

CADENCE FINANCIAL CORP
Form 10-Q
August 07, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 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 June 30, 2008

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: 1-15773

CADENCE FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

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Mississippi
(State or other jurisdiction of
incorporation or organization)

64-0694775
(I. R. S. Employer
Identification No.)

301 East Main Street, P. O. Box 1187, Starkville, Mississippi
(Address of principal executive offices)

39760
(Zip Code)

Registrant's telephone number, including area code: (662) 323-1341

(Former name, former address and former fiscal year, if changed since last report): N/A

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, 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.

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 issuer's classes of common stock, as of the latest practicable date: Common Stock, \$1 Par Value 11,907,414 shares as of June 30, 2008.

PART I - FINANCIAL INFORMATION**CADENCE FINANCIAL CORPORATION****CONSOLIDATED STATEMENTS OF INCOME****FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007****(Unaudited)**

(Amounts in thousands, except per share data)	2008	2007
<i>INTEREST INCOME</i>		
Interest and fees on loans	\$ 43,503	\$ 48,624
Interest and dividends on securities	10,576	10,676
Other interest income	260	598
Total interest income	54,339	59,898
<i>INTEREST EXPENSE</i>		
Interest on deposits	19,449	25,407
Interest on borrowed funds	6,329	6,452
Total interest expense	25,778	31,859
Net interest income	28,561	28,039
Provision for loan losses	6,300	2,129
Net interest income after provision for loan losses	22,261	25,910
<i>OTHER INCOME</i>		
Service charges on deposit accounts	4,338	4,496
Insurance commissions, fees and premiums	2,416	2,615
Trust Department income	1,142	1,227
Mortgage loan fees	708	812
Other income	2,362	1,861
Securities gains (losses), net	155	(132)
Impairment loss on securities		(5,097)
Total other income	11,121	5,782
<i>OTHER EXPENSE</i>		
Salaries and employee benefits	15,716	15,501
Premises and fixed asset expense	4,004	4,174
Other expense	7,701	7,437
Total other expense	27,421	27,112
Income before income taxes	5,961	4,580
Income taxes	1,322	867
Net income	\$ 4,639	\$ 3,713
Net income per share:		
Basic	\$ 0.39	\$ 0.31

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Diluted	\$ 0.39	\$ 0.31
Dividends per common share	\$ 0.50	\$ 0.50

CADENCE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2008 AND 2007

(Unaudited)

(Amounts in thousands, except per share data)	2008	2007
INTEREST INCOME		
Interest and fees on loans	\$ 20,458	\$ 24,652
Interest and dividends on securities	5,136	5,498
Other interest income	136	283
Total interest income	25,730	30,433
INTEREST EXPENSE		
Interest on deposits	8,784	12,672
Interest on borrowed funds	2,904	3,421
Total interest expense	11,688	16,093
Net interest income	14,042	14,340
Provision for loan losses	3,300	900
Net interest income after provision for loan losses	10,742	13,440
OTHER INCOME		
Service charges on deposit accounts	2,201	2,343
Insurance commissions, fees and premiums	1,037	1,114
Trust Department income	578	615
Mortgage loan fees	348	469
Other income	1,002	936
Securities gains (losses), net	(48)	(140)
Total other income	5,118	5,337
OTHER EXPENSE		
Salaries and employee benefits	7,749	7,725
Premises and fixed asset expense	2,008	2,126
Other expense	3,833	3,803
Total other expense	13,590	13,654
Income before income taxes	2,270	5,123
Income taxes	392	1,513
Net income	\$ 1,878	\$ 3,610
Net income per share:		
Basic	\$ 0.16	\$ 0.30
Diluted	\$ 0.16	\$ 0.30

Dividends per common share

\$ 0.25 \$ 0.25

CADENCE FINANCIAL CORPORATION

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)	June 30, 2008 (Unaudited)	Dec. 31, 2007
ASSETS		
Cash and due from banks	\$ 40,273	\$ 36,729
Interest-bearing deposits with banks	8,509	12,250
Federal funds sold and securities purchased under agreements to resell	11,760	3,418
Total cash and cash equivalents	60,542	52,397
Securities available-for-sale	387,243	403,796
Securities held-to-maturity (estimated fair value of \$22,136 at June 30, 2008 and \$23,957 at December 31, 2007)	21,162	22,846
Other securities	18,448	16,449
Total securities	426,853	443,091
Loans	1,354,372	1,337,847
Less: allowance for loan losses	(15,825)	(14,926)
Net loans	1,338,547	1,322,921
Interest receivable	10,628	13,200
Premises and equipment, net	34,321	35,908
Goodwill and other intangible assets	69,244	69,738
Other assets	57,687	46,900
Total Assets	\$ 1,997,822	\$ 1,984,155
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities:		
Noninterest-bearing deposits	\$ 179,744	\$ 171,403
Interest-bearing deposits	1,227,369	1,254,163
Total deposits	1,407,113	1,425,566
Interest payable	2,941	4,632
Federal funds purchased and securities sold under agreements to repurchase	99,540	107,060
Subordinated debentures	30,928	30,928
Other borrowed funds	256,599	210,771
Other liabilities	11,107	10,828
Total liabilities	1,808,228	1,789,785
Shareholders Equity:		
Common stock - \$1 par value, authorized 50,000,000 shares as of June 30, 2008 and December 31, 2007; issued 11,907,414 shares as of June 30, 2008 and 11,901,132 shares as of December 31, 2007	11,907	11,901
Surplus	93,332	93,251
Retained earnings	89,162	90,843
Accumulated other comprehensive income (loss)	(4,807)	(1,625)
Total shareholders equity	189,594	194,370
Total Liabilities and Shareholders Equity	\$ 1,997,822	\$ 1,984,155

CADENCE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

(Unaudited)

(Amounts in thousands)	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 4,639	\$ 3,713
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,964	2,176
Deferred income taxes	2,709	(25)
Provision for loan losses	6,300	2,129
Net performance share activity	574	(60)
Loss (gain) on sale of securities, net	(155)	132
Impairment loss on securities		5,097
(Increase) decrease in interest receivable	2,572	(1,472)
(Increase) decrease in loans held for sale	(1,829)	(3,229)
(Increase) decrease in other assets	(11,987)	(7,311)
Increase (decrease) in interest payable	(1,691)	(1,675)
Increase (decrease) in other liabilities	437	(1,535)
Net cash provided by (used in) operating activities	3,533	(2,060)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities and calls of securities	159,488	28,301
Proceeds from sale of securities	186	162,728
Purchase of securities	(148,589)	(178,847)
(Increase) decrease in loans	(20,097)	(59,971)
(Additions) disposal of premises and equipment	247	(2,663)
Net cash provided by (used in) investing activities	(8,765)	(50,452)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in deposits	(18,453)	(31,920)
Dividend paid on common stock	(5,953)	(5,949)
Net change in federal funds purchased and securities sold under agreements to repurchase	(7,520)	8,282
Net change in short-term FHLB borrowings	(73,406)	62,154
Proceeds from long-term debt	125,000	
Repayment of long-term debt	(6,291)	(24,922)
Net cash provided by (used in) financing activities	13,377	7,645
Net increase (decrease) in cash and cash equivalents	8,145	