

SEACOAST BANKING CORP OF FLORIDA
Form 10-Q
November 14, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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, 2013

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 No. 0-13660

Seacoast Banking Corporation of Florida
(Exact Name of Registrant as Specified in its Charter)

Florida (State or Other Jurisdiction of Incorporation or Organization 815 COLORADO AVENUE, STUART FL (Address of Principal Executive Offices) (772) 287-4000	59-2260678 (I.R.S. Employer Identification No.) 34994 (Zip Code) (Registrant's Telephone Number, Including Area Code)
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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 Website, 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, or a non-accelerated filer or a smaller reporting company. See definition 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"/>	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 ☒

Common Stock, \$.10 Par Value 94,911,529 shares as of September 30, 2013

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

Seacoast Banking Corporation of Florida and Subsidiaries

(Dollars in thousands, except share amounts)	September 30, 2013	December 31, 2012
ASSETS		
Cash and due from banks	\$ 36,977	\$ 45,620
Interest bearing deposits with other banks	71,374	129,367
Total cash and cash equivalents	108,351	174,987
Securities:		
Available for sale (at fair value)	650,445	643,050
Held for investment (fair value: \$14,542 at December 31, 2012)	0	13,818
TOTAL SECURITIES	650,445	656,868
Loans held for sale	14,322	36,021
Loans	1,262,912	1,226,081
Less: Allowance for loan losses	(20,416)	(22,104)
NET LOANS	1,242,496	1,203,977
Bank premises and equipment, net	34,651	34,465
Other real estate owned	5,589	11,887
Other intangible assets	914	1,501
Other assets	93,009	54,223
	\$ 2,149,777	\$ 2,173,929
LIABILITIES		
Deposits	\$ 1,698,910	\$ 1,758,961
Federal funds purchased and securities sold under agreements to repurchase, maturing within 30 days	134,338	136,803
Borrowed funds	50,000	50,000
Subordinated debt	53,610	53,610
Other liabilities	9,061	9,009
	1,945,919	2,008,383

CONDENSED CONSOLIDATED BALANCE SHEETS (continued) (Unaudited)

Seacoast Banking Corporation of Florida and Subsidiaries

	September 30, 2013	December 31, 2012
(Dollars in thousands, except share amounts)		
SHAREHOLDERS' EQUITY		
Preferred stock, authorized 4,000,000 shares, par value \$0.10 per share, issued and outstanding 2,000 shares of Series A	49,683	48,746
Common stock, par value \$0.10 per share, authorized 300,000,000 shares, issued 94,916,224 and outstanding 94,911,529 shares at September 30, 2013 and issued 94,875,645 and outstanding 94,837,170 shares at December 31, 2012	9,492	9,484
Other shareholders' equity	144,683	107,316
TOTAL SHAREHOLDERS' EQUITY	203,858	165,546
	\$ 2,149,777	\$ 2,173,929

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

Seacoast Banking Corporation of Florida and Subsidiaries

(Dollars in thousands, except per share data)	Three Months Ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Interest and fees on loans	\$ 14,756	\$ 14,371	\$ 43,047	\$ 43,852
Interest and dividends on securities	3,229	3,211	9,456	10,902
Interest on interest bearing deposits and other investments	192	243	644	727
TOTAL INTEREST INCOME	18,177	17,825	53,147	55,481
Interest on deposits	657	1,118	2,089	4,618
Interest on borrowed money	705	755	2,129	2,262
TOTAL INTEREST EXPENSE	1,362	1,873	4,218	6,880
NET INTEREST INCOME	16,815	15,952	48,929	48,601
Provision for loan losses	1,180	900	2,698	9,660
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	15,635	15,052	46,231	38,941
Noninterest income				
Other income	6,087	5,679	18,353	15,835
Securities gains, net (includes net losses of \$366 and net gains of \$149 in other comprehensive income reclassifications for the three months and nine months, respectively)	280	48	419	7,037
TOTAL NONINTEREST INCOME	6,367	5,727	18,772	22,872
TOTAL NONINTEREST EXPENSES	18,503	20,332	56,506	62,763
INCOME (LOSS) BEFORE INCOME TAXES	3,499	447	8,497	(950)
Provision for income (losses) taxes (benefit) (includes \$(141) and \$58 in income taxes (benefits) from reclassification items for the three months and nine months, respectively)	(41,642)	0	(41,642)	0
NET INCOME (LOSS)	45,141	447	50,139	(950)
Preferred stock dividends and accretion of preferred stock discount	937	937	2,811	2,811
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	\$ 44,204	\$ (490)	\$ 47,328	\$ (3,761)
PER SHARE COMMON STOCK:				
Net income (loss) diluted	\$ 0.46	\$ (0.01)	\$ 0.50	\$ (0.04)

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Net income (loss) basic	0.47	(0.01)	0.50	(0.04)
Cash dividends declared	0.00	0.00	0.00	0.00
Average shares outstanding - diluted	95,490,153	94,481,997	94,936,042	94,443,215
Average shares outstanding - basic	94,029,583	93,777,662	93,983,629	93,688,003
See notes to condensed consolidated financial statements.				

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

Seacoast Banking Corporation of Florida and Subsidiaries

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2013	2012	2013	2012
NET INCOME (LOSS)	\$ 45,141	\$ 447	\$ 50,139	\$ (950)
Other comprehensive income:				
Unrealized gains (losses) on securities available for sale	(3,418)	2,745	(17,102)	5,262
Unrealized gains on transfer of securities held for investment into securities available for sale	0	0	724	0
Reclassification adjustment for securities gains and losses included in income	366	(64)	(149)	(6,342)
Provision for income taxes (benefit)	1,178	(1,035)	6,379	417
COMPREHENSIVE INCOME (LOSS)	\$ 43,267	\$ 2,093	\$ 39,991	\$ (1,613)

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Seacoast Banking Corporation of Florida and Subsidiaries

	Nine Months Ended September 30,	
(Dollars in thousands)	2013	2012
Cash flows from operating activities		
Interest received	\$ 56,456	\$ 58,747
Fees and commissions received	18,095	15,354
Interest paid	(4,254)	(7,384)
Cash paid to suppliers and employees	(47,883)	(52,860)
Origination of loans held for sale	(169,052)	(133,378)
Proceeds from loans held for sale	190,751	122,452
Net change in other assets	1,813	(716)
Net cash provided by operating activities	45,926	2,215
Cash flows from investing activities		
Maturity of securities available for sale	130,122	95,658
Maturity of securities held for investment	0	4,728
Proceeds from sale of securities available for sale	67,330	248,509
Purchase of securities available for sale	(208,066)	(280,189)
Purchase of securities held for investment	0	(500)
Net new loans and principal repayments	(44,474)	(23,821)
Proceeds from the sale of other real estate owned	8,312	16,683
Proceeds from sale of Federal Home Loan Bank and Federal Reserve Bank stock	753	296
Purchase of Federal Home Loan Bank and Federal Reserve Bank stock	(61)	(60)
Additions to bank premises and equipment	(2,233)	(2,948)
Net cash (used in) provided by investing activities	(48,317)	58,356
Cash flows from financing activities		
Net decrease in deposits	(60,049)	(39,269)
Net increase in federal funds purchased and repurchase agreements	(2,465)	(13,859)
Purchase of stock warrants, net of related expenses	0	(81)
Stock based employee benefit plans	144	150
Dividends paid on preferred shares	(1,875)	(1,875)
Net cash provided (used) by financing activities	(64,245)	(54,934)
Net (decrease) increase in cash and cash equivalents	(66,636)	5,637
Cash and cash equivalents at beginning of period	174,987	167,081
Cash and cash equivalents at end of period	\$ 108,351	\$ 172,718

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued) (Unaudited)

Seacoast Banking Corporation of Florida and Subsidiaries

	Nine Months Ended September 30,	
(Dollars in thousands)	2013	2012
Reconciliation of net income to cash provided by operating activities		
Net income	\$ 50,139	\$ (950)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,045	2,111
Amortization of premiums and discounts on securities, net	3,388	3,392
Other amortization and accretion, net	371	21
Change in loans held for sale, net	21,699	(10,926)
Provision for loan losses	2,698	9,660
Gain on sale of securities	(419)	(7,037)
Gain on sale of loans	(471)	(657)
Losses on sale and write-downs of other real estate owned	1,295	3,390
Losses on disposition of fixed assets	2	180
Change in interest receivable	137	446
Change in interest payable	(35)	(504)
Change in prepaid expenses	4,729	2,298
Change in accrued taxes	(41,074)	461
Change in other assets	1,813	(716)
Change in other liabilities	(391)	1,046
Net cash provided by operating activities	\$ 45,926	\$ 2,215
Supplemental disclosure of non cash investing activities:		
Fair value adjustment to securities	\$ (16,527)	