

HOME BANCSHARES INC  
Form 10-Q  
May 08, 2012  
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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, 2012

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)

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**Arkansas**  
(State or other jurisdiction of  
incorporation or organization)

**71-0682831**  
(I.R.S. Employer  
Identification No.)

**719 Harkrider, Suite 100, Conway, Arkansas**  
(Address of principal executive offices)

**72032**  
(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

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: 28,104,511 shares as of May 1, 2012.

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**FORM 10-Q**

**March 31, 2012**

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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, could, expect, project, predict, estimate, could, should, would, and similar 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 or a continued decrease in commercial real estate and residential housing values;

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

the impact of the Dodd-Frank financial regulatory reform act and regulations to be issued thereunder;

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;

the failure of assumptions underlying the establishment of our allowance for loan losses; and

the failure of assumptions underlying the estimates of the fair values for our covered assets and FDIC indemnification receivable.

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, 2012.

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

(In thousands, except share data)	March 31, 2012 (Unaudited)	December 31, 2011
<b>Assets</b>		
Cash and due from banks	\$ 76,837	\$ 57,337
Interest-bearing deposits with other banks	269,401	126,967
Cash and cash equivalents	346,238	184,304
Federal funds sold	1,375	1,100
Investment securities available for sale	759,959	671,221
Loans receivable not covered by loss share	2,046,108	1,760,086
Loans receivable covered by FDIC loss share	455,435	481,739
Allowance for loan losses	(51,014)	(52,129)
Loans receivable, net	2,450,529	2,189,696
Bank premises and equipment, net	100,674	88,465
Foreclosed assets held for sale not covered by loss share	14,634	16,660
Foreclosed assets held for sale covered by FDIC loss share	39,744	35,178
FDIC indemnification asset	181,884	193,856
Cash value of life insurance	52,955	52,700
Accrued interest receivable	15,845	15,551
Deferred tax asset, net	34,680	22,850
Goodwill	77,090	59,663
Core deposit and other intangibles	11,180	8,620
Other assets	61,165	64,253
<b>Total assets</b>	<b>\$ 4,147,952</b>	<b>\$ 3,604,117</b>
<b>Liabilities and Stockholders Equity</b>		
Deposits:		
Demand and non-interest-bearing	\$ 583,951	\$ 464,581
Savings and interest-bearing transaction accounts	1,514,812	1,189,098
Time deposits	1,281,636	1,204,352
Total deposits	3,380,399	2,858,031
Securities sold under agreements to repurchase	72,531	62,319
FHLB borrowed funds	142,753	142,777
Accrued interest payable and other liabilities	27,403	22,593
Subordinated debentures	44,331	44,331
<b>Total liabilities</b>	<b>3,667,417</b>	<b>3,130,051</b>
<b>Stockholders equity:</b>		
Common stock, par value \$0.01; shares authorized 50,000,000; shares issued and outstanding 28,090,959 in 2012 and 28,275,507 in 2011	281	283

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Capital surplus	421,006	425,649
Retained earnings	51,800	40,130
Accumulated other comprehensive income	7,448	8,004
<b>Total stockholders equity</b>	<b>480,535</b>	<b>474,066</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 4,147,952</b>	<b>\$ 3,604,117</b>

See Condensed Notes to Consolidated Financial Statements.

**Table of Contents****Home BancShares, Inc.****Consolidated Statements of Income**

(In thousands, except per share data)	Three Months Ended	
	March 31,	
	2012	2011
	(Unaudited)	
<b>Interest income:</b>		
Loans	\$ 38,506	\$ 38,955
Investment securities		
Taxable	2,860	2,160
Tax-exempt	1,535	1,528
Deposits - other banks	85	105
Federal funds sold	2	7
Total interest income	42,988	42,755
<b>Interest expense:</b>		
Interest on deposits	4,660	6,260
FHLB borrowed funds	1,160	1,291
Securities sold under agreements to repurchase	110	139
Subordinated debentures	524	538
Total interest expense	6,454	8,228
<b>Net interest income</b>	<b>36,534</b>	<b>34,527</b>
Provision for loan losses		1,250
<b>Net interest income after provision for loan losses</b>	<b>36,534</b>	<b>33,277</b>
<b>Non-interest income:</b>		
Service charges on deposit accounts	3,505	3,151
Other service charges and fees	3,024	2,284
Mortgage lending income	904	645
Insurance commissions	551	607
Income from title services	88	91
Increase in cash value of life insurance	257	239
Dividends from FHLB, FRB & bankers bank	175	141
Gain on sale of SBA loans		259
Gain (loss) on sale of premises and equipment, net		(4)
Gain (loss) on OREO, net	(107)	(94)
Gain (loss) on securities, net	19	
FDIC indemnification asset	670	1,837
Other income	1,017	884
Total non-interest income	10,103	10,040
<b>Non-interest expense:</b>		
Salaries and employee benefits	11,386	11,078
Occupancy and equipment	3,431	3,713
Data processing expense	1,091	1,285
Other operating expenses	8,478	7,785

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Total non-interest expense	24,386	23,861
<b>Income before income taxes</b>	<b>22,251</b>	<b>19,456</b>
Income tax expense	7,753	6,740
<b>Net income available to all stockholders</b>	<b>14,498</b>	<b>12,716</b>
Preferred stock dividends and accretion of discount on preferred stock		670
<b>Net income available to common stockholders</b>	<b>\$ 14,498</b>	<b>\$ 12,046</b>
<b>Basic earnings per common share</b>	<b>\$ 0.51</b>	<b>\$ 0.42</b>
<b>Diluted earnings per common share</b>	<b>\$ 0.51</b>	<b>\$ 0.42</b>

See Condensed Notes to Consolidated Financial Statements.

**Table of Contents****Home BancShares, Inc.****Condensed Consolidated Statements of Comprehensive Income**

(In thousands, except per share data)	Three Months Ended March 31,	
	2012	2011
Net income	\$ 14,498	\$ 12,716
Net unrealized gain (loss) on available-for-sale securities	(896)	1,118
Less: reclassification adjustment for realized (gains) losses included in income	(19)	
Other comprehensive (loss) income, before tax effect	(915)	1,118
Tax effect	359	(439)
Other comprehensive (loss) income	(556)	679
Comprehensive income	\$ 13,942	\$ 13,395

**Home BancShares, Inc.****Consolidated Statements of Stockholders' Equity****Three Months Ended March 31, 2012 and 2011**

(In thousands, except share data)	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total
<b>Balance at January 1, 2011</b>	\$ 49,456	\$ 285	\$ 432,962	\$ (6,079)	\$ 301	\$ 476,925
Comprehensive income:						
Net income				12,716		12,716
Other comprehensive income:						
Unrealized gain on investment securities available for sale, net of tax effect of \$439					679	679
Comprehensive income						13,395
Accretion of discount on preferred stock	46			(46)		
Net issuance of 6,851 shares of common stock from exercise of stock options			59			59
Tax benefit from stock options exercised			35			35
Share-based compensation			74			74
Cash dividends - Preferred stock 5%				(625)		(625)
Cash dividends - Common Stock, \$0.054 per share				(1,538)		(1,538)
<b>Balances at March 31, 2011 (unaudited)</b>	49,502	285	433,130	4,428	980	488,325
Comprehensive income:						
Net income				42,025		42,025
Other comprehensive income:						
Unrealized gain on investment securities available for sale, net of tax effect of \$4,534					7,024	7,024

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Comprehensive income					49,049	
Repurchase of 50,000 shares of preferred stock and common stock warrant	(50,000)		(2,206)	906	(51,300)	
Accretion of discount on preferred stock	498			(498)		
Net issuance of 84,089 shares of common stock from exercise of stock options		1	655		656	
Repurchase of 300,000 shares of common stock		(3)	(6,765)		(6,768)	
Tax benefit from stock options exercised			527		527	
Share-based compensation			308		308	
Cash dividends Preferred stock 5%				(661)	(661)	
Cash dividends Common Stock, \$0.214 per share				(6,070)	(6,070)	
<b>Balances at December 31, 2011</b>		283	425,649	40,130	8,004	474,066

See Condensed Notes to Consolidated Financial Statements.

**Table of Contents****Home BancShares, Inc.****Consolidated Statements of Stockholders' Equity - Continued****Three Months Ended March 31, 2012 and 2011**

## Consolidated Statements of Stockholders' Equity

(In thousands, except share data)	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total
<b>Comprehensive income:</b>						
Net income				14,498		14,498
<b>Other comprehensive income:</b>						
Unrealized loss on investment securities available for sale, net of tax effect of \$(359)					(556)	(556)
<b>Comprehensive income</b>						<b>13,942</b>
Net issuance of 16,291 shares of common stock from exercise of stock options plus issuance of 4,761 bonus shares of unrestricted common stock			394			394
Repurchase of 205,600 shares of common stock		(2)	(5,204)			(5,206)
Tax benefit from stock options exercised			51			51
Share-based compensation			116			116
Cash dividends - Common Stock, \$0.10 per share				(2,828)		(2,828)
<b>Balances at March 31, 2012 (unaudited)</b>	<b>\$</b>	<b>\$ 281</b>	<b>\$ 421,006</b>	<b>\$ 51,800</b>	<b>\$ 7,448</b>	<b>\$ 480,535</b>

See Condensed Notes to Consolidated Financial Statements.

**Table of Contents****Home BancShares, Inc.****Consolidated Statements of Cash Flows**

(In thousands)	Three Months Ended March 31,	
	2012	2011
	(Unaudited)	
<b>Operating Activities</b>		
Net income	\$ 14,498	\$ 12,716
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	1,453	1,682
Amortization/(accretion)	1,172	(292)
Share-based compensation	116	74
Tax benefits from stock options exercised	(51)	(35)
(Gain) loss on assets	88	(210)
Provision for loan losses		1,250
Deferred income tax effect	(224)	(3,273)
Increase in cash value of life insurance	(257)	(239)
Originations of mortgage loans held for sale	(28,232)	(26,345)
Proceeds from sales of mortgage loans held for sale	29,530	36,169
Changes in assets and liabilities:		
Accrued interest receivable	(294)	839
Other assets	20,344	9,347
Accrued interest payable and other liabilities	(210)	(3,697)
Net cash provided by (used in) operating activities	37,933	27,986
<b>Investing Activities</b>		
Net (increase) decrease in federal funds sold	(275)	26,673
Net (increase) decrease in loans net, excluding loans acquired	72,037	23,914
Purchases of investment securities available for sale	(162,878)	(79,844)
Proceeds from maturities of investment securities available for sale	70,981	39,975
Proceeds from sale of investment securities available for sale	1,051	
Proceeds from foreclosed assets held for sale	3,482	7,260
Proceeds from sale of SBA loans		4,524
Purchases of premises and equipment, net	(1,166)	(779)
Death benefits received		700
Net cash proceeds received in Vision acquisition	140,234	