

HOME BANCSHARES INC  
Form 10-Q  
August 06, 2018  
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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 June 30, 2018**

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**  
**incorporation or organization)**

**71-0682831**  
**(I.R.S. Employer**  
**Identification No.)**

**719 Harkrider, Suite 100, Conway, Arkansas**  
**(Address of principal executive offices)**  
**(501) 339-2929**

**72032**  
**(Zip Code)**

**(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, a smaller reporting company or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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: 174,662,674 shares as of August 3, 2018.



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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;

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 effect of any mergers, acquisitions or other transactions to which we or our bank subsidiary may from time to time be a party, including our ability to successfully integrate any businesses that we acquire;

the risk that expected cost savings and other benefits from acquisitions may not be fully realized or may take longer to realize than expected;

the possibility that an acquisition does not close when expected or at all because required regulatory, shareholder or other approvals and other conditions to closing are not received or satisfied on a timely basis or at all;

the reaction to a proposed acquisition transaction of the respective companies' customers, employees and counterparties;

diversion of management time on acquisition-related issues;

the ability to enter into and/or close additional acquisitions;

the availability of and access to capital on terms acceptable to us;

increased regulatory requirements and supervision that will apply as a result of our exceeding \$10 billion in total assets;

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;

governmental monetary and fiscal policies, as well as legislative and regulatory changes, including as a result of initiatives of the administration of President Donald J. Trump;

the effects of terrorism and efforts to combat it;

political instability;

risks associated with our customer relationship with the Cuban government and our correspondent banking relationship with Banco Internacional de Comercio, S.A. (BICSA), a Cuban commercial bank, through our recently completed acquisition of Stonegate Bank;

the ability to keep pace with technological changes, including changes regarding cybersecurity;

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an increase in the incidence or severity of fraud, illegal payments, security breaches or other illegal acts impacting our bank subsidiary or our customers;

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 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;

higher defaults on our loan portfolio than we expect; and

the failure of assumptions underlying the establishment of our allowance for loan losses or changes in our estimate of the adequacy of the 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 27, 2018.

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

(In thousands, except share data)	June 30, 2018 (Unaudited)	December 31, 2017
<b>Assets</b>		
Cash and due from banks	\$ 197,658	\$ 166,915
Interest-bearing deposits with other banks	298,085	469,018
Cash and cash equivalents	495,743	635,933
Federal funds sold	500	24,109
Investment securities available-for-sale	1,718,704	1,663,517
Investment securities held-to-maturity	204,401	224,756
Loans receivable	10,897,970	10,331,188
Allowance for loan losses	(111,516)	(110,266)
Loans receivable, net	10,786,454	10,220,922
Bank premises and equipment, net	234,634	237,439
Foreclosed assets held for sale	17,853	18,867
Cash value of life insurance	147,281	146,866
Accrued interest receivable	45,682	45,708
Deferred tax asset, net	78,435	76,564
Goodwill	956,418	927,949
Core deposit and other intangibles	46,101	49,351
Other assets	191,914	177,779
<b>Total assets</b>	<b>\$ 14,924,120</b>	<b>\$ 14,449,760</b>
<b>Liabilities and Stockholders Equity</b>		
Deposits:		
Demand and non-interest-bearing	\$ 2,523,553	\$ 2,385,252
Savings and interest-bearing transaction accounts	6,573,902	6,476,819
Time deposits	1,638,578	1,526,431
Total deposits	10,736,033	10,388,502
Securities sold under agreements to repurchase	139,750	147,789
FHLB and other borrowed funds	1,309,950	1,299,188
Accrued interest payable and other liabilities	55,971	41,959
Subordinated debentures	368,403	368,031



<b>Total liabilities</b>	12,610,107	12,245,469
<b>Stockholders equity:</b>		
Common stock, par value \$0.01; shares authorized 200,000,000 in 2018 and 2017; shares issued and outstanding 174,510,874 in 2018 and 173,632,983 in 2017	1,745	1,736
Capital surplus	1,693,337	1,675,318
Retained earnings	642,540	530,658
Accumulated other comprehensive loss	(23,609)	(3,421)
<b>Total stockholders equity</b>	2,314,013	2,204,291
<b>Total liabilities and stockholders equity</b>	<b>\$ 14,924,120</b>	<b>\$ 14,449,760</b>

See Condensed Notes to Consolidated Financial Statements.

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

(In thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Unaudited)			
<b>Interest income:</b>				
Loans	\$ 152,996	\$ 112,732	\$ 301,061	\$ 218,494
Investment securities				
Taxable	8,979	6,434	17,949	11,912
Tax-exempt	3,368	2,966	6,374	5,910
Deposits other banks	1,206	727	2,135	1,035
Federal funds sold	12	4	18	6
Total interest income	166,561	122,863	327,537	237,357
<b>Interest expense:</b>				
Interest on deposits	18,164	6,810	32,970	12,296
Federal funds purchased			1	
FHLB and other borrowed funds	4,245	3,710	8,825	7,299
Securities sold under agreements to repurchase	372	196	748	361
Subordinated debentures	5,168	4,795	10,172	5,234
Total interest expense	27,949	15,511	52,716	25,190
<b>Net interest income</b>	<b>138,612</b>	<b>107,352</b>	<b>274,821</b>	<b>212,167</b>
Provision for loan losses	2,722	387	4,322	4,301
<b>Net interest income after provision for loan losses</b>	<b>135,890</b>	<b>106,965</b>	<b>270,499</b>	<b>207,866</b>
<b>Non-interest income:</b>				
Service charges on deposit accounts	6,780	5,966	12,855	11,948
Other service charges and fees	9,797	8,576	19,952	17,493
Trust fees	379	309	825	765
Mortgage lending income	3,477	3,750	6,134	6,541
Insurance commissions	526	465	1,205	1,010
Increase in cash value of life insurance	730	463	1,384	773
Dividends from FHLB, FRB, FNBB & other	1,600	472	2,477	1,621
Gain on acquisitions				3,807
Gain on sale of SBA loans	262	387	444	575
Gain (loss) on sale of branches, equipment and other assets, net		431	7	375
Gain (loss) on OREO, net	1,046	393	1,451	514
Gain (loss) on securities, net		380		803
Other income	3,076	2,825	6,744	4,662

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Total non-interest income	27,673	24,417	53,478	50,887
<b>Non-interest expense:</b>				
Salaries and employee benefits	34,476	28,034	69,490	55,455
Occupancy and equipment	8,519	7,034	17,502	13,715
Data processing expense	3,339	2,863	7,325	5,586
Other operating expenses	16,894	13,072	32,291	31,388
Total non-interest expense	63,228	51,003	126,608	106,144
<b>Income before income taxes</b>	100,335	80,379	197,369	152,609
Income tax expense	24,310	30,282	48,280	55,656
<b>Net income</b>	\$ 76,025			