

HOME BANCSHARES INC

Form 10-Q

November 07, 2007

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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, 2007**

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

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: 17,244,848 shares as of October 31, 2007.

**HOME BANCSHARES, INC.**  
**FORM 10-Q**  
**September 30, 2007**  
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Awareness of Independent Registered Public Accounting Firm

CEO Certification Pursuant to Rule 13a-14(a)/15d-14(a)

CFO Certification Pursuant to Rule 13a-14(a)/15d-14(a)

CEO Certification Pursuant 18 U.S.C. Section 1350

CFO Certification Pursuant 18 U.S.C. Section 1350

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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 or a 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 20, 2007.

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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>September 30, 2007 (Unaudited)</b>	<b>December 31, 2006</b>
<b>Assets</b>		
Cash and due from banks	\$ 46,471	\$ 53,004
Interest-bearing deposits with other banks	2,573	6,696
Cash and cash equivalents	49,044	59,700
Federal funds sold	11,145	9,003
Investment securities available for sale	447,826	531,891
Loans receivable	1,560,374	1,416,295
Allowance for loan losses	(28,636)	(26,111)
Loans receivable, net	1,531,738	1,390,184
Bank premises and equipment, net	66,770	57,339
Foreclosed assets held for sale	4,915	435
Cash value of life insurance	47,468	42,149
Investments in unconsolidated affiliates	14,982	12,449
Accrued interest receivable	15,186	13,736
Deferred tax asset, net	9,499	8,361
Goodwill	37,527	37,527
Core deposit and other intangibles	8,141	9,458
Other assets	23,431	18,416
<b>Total assets</b>	<b>\$ 2,267,672</b>	<b>\$ 2,190,648</b>
<b>Liabilities and Stockholders Equity</b>		
Deposits:		
Demand and non-interest-bearing	\$ 217,666	\$ 215,142
Savings and interest-bearing transaction accounts	569,797	582,425
Time deposits	811,108	809,627
Total deposits	1,598,571	1,607,194
Federal funds purchased	8,690	25,270
Securities sold under agreements to repurchase	131,007	118,825
FHLB borrowed funds	226,028	151,768
Accrued interest payable and other liabilities	12,204	11,509
Subordinated debentures	44,595	44,663
<b>Total liabilities</b>	<b>2,021,095</b>	<b>1,959,229</b>
<b>Stockholders equity:</b>		
Common stock, par value \$0.01 in 2007 and 2006; shares authorized 50,000,000	172	172

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in 2007 and 25,000,000 in 2006; shares issued and outstanding  
17,243,036

in 2007 and 17,205,649 in 2006

Capital surplus	195,429	194,595
Retained earnings	54,871	41,544
Accumulated other comprehensive loss	(3,895)	(4,892)
<b>Total stockholders equity</b>	<b>246,577</b>	<b>231,419</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 2,267,672</b>	<b>\$ 2,190,648</b>

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 September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(Unaudited)			
<b>Interest income:</b>				
Loans	\$ 31,116	\$ 26,748	\$ 89,180	\$ 72,593
Investment securities				
Taxable	4,133	4,738	12,992	14,174
Tax-exempt	1,043	883	3,094	2,815
Deposits - other banks	53	38	132	103
Federal funds sold	36	51	311	393
<b>Total interest income</b>	<b>36,381</b>	<b>32,458</b>	<b>105,709</b>	<b>90,078</b>
<b>Interest expense:</b>				
Interest on deposits	14,416	12,010	42,640	32,683
Federal funds purchased	194	178	646	636
FHLB borrowed funds	2,426	1,825	6,270	4,787
Securities sold under agreements to repurchase	1,267	1,258	3,772	3,122
Subordinated debentures	758	751	2,254	2,245
<b>Total interest expense</b>	<b>19,061</b>	<b>16,022</b>	<b>55,582</b>	<b>43,473</b>
<b>Net interest income</b>	<b>17,320</b>	<b>16,436</b>	<b>50,127</b>	<b>46,605</b>
Provision for loan losses	547	649	2,047	1,723
<b>Net interest income after provision for loan losses</b>	<b>16,773</b>	<b>15,787</b>	<b>48,080</b>	<b>44,882</b>
<b>Non-interest income:</b>				
Service charges on deposit accounts	2,816	2,354	8,073	6,669
Other services charges and fees	1,342	541	4,176	1,736
Trust fees	27	166	81	487
Data processing fees	192	215	619	623
Mortgage banking income	451	435	1,277	1,285
Insurance commissions	153	153	613	642
Income from title services	181	233	575	752
Increase in cash value of life insurance	607	55	1,822	161
Dividends from FHLB, FRB & bankers' bank	218	180	652	440
Equity in earnings of unconsolidated affiliates	47	(65)	(123)	(213)
Gain on sale of SBA loans			170	34
Gain (loss) on sale of premises and equipment, net	(31)	129	150	157
Gain on securities, net				1
Other income	309	302	1,015	924



Total non-interest income	6,312	4,698	19,100	13,698
<b>Non-interest expense:</b>				
Salaries and employee benefits	7,739	7,376	22,936	22,123
Occupancy and equipment	2,446	2,223	6,998	6,351
Data processing expense	644	651	1,958	1,888
Other operating expenses	4,770	3,987	13,965	11,637
Total non-interest expense	15,599	14,237	45,857	41,999
<b>Income before income taxes</b>				
Income tax expense	7,486	6,248	21,323	16,581
	2,258	1,960	6,273	5,141
<b>Net income available to all shareholders</b>				
Less: Preferred stock dividends	5,228	4,288	15,050	11,440
		49		359
<b>Income available to common shareholders</b>				
	\$ 5,228	\$ 4,239	\$ 15,050	\$ 11,081
<b>Basic earnings per share</b>				
	\$ 0.30	\$ 0.26	\$ 0.87	\$ 0.82
<b>Diluted earnings per share</b>				
	\$ 0.30	\$ 0.25	\$ 0.86	\$ 0.74

See Condensed Notes to Consolidated Financial Statement.

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**Home BancShares, Inc.**  
**Consolidated Statements of Stockholders Equity**

(In thousands, except share data)	Preferred Stock A	Preferred Stock B	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	<b>Balance at January 1, 2006</b>	\$ 21	\$ 2	\$ 121	\$ 146,285	\$ 27,331	\$ (7,903)
Comprehensive income (loss):							
Net income					11,440		11,440
Other comprehensive income (loss):							
Unrealized gain on investment securities available for sale, net of tax effect of \$903						1,409	1,409
Unconsolidated affiliates unrecognized gain on investment securities available for sale, net of taxes recorded by the unconsolidated affiliate						10	10
Comprehensive income							12,859
Conversion of 2,090,812 shares of preferred stock A to 1,650,489 shares of common stock	(21)		17	2			(2)
Conversion of 169,760 shares of preferred stock B to 509,280 shares of common stock		(2)	5	(3)			
Issuance of 2,875,000 shares of common stock from Initial Public Offering, net of offering costs of \$4,545			29	47,176			47,205
Issuance of 14,617 shares of preferred stock A from exercise of stock options				2			2
Net issuance of 681 shares of preferred stock B from exercise of stock options				8			8
Net issuance of 47,597 shares of common stock from exercise of stock options				446			446
Tax benefit from stock options exercised				187			187
Share-based compensation				303			303
Cash dividends Preferred Stock A, \$0.1458 per share					(303)		(303)
Cash dividends Preferred Stock B, \$0.3325 per share					(56)		(56)

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Cash dividends Common Stock, \$0.065 per share			(916)		(916)
<b>Balances at September 30, 2006 (unaudited)</b>	172	194,406	37,496	(6,484)	225,590
Comprehensive income (loss):					
Net income			4,478		4,478
Other comprehensive income (loss):					
Unrealized gain on investment securities available for sale, net of tax effect of \$1,023				1,585	1,585
Unconsolidated affiliates unrecognized gain on investment securities available for sale, net of taxes recorded by the unconsolidated affiliate				7	7
Comprehensive income					6,070
Issuance of 9,419 shares of common stock from exercise of stock options		88			88
Tax benefit from stock options exercised		24			24
Share-based compensation		77			77
Cash dividends Common Stock, \$0.025 per share			(430)		(430)
<b>Balances at December 31, 2006</b>	172	194,595	41,544	(4,892)	231,419
See Condensed Notes to Consolidated Financial Statement.					
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**Home BancShares, Inc.  
Consolidated Statements of Stockholders Equity Continued**

<b>Preferred</b>	<b>Preferred</b>	<b>Common</b>	<b>Capital</b>	<b>Retained</b>	<b>Accumulated Other</b>
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