

GREEN BANKSHARES, INC.

Form 10-Q

August 07, 2009

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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 June 30, 2009

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

62-1222567

(State or other jurisdiction of incorporation or organization)

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

100 North Main Street, Greeneville, Tennessee

37743-4992

(Address of principal executive offices)

(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 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 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 filer

Non-accelerated filer

Smaller reporting company

(Do not check if you are a 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

As of August 7, 2009, the number of shares outstanding of the issuer's common stock was: 13,175,817.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

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GREEN BANKSHARES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
June 30, 2009 and December 31, 2008
(Amounts in thousands, except share and per share data)

	(Unaudited) June 30, 2009	December 31, 2008*
ASSETS		
Cash and due from banks	\$ 103,454	\$ 193,095
Federal funds sold	4,119	5,263
Cash and cash equivalents	107,573	198,358
Securities available for sale	167,853	203,562
Securities held to maturity (with a market value of \$629 and \$601)	647	657
Loans held for sale	3,634	442
Loans, net of unearned interest	2,183,754	2,223,390
Allowance for loan losses	(50,157)	(48,811)
Other real estate owned and repossessed assets	34,468	45,371
Premises and equipment, net	83,448	83,359
FHLB and other stock, at cost	12,734	13,030
Cash surrender value of life insurance	30,113	29,539
Goodwill		143,389
Core deposit and other intangibles	10,629	12,085
Other assets	45,138	40,300
Total assets	\$ 2,629,834	\$ 2,944,671
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities		
Non-interest bearing deposits	\$ 165,735	\$ 176,685
Interest bearing deposits	1,746,895	1,645,115
Brokered deposits	114,092	362,347
Total deposits	2,026,722	2,184,147
Repurchase agreements	25,990	35,302
FHLB advances and notes payable	229,154	229,349
Subordinated debentures	88,662	88,662
Accrued interest payable and other liabilities	26,114	25,980
Total liabilities	\$ 2,396,642	\$ 2,563,440
Shareholders equity		
Preferred stock: no par, 1,000,000 shares authorized, 72,278 shares outstanding	\$ 66,041	\$ 65,346
	26,351	26,225

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Common stock: \$2 par, 20,000,000 shares authorized, 13,175,817 and 13,112,687 shares outstanding		
Common stock warrants	6,934	6,934
Additional paid-in capital	187,966	187,742
Retained earnings (deficit)	(53,918)	95,647
Accumulated other comprehensive (loss)	(182)	(663)
Total shareholders' equity	233,192	381,231
Total liabilities and shareholders' equity	\$ 2,629,834	\$ 2,944,671

* 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, 2008.

See notes to condensed consolidated financial statements.

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GREEN BANKSHARES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
Three and Six Months Ended June 30, 2009 and 2008
(Amounts in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
Interest income				
Interest and fees on loans	\$ 32,528	\$ 39,407	\$ 65,173	\$ 82,156
Taxable securities	1,843	2,784	4,063	5,647
Nontaxable securities	314	324	634	657
FHLB and other stock	135	157	285	317
Federal funds sold and other	36	22	81	26
Total interest income	34,856	42,694	70,236	88,803
Interest expense				
Deposits	11,511	13,377	24,164	29,312
Federal funds purchased and repurchase agreements	7	700	16	1,792
FHLB advances and notes payable	2,469	2,565	4,912	5,743
Subordinated debentures	689	1,008	1,535	2,440
Total interest expense	14,676	17,650	30,627	39,287
Net interest income	20,180	25,044	39,609	49,516
Provision for loan losses	24,384	11,019	25,369	11,907
Net interest income (loss) after provision for loan losses	(4,204)	14,025	14,240	37,609
Non-interest income				
Service charges on deposit accounts	5,795	5,988	11,151	11,455
Other charges and fees	505	505	954	1,009
Trust and investment services income	489	548	877	834
Mortgage banking income	110	293	165	550
Other income	642	778	1,337	1,570
Total non-interest income	7,541	8,112	14,484	15,418
Non-interest expense				
Employee compensation	8,064	8,069	15,756	16,659

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Employee benefits	1,229	1,187	2,524	2,446
Occupancy expense	1,712	1,649	3,499	3,364
Equipment expense	895	745	1,637	1,847
Computer hardware/software expense	651	719	1,288	1,351
Professional services	446	504	975	958
Advertising	679	814	743	1,688
Loss on sale of OREO and repossessed assets	3,346	1,066	3,427	1,080
FDIC Insurance	2,550	366	3,250	763
Core deposit and other intangibles amortization	652	655	1,456	1,309
Goodwill impairment	143,389		143,389	
Other expenses	5,530	4,366	9,030	8,236
Total non-interest expenses	169,143	20,140	186,974	39,701
Income (loss) before income taxes	(165,806)	1,997	(158,250)	13,326
Provision for income taxes (benefit)	(15,656)	535	(12,880)	4,686
Net income (loss)	\$ (150,150)	\$ 1,462	\$ (145,370)	\$ 8,640
Preferred stock dividends and accretion of discount	1,250		2,482	
Net income (loss) available to common shareholders	\$ (151,400)	\$ 1,462	\$ (147,852)	\$ 8,640
Per share of common stock:				
Basic earnings (loss)	\$ (11.58)	\$ 0.11	\$ (11.32)	\$ 0.67
Diluted earnings (loss)	(11.58)	0.11	(11.32)	0.67
Dividends	0.00	0.13	0.13	0.26
Weighted average shares outstanding:				
Basic	13,070,216	12,931,669	13,066,569	12,931,419
Diluted ¹	13,070,216	12,958,439	13,066,569	12,939,638

¹ Diluted weighted average shares outstanding for the three and six months ended June 30, 2009 excludes 105,734 and

92,420 shares,
respectively,
because they are
anti-dilutive.

See notes to condensed consolidated financial statements.

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GREEN BANKSHARES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the Six Months Ended June 30, 2009
(Amounts in thousands, except share and per share data)

	Preferred Stock	Common Shares	Common Stock Amount	Warrants For Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income(Loss)	Total Shareholders' Equity
Balance, December 31, 2008	\$ 65,346	13,112,687	\$ 26,225	\$ 6,934	\$ 187,742	\$ 95,647	\$ (663)	\$ 381,231
Preferred stock transactions:								
Accretion of preferred stock discount	695					(695)		
Preferred stock dividends						(1,787)		(1,787)
Common stock transactions:								
Issuance of restricted common shares		63,130	126		(126)			
Compensation expense:								
Stock options					196			196
Restricted stock					154			154
Dividends paid (\$.13 per share)						(1,713)		(1,713)
Comprehensive (loss):								
Net (loss)						(145,370)		(145,370)
Change in unrealized gains, net of reclassification and taxes							481	481
Total comprehensive (loss)								(144,889)
Balance, June 30, 2009	\$ 66,041	13,175,817	\$ 26,351	\$ 6,934	\$ 187,966	\$ (53,918)	\$ (182)	\$ 233,192

See notes to condensed consolidated financial statements.

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GREEN BANKSHARES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2009 and 2008
(Amounts in thousands, except share and per share data)

	June 30, 2009	June 30, 2008
	(Unaudited)	
Cash flows from operating activities		
Net income (loss)	\$ (145,370)	\$ 8,640
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Provision for loan losses	25,369	11,907
Impairment of goodwill	143,389	
Depreciation and amortization	3,642	3,509
Security amortization and accretion, net	47	(548)
Writedown of investment for impairment	524	
FHLB stock dividends		(303)
Net gain on sale of mortgage loans	(99)	(388)
Originations of mortgage loans held for sale	(21,582)	(33,715)
Proceeds from sales of mortgage loans	18,489	33,894
Increase in cash surrender value of life insurance	(574)	(536)
Net losses from sales of fixed assets	35	386
Stock-based compensation expense	350	385
Net loss (gain) on other real estate and repossessed assets	3,427	(105)
Deferred tax expense (benefit)	305	(1,095)
Net changes:		
Other assets	(5,453)	6,482
Accrued interest payable and other liabilities	(228)	(15,748)
 Net cash provided by operating activities	 22,271	 12,765
Cash flows from investing activities		
Purchase of securities available for sale	(45,873)	(80,644)
Proceeds from maturities of securities available for sale	82,098	37,276
Proceeds from maturities of securities held to maturity	10	335
Purchase of FHLB stock		(417)
Net change in loans	19,980	(28,255)
Proceeds from sale of other real estate	3,110	11,498
Improvements to other real estate		(443)
Proceeds from sale of fixed assets	555	50
Premises and equipment expenditures	(2,865)	(2,949)
 Net cash provided (used) by investing activities	 57,015	 (63,549)
Cash flows from financing activities		
Net change in core deposits	90,830	161,219
Net change in brokered deposits	(248,255)	112,938
Net change in repurchase agreements	(9,312)	(102,884)

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Proceeds from FHLB advances and notes payable		20,916
Repayments of FHLB advances and notes payable	(195)	(109,597)
Preferred stock dividends paid	(1,426)	
Common stock dividends paid	(1,713)	(3,380)
Proceeds from issuance of common stock		14
Net cash provided (used) by financing activities	(170,071)	79,226
Net change in cash and cash equivalents	(90,785)	28,442
Cash and cash equivalents, beginning of period	198,358	65,717
Cash and cash equivalents, end of period	\$ 107,573	\$ 94,159
Supplemental disclosures cash and noncash		
Interest paid	\$ 33,944	\$ 42,901
Income taxes paid	1,675	5,250
Loans converted to other real estate	34,193	26,901
Unrealized gain (loss) on available for sale securities, net of tax	481	(1,709)
	See notes to condensed consolidated financial statements.	

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GREEN BANKSHARES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009
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 six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. 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, 2008. Certain amounts from prior period financial statements have been reclassified to conform to the current year s presentation.