

FIRST FINANCIAL HOLDINGS, INC.

Form 10-Q

November 12, 2013

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, 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 number 001-12669

FIRST FINANCIAL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

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South Carolina
(State or other jurisdiction of incorporation)

57-0799315
(IRS Employer Identification No.)

520 Gervais Street
Columbia, South Carolina
(Address of principal executive offices)

29201
(Zip Code)

(800) 277-2175

(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 website, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 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, 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.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

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

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

Class
Common Stock, \$2.50 par value

Outstanding as of October 31, 2013
24,076,514

First Financial Holdings, Inc. and Subsidiary

September 30, 2013 Form 10-Q

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

First Financial Holdings, Inc. and Subsidiary

Condensed Consolidated Balance Sheets

(Dollars in thousands, except par value)

	September 30, 2013 (Unaudited)	December 31, 2012 (Note 1)	September 30, 2012 (Unaudited)
ASSETS			
Cash and cash equivalents:			
Cash and due from banks	\$ 266,387	\$ 185,708	\$ 105,851
Interest-bearing deposits with banks	30,963	16,018	2,341
Federal funds sold and securities purchased under agreements to resell	347,821	179,004	169,872
Total cash and cash equivalents	645,171	380,730	278,064
Investment securities:			
Securities held to maturity (fair value of \$12,992, \$16,553, and \$17,750, respectively)	12,426	15,440	16,568
Securities available for sale, at fair value	626,798	534,883	476,023
Other investments	13,386	9,768	7,996
Total investment securities	652,610	560,091	500,587
Loans held for sale	52,467	65,279	71,585
Loans:			
Acquired (covered of \$361,540, \$282,728 and \$309,034, respectively; non-covered of \$2,651,563, \$792,014 and \$211,957, respectively)	3,013,103	1,074,742	520,991
Less allowance for acquired loan losses	(31,141)	(32,132)	(31,138)
Non-acquired	2,741,242	2,571,003	2,517,352
Less allowance for non-acquired loan losses	(36,145)	(44,378)	(46,439)
Loans, net	5,687,059	3,569,235	2,960,766
Goodwill	319,180	101,286	66,895
Premises and equipment, net	184,959	115,583	105,579
FDIC receivable for loss share agreements	115,773	146,171	174,321
Bank owned life insurance	96,551	42,737	35,785
Other real estate owned (covered of \$40,543, \$34,257 and \$47,063, respectively; non-covered of \$35,330, \$32,248 and \$27,484, respectively)	75,873	66,505	74,547
Core deposit and other intangibles	62,195	25,199	12,862
Other assets	136,603	63,597	44,241
Total assets	\$ 8,028,441	\$ 5,136,413	\$ 4,325,232
LIABILITIES AND SHAREHOLDERS EQUITY			
Deposits:			
Noninterest-bearing	\$ 1,481,791	\$ 981,963	\$ 818,633
Interest-bearing	5,181,315	3,316,397	2,770,665
Total deposits	6,663,106	4,298,360	3,589,298
Federal funds purchased and securities sold under agreements to repurchase	233,792	238,621	226,330

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Other borrowings	101,347	54,897	45,807
Other liabilities	60,170	36,986	29,873
Total liabilities	7,058,415	4,628,864	3,891,308
Shareholders' equity:			
Preferred stock - \$.01 par value; authorized 10,000,000 shares; 65,000, 0, and 0 shares issued and outstanding, respectively	1		
Common stock - \$2.50 par value; authorized 40,000,000 shares; 24,066,545, 16,937,464 and 15,114,185 shares issued and outstanding, respectively	60,166	42,344	37,785
Surplus	760,507	328,843	263,569
Retained earnings	159,980	135,986	132,798
Accumulated other comprehensive income (loss)	(10,628)	376	(228)
Total shareholders' equity	970,026	507,549	433,924
Total liabilities and shareholders' equity	\$ 8,028,441	\$ 5,136,413	\$ 4,325,232

The Accompanying Notes are an Integral Part of the Financial Statements.

First Financial Holdings, Inc. and Subsidiary

Condensed Consolidated Statements of Income (unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Interest income:				
Loans, including fees	\$ 78,678	\$ 46,179	\$ 184,879	\$ 128,076
Investment securities:				
Taxable	3,315	2,893	7,572	7,800
Tax-exempt	1,202	181	3,582	576
Federal funds sold and securities purchased under agreements to resell	505	282	1,366	773
Total interest income	83,700	49,535	197,399	137,225
Interest expense:				
Deposits	2,698	1,970	5,721	6,736
Federal funds purchased and securities sold under agreements to repurchase	92	105	343	341
Other borrowings	1,239	550	2,579	1,666
Total interest expense	4,029	2,625	8,643	8,743
Net interest income	79,671	46,910	188,756	128,482
Provision for loan losses	659	4,044	1,898	11,408
Net interest income after provision for loan losses	79,012	42,866	186,858	117,074
Noninterest income:				
Service charges on deposit accounts	8,966	6,169	20,463	17,501
Bankcard services income	6,493	3,570	14,631	10,508
Mortgage banking income	1,342	3,496	6,619	8,365
Trust and investment services income	3,593	1,577	8,345	4,617
Securities gains				61
Amortization of FDIC indemnification assets, net	(7,625)	(6,623)	(22,106)	(14,226)
Other	2,496	977	5,321	3,557
Total noninterest income	15,265	9,166	33,273	30,383
Noninterest expense:				
Salaries and employee benefits	34,464	18,647	81,462	54,957
Information services expense	3,827	2,662	10,011	8,032
OREO expense and loan related	3,461	3,951	9,383	8,782
Net occupancy expense	5,046	2,981	11,663	8,660
Furniture and equipment expense	3,523	2,165	8,306	6,775
Merger and conversion related expense	10,397	568	13,220	2,662
FDIC assessment and other regulatory charges	1,521	878	3,841	2,988
Bankcard expense	1,752	1,057	4,152	3,077
Amortization of intangibles	1,738	566	3,794	1,606
Advertising and marketing	1,150	736	2,640	2,046
Professional fees	1,377	643	2,828	2,008
Other	7,163	3,177	15,445	9,167
Total noninterest expense	75,419	38,031	166,745	110,760
Earnings:				
Income before provision for income taxes	18,858	14,001	53,386	36,697
Provision for income taxes	6,804	4,938	18,151	12,576
Net income	12,054	9,063	35,235	24,121
Preferred stock dividends	542		542	

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Net income available to common shareholders	\$	11,512	\$	9,063	\$	34,693	\$	24,121
Earnings per common share:								
Basic	\$	0.53	\$	0.61	\$	1.87	\$	1.67
Diluted	\$	0.52	\$	0.60	\$	1.85	\$	1.66
Dividends per common share	\$	0.19	\$	0.17	\$	0.55	\$	0.51
Weighted-average common shares outstanding:								
Basic		21,894		14,920		18,518		14,484
Diluted		22,128		15,043		18,717		14,573

The Accompanying Notes are an Integral Part of the Financial Statements.

First Financial Holdings, Inc. and Subsidiary

Condensed Consolidated Statements of Comprehensive Income (Loss) (unaudited)

(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income	\$ 12,054	\$ 9,063	\$ 35,235	\$ 24,122
Other comprehensive income (loss):				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during period	(1,676)	2,542	(18,240)	4,325
Tax effect	639	(969)	6,955	(1,649)
Reclassification adjustment for gains included in net income				(61)
Tax effect				23
Net of tax amount	(1,037)	1,573	(11,285)	2,638
Unrealized gains (losses) on derivative financial instruments qualifying as cash flow hedges:				
Unrealized holding gains (losses) arising during period	(77)	(140)	225	(407)
Tax effect	29	53	(86)	152
Reclassification adjustment for losses included in interest expense	77	74	229	218
Tax effect	(29)	(28)	(87)	(80)
Net of tax amount		(41)	281	(117)
Other comprehensive income (loss), net of tax	(1,037)	1,532	(11,004)	2,521
Comprehensive income	\$ 11,017	\$ 10,595	\$ 24,231	\$ 26,643

The Accompanying Notes are an Integral Part of the Financial Statements.

First Financial Holdings, Inc. and Subsidiary

Condensed Consolidated Statements of Changes in Shareholders Equity (unaudited)

Nine months ended September 30, 2013 and 2012

(Dollars in thousands, except per share data)

Balance, December 31, 2011	\$	14,039,422	\$	35,099	\$	233,232	\$	116,198	\$	(2,749)	\$	381,780		
Comprehensive income (loss):														
Net income								24,122				24,122		
Other comprehensive income, net of tax										2,521		2,521		
Total comprehensive income												26,643		
Cash dividends declared at \$.51 per share								(7,522)				(7,522)		
Employee stock purchases		12,035		30		331						361		
Stock options exercised		36,681		91		808						899		
Restricted stock awards		42,674		106		(106)								
Common stock repurchased		(19,368)		(48)		(626)						(674)		
Share-based compensation expense						1,292						1,292		
Common stock issued in Peoples Bancorporation acquisition		1,002,741		2,507		28,638						31,145		
Balance, September 30, 2012	\$	15,114,185	\$	37,785	\$	263,569	\$	132,798	\$	(228)	\$	433,924		
Balance, December 31, 2012	\$	16,937,464	\$	42,344	\$	328,843	\$	135,986	\$	376	\$	507,549		
Comprehensive income (loss):														
Net income								35,235				35,235		
Other comprehensive loss, net of tax										(11,004)		(11,004)		
Total comprehensive income												24,231		
Cash dividends on Series A preferred stock at annual dividend rate of 5%								(542)				(542)		
Cash dividends declared at \$.55 per share								(10,699)				(10,699)		
Employee stock purchases		9,385		23		379						402		
Stock options exercised		37,021		92		962						1,054		
Restricted stock awards		77,354		194		(194)								
Common stock repurchased		(12,953)		(32)		(641)						(673)		
Share-based compensation expense						2,332						2,332		
Common stock issued for First Financial Holdings, Inc. acquisition		7,018,274		17,545		363,827						381,372		
Preferred stock assumed in First Financial Holdings, Inc. acquisition	65,000	1				64,999						65,000		
Balance, September 30, 2013	65,000	\$	1	24,066,545	\$	60,166	\$	760,507	\$	159,980	\$	(10,628)	\$	970,026

The Accompanying Notes are an Integral Part of the Financial Statements.

First Financial Holdings, Inc. and Subsidiary

Condensed Consolidated Statements of Cash Flows (unaudited)

(Dollars in thousands)

	Nine Months Ended September 30,	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 35,235	\$ 24,122
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,811	8,976
Provision for loan losses	1,898	11,408