

HOME BANCSHARES INC

Form 10-Q

May 06, 2009

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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, 2009**

**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 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. (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

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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: 19,885,859 shares as of April 29, 2009.

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**FORM 10-Q**  
**March 31, 2009**  
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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, 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 6, 2009.

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

<b>(In thousands, except share data)</b>	<b>March 31, 2009 (Unaudited)</b>	<b>December 31, 2008</b>
<b>Assets</b>		
Cash and due from banks	\$ 41,396	\$ 46,765
Interest-bearing deposits with other banks	9,025	7,403
Cash and cash equivalents	50,421	54,168
Federal funds sold	15,510	7,865
Investment securities available for sale	334,916	355,244
Loans receivable	1,966,572	1,956,232
Allowance for loan losses	(40,822)	(40,385)
Loans receivable, net	1,925,750	1,915,847
Bank premises and equipment, net	72,815	73,610
Foreclosed assets held for sale	15,397	6,763
Cash value of life insurance	50,676	50,201
Investments in unconsolidated affiliates	1,424	1,424
Accrued interest receivable	12,850	13,115
Deferred tax asset, net	16,659	16,267
Goodwill	53,138	50,038
Core deposit and other intangibles	6,084	6,547
Mortgage servicing rights	1,744	1,891
Other assets	28,767	27,113
<b>Total assets</b>	<b>\$ 2,586,151</b>	<b>\$ 2,580,093</b>
<b>Liabilities and Stockholders Equity</b>		
Deposits:		
Demand and non-interest-bearing	\$ 297,146	\$ 249,349
Savings and interest-bearing transaction accounts	664,964	656,758
Time deposits	874,337	941,801
Total deposits	1,836,447	1,847,908
Federal funds purchased		
Securities sold under agreements to repurchase	74,478	113,389
FHLB borrowed funds	277,827	282,975
Accrued interest payable and other liabilities	11,034	5,202
Subordinated debentures	47,552	47,575
<b>Total liabilities</b>	<b>2,247,338</b>	<b>2,297,049</b>

**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, 2009; no shares issued and outstanding at December 31, 2008.

	49,139	
Common stock, par value \$0.01; shares authorized 50,000,000; shares issued and outstanding 19,864,647 in 2009 and 19,859,582 in 2008	199	199
Capital surplus	254,501	253,581
Retained earnings	37,126	32,639
Accumulated other comprehensive loss	(2,152)	(3,375)
<b>Total stockholders equity</b>	<b>338,813</b>	<b>283,044</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 2,586,151</b>	<b>\$ 2,580,093</b>

See Condensed Notes to Consolidated Financial Statements.



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

<b>(In thousands, except per share data(1))</b>	<b>Three Months Ended March 31, 2009      2008 (Unaudited)</b>	
<b>Interest income:</b>		
Loans	\$ 29,138	\$ 33,245
Investment securities		
Taxable	2,653	3,762
Tax-exempt	1,298	1,168
Deposits - other banks	12	55
Federal funds sold	7	166
 Total interest income	 33,108	 38,396
<b>Interest expense:</b>		
Interest on deposits	8,118	13,522
Federal funds purchased	2	69
FHLB borrowed funds	2,390	2,575
Securities sold under agreements to repurchase	111	588
Subordinated debentures	676	811
 Total interest expense	 11,297	 17,565
 <b>Net interest income</b>	 <b>21,811</b>	 <b>20,831</b>
Provision for loan losses	1,000	4,809
 <b>Net interest income after provision for loan losses</b>	 <b>20,811</b>	 <b>16,022</b>
<b>Non-interest income:</b>		
Service charges on deposit accounts	3,374	3,097
Other service charges and fees	1,784	1,654
Data processing fees	186	210
Mortgage lending income	880	741
Mortgage servicing income	200	231
Insurance commissions	257	272
Income from title services	140	168
Increase in cash value of life insurance	477	585
Dividends from FHLB, FRB & bankers bank	107	281
Equity in earnings (loss) of unconsolidated affiliates		102
Gain on sale of equity investment		6,102
Gain on sale of SBA loans		101
Gain (loss) on sale of premises and equipment, net	7	(2)
Gain (loss) on OREO, net	(117)	(380)
Gain (loss) on securities, net		
Other income	320	372

Total non-interest income	7,615	13,534
<b>Non-interest expense:</b>		
Salaries and employee benefits	8,944	9,278
Occupancy and equipment	2,677	2,702
Data processing expense	807	786
Other operating expenses	6,864	5,917
Total non-interest expense	19,292	18,683
<b>Income before income taxes</b>	9,134	10,873
Income tax expense	2,889	3,595
<b>Net income</b>	6,245	7,278
Preferred stock dividends and accretion of discount on preferred stock	566	
<b>Net income available to common stockholders</b>	\$ 5,679	\$ 7,278
<b>Basic earnings per share</b>	\$ 0.29	\$ 0.37
<b>Diluted earnings per share</b>	\$ 0.28	\$ 0.36

(1) Per share data as of March 31, 2008 is adjusted for the 8% stock dividend from August 2008

See Condensed Notes to Consolidated Financial Statements.

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**Home BancShares, Inc.**  
**Consolidated Statements of Stockholders Equity**  
**Three Months Ended March 31, 2009 and 2008**

(In thousands, except share data)	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance at January 1, 2008</b>	\$	\$173	\$195,649	\$ 59,489	\$ (2,255)	\$253,056
Cumulative effect of adoption of EITF 06-4				(276)		(276)
Comprehensive income (loss):						
Net income				7,278		7,278
Other comprehensive income (loss):						
Unrealized loss on investment securities available for sale, net of tax effect of \$1,888					2,744	2,744
Unconsolidated affiliates unrecognized loss on investment securities available for sale, net of taxes recorded by the unconsolidated affiliate					92	92
Comprehensive income						10,114
Issuance of 1,170,506 common shares pursuant to acquisition of Centennial Bancshares, Inc.		10	24,245			24,255
Net issuance of 3,655 shares (stock dividend adjusted) of common stock from exercise of stock options						23
Tax benefit from stock options exercised						18
Share-based compensation						117
Cash dividends Common Stock, \$0.046 per share					(916)	(916)
<b>Balances at March 31, 2008 (unaudited)</b>		183	220,052	65,575	581	286,391
Comprehensive income (loss):						
Net income				2,838		2,838
Other comprehensive income (loss):						
Unrealized loss on investment securities available for sale, net of tax effect of \$(1,225)					(3,956)	(3,956)
Comprehensive income						(1,118)
Net issuance of 55,949 shares of common stock from exercise of stock options						423
Disgorgement of profits		1	89			90

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Tax benefit from stock options exercised			398		398
Share-based compensation			361		361
Cash dividends Common Stock, \$0.176 per share				(3,488)	(3,488)
8% Stock dividend Common Stock	15	32,258	(32,286)		(13)
<b>Balances at December 31, 2008</b>	199	253,581	32,639	(3,375)	283,044
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, 2009 and 2008**

(In thousands, except share data)	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Comprehensive income (loss):						
Net income				6,245		6,245
Other comprehensive income (loss):						
Unrealized loss on investment securities available for sale, net of tax effect of \$789					1,223	1,223
Comprehensive income						7,467
Issuance of 50,000 shares of preferred stock and a warrant for 288,129 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 dividend Preferred Stock - 5%				(521)		(521)
Cash dividends Common Stock, \$0.060 per share				(1,192)		(1,192)
<b>Balances at March 31, 2009 (unaudited)</b>	\$49,139	\$199	\$254,501	\$37,126	\$ (2,152)	\$338,813

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, 2009                      2008 (Unaudited)	
<b>Operating Activities</b>		
Net income	\$ 6,245	\$ 7,278
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	1,301	1,388
Amortization/accretion	658	667
Share-based compensation	(50)	117
Tax benefits from stock options exercised	(25)	(18)
Loss on assets	110	281
Gain on sale of equity investment		(6,102)
Provision for loan loss	1,000	4,809
Deferred income tax benefit	(1,181)	(1,475)
Equity in income of unconsolidated affiliates		(102)
Increase in cash value of life insurance	(477)	(585)
Originations of mortgage loans held for sale	(59,049)	(34,959)
Proceeds from sales of mortgage loans held for sale	55,132	34,062
Changes in assets and liabilities:		
Accrued interest receivable	265	837
Other assets	(1,652)	(2,958)
Accrued interest payable and other liabilities	5,537	3,474
Net cash provided by operating activities	7,814	6,714
<b>Investing Activities</b>		
Net (increase) decrease in federal funds sold	(7,645)	(34,465)
Net (increase) decrease in loans	(16,410)	(68,912)
Purchases of investment securities available for sale	(11,020)	(9,275)
Proceeds from maturities of investment securities available for sale	33,289	65,862
Proceeds from sale of loans		1,904
Proceeds from foreclosed assets held for sale	673	62
Purchases of premises and equipment, net	(499)	(1,429)
Acquisition of Centennial Bancshares, Inc., net funds received	(3,100)	1,663
Proceeds from sale of investment in unconsolidated affiliate		19,862
Net cash used in investing activities	(4,712)	(24,728)
<b>Financing Activities</b>		
Net increase (decrease) in deposits	(11,461)	83,395
Net increase (decrease) in securities sold under agreements to repurchase	(38,911)	(5,983)
Net increase (decrease) in federal funds purchased		(16,407)
Net increase (decrease) in FHLB and other borrowed funds	(5,148)	(37,447)
Proceeds from exercise of stock options	39	23
Proceeds from issuance of preferred stock and common stock warrant	50,000	

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Tax benefits from stock options exercised	25	18
Dividends paid preferred stock	(201)	
Dividends paid common stock	(1,192)	(916)
Net cash provided by financing activities	(6,849)	22,683
Net change in cash and cash equivalents	(3,747)	4,669
Cash and cash equivalents beginning of year	54,168	55,021
Cash and cash equivalents end of period	\$ 50,421	\$ 59,690

See Condensed Notes to Consolidated Financial Statements.

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**Home BancShares, Inc.**