

HOME BANCSHARES INC

Form 10-Q

November 04, 2016

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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, 2016**

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
(State or other jurisdiction of

71-0682831
(I.R.S. Employer

incorporation or organization)

Identification No.)

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

72032
(Zip Code)

(501) 339-2929

(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: 140,441,489 shares as of October 28, 2016.

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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, including through potential acquisitions, 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, 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 local, regional, national and international economic conditions, including inflation or a decrease in commercial real estate and residential housing values;

changes in the level of nonperforming assets and charge-offs, and credit risk generally;

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

legislation and regulation affecting the financial services industry as a whole, and the Company and its subsidiaries in particular, including the effects resulting from the reforms enacted by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) and the adoption of regulations by regulatory bodies under the Dodd-Frank Act;

increased regulatory requirements and supervision that will apply if we exceed \$10 billion in total assets;

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;

political instability;

technological changes;

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 effect of changes in accounting policies and practices and auditing requirements, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board, and other accounting standard setters; 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 sections of our Form 10-K filed with the Securities and Exchange Commission (the SEC) on February 26, 2016 and this Form 10-Q.

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

(In thousands, except share data)		September 30, 2016 (Unaudited)	December 31, 2015
Assets			
Cash and due from banks	\$	123,126	\$ 111,258
Interest-bearing deposits with other banks		173,034	144,565
Cash and cash equivalents		296,160	255,823
Federal funds sold		1,850	1,550
Investment securities available-for-sale		1,233,269	1,206,580
Investment securities held-to-maturity		275,544	309,042
Loans receivable		7,112,291	6,641,571
Allowance for loan losses		(76,370)	(69,224)
Loans receivable, net		7,035,921	6,572,347
Bank premises and equipment, net		208,137	212,163
Foreclosed assets held for sale		17,053	19,140
Cash value of life insurance		86,230	85,146
Accrued interest receivable		29,398	29,132
Deferred tax asset, net		56,435	71,565
Goodwill		377,983	377,983
Core deposit and other intangibles		19,073	21,443
Other assets		127,185	127,208
Total assets	\$	9,764,238	\$ 9,289,122
Liabilities and Stockholders Equity			
Deposits:			
Demand and non-interest-bearing	\$	1,717,467	\$ 1,456,624
Savings and interest-bearing transaction accounts		3,792,229	3,551,684
Time deposits		1,330,597	1,430,201
Total deposits		6,840,293	6,438,509
Securities sold under agreements to repurchase		109,350	128,389
FHLB and other borrowed funds		1,420,369	1,405,945
Accrued interest payable and other liabilities		37,382	55,696
Subordinated debentures		60,826	60,826

Total liabilities	8,468,220	8,089,365
Stockholders equity:		
Common stock, par value \$0.01; shares authorized 200,000,000 in 2016 and 100,000,000 in 2015; shares issued and outstanding 140,490,011 in 2016 and 140,241,004 (split adjusted) in 2015	1,405	701
Capital surplus	866,310	867,981
Retained earnings	419,999	326,898
Accumulated other comprehensive income	8,304	4,177
Total stockholders equity	1,296,018	1,199,757
Total liabilities and stockholders equity	\$ 9,764,238	\$ 9,289,122

See Condensed Notes to Consolidated Financial Statements.

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Home BancShares, Inc.
Consolidated Statements of Income

(In thousands, except per share data ⁽¹⁾)	Three Months		Nine Months Ended	
	Ended		September 30,	
	September 30, 2016	2015	2016	2015
	(Unaudited)			
Interest income:				
Loans	\$ 102,953	\$ 88,671	\$ 300,281	\$ 246,518
Investment securities				
Taxable	5,583	5,157	16,178	15,830
Tax-exempt	2,720	2,789	8,358	8,315
Deposits other banks	117	32	325	167
Federal funds sold	2	4	7	15
Total interest income	111,375	96,653	325,149	270,845
Interest expense:				
Interest on deposits	4,040	3,045	11,528	9,614
Federal funds purchased		1	2	3
FHLB and other borrowed funds	3,139	2,030	9,283	4,133
Securities sold under agreements to repurchase	142	146	421	481
Subordinated debentures	401	340	1,164	1,003
Total interest expense	7,722	5,562	22,398	15,234
Net interest income	103,653	91,091	302,751	255,611
Provision for loan losses	5,536	7,106	16,905	16,274
Net interest income after provision for loan losses	98,117	83,985	285,846	239,337
Non-interest income:				
Service charges on deposit accounts	6,527	6,250	18,607	17,724
Other service charges and fees	7,504	6,644	22,589	19,359
Trust fees	365	398	1,128	2,016
Mortgage lending income	3,932	3,132	10,276	8,019
Insurance commissions	534	548	1,808	1,755
Increase in cash value of life insurance	344	268	1,092	871
Dividends from FHLB, FRB, Bankers bank & other	808	433	2,147	1,267
Gain on acquisitions				1,635
Gain on sale of SBA loans	364	151	443	151
Gain (loss) on sale of branches, equipment and other assets, net	(86)	(266)	701	(237)
Gain (loss) on OREO, net	132	(40)	(713)	190
Gain (loss) on securities, net			25	4

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FDIC indemnification accretion/(amortization), net		(1,994)	(772)	(8,152)
Other income	1,590	1,021	5,892	3,640
Total non-interest income	22,014	16,545	63,223	48,242
Non-interest expense:				
Salaries and employee benefits	25,623	22,225	75,018	63,671
Occupancy and equipment	6,668	6,540	19,848	19,267
Data processing expense	2,791	2,619	8,221	8,101
Other operating expenses	15,944	13,209	41,174	37,517
Total non-interest expense	51,026	44,593	144,261	128,556
Income before income taxes	69,105	55,937	204,808	159,023
Income tax expense	25,485	20,196	76,252	58,257
Net income	\$ 43,620	\$ 35,741	\$ 128,556	\$ 100,766
Basic earnings per share	\$ 0.31	\$ 0.26	\$ 0.92	\$ 0.74
Diluted earnings per share	\$ 0.31	\$ 0.26	\$ 0.91	\$ 0.74

(1) All per share amounts have been restated to reflect the effect of the 2-for-1 stock split during June 2016. See Condensed Notes to Consolidated Financial Statements.

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Home BancShares, Inc.

Consolidated Statements of Comprehensive Income

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	(Unaudited)			
Net income	\$ 43,620	\$ 35,741	\$ 128,556	\$ 100,766
Net unrealized gain (loss) on available-for-sale securities	(4,334)	3,670	6,816	1,823
Less: reclassification adjustment for realized (gains) losses included in income			(25)	(4)