 2) Significant
Unobservable
Inputs
(Level 3) Total

(Dollars in thousands)

Assets:

Cash and cash equivalents

$344,092 $344,092 $ $ $344,092

Securities available-for-sale

385,079 30,003 355,076 385,079

Securities held-to-maturity

109,311 109,821 109,821

Loans (including loans held-for-sale), net

1,347,087 7,297 1,337,939 1,345,236

FHLB stock, FRB stock, and other investments

12,694 N/A

Accrued interest receivable

5,043 1,654 3,389 5,043

I/O strips receivables

1,367 1,367 1,367

Liabilities:

Time deposits

$244,861 $ $245,279 $ $245,279

Other deposits

1,817,914 1,817,914 1,817,914

Short-term borrowings

3,000 3,000 3,000

Accrued interest payable

195 195 195

	December 31, 2014 Estimated Fair Value				
	Carrying Amounts	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(Dollars in thousands)				
Assets:					
Cash and cash equivalents	$ 122,403	$ 122,403	$	$	$ 122,403
Securities available-for-sale	206,335		206,335		206,335
Securities held-to-maturity	95,362		94,953		94,953
Loans (including loans held-for-sale), net	1,071,436		1,172	1,071,854	1,073,026
FHLB and FRB stock	10,598				N/A
Accrued interest receivable	5,044		1,435	3,609	5,044
I/O strips receivables	1,481		1,481		1,481
Liabilities:					
Time deposits	$ 256,223	$	$ 256,589	$	$ 256,589
Other deposits	1,132,163		1,132,163		1,132,163
Accrued interest payable	201		201		201

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HERITAGE COMMERCE CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The methods and assumptions, not previously discussed, used to estimate the fair value are described as follows:

Cash and Cash Equivalents

The carrying amounts of cash on hand, noninterest and interest bearing due from bank accounts approximate fair values and are classified as Level 1.

Loans

The fair value of loans held-for-sale is estimated based upon binding contracts and quotes from third party investors resulting in a Level 2 classification.

Fair values of loans, excluding loans held for sale, are estimated as follows: For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values resulting in a Level 3 classification. Fair values for other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality resulting in a Level 3 classification. Impaired loans are valued at the lower of cost or fair value as described previously. The methods utilized to estimate the fair value of loans do not necessarily represent an exit price.

FHLB and FRB Stock

It was not practical to determine the fair value of FHLB and FRB stock due to the restrictions placed on transferability.

Accrued Interest Receivable/Payable

The carrying amounts of accrued interest approximate fair value resulting in a Level 2 or Level 3 classification.

Deposits

The fair values disclosed for demand deposits (e.g., interest and noninterest checking, passbook savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amount) resulting in a Level 2 classification. The carrying amounts of variable rate, fixed-term money market accounts approximate their fair values at the reporting date resulting in a Level 2 classification. The carrying amounts of variable rate, certificates of deposit approximate their fair values at the reporting date resulting in a Level 2 classification. Fair values for fixed rate certificates of deposit are estimated using a discounted cash flows calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits resulting in a Level 2 classification.

Off-Balance Sheet Items

Fair values for off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The fair value of commitments is not material.

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HERITAGE COMMERCE CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information about the financial instruments. These estimates do not reflect any premium or discount that could result from offering for sale at one time the entire holdings of a particular financial instrument. Fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

16) Commitments and Contingencies

Financial Instruments with Off-Balance Sheet Risk

HBC is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its clients. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the balance sheets.

HBC's exposure to credit loss in the event of non-performance of the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. HBC uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. Credit risk is the possibility that a loss may occur because a party to a transaction failed to perform according to the terms of the contract. HBC controls the credit risk of these transactions through credit approvals, limits, and monitoring procedures. Management does not anticipate any significant losses as a result of these transactions.

Commitments to extend credit were as follows:

	December 31, 2015		December 31, 2014	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
	(Dollars in thousands)			
Unused lines of credit and commitments to make loans	$ 16,917	$ 539,897	$ 8,164	$ 415,146
Standby letters of credit	3,402	13,458	3,235	12,783
	$ 20,319	$ 553,355	$ 11,399	$ 427,929

Commitments generally expire within one year.

Standby letters of credit are written with conditional commitments issued by HBC to guarantee the performance of a client to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to clients.

The Company is required to maintain interest-bearing reserves. Reserve requirements are based on a percentage of certain deposits. As of December 31, 2015, the Company maintained reserves of $29,015,000 in the form of vault cash and balances at the Federal Reserve Bank of San Francisco, which satisfied the regulatory requirements.

HERITAGE COMMERCE CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Loss Contingencies

The Company's policy is to accrue for legal costs associated with both asserted and unasserted claims when it is probable that such costs will be incurred and such costs can be reasonably estimated. A number of parties have filed complaints in the Superior Court of California for the County of Santa Clara asserting certain claims against the Company arising from the transfer of funds. One complaint composed of numerous claims has been set for trial in late 2016. Three of the remaining complaints are in the pleading stage and in mid-discovery. One other complaint is in mid-discovery. As to all claims, it is not possible to determine the amount of the loss, if any, arising from the claim in excess of the legal expenses expected to be incurred in defense of the litigation. The Company intends to vigorously defend the litigation.

17) Shareholders' Equity and Earnings Per Share

Series A Preferred Stock On November 21, 2008, the Company issued 40,000 shares of Series A Fixed Rate Cumulative Perpetual Preferred Stock ("Series A Preferred Stock") to the U.S. Treasury under the terms of the U.S. Treasury Capital Purchase Program for $40,000,000 with a liquidation preference of $1,000 per share. On March 7, 2012, in accordance with approvals received from the U.S. Treasury and the Federal Reserve Board, the Company repurchased all of the Series A Preferred Stock and paid all of the related accrued and unpaid dividends.

Warrants On November 21, 2008, in conjunction with the issuance of the Series A Preferred Stock, the Company issued a warrant to the U.S Treasury with an initial exercise price of $12.96 per share of common stock, with an allocated fair value of $1,979,000. The warrant was exercisable at any time on or before November 21, 2018. The warrant was transferable at any time. On June 12, 2013, the Company completed the repurchase of the common stock warrant for $140,000.

Series C Preferred Stock On June 21, 2010, the Company issued to various institutional investors 21,004 shares of Series C Convertible Perpetual Preferred Stock ("Series C Preferred Stock"). The Series C Preferred Stock is mandatorily convertible into 5,601,000 shares of common stock at a conversion price of $3.75 per share upon a subsequent transfer of the Series C Preferred Stock to third parties not affiliated with the holder in a widely dispersed offering. The Series C Preferred Stock is non-voting except in the case of certain transactions that would affect the rights of the holders of the Series C Preferred Stock or applicable law. The holders of Series C Preferred Stock receive dividends on an as converted basis when dividends are also declared for holders of common stock. The Series C Preferred Stock is not redeemable by the Company or by the holders and has a liquidation preference of $1,000 per share. The Series C Preferred Stock ranks senior to the Company's common stock.

Dividends On January 28, 2016, the Company announced that its Board of Directors declared a $0.09 per share quarterly cash dividend to holders of common stock and Series C preferred stock (on an as converted basis). The dividend was paid on February 25, 2016, to shareholders of record on February 10, 2016.

Earnings Per Share Basic earnings per common share is computed by dividing net income, less dividends and discount accretion on preferred stock, by the weighted average common shares outstanding. The Series C Preferred Stock participates in the earnings of the Company and, therefore, the shares issued on the conversion of the Series C Preferred Stock are considered outstanding under the two-class method of computing basic earnings per common share during periods of earnings. Diluted earnings per share reflect potential dilution from outstanding stock options and common stock warrants, using the treasury stock method. The common stock warrant was antidilutive at December 31, 2013. The Company

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

repurchased the warrant for $140,000 in the second quarter of 2013. A reconciliation of these factors used in computing basic and diluted earnings per common share is as follows:

	Year ended December 31,		
	2015	2014	2013
	(Dollars in thousands, except per share amounts)		
Net income available to common shareholders	$ 14,705	$ 12,419	$ 11,204
Less: undistributed earnings allocated to Series C Preferred Stock	(912)	(1,342)	(1,687)
Distributed and undistributed earnings allocated to common shareholders	$ 13,793	$ 11,077	$ 9,517
Weighted average common shares outstanding for basic earnings per common share	28,567,213	26,390,615	26,338,161
Dilutive effect of stock options oustanding, using the treasury stock method	218,865	135,667	48,291
Shares used in computing diluted earnings per common share	28,786,078	26,526,282	26,386,452
Basic earnings per share	$ 0.48	$ 0.42	$ 0.36
Diluted earnings per share	$ 0.48	$ 0.42	$ 0.36

18) Capital Requirements

The Company and its subsidiary bank are subject to various regulatory capital requirements administered by the banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements and operations. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and HBC must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off balance sheet items as calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

As of January 1, 2015, HCC and HBC along with other community banking organizations became subject to new capital requirements on January 1, 2015 and certain provisions of the new rules will be phased in from 2015 through 2019. The Federal Banking regulators approved the new rules to implement the revised capital adequacy standards of the Basel Committee on Banking Supervision, commonly called Basel III, and address relevant provisions of The Dodd Frank Wall Street Reform and Consumer Protection Act of 2010, as amended. The Company's consolidated capital ratios and the Bank's capital ratios exceeded the regulatory guidelines for a well-capitalized financial institution under the Basel III regulatory requirements at December 31, 2015.

Quantitative measures established by regulation to help ensure capital adequacy require the Company and HBC to maintain minimum amounts and ratios (set forth in the tables below) of total, Tier 1 capital, and common equity Tier 1 capital (as defined in the regulations) to risk weighted assets (as defined), and of Tier 1 capital to average assets (as defined). Management believes that, as of December 31, 2015 and December 31, 2014, the Company and HBC met all capital adequacy guidelines to which they were subject.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company's consolidated capital amounts and ratios are presented in the following table, together with capital adequacy requirements, under the Basel III regulatory requirements as of December 31, 2015, and under the Basel I regulatory requirements as of December 31, 2014.

	Actual		Required For Capital Adequacy Purposes Under Basel III	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
As of December 31, 2015:				
Total Capital (to risk-weighted assets)	$ 218,915	12.5%	$ 140,041	8.0%
Tier 1 Capital (to risk-weighted assets)	$ 199,299	11.4%	$ 105,031	6.0%
Common Equity Tier 1 Capital (to risk-weighted assets)	$ 181,221	10.4%	$ 78,773	4.5%
Tier 1 Capital (to average assets)	$ 199,299	8.6%	$ 92,918	4.0%

	Actual		To Be Well-Capitalized Under Basel I Regulatory Requirements		Required For Capital Adequacy Purposes Under Basel I	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
As of December 31, 2014:						
Total Capital (to risk-weighted assets)	$ 186,068	13.9%	$ 134,109	10.0%	$ 107,287	8.0%
Tier 1 Capital (to risk-weighted assets)	$ 169,278	12.6%	$ 80,465	6.0%	$ 53,644	4.0%
Tier 1 Capital (to average assets)	$ 169,278	10.6%	N/A	N/A	$ 63,949	4.0%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

HBC's actual capital amounts and ratios are presented in the following table, together with capital adequacy requirements, under the Basel III regulatory requirements as of December 31, 2015, and under the Basel I regulatory requirements as of December 31, 2014.

	Actual		To Be Well-Capitalized Under Basel III Regulatory Requirements		Required For Capital Adequacy Purposes Under Basel III	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
As of December 31, 2015:						
Total Capital (to risk-weighted assets)	$ 219,943	12.6%	$ 175,022	10.0%	$ 140,018	8.0%
Tier 1 Capital (to risk-weighted assets)	$ 200,327	11.4%	$ 140,018	8.0%	$ 105,013	6.0%
Common Equity Tier 1 Capital (to risk-weighted assets)	$ 200,327	11.4%	$ 113,764	6.5%	$ 78,760	4.5%
Tier 1 Capital (to average assets)	$ 200,327	8.6%	$ 116,112	5.0%	$ 92,889	4.0%

	Actual		To Be Well-Capitalized Under Basel I Regulatory Requirements		Required For Capital Adequacy Purposes Under Basel I	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
As of December 31, 2014:						
Total Capital (to risk-weighted assets)	$ 175,765	13.1%	$ 134,095	10.0%	$ 107,276	8.0%
Tier 1 Capital (to risk-weighted assets)	$ 158,976	11.9%	$ 80,457	6.0%	$ 53,638	4.0%
Tier 1 Capital (to average assets)	$ 158,976	9.9%	$ 79,959	5.0%	$ 63,967	4.0%

HCC is dependent upon dividends from HBC. Under California General Corporation Law, the holders of common stock are entitled to receive dividends when and as declared by the Board of Directors, out of funds legally available. The California Financial Code provides that a state licensed bank may not make a cash distribution to its shareholders in excess of the lesser of the following: (i) the bank's retained earnings; or (ii) the bank's net income for its last three fiscal years, less the amount of any distributions made by the bank to its shareholders during such period. However, a bank, with the prior approval of the Commissioner of the California Department of Business Oversight Division of Financial Institutions ("DBO") may make a distribution to its shareholders of an amount not to exceed the greater of (i) a bank's retained earnings; (ii) its net income for its last fiscal year; or (iii) its net income for the current fiscal year. Also with the prior approval of the Commissioner of the DBO and the shareholders of the bank, the bank may make a distribution to its shareholders, as a reduction in capital of the bank. In the event that the Commissioner determines that the shareholders' equity of a bank is inadequate or that the making of a distribution by a bank would be unsafe or unsound, the Commissioner may order a bank to refrain from making such a proposed distribution. As of December 31, 2015, HBC would be required to obtain regulatory approval from the DBO for a dividend or other distribution to HCC, however,

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HERITAGE COMMERCE CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

commencing January 1, 2016 HBC will not be required to obtain regulatory approval. The amount available for cash dividened is $22,361,000 as of January 1, 2016. Similar restrictions applied to the amount and sum of loan advances and other transfers of funds from HBC to the parent company.

19) Noninterest Expense

The following table indicates the percentage of noninterest expense in each category for the periods indicated:

	Year Ended December 31,		
	2015	2014	2013
	(Dollars in thousands)		
Salaries and employee benefits	$ 35,146	$ 26,250	$ 23,450
Occupancy and equipment	4,300	4,053	4,043
Acquisition and integration related costs(1)	3,546	895	
Professional fees	1,828	1,891	2,588
Data processing	1,371	969	1,078
Software subscriptions	1,214	999	1,289
Insurance expense	1,127	1,126	1,032
FDIC deposit insurance premiums	1,092	892	894
Correspondent bank charges	1,021	760	684
Amortization on intangible assets	1,043	510	473
Foreclosed assets	(94)	53	(251)
Other	7,079	5,824	5,190
Total	$ 58,673	$ 44,222	$ 40,470

(1) Does not include pre-tax severance and retention cost of $2,887,000, which is included in salaries and employee benefits for the year ended December 31, 2015.

20) Business Segment Information

The following presents the Company's operating segments. The Company operates through two business segments: Banking segment and Factoring segment. Transactions between segments consist primarily of borrowed funds. Intersegment interest expense is allocated to the Factoring segment based on the Company's prime rate and funding costs. The provision for loan loss is allocated based on the segment's allowance for loan loss determination which considers the effects of charge-offs. Noninterest income and expense directly attributable to a segment are assigned to it. Taxes are paid on a consolidated basis and allocated for segment purposes. The Factoring segment includes only factoring originated by Bay

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

View Funding, which has been included in the results of operations since the acquisition on November 1, 2014.

	For the Twelve Months Ended Deember 31, 2015		
	Banking(1)	Factoring	Consolidated
	(Dollars in thousands)		
Interest income	$ 66,306	$ 12,437	$ 78,743
Intersegment interest allocations	1,087	(1,087)	
Total interest expense	2,422		2,422
Net interest income	64,971	11,350	76,321
Provision (credit) for loan losses	(156)	188	32
Net interest income after provision	65,127	11,162	76,289
Noninterest income	8,234	751	8,985
Noninterest expense	51,438	7,235	58,673
Intersegment expense allocations	386	(386)	
Income before income taxes	22,309	4,292	26,601
Income tax expense	8,301	1,803	10,104
Net income	$ 14,008	$ 2,489	$ 16,497
Total assets	$ 2,306,543	$ 55,036	$ 2,361,579
Loans, net of deferred fees	$ 1,318,657	$ 40,059	$ 1,358,716
Goodwill	$ 32,620	$ 13,044	$ 45,664

(1) Includes the holding company's results of operations

	For the Twelve Months Ended Deember 31, 2014		
	Banking(1)	Factoring(2)	Consolidated
	(Dollars in thousands)		
Interest income	$ 57,178	$ 2,078	$ 59,256
Intersegment interest allocations	31	(31)	
Total interest expense	2,033	120	2,153
Net interest income	55,176	1,927	57,103
Provision (credit) for loan losses	(338)		(338)
Net interest income after provision	55,514	1,927	57,441
Noninterest income	7,662	84	7,746
Noninterest expense	43,132	1,090	44,222
Income before income taxes	20,044	921	20,965

Income tax expense		7,151		387		7,538
Net income	$	12,893	$	534	$	13,427
Total assets	$	1,561,911	$	55,192	$	1,617,103
Loans, net of deferred fees	$	1,048,631	$	40,012	$	1,088,643
Goodwill	$		$	13,044	$	13,044

(1) Includes the holding company's results of operations

(2) Includes two months of Bay View Funding's results of operations

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HERITAGE COMMERCE CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21) Parent Company only Condensed Financial Information

The condensed financial statements of Heritage Commerce Corp (parent company only) are as follows:

Condensed Balance Sheets

	December 31,	
	2015	2014
	(Dollars in thousands)	
Assets		
Cash and cash equivalents	$ 1,686	$ 10,159
Investment in subsidiary bank	246,357	173,453
Other assets	400	953
Total assets	$ 248,443	$ 184,565
Liabilities and Shareholder's Equity		
Short-term borrowings	3,000	
Other liabilities	7	207
Shareholder's equity	245,436	184,358
Total liabilities and shareholder's equity	$ 248,443	$ 184,565

Condensed Statements of Operations

	For the Year Ended December 31,		
	2015	2014	2013
	(Dollars in thousands)		
Dividend from subsidiary bank	$	$	$ 16,000
Interest expense	(18)		(229)
Other expenses	(2,705)	(2,033)	(2,080)
Income (loss) before income taxes and equity in net income of subsidiary bank	(2,723)	(2,033)	13,691
Equity in net income of subsidiary bank:			
Reduction in contributed capital and distribution from subsidiary bank			(16,000)
Net income of subsidiary bank	18,081	14,614	13,155
Income tax benefit	1,139	846	694
Net income	16,497	13,427	11,540
Dividends and discount accretion on preferred stock	(1,792)	(1,008)	(336)
Net income available to common shareholders	$ 14,705	$ 12,419	$ 11,204

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HERITAGE COMMERCE CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Statements of Cash Flows

	For the Year Ended December 31,		
	2015	2014	2013
	(Dollars in thousands)		
Cash flows from operating activities:			
Net Income	$ 16,497	$ 13,427	$ 11,540
Adjustments to reconcile net income to net cash provided by (used in) operations:			
Amortization of restricted stock award, net of forfeitures and taxes	265	(9)	200
Equity in undistributed loss/(net income) of subsidiary bank	(18,081)	(14,614)	2,845
Net change in other assets and liabilities	269	(2,158)	4,478
Net cash (used in) provided by operating activities	(1,050)	(3,354)	19,063
Cash flows from financing activities:			
Repayment of subordinated debt			(9,279)
Net change in purchased funds and other short-term borrowings	3,000		
Payment of cash dividends	(10,738)	(5,758)	(1,916)
Proceeds from issuance of common stock, net of issuance costs	315	262	88
Payment of repurchase of common stock warrant			(140)
Net cash used in financing activities	(7,423)	(5,496)	(11,247)
Net (decrease) increase in cash and cash equivalents	(8,473)	(8,850)	7,816
Cash and cash equivalents, beginning of year	10,159	19,009	11,193
Cash and cash equivalents, end of year	$ 1,686	$ 10,159	$ 19,009

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HERITAGE COMMERCE CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22) Quarterly Financial Data (Unaudited)

The following table discloses the Company's selected unaudited quarterly financial data:

	For the Quarter Ended(1)			
	12/31/15	09/30/15	06/30/15	03/31/15
	(Dollars in thousands, except per share amounts)			
Interest income	$ 22,896	$ 20,306	$ 18,175	$ 17,366
Interest expense	758	623	533	508
Net interest income	22,138	19,683	17,642	16,858
Provision (credit) for loan losses	371	(301)	22	(60)
Net interest income after provision for loan losses	21,767	19,984	17,620	16,918
Noninterest income	2,829	2,066	2,164	1,926
Noninterest expense	17,361	16,419	12,617	12,276
Income before income taxes	7,235	5,631	7,167	6,568
Income tax expense	2,812	2,172	2,690	2,430
Net income	4,423	3,459	4,477	4,138
Dividends on preferred stock	(448)	(448)	(448)	(448)
Net income available to common shareholders	3,975	3,011	4,029	3,690
Undistributed earnings allocated to Series C Preferred Stock	(209)	(111)	(331)	(274)
Distributed and undistributed earnings allocated to common shareholders	$ 3,766	$ 2,900	$ 3,698	$ 3,416
Earnings per common share				
Basic	$ 0.12	$ 0.10	$ 0.14	$ 0.13
Diluted	$ 0.12	$ 0.10	$ 0.14	$ 0.13

(1) Pre-tax severance, retention and acquisition and integration costs included in noninterest expense were $2,991,000, $2,865,000, $423,000, and $119,000, for the fourth, third, second, and first quarters of 2015, respectively.

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HERITAGE COMMERCE CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	For the Quarter Ended			
	12/31/2014(1)	9/30/2014(2)	06/30/14	03/31/14
	(Dollars in thousands, except per share amounts)			
Interest income	$ 16,717	$ 14,492	$ 14,192	$ 13,855
Interest expense	625	500	507	521
Net interest income	16,092	13,992	13,685	13,334
Provision (credit) for loan losses	(106)	(24)	(198)	(10)
Net interest income after provision for loan losses	16,198	14,016	13,883	13,344
Noninterest income	1,812	1,870	2,047	2,017
Noninterest expense	12,415	10,492	10,769	10,546
Income before income taxes	5,595	5,394	5,161	4,815
Income tax expense	1,993	1,969	1,837	1,739
Net income	3,602	3,425	3,324	3,076
Dividends on preferred stock	(280)	(280)	(224)	(224)
Net income available to common shareholders	3,322	3,145	3,100	2,852
Undistributed earnings allocated to Series C Preferred Stock	(349)	(320)	(358)	(315)
Distributed and undistributed earnings allocated to common shareholders	$ 2,973	$ 2,825	$ 2,742	$ 2,537
Earnings per common share				
Basic	$ 0.11	$ 0.11	$ 0.10	$ 0.10
Diluted	$ 0.11	$ 0.11	$ 0.10	$ 0.10

(1) The Company's selected unaudited quarterly financial data for the quarter ended December 31, 2014 includes Bay View Funding acquisition and integration costs of $609,000, and the results of operations for Bay View Funding for the months of November and December 2014.

(2) The Company's selected unaudited quarterly financial data for the quarter ended September 30, 2014 includes Bay View Funding acquisition and integration costs of $234,000.

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EXHIBIT INDEX

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated April 23, 2015, by and among Heritage Commerce Corp, Heritage Bank of Commerce and Focus Business Bank (incorporated by reference from the Registrant's Current Report on Form 8-K filed on April 23, 2015)
3.1	Restated Articles of Incorporation of Heritage Commerce Corp (incorporated by reference from the Registrant's Annual Report on Form 10-K filed on March 4, 2010)
3.2	Certificate of Amendment of Articles of Incorporation of Heritage Commerce Corp, as filed with the California Secretary of State on June 1, 2010 (incorporated by reference from the Registration Statement on Form S-1 filed July 23, 2010)
3.3	Bylaws, as amended, of Heritage Commerce Corp (incorporated by reference from the Registrant's Current Report Form 8-K filed June 28, 2013)
4.1	Certificate of Determination of Series C Convertible Perpetual Preferred Stock, as filed with the California Secretary of State on June 17, 2010 (incorporated herein by reference from the Registrant's Current Report on Form 8-K filed on June 22, 2010)
10.1	Real Property Lease for Registrant's Principle Office dated April 13, 2000 (incorporated by reference from Registrant's Annual Report on Form 10-K filed on March 6, 2015)
10.2	Sixth Amendment to Lease for Registrant's Principle Office dated November 17, 2014 (incorporated by reference from Registrant's Annual Report on Form 10-K filed on March 6, 2015)
*10.3	Heritage Commerce Corp Management Incentive Plan (incorporated herein by reference from the Registrant's Current Report on Form 8-K filed May 3, 2005)
*10.4	Amended and Restated 2004 Equity Plan (incorporated herein by reference from the Registrant's Current Report on Form 8-K filed June 2, 2009)
*10.5	Restricted Stock Agreement with Walter Kaczmarek dated March 17, 2005 (incorporated herein by reference from the Registrant's Current Report on Form 8-K filed March 22, 2005)
*10.6	2004 Stock Option Agreement with Walter Kaczmarek dated March 17, 2005 (incorporated herein by reference from the Registrant's Current Report on Form 8-K filed March 22, 2005)
*10.7	Non-qualified Deferred Compensation Plan (incorporated herein by reference from the Registrant's Annual Report on Form 10-K filed March 31, 2005)
*10.8	Amended and Restated Employment Agreement with Walter Kaczmarek, dated October 17, 2007 (incorporated herein by reference from the Registrant's Current Report on Form 8-K filed October 22, 2007)
*10.9	Amended and Restated Employment Agreement with Lawrence McGovern, dated July 21, 2011 (incorporated herein by reference from the Registrant's Current Report on Form 8-K filed July 21, 2011)
*10.10	Employment Agreement with Michael E. Benito, dated February 1, 2012 (incorporated by reference from the Registrant's Current Report on Form 8-K filed February 1, 2012)
*10.11	Employment Agreement with David Porter, dated June 25, 2012 (incorporated by reference from the Registrant's Current Report on Form 8-K filed June 25, 2012)

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Exhibit Number	Description
*10.12	Employment Agreement with Keith Wilton, dated February 18, 2014 (incorporated by reference from the Registrant's Current Report on Form 8-K filed February 20, 2014)
*10.13	Form of Stock Option Agreement For Amended and Restated 2004 Equity Plan (incorporated by reference from the Registrant's Annual Report on Form 10-K filed March 9, 2012)
*10.14	Form of Restricted Stock Agreement For Amended and Restated 2004 Equity Plan (incorporated by reference from the Registrant's Annual Report on Form 10-K filed March 9, 2012)
*10.15	2013 Equity Incentive Plan (incorporated by reference from the Registrant's Registration Statement in Form S-8 filed July 15, 2013)
*10.16	Form of Restricted Stock Agreement For 2013 Equity Incentive Plan (incorporated by reference from the Registrant's Registration Statement on Form S-8 filed July 15, 2013)
*10.17	Form of Stock Option Agreement for 2013 Equity Incentive Plan (incorporated by reference from the Registrant's Registration Statement on Form S-8 filed July 15, 2013)
*10.18	2005 Amended and Restated Heritage Commerce Corp Supplemental Retirement Plan (incorporated herein by reference from the Registrant's Current Report on Form 8-K filed September 30, 2008)
*10.19	Form of Endorsement Method Split Dollar Plan Agreement for Executive Officers (incorporated herein by reference from the Registrant's Annual Report on Form 10-K filed March 17, 2008)
*10.20	Form of Endorsement Method Split Dollar Plan Agreement for Directors (incorporated herein by reference from the Registrant's Annual Report on Form 10-K filed March 17, 2008)
*10.21	Amendment No. 1 to Employment Agreement, dated December 29, 2008 between the Company and Walter T. Kaczmarek (incorporated herein by reference from the Registrant's Current Report on Form 8-K filed January 2, 2009)
*10.22	First Amended and Restated Director Compensation Benefits Agreement dated December 29, 2008 between Jack Conner and the Company (incorporated herein by reference from the Registrant's Current Report on Form 8-K filed January 2, 2009)
*10.23	First Amended and Restated Director Compensation Benefits Agreement dated December 29, 2008 between Frank Bisceglia and the Company (incorporated herein by reference from the Registrant's Current Report on Form 8-K filed January 2, 2009)
*10.24	First Amended and Restated Director Compensation Benefits Agreement dated December 29, 2008 between Robert Moles and the Company (incorporated herein by reference from the Registrant's Current Report on Form 8-K filed January 2, 2009)
*10.25	First Amended and Restated Director Compensation Benefits Agreement dated December 29, 2008 between Humphrey Polanen and the Company (incorporated herein by reference from the Registrant's Current Report on Form 8-K filed January 2, 2009)
*10.26	First Amended and Restated Director Compensation Benefits Agreement dated December 29, 2008 between Charles Toeniskoetter and the Company (incorporated herein by reference from the Registrant's Current Report on Form 8-K filed January 2, 2009)
*10.27	First Amended and Restated Director Compensation Benefits Agreement dated December 29, 2008 between Ranson Webster and the Company (incorporated herein by reference from the Registrant's Current Report on Form 8-K filed January 2, 2009)

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Exhibit Number	Description
10.28	Form of Indemnification Agreement between the Registrant and its directors and executive officers (incorporated herein by reference from the Registrant's Current Report on Form 8-K filed December 23, 2009)
10.29	Securities Purchase Agreement between the Company and each of the Purchasers, dated as of June 18, 2010 (incorporated herein from the Registrant's Current Report on Form 8-K as filed June 22, 2010)
10.30	Registration Rights Agreement between the Company and each of the Purchasers, dated as of June 18, 2010 (incorporated herein from the Registrant's Current Report on Form 8-K as filed June 22, 2010)
10.31	Stock Purchase Agreement, between Heritage Bank of Commerce, BVF Acquisition Corp and the stockholders named therein dated October 8, 2014 (incorporated herein from the Registrant's Current Report on Form 8-K, as filed October 9, 2014)
12.1	Calculation of consolidated ratio of earnings to fixed charges and consolidated ratio of earnings to fixed charges and preferred stock dividends
21.1	Subsidiaries of the Registrant
23.1	Consent of Crowe Horwath LLP
31.1	Certification of Registrant's Chief Executive Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002
31.2	Certification of Registrant's Chief Financial Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002
32.1	Certification of Registrant's Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
32.2	Certification of Registrant's Chief Financial Officer Pursuant to 18 U.S.C. Section 1350
101.INS	XBRL Instance Document, furnished herewith
101.SCH	XBRL Taxonomy Extension Schema Document, furnished herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document, furnished herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document, furnished herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document, furnished herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document, furnished herewith

* Management contract or compensatory plan or arrangement.