

ITLA CAPITAL CORP
Form 10-Q
August 09, 2006

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2006

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 0-26960

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 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

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Exchange Act. Large Accelerated Filer Accelerated Filer 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

Number of shares of common stock of the registrant: 5,524,002 outstanding as of August 1,
2006.

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ITLA CAPITAL CORPORATION
FORM 10-Q
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2006

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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 2006 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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CONSOLIDATED BALANCE SHEETS**

| | June 30, 2006 (unaudited) | December 31, 2005 |
|---|--|------------------------------|
| | (in thousands, except share data) | |
| Assets | | |
| Cash and cash equivalents | \$ 144,097 | \$ 93,747 |
| Investment securities available-for-sale, at fair value | 93,084 | 92,563 |
| Investment securities held-to-maturity, at amortized cost | 217,460 | 233,880 |
| Stock in Federal Home Loan Bank | 47,719 | 43,802 |
| Loans, net (net of allowance for loan losses of \$46,655 and \$43,817 as of June 30, 2006 and December 31, 2005, respectively) | 2,632,749 | 2,523,480 |
| Interest receivable | 17,323 | 16,287 |
| Other real estate owned, net | 5,707 | 3,960 |
| Premises and equipment, net | 7,290 | 6,718 |
| Deferred income taxes | 12,828 | 12,717 |
| Goodwill | 3,118 | 3,118 |
| Other assets | 20,775 | 20,924 |
| Total assets | \$ 3,202,150 | \$ 3,051,196 |
| Liabilities and Shareholders' Equity | | |
| Liabilities: | | |
| Deposit accounts | \$ 1,811,009 | \$ 1,735,428 |
| Federal Home Loan Bank advances and other borrowings | 1,075,891 | 992,557 |
| Accounts payable and other liabilities | 19,727 | 32,130 |
| Junior subordinated debentures | 86,600 | 86,600 |
| Total liabilities | 2,993,227 | 2,846,715 |
| 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, 8,987,998 and 8,978,998 issued as of June 30, 2006 and December 31, 2005, respectively | 78,458 | 78,004 |
| Retained earnings | 231,509 | 220,095 |
| Accumulated other comprehensive loss, net | (434) | (364) |
| | 309,533 | 297,735 |

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| | | |
|---|--------------|--------------|
| Less treasury stock, at cost 3,732,251 and 3,576,695 shares as of June 30, 2006 and December 31, 2005, respectively | (100,610) | (93,254) |
| Total shareholders' equity | 208,923 | 204,481 |
| Total liabilities and shareholders' equity | \$ 3,202,150 | \$ 3,051,196 |

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 June 30, | | For the Six Months Ended June 30, | |
|---|--|---------------|--|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | (in thousands, except per share data) | | | |
| Interest income: | | | | |
| Loans, including fees | \$ 51,082 | \$ 37,210 | \$ 98,219 | \$ 69,121 |
| Cash and investment securities | 4,678 | 4,470 | 8,969 | 9,311 |
| Total interest income | 55,760 | 41,680 | 107,188 | 78,432 |
| Interest expense: | | | | |
| Deposit accounts | 19,773 | 11,897 | 36,971 | 21,395 |
| Federal Home Loan Bank advances and other borrowings | 9,977 | 5,900 | 19,339 | 9,732 |
| Junior subordinated debentures | 2,026 | 1,754 | 3,984 | 3,434 |
| Total interest expense | 31,776 | 19,551 | 60,294 | 34,561 |
| Net interest income before provision for loan losses | 23,984 | 22,129 | 46,894 | 43,871 |
| Provision for loan losses | 1,500 | 1,500 | 2,250 | 2,250 |
| Net interest income after provision for loan losses | 22,484 | 20,629 | 44,644 | 41,621 |
| Non-interest income: | | | | |
| Late and collection fees | 261 | 130 | 484 | 203 |
| Other | 346 | 379 | 840 | 286 |
| Total non-interest income | 607 | 509 | 1,324 | 489 |
| Non-interest expense: | | | | |
| Compensation and benefits | 5,075 | 5,376 | 11,095 | 11,267 |
| Occupancy and equipment | 1,876 | 1,750 | 3,682 | 3,401 |
| Other | 4,882 | 3,943 | 9,093 | 7,631 |
| Total general and administrative | 11,833 | 11,069 | 23,870 | 22,299 |
| Real estate owned expense, net | (177) | — | (71) | — |
| Gain on sale of other real estate owned, net | — | — | — | (11) |

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| | | | | |
|---|----------|----------|-----------|-----------|
| Total real estate owned expense, net | (177) | — | (71) | (11) |
| Total non-interest expense | 11,656 | 11,069 | 23,799 | 22,288 |
| Income before provision for income taxes | 11,435 | 10,069 | 22,169 | 19,822 |
| Provision for income taxes | 4,689 | 4,230 | 9,091 | 8,332 |
| NET INCOME | \$ 6,746 | \$ 5,839 | \$ 13,078 | \$ 11,490 |
| Basic earnings per share | \$ 1.22 | \$ 1.01 | \$ 2.34 | \$ 1.99 |
| Diluted earnings per share | \$ 1.18 | \$ 0.98 | \$ 2.28 | \$ 1.90 |
| Dividends declared per share of common stock | \$ 0.15 | \$ — | \$ 0.30 | \$ — |

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 Six Months Ended | |
|---|---------------------------------|-------------|
| | June 30, | |
| | 2006 | 2005 |
| | (in thousands) | |
| Cash Flows From Operating Activities: | | |
| Net Income | \$ 13,078 | \$ 11,490 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization of premises and equipment | 1,349 | 1,232 |
| Amortization of premium on purchased loans | 2,349 | |