

ITLA CAPITAL CORP
Form 10-Q
May 10, 2007

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

FORM 10-Q

(Mark One)

R 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 1-33199

ITLA CAPITAL CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation or
Organization)

95-4596322
(IRS Employer Identification No.)

888 Prospect St., Suite 110, La Jolla,
California
(Address of Principal Executive Offices)

92037
(Zip Code)

(858) 551-0511
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes R 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" in Rule 12b-2 of the Exchange Act. Large Accelerated Filer £ Accelerated Filer R Non-Accelerated Filer £

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

Number of shares of common stock of the registrant: 5,495,876 outstanding as of May 3,
2007.

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ITLA CAPITAL CORPORATION
FORM 10-Q
FOR THE THREE MONTHS ENDED MARCH 31, 2007

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Exhibit 31.1Exhibit 31.2Exhibit 32**Forward Looking Statements**

“Safe Harbor” statement under the Private Securities Litigation Reform Act of 1995: This Form 10-Q contains forward-looking statements that are subject to risks and uncertainties, including, but not limited to, changes in economic conditions in our market areas, changes in policies by regulatory agencies, the impact of competitive loan products, loan demand risks, the quality or composition of our loan or investment portfolios, increased costs from pursuing the national expansion of our real estate lending platform and operational challenges inherent in implementing this expansion strategy, fluctuations in interest rates and changes in the relative differences between short and long-term interest rates, levels of non-performing assets and other loans of concern, and operating results, the economic impact of any terrorist actions on our loan originations and loan repayments and other risks detailed from time to time in our filings with the Securities and Exchange Commission. We caution readers not to place undue reliance on forward-looking statements. We do not undertake and specifically disclaim any obligation to revise any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the

date of such statements. These risks could cause our actual results for 2007 and beyond to differ materially from those expressed in any forward-looking statements by, or on behalf of, us.

As used throughout this report, the terms “we”, “our”, “us”, or the “Company” refer to ITLA Capital Corporation and its consolidated subsidiaries.

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ITLA CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 2007 (unaudited)	December 31, 2006
	(in thousands, except share data)	
Assets		
Cash and cash equivalents	\$ 28,304	\$ 30,448
Investment securities available-for-sale, at fair value	120,000	99,527
Investment securities held-to-maturity, at amortized cost	184,882	193,512
Stock in Federal Home Loan Bank	49,701	48,984
Loans, net (net of allowance for loan losses of \$47,179 and \$46,049 as of March 31, 2007 and December 31, 2006, respectively)	3,006,829	2,973,368
Interest receivable	20,982	20,753
Other real estate owned, net	6,640	6,729
Premises and equipment, net	8,446	7,851
Deferred income taxes	11,272	11,513
Goodwill	3,118	3,118
Other assets	21,327	19,707
Total assets	\$ 3,461,501	\$ 3,415,510
Liabilities and Shareholders' Equity		
Liabilities:		
Deposit accounts	\$ 2,109,060	\$ 2,059,405
Federal Home Loan Bank advances and other borrowings	1,001,503	1,010,000
Accounts payable and other liabilities	37,488	38,168
Junior subordinated debentures	86,600	86,600
Total liabilities	3,234,651	3,194,173
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, 5,000,000 shares authorized, none issued	—	—
Contributed capital - common stock, \$.01 par value; 20,000,000 shares authorized, 9,069,172 and 9,065,672 issued as of March 31, 2007 and December 31, 2006, respectively	82,300	82,073
Retained earnings	249,672	243,823
Accumulated other comprehensive income, net	401	35

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	332,373	325,931
Less treasury stock, at cost 3,820,644 and 3,803,969 shares as of March 31, 2007 and December 31, 2006, respectively	(105,523)	(104,594)
Total shareholders' equity	226,850	221,337
Total liabilities and shareholders' equity	\$ 3,461,501	\$ 3,415,510

See accompanying notes to the unaudited consolidated financial statements.

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ITLA CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	For the Three Months Ended March 31,	
	2007	2006
	(in thousands, except per share data)	
Interest income:		
Loans, including fees	\$ 58,763	\$ 47,137
Cash and investment securities	4,569	4,291
Total interest income	63,332	51,428
Interest expense:		
Deposit accounts	26,588	17,198
Federal Home Loan Bank advances and other borrowings	10,677	9,362
Junior subordinated debentures	2,078	1,958
Total interest expense	39,343	28,518
Net interest income before provision for loan losses	23,989	22,910
Provision for loan losses	750	750
Net interest income after provision for loan losses	23,239	22,160
Non-interest income:		
Late and collection fees	303	223
Other	413	494
Total non-interest income	716	717
Non-interest expense:		
Compensation and benefits	6,182	6,020
Occupancy and equipment	1,943	1,806
Other	4,296	4,211
Total general and administrative	12,421	12,037
Real estate owned expense, net	163	106
Total non-interest expense	12,584	12,143
Income before provision for income taxes	11,371	10,734

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Provision for income taxes		4,634		4,402
NET INCOME	\$	6,737	\$	6,332
Basic earnings per share	\$	1.22	\$	1.13
Diluted earnings per share	\$	1.19	\$	1.10
Dividends declared per share of common stock	\$	0.16	\$	0.15

See accompanying notes to the unaudited consolidated financial statements.

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ITLA CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended March 31,	
	2007	2006
	(in thousands)	
Cash Flows From Operating Activities:		
Net Income	\$ 6,737	\$ 6,332
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of premises and equipment	742	657
Amortization of premium on purchased loans	1,311	975
Accretion of deferred loan origination fees, net of costs	(1,214)	(851)
Provision for loan losses	750	750
Other, net	(801)	(448)
Increase in interest receivable	(229)	(723)
Increase in other assets	(1,620)	(500)
Decrease in accounts payable and other liabilities	(1,529)	(2,909)
Net cash provided by operating activities	4,147	3,283
Cash Flows From Investing Activities:		
Purchases of investment securities available-for-sale	(32,371)	(11,095)
Proceeds from maturity and calls of investment securities available-for-sale	12,702	9,783
Proceeds from the maturity and redemption of investment securities held-to-maturity	8,625	10,870
Purchase of stock in Federal Home Loan Bank	—	(991)
Purchase of loans	(17,664)	(103,558)
Other (increases) decreases in loans, net	(16,644)	8,549
Cash paid for capital expenditures	(1,337)	(1,193)
Net cash used in investing activities	(46,689)	(87,635)
Cash Flows From Financing Activities:		
Proceeds and excess tax benefits from exercise of employee stock options	169	150
Cash paid to acquire treasury stock	(929)	(6,208)
Increase in deposit accounts	49,655	74,099
Net repayments of short-term borrowings	(70,498)	(37,226)
Proceeds from long-term borrowings	100,000	89,869
Repayments of long-term borrowings	(37,999)	(20,650)
Net cash provided by financing activities	40,398	100,034

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Net (decrease) increase in cash and cash equivalents	(2,144)	15,682
Cash and cash equivalents at beginning of period	30,448	93,747
Cash and cash equivalents at end of period	\$ 28,304	\$ 109,429
Supplemental Cash Flow Information:		
Cash paid during the period for interest	\$ 39,878	\$ 32,041
Cash paid during the period for income taxes	\$ 837	\$ 2,156
Non-Cash Investing and Financing Transactions:		
Loans transferred to other real estate owned	\$ —	\$ 2,280
Cash dividends declared but not yet paid	\$ 849	\$ 832

See accompanying notes to the unaudited consolidated financial statements.

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ITLA CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The unaudited consolidated financial statements of ITLA Capital Corporation and subsidiaries (the “Company”) included herein reflect all normal recurring adjustments which are, in the opinion of management, necessary to present fairly the results of operations and financial position of the Company, as of the dates and for the interim periods indicated. The unaudited consolidated financial statements include the accounts of ITLA Capital Corporation and its wholly-owned subsidiaries, Imperial Capital Bank (the “Bank”) and Imperial Capital Real Estate Investment Trust (“Imperial Capital REIT”).

All intercompany transactions and balances have been eliminated. Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. Certain amounts in prior periods have been reclassified to conform to the presentation in the current periods. The results of operations for the three months ended March 31, 2007 are not necessarily indicative of the results of operations for the remainder of the year.

These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our annual report on Form 10-K for the year ended December 31, 2006.

NOTE 2 - ACCOUNTING FOR STOCK-BASED COMPENSATION

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards (“SFAS”