

ITLA CAPITAL CORP  
Form 10-Q  
November 09, 2005

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**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 September 30, 2005**

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 R No £.

Indicate by check mark whether the Registrant is an accelerated filer  
(as defined in Rule 12b-2 of the Exchange Act). Yes R No £.

Indicate by check mark whether the Registrant is a shell company

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(as defined in Rule 12b-2 of the Exchange Act). Yes  No  R.

Number of shares of common stock of the registrant: 5,715,088 outstanding as of November  
3, 2005.

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**ITLA CAPITAL CORPORATION**  
**FORM 10-Q**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2005**

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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 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 nonperforming assets and operating results, the economic impact of 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 2005 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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**Table of Contents****PART I - FINANCIAL INFORMATION****ITLA CAPITAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS**

**September 30,  
2005  
(unaudited)  
(in thousands, except share data)**

**December 31,  
2004**

<b>Assets</b>			
Cash and cash equivalents	\$	56,224	\$ 87,580
Investment securities available for sale, at fair value		92,255	66,845
Investment securities held-to-maturity, at amortized cost		251,889	296,028
Stock in Federal Home Loan Bank		35,309	23,200
Loans, net (net of allowance for loan losses of \$38,661 and \$35,483 as of September 30, 2005 and December 31, 2004, respectively)		2,504,777	1,793,815
Interest receivable		14,976	10,695
Premises and equipment, net		6,774	6,645
Deferred income taxes		10,617	10,468
Goodwill		3,118	3,118
Other assets		18,930	19,677
<b>Total assets</b>	<b>\$</b>	<b>2,994,869</b>	<b>\$ 2,318,071</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Liabilities:</b>			
Deposit accounts	\$	1,841,737	\$ 1,432,032
Federal Home Loan Bank advances and other borrowings		843,056	584,224
Accounts payable and other liabilities		23,685	20,491
Junior subordinated debentures		86,600	86,600
<b>Total liabilities</b>		<b>2,795,078</b>	<b>2,123,347</b>
<b>Commitments and contingencies</b>			
<b>Shareholders' equity:</b>			
Preferred stock, 5,000,000 shares authorized, none issued		—	—
Contributed capital - common stock, \$.01 par value; 20,000,000 shares authorized, 8,949,898 and 8,703,894 issued as of September 30, 2005 and December 31, 2004, respectively		77,019	69,327
Retained earnings		213,790	196,032
Accumulated other comprehensive (loss) income, net		(155)	78
		290,654	265,437
		(90,863)	(70,713)

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Less treasury stock, at cost 3,537,398 and 3,154,290 shares as of September 30, 2005 and December 31, 2004, respectively

Total shareholders' equity		199,791		194,724
Total liabilities and shareholders' equity	\$	2,994,869	\$	2,318,071

See accompanying notes to the unaudited consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2005	2004	2005	2004
(in thousands, except per share data)				
Interest income:				
Loans, including fees	\$ 44,278	\$ 28,526	\$ 113,399	\$ 85,386
Cash and investment securities	4,552	2,152	13,863	5,563
Total interest income	48,830	30,678	127,262	90,949
Interest expense:				
Deposit accounts	15,527	6,632	36,922	19,631
Federal Home Loan Bank advances and other borrowings	7,634	2,343	17,366	4,319
Junior subordinated debentures	1,830	1,569	5,264	4,559
Total interest expense	24,991	10,544	59,552	28,509
Net interest income before provision for loan losses	23,839	20,134	67,710	62,440
Provision for loan losses	1,500	1,100	3,750	3,450
Net interest income after provision for loan losses	22,339	19,034	63,960	58,990
Non-interest income:				
Premium on sale of loans, net	—	—	—	9,284
Late and collection fees	181	74	384	259
Other	304	(239)	590	4,731
Total non-interest income	485	(165)	974	14,274
Non-interest expense:				
Compensation and benefits	5,048	4,938	16,315	16,540
Occupancy and equipment	1,980	1,471	5,381	4,321
Other	4,945	3,472	12,576	10,860
Total general and administrative	11,973	9,881	34,272	31,721
Real estate owned expense, net	—	32	—	113
	—	—	—	1,000

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Provision for losses on other real estate owned				
Gain on sale of other real estate owned, net	—	(61)	(11)	(415)
Total real estate owned expense, net	—	(29)	(11)	698
Total non-interest expense	11,973	9,852	34,261	32,419
Income before provision for income taxes	10,851	9,017	30,673	40,845
Provision for income taxes	4,583	3,519	12,915	15,933
NET INCOME	\$ 6,268	\$ 5,498	\$ 17,758	\$ 24,912
BASIC EARNINGS PER SHARE	\$ 1.09	\$ 0.91	\$ 3.08	\$ 4.04
DILUTED EARNINGS PER SHARE	\$ 1.06	\$ 0.86	\$ 2.96	\$ 3.80

See accompanying notes to the unaudited consolidated financial statements.

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

	<b>For the Nine Months Ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
	<b>(in thousands)</b>	
<b>Cash Flows From Operating Activities:</b>		
Net Income	\$ 17,758	\$ 24,912
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of premises and equipment	2,025	1,510
Amortization of premium on purchased loans	2,190	1,637
Accretion of deferred loan origination fees, net of costs	(2,209)	(1,443)
Provision for loan losses	3,750	3,450
Premium on sale of RAL loans, net	—	(9,284)
Other, net	(725)	201
Increase in interest receivable	(4,281)	(36)
Decrease in other assets	4,453	3,314
Increase in accounts payable and other liabilities	3,194	4,239
<b>Net cash provided by operating activities</b>	<b>26,155</b>	<b>28,500</b>