

HOME BANCSHARES INC

Form 10-Q

May 10, 2010

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**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 March 31, 2010**

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: 000-51904

HOME BANCSHARES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Arkansas

71-0682831

(State or other jurisdiction of
incorporation or organization)

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

719 Harkrider, Suite 100, Conway, Arkansas

72032

(Address of principal executive offices)

(Zip Code)

(501) 328-4770

(Registrant's telephone number, including area code)

Not Applicable

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 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 (§ 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 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

(Do not check if a smaller reporting company)

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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 the registrant's classes of common stock, as of the latest practical date.

Common Stock Issued and Outstanding: 25,725,160 shares as of May 4, 2010.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of our statements contained in this document, including matters discussed under the caption Management's Discussion and Analysis of Financial Condition and Results of Operation are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements relate to future events or our future financial performance and include statements about the competitiveness of the banking industry, potential regulatory obligations, our entrance and expansion into other markets, our other business strategies and other statements that are not historical facts. Forward-looking statements are not guarantees of performance or results. When we use words like may, plan, contemplate, anticipate, believe, intend, continue, expect, project, predict, estimate, could, should, or other expressions, you should consider them as identifying forward-looking statements, although we may use other phrasing. These forward-looking statements involve risks and uncertainties and are based on our beliefs and assumptions, and on the information available to us at the time that these disclosures were prepared. These forward-looking statements involve risks and uncertainties and may not be realized due to a variety of factors, including, but not limited to, the following:

the effects of future economic conditions, including inflation, deflation or a continued decrease in residential housing values;

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

the risks of changes in interest rates or the level and composition of deposits, loan demand and the values of loan collateral, securities and interest sensitive assets and liabilities;

the effects of terrorism and efforts to combat it;

credit risks;

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 area and elsewhere, including institutions operating regionally, nationally and internationally, together with competitors offering banking products and services by mail, telephone and the Internet;

the effect of any mergers, acquisitions or other transactions to which we or our subsidiaries may from time to time be a party, including our ability to successfully integrate any businesses that we acquire; and

the failure of assumptions underlying the establishment of our allowance for loan losses.

All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by this Cautionary Note. Our actual results may differ significantly from those we discuss in these forward-looking statements. For other factors, risks and uncertainties that could cause our actual results to differ materially from estimates and projections contained in these forward-looking statements, see the Risk Factors section of our Form 10-K filed with the Securities and Exchange Commission on March 5, 2010.

Table of Contents**PART I: FINANCIAL INFORMATION****Item 1: Financial Statements****Home BancShares, Inc.
Consolidated Balance Sheets**

(In thousands, except share data)	March 31, 2010 (Unaudited)	December 31, 2009
Assets		
Cash and due from banks	\$ 36,237	\$ 39,970
Interest-bearing deposits with other banks	156,772	133,520
Cash and cash equivalents	193,009	173,490
Federal funds sold	11,207	11,760
Investment securities available for sale	362,710	322,115
Loans receivable not covered by loss share	1,959,666	1,950,285
Loans receivable covered by FDIC loss share	225,885	
Allowance for loan losses	(42,845)	(42,968)
Loans receivable, net	2,142,706	1,907,317
Bank premises and equipment, net	69,997	70,810
Foreclosed assets held for sale not covered by loss share	17,610	16,484
Foreclosed assets held for sale covered by FDIC loss share	8,672	
FDIC indemnification asset	88,274	
Cash value of life insurance	51,019	52,176
Investments in unconsolidated affiliates	1,424	1,424
Accrued interest receivable	14,854	13,137
Deferred tax asset, net	10,072	14,777
Goodwill	53,039	53,039
Core deposit and other intangibles	6,989	4,698
Mortgage servicing rights	872	1,090
Other assets	45,745	42,548
Total assets	\$ 3,078,199	\$ 2,684,865
Liabilities and Stockholders Equity		
Deposits:		
Demand and non-interest-bearing	\$ 354,663	\$ 302,228
Savings and interest-bearing transaction accounts	863,988	714,744
Time deposits	1,002,437	818,451
Total deposits	2,221,088	1,835,423
Federal funds purchased		
Securities sold under agreements to repurchase	55,403	62,000
FHLB borrowed funds	254,548	264,360
Accrued interest payable and other liabilities	21,360	10,625
Subordinated debentures	47,462	47,484

Total liabilities	2,599,861	2,219,892
Stockholders equity:		
Preferred stock; \$0.01 par value; 5,500,000 shares authorized: Series A fixed rate cumulative perpetual; liquidation preference of \$1,000 per share; 50,000 shares issued and outstanding at March 31, 2010 and December 31, 2009.	49,320	49,275
Common stock, par value \$0.01; shares authorized 50,000,000; shares issued and outstanding 25,715,528 in 2010 and 25,690,137 in 2009	257	257
Capital surplus	363,870	363,519
Retained earnings	63,907	51,746
Accumulated other comprehensive income	984	176
Total stockholders equity	478,338	464,973
Total liabilities and stockholders equity	\$ 3,078,199	\$ 2,684,865

See Condensed Notes to Consolidated Financial Statements.

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Home BancShares, Inc.
Consolidated Statements of Income

(In thousands, except per share data)	Three Months Ended March 31, 2010 2009 (Unaudited)	
Interest income:		
Loans	\$ 29,866	\$ 29,138
Investment securities		
Taxable	1,627	2,653
Tax-exempt	1,479	1,298
Deposits - other banks	85	12
Federal funds sold	5	7
 Total interest income	 33,062	 33,108
Interest expense:		
Interest on deposits	5,295	8,118
Federal funds purchased		2
FHLB borrowed funds	2,177	2,390
Securities sold under agreements to repurchase	94	111
Subordinated debentures	597	676
 Total interest expense	 8,163	 11,297
 Net interest income	 24,899	 21,811
Provision for loan losses	3,100	1,000
 Net interest income after provision for loan losses	 21,799	 20,811
Non-interest income:		
Service charges on deposit accounts	3,141	3,374
Other service charges and fees	1,638	1,784
Mortgage lending income	412	880
Mortgage servicing income	160	200
Insurance commissions	347	257
Income from title services	107	140
Increase in cash value of life insurance	428	477
Dividends from FHLB, FRB & bankers' bank	126	107
Gain on acquisitions	11,790	
Gain (loss) on sale of premises and equipment, net	207	7
Gain (loss) on OREO, net	159	(117)
Gain (loss) on securities, net		
Other income	586	476
 Total non-interest income	 19,101	 7,585
Non-interest expense:		

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Salaries and employee benefits	8,534	8,944
Occupancy and equipment	2,799	2,677
Data processing expense	862	777
Other operating expenses	6,360	6,864
Total non-interest expense	18,555	19,262
Income before income taxes	22,345	9,134
Income tax expense	7,971	2,889
Net income available to all stockholders	14,374	6,245
Preferred stock dividends and accretion of discount on preferred stock	670	566
Net income available to common stockholders	\$ 13,704	\$ 5,679
Basic earnings per common share	\$ 0.53	\$ 0.29
Diluted earnings per common share	\$ 0.53	\$ 0.28

See Condensed Notes to Consolidated Financial Statements.

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Home BancShares, Inc.
Consolidated Statements of Stockholders Equity
Three Months Ended March 31, 2010 and 2009

	Preferred	Common	Capital	Retained	Accumulated Other Comprehensive Income (Loss)	Total
(In thousands, except share data)	Stock	Stock	Surplus	Earnings		
Balance at January 1, 2009	\$	\$ 199	\$ 253,581	\$ 32,639	\$ (3,375)	\$ 283,044
Comprehensive income:						
Net income				6,245		6,245
Other comprehensive income:						
Unrealized loss on investment securities available for sale, net of tax effect of \$789					1,223	1,223
Comprehensive income						7,468
Issuance of 50,000 shares of preferred stock and a warrant for 144,164 shares of common stock	49,094		906			50,000
Accretion of discount on preferred stock	45			(45)		
Net issuance of 5,065 shares of common stock from exercise of stock options			39			39
Tax benefit from stock options exercised			25			25
Share-based compensation			(50)			(50)
Cash dividends - Preferred Stock - 5%				(521)		(521)
Cash dividends - Common Stock, \$0.06 per share				(1,192)		(1,192)
Balances at March 31, 2009 (unaudited)	49,139	199	254,501	37,126	(2,152)	338,813
Comprehensive income:						
Net loss				20,561		20,561
Other comprehensive income:						
Unrealized gain on investment securities available for sale, net of tax effect of \$1,503					2,328	2,328
Comprehensive income						22,889
Issuance of 5,692,500 shares of common stock from public stock offering, net of offering costs of \$5,634.		57	107,284			107,341
	136			(136)		

Accretion of discount on preferred stock						
Net issuance of 122,045 shares of common stock from exercise of stock options	1	1,351				1,352
Tax benefit from stock options exercised		414				414
Share-based compensation		(31)				(31)
Cash dividends Preferred stock - 5%				(1,874)		(1,874)
Cash dividends Common Stock, \$0.18 per share				(3,931)		(3,931)
Balances at December 31, 2009	49,275	257	363,519	51,746	176	464,973

See Condensed Notes to Consolidated Financial Statements.

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Home BancShares, Inc.
Consolidated Statements of Stockholders Equity Continued
Three Months Ended March 31, 2010 and 2009

(In thousands, except share data)	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Comprehensive income:						
Net income				14,374		14,374
Other comprehensive income:						
Unrealized gain on investment securities available for sale, net of tax effect of \$521					808	808
Comprehensive income						15,182
Accretion of discount on preferred stock	45			(45)		
Net issuance of 8,291 shares of common stock from exercise of stock options			90			90
Disgorgement of profits			1			1
Tax benefit from stock options exercised			40			40
Share-based compensation			220			220
Cash dividend Preferred Stock - 5%				(625)		(625)
Cash dividends Common Stock, \$0.06 per share				(1,543)		(1,543)
Balances at March 31, 2010 (unaudited)	\$ 49,320	\$ 257	\$ 363,870	\$ 63,907	\$ 984	\$ 478,338

See Condensed Notes to Consolidated Financial Statements.

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Home BancShares, Inc.
Consolidated Statements of Cash Flows

(In thousands)	Period Ended March 31, 2010 2009 (Unaudited)	
Operating Activities		
Net income	\$ 14,374	\$ 6,245
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	1,289	1,301
Amortization/accretion	829	658
Share-based compensation	220	(50)
Tax benefits from stock options exercised	(40)	(25)
Loss on assets	(366)	110
Gain on acquisitions	(11,790)	
Provision for loan losses	3,100	1,000
Deferred income tax benefit	4,184	(1,181)
Increase in cash value of life insurance	(428)	(477)
Originations of mortgage loans held for sale	(21,307)	(59,049)
Proceeds from sales of mortgage loans held for sale	20,701	55,132
Changes in assets and liabilities:		
Accrued interest receivable	(1,717)	265
Other assets	655	(1,652)
Accrued interest payable and other liabilities	3,102	5,537
Net cash provided by operating activities	12,806	7,814
Investing Activities		
Net (increase) decrease in federal funds sold	3,632	(7,645)
Net (increase) decrease in loans net, excluding loans acquired	(15,057)	(16,410)
Purchases of investment securities available for sale	(39,552)	(11,020)
Proceeds from maturities of investment securities available for sale	30,459	33,289
Proceeds from foreclosed assets held for sale	2,213	673
Purchases of premises and equipment, net	(225)	(499)
Death benefits received	1,585	
Acquisition of Centennial Bancshares, Inc., net funds received		(3,100)
Net cash proceeds received in FDIC assisted acquisitions	71,652	
Net cash provided by (used in) investing activities	54,707	(4,712)
Financing Activities		
Net increase (decrease) in deposits, net of deposits acquired	(9,538)	(11,461)
Net increase (decrease) in securities sold under agreements to repurchase	(6,597)	(38,911)
Net increase (decrease) in federal funds purchased		
Net increase (decrease) in FHLB and other borrowed funds, net of acquired	(29,822)	(5,148)
Proceeds from exercise of stock options	90	39
Proceeds from issuance of preferred stock and common stock warrant		50,000
Disbursement of profits	1	

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Tax benefits from stock options exercised	40	25
Dividends paid on preferred stock	(625)	(201)
Dividends paid on common stock	(1,543)	(1,192)
Net cash provided by financing activities	(47,994)	(6,849)