

Edgar Filing: SEACOAST BANKING CORP OF FLORIDA - Form 8-K

SEACOAST BANKING CORP OF FLORIDA

Form 8-K

April 17, 2003

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

-----  
FORM 8-K

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

Date of report (Date of earliest event reported) April 16, 2003

SEACOAST BANKING CORPORATION OF FLORIDA  
(Exact Name of Registrant as Specified in Charter)

Florida (State or Other Jurisdiction of Incorporation)	1-13660 (Commission File Number)	59-2260678 (IRS Employer Identification No.)
--	--	--

815 Colorado Avenue, Stuart, FL (Address of Principal Executive Offices)	34994 (Zip Code)
---	---------------------

-----  
Registrant's telephone number, including area code (772) 287-4000

8K - 1 of 4

SEACOAST BANKING CORPORATION OF FLORIDA

Item 7. Financial Statements and Exhibits

Exhibit Number	Description
----- 99.1	----- Press Release dated April 16, 2003, with respect to Seacoast Banking Corporation of Florida's financial results for the first quarter ended March 31, 2003.

Item 9. Regulation FD Disclosure

Seacoast Banking Corporation of Florida (the "Registrant") is furnishing the information required by Item 12 of Form 8-K, "Results of Operations and Financial Condition," under this Item 9.

Edgar Filing: SEACOAST BANKING CORP OF FLORIDA - Form 8-K

On April 16, 2003, the Registrant announced its financial results for the first quarter ended March 31, 2003. A copy of the press release announcing the Registrant's results for the first quarter ended March 31, 2003 is attached hereto as Exhibit 99.1 and incorporated herein by reference.

On April 16, 2003, the Registrant held an investor conference call to discuss financial results for the first quarter ended March 31, 2003. All information contained herein is presented as of April 16, 2003, and the Registrant does not assume any obligation to correct or update said information in the future.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SEACOAST BANKING CORPORATION OF FLORIDA  
(Registrant)

Dated: April 16, 2003  
-----

By: /s/ William R. Hahl  
-----

Name: William R. Hahl

Title: Executive Vice President & CFO

Exhibit Index

Exhibit Number	Description
-----	-----
99.1	Press Release dated April 16, 2003, issued by Seacoast Banking Corporation of Florida (the "Registrant").

EXHIBIT 99.1

NEWS RELEASE

Dennis S. Hudson, III  
President and Chief Executive Officer  
Seacoast Banking Corporation of Florida

## Edgar Filing: SEACOAST BANKING CORP OF FLORIDA - Form 8-K

(772) 288-6086

William R. Hahl  
Executive Vice President/  
Chief Financial Officer  
(772) 221-2825

### SEACOAST REPORTS AN INCREASE OF 7% IN CORE OPERATING EARNINGS FOR THE FIRST QUARTER

STUART, FL., April 16, 2003 - Seacoast Banking Corporation of Florida (NASDAQ-NMS: SBCF), a bank holding company whose principal subsidiary is First National Bank and Trust Company of the Treasure Coast, today reported net income totaling \$3,223,000 or \$0.23 diluted earnings per share ("DEPS") for the first quarter of 2003, compared to \$3,686,000 or \$0.26 DEPS for the first quarter a year ago. Core operating earnings, which exclude the impacts of security gains and losses, totaled \$3,955,000 or \$0.28 DEPS, up \$269,000 or 7.3 percent from a year ago. Included in the first quarter results is the impact on earnings from restructuring the Company's investment portfolio for better performance in the current interest rate environment. A total of \$1,157,000 or \$0.05 DEPS in investment security losses were recorded in first quarter earnings versus \$66,000 of gains in the prior year's first quarter. "Seacoast begins 2003 with quality growth, a very strong balance sheet and the people, processes, capital, and expanded markets to allow for stronger future performance," commented Dennis S. Hudson, III, Chief Executive Officer of Seacoast.

The need to restructure the investment portfolio was caused by increased prepayments of collateralized mortgage obligations, resulting in unacceptable asset sensitivity, accelerated premium amortization and a decline in investment portfolio yields. The Company's investment portfolio yield for the first quarter was 36 basis points lower than the fourth quarter yield.

Highlights for the quarter included the following:

- o Return on average assets was 1.02 percent (1.25% excluding impacts from securities gains and losses), compared to 1.18 percent for the first quarter of 2002;
- o The return on average equity for the first quarter was 13.07 percent (16.04 percent excluding impacts from securities gains and losses), compared to 15.45 percent the first quarter of 2002;
- o Average equity to average assets remained strong at 7.81 percent compared to 7.67 percent one year earlier;
- o Exceptional residential mortgage production continued with a total of \$85.5 million in residential applications processed in the first quarter of 2003 compared to \$42 million in 2002, an increase of 103.6 percent;
- o Average noninterest bearing deposits increased \$19 million or 11.3 percent from the first quarter last year, and now total 18.5% of total deposits;
- o Asset quality exhibited little change with nonperforming assets ratio of 0.29 percent compared to 0.33 percent at year-end and 0.22 percent in the first quarter 2002; and
- o Seacoast Marine originated loans totaling \$38.3 million for the

## Edgar Filing: SEACOAST BANKING CORP OF FLORIDA - Form 8-K

period ended March 31, 2003, compared to \$15.4 million in the same period for 2002.

The net interest margin for the quarter was 3.89 percent, representing a decline from the 4.05 percent achieved in last year's first quarter and the 4.02 percent in the fourth quarter of 2002. The decline in the net interest margin resulted from interest sensitive assets repricing, as a result of a flatter yield curve and the Fed's last 50-basis point rate cut on November 6 without a comparable decline in deposit rates and other interest sensitive liabilities.

Net interest income declined to \$11,639,000 by \$177,000 or 1.5 percent from last year's first quarter, but was flat when compared to fourth quarter 2002's \$11,648,000. The marginal decline in interest income comes from the shift in the Company's balance sheet during 2002 to a slightly asset sensitive position in anticipation of higher interest rates in 2003. However, the fundamentals of the Company remain very good and the prospects for margin improvement, as a result of increased loan growth from the expansion into Palm Beach County, will be a key to future increased shareholder value.

The cost for interest bearing deposits declined to 1.71 percent from 2.74 percent in the first quarter 2002 and 2.01 percent in the fourth quarter. Interest bearing deposits increased \$18.6 million, representing an 8.8 percent annualized growth during the first quarter 2003. Lower cost savings, NOW and money market balances increased \$18.0 million or an annualized growth of 15.2 percent in the first three months of 2003 and noninterest bearing demand deposits increased \$11.5 million or 24.9 percent annualized.

Although total loans outstanding were lower than prior year, the Company's commercial and commercial real estate portfolio increased \$7.2 million in the first quarter or 9.8 percent annualized. The response to the expansion into Palm Beach County in late 2002 has been very positive. The addition of two full service branches in January 2003, combined with three commercial loan officers, has resulted in a pipeline of over \$31 million in loans in this new market. The recent acquisition of Palm Beach County's two largest community banks by large out-of-market competitors has further enhanced the prospects for future loan and deposit growth from this market.

Noninterest income, excluding securities gains and losses, increased 34.8 percent when compared to the prior year's first quarter, reflecting reduced revenues from investment management services, offset by growing revenues from mortgage banking and marine lending. During the first quarter 2003, noninterest income related to mortgage loan production grew by 111.1 percent to \$1,638,000 compared with \$776,000 earned in the first quarter of 2002. Likewise, revenues from marine loan production increased to \$807,000 or an increase of \$640,000 from the prior year's first quarter. Both business lines benefited from expansion and the favorable interest rate environment. Mortgage banking has added resources in the existing Treasure Coast markets, where Seacoast ranks second in deposit market share and has the convenience of 25 full service branches, and in the fast growing Palm Beach County market, where we now have three offices and three more planned for 2004 and 2005. The Seacoast Marine Finance division added seven employees in California to its production team to fully serve the western marine markets, including the states of Washington and Oregon. The decline in revenues from investment management has been disappointing and remains extremely challenging due to the economic environment and the uncertainties for improvement; however, continuing to provide these services is an important part of our SuperCommunity banking strategy. In addition, when the economy does improve, these revenues will expand and contribute to future earnings results.

Noninterest expenses increased \$776,000 or 7.7 percent from the fourth quarter, as a result of opening two new branches in the first quarter and increased commission expenses due to higher volumes of mortgage banking and

## Edgar Filing: SEACOAST BANKING CORP OF FLORIDA - Form 8-K

marine lending business.

Core deposit growth continued to enhance fees by increasing the customer base and usage of check cards. During the first quarter 2003, a total of \$289,000 in interchange income was earned compared to \$223,000 for the same period in 2002.

Net loan charge offs were \$280,000 for the first quarter of 2003, compared to net charge-offs of \$124,000 for 2002. Loan delinquencies, nonaccruals and the percentage of loans past due 90 days to average loans declined to 0.29 percent at March 31, 2003, compared to 0.33 percent for the fourth quarter 2002. Nonperforming assets totaled \$1,901,000, representing little change from the \$1,670,000 for the same quarter a year ago. The consistent credit quality and low net charge-offs allowed the Company to eliminate the provision for loan losses for the quarter. No provision was made in the prior year's first quarter.

The Company's effective tax rate for the first quarter 2003 was 34.7 percent compared to 39.2 percent for the same quarter in 2002. At the beginning of 2003 the Company formed a Real Estate Investment Trust to more efficiently manage its real estate assets and to reduce its effective tax rate and tax expenses.

Seacoast Banking Corporation of Florida has approximately \$1.3 billion in assets. It is one of the largest independent commercial banking organizations in Florida, headquartered on Florida's Treasure Coast, one of the wealthiest and fastest growing areas in the nation.

-----  
This press release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

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 Banking Corporation of Florida ("Seacoast" or the "Company") 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.

You can identify these forward-looking statements through our use of words such as "may", "will", "anticipate", "assume", "should", "indicate", "would", "believe", "contemplate", "expect", "estimate", "continue", "point to", "project", "could", "intend" or other similar words and expressions of the future. These forward-looking statements may not be realized due to a variety of factors, including, without limitation: the effects of future economic conditions; governmental monetary and fiscal policies, as well as legislative and regulatory changes; the risks of changes in interest rates on the level and composition of deposits, loan demand, and the values of loan collateral, securities, and interest sensitive assets and liabilities; interest rate risks and sensitivities; 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 the Company's market area 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, and the risks of mergers and acquisitions, including, without limitation, the

## Edgar Filing: SEACOAST BANKING CORP OF FLORIDA - Form 8-K

related costs, including integrating operations as part of these transactions, and the failure to achieve the expected gains, revenue growth and/or expense savings from such transactions.

All written or oral forward looking statements attributable to the Company are expressly qualified in their entirety by this Cautionary Notice including, without limitation, those risks and uncertainties, described in the Company's annual report on Form 10-K for the year ended December 31, 2002 under "Special Cautionary Notice Regarding Forward Looking Statements", and otherwise in the Company's SEC reports and filings. Such reports are available upon request from Seacoast, or from the Securities and Exchange Commission, including the SEC's website at <http://www.sec.gov>.

### FINANCIAL HIGHLIGHTS

#### SEACOAST BANKING CORPORATION OF FLORIDA AND SUBSIDIARIES

(Dollars in thousands, except per share data)	Three Months Ended March 31,	
	2003	2002
Summary of Earnings	\$ 3,223	\$ 3,686
Net interest income (1)	11,639	11,816
Performance Ratios		
Return on average assets (2), (3)	1.02%	1.18%
Return on average shareholders' equity (2), (3)	13.07	15.45
Net interest margin (1), (2)	3.89	4.05
Per Share Data (A)		
Net income diluted	\$ 0.23	\$ 0.26
Net income basic	0.23	0.26
Cash dividends declared	0.11	0.10

	March 31,		Increase/ (Decrease)
	2003	2002	
Credit Analysis			
Net charge-offs year-to-date	\$ 280	\$ 124	125.8%
Net charge-offs to average loans	0.16%	0.06%	166.7
Loan loss provision year-to-date	\$ -	\$ -	-
Allowance to loans at end of period	0.99%	0.92%	7.6
Nonperforming assets	\$ 1,901	\$ 1,670	13.8
Nonperforming assets to loans and other real estate owned at end of period	0.29%	0.22%	31.8
Selected Financial Data			
Total assets	\$1,297,826	\$1,252,181	3.6
Securities - Trading (at fair value)	43,719	-	n/m
Securities - Available for Sale (at fair value)	440,185	339,377	29.7
Securities - Held for Sale (at amortized cost)	19,998	24,186	(17.3)

Edgar Filing: SEACOAST BANKING CORP OF FLORIDA - Form 8-K

Net loans	654,990	747,625	(12.4)
Deposits	1,060,591	1,040,170	2.0
Shareholders' equity	100,526	94,602	6.3
Book value per share (A)	7.22	6.75	7.0
Tangible book value per share (A)	6.98	6.46	8.0
Average shareholders' equity to average assets	7.81%	7.67%	1.8

(A) Per share amounts reflect impact of 3-for-1 stock split effective July 1, 2002.

(1) Calculated on a fully taxable equivalent basis using amortized cost.

(2) These ratios are stated on an annualized basis and are not necessarily indicative of future periods. (3) The calculation of ROA and ROE do not include the mark-to-market unrealized gains (losses) because the unrealized gains (losses) are not included in net income.

n/m = not meaningful

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

SEACOAST BANKING CORPORATION OF FLORIDA AND SUBSIDIARIES

(Dollars in thousands, except per share data)	Three Months Ended March 31,	
	2003	2002
Interest on securities:		
Taxable	\$ 4,033	\$ 3,256
Nontaxable	41	52
Interest and fees on loans	11,982	14,768
Interest on federal funds sold	21	285
Total Interest Income	16,077	18,361
Interest on deposits	903	1,346
Interest on time certificates	2,701	4,388
Interest on borrowed money	873	850
Total Interest Expense	4,477	6,584
Net Interest Income	11,600	11,777
Provision for loan losses	0	0
Net Interest Income After Provision for Loan Losses	11,600	11,777
Noninterest income:		
Service charges on deposit accounts	1,217	1,217
Trust income	524	597
Mortgage banking fees	1,638	776
Brokerage commissions and fees	420	543

## Edgar Filing: SEACOAST BANKING CORP OF FLORIDA - Form 8-K

Marine finance fees	807	167
Debit card income	289	223
Other deposit based EFT fees	116	101
Other income	360	359
	-----	-----
	5,371	3,983
Securities gains (losses)	(1,157)	66
	-----	-----
Total Noninterest Income	4,214	4,049
Noninterest expenses:		
Salaries and wages	4,159	3,760
Employee benefits	1,216	1,048
Occupancy expense	1,286	1,246
Furniture and equipment expense	994	829
Outsourced data processing	499	535
Marketing expense	550	513
Legal and professional fees	408	325
FDIC assessments	41	43
Amortization of intangibles	63	63
Other expense	1,659	1,406
	-----	-----
Total Noninterest Expenses	10,875	9,768
Income Before Income Taxes	4,939	6,058
Provision for income taxes	1,716	2,372
	-----	-----
Net Income	\$ 3,223	\$ 3,686

-----

Per share common stock (A):

Net income diluted	\$ 0.23	\$ 0.26
Net income basic	0.23	0.26
Cash dividends declared	0.11	0.10
Average diluted shares outstanding	14,248,755	14,304,921
Average basic shares outstanding	13,923,795	14,007,291

(A) Per share amounts reflect impact of 3-for-1 stock split effective July 1, 2002.

CONDENSED CONSOLIDATED BALANCE SHEETS

SEACOAST BANKING CORPORATION OF FLORIDA AND SUBSIDIARIES

(Dollars in thousands)	March 31, 2003	December 31, 2002	March 31, 2002
-----			
Assets			
Cash and due from banks	\$ 63,534	\$ 49,571	\$ 46,992
Federal funds sold and interest bearing deposits	30,990	251	53,417
Securities:			
Trading (at fair value)	43,719	-	-
Available for sale (at fair value)	440,185	466,278	339,377
Held for Sale (at amortized cost)	19,998	32,181	24,186



Edgar Filing: SEACOAST BANKING CORP OF FLORIDA - Form 8-K

Total Securities	503,902	498,459	363,563
Loans sold and available for sale	11,696	13,814	10,095
Loans	661,536	688,161	754,535
Less: Allowance for loan losses	(6,546)	(6,826)	(6,910)
Net Loans	654,990	681,335	747,625
Bank premises and equipment	16,036	16,045	15,101
Other real estate owned	-	8	192
Other assets	16,678	21,814	15,196
	\$1,297,826	\$1,281,297	\$1,252,181
Liabilities and Shareholders' Equity			
Liabilities			
Deposits			
Demand deposits (noninterest bearing)	\$ 195,989	\$ 184,524	\$ 178,781
Savings deposits	490,976	472,976	474,107
Other time deposits	276,777	279,255	297,559
Time certificates of \$100,000 or more	96,849	93,785	89,723
Total Deposits	1,060,591	1,030,540	1,040,170
Federal funds purchased and securities sold under agreements to repurchase, maturing within 30 days	65,241	102,967	70,754
Other borrowings	65,000	40,000	40,000
Other liabilities	6,468	7,043	6,655
	1,197,300	1,180,550	1,157,579
Shareholders' Equity			
Preferred stock	-	-	-
Common stock	1,555	1,555	1,554
Additional paid in capital	26,994	26,994	26,888
Retained earnings	90,533	89,960	82,815
Treasury stock	(17,916)	(18,578)	(16,440)
	101,166	99,931	94,817
Securities valuation equity (allowance)	(640)	816	(215)
Total Shareholders' Equity	100,526	100,747	94,602
	\$1,297,826	\$1,281,297	\$1,252,181
Common Shares Outstanding	13,928,951	13,890,001	14,015,874

Note: The balance sheet at December 31, 2002 has been derived from the audited financial statements at that date.

Edgar Filing: SEACOAST BANKING CORP OF FLORIDA - Form 8-K

CONSOLIDATED QUARTERLY FINANCIAL DATA

(Unaudited)

SEACOAST BANKING CORPORATION OF FLORIDA AND SUBSIDIARIES

	Quarters			
	2003	2002		
(Dollars in thousands, except per share data)	First	Fourth	Third	S
<b>Operating Ratios</b>				
Return on average assets (2), (3)	1.02%	1.32%	1.17%	
Return on average shareholders' equity (2), (3)	13.07	16.24	14.19	1
Net interest margin (1), (2)	3.89	4.02	4.17	
Average equity to average assets	7.81	8.12	8.26	
<b>Credit Analysis</b>				
Net charge-offs	\$ 280	\$ 7	\$ 69	\$
Net charge-offs to average loans	0.16%	0.00%	0.04%	
Loan loss provision	\$ -	\$ -	\$ -	\$
Allowance to loans at end of period	0.99%	0.99%	0.95%	
Nonperforming assets	\$ 1,901	\$2,249	\$2,454	\$1
Nonperforming assets to loans and other real estate owned at end of period	0.29%	0.33%	0.34%	
Nonaccrual loans and accruing loans 90 days or more past due to loans outstanding at end of period	0.29	0.33	0.32	
<b>Per Share Common Stock (A)</b>				
Net income diluted	\$ 0.23	\$ 0.28	\$ 0.25	\$
Net income basic	0.23	0.29	0.25	
Cash dividends declared	0.11	0.11	0.10	
Book value per share	7.22	7.25	7.11	

(A) Per share amounts reflect impact of 3-for-1 stock split effective July 1, 2002.

(1) Calculated on a fully taxable equivalent basis using amortized cost.

(2) These ratios are stated on an annualized basis and are not necessarily indicative of ratios which may be expected for the entire year. (3) The calculation of ROA and ROE do not include the mark-to-market unrealized gains (losses), because the unrealized gains (losses) are not included in net income.

CONSOLIDATED QUARTERLY FINANCIAL DATA

SEACOAST BANKING CORPORATION OF FLORIDA AND SUBSIDIARIES

Edgar Filing: SEACOAST BANKING CORP OF FLORIDA - Form 8-K

SECURITIES	March 31, 2003	December 31, 2002	March 31, 2002
Mortgage-backed	\$ 43,719	\$ -	\$ -
Securites Trading	43,719	-	-
U.S. Treasury and U.S. Government Agencies	\$ 2,501	\$ 2,508	\$ 2,538
Mutual funds	-	292	278
Mortgage-backed	431,289	456,655	329,067
Other securities	6,395	6,823	7,494
Securities Available for Sale	440,185	466,278	339,377
Mortgage-backed	16,828	28,555	20,321
Obligations of states and political subdivisions	3,170	3,626	3,865
Securities Held for Investment	19,998	32,181	24,186
Total Securities	\$503,902	\$498,459	\$363,563

LOANS	March 31, 2003	December 31, 2002	March 31, 2002
Real estate construction	\$ 84,821	\$ 77,909	\$ 75,234
Real estate mortgage	452,465	478,123	540,108
Instalment loans to individuals	82,011	91,307	99,946
Commercial and financial	41,809	40,491	38,779
Other loans	430	331	468
Total Loans	\$661,536	\$688,161	\$754,535

AVERAGE BALANCES, YIELDS AND RATES  
SEACOAST BANKING CORPORATION OF FLORIDA AND SUBSIDIARIES

(Dollars in thousands)	2003		2002			
	First Quarter		Fourth Quarter		First Quarter	
	Average Balance	Yield/ Rate	Average Balance	Yield/ Rate	Average Balance	Yi R

Assets  
Earning assets:  
    Securities:

Edgar Filing: SEACOAST BANKING CORP OF FLORIDA - Form 8-K

Taxable	\$512,781	3.15%	\$411,457	3.49%	\$313,853
Nontaxable	3,193	7.77	3,505	7.99	4,009
<hr/>					
Total Securities	515,974	3.17	414,962	3.53	317,862
Federal funds sold and other short- term investments	6,723	1.27	17,001	1.40	69,478
Loans, net	690,022	7.05	718,650	7.14	781,662
<hr/>					
Total Earning Assets	1,212,719	5.39	1,150,613	5.74	1,169,002
Allowance for loan losses	(6,795)		(6,817)		(6,993)
Cash and due from banks	47,048		44,982		40,855
Premises and equipment	16,122		16,161		15,287
Other assets	12,105		12,357		13,806
<hr/>					
	\$1,281,199		\$1,217,296		\$1,231,957
<hr/>					
Liabilities and Shareholders' Equity					
Interest-bearing liabilities:					
NOW (including Super NOW)	\$ 67,373	0.66%	\$ 61,321	0.77%	\$ 65,168
Savings deposits	148,857	0.62	145,226	0.80	147,916
Money market accounts	265,843	0.86	254,627	1.01	242,428
Time deposits	372,273	2.94	376,043	3.36	394,162
Federal funds purchased and securities sold under agreements to repurchase	78,495	0.96	54,876	0.88	75,515
Other borrowings	56,944	4.90	40,000	6.42	40,000
<hr/>					
Total Interest-Bearing Liabilities	989,785	1.83	932,093	2.13	965,189
Demand deposits (noninterest-bearing)	186,613		180,763		167,618
Other liabilities	4,787		5,612		4,709
<hr/>					
Total Liabilities	1,181,185		1,118,468		1,137,516
Shareholders' equity	100,014		98,803		94,441
<hr/>					
	\$1,281,199		\$1,217,271		\$1,231,957
<hr/>					
Interest expense as a % of earning assets		1.50%		1.73%	
Net interest income as a % of earning assets		3.89		4.02	
<hr/>					

(1) On a fully taxable equivalent basis. All yields and rates have been computed on an annualized basis using amortized cost. Fees on loans have been included in interest on loans. Nonaccrual loans are included in loan balances.

