

GREEN BANKSHARES, INC.

Form 10-Q

November 07, 2007

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**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 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 0-14289

**GREEN BANKSHARES, INC.**

(Exact name of registrant as specified in its charter)

**Tennessee**

(State or other jurisdiction of  
incorporation or organization)

**62-1222567**

(I.R.S. Employer Identification No.)

**100 North Main Street, Greeneville, Tennessee**

(Address of principal executive offices)

**37743-4992**

(Zip Code)

Registrant's telephone number, including area code: **(423) 639-5111**

**N/A**

(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. (Check one:)

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

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As of November 7, 2007, the number of shares outstanding of the issuer's common stock was: 12,924,529.

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**PART 1 FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

The unaudited condensed consolidated financial statements of Green Bankshares, Inc. and its wholly owned subsidiaries are as follows:

Condensed Consolidated Balance Sheets September 30, 2007 and December 31, 2006.

Condensed Consolidated Statements of Income and Comprehensive Income For the three and nine months ended September 30, 2007 and 2006.

Condensed Consolidated Statement of Changes in Shareholders' Equity For the nine months ended September 30, 2007.

Condensed Consolidated Statements of Cash Flows For the nine months ended September 30, 2007 and 2006.

Notes to Condensed Consolidated Financial Statements.

**GREEN BANKSHARES, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**September 30, 2007 and December 31, 2006**  
**(Amounts in thousands, except share and per share data)**

	<b>September 30, 2007</b>	<b>December 31, 2006*</b>
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
Cash and due from banks	\$ 61,090	\$ 44,657
Federal funds sold and other	40,008	25,983
Securities available for sale	237,907	37,740
Securities held to maturity (with a market value of \$1,339 and \$2,544)	1,358	2,545
FHLB, Bankers Bank and other stock, at cost	11,759	7,055
Loans held for sale	5,662	1,772
Loans, net of unearned income	2,326,990	1,539,629
Allowance for loan losses	(33,703)	(22,302)
Premises and equipment, net	82,641	57,258
Goodwill and other intangible assets	161,402	38,540
Other assets	60,633	39,777
	<b>2,955,747</b>	<b>1,772,654</b>
<b>Total assets</b>	<b>\$ 2,955,747</b>	<b>\$ 1,772,654</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Deposits	\$ 2,026,665	\$ 1,332,505
Federal funds purchased	41,800	20,000
Repurchase agreements	108,375	22,165
FHLB advances and notes payable	334,103	177,571
Subordinated debentures	88,662	13,403
Accrued interest payable and other liabilities	34,968	22,539
	<b>2,634,573</b>	<b>1,588,183</b>
<b>Total liabilities</b>	<b>2,634,573</b>	<b>1,588,183</b>
<b>Shareholders' equity</b>		
Common stock: \$2 par, 20,000,000 shares authorized, 12,924,529 and 9,810,867 shares outstanding	25,850	19,622
Additional paid-in capital	184,959	71,828
Retained earnings	110,929	93,150
Accumulated other comprehensive loss	(564)	(129)
	<b>321,174</b>	<b>184,471</b>
<b>Total shareholders' equity</b>	<b>321,174</b>	<b>184,471</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,955,747</b>	<b>\$ 1,772,654</b>

\*

This condensed consolidated balance sheet has been derived from the audited consolidated balance sheet, as filed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

See notes to condensed consolidated financial statements.



**GREEN BANKSHARES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**Three and Nine Months Ended September 30, 2007 and 2006**  
(Amounts in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(Unaudited)		(Unaudited)	
<b>Interest income</b>				
Interest and fees on loans	\$ 48,630	\$ 29,600	\$ 120,226	\$ 83,481
Investment securities	3,642	752	6,440	2,032
Federal funds sold and other	22	15	49	110
	<u>52,294</u>	<u>30,367</u>	<u>126,715</u>	<u>85,623</u>
<b>Interest expense</b>				
Deposits	17,812	8,828	43,977	25,517
Borrowings	7,189	3,009	13,691	6,617
	<u>25,001</u>	<u>11,837</u>	<u>57,668</u>	<u>32,134</u>
Net interest income	27,293	18,530	69,047	53,489
Provision for loan losses	1,444	1,661	3,677	3,969
Net interest income after provision for loan losses	<u>25,849</u>	<u>16,869</u>	<u>65,370</u>	<u>49,520</u>
<b>Noninterest income</b>				
Service charges and fees	6,418	4,125	16,102	11,357
Other	1,270	1,066	3,468	3,617
	<u>7,688</u>	<u>5,191</u>	<u>19,570</u>	<u>14,974</u>
<b>Noninterest expense</b>				
Salaries and employee benefits	9,753	6,768	25,683	19,425
Occupancy and furniture and equipment expense	2,852	2,046	7,574	6,155
Other	6,405	4,322	16,504	12,941
	<u>19,010</u>	<u>13,136</u>	<u>49,761</u>	<u>38,521</u>
Income before income taxes	14,527	8,924	35,179	25,973
Provision for income taxes	5,613	3,415	13,563	9,885

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	\$	\$	\$	\$
Net income	8,914	5,509	21,616	16,088
Comprehensive Income	11,167	5,672	21,181	16,259
Per share of common stock:				
Basic earnings	0.69	0.56	1.90	1.65
Diluted earnings	0.69	0.56	1.89	1.63
Dividends	0.13	0.12	0.39	0.36
Weighted average shares outstanding:				
Basic	12,921,240	9,790,058	11,362,422	9,782,255
Diluted	13,008,733	9,900,396	11,455,389	9,893,417

See notes to condensed consolidated financial statements.

**GREEN BANKSHARES, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For the Nine Months Ended September 30, 2007**  
**(Amounts in thousands, except share and per share data)**

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount				
	(Unaudited)					
<b>Balance, December 31, 2006</b>	9,810,867	\$ 19,622	\$ 71,828	\$ 93,150	(129)	\$ 184,471
Common stock transactions:						
Issuance of shares in acquisition	3,091,495	6,183	112,292			118,475
Exercise of shares under stock option plan	28,284	57	563			620
Common stock exchanged for exercised stock options	(6,117)	(12)	(201)			(213)
Stock-based compensation			351			351
Stock option tax benefit			126			126
Implementation of FIN 48				800		800
Dividends paid (\$.39 per share)				(4,637)		(4,637)
Comprehensive income:						
Net income				21,616		21,616
Change in unrealized gains (losses), net of reclassification and taxes					(435)	(435)
<b>Total comprehensive income</b>						<b>21,181</b>
<b>Balance, September 30, 2007</b>	<b>12,924,529</b>	<b>\$ 25,850</b>	<b>\$ 184,959</b>	<b>\$ 110,929</b>	<b>(564)</b>	<b>\$ 321,174</b>

See notes to condensed consolidated financial statements.



**GREEN BANKSHARES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Nine Months Ended September 30, 2007 and 2006**  
**(Amounts in thousands, except share and per share data)**

	September 30, 2007	September 30, 2006
	(Unaudited)	
<b>Cash flows from operating activities</b>		
Net income	\$ 21,616	\$ 16,088
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan losses	3,677	3,969
Depreciation and amortization	4,073	3,105
Security amortization and accretion, net	(391)	(25)
Loss on sale of securities	42	8
FHLB stock dividends		(250)
Net gain on sale of mortgage loans	(891)	(583)
Originations of mortgage loans held for sale	(57,424)	(45,459)
Proceeds from sales of mortgage loans	63,067	46,534
Increase in cash surrender value of life insurance	(675)	(575)
Net losses from sales of fixed assets	77	1
Stock compensation expense	351	265
Net gain on other real estate and repossessed assets	(153)	(129)
Deferred tax benefit	(3,078)	(1,391)
Net changes:		
Other assets	(2,903)	(1,477)
Accrued interest payable and other liabilities	9,014	(1,306)
	<u>36,402</u>	<u>18,775</u>
Net cash provided from operating activities	36,402	18,775
<b>Cash flows from investing activities</b>		
Purchase of securities available for sale	(23,682)	(7,943)
Proceeds from sale of securities available for sale	2,230	1,100
Proceeds from maturities of securities held for sale	21,015	12,862
Proceeds from sale of securities held to maturity	496	
Proceeds from maturities of securities held to maturity	690	690
Purchase of life insurance		(41)
Purchase of FHLB stock	(1,741)	
Net change in loans	(159,902)	(120,011)
Acquisition, net of cash received	(24,578)	
Proceeds from sale of other real estate	3,264	3,944
Improvements to other real estate		(47)
Proceeds from sale of fixed assets	14	38
Premises and equipment expenditures	(9,702)	(6,473)
	<u>(191,896)</u>	<u>(115,881)</u>
Net cash used in investing activities	(191,896)	(115,881)
<b>Cash flows from financing activities</b>		
Net change in deposits	(4,928)	(53,068)
Net change in federal funds purchased and repurchase agreements	12,720	80,103
Tax benefit resulting from stock options	126	
Proceeds from FHLB advances and notes payable	160,416	304,270
Proceeds from subordinated debentures	57,732	
Repayments of FHLB advances and notes payable	(35,884)	(236,358)
Dividends paid	(4,637)	(3,523)
Proceeds from issuance of common stock	407	637
	<u>185,952</u>	<u>92,061</u>
Net cash provided from financing activities	185,952	92,061
<b>Net change in cash and cash equivalents</b>	<b>30,458</b>	<b>(5,045)</b>

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	September 30, 2007	September 30, 2006
Cash and cash equivalents, beginning of year	70,640	74,523
<b>Cash and cash equivalents, end of period</b>	<b>\$ 101,098</b>	<b>\$ 69,478</b>

**Supplemental disclosures cash and noncash**

Interest paid	\$ 52,467	\$ 31,825
Income taxes paid	13,015	10,003
Loans converted to other real estate	3,199	4,148
Unrealized gain (loss) on available for sale securities, net of tax	(435)	171

See notes to condensed consolidated financial statements. **GREEN BANKSHARES, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****September 30, 2007****Unaudited****(Amounts in thousands, except share and per share data)****NOTE 1 PRINCIPLES OF CONSOLIDATION**

The accompanying unaudited condensed consolidated financial statements of Green Bankshares, Inc. (the "Company") and its wholly owned subsidiary, GreenBank (the "Bank"), have been prepared in accordance with accounting principles generally accepted in the United States of America for interim information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended September 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006. Certain amounts from prior period financial statements have been reclassified to conform to the current year's presentation.

**NOTE 2 Loans**

Loans at September 30, 2007 and December 31, 2006 were as follows:

	<b>September 30, 2007</b>	<b>December 31, 2006</b>
	<b>_____</b>	<b>_____</b>
Commercial	\$ 318,726	\$ 258,998
Commercial real estate	1,521,440	921,190
Residential real estate	400,719	281,629
Consumer	98,214	87,111
Other	1,761	2,203
Unearned income	(13,870)	(11,502)
	<b>_____</b>	<b>_____</b>
Loans, net of unearned income	\$ 2,326,990	\$ 1,539,629
	<b>_____</b>	<b>_____</b>
Allowance for loan losses	\$ (33,703)	\$ (22,302)
	<b>_____</b>	<b>_____</b>

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Transactions in the allowance for loan losses and certain information about nonaccrual loans and loans 90 days past due but still accruing interest for the nine months ended September 30, 2007 and twelve months ended December 31, 2006 were as follows:

	<b>September 30, 2007</b>	<b>December 31, 2006</b>
	<u>                    </u>	<u>                    </u>
Balance at beginning of year	\$ 22,302	\$ 19,739
Add (deduct):		
Reserve of acquired Bank	9,022	
Provision for loan losses	3,677	5,507
Loans charged off	(2,798)	(4,357)
Recoveries of loans charged off	1,500	1,413
	<u>                    </u>	<u>                    </u>
Ending balance	\$ 33,703	\$ 22,302
	<u>                    </u>	<u>                    </u>

	<b>September 30, 2007</b>	<b>December 31, 2006</b>
	<u>                    </u>	<u>                    </u>
Loans past due 90 days still on accrual	\$ 168	\$ 28
Nonaccrual loans	5,870	3,479
	<u>                    </u>	<u>                    </u>