GREEN BANKSHARES, INC.
Form 10-Q
November 06, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2008

OR

o **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 þ NO o

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. (Check one):

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) YES o NO þ

As of November 06, 2008, the number of shares outstanding of the issuer s common stock was: 12,992,681.

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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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Condensed Consolidated Statements of Income and Comprehensive Income For the three and nine months ended September 30, 2008 and 2007.

Condensed Consolidated Statement of Changes in Shareholders Equity For the nine months ended September 30, 2008.

Condensed Consolidated Statements of Cash Flows For the nine months ended September 30, 2008 and 2007.

Notes to Condensed Consolidated Financial Statements.

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GREEN BANKSHARES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
September 30, 2008 and December 31, 2007
(Amounts in thousands, except share and per share data)

	September 30, 2008 (Unaudited)	December 31, 2007*
ASSETS		
Cash and due from banks	$ 46,168	$ 65,717
Federal funds sold	56,751	
Securities available for sale	292,897	235,273
Securities held to maturity (with a market value of $700 and $1,280)	757	1,303
FHLB and other stock, at cost	13,203	12,322
Loans held for sale	1,824	2,331
Loans, net of unearned income	2,323,076	2,356,376
Allowance for loan losses	(34,856)	(34,111)
Other real estate owned and repossessed assets	12,215	4,859
Premises and equipment, net	83,569	82,697
Goodwill and other intangible assets	156,117	157,827
Other assets	60,320	63,147
Total assets	$ 3,012,041	$ 2,947,741
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities		
Deposits	$ 2,276,198	$ 1,986,793
Federal funds purchased	413	87,787
Repurchase agreements	64,929	106,738
FHLB advances and notes payable	229,906	318,690
Subordinated debentures	88,662	88,662
Accrued interest payable and other liabilities	25,451	36,594
Total liabilities	2,685,559	2,625,264
Shareholders equity		
Common stock: $2 par, 20,000,000 shares authorized, 12,999,161 and 12,931,015 shares outstanding	25,998	25,862
Additional paid-in capital	185,631	185,170
Retained earnings	114,742	109,938
Accumulated other comprehensive income	111	1,507
Total shareholders equity	326,482	322,477
Total liabilities and shareholders equity	$ 3,012,041	$ 2,947,741

* 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, 2007.

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, 2008 and 2007
(Amounts in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(Unaudited)		(Unaudited)	
Interest income				
Interest and fees on loans	$ 38,497	$ 48,630	$ 120,653	$ 120,226
Investment securities	3,982	3,642	10,604	6,440
Federal funds sold and other	87	22	112	49
	42,566	52,294	131,369	126,715
Interest expense				
Deposits	14,345	17,812	43,657	43,977
Borrowings	3,837	7,189	13,812	13,691
	18,182	25,001	57,469	57,668
Net interest income	24,384	27,293	73,900	69,047
Provision for loan losses	8,620	1,444	20,527	3,677
Net interest income after provision for loan losses	15,764	25,849	53,373	65,370
Noninterest income				
Service charges and fees	6,711	6,418	19,725	16,102
Other	1,299	1,270	3,703	3,468
	8,010	7,688	23,428	19,570
Noninterest expense				
Salaries and employee benefits	10,157	9,753	29,261	25,683
Occupancy and furniture and equipment expense	3,180	2,852	9,743	7,574
Other	8,607	6,405	22,641	16,504
	21,944	19,010	61,645	49,761

Income before income taxes		1,830		14,527		15,156		35,179
Provision for income taxes		596		5,613		5,282		13,563
Net income	$	1,234	$	8,914	$	9,874	$	21,616
Comprehensive income	$	1,547	$	11,167	$	8,478	$	21,181
Per share of common stock:								
Basic earnings	$	0.10	$	0.69	$	0.76	$	1.90
Diluted earnings		0.10		0.69		0.76		1.89
Dividends		0.13		0.13		0.39		0.39
Weighted average shares outstanding:								
Basic		12,931,774		12,921,240		12,931,538		11,362,422
Diluted		12,947,618		13,008,733		12,936,084		11,455,389

See notes to condensed consolidated financial statements.

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GREEN BANKSHARES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
For the Nine Months Ended September 30, 2008
(Amounts in thousands, except share and per share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total Shareholders Equity
			(Unaudited)			
Balance, December 31, 2007	12,931,015	$ 25,862	$ 185,170	$ 109,938	$ 1,507	$ 322,477
Common stock transactions:						
Exercise of shares under stock option plan	759	2	12			14
Issuance of restricted common shares	67,387	134	(134)			
Compensation expense:						
Stock options			342			342
Restricted stock			241			241
Dividends paid ($.39 per share)				(5,070)		(5,070)
Comprehensive income:						
Net income				9,874		9,874
Change in unrealized gains (losses), net of reclassification and taxes					(1,396)	(1,396)
Total comprehensive income						8,478
Balance, September 30, 2008	12,999,161	$ 25,998	$ 185,631	$ 114,742	$ 111	$ 326,482

See notes to condensed consolidated financial statements.

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GREEN BANKSHARES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended Septembers 30, 2008 and 2007
(Amounts in thousands, except share and per share data)

	September 30, 2008	September 30, 2007
	(Unaudited)	
Cash flows from operating activities		
Net income	$ 9,874	$ 21,616
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan losses	20,527	3,677
Depreciation and amortization	5,264	4,073
Security amortization and accretion, net	(726)	(391)
(Gain) loss on sale of securities	(74)	42
FHLB stock dividends	(464)	
Net gain on sale of mortgage loans	(487)	(891)
Originations of mortgage loans held for sale	(43,894)	(57,424)
Proceeds from sales of mortgage loans	44,887	63,067
Increase in cash surrender value of life insurance	(804)	(675)
Net losses from sales of fixed assets	388	77
Stock-based compensation expense	583	351
Net loss (gain) on other real estate and repossessed assets	1,837	(153)
Deferred tax expense	(746)	(3,078)
Net changes:		
Other assets	5,031	(2,903)
Accrued interest payable and other liabilities	(11,142)	9,014
Net cash provided by operating activities	30,054	36,402
Cash flows from investing activities		
Purchase of securities available for sale	(136,985)	(23,682)
Proceeds from sale of securities available for sale	3,398	2,230
Proceeds from maturities of securities available for sale	74,467	21,015
Proceeds from sale of securities held to maturity		496
Proceeds from maturities of securities held to maturity	545	690
Purchase of FHLB stock	(417)	(1,741)
Net change in loans	(13,841)	(159,902)
Acquisition, net of cash received		(24,578)
Proceeds from sale of other real estate	19,238	3,264
Improvements to other real estate	(1,073)	
Proceeds from sale of fixed assets	50	14
Premises and equipment expenditures	(4,615)	(9,702)
Net cash used by investing activities	(59,233)	(191,896)
Cash flows from financing activities		

Net change in deposits		289,405		(4,928)
Net change in federal funds purchased and repurchase agreements		(129,183)		12,720
Tax benefit resulting from stock options				126
Proceeds from FHLB advances and notes payable		20,916		160,416
Proceeds from subordinated debentures				57,732
Repayments of FHLB advances and notes payable		(109,701)		(35,884)
Dividends paid		(5,070)		(4,637)
Proceeds from issuance of common stock		14		407
Net cash provided by financing activities		66,381		185,952
Net change in cash and cash equivalents		37,202		30,458
Cash and cash equivalents, beginning of year		65,717		70,640
Cash and cash equivalents, end of period	$	102,919	$	101,098
Supplemental disclosures cash and noncash				
Interest paid	$	60,293	$	52,467
Income taxes paid		5,674		13,015
Loans converted to other real estate		29,676		3,199
Unrealized gain (loss) on available for sale securities, net of tax		111		(435)

See notes to condensed consolidated financial statements.

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GREEN BANKSHARES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2008
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 months ended September 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. 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, 2007. 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, 2008 and December 31, 2007 were as follows:

	September 30, 2008	December 31, 2007
Commercial real estate	$ 1,525,742	$ 1,549,457
Residential real estate	391,550	398,779
Commercial	319,087	320,264
Consumer	91,866	97,635
Other	9,237	3,871
Unearned income	(14,406)	(13,630)
Loans, net of unearned income	$ 2,323,076	$ 2,356,376
Allowance for loan losses	$ (34,856)	$ (34,111)

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GREEN BANKSHARES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2008
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(Amounts in thousands, except share and per share data)

NOTE 2 LOANS (Continued)

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, 2008 and twelve months ended December 31, 2007 were as follows:

	September 30, 2008	December 31, 2007
Balance at beginning of year	$ 34,111	$ 22,302
Add (deduct):		
Reserve of acquired bank		9,022
Provision for loan losses	20,527	14,483
Loans charged off	(22,380)	(13,471)
Recoveries of loans charged off	2,598	1,775
Ending balance	$ 34,856	$ 34,111

	September 30, 2008	December 31, 2007
Impaired loans were as follows:		
Loans with no allowance allocated	$ 41,008	$
Loans with allowance allocated	16,458	36,267
Amount of allowance allocated	3,161	5,440
Nonperforming loans were as follows:		
Loans past due 90 days still on accrual	$ 54	$ 18
Nonaccrual loans	40,687	32,060
Total	$ 40,741	$ 32,078

(Continued)

GREEN BANKSHARES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2008
Unaudited
(Amounts in thousands, except share and per share data)

NOTE 3 EARNINGS PER SHARE OF COMMON STOCK

Basic earnings per share (EPS) of common stock is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share of common stock is computed by dividing net income by the weighted average number of common shares and potential common shares outstanding during the period. Stock options and restricted common shares are regarded as potential common shares. Potential common shares are computed using the treasury stock method. For the three and nine months ended September 30, 2008, 371,205 options are excluded from the effect of dilutive securities because they are anti-dilutive; 44,910 options are similarly excluded from the effect of dilutive securities for the three and nine months ended September 30, 2007.

The following is a reconciliation of the numerators and denominators used in the basic and diluted earnings per share computations for the three and nine months ended September 30, 2008 and 2007:

	Three Months Ended September 30,			
	2008		2007	
	Income (Numerator)	Shares (Denominator)	Income (Numerator)	Shares (Denominator)
Basic EPS				
Income available to common shareholders	$ 1,234	12,931,774	$ 8,914	12,921,240
Effect of dilutive shares		15,844		87,493
Diluted EPS				
Income available to common shareholders plus assumed conversions	$ 1,234	12,947,618	$ 8,914	13,008,733

	Nine Months Ended September 30,			
	2008		2007	
	Income (Numerator)	Shares (Denominator)	Income (Numerator)	Shares (Denominator)
Basic EPS				
Income available to common shareholders	$ 9,874	12,931,538	$ 21,616	11,362,422
Effect of dilutive shares		4,546		92,967
Diluted EPS				
Income available to common shareholders plus assumed conversions	$ 9,874	12,936,084	$ 21,616	11,455,389

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GREEN BANKSHARES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2008
Unaudited
(Amounts in thousands, except share and per share data)

NOTE 4 SEGMENT INFORMATION

The Company s operating segments include banking, mortgage banking, consumer finance, automobile lending and title insurance. The reportable segments are determined by the products and services offered, and internal reporting. Loans, investments and service charges and fees on deposits provide the revenues in the banking operation; loans and fees provide the revenues in consumer finance and mortgage banking and insurance commissions provide revenues for the title insurance company. Consumer finance, automobile lending and title insurance do not meet the quantitative threshold on an individual basis, and are therefore shown below in Other Segments . Mortgage banking operations are included in Bank . All operations are domestic.

Segment performance is evaluated using net interest income and noninterest income. Income taxes are allocated based on income before income taxes, and indirect expenses (including management fees) are allocated based on time spent for each segment. Transactions among segments are made at fair value. Information reported internally for performance assessment follows.

Three months ended September 30, 2008	**Bank**	**Other Segments**	**Holding Company**	**Eliminations**	**Totals**
Net interest income (expense)	$ 23,499	$ 1,935	$ (1,050)	$	$ 24,384
Provision for loan losses	7,636	984			8,620
Noninterest income	7,711	485	32	(218)	8,010
Noninterest expense	20,347	1,289	526	(218)	21,944
Income tax expense (benefit)	1,002	57	(463)		596
Segment profit (loss)	$ 2,225	$ 90	$ (1,081)	$	$ 1,234
Segment assets at September 30, 2008	$ 2,963,181	$ 39,106	$ 9,754	$	$ 3,012,041

Three months ended September 30, 2007	**Bank**	**Other Segments**	**Holding Company**	**Eliminations**	**Totals**
Net interest income (expense)	$ 27,454	$ 1,710	$ (1,871)	$	$ 27,293
Provision for loan losses	961	483			1,444
Noninterest income	7,311	624	56	(303)	7,688
Noninterest expense	17,836	1,239	238	(303)	19,010
Income tax expense (benefit)	6,154	241	(782)		5,613
Segment profit (loss)	$ 9,814	$ 371	$ (1,271)	$	$ 8,914
Segment assets at September 30, 2007	$ 2,905,571	$ 37,517	$ 12,659	$	$ 2,955,747

Nine months ended September 30, 2008	**Bank**	**Other Segments**	**Holding Company**	**Eliminations**	**Totals**
Net interest income (expense)	$ 71,647	$ 5,743	$ (3,490)	$	$ 73,900

	Bank	Other Segments	Holding Company	Eliminations	Totals
Provision for loan losses	18,552	1,975			20,527
Noninterest income	22,315	1,549	209	(645)	23,428
Noninterest expense	56,906	3,838	1,546	(645)	61,645
Income tax expense (benefit)	6,448	579	(1,745)		5,282
Segment profit (loss)	$ 12,056	$ 900	$ (3,082)	$	$ 9,874

Nine months ended September 30, 2007	**Bank**	**Other Segments**	**Holding Company**	**Eliminations**	**Totals**
Net interest income (expense)	$ 66,988	$ 4,916	$ (2,857)	$	$ 69,047
Provision for loan losses	2,480	1,197			3,677
Noninterest income	18,485	1,886	94	(895)	19,570
Noninterest expense	46,198	3,751	707	(895)	49,761
Income tax expense (benefit)	14,159	728	(1,324)		13,563
Segment profit (loss)	$ 22,636	$ 1,126	$ (2,146)	$	$ 21,616

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GREEN BANKSHARES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts in thousands, except share and per share data)

NOTE 4 SEGMENT INFORMATION (Continued)

Asset Quality Ratios

As of and for the period ended September 30, 2008	Bank	Other	Total
Nonperforming loans as percentage of total loans, net of unearned income	1.74%	1.57%	1.75%
Nonperforming assets as a percentage of total assets	1.73%	1.69%	1.76%
Allowance for loan losses as a percentage of total loans, net of unearned income	1.37%	8.01%	1.50%
Allowance for loan losses as a percentage of nonperforming loans	78.93%	510.88%	85.56%
YTD net charge-offs to average total loans, net of unearned income	0.77%	4.64%	0.84%

As of and for the period ended September 30, 2007	Bank	Other	Total
Nonperforming loans as percentage of total loans, net of unearned income	0.24%	1.40%	0.26%
Nonperforming assets as a percentage of total assets	0.22%	1.96%	0.26%
Allowance for loan losses as a percentage of total loans, net of unearned income	1.32%	8.01%	1.45%
Allowance for loan losses as a percentage of nonperforming loans	556.73%	573.30%	558.18%
YTD net charge-offs to average total loans, net of unearned income	0.02%	2.45%	0.07%

As of and for the year ended December 31, 2007	Bank	Other	Total
Nonperforming loans as percentage of total loans, net of unearned income	1.35%	1.30%	1.36%
Nonperforming assets as a percentage of total assets	1.22%	2.11%	1.25%
Allowance for loan losses as a percentage of total loans, net of unearned income	1.32%	7.96%	1.45%
Allowance for loan losses as a percentage of nonperforming loans	98.37%	609.80%	106.34%
Net charge-offs to average total loans, net of unearned income	0.50%	4.14%	0.57%

Net charge-offs

	Bank	Other	Total
Actual for the nine month period ended September 30, 2008	$ 17,950	$ 1,832	$ 19,782
Actual for the nine month period ended September 30, 2007	$ 423	$ 875	$ 1,298
Actual for the year ended December 31, 2007	$ 10,193	$ 1,503	$ 11,696

(Continued)

GREEN BANKSHARES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2008
Unaudited
(Amounts in thousands, except share and per share data)

NOTE 5 BUSINESS COMBINATION

On May 18, 2007, the Company acquired Civitas BankGroup, Inc. (CVBG), parent of Cumberland Bank. CVBG, headquartered in Franklin, Tennessee, operated 12 full-service branches in the Middle Tennessee area. The primary reason for the acquisition of CVBG, and the premium paid, was to provide accelerated entry for the Company in the Middle Tennessee area in some of the fastest growing areas in the Nashville MSA. Operating results of CVBG are included in the consolidated financial statements since the date of the acquisition.

The acquisition was accounted for under the purchase method of accounting, and accordingly, the purchase price has been allocated to the tangible and identified intangible assets purchased and the liabilities assumed based upon estimated fair values at the date of acquisition. The aggregate purchase price was $164,268, including $45,793 paid in cash and 3,091,495 shares of the Company s common stock. Identified intangible assets and purchase accounting fair value adjustments are being amortized under various methods over the expected lives of the corresponding assets and liabilities. Goodwill will not be amortized and is not deductible for tax purposes, but will be reviewed for impairment on an annual basis. Identified intangible assets from the acquisition subject to amortization were $9,485 and total goodwill from the acquisition was $112,062.

The following table summarizes the fair value of assets acquired and liabilities assumed at the date of acquisition:

Cash and due from banks	$	21,182
Securities		200,081
FHLB stock		2,863
Bankers Bank stock		100
Loans held for sale		8,642
Loans, net of unearned income		631,496
Allowance for loan losses		(9,022)
Premises and equipment		18,332
Goodwill		112,062
Core deposit intangible		8,740
Mortgage servicing rights		745
Other assets		16,369
Total assets acquired		1,011,590
Deposits		(699,089)
Federal funds purchased		(52,500)
Repurchase agreements		(42,790)
FHLB advances		(32,000)
Subordinated debentures		(17,527)
Other liabilities		(3,416)
Total liabilities assumed		(847,322)
Net assets acquired	$	164,268

The Company also incurred $761 in direct costs for legal, advisory and conversion cost that were capitalized into goodwill associated with the merger.

The following table presents pro forma information as if the acquisition had occurred at the beginning of 2007 for the nine month period ending September 30, 2007. The pro forma information includes adjustments for interest income on loans and securities acquired, amortization of intangibles arising from the acquisition, depreciation expense on property acquired, interest expense on deposits assumed, and the related income tax effects. The pro forma financial information is not necessarily indicative of the results of operations as they would have been had the acquisition been effected on the assumed dates.

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GREEN BANKSHARES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2008
Unaudited
(Amounts in thousands, except share and per share data)

NOTE 5 BUSINESS COMBINATION (Continued)

	Nine Months Ended September 30, 2007
Net interest income	$ 88,991
Net income	$ 27,605
Basic earnings per share	$ 2.08
Diluted earnings per share	$ 2.06

NOTE 6 BORROWINGS

In May 2007, the Company formed GreenBank Capital Trust I (GB Trust I), and GB Trust I issued $56,000 of variable rate trust preferred securities. The Company issued $57,732 of subordinated debentures to the GB Trust I in exchange for the proceeds of the sale of trust preferred securities, which debentures represent the sole asset of GB Trust I. The debentures pay interest quarterly at the three-month LIBOR plus 1.65% adjusted quarterly (4.47% at September 30, 2008). The Company may redeem the subordinated debentures, in whole or in part, beginning June 2012 and in certain events prior to that date, at a premium. The subordinated debentures must be redeemed no later than 2037.

Also in May 2007 the Company acquired two Trusts in the CVBG acquisition, Civitas Statutory Trust I (CS Trust I) and Cumberland Capital Statutory Trust II (CCS Trust II).

In December 2005, CS Trust I issued $13,000 of variable rate trust preferred securities, and CVBG issued $13,403 of subordinated debentures to CS Trust I in exchange for the sale of trust preferred securities, which debentures represent the sole asset of CS Trust I. The debentures pay interest quarterly at the three-month LIBOR plus 1.54% adjusted quarterly (4.36% at September 30, 2008). The Company may redeem the subordinated debentures, in whole or in part, beginning March 2011 and in certain events prior to that date, at a premium. The subordinated debentures must be redeemed no later than March 2036.

In July 2001, CCS Trust II issued $4,000 of variable rate trust preferred securities, and CVBG issued $4,124 of subordinated debentures to CCS Trust II in exchange for the proceeds of the sale of trust preferred securities, which debentures represent the sole asset of CCS Trust II. The debentures pay interest quarterly at the three-month LIBOR plus 3.58% adjusted quarterly (6.38% at September 30, 2008). As of July 2007 the Company may redeem the subordinated debentures, in whole or in part at a price of 100% of face value. The subordinated debentures must be redeemed no later than July 2031.

(Continued)

GREEN BANKSHARES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2008
Unaudited
(Amounts in thousands, except share and per share data)

NOTE 7 FAIR VALUE DISCLOSURES

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements and SFAS No. 159 The Fair Value Option for Financial Assets and Liabilities . SFAS No. 157, which was issued in September 2006, establishes a framework for using fair value. It defines fair value rules as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 159, which was issued in February 2007, generally permits the measurement of selected eligible financial instruments at fair value at specified election dates. Upon adoption of SFAS No. 159, the Company did not elect to adopt the fair value option for any financial instruments.

SFAS No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS No. 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1

Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. Government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2

Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes certain U.S. Government and agency mortgage-backed debt securities, corporate debt securities, derivative contracts and residential mortgage loans held-for-sale.

Level 3

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, residential mortgage servicing rights, and highly structured or long-term derivative contracts.

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value.

Investment Securities Available-for-Sale

Investment securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices of like or similar securities, if available and these securities are classified as Level 1 or Level 2. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security s credit rating, prepayment assumptions and other factors such as credit loss assumptions and are classified as Level 3.

(Continued)

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GREEN BANKSHARES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2008
Unaudited
(Amounts in thousands, except share and per share data)

NOTE 7 FAIR VALUE DISCLOSURES (Continued)

Loans Held for Sale

Loans held for sale are carried at the lower of cost or market value. The fair value of loans held for sale is based on what secondary markets are currently offering for portfolios with similar characteristics. As such, the Company classifies loans held for sale subjected to nonrecurring fair value adjustments as Level 2.

Loans

The Company does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment in accordance with SFAS No. 114, Accounting by Creditors for Impairment of a Loan: (SFAS 114). The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At September 30, 2008, substantially all of the total impaired loans were evaluated based on either the fair value of the collateral or its liquidation value. In accordance with SFAS No. 157, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the impaired loan as nonrecurring Level 3.

Loan Servicing Rights

Loan servicing rights are subject to impairment testing. A valuation model, which utilizes a discounted cash flow analysis using interest rates and prepayment speed assumptions currently quoted for comparable instruments and a discount rate determined by management, is used in the completion of impairment testing. If the valuation model reflects a value less than the carrying value, loan servicing rights are adjusted to fair value through a valuation allowance as determined by the model. As such, the Company classifies loan servicing rights subjected to nonrecurring fair value adjustments as Level 3.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

Below is a table that presents information about certain assets and liabilities measured at fair value:

	September 30, 2008				
	Fair Value Measurement Using			Total Carrying Amount in Statement of Financial Position	Assets/Liabilities Measured at Fair Value
Description	**Level 1**	**Level 2**	**Level 3**		
Securities available for sale	$	$ 292,897	$	$ 292,897	$ 292,897

(Continued)

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GREEN BANKSHARES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2008
Unaudited
(Amounts in thousands, except share and per share data)

NOTE 7 FAIR VALUE DISCLOSURES (Continued)

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. Assets measured at fair value on a nonrecurring basis are included in the table below.

	September 30, 2008				
	Fair Value Measurement Using			Total Carrying Amount in Statement of Financial Position	Assets/Liabilities Measured at Fair Value
Description	**Level 1**	**Level 2**	**Level 3**		
Loans	$	$	$ 35,536	$ 35,536	$ 35,536

(Continued)

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Green Bankshares, Inc. (the Company) is the bank holding company for GreenBank (the Bank), a Tennessee-chartered commercial bank that conducts the principal business of the Company. The Company is the third largest bank holding company headquartered in Tennessee based on asset size at September 30, 2008 and at that date was also the second largest NASDAQ listed bank holding company headquartered in Tennessee. The Bank currently maintains a main office in Greeneville, Tennessee and 65 full-service bank branches primarily in East and Middle Tennessee. In addition to its commercial banking operations, the Bank conducts separate businesses through its three wholly-owned subsidiaries: Superior Financial Services, Inc. (Superior Financial), a consumer finance company; GCB Acceptance Corporation (GCB Acceptance), an automobile lending company; and Fairway Title Co., a title company formed in 1998. The Bank also operates a wealth management office in Sumner County, Tennessee, and a mortgage banking operation in Knox County, Tennessee. All dollar amounts reported or discussed in Part I, Item 2 of this Quarterly Report on Form 10-Q are shown in thousands, except share and per share amounts.

On October 3, 2008 the Emergency Economic Stabilization Act was enacted into law in order to address the economic crisis which has currently frozen the credit markets. This landmark bill authorizes the Secretary of the Treasury to purchase up to $700 billion in troubled assets from financial institutions in order to provide liquidity to the market and promote financial market stability. The troubled assets included in this program are residential and commercial mortgages, securities, obligations or other instruments related to such mortgages, and any other illiquid financial instruments determined by the Secretary to be necessary, such as car and truck loans. The bill includes a variety of taxpayer protections such as executive compensation limits, measures to prevent unjust enrichment, and a warrant provision for the government to retain an equity stake in financial institutions participating in the program. The bill also includes homeownership preservation provisions such as mortgage modification measures. In addition, the bill also includes an insurance program to guarantee troubled assets of financial institutions under the program, using risk-based premiums for such guarantees to cover anticipated claims.

Since October 3, 2008, there have been additional details surfacing almost daily concerning this legislation which may, or may not, impact the Company. The extent of these changes are currently being evaluated and the impact on the Company is unknown at this time. On October 14, 2008 Treasury announced the TARP Capital Purchase Program, pursuant to which Treasury will make direct capital investments in participating financial institutions in an attempt to stimulate credit flows in the economy. Under this revised program, healthy banks are encouraged to participate. The minimum investment for a financial institution considering participating in the Capital Purchase Program is an amount equal to 1% of its risk-weighted assets and the maximum amount is the lesser of $25 billion or 3% of its risk-weighted assets. The application to participate in this Capital Purchase Program must be received by the institution s primary banking regulator no later than November 14, 2008 and the investment is expected to be made by December 31, 2008.

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of the Company s consolidated results of operations and financial condition. This discussion should be read in conjunction with the (i) condensed consolidated financial statements and notes thereto in this Form 10-Q and (ii) the audited, consolidated financial statements and the notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2007 (the 2007 10-K). Except for specific historical information, many of the matters discussed in this Form 10-Q may express or imply projections of revenues or expenditures, plans and objectives for future operations, growth or initiatives, expected future economic performance, or the expected outcome or impact of pending or threatened litigation. These and similar statements regarding events or results which the Company expects will or may occur in the future, are forward-looking statements that involve risks, uncertainties and other factors which may cause actual results and performance of the Company to differ materially from those expressed or implied by those statements. All forward-looking information is provided pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of these risks, uncertainties and other factors. **Forward-looking statements, which are based on assumptions and estimates and describe our future plans, strategies and expectations, are generally identifiable by the use of forward-looking terminology and words such as trends, assumptions, target, guidance, outlook, oppo future, plans, goals, objectives, expectations, near-term, long-term, projection, may, will,**

intend, estimate, anticipate, believe, potential, regular, or continue (or the negative or other derivat of these terms) or similar terminology and expressions.

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Although the Company believes that the assumptions underlying any forward-looking statements are reasonable, any of the assumptions could be inaccurate, and therefore, actual results may differ materially from those projected in or implied by the forward-looking statements. Factors and risks that may result in actual results differing from this forward-looking information include, but are not limited to, (1) unanticipated deterioration in the financial condition of borrowers resulting in significant increases in loan losses and provisions for those losses; (2) lack of sustained growth in the economy in the markets that the Bank serves; (3) increased competition with other financial institutions in the markets that the Bank serves; (4) changes in the legislative and regulatory environment; (5) the Company s failure to successfully implement its growth strategy; and (6) the loss of key personnel as well as those contained in the 2007 10-K in Part I, Item 1A thereof, which is incorporated herein by this reference, as well as other factors discussed throughout this document, including, without limitation the factors described under Critical Accounting Policies and Estimates on page 19 of this Quarterly Report on Form 10-Q, or from time to time, in the Company s filings with the Securities and Exchange Commission (SEC), press releases and other communications.

Readers are cautioned not to place undue reliance on forward-looking statements made in this document, since the statements speak only as of the document s date. All forward-looking statements included in this Quarterly Report on Form 10-Q are expressly qualified in their entirety by the cautionary statements in this section and to the more detailed risk factors included in the Company s 2007 10-K. The Company has no obligation and does not intend to publicly update or revise any forward-looking statements contained in or incorporated by reference into this Quarterly Report on Form 10-Q, to reflect events or circumstances occurring after the date of this document or to reflect the occurrence of unanticipated events. Readers are advised, however, to consult any further disclosures the Company may make on related subjects in its documents filed with or furnished to the SEC or in its other public disclosures.

Growth and Business Strategy

The Company expects that, over the next five years, its growth from mergers and acquisitions, including acquisitions of both entire financial institutions and selected branches of financial institutions, will continue. De novo branching is also expected to be a method of growth, particularly in high-growth and other demographically-desirable markets.

The Company s strategic plan projects geographic expansion within a 300-mile radius of its headquarters in Greene County, Tennessee. This could result in the Company expanding westward and eastward up to and including Nashville, Tennessee and Roanoke, Virginia, respectively, east/southeast up to and including the Piedmont area of North Carolina and western North Carolina, southward to northern Georgia and northward into eastern and central Kentucky. In particular, the Company believes the markets in and around Knoxville, Nashville and Chattanooga, Tennessee are highly desirable areas with respect to expansion and growth plans.

The Bank had historically operated under a single bank charter while conducting business under 18 bank brands. On January 23, 2007 the Bank announced that it was changing all brand names to GreenBank throughout all the communities it serves to better enhance recognition and customer convenience. The GreenBank name became effective on March 31, 2007. The Bank continues to offer local decision making through the presence of its regional executives in each of its markets, while maintaining a cost effective organizational structure in its back office and support areas.

The Bank focuses its lending efforts predominately on individuals and small to medium-sized businesses while it generates deposits primarily from individuals in its local communities. To aid in deposit generation efforts, the Bank offers its customers extended hours of operation during the week as well as on Saturday. During the first quarter of 2007, the Bank initiated Sunday banking hours from 1:00 pm to 4:00 pm at most branches. The Bank also offers free online banking and in early 2005 established its High Performance Checking Program which has generated a significant number of new core transaction accounts.

In addition to the Company s business model, which is summarized in the paragraphs above, the Company is continuously investigating and analyzing other lines and areas of business. These include, but are not limited to, various types of insurance and real estate activities. Conversely, the Company frequently evaluates and analyzes the profitability, risk factors and viability of its various business lines and segments and, depending upon the results of these evaluations and analyses, may conclude to exit certain segments and/or business lines. Further, in conjunction with these ongoing evaluations and analyses, the Company may decide to sell, merge or close certain branch facilities.

Overview

The Company reported net income for the three and nine month periods ended September 30, 2008 of $1,234 and $9,874, respectively compared to net income of $8,914 and $21,616 for the corresponding 2007 periods. The decline in reported earnings for the periods presented was the result of deteriorating economic conditions during 2008 which impacted the Company s residential real estate construction and development loan portfolios. As a result, the Company s loan loss provision was $8,620 during the third quarter of 2008 and $20,527 for the nine month period ended September 30, 2008. Non-accrual loans remained relatively constant at $40,687 at September 30, 2008 compared with $40,419 at June 30, 2008 but have increased from $32,060 at December 31, 2007 due to continued downward pressure on residential real estate values. Other Real Estate Owned (OREO) decreased to $12,215 at September 30, 2008 from June 30 $20,632 at June 30, 2008 but has increased compared to $4,859 at December 31, 2007. The decrease in OREO from June 30, 2008 levels reflected the Company s efforts to aggressively reduce non-performing assets through auction sales conducted throughout the third quarter of 2008.

As previously disclosed, late in the second quarter, the Company experienced the impact of further economic weaknesses in the Nashville and Knoxville markets concentrated primarily in the residential real estate construction and development segment of the loan portfolio. This segment of the portfolio totaled approximately $187 million at June 30, 2008 and represented almost eight percent of total loans outstanding at that date. During mid-June, certain customers acknowledged liquidity concerns and as a result approximately $12 million of loans were immediately placed on non-accrual. Additionally an intensified effort was undertaken to review this segment of the portfolio for potential impairment based upon projected future cash flows of the borrowers. As a result of this intensified effort, an additional $23 million of current loans were identified and placed on non-accrual during the second quarter. In July 2008 the Company announced that it would conduct auctions to dispose of certain existing OREO related assets as well as accelerating efforts to convert non-earning assets to earning assets. During the third quarter, OREO assets disposed of resulted in proceeds received of $10,706 and losses incurred on disposition of these assets of $1,942. At September 30, 2008, of the $40.6 million of loans on non-accrual, approximately $7.0 million were less than 30 days past due with $4.1 million of the $7.0 million current.

Net interest income totaled $24,384 during the third quarter of 2008 and declined approximately 3% from the second quarter of 2008 as a result net interest margin compression reflecting local deposit pricing competition pressure coupled with the income impact of carrying a higher average level of non-earning assets during the quarter. On a year-to-date basis, despite falling market interest rates, net interest income improved by 7% over the same period a year ago primarily as a result of a higher level of earning assets resulting from an acquisition completed in May 2007.

Non-interest income totaled $8,010 for the three months ended September 30, 2008, down slightly from the second quarter of 2008 due to further contraction in mortgage related activity coupled with reduced revenues from mutual fund and annuity sales activity. On a year-to-date basis, non-interest income was $23,428 at September 30, 2008, up 20% over the same period a year ago reflecting the acquisition completed in May 2007 and the continued success of the Company s High Yield Checking Program.

Non-interest expenses were $21,944 for the third quarter of 2008, up $1,804 from the second quarter of the year, and included $2,598 of OREO related costs during the current quarter. Non-interest expense levels for the nine months of 2008 totaled $61,645, reflecting an increase of 24% over the same period a year ago. In addition to the impact of the incremental recurring operating costs of an acquisition completed in May 2007, the Company has incurred approximately $4,183 of incremental expenses related to OREO losses and collection efforts.

Net charge-offs for the quarter totaled $9,115 compared with net charge-offs of $9,595 during the second quarter of 2008 and net charge-offs of $676 durr-bottom: 2px solid #000000">

147,611,342

81.09%

312,716

12

Authority to purchase own shares

146,986,459

99.56

649,512

0.44

147,635,971

81.10%

288,294
13
Notice of General Meetings
137,307,274

93.35

9,784,429

6.65

147,091,703

80.80%

832,563

NOTES:

1. The 'For' vote includes those giving the Chairman discretion.

2. Votes 'Withheld' are not counted in the calculation of the proportion of votes 'For' or 'Against' a resolution.

3. Resolutions 10 to 13 are special resolutions.

4. The total number of ordinary shares in issue, excluding treasury shares, on 2 May 2019 was 182,033,293. The Company holds 5,684,427 treasury shares.

5. Copies of the resolutions passed, other than resolutions concerning ordinary business, will be submitted to the UK Listing Authority via the National Storage Mechanism and will be available in due course for inspection at www.morningstar.co.uk/uk/nsm

Unless otherwise defined herein, terms used in this announcement shall have the meaning given to them in the Notice of Meeting.

Enquiries:

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Notes to Editors:
IHG® (InterContinental Hotels Group) [LON:IHG, NYSE:IHG (ADRs)] is a global organisation with a broad portfolio of hotel brands, including Six Senses Hotels Resorts Spas, Regent Hotels & Resorts, InterContinental® Hotels & Resorts, Kimpton® Hotels & Restaurants, Hotel Indigo®, EVEN® Hotels, HUALUXE® Hotels and Resorts, Crowne Plaza® Hotels & Resorts, voco™, Holiday Inn®, Holiday Inn Express®, Holiday Inn Club Vacations®, Holiday Inn Resort®, avid™ hotels, Staybridge Suites® and Candlewood Suites®.

IHG franchises, leases, manages or owns more than 5,600 hotels and nearly 843,000 guest rooms in more than 100 countries, with over 1,900 hotels in its development pipeline. IHG also manages IHG® Rewards Club, our global loyalty programme, which has more than 100 million enrolled members.

InterContinental Hotels Group PLC is the Group's holding company and is incorporated in Great Britain and registered in England and Wales. More than 400,000 people work across IHG's hotels and corporate offices globally.

Visit www.ihg.com for hotel information and reservations and www.ihgrewardsclub.com for more on IHG Rewards Club. For our latest news, visit: www.ihgplc.com/media and follow us on social media at: https://twitter.com/ihgcorporate, www.facebook.com/ihgcorporate and www.linkedin.com/company/intercontinental-hotels-

InterContinental Hotels Group PLC
(Registrant)

By:	/s/ F. Cuttell
Name:	F. CUTTELL
Title:	ASSISTANT COMPANY SECRETARY
Date:	03 05 2019