

FNB CORP/FL/
Form 10-Q
August 11, 2008

Table of Contents

**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, 2008**

☐ **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 001-31940

F.N.B. CORPORATION

(Exact name of registrant as specified in its charter)

Florida

25-1255406

(State or other jurisdiction of incorporation or
organization)

(I.R.S. Employer Identification No.)

One F.N.B. Boulevard, Hermitage, PA

16148

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: **724-981-6000**

(Former name, former address and former fiscal year, if changed since last report)

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller Reporting Company ☐

(Do not check if a 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 ☒

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Class	Outstanding at July 31, 2008
Common Stock, \$0.01 Par Value	86,026,592 Shares

F.N.B. CORPORATION
FORM 10-Q
June 30, 2008
INDEX

PART I FINANCIAL INFORMATION PAGE

Item 1. Financial Statements

<u>Consolidated Balance Sheets</u>	2
<u>Consolidated Statements of Income</u>	3
<u>Consolidated Statements of Stockholders' Equity</u>	4
<u>Consolidated Statements of Cash Flows</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
<u>Report of Independent Registered Public Accounting Firm</u>	25

<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	26
--	----

<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	42
---	----

<u>Item 4. Controls and Procedures</u>	42
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PART II OTHER INFORMATION

<u>Item 1. Legal Proceedings</u>	43
----------------------------------	----

<u>Item 1A. Risk Factors</u>	43
------------------------------	----

<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	43
--	----

<u>Item 3. Defaults Upon Senior Securities</u>	43
--	----

<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	44
--	----

<u>Item 5. Other Information</u>	44
----------------------------------	----

<u>Item 6. Exhibits</u>	45
-------------------------	----

<u>Signatures</u>	46
<u>EX-15</u>	
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-32.2</u>	

Table of Contents**F.N.B. CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

Dollars in thousands, except par value

	June 30, 2008 (Unaudited)	December 31, 2007
Assets		
Cash and due from banks	\$ 189,334	\$ 130,235
Interest bearing deposits with banks	3,590	482
Federal funds sold	14,000	
Securities available for sale	479,740	358,421
Securities held to maturity (fair value of \$785,363 and \$665,914)	794,684	667,553
Loans held for sale	18,011	5,637
Loans, net of unearned income of \$32,529 and \$25,747	5,606,409	4,344,235
Allowance for loan losses	(71,483)	(52,806)
Net Loans	5,534,926	4,291,429
Premises and equipment, net	119,269	80,472
Goodwill	478,733	242,120
Core deposit and other intangible assets, net	46,664	19,439
Bank owned life insurance	211,708	133,885
Other assets	205,221	158,348
Total Assets	\$ 8,095,880	\$ 6,088,021
Liabilities		
Deposits:		
Non-interest bearing demand	\$ 901,120	\$ 626,141
Savings and NOW	2,780,685	2,037,160
Certificates and other time deposits	2,196,859	1,734,383
Total Deposits	5,878,664	4,397,684
Other liabilities	76,045	63,760
Short-term borrowings	510,745	449,823
Long-term debt	505,244	481,366
Junior subordinated debt owed to unconsolidated subsidiary trusts	205,724	151,031
Total Liabilities	7,176,422	5,543,664
Stockholders Equity		
Common stock \$0.01 par value		
Authorized 500,000,000 shares		
Issued 86,071,462 and 60,602,218 shares	857	602
Additional paid-in capital	899,067	508,891
Retained earnings	37,332	42,426
Accumulated other comprehensive income	(17,013)	(6,738)

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Treasury stock 45,620 and 47,970 shares at cost	(785)	(824)
Total Stockholders' Equity	919,458	544,357
Total Liabilities and Stockholders' Equity	\$ 8,095,880	\$ 6,088,021

See accompanying Notes to Consolidated Financial Statements

2

Table of Contents**F.N.B. CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME**

Dollars in thousands, except per share data

Unaudited

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Interest Income				
Loans, including fees	\$ 90,825	\$ 78,731	\$ 167,234	\$ 156,656
Securities:				
Taxable	12,499	10,919	22,929	21,928
Nontaxable	1,580	1,438	3,186	2,818
Dividends	112	74	179	172
Other	281	458	294	533
Total Interest Income	105,297	91,620	193,822	182,107
Interest Expense				
Deposits	28,219	31,329	55,811	61,575
Short-term borrowings	3,024	4,458	7,031	9,186
Long-term debt	5,436	4,745	10,658	9,625
Junior subordinated debt owed to unconsolidated subsidiary trusts	3,061	2,739	5,800	5,452
Total Interest Expense	39,740	43,271	79,300	85,838
Net Interest Income	65,557	48,349	114,522	96,269
Provision for loan losses	10,976	1,838	14,559	3,685
Net Interest Income After Provision for Loan Losses	54,581	46,511	99,963	92,584
Non-Interest Income				
Service charges	14,860	10,212	25,046	19,830
Insurance commissions and fees	4,183	3,230	8,105	7,649
Securities commissions and fees	2,098	1,650	3,618	2,926
Trust fees	3,575	2,118	5,799	4,280
Gain on sale of securities	41	415	795	1,155
Impairment loss on equity securities	(456)	(111)	(466)	(111)
Gain on sale of mortgage loans	530	359	981	726
Bank owned life insurance	1,739	1,025	2,883	1,990
Other	886	1,477	2,863	2,846
Total Non-Interest Income	27,456	20,375	49,624	41,291
Non-Interest Expense				
Salaries and employee benefits	32,320	21,475	57,576	43,741
Net occupancy	4,761	3,667	8,577	7,471

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Equipment	4,367	3,297	7,482	6,658
Amortization of intangibles	1,219	1,103	2,292	2,206
Other	19,347	12,280	30,450	23,642
Total Non-Interest Expense	62,014	41,822	106,377	83,718
Income Before Income Taxes	20,023	25,064	43,210	50,157
Income taxes	5,518	7,442	12,214	15,165
Net Income	\$ 14,505	\$ 17,622	\$ 30,996	\$ 34,992
Net Income per Common Share				
Basic	\$ 0.17	\$ 0.29	\$ 0.43	\$ 0.58
Diluted	0.17	0.29	0.42	0.58
Cash Dividends per Common Share	0.24	0.235	0.48	0.47

See accompanying Notes to Consolidated Financial Statements

Table of Contents**F.N.B. CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

Dollars in thousands

Unaudited

	Compre- hensive Income	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Compre- hensive Income (Loss)	Treasury Stock	Total
Balance at January 1, 2008		\$ 602	\$ 508,891	\$ 42,426	\$ (6,738)	\$ (824)	\$ 544,357
Net income	\$ 30,996			30,996			30,996
Change in other comprehensive (loss)	(10,275)				(10,275)		(10,275)
Comprehensive income	\$ 20,721						
Cash dividends declared:							
Common stock \$0.48/share				(35,271)			(35,271)
Issuance of common stock		255	388,988	(213)		39	389,069
Restricted stock compensation			1,236				1,236
Tax benefit of stock-based Compensation			(48)				(48)
Adjustment to initially apply EITF 06-04 and 06-10				(606)			(606)
Balance at June 30, 2008		\$ 857	\$ 899,067	\$ 37,332	\$ (17,013)	\$ (785)	\$ 919,458
Balance at January 1, 2007		\$ 601	\$ 506,024	\$ 33,321	\$ (1,546)	\$ (1,028)	\$ 537,372
Net income	\$ 34,992			34,992			34,992
Change in other comprehensive (loss)	(4,078)				(4,078)		(4,078)
Comprehensive income	\$ 30,914						

Cash dividends declared:							
Common stock \$0.47/share			(28,384)				(28,384)
Purchase of common stock					(5,777)		(5,777)
Issuance of common stock	1	(2)	(1,039)		5,788		4,748
Restricted stock compensation			668				668
Tax benefit of stock-based Compensation			376				376
Cumulative effect of change in accounting for uncertainties in income taxes (FIN 48 see the Income Taxes note)				(1,174)			(1,174)
Balance at June 30, 2007	\$ 602	\$ 507,066	\$ 37,716	\$ (5,624)	\$ (1,017)		\$ 538,743

See accompanying Notes to Consolidated Financial Statements

Table of Contents**F.N.B. CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS**

Dollars in thousands

Unaudited

	Six Months Ended June 30,	
	2008	2007
Operating Activities		
Net income	\$ 30,996	\$ 34,992
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	11,364	7,093
Provision for loan losses	14,559	3,685
Deferred taxes	(1,111)	3,530
Gain on sale of securities	(329)	(1,044)
Tax benefit of stock-based compensation	48	(376)
Net change in:		
Interest receivable	3,280	416
Interest payable	1,270	(953)
Loans held for sale	(12,374)	(4,512)
Trading securities	185,416	
Bank owned life insurance	(1,807)	(1,479)
Other, net	(15,149)	3,592
Net cash flows provided by operating activities	216,163	44,944
Investing Activities		
Net change in:		
Interest bearing deposits with banks	3,176	386
Federal funds sold	(14,000)	
Loans	(185,929)	(44,891)
Securities available for sale:		
Purchases	(230,775)	(170,570)
Sales	1,977	3,162
Maturities	140,491	129,053
Securities held to maturity:		
Purchases	(186,335)	(36,055)
Maturities	82,519	70,081
Purchase of bank owned life insurance	(22)	
Increase in premises and equipment	(8,812)	(2,535)
Net cash received for mergers and acquisitions	50,441	
Net cash flows used in investing activities	(347,269)	(51,369)

Financing Activities

Net change in:

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Non-interest bearing deposits, savings and NOW accounts	234,909	124,806
Time deposits	(45,412)	(43,080)
Short-term borrowings	10,942	50,849
Increase in long-term debt	92,088	49,566
Decrease in long-term debt	(68,210)	(130,012)
Decrease in junior subordinated debt	(169)	
Purchase of common stock		(5,777)
Issuance of common stock	1,376	3,357
Tax benefit of stock-based compensation	(48)	376
Cash dividends paid	(35,271)	(28,384)
Net cash flows provided by financing activities	190,205	21,701
Net Increase in Cash and Due from Banks	59,099	15,276
Cash and due from banks at beginning of period	130,235	122,362
Cash and Due from Banks at End of Period	\$ 189,334	\$ 137,638

See accompanying Notes to Consolidated Financial Statements

Table of Contents

**F.N.B. CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

June 30, 2008

BUSINESS

F.N.B. Corporation (the Corporation) is a diversified financial services company headquartered in Hermitage, Pennsylvania. Its primary businesses include community banking, consumer finance, wealth management and insurance. The Corporation also conducts leasing and merchant banking activities. The Corporation operates its community banking business through a full service branch network in Pennsylvania and Ohio and loan production offices in Pennsylvania, Ohio, Florida and Tennessee. The Corporation operates its wealth management and insurance businesses within the existing branch network. It also conducts selected consumer finance business in Pennsylvania, Ohio and Tennessee.

BASIS OF PRESENTATION

The Corporation's accompanying consolidated financial statements include subsidiaries in which the Corporation has a controlling financial interest. Companies in which the Corporation controls operating and financing decisions (principally defined as owning a voting or economic interest greater than 50%) are also consolidated. Variable interest entities are consolidated if the Corporation is exposed to the majority of the variable interest entity's expected losses and/or residual returns (i.e., the Corporation is considered to be the primary beneficiary). The Corporation owns and operates First National Bank of Pennsylvania (FNBPA), First National Trust Company, First National Investment Services Company, LLC, F.N.B. Investment Advisors, Inc., First National Insurance Agency, LLC, Regency Finance Company, F.N.B. Capital Corporation, LLC and Bank Capital Services, and results for each of these entities are included in the accompanying consolidated financial statements.

The accompanying consolidated financial statements include all adjustments that are necessary, in the opinion of management, to fairly reflect the Corporation's financial position and results of operations. All significant intercompany balances and transactions have been eliminated. Certain prior period amounts have been reclassified to conform to the current period presentation.

Certain information and note disclosures normally included in consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission (Commission). The interim operating results are not necessarily indicative of operating results for the full year. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto, included in the Corporation's Annual Report on Form 10-K, filed with the Commission on February 29, 2008.

USE OF ESTIMATES

The accounting and reporting policies of the Corporation conform with GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could materially differ from those estimates. Material estimates that are particularly susceptible to significant changes include the allowance for loan losses, securities valuation, goodwill and other intangible assets and income taxes.

MERGERS AND ACQUISITIONS

On April 1, 2008, the Corporation completed its acquisition of Omega Financial Corporation (Omega), a diversified financial services company with \$1.8 billion in assets based in State College, Pennsylvania. The all-stock transaction, valued at approximately \$388.2 million, resulted in the Corporation issuing 25,362,525 shares of its common stock in exchange for 12,544,150 shares of Omega common stock. The assets and liabilities of Omega were recorded on the Corporation's balance sheet at their fair values as of April 1, 2008, the acquisition date, and their results of operations have been included in the Corporation's consolidated statement of income since then. Omega's banking subsidiary, Omega Bank, was merged into FNBPA on April 1, 2008.

Table of Contents

The following table shows the calculation of the preliminary purchase price and the resulting goodwill (in thousands):

Fair value of stock issued and stock options assumed		\$ 388,176
Fair value of:		
Tangible assets acquired	1,535,724	
Core deposit and other intangible assets acquired	31,028	
Liabilities assumed	(1,463,715)	
Net cash received in the acquisition	50,441	
Fair value of net assets acquired		153,478
Goodwill recognized		\$ 234,698

The Corporation has not yet finalized its determination of the fair values of certain acquired assets and liabilities and will adjust goodwill upon completion of the valuation process.