

SEACOAST BANKING CORP OF FLORIDA
Form 10-Q
November 08, 2011
[Table of Contents](#)

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, 2011

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)

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Florida (State or Other Jurisdiction of Incorporation or Organization)	59-2260678 (I.R.S. Employer Identification No.)
815 COLORADO AVENUE, STUART FL (Address of Principal Executive Offices)	34994 (Zip Code)
(772) 287-4000 (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 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 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"/>	Small 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 94,696,906 shares as of September 30, 2011

Table of Contents

INDEX

SEACOAST BANKING CORPORATION OF FLORIDA

	PAGE #
Part I FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	6
<u>Condensed consolidated balance sheets September 30, 2011 and December 31, 2010</u>	6-7
<u>Condensed consolidated statements of operations Three months and nine months ended September 30, 2011 and 2010</u>	8
<u>Condensed consolidated statements of cash flows Nine months ended September 30, 2011 and 2010</u>	9-10
<u>Notes to condensed consolidated financial statements</u>	11-26
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	27-60
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	61
Item 4. <u>Controls and Procedures</u>	62
Part II OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	63
Item 1A. <u>Risk Factors</u>	63-78
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	79
Item 3. <u>Defaults upon Senior Securities</u>	80
Item 4. <u>Reserved</u>	80
Item 5. <u>Other Information</u>	80
Item 6. <u>Exhibits</u>	81
<u>SIGNATURES</u>	82

Table of Contents

SPECIAL CAUTIONARY NOTICE REGARDING FORWARD LOOKING STATEMENTS

Various of the statements made herein under the captions Management's Discussion and Analysis of Financial Condition and Results of Operations, Quantitative and Qualitative Disclosures about Market Risk, Risk Factors and elsewhere, are forward-looking statements within the meaning and protections of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act).

Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions, and involve known and unknown risks, uncertainties and other factors, which may be beyond our control, and which may cause the actual results, performance or achievements of Seacoast to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. You should not expect us to update any forward-looking statements.

All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through our use of words such as may, will, anticipate, assume, should, support, indicate, would, believe, contemplate, expect, estimate, continue, further, point to, project, could, intend or other similar words and expressions of the future. Forward-looking statements may not be realized due to a variety of factors, including, without limitation:

the effects of future economic and market conditions, including seasonality;

governmental monetary and fiscal policies, as well as legislative, tax and regulatory changes;

legislative and regulatory changes, including changes in banking, securities and tax laws and regulations and their application by our regulators, and changes in the scope and cost of FDIC insurance and other coverage;

changes in accounting policies, rules and practices;

the risks of changes in interest rates on the level and composition of deposits, loan demand, liquidity and the values of loan collateral, securities, and interest sensitive assets and liabilities; interest rate risks, sensitivities and the shape of the yield curve;

the effects of competition from other commercial banks, thrifts, mortgage banking firms, consumer finance companies, credit unions, securities brokerage firms, insurance companies, money market and other mutual funds and other financial institutions operating in our market areas and elsewhere, including institutions operating regionally, nationally and internationally, together with such competitors offering banking products and services by mail, telephone, computer and the Internet;

the failure of assumptions underlying the establishment of reserves for possible loan losses;

the risks of mergers and acquisitions, include, without limitation, unexpected transaction costs, including the costs of integrating operations; the risks that the businesses will not be integrated successfully or that such integration may be more difficult, time-consuming or costly than expected;

Table of Contents

the potential failure to fully or timely realize expected revenues and revenue synergies, including as the result of revenues following the merger being lower than expected;

the risk of deposit and customer attrition; any changes in deposit mix; unexpected operating and other costs, which may differ or change from expectations;

the risks of customer and employee loss and business disruption, including, without limitation, as the result of difficulties in maintaining relationships with employees; increased competitive pressures and solicitations of customers by competitors; as well as the difficulties and risks inherent with entering new markets; and

other risks and uncertainties described herein and in our annual report on Form 10-K for the year ended December 31, 2010 and otherwise in our Securities and Exchange Commission, or SEC, reports and filings.

All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary notice. We have no obligation and do not undertake to update, revise or correct any of the forward-looking statements after the date of this report, or after the respective dates on which such statements otherwise are made.

Forward-Looking Statements

This Quarterly Report on Form 10-Q, other periodic reports filed by Seacoast Banking Corporation of Florida (Seacoast) under the Securities Exchange Act of 1934, as amended, and any other written or oral statements made by or on behalf of Seacoast may include forward-looking statements. The Private Securities Litigation Reform Act of 1995 (the Act) provides a safe harbor for forward-looking statements which are identified as such and are accompanied by the identification of important factors that could cause actual results to differ materially from the forward-looking statements. For these statements, we, together with our subsidiaries, unless the context implies otherwise, claim the protection afforded by the safe harbor in the Act. Forward-looking statements are not based on historical information, but rather are related to future operations, strategies, financial results or other developments. Forward-looking statements are based on management's expectations as well as certain assumptions and estimates made by, and information available to, management at the time the statements are made. Those statements are based on general assumptions and are subject to various risks, uncertainties and other factors that may cause actual results to differ materially from the views, beliefs and projections expressed in such statements. These risks, uncertainties and other factors include, but are not limited to, those described below:

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) became law on July 21, 2010, and a significant number of legislative, regulatory and tax proposals remain pending. Additionally, the U.S. Treasury and federal banking regulators continue to implement, but are also beginning to wind down, a number of programs to address capital and liquidity in the banking system. Proposed rules, including those that are part of the Basel III process, could require banking institutions to increase levels of capital. All of the foregoing may have significant effects on Seacoast and the financial services industry, the exact nature and extent of which cannot be determined at this time.

Table of Contents

Seacoast's ability to mitigate the impact of the Dodd-Frank Act on debit interchange fees through revenue enhancements and other revenue measures, which will depend on various factors, including the acceptance by customers of modified fee structures for Seacoast products and services.

The impact of compensation and other restrictions imposed under the Troubled Asset Relief Program (TARP) until Seacoast repays the outstanding preferred stock and warrant issued under the TARP, including restrictions on Seacoast's ability to attract and retain talented executives and associates.

Possible additional loan losses, impairment of goodwill and other intangibles, and adjustment of valuation allowances on deferred tax assets and the impact on earnings and capital.

Possible changes in interest rates may increase funding costs and reduce earning asset yields, thus reducing margins. Increases in benchmark interest rates would also increase debt service requirements for customers whose terms include a variable interest rate, which may negatively impact the ability of borrowers to pay as contractually obligated.

Possible changes in trade, monetary and fiscal policies, laws and regulations, and other activities of governments, agencies, and similar organizations, may have an adverse effect on business.

The current stresses in the financial and real estate markets, including possible continued deterioration in property values.

The words believe, expect, anticipate, project, and similar expressions often signify forward-looking statements. You should not place undue reliance on any forward-looking statements, which speak only as of the date made. We assume no obligation to update or revise any forward-looking statements that are made from time to time.

See also the Forward-Looking Statements and Risk Factors sections of Seacoast's Annual Report on Form 10-K for the year ended December 31, 2010 and the Forward-Looking Statements section of Seacoast Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011 and June 30, 2011, as filed with the Securities and Exchange Commission.

Table of Contents

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, 2011	December 31, 2010
ASSETS		
Cash and due from banks	\$ 29,307	\$ 35,358
Interest bearing deposits with other banks	87,578	176,047
 Total cash and cash equivalents	 116,885	 211,405
Securities:		
Available for sale (at fair value)	611,195	435,140
Held for investment (fair values: \$25,019 at September 30, 2011 and \$26,853 at December 31, 2010)	24,575	26,861
 TOTAL SECURITIES	 635,770	 462,001
Loans held for sale	6,897	12,519
Loans	1,208,548	1,240,608
Less: Allowance for loan losses	(28,401)	(37,744)
 NET LOANS	 1,180,147	 1,202,864
Bank premises and equipment, net	34,599	36,045
Other real estate owned	23,702	25,697
Other intangible assets	2,501	3,137
Other assets	50,536	62,713
	 \$ 2,051,037	 \$ 2,016,381
 LIABILITIES		
Deposits	\$ 1,661,274	\$ 1,637,228
Federal funds purchased and securities sold under agreements to repurchase, maturing within 30 days	106,562	98,213
Borrowed funds	50,000	50,000
Subordinated debt	53,610	53,610
Other liabilities	8,798	11,031
	 1,880,244	 1,850,082

Table of Contents

CONDENSED CONSOLIDATED BALANCE SHEETS (continued) (Unaudited)

Seacoast Banking Corporation of Florida and Subsidiaries

(Dollars in thousands, except share amounts)	September 30, 2011	December 31, 2010
SHAREHOLDERS EQUITY		
Preferred stock, authorized 4,000,000 shares, par value \$0.10 per share, issued and outstanding 2,000 shares of Series A	47,185	46,248
Warrant for purchase of 589,625 shares of common stock at \$6.36 per share	3,123	3,123
Common stock, par value \$0.10 per share, authorized 300,000,000 shares, issued 94,698,391 and outstanding 94,696,906 shares at September 30, 2011, and issued 93,487,652 and outstanding 93,487,581 shares at December 31, 2010	9,470	9,349
Other shareholders equity	111,015	107,579
TOTAL SHAREHOLDERS EQUITY	170,793	166,299
	\$ 2,051,037	\$ 2,016,381

See notes to condensed consolidated financial statements.

Table of Contents

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (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,	
	2011	2010	2011	2010
Interest and fees on loans	\$ 15,315	\$ 17,181	\$ 47,004	\$ 52,951
Interest and dividends on securities	4,788	3,405	13,124	10,584
Interest on interest bearing deposits and other investments	175	252	606	763
TOTAL INTEREST INCOME	20,278	20,838	60,734	64,298
Interest on deposits	2,739	3,590	8,629	12,141
Interest on borrowed money	671	787	2,240	2,266
TOTAL INTEREST EXPENSE	3,410	4,377	10,869	14,407
NET INTEREST INCOME	16,868	16,461	49,865	49,891
Provision for loan losses	0	8,866	1,542	27,705
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	16,868	7,595	48,323	22,186
Noninterest income				
Other income	4,706	4,532	13,462	12,947
Securities gains, net	137	210	137	3,687
TOTAL NONINTEREST INCOME	4,843	4,742	13,599	16,634
TOTAL NONINTEREST EXPENSES	19,063	19,975	57,803	61,818
INCOME (LOSS) BEFORE INCOME TAXES	2,648	(7,638)	4,119	(22,998)
Benefit for income taxes	0	0	0	0
NET INCOME (LOSS)	2,648	(7,638)	4,119	(22,998)
Preferred stock dividends and accretion of preferred stock discount	937	937	2,811	2,811
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	\$ 1,711	\$ (8,575)	\$ 1,308	\$ (25,809)
PER SHARE COMMON STOCK:				
Net income (loss) diluted	\$ 0.02	\$ (0.09)	\$ 0.01	\$ (0.36)
Net income (loss) basic	0.02	(0.09)	0.01	(0.36)
Cash dividends declared	0.00	&		