

FNB CORP/FL/  
Form 10-Q  
November 08, 2006

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**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 September 30, 2006**

☐ **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, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-accelerated Filer ☐

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 October 31, 2006
Common Stock, \$0.01 Par Value	60,271,250 Shares

**F.N.B. CORPORATION**  
**FORM 10-Q**  
September 30, 2006  
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**Table of Contents****F.N.B. CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS**

Dollars in thousands, except par value

	<b>September 30, 2006 (Unaudited)</b>	<b>December 31, 2005</b>
<b>Assets</b>		
Cash and due from banks	\$ 122,875	\$ 131,604
Interest bearing deposits with banks	1,131	627
Securities available for sale	289,625	279,219
Securities held to maturity (fair value of \$782,229 and \$867,122)	795,110	881,139
Mortgage loans held for sale	3,707	4,740
Loans, net of unearned income of \$25,161 and \$27,595	4,244,584	3,749,047
Allowance for loan losses	(53,065)	(50,707)
<b>Net Loans</b>	4,191,519	3,698,340
Premises and equipment, net	87,917	87,013
Goodwill	239,207	196,354
Bank owned life insurance	130,295	122,666
Other assets	198,899	188,624
<b>Total Assets</b>	\$ 6,060,285	\$ 5,590,326
<b>Liabilities</b>		
Deposits:		
Non-interest bearing demand	\$ 665,606	\$ 688,391
Savings and NOW	1,953,408	1,675,395
Certificates and other time deposits	1,780,910	1,648,157
<b>Total Deposits</b>	4,399,924	4,011,943
Other liabilities	60,200	59,634
Short-term borrowings	372,761	378,978
Junior subordinated debt owed to unconsolidated subsidiary trusts	151,031	128,866
Long-term debt	537,401	533,703
<b>Total Liabilities</b>	5,521,317	5,113,124
<b>Stockholders Equity</b>		
Common stock \$0.01 par value		
Authorized 500,000,000 shares		
Issued 60,328,058 and 57,513,586 shares	600	575
Additional paid-in capital	503,968	454,546
Retained earnings	32,281	24,376
Accumulated other comprehensive income	2,611	3,597
Deferred stock compensation		(4,154)
Treasury stock 29,022 and 94,545 shares at cost	(492)	(1,738)

<b>Total Stockholders' Equity</b>	538,968	477,202
<b>Total Liabilities and Stockholders' Equity</b>	\$ 6,060,285	\$ 5,590,326

See accompanying Notes to Consolidated Financial Statements

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

Dollars in thousands, except per share data

Unaudited

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Interest Income</b>				
Loans, including fees	\$ 76,838	\$ 61,669	\$ 210,725	\$ 177,561
Securities:				
Taxable	11,690	12,526	35,943	37,154
Nontaxable	1,231	1,101	3,492	3,016
Dividends	114	162	426	534
Other	703	17	1,076	32
<b>Total Interest Income</b>	<b>90,576</b>	<b>75,475</b>	<b>251,662</b>	<b>218,297</b>
<b>Interest Expense</b>				
Deposits	29,862	16,873	76,306	47,108
Short-term borrowings	4,133	4,239	11,354	10,579
Junior subordinated debt owed to unconsolidated subsidiary trusts	2,761	2,153	7,604	5,973
Long-term debt	5,453	5,290	15,519	14,720
<b>Total Interest Expense</b>	<b>42,209</b>	<b>28,555</b>	<b>110,783</b>	<b>78,380</b>
<b>Net Interest Income</b>	<b>48,367</b>	<b>46,920</b>	<b>140,879</b>	<b>139,917</b>
Provision for loan losses	2,428	3,448	7,883	8,465
<b>Net Interest Income After Provision for Loan Losses</b>	<b>45,939</b>	<b>43,472</b>	<b>132,996</b>	<b>131,452</b>
<b>Non-Interest Income</b>				
Service charges	10,677	10,528	31,481	29,542
Insurance commissions and fees	3,412	3,090	10,751	9,986
Securities commissions and fees	1,329	1,020	3,584	3,519
Trust	2,013	1,752	5,716	5,413
Gain on sale of securities	510	431	1,397	1,602
Gain on sale of mortgage loans	465	442	1,163	1,051
Bank owned life insurance	889	787	2,489	2,514
Other	1,159	1,184	4,766	3,144
<b>Total Non-Interest Income</b>	<b>20,454</b>	<b>19,234</b>	<b>61,347</b>	<b>56,771</b>
<b>Non-Interest Expense</b>				
Salaries and employee benefits	20,991	19,335	63,450	60,253
Net occupancy	3,424	3,115	10,264	9,417
Equipment	3,462	3,238	10,055	9,829

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Amortization of intangibles	1,180	918	3,140	2,729
Other	12,010	11,392	35,578	34,327
<b>Total Non-Interest Expense</b>	<b>41,067</b>	<b>37,998</b>	<b>122,487</b>	<b>116,555</b>
<b>Income Before Income Taxes</b>	<b>25,326</b>	<b>24,708</b>	<b>71,856</b>	<b>71,668</b>
Income taxes	7,707	6,622	21,800	21,131
<b>Net Income</b>	<b>\$ 17,619</b>	<b>\$ 18,086</b>	<b>\$ 50,056</b>	<b>\$ 50,537</b>
<b>Net Income per Common Share</b>				
Basic	\$ .29	\$ .32	\$ .86	\$ .91
Diluted	.29	.32	.85	.90
<b>Cash Dividends per Common Share</b>	<b>.235</b>	<b>.23</b>	<b>.705</b>	<b>.69</b>
See accompanying Notes to Consolidated Financial Statements				
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**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	Accumu- lated Other Compre- hensive Income	Deferred Stock Compen- sation	Treasury Stock	Total
<b>Balance at January 1, 2006</b>		\$ 575	\$ 454,546	\$ 24,376	\$ 3,597	\$ (4,154)	\$ (1,738)	\$ 477,202
Net income	\$ 50,056			50,056				50,056
Change in other comprehensive income (loss)	(986)				(986)			(986)
Comprehensive income	\$ 49,070							
Cash dividends declared:								
Common stock \$0.705/share				(41,174)				(41,174)
Purchase of common stock							(6,141)	(6,141)
Issuance of common stock		28	52,322	(977)			7,387	58,760
Restricted stock compensation			882					882
Tax benefit of stock-based compensation			369					369
Reclassification arising from the adoption of FAS 123R		(3)	(4,151)			4,154		
<b>Balance at September 30, 2006</b>		\$ 600	\$ 503,968	\$ 32,281	\$ 2,611		\$ (492)	\$ 538,968
<b>Balance at January 1, 2005</b>		\$ 502	\$ 300,555	\$ 22,847	\$ 4,965	\$ (1,428)	\$ (3,339)	\$ 324,102
Net income	\$ 50,537			50,537				50,537
Change in other comprehensive	(6,293)				(6,293)			(6,293)



income (loss)

Comprehensive  
income

\$ 44,244

Cash dividends  
declared:Common stock  
\$0.69/share

(38,867)

(38,867)

Purchase of  
common stock

(8,684)

(8,684)

Issuance of  
common stock

64

133,979

495

10,819

145,357

Tax benefit of  
stock-based

compensation

1,766

1,766

Change in  
stock-based

compensation

(890)

(890)

**Balance at  
September 30,  
2005**

\$ 566

\$ 436,300

\$ 35,012

\$ (1,328)

\$ (2,318)

\$ (1,204)

\$ 467,028

See accompanying Notes to Consolidated Financial Statements

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

Dollars in thousands

Unaudited

	<b>Nine Months Ended September 30,</b>	
	<b>2006</b>	<b>2005</b>
<b>Operating Activities</b>		
Net income	\$ 50,056	\$ 50,537
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation, amortization and accretion	11,401	10,967
Provision for loan losses	7,883	8,465
Deferred taxes	479	4,645
Gain on sale of securities	(1,397)	(1,602)
Gain on sale of loans	(1,163)	(1,051)
Proceeds from sale of loans	77,589	73,426
Loans originated for sale	(75,394)	(70,928)
Tax benefit of stock-based compensation	(369)	1,766
Net change in:		
Interest receivable	(4,680)	1,015
Interest payable	1,389	(8,405)
Other, net	10,028	(28,801)
Net cash flows provided by operating activities	75,822	40,034
<b>Investing Activities</b>		
Net change in:		
Interest bearing deposits with banks	(504)	1,449
Loans	(207,214)	(69,760)
Bank owned life insurance	340	(785)
Securities available for sale:		
Purchases	(3,751)	(179,405)
Sales	25,435	89,525
Maturities	5,230	84,478
Securities held to maturity:		
Purchases		(89,010)
Maturities	85,095	91,158
Increase in premises and equipment	(3,117)	(4,246)
Net cash (paid) received for mergers and acquisitions	(17,079)	8,799
Net cash flows used in investing activities	(115,565)	(67,797)
<b>Financing Activities</b>		
Net change in:		
Non-interest bearing deposits, savings and NOW accounts	140,181	(121,505)

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Time deposits	4,141	67,230
Short-term borrowings	(58,565)	105,820
Proceeds from the issuance of junior subordinated debt owed to unconsolidated subsidiary trusts	22,165	
Increase in long-term debt	23,787	65,990
Decrease in long-term debt	(58,011)	(41,156)
Purchase of common stock	(6,141)	(8,684)
Issuance of common stock	4,262	15,710
Tax benefit of stock-based compensation	369	
Cash dividends paid	(41,174)	(38,867)
Net cash flows provided by financing activities	31,014	44,538
<b>Net (Decrease) Increase in Cash and Due from Banks</b>	<b>(8,729)</b>	<b>16,775</b>
Cash and due from banks at beginning of period	131,604	100,839
<b>Cash and Due from Banks at End of Period</b>	<b>\$ 122,875</b>	<b>\$ 117,614</b>

See accompanying Notes to Consolidated Financial Statements

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

September 30, 2006

**BUSINESS**

F.N.B. Corporation (the Corporation) is a diversified financial services company headquartered in Hermitage, Pennsylvania. Its primary businesses include commercial and retail banking, consumer finance, asset management and insurance. The Corporation operates its retail and commercial banking business through a full service branch network in Pennsylvania and Ohio and loan production offices in Florida, and conducts selected consumer finance business in Pennsylvania, Ohio and Tennessee.

**BASIS OF PRESENTATION**

The accompanying consolidated financial statements include the accounts of the Corporation and its subsidiaries. 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 (FNIA), Regency Finance Company and F.N.B. Capital Corporation, LLC.

The accompanying consolidated financial statements include all adjustments, consisting only of normal recurring accruals 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.

The Corporation's consolidated financial statements include subsidiaries in which the Corporation has a controlling financial interest. Investments in companies in which the Corporation controls operating and financing decisions (principally defined as owning a voting or economic interest greater than 50%) are 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).

**USE OF ESTIMATES**

The accounting and reporting policies of the Corporation conform with U.S. generally accepted accounting principles (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.

**MERGERS AND ACQUISITIONS**

On May 26, 2006, the Corporation completed its acquisition of The Legacy Bank (Legacy), a commercial bank and trust company headquartered in Harrisburg, Pennsylvania, with \$375.1 million in assets, including \$300.3 million in loans, and \$256.5 million in deposits. Consideration paid by the Corporation totaled \$72.4 million comprised primarily of 2,682,053 shares of the Corporation's common stock and \$21.1 million in exchange for 3,831,505 shares of Legacy common stock. At the time of the acquisition, Legacy was merged into FNBPA. The Corporation recorded \$43.7 million in goodwill and \$5.3 million in core deposit intangible as a result of the acquisition. As of September 30, 2006, the purchase price is still subject to final adjustment because certain components of the purchase price were based on preliminary valuation studies and estimates.

On November 1, 2005, the Corporation's existing insurance agency, FNIA, acquired the assets of Penn Group Insurance, Inc. (Penn Group), an established life and employee benefits agency located in Pittsburgh, Pennsylvania.

On October 7, 2005, the Corporation completed i