

GREEN BANKSHARES, INC.

Form 10-Q

August 11, 2011

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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, 2011**

**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   
(Do not check if a smaller reporting company)

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 5, 2011, the number of shares outstanding of the issuer's common stock was: 13,257,606.



**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, 2011 and December 31, 2010**  
(Amounts in thousands, except share and per share data)

	<b>(Unaudited)</b>	
	<b>June 30,</b>	<b>December 31,</b>
	<b>2011</b>	<b>2010*</b>
<b>ASSETS</b>		
Cash and due from banks	\$ 339,242	\$ 289,358
Federal funds sold	5,023	4,856
Cash and cash equivalents	344,265	294,214
Interest earning deposits in other banks		
Securities available for sale	217,556	202,002
Securities held to maturity (with a market value of \$467)		465
Loans held for sale	617	1,299
Loans, net of unearned interest	1,560,503	1,745,378
Allowance for loan losses	(62,728)	(66,830)
Other real estate owned and repossessed assets	79,690	60,095
Premises and equipment, net	76,886	78,794
FHLB and other stock, at cost	12,734	12,734
Cash surrender value of life insurance	32,040	31,479
Core deposit and other intangibles	5,502	6,751
Deferred tax asset (net of valuation allowance of \$52,268 and \$43,455)	5,645	2,177
Other assets	21,105	37,482
Total assets	\$ 2,293,815	\$ 2,406,040
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>Liabilities</b>		
Non-interest bearing deposits	\$ 171,369	\$ 152,752
Interest bearing deposits	1,710,620	1,822,703
Brokered deposits	1,399	1,399
Total deposits	1,883,388	1,976,854
Repurchase agreements	18,713	19,413
FHLB advances and notes payable	157,859	158,653
Subordinated debentures	88,662	88,662
Accrued interest payable and other liabilities	23,147	18,561
Total liabilities	\$ 2,171,769	\$ 2,262,143
<b>Shareholders equity</b>		
Preferred stock: no par, 1,000,000 shares authorized, 72,278 shares outstanding	\$ 68,815	\$ 68,121

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Common stock: \$2 par, 20,000,000 shares authorized, 13,257,606 and 13,188,896 shares outstanding	26,515	26,378
Common stock warrants	6,934	6,934
Additional paid-in capital	189,051	188,901
Accumulated Deficit	(171,381)	(147,436)
Accumulated other comprehensive income	2,112	999
Total shareholders' equity	122,046	143,897
Total liabilities and shareholders' equity	\$ 2,293,815	\$ 2,406,040

\* 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, 2010.

See notes to condensed consolidated financial statements.

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**GREEN BANKSHARES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)**  
**Three and Six Months Ended June 30, 2011 and 2010**  
**(Amounts in thousands, except share and per share data)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
Interest income				
Interest and fees on loans	\$ 23,804	\$ 29,374	\$ 48,404	\$ 59,434
Taxable securities	1,686	1,391	3,088	2,679
Nontaxable securities	281	306	586	618
FHLB and other stock	134	134	272	272
Federal funds sold and other	170	99	350	193
<b>Total interest income</b>	<b>26,075</b>	<b>31,304</b>	<b>52,700</b>	<b>63,196</b>
Interest expense				
Deposits	4,561	7,626	9,892	15,687
Federal funds purchased and repurchase agreements	4	5	8	11
FHLB advances and notes payable	1,570	1,712	3,113	3,406
Subordinated debentures	488	488	969	960
<b>Total interest expense</b>	<b>6,623</b>	<b>9,831</b>	<b>13,982</b>	<b>20,064</b>
Net interest income	19,452	21,473	38,718	43,132
Provision for loan losses	14,333	4,749	28,229	8,638
Net interest income after provision for loan losses	5,119	16,724	10,489	34,494
Non-interest income				
Service charges on deposit accounts	6,377	6,692	12,208	12,632
Other charges and fees	369	383	799	739
Trust and investment services income	497	757	1,012	1,339
Mortgage banking income	112	123	199	241
Other income	881	909	1,646	1,599
Securities gains (losses), net				
Other-than-temporary impairment		(553)		(553)
Less non-credit portion recognized in other comprehensive income		460		460

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Total non-interest income	8,236	8,771	15,864	16,457
Non-interest expense				
Employee compensation	7,324	7,972	15,455	15,637
Employee benefits	879	816	1,856	1,793
Occupancy expense	1,710	1,684	3,504	3,383
Equipment expense	638	668	1,516	1,376
Computer hardware/software expense	936	886	1,855	1,710
Professional services	1,122	576	1,910	1,183
Advertising	367	806	1,085	1,404
OREO maintenance expense	1,194	554	2,349	999
Collection and repossession expense	772	534	1,319	1,821
Loss on OREO and repossessed assets	4,328	926	6,429	1,435
FDIC Insurance	1,284	1,209	2,370	2,060
Core deposit and other intangibles amortization	623	640	1,249	1,291
Other expenses	3,593	4,003	6,901	7,728
Total non-interest expenses	24,770	21,274	47,798	41,820
Income (loss) before income taxes	(11,415)	4,221	(21,445)	9,131
Provision (benefit) for income taxes	(281)	1,410		3,124
Net income (loss)	\$ (11,134)	\$ 2,811	\$ (21,445)	\$ 6,007
Preferred stock dividends and accretion of discount	1,250	1,250	2,500	2,500
Net income (loss) available to common shareholders	\$ (12,384)	\$ 1,561	\$ (23,945)	\$ 3,507
Per share of common stock:				
Basic earnings (loss)	\$ (0.94)	\$ 0.12	\$ (1.83)	\$ 0.27
Diluted earnings (loss)	(0.94)	0.12	(1.83)	0.27
Weighted average shares outstanding:				
Basic	13,126,923	13,097,611	13,117,811	13,090,021
Diluted <sup>1</sup>	13,126,923	13,158,131	13,117,811	13,148,226

<sup>1</sup> Diluted weighted average shares outstanding exclude 92,524 and 85,697 restricted average shares for the three and six month periods ended June 30, 2011 because their impact would be 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, 2011**

*(Unaudited)*

(Amounts in thousands, except share and per share data)

	Preferred Stock	Common Stock Shares	Common Stock Amount	Warrants For Common Stock	Additional Paid-in Capital	Accumulated (Deficit)	Accumulated Other Comprehensive Income	Total Shareholders' Equity
<b>Balance, December 31, 2010</b>	\$ 68,121	13,188,896	\$ 26,378	\$ 6,934	\$ 188,901	\$ (147,436)	\$ 999	\$ 143,897
Preferred stock transactions:								
Accretion of preferred stock discount	694					(694)		
Preferred stock dividends accrued						(1,806)		(1,806)
Common stock transactions:								
Issuance of restricted common shares		77,356	154		29			183
Forfeiture of restricted common shares		(8,646)	(17)		(87)			(104)
Compensation expense:								
Stock options					50			50
Restricted stock					158			158
Comprehensive income/(loss):								
Net (loss)						(21,445)		(21,445)
Change in unrealized gains, net of reclassification and taxes							1,113	1,113
Total comprehensive income/(loss)								(20,331)
	\$ 68,815	13,257,606	\$ 26,515	\$ 6,934	\$ 189,051	\$ (171,381)	\$ 2,112	\$ 122,046

**Balance,  
June 30, 2011**

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, 2011 and 2010**  
**(Amounts in thousands, except share and per share data)**

	<b>June 30, 2011</b>	<b>June 30, 2010</b>
	<b>(Unaudited)</b>	
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ (21,445)	\$ 6,007
Adjustments to reconcile net income / (loss) to net cash provided by operating Activities		
Provision for loan losses	28,229	8,638
Depreciation and amortization	3,442	3,619
Security amortization and accretion, net	199	235
Write down of investments for impairment		93
Net gain on sale of mortgage loans	(185)	(222)
Originations of mortgage loans held for sale	(14,560)	(18,759)
Proceeds from sales of mortgage loans	15,427	19,685
Increase in cash surrender value of life insurance	(561)	(595)
Net losses from sales of fixed assets	223	5
Stock-based compensation expense	287	316
Net loss on other real estate and repossessed assets	6,429	1,435
Deferred tax benefit		(516)
Net changes:		
Other assets	12,193	6,631
Accrued interest payable and other liabilities	2,779	(3,561)
Net cash provided by operating activities	32,457	23,011
<b>Cash flows from investing activities</b>		
Purchase of securities available for sale	(59,790)	(85,684)
Proceeds from maturities of securities available for sale	45,868	70,025
Proceeds from maturities of securities held to maturity	465	10
Net change in loans	111,627	77,775
Proceeds from sale of other real estate	15,154	8,357
Improvements to other real estate	(261)	(450)
Proceeds from sale of fixed assets	7	
Premises and equipment expenditures	(516)	(951)
Net cash provided by investing activities	112,554	69,082
<b>Cash flows from financing activities</b>		
Net change in deposits	(93,466)	(87,072)
Net change in brokered deposits		(5,185)
Net change in repurchase agreements	(700)	(209)
Repayments of FHLB advances and notes payable	(794)	(161)
Preferred stock dividends paid		(1,805)

Net cash (used) in financing activities	(94,960)	(94,432)
<b>Net change in cash and cash equivalents</b>	<b>50,051</b>	<b>(2,339)</b>
Cash and cash equivalents, beginning of period	294,214	210,494
<b>Cash and cash equivalents, end of period</b>	<b>\$ 344,265</b>	<b>\$ 208,155</b>
<b>Supplemental disclosures cash and noncash</b>		
Interest paid	\$ 13,313	\$ 20,639
Loans converted to other real estate	41,261	30,879
Unrealized gain on available for sale securities, net of tax	1,113	1,863
Loans Originated to finance / sell other real estate	1,568	
Preferred Dividends Declared	1,806	

See notes to condensed consolidated financial statements.

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**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, 2011 are not necessarily indicative of t