

First California Financial Group, Inc.
Form 10-Q
November 09, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2012

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 000-52498

FIRST CALIFORNIA FINANCIAL GROUP, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

38-3737811
(I.R.S. Employer
Identification Number)

3027 Townsgate Road, Suite 300
Westlake Village, California
(Address of Principal Executive Offices)

91361
(Zip Code)

Registrant's telephone number, including area code: (805) 322-9655

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

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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 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 "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	(Do not check if a smaller reporting company) Smaller reporting company	<input type="checkbox"/>

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

29,220,271 shares of Common Stock, \$0.01 par value, as of November 6, 2012

FIRST CALIFORNIA FINANCIAL GROUP, INC.
QUARTERLY REPORT ON
FORM 10-Q

For the Quarterly Period Ended September 30, 2012

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

FIRST CALIFORNIA FINANCIAL GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (unaudited)

(in thousands, except share and per share data)	September 30, 2012	December 31, 2011
Cash and due from banks	\$ 42,387	\$ 40,202
Interest bearing deposits with other banks	34,095	21,230
Securities available-for-sale, at fair value	549,373	453,735
Non-covered loans, net	1,049,642	918,356
Covered loans	106,144	135,412
Premises and equipment, net	18,184	18,480
Non-covered foreclosed property	15,201	20,349
Covered foreclosed property	5,218	14,616
Goodwill	60,720	60,720
Other intangibles, net	12,205	13,887
FDIC shared-loss receivable	50,471	68,083
Cash surrender value of life insurance	12,991	12,670
Accrued interest receivable and other assets	34,173	34,924
Total assets	\$ 1,990,804	\$ 1,812,664
Non-interest checking	\$ 675,488	\$ 482,156
Interest checking	112,895	107,077
Money market and savings	483,293	486,000
Certificates of deposit, under \$100,000	62,176	74,861
Certificates of deposit, \$100,000 and over	266,040	275,175
Total deposits	1,599,892	1,425,269
Securities sold under agreements to repurchase	30,000	30,000
Federal Home Loan Bank advances	84,583	87,719
Junior subordinated debentures	26,805	26,805
Deferred tax liabilities, net	2,261	7,370
FDIC shared-loss liability	3,827	3,757
Accrued interest payable and other liabilities	6,873	8,637
Total liabilities	1,754,241	1,589,557
Commitments and Contingencies (Note 12)		
Perpetual preferred stock; authorized 2,500,000 shares		
Series A - \$0.01 par value, 1,000 shares issued and outstanding as of September 30, 2012 and December 31, 2011	1,000	1,000
Series C - \$0.01 par value, 25,000 shares issued and outstanding as of September 30, 2012 and December 31, 2011	25,000	25,000
Common stock, \$0.01 par value; authorized 100,000,000 shares; 29,266,050 shares issued at September 30, 2012 and	292	292

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29,220,079 shares issued at December 31, 2011; 29,220,271
and 29,220,079 shares outstanding at September 30, 2012 and
December 31, 2011, respectively

Additional paid-in capital	174,796	173,062
Treasury stock, 45,779 shares at cost at September 30, 2012 and no shares at December 31, 2011	(255)	—
Retained earnings	33,724	25,427
Accumulated other comprehensive income (loss)	2,006	(1,674)
Total shareholders' equity	236,563	223,107
Total liabilities and shareholders' equity	\$ 1,990,804	\$ 1,812,664

See accompanying notes to consolidated financial statements.

FIRST CALIFORNIA FINANCIAL GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income (unaudited)

(in thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Interest and fees on loans	\$ 17,555	\$ 16,896	\$ 52,346	\$ 49,264
Interest on securities	1,704	1,720	5,301	4,712
Interest on federal funds sold and interest bearing deposits	51	90	154	270
Total interest income	19,310	18,706	57,801	54,246
Interest on deposits	1,258	1,836	4,028	6,494
Interest on borrowings	887	916	2,739	2,853
Interest on junior subordinated debentures	159	336	628	1,001
Total interest expense	2,304	3,088	7,395	10,348
Net interest income before provision for loan losses	17,006	15,618	50,406	43,898
Provision for non-covered loan losses	500	1,550	1,500	4,550
Net interest income after provision for loan losses	16,506	14,068	48,906	39,348
Service charges on deposit accounts	735	878	2,335	2,633
Gain on loan sales and commissions	29	—	274	—
Net gain on sale of securities	510	209	1,104	699
Impairment loss on securities	(449)	—	(477)	(1,066)
Loss on non-hedged derivatives	(99)	(24)	(506)	(24)
(Amortization)accretion of FDIC shared-loss asset	(135)	48	131	143
Gain on acquisitions	—	—	—	35,202
Other income	1,519	1,189	5,063	2,812
Total noninterest income	2,110	2,300	7,924	40,399
Salaries and employee benefits	6,592	6,675	21,254	19,315
Premises and equipment	1,629	1,567	4,845	4,708
Data processing	910	810	2,531	2,685
Legal, audit, and other professional services	1,905	1,071	4,480	4,299
Printing, stationery and supplies	63	79	229	288
Telephone	193	218	637	592
Directors' expense	122	135	374	342
Advertising, marketing and business development	340	272	1,221	1,069
Postage	57	50	170	171
	553	364	1,633	1,777

Insurance and regulatory
assessments

(Gain)loss on and expense of foreclosed property	(701)	(672)	(108)	5,066
Amortization of intangible assets	539	624	1,682	1,665
Other expenses	664	840	2,513	2,387
Total noninterest expense	12,866	12,033	41,461	44,364
Income before provision for income taxes	5,750	4,335	15,369	35,383
Provision for income taxes	2,286	1,819	6,135	14,862
Net income	\$ 3,464	\$ 2,516	\$ 9,234	\$ 20,521
Preferred stock dividends	\$ (313)	\$ (1,616)	\$ (938)	\$ (2,241)
Net income available to common stockholders	\$ 3,151	\$ 900	\$ 8,296	\$ 18,280
Net income per common share:				
Basic	\$ 0.11	\$ 0.03	\$ 0.28	\$ 0.64
Diluted	\$ 0.11	\$ 0.03	\$ 0.28	\$ 0.64

See accompanying notes to consolidated financial statements.

FIRST CALIFORNIA FINANCIAL GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (unaudited)

(dollars in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Other comprehensive income:				
Unrealized loss on interest rate cap	\$(26)	\$(288)	\$(140)	\$(510)
Unrealized gain on securities available-for-sale	4,572	2,219	7,034	5,098
Reclassification adjustment for net (gains) losses included in net income	(61)	(209)	(627)	367
Other comprehensive income, before tax	4,485	1,722	6,267	4,955
Income tax expense related to items of other comprehensive income	(2,570)	(721)	(2,587)	(2,069)
Other comprehensive income	1,915	1,001	3,680	2,886
Net income	3,464	2,516	9,234	20,521
Comprehensive income	\$5,379	\$3,517	\$12,914	\$23,407

See accompanying notes to consolidated financial statements.

FIRST CALIFORNIA FINANCIAL GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (unaudited)

(in thousands)	Nine Months Ended September 30,	
	2012	2011
Net income	\$ 9,234	\$ 20,521
Adjustments to reconcile net income to net cash from operating activities:		
Provision for non-covered loan losses	1,500	4,550
Stock-based compensation costs	1,530	832
Gain on acquisition	—	(35,202)
Gain on sales of securities	(1,104)	(699)
Gain on sales of loans	(274)	—
Net loss on sale and valuation adjustments of non-covered foreclosed property	1,753	4,371
Net gain on sale and valuation adjustments of covered foreclosed property	(2,126)	—
Impairment loss on securities	477	1,066
Amortization of net premiums on securities available-for-sale	4,846	2,672
Depreciation and amortization of premises and equipment	1,598	1,526
Amortization of intangible assets	1,682	1,665
Accretion of FDIC shared-loss asset	(131)	(143)
Loss(gain) on disposal of premises and equipment	40	(149)
Increase in cash surrender value of life insurance	(321)	(330)
Change in deferred taxes	(5,109)	2,298
Increase in accrued interest receivable and other assets, net of effects of acquisition	(20)	(12,123)
Decrease in accrued interest payable and other liabilities, net of effects of acquisition	(1,695)	(1,356)
Net cash provided (used) by operating activities	11,880	(10,501)
Purchases of securities available-for-sale, net of effects from acquisition	(348,380)	(146,184)
Proceeds from repayments and maturities of securities available-for-sale	145,923	102,943
Proceeds from sales of securities available-for-sale	108,380	26,344
Purchases of Federal Home Loan Bank and other stock	—	(5)
Net change in federal funds sold and interest bearing deposits, net of effects from acquisition	(12,865)	(3,664)
Loan originations, purchases and principal collections, net of effects of acquisition	(111,889)	71,542
Purchases of premises and equipment, net of effects of acquisition	(1,487)	(1,828)
Proceeds from sale of premises and equipment	6	1,267
Proceeds from redemption of Federal Home Loan Bank and other stock	748	1,459
Net proceeds from FDIC shared-loss asset	17,743	9,405

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Proceeds from sale of non-covered foreclosed property	3,392	2,587
Proceeds from sale of covered foreclosed property	18,439	15,562
Net cash acquired in acquisition	—	122,119
Net cash (used) provided by investing activities	(179,990)	201,547
Net increase in noninterest-bearing deposits, net of effects of acquisition	193,333	40,160
Net decrease in interest-bearing deposits, net of effects of acquisition	(18,709)	(139,013)
Net decrease in FHLB advances and other borrowings, net of effects of acquisition	(3,136)	(75,267)
Dividends paid on preferred stock	(938)	(831)
Purchases of treasury stock	(255)	—
Net cash provided (used) by financing activities	170,295	(174,951)
Change in cash and due from banks	2,185	16,095
Cash and due from banks, beginning of period	40,202	25,487
Cash and due from banks, end of period	\$ 42,387	\$ 41,582
Supplemental cash flow information:		
Cash paid for interest	\$	