

HOME BANCSHARES INC

Form 10-Q

November 08, 2011

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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 September 30, 2011**

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

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: 28,268,186 shares as of October 31, 2011.

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**FORM 10-Q**  
**September 30, 2011**  
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Exhibit List

12.1	Computation of Ratios of Earnings to Fixed Charges
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31.1	CEO Certification Pursuant to 13a-14(a)/15d-14(a)
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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 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 recently enacted 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 10, 2011.

**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>September 30, 2011 (Unaudited)</b>	<b>December 31, 2010</b>
<b>Assets</b>		
Cash and due from banks	\$ 48,748	\$ 49,927
Interest-bearing deposits with other banks	104,053	237,605
Cash and cash equivalents	152,801	287,532
Federal funds sold	3,670	27,848
Investment securities available for sale	610,522	469,864
Loans receivable not covered by loss share	1,826,373	1,892,374
Loans receivable covered by FDIC loss share	511,326	575,776
Allowance for loan losses	(54,508)	(53,348)
Loans receivable, net	2,283,191	2,414,802
Bank premises and equipment, net	89,894	81,939
Foreclosed assets held for sale not covered by loss share	16,541	11,626
Foreclosed assets held for sale covered by FDIC loss share	32,183	21,568
FDIC indemnification asset	201,211	227,258
Cash value of life insurance	52,422	51,970
Accrued interest receivable	15,038	16,176
Deferred tax asset, net	21,998	18,586
Goodwill	59,663	59,663
Core deposit and other intangibles	9,325	11,447
Other assets	73,707	62,367
<b>Total assets</b>	<b>\$ 3,622,166</b>	<b>\$ 3,762,646</b>
<b>Liabilities and Stockholders Equity</b>		
Deposits:		
Demand and non-interest-bearing	\$ 479,512	\$ 392,622
Savings and interest-bearing transaction accounts	1,143,335	1,108,309
Time deposits	1,262,202	1,460,867
Total deposits	2,885,049	2,961,798
Securities sold under agreements to repurchase	62,407	74,459
FHLB borrowed funds	142,901	177,270
Accrued interest payable and other liabilities	24,339	27,863
Subordinated debentures	44,331	44,331
<b>Total liabilities</b>	<b>3,159,027</b>	<b>3,285,721</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; zero shares issued or outstanding at September 30, 2011; 50,000 shares issued and outstanding at December 31, 2010.

		49,456
Common stock, par value \$0.01; shares authorized 50,000,000; shares issued and outstanding 28,259,044 in 2011 and 28,452,411 in 2010	283	285
Capital surplus	425,852	432,962
Retained earnings (deficit)	28,218	(6,079)
Accumulated other comprehensive income	8,786	301
<b>Total stockholders equity</b>	<b>463,139</b>	<b>476,925</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 3,622,166</b>	<b>\$ 3,762,646</b>

See Condensed Notes to Consolidated Financial Statements. 4



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

(In thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Unaudited)			
<b>Interest income:</b>				
Loans	\$ 39,199	\$ 35,673	\$ 117,844	\$ 98,675
Investment securities				
Taxable	2,429	1,802	6,793	5,364
Tax-exempt	1,546	1,492	4,617	4,471
Deposits other banks	84	92	331	258
Federal funds sold	1	3	9	13
<b>Total interest income</b>	<b>43,259</b>	<b>39,062</b>	<b>129,594</b>	<b>108,781</b>
<b>Interest expense:</b>				
Interest on deposits	5,638	6,319	17,884	17,486
FHLB borrowed funds	1,250	1,854	3,768	6,113
Securities sold under agreements to repurchase	120	137	384	349
Subordinated debentures	539	599	1,620	1,796
<b>Total interest expense</b>	<b>7,547</b>	<b>8,909</b>	<b>23,656</b>	<b>25,744</b>
<b>Net interest income</b>	<b>35,712</b>	<b>30,153</b>	<b>105,938</b>	<b>83,037</b>
Provision for loan losses		3,000	1,250	9,850
<b>Net interest income after provision for loan losses</b>	<b>35,712</b>	<b>27,153</b>	<b>104,688</b>	<b>73,187</b>
<b>Non-interest income:</b>				
Service charges on deposit accounts	3,638	3,551	10,428	10,275
Other service charges and fees	2,489	1,816	7,375	5,353
Mortgage lending income	783	760	2,089	1,822
Mortgage servicing income				314
Insurance commissions	428	248	1,505	904
Income from title services	126	98	327	353
Increase in cash value of life insurance	323	330	849	1,106
Dividends from FHLB, FRB & bankers bank	184	151	506	419
Gain on acquisitions				9,334
Gain on sale of SBA loans			259	18
Gain (loss) on sale of premises and equipment, net	6	2	79	221
Gain (loss) on OREO, net	69	(1,063)	(1,032)	(1,308)
Gain (loss) on securities, net	5	(37)	5	(37)
FDIC indemnification asset	1,314	1,895	4,614	2,631
Other income	595	556	2,123	1,767
<b>Total non-interest income</b>	<b>9,960</b>	<b>8,307</b>	<b>29,127</b>	<b>33,172</b>

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<b>Non-interest expense:</b>				
Salaries and employee benefits	10,691	9,637	32,449	27,251
Occupancy and equipment	3,562	3,264	10,923	9,036
Data processing expense	1,185	848	3,607	2,664
Other operating expenses	8,298	7,545	24,474	19,888
<b>Total non-interest expense</b>	<b>23,736</b>	<b>21,294</b>	<b>71,453</b>	<b>58,839</b>
<b>Income before income taxes</b>	<b>21,936</b>	<b>14,166</b>	<b>62,362</b>	<b>47,520</b>
Income tax expense	7,624	4,606	21,788	16,122
<b>Net income available to all stockholders</b>	<b>14,312</b>	<b>9,560</b>	<b>40,574</b>	<b>31,398</b>
Preferred stock dividends and accretion of discount on preferred stock	488	670	1,828	2,010
<b>Net income available to common stockholders</b>	<b>\$ 13,824</b>	<b>\$ 8,890</b>	<b>\$ 38,746</b>	<b>\$ 29,388</b>
<b>Basic earnings per common share</b>	<b>\$ 0.48</b>	<b>\$ 0.32</b>	<b>\$ 1.36</b>	<b>\$ 1.04</b>
<b>Diluted earnings per common share</b>	<b>\$ 0.48</b>	<b>\$ 0.31</b>	<b>\$ 1.35</b>	<b>\$ 1.03</b>

See Condensed Notes to Consolidated Financial Statements. 5

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**Home BancShares, Inc.**  
**Consolidated Statements of Stockholders Equity**  
**Nine Months Ended September 30, 2011 and 2010**

(In thousands, except share data)	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance at January 1, 2010</b>	\$ 49,275	\$ 257	\$ 363,519	\$ 51,746	\$ 176	\$ 464,973
Comprehensive income:						
Net income				31,398		31,398
Other comprehensive income:						
Unrealized gain on investment securities available for sale, net of tax effect of \$3,872					5,995	5,995
Comprehensive income						37,393
Accretion of discount on preferred stock	136			(136)		
Net issuance of 156,069 shares of common stock from exercise of stock options		2	1,411			1,413
Disgorgement of profits			11			11
Tax benefit from stock options exercised			863			863
Share-based compensation			324			324
Cash dividend Preferred Stock - 5%				(1,875)		(1,875)
Cash dividends Common Stock, \$0.1625 per share				(4,623)		(4,623)
Stock dividend Common Stock 10%		25	66,540	(66,576)		(11)
<b>Balances at September 30, 2010 (unaudited)</b>	49,411	284	432,668	9,934	6,171	498,468
Comprehensive income:						
Net income				(13,807)		(13,807)
Other comprehensive income:						
Unrealized loss on investment securities available for sale, net of tax effect of \$(3,792)					(5,870)	(5,870)
Comprehensive income						(19,677)
Accretion of discount on preferred stock	45			(45)		
		1	141			142

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Net issuance of 18,829 shares of common stock from exercise of stock options						
Tax benefit from stock options exercised			101			101
Share-based compensation			52			52
Cash dividends Preferred stock - 5%				(625)		(625)
Cash dividends Common Stock, \$0.054 per share				(1,536)		(1,536)
<b>Balances at December 31, 2010</b>	49,456	285	432,962	(6,079)	301	476,925

See Condensed Notes to Consolidated Financial Statements. 6

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**Home BancShares, Inc.**  
**Consolidated Statements of Stockholders Equity Continued**  
**Nine Months Ended September 30, 2011 and 2010**

(In thousands, except share data)	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
Comprehensive income:						
Net income				40,574		40,574
Other comprehensive income:						
Unrealized gain on investment securities available for sale, net of tax effect of \$5,478					8,485	8,485
Comprehensive income						49,059
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	544			(544)		
Net issuance of 24,477 shares of common stock from exercise of stock options			227			227
Repurchase of common stock		(2)	(5,542)			(5,544)
Tax benefit from stock options exercised			126			126
Share-based compensation			285			285
Cash dividends - Preferred stock - 5%				(1,286)		(1,286)
Cash dividends - Common Stock, \$0.188 per share				(5,353)		