

GREEN BANKSHARES, INC.

Form 10-Q

May 07, 2010

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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 March 31, 2010

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 principle 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 Non-accelerated filer Smaller reporting company
(Do not check if 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 May 7, 2010, the number of shares outstanding of the issuer's common stock was: 13,192,875.

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
March 31, 2010 and December 31, 2009
(Amounts in thousands, except share and per share data)

	(Unaudited) March 31, 2010	December 31, 2009*
ASSETS		
Cash and due from banks	\$ 176,469	\$ 206,701
Federal funds sold	1,072	3,793
Cash and cash equivalents	177,541	210,494
Interest earning deposits in other banks	11,000	11,000
Securities available for sale	173,716	147,724
Securities held to maturity (with a market value of \$628 and \$638)	616	626
Loans held for sale	590	1,533
Loans, net of unearned interest	1,994,039	2,043,807
Allowance for loan losses	(50,167)	(50,161)
Other real estate owned and repossessed assets	71,746	57,168
Premises and equipment, net	81,204	81,818
FHLB and other stock, at cost	12,734	12,734
Cash surrender value of life insurance	30,542	30,277
Core deposit and other intangibles	8,684	9,335
Deferred tax asset	13,277	13,600
Other assets	44,210	49,184
Total assets	\$ 2,569,732	\$ 2,619,139
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities		
Non-interest bearing deposits	\$ 166,369	\$ 177,602
Interest bearing deposits	1,870,097	1,899,910
Brokered deposits	1,399	6,584
Total deposits	2,037,865	2,084,096
Repurchase agreements	23,830	24,449
FHLB advances and notes payable	171,919	171,999
Subordinated debentures	88,662	88,662
Accrued interest payable and other liabilities	17,267	23,164
Total liabilities	\$ 2,339,543	\$ 2,392,370
Shareholders equity		
Preferred stock: no par, 1,000,000 shares authorized, 72,278 shares outstanding	\$ 67,081	\$ 66,735

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Common stock: \$2 par, 20,000,000 shares authorized, 13,192,875 and 13,171,474 shares outstanding	26,386	26,343
Common stock warrants	6,934	6,934
Additional paid-in capital	188,423	188,310
Retained earnings (deficit)	(59,794)	(61,742)
Accumulated other comprehensive income	1,159	189
Total shareholders' equity	230,189	226,769
Total liabilities and shareholders' equity	\$ 2,569,732	\$ 2,619,139

* 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, 2009.

See notes to condensed consolidated financial statements.

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GREEN BANKSHARES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
Three Months Ended March 31, 2010 and 2009
(Amounts in thousands, except share and per share data)

	Three Months Ended March 31,	
	2010	2009
	(Unaudited)	
Interest income		
Interest and fees on loans	\$ 30,060	\$ 32,645
Taxable securities	1,288	2,220
Nontaxable securities	312	320
FHLB and other stock	138	150
Federal funds sold and other	94	45
Total interest income	31,892	35,380
Interest expense		
Deposits	8,061	12,653
Federal funds purchased and repurchase agreements	6	9
FHLB advances and notes payable	1,694	2,443
Subordinated debentures	472	846
Total interest expense	10,233	15,951
Net interest income	21,659	19,429
Provision for loan losses	3,889	985
Net interest income after provision for loan losses	17,770	18,444
Non-interest income		
Service charges on deposit accounts	5,940	5,356
Other charges and fees	356	449
Trust and investment services income	582	388
Mortgage banking income	118	55
Other income	690	695
Total non-interest income	7,686	6,943
Non-interest expense		
Employee compensation	7,665	7,692
Employee benefits	977	1,295

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Occupancy expense	1,699	1,787
Equipment expense	708	742
Computer hardware/software expense	824	637
Professional services	607	529
Advertising	598	64
OREO maintenance expense	445	143
Collection and repossession expense	1,287	298
Loss on OREO and repossessed assets	509	81
FDIC Insurance	851	700
Core deposit and other intangibles amortization	651	804
Other expenses	3,725	3,059
Total non-interest expenses	20,546	17,831
Income before income taxes	4,910	7,556
Provision for income taxes	1,714	2,776
Net income	\$ 3,196	\$ 4,780
Preferred stock dividends and accretion of discount	1,250	1,232
Net income available to common shareholders	\$ 1,946	\$ 3,548
Per share of common stock:		
Basic earnings	\$ 0.15	\$ 0.27
Diluted earnings	0.15	0.27
Dividends		0.13
Weighted average shares outstanding:		
Basic	13,082,347	13,062,881
Diluted	13,172,727	13,141,840

See notes to condensed consolidated financial statements.

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GREEN BANKSHARES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the Three Months Ended March 31, 2010

(Unaudited)

(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	Total Shareholders' Equity
Balance, December 31, 2009	\$ 66,735	13,171,474	\$ 26,343	\$ 6,934	\$ 188,310	\$ (61,742)	\$ 189	\$ 226,769
Preferred stock transactions:								
Accretion of preferred stock discount	346					(346)		
Preferred stock dividends						(902)		(902)
Common stock transactions:								
Issuance of restricted common shares		21,401	43		(43)			
Compensation expense:								
Stock options					76			76
Restricted stock					80			80
Comprehensive income:								
Net income						3,196		3,196
Change in unrealized gains, net of reclassification and taxes							970	970
Total comprehensive income								4,166
Balance, March 31, 2010	\$ 67,081	13,192,875	\$ 26,386	\$ 6,934	\$ 188,423	\$ (59,794)	\$ 1,159	\$ 230,189

See notes to condensed consolidated financial statements.

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GREEN BANKSHARES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2010 and 2009
(Amounts in thousands, except share and per share data)

	March 31, 2010	March 31, 2009
	(Unaudited)	
Cash flows from operating activities		
Net income	\$ 3,196	\$ 4,780
Adjustments to reconcile net income to net cash provided by operating Activities		
Provision for loan losses	3,889	985
Depreciation and amortization	1,828	1,893
Security amortization and accretion, net	59	16
Net gain on sale of mortgage loans	(110)	(36)
Originations of mortgage loans held for sale	(8,741)	(6,076)
Proceeds from sales of mortgage loans	9,794	5,959
Increase in cash surrender value of life insurance	(265)	(305)
Net (gains) losses from sales of fixed assets	3	(3)
Stock-based compensation expense	156	169
Net loss on other real estate and repossessed assets	509	81
Deferred tax benefit	(303)	(288)
Net changes:		
Other assets	4,970	7,147
Accrued interest payable and other liabilities	(5,895)	(2,430)
Net cash provided by operating activities	9,090	11,892
Cash flows from investing activities		
Purchase of securities available for sale	(51,525)	(29,813)
Proceeds from maturities of securities available for sale	27,072	41,550
Proceeds from maturities of securities held to maturity	10	10
Net change in loans	28,763	(1,686)
Proceeds from sale of other real estate	2,368	12,126
Improvements to other real estate	(332)	
Proceeds from sale of fixed assets		3
Premises and equipment expenditures	(566)	(2,370)
Net cash provided by investing activities	5,790	19,820
Cash flows from financing activities		
Net change in core deposits	(41,046)	49,374
Net change in brokered deposits	(5,185)	(195,001)
Net change in repurchase agreements	(619)	(4,284)
Repayments of FHLB advances and notes payable	(80)	(96)
Preferred stock dividends paid	(903)	(522)
Common stock dividends paid		(1,710)

Net cash (used) in financing activities	(47,833)	(152,239)
Net change in cash and cash equivalents	(32,953)	(120,527)
Cash and cash equivalents, beginning of period	210,494	198,358
Cash and cash equivalents, end of period	\$ 177,541	\$ 77,831
Supplemental disclosures cash and noncash		
Interest paid	\$ 10,523	\$ 18,313
Loans converted to other real estate	18,540	16,158
Unrealized gain on available for sale securities, net of tax	970	888
See notes to condensed consolidated financial statements.		

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GREEN BANKSHARES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2010
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 months ended March 31, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. 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, 2009. Certain amounts from prior period financial statements have been reclassified to conform to the current year's presentation.

NOTE 2 SECURITIES

Securities are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale				
March 31, 2010				
U.S. government agencies	\$ 69,049	\$ 327	\$ (308)	\$ 69,068
States and political subdivisions	31,831	961	(435)	32,357
Collateralized mortgage obligations	52,892	1,627	(490)	54,029
Mortgage-backed securities	15,949	398	(1)	16,346
Trust preferred securities	2,088		(172)	1,916
	\$ 171,809	\$ 3,313	\$ (1,406)	\$ 173,716
December 31, 2009				
U.S. government agencies	\$ 52,937	\$ 99	\$ (988)	\$ 52,048
States and political subdivisions	31,764	877	(449)	32,192
Collateralized mortgage obligations	44,018	1,281	(622)	44,677
Mortgage-backed securities	16,607	291	(6)	16,892
Trust preferred securities	2,088		(173)	1,915
	\$ 147,414	\$ 2,548	\$ (2,238)	\$ 147,724

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March 31, 2010

States and political subdivisions	\$	251	\$	5	\$	\$	256
Other securities		365		7			372
	\$	616	\$	12	\$	\$	628

December 31, 2009

States and political subdivisions &nb