

IMPERIAL CAPITAL BANCORP, INC.

Form 10-Q

August 14, 2009

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, 2009

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

IMPERIAL CAPITAL BANCORP, INC.
(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "larger accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act.

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Large Accelerated Filer Accelerated Filer Non-Accelerated Filer (Do not check if a smaller reporting company) Smaller reporting company

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: 5,428,760 outstanding as of August 10, 2009.

IMPERIAL CAPITAL BANCORP, INC.
FORM 10-Q
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2009

TABLE OF CONTENTS

| | | |
|---------------------------------------|--|----|
| <u>PART I – FINANCIAL INFORMATION</u> | | |
| <u>Item 1.</u> | <u>Financial Statements</u> | |
| | <u>Consolidated Balance Sheets – June 30, 2009 (Unaudited) and December 31, 2008</u> | 4 |
| | <u>Consolidated Statements of Operations – Three and Six Months Ended June 30, 2009 and 2008 (Unaudited)</u> | 5 |
| | <u>Consolidated Statements of Cash Flows – Six Months Ended June 30, 2009 and 2008 (Unaudited)</u> | 6 |
| | <u>Notes to the Unaudited Consolidated Financial Statements</u> | 7 |
| <u>Item 2.</u> | <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | 25 |
| <u>Item 3.</u> | <u>Quantitative and Qualitative Disclosures about Market Risk</u> | 43 |
| <u>Item 4.</u> | <u>Controls and Procedures</u> | 43 |
| <u>PART II – OTHER INFORMATION</u> | | |
| <u>Item 1.</u> | <u>Legal Proceedings</u> | 45 |
| <u>Item 1A.</u> | <u>Risk Factors</u> | 45 |
| <u>Item 2.</u> | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 48 |
| <u>Item 3.</u> | <u>Defaults Upon Senior Securities</u> | 48 |
| <u>Item 4.</u> | <u>Submission of Matters to a Vote of Security Holders</u> | 48 |
| <u>Item 5.</u> | <u>Other Information</u> | 48 |
| <u>Item 6.</u> | <u>Exhibits</u> | 48 |
| | <u>Signatures</u> | 49 |

Table of Contents

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, either nationally or in our market areas; fluctuations in loan demand, the number of unsold homes, other properties and real estate values; the quality or composition of our loan or investment portfolios; our ability to manage loan delinquency rates, which may be impacted by deterioration in the housing and commercial real estate markets that may lead to increased losses and non-performing assets in our loan portfolios, and may result in our allowance for loan losses not being adequate to cover actual losses and may require us to materially increase our reserves; changes in general economic conditions, either nationally or in our market areas; changes in the levels of general interest rates, and the relative differences between short and long term interest rates, deposit interest rates, net interest margin, and funding sources; deposit flows; fluctuations in the demand for loans, the number of unsold homes and other properties, and fluctuations in real estate values in our market areas; adverse changes in the securities markets, including the possibility that the Company will recognize additional credit losses from our mortgage backed securities as a result of other than temporary impairment (“OTTI”) charges; results of examinations by the California Department of Financial Institutions (the “DFI”), the Federal Deposit Insurance Corporation (the “FDIC”) or other regulatory authorities, including the possibility that any such regulatory authority may, among other things, require us to increase our reserve for loan losses, write-down assets, recognize additional OTTI charges on our investment securities, change our regulatory capital position or affect our ability to borrow funds or maintain or increase deposits, which could adversely affect our liquidity and earnings; the possibility that we will be unable to comply with the conditions imposed upon us by the Order to Cease and Desist issued by the DFI and the FDIC or our Agreement with the Federal Reserve Bank of San Francisco and the DFI, which could result in the imposition of additional restrictions on our operations; our ability to control operating costs and expenses; the use of estimates in determining fair value of certain of our assets, which estimates may prove to be incorrect and result in significant declines in valuation; difficulties in reducing risk associated with the loans on our balance sheet; staffing fluctuations in response to product demand or the implementation of corporate strategies that affect our work force and potential associated charges; computer systems on which we depend could fail or experience a security breach; our ability to retain key members of our senior management team; costs and effects of litigation, including settlements and judgments; increased competitive pressures among financial services companies; changes in consumer spending, borrowing, and savings habits; legislative or regulatory changes that adversely affect our business, including changes in regulatory policies and principles, including the interpretation of regulatory capital or other rules; the availability of resources to address changes in laws, rules, or regulations or to respond to regulatory actions; adverse changes in the securities markets; the inability of key third-party providers to perform their obligations to us; changes in accounting policies, principles or guidance, as may be adopted by the financial institution regulatory agencies or the Financial Accounting Standards Board, or their application to our business or audit adjustments; the economic impact of any terrorist actions; other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products, and services. We caution readers not to place undue reliance on any 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 2009 and beyond to differ materially from those expressed in any forward-looking statements by, or on behalf of, us, and could negatively affect the Company’s operating and stock price performance.

As used throughout this report, the terms “we”, “our”, “us”, or the “Company” refer to Imperial Capital Bancorp, Inc. and its consolidated subsidiaries unless the context indicates otherwise.

Table of Contents

PART I – FINANCIAL INFORMATION

IMPERIAL CAPITAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| | June 30, 2009 (unaudited) | December 31, 2008 |
|---|--------------------------------------|-------------------------|
| | (in thousands, except share data) | |
| Assets | | |
| Cash and cash equivalents | \$273,735 | \$403,119 |
| Investment securities available-for-sale, at fair value | 304,956 | 146,799 |
| Investment securities held-to-maturity, at amortized cost | 850,783 | 942,686 |
| Stock in Federal Home Loan Bank | 63,498 | 63,498 |
| Loans, net (net of allowance for loan losses of \$74,834 and \$50,574 as of June 30, 2009 and December 31, 2008, respectively) | 2,585,632 | 2,748,956 |
| Interest receivable | 19,165 | 21,305 |
| Other real estate and other assets owned, net | 64,345 | 38,031 |
| Premises and equipment, net | 5,925 | 7,701 |
| Deferred income taxes, net | — | 22,338 |
| Goodwill | 3,118 | 3,118 |
| Other assets | 36,640 | 42,287 |
| Total assets | \$4,207,797 | \$4,439,838 |
| Liabilities and Shareholders' Equity | | |
| Liabilities: | | |
| Deposit accounts | \$2,906,269 | \$2,931,040 |
| Federal Home Loan Bank advances and other borrowings | 1,085,264 | 1,205,633 |
| Accounts payable and other liabilities | 31,958 | 26,996 |
| Junior subordinated debentures | 86,600 | 86,600 |
| Total liabilities | 4,110,091 | 4,250,269 |
| 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, 9,146,256 and 9,146,256 issued as of June 30, 2009 and December 31, 2008, respectively | 85,203 | 85,407 |
| Retained earnings | 142,213 | 222,483 |
| Accumulated other comprehensive loss, net | (14,558) | (2,682) |
| | 212,858 | 305,208 |
| Less treasury stock, at cost 4,071,550 and 4,126,116 shares as of June 30, 2009 and December 31, 2008, respectively | (115,152) | (115,639) |
| Total shareholders' equity | 97,706 | 189,569 |
| Total liabilities and shareholders' equity | \$4,207,797 | \$4,439,838 |

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents

IMPERIAL CAPITAL BANCORP, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|--------------------------------|--|---------------|--------------------------------------|----------------|
| | 2009 | 2008 | 2009 | 2008 |
| | (in thousands, except per share data) | | | |
| Interest income: | | | | |
| Loans, including fees | \$ 37,387 | \$ 49,921 | \$ 78,850 | \$ 104,756 |
| Cash and investment securities | 19,457 | 13,446 | 39,786 | 17,695 |
| Total interest income | 56,844 | 63,367 | 118,636 | 122,451 |