SIMMONS FIRST NATIONAL CORP
Form 10-Q
August 09, 2012
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended June 30, 2012	Commission File Number 000-06253

SIMMONS FIRST NATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

Arkansas (State or other jurisdiction of incorporation or organization)	71-0407808 (I.R.S. Employer Identification No.)
501 Main Street, Pine Bluff, Arkansas (Address of principal executive offices)	71601 (Zip Code)

870-541-1000
(Registrant's telephone number, including area code)

Not Applicable
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. [x] Yes [ ] No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ]	Accelerated filer [x]	Non-accelerated filer [ ]	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.). [ ] Yes [x] No

The number of shares outstanding of the Registrant’s Common Stock as of July 26, 2012, was 16,796,578.

Simmons First National Corporation
Quarterly Report on Form 10-Q
June 30, 2012

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Part I: Financial Information
Item 1. Financial Statements

Simmons First National Corporation
Consolidated Balance Sheets
June 30, 2012 and December 31, 2011

(In thousands, except share data)	June 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Cash and non-interest bearing balances due from banks	$ 29,708	$ 35,087
Interest bearing balances due from banks	515,874	535,119
Cash and cash equivalents	545,582	570,206
Investment securities	692,488	697,656
Mortgage loans held for sale	15,495	22,976
Assets held in trading accounts	7,812	7,541
Loans not covered by loss share agreements	1,614,736	1,579,769
Loans covered by FDIC loss share agreements	114,189	158,075
Allowance for loan losses	(28,397)	(30,108)
Net loans	1,700,528	1,707,736
FDIC indemnification asset	35,038	47,683
Premises and equipment	85,171	86,486
Foreclosed assets not covered by loss share agreements	23,947	22,887
Foreclosed assets covered by FDIC loss share agreements	11,252	11,685
Interest receivable	12,975	15,126
Bank owned life insurance	51,326	50,579
Goodwill	60,605	60,605
Core deposit premiums	1,431	1,579
Other assets	13,494	17,384
Total assets	$ 3,257,144	$ 3,320,129
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing transaction accounts	$ 517,854	$ 532,259
Interest bearing transaction accounts and savings deposits	1,290,954	1,239,504
Time deposits	820,476	878,634
Total deposits	2,629,284	2,650,397
Federal funds purchased and securities sold under agreements to repurchase	70,220	114,766
Other borrowings	90,866	90,170
Subordinated debentures	30,930	30,930
Accrued interest and other liabilities	28,431	25,955
Total liabilities	2,849,731	2,912,218
Stockholders' equity:		
Preferred stock, $0.01 par value; 40,040,000 shares authorized and unissued at June 30, 2012 and December 31, 2011	--	--
Common stock, Class A, $0.01 par value; 60,000,000 shares authorized; 16,956,991 and 17,212,317 shares issued and outstanding at June 30, 2012 and December 31,	170	172

2011, respectively		
Surplus	105,825	112,436
Undivided profits	300,917	294,864
Accumulated other comprehensive income	501	439
Total stockholders’ equity	407,413	407,911
Total liabilities and stockholders’ equity	$ 3,257,144	$ 3,320,129

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Income
Three and Six Months Ended June 30, 2012 and 2011

(In thousands, except per share data)	Three Months Ended June 30, 2012 (Unaudited)	2011	Six Months Ended June 30, 2012 (Unaudited)	2011
INTEREST INCOME				
Loans not covered by loss share agreements	$22,358	$23,883	$44,630	$47,977
Loans covered by FDIC loss share agreements	4,994	4,347	10,967	8,688
Federal funds sold	1	1	1	2
Investment securities	3,313	3,771	6,588	7,476
Mortgage loans held for sale	164	87	317	175
Assets held in trading accounts	13	9	25	18
Interest bearing balances due from banks	349	298	652	533
TOTAL INTEREST INCOME	31,192	32,396	63,180	64,869
INTEREST EXPENSE				
Deposits	2,680	3,799	5,645	7,975
Federal funds purchased and securities sold under agreements to repurchase	77	103	176	219
Other borrowings	799	867	1,613	1,844
Subordinated debentures	385	377	777	747
TOTAL INTEREST EXPENSE	3,941	5,146	8,211	10,785
NET INTEREST INCOME	27,251	27,250	54,969	54,084
Provision for loan losses	775	3,328	1,546	6,003
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	26,476	23,922	53,423	48,081
NON-INTEREST INCOME				
Trust income	1,240	1,243	2,549	2,589
Service charges on deposit accounts	3,930	4,212	7,795	8,069
Other service charges and fees	738	780	1,530	1,586
Mortgage lending income	1,445	849	2,739	1,475
Investment banking income	442	381	1,141	981
Credit card fees	4,207	4,264	8,286	8,207
Bank owned life insurance income	368	414	723	817
Net gain (loss) on assets covered by FDIC loss share agreements	(2,153)	323	(4,818)	693
Other income	876	1,865	1,871	2,516
TOTAL NON-INTEREST INCOME	11,093	14,331	21,816	26,933
NON-INTEREST EXPENSE				
Salaries and employee benefits	16,590	16,436	33,414	33,552
Occupancy expense, net	2,029	2,100	4,110	4,289
Furniture and equipment expense	1,608	1,560	3,212	3,149
Other real estate and foreclosure expense	194	223	401	317
Deposit insurance	457	842	1,028	1,881

Merger related costs	--	167	--	357
Other operating expenses	7,366	7,331	14,716	15,059
TOTAL NON-INTEREST EXPENSE	28,244	28,659	56,881	58,604
INCOME BEFORE INCOME TAXES	9,325	9,594	18,358	16,410
Provision for income taxes	2,789	2,848	5,467	4,598
NET INCOME	$6,536	$6,746	$12,891	$11,812
BASIC EARNINGS PER SHARE	$0.38	$0.39	$0.75	$0.68
DILUTED EARNINGS PER SHARE	$0.38	$0.39	$0.75	$0.68

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Comprehensive Income
Three and Six Months Ended June 30, 2012 and 2011

(In thousands, except per share data)	Three Months Ended June 30, 2012 (Unaudited)	2011	Six Months Ended June 30, 2012 (Unaudited)	2011
NET INCOME	$6,536	$6,746	$12,891	$11,812
OTHER COMPREHENSIVE INCOME				
Net unrealized gains on available-for-sale securities	186	451	102	295
Tax effect of net unrealized gains on available-for-sale securities	(73)	(177)	(40)	(116)
TOTAL OTHER COMPREHENSIVE INCOME	113	274	62	179
COMPREHENSIVE INCOME	$6,649	$7,020	$12,953	$11,991

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Cash Flows
Six Months Ended June 30, 2012 and 2011

(In thousands)	June 30, 2012 (Unaudited)	June 30, 2011
OPERATING ACTIVITIES		
Net income	$12,891	$11,812
Items not requiring (providing) cash		
Depreciation and amortization	2,751	3,052
Provision for loan losses	1,546	6,003
Net (accretion) amortization of investment securities	(138)	12
Stock-based compensation expense	769	613
Net accretion on assets covered by FDIC loss share agreements	(1,494)	(2,317)
Deferred income taxes	(802)	(2,495)
Bank owned life insurance income	(723)	(817)
Changes in		
Interest receivable	2,151	2,160
Mortgage loans held for sale	7,481	7,254
Assets held in trading accounts	(271)	221
Other assets	2,014	3,318
Accrued interest and other liabilities	1,816	(1,208)
Income taxes payable	897	2,215
Net cash provided by operating activities	28,888	29,823
INVESTING ACTIVITIES		
Net collections of covered loans	43,343	31,873
Net (originations) collections of loans	(41,648)	30,637
Purchases of premises and equipment, net	(1,288)	(7,550)
Proceeds from sale of covered other real estate owned	7,875	4,281
Proceeds from sale of foreclosed assets held for sale	2,364	15,307
Proceeds from sale of available-for-sale securities	730	2,933
Proceeds from maturities of available-for-sale securities	153,832	126,831
Purchases of available-for-sale securities	(149,254)	(159,974)
Proceeds from maturities of held-to-maturity securities	310,755	128,571
Purchases of held-to-maturity securities	(310,695)	(69,750)
Purchase of bank owned life insurance	(25)	(25)
Cash received on FDIC loss share	9,682	21,249
Net cash provided by investing activities	25,671	124,383
FINANCING ACTIVITIES		
Net change in deposits	(21,113)	(1,589)
Dividends paid	(6,838)	(6,588)
Net change in other borrowed funds	696	(41,056)
Net change in federal funds purchased and securities sold under agreements to repurchase	(44,546)	(15,579)
Net shares issued under stock compensation plans	324	473
Repurchase of common stock	(7,706)	--
Net cash used in financing activities	(79,183)	(64,339)

(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(24,624)	89,867
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	570,206	452,060
CASH AND CASH EQUIVALENTS, END OF PERIOD	$545,582	$541,927

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Stockholders' Equity
Six Months Ended June 30, 2012 and 2011

(In thousands, except share data)	Common Stock	Surplus	Accumulated Other Comprehensive Income	Undivided Profits	Total
Balance, December 31, 2010	$173	$114,040	$ 512	$ 282,646	$397,371
Comprehensive income					
Net income	--	--	--	11,812	11,812
Change in unrealized appreciation on available-for-sale securities, net of income taxes of $116	--	--	179	--	179
Comprehensive income					11,991
Stock issued as bonus shares – 47,995 shares	--	97	--	--	97
Vesting bonus shares	--	535	--	--	535
Stock issued for employee stock purchase plan – 4,805 shares	--	127	--	--	127
Exercise of stock options – 28,566 shares	--	358	--	--	358
Stock granted under stock-based compensation plans	--	78	--	--	78
Securities exchanged under stock option plan – (4,185 shares)	--	(109)	--	--	(109)
Cash dividends – $0.38 per share	--	--	--	(6,588)	(6,588)
Balance, June 30, 2011 (Unaudited)	173	115,126	691	287,870	403,860
Comprehensive income					
Net income	--	--	--	13,562	13,562
Change in unrealized appreciation on available-for-sale securities, net of income taxes of $($163)	--	--	(252)	--	(252)
Comprehensive income					13,310
Stock issued as bonus share	--	1	--	--	1
Vesting bonus shares	--	531	--	--	531
Exercise of stock options – 1,753 shares	--	27	--	--	27
Stock granted under stock-based compensation plans	--	60	--	--	60
Securities exchanged under stock option plan – (1,067 shares)	--	(27)	--	--	(27)
Repurchase of common stock – (137,144 shares)	(1)	(3,282)	--	--	(3,283)
Cash dividends – $0.38 per share	--	--	--	(6,568)	(6,568)
Balance, December 31, 2011	172	112,436	439	294,864	407,911
Comprehensive income					
Net income	--	--	--	12,891	12,891
Change in unrealized appreciation on available-for-sale securities, net of income taxes of ($40)	--	--	62	--	62
Comprehensive income					12,953
Stock issued as bonus shares – 51,245 shares	1	191	--	--	192

Vesting bonus shares	--	718	--	--	718
Stock issued for employee stock purchase plan – 5,103 shares	--	132	--	--	132
Stock granted under stock-based compensation plans	--	51	--	--	51
Repurchase of common stock – (311,674 shares)	(3)	(7,703)	--	--	(7,706)
Cash dividends – $0.40 per share	--	--	--	(6,838)	(6,838)
Balance, June 30, 2012 (Unaudited)	$170	$105,825	$ 501	$ 300,917	$407,413

See Condensed Notes to Consolidated Financial Statements.

SIMMONS FIRST NATIONAL CORPORATION

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1: BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Simmons First National Corporation (the "Company") and its subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

All adjustments made to the unaudited financial statements were of a normal recurring nature. In the opinion of management, all adjustments necessary for a fair presentation of the results of interim periods have been made. Certain prior year amounts are reclassified to conform to current year classification. The consolidated balance sheet of the Company as of December 31, 2011, has been derived from the audited consolidated balance sheet of the Company as of that date. The results of operations for the period are not necessarily indicative of the results to be expected for the full year.

Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-K Annual Report for 2011 filed with the U.S. Securities and Exchange Commission (the "SEC").

Recently Issued Accounting Pronouncements

In April 2011, the FASB issued ASU 2011-03, Transfers and Servicing (Topic 860) – Reconsideration of Effective Control for Repurchase Agreements. ASU 2011-03 is intended to improve financial reporting of repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. ASU 2011-03 removes from the assessment of effective control (i) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (ii) the collateral maintenance guidance related to that criterion. ASU 2011-03 was effective for the Company on January 1, 2012, and did not have a significant impact on the Company's financial position or results of operations.

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, to converge the fair value of measurement guidance in U.S. generally accepted accounting principles and International Financial Reporting Standards. ASU 2011-04 clarifies the application of existing fair value measurement requirements, changes certain principles in Topic 820 and requires additional fair value disclosures. ASU 2011-04 was effective for the Company on January 1, 2012. The adoption of this guidance did not have a significant impact on the Company's financial position or results of operations.

In June 2011, the FASB issued ASU 2011-05, Comprehensive Income (Topic 220) – Presentation of Comprehensive Income, to require that all non-owner changes in stockholders' equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Additionally, ASU 2011-05 requires entities to present, on the face of the financial statements, reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement or statements where the components of net income and the components of other comprehensive income are presented. The option to present components of other comprehensive income as part of the statement of changes in stockholders' equity was eliminated. ASU 2011-05 was effective for the Company beginning January 1, 2012, and resulted in the addition of a statement of comprehensive income. The adoption of ASU 2011-05 did not have a significant impact on the Company's financial position or results of operations.

In September 2011, the FASB issued ASU 2011-08, Intangibles – Goodwill and Other (Topic 350) –Testing Goodwill for Impairment. ASU 2011-08 amends Topic 350 to give entities the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. ASU 2011-08 is effective for annual and interim impairment tests beginning after December 15, 2011, and is not expected to have a significant impact on the Company's ongoing financial position or results of operations.

In December, 2011, the FASB issued ASU 2011-11, Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities. ASU 2011-11 amends Topic 210 to require an entity to disclose both gross and net information about financial instruments, such as sales and repurchase agreements and reverse sale and repurchase agreements and securities borrowing/lending arrangements, and derivative instruments that are eligible for offset in the statement of financial position and/or subject to a master netting arrangement or similar agreement. ASU 2011-11 is effective for annual and interim periods beginning on January 1, 2013, and is not expected to have a significant impact on the Company's ongoing financial position or results of operations.

In December, 2011, the FASB issued ASU 2011-12, Comprehensive Income (Topic 220) – Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. ASU 2011-12 defers changes in ASU 2011-05 that relate to the presentation of reclassification adjustments to allow the FASB time to redeliberate whether to require presentation of such adjustments on the face of the financial statements to show the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income. ASU 2011-12 allows entities to continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before ASU 2011-05. All other requirements in ASU 2011-05 are not affected by ASU 2011-12. ASU 2011-12 became effective for the Company on January 1, 2012, and did not have a significant impact on the Company's financial position or results of operations.

There have been no other significant changes to the Company's accounting policies from the 2011 Form 10-K. The Company is not aware of any other changes from the FASB that will have a significant impact on the Company's present or future financial position or results of operations.

Acquisition Accounting, Covered Loans and Related Indemnification Asset

The Company accounts for its acquisitions under ASC Topic 805, Business Combinations, which requires the use of the purchase method of accounting. All identifiable assets acquired, including loans, are recorded at fair value. No allowance for loan losses related to the acquired loans is recorded on the acquisition date as the fair value of the loans acquired incorporates assumptions regarding credit risk. Loans acquired are recorded at fair value in accordance with the fair value methodology prescribed in ASC Topic 820, exclusive of the shared loss agreements with the FDIC. The fair value estimates associated with the loans include estimates related to expected prepayments and the amount and timing of undiscounted expected principal, interest and other cash flows.

Over the life of the acquired loans, the Company continues to estimate cash flows expected to be collected on individual loans or on pools of loans sharing common risk characteristics and were treated in the aggregate when applying various valuation techniques. The Company evaluates at each balance sheet date whether the present value of its loans determined using the effective interest rates has decreased and if so, recognizes a provision for loan loss in its consolidated statement of income. For any increases in cash flows expected to be collected, the Company adjusts the amount of accretable yield recognized on a prospective basis over the loan's or pool's remaining life.

Because the FDIC will reimburse the Company for losses incurred on certain acquired loans, an indemnification asset is recorded at fair value at the acquisition date. The indemnification asset is recognized at the same time as the indemnified loans, and measured on the same basis, subject to collectability or contractual limitations. The shared-loss agreements on the acquisition date reflect the reimbursements expected to be received from the FDIC, using an appropriate discount rate, which reflects counterparty credit risk and other uncertainties.

The shared-loss agreements continue to be measured on the same basis as the related indemnified loans. Because the acquired loans are subject to the accounting prescribed by ASC Topic 310, subsequent changes to the basis of the shared-loss agreements also follow that model. Deterioration in the credit quality of the loans (immediately recorded as an adjustment to the allowance for loan losses) would immediately increase the basis of the shared-loss agreements, with the offset recorded through the consolidated statement of income. Increases in the credit quality or cash flows of loans (reflected as an adjustment to yield and accreted into income over the remaining life of the loans) decrease the basis of the shared-loss agreements, with such decrease being accreted into income over 1) the same period or 2) the life of the shared-loss agreements, whichever is shorter. Loss assumptions used in the basis of the indemnified loans are consistent with the loss assumptions used to measure the indemnification asset. Fair value accounting incorporates into the fair value of the indemnification asset an element of the time value of money, which is accreted back into income over the life of the shared-loss agreements.

Upon the determination of an incurred loss the indemnification asset will be reduced by the amount owed by the FDIC. A corresponding, claim receivable is recorded until cash is received from the FDIC. For further discussion of the Company's acquisition and loan accounting, see Note 5, Loans Covered by FDIC Loss Share Agreements.

NOTE 2: EARNINGS PER SHARE ("EPS")

Basic EPS is computed by dividing reported net income by weighted average number of common shares outstanding during each period. Diluted EPS is computed by dividing reported net income by the weighted average common shares and all potential dilutive common shares outstanding during the period.

Following is the basic and diluted EPS computation for the three and six months ended June 30, 2012 and 2011:

(In thousands, except per share data)	Three Months Ended June 30, 2012	2011	Six Months Ended June 30, 2012	2011
Net income	$6,536	$6,746	$12,891	$11,812
Average common shares outstanding	17,044	17,342	17,130	17,320
Average potential dilutive common shares	5	33	4	33
Average diluted common shares	17,049	17,375	17,134	17,353
Basic earnings per share	$0.38	$0.39	$0.75	$0.68
Diluted earnings per share	$0.38	$0.39	$0.75	$0.68

Stock options to purchase 227,670 and 95,770 shares for the three and six months ended June 30, 2012 and 2011, respectively, were not included in the diluted EPS calculation because the exercise price of those options exceeded the average market price.

NOTE 3: INVESTMENT SECURITIES

The amortized cost and fair value of investment securities that are classified as held-to-maturity and available-for-sale are as follows:

	June 30, 2012				December 31, 2011			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Held-to-Maturity								
U.S. Treasury	$--	$ --	$ --	$--	$4,000	$ 14	$ --	$4,014
U.S. Government agencies	315,493	243	(135)	315,601	308,779	712	(154)	309,337
Mortgage-backed securities	56	3	--	59	62	1	--	63
State and political subdivisions	209,043	5,960	(93)	214,910	211,673	6,333	(144)	217,862
Other securities	930	--	--	930	930	--	--	930
	$525,522	$ 6,206	$ (228)	$531,500	$525,444	$ 7,060	$ (298)	$532,206
Available-for-Sale								
U.S. Government agencies	$148,731	$ 187	$ (81)	$148,837	$153,560	$ 295	$ (228)	$153,627
Mortgage-backed securities	2,207	286	--	2,493	2,280	277	--	2,557
Other securities	15,202	438	(4)	15,636	15,649	384	(5)	16,028
	$166,140	$ 911	$ (85)	$166,966	$171,489	$ 956	$ (233)	$172,212

Certain investment securities are valued at less than their historical cost. These declines primarily resulted from the rate for these investments yielding less than current market rates. Based on evaluation of available evidence, management believes the declines in fair value for these securities are temporary. Management does not have the intent to sell these securities and management believes it is more likely than not the Company will not have to sell these securities before recovery of their amortized cost basis less any current period credit losses. Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

As of June 30, 2012, securities with unrealized losses, segregated by length of impairment, were as follows:

(In thousands)	Less Than 12 Months Estimated Fair Value	Less Than 12 Months Gross Unrealized Losses	12 Months or More Estimated Fair Value	12 Months or More Gross Unrealized Losses	Total Estimated Fair Value	Total Gross Unrealized Losses
Held-to-Maturity						
U.S. Government agencies	$124,365	$ (135)	$--	$ --	$124,365	$ (135)
State and political subdivisions	3,673	(3)	1,012	(90)	4,685	(93)
Total	$128,038	$ (138)	$1,012	$ (90)	$129,050	$ (228)
Available-for-Sale						
U.S. Government agencies	$42,461	$ (39)	$1,151	$ (42)	$43,612	$ (81)
Other securities	1	(4)	--	--	1	(4)
Total	$42,462	$ (43)	$1,151	$ (42)	$43,613	$ (85)

Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers, among other things, (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, and (iii) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Management has the ability and intent to hold the securities classified as held to maturity until they mature, at which time the Company expects to receive full value for the securities. Furthermore, as of June 30, 2012, management also had the ability and intent to hold the securities classified as available-for-sale for a period of time sufficient for a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of June 30, 2012, management believes the impairments detailed in the table above are temporary.

The carrying value, which approximates the fair value, of securities pledged as collateral, to secure public deposits and for other purposes, amounted to $423,790,000 at June 30, 2012, and $410,702,000 at December 31, 2011.

The book value of securities sold under agreements to repurchase amounted to $59,545,000 and $83,556,000 for June 30, 2012, and December 31, 2011, respectively.

Income earned on securities for the three and six months ended June 30, 2012 and 2011, is as follows:

(In thousands)	Three Months Ended June 30, 2012	2011	Six Months Ended June 30, 2012	2011
Taxable				
Held-to-maturity	$829	$1,130	$1,681	$2,300
Available-for-sale	585	656	1,111	1,205
Non-taxable				
Held-to-maturity	1,899	1,985	3,796	3,971
Total	$3,313	$3,771	$6,588	$7,476

Maturities of investment securities at June 30, 2012, are as follows:

	Held-to-Maturity		Available-for-Sale	
(In thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	$35,145	$35,298	$300	$300
After one through five years	275,496	276,371	105,100	105,275
After five through ten years	141,053	142,900	45,534	45,751
After ten years	73,828	76,931	4	4
Other securities	--	--	15,202	15,636
Total	$525,522	$531,500	$166,140	$166,966

There were no realized gains or losses on investment securities for the three and six months ended June 30, 2012 or 2011.

The state and political subdivision debt obligations are primarily non-rated bonds and represent small, Arkansas issues, which are evaluated on an ongoing basis.

NOTE 4: LOANS AND ALLOWANCE FOR LOAN LOSSES

At June 30, 2012, the Company's loan portfolio was $1.73 billion, compared to $1.74 billion at December 31, 2011. The various categories of loans are summarized as follows:

(In thousands)	June 30, 2012	December 31, 2011
Consumer		
Credit cards	$176,325	$ 189,970
Student loans	39,823	47,419
Other consumer	107,284	109,211
Total consumer	323,432	346,600
Real Estate		
Construction	117,235	109,825
Single family residential	355,978	355,094
Other commercial	550,418	536,372
Total real estate	1,023,631	1,001,291
Commercial		
Commercial	140,868	141,422
Agricultural	122,245	85,728
Total commercial	263,113	227,150
Other	4,560	4,728
Loans not covered by loss share agreements	1,614,736	1,579,769
Loans covered by FDIC loss share agreements	114,189	158,075
Total loans before allowance for loan losses	$1,728,925	$ 1,737,844

Loan Origination/Risk Management – The Company seeks to manage its credit risk by diversifying its loan portfolio, determining that borrowers have adequate sources of cash flow for loan repayment without liquidation of collateral; obtaining and monitoring collateral; providing an adequate allowance for loans losses by regularly reviewing loans through the internal loan review process. The loan portfolio is diversified by borrower, purpose and industry. The Company seeks to use diversification within the loan portfolio to reduce its credit risk, thereby minimizing the adverse impact on the portfolio, if weaknesses develop in either the economy or a particular segment of borrowers. Collateral requirements are based on credit assessments of borrowers and may be used to recover the debt in case of default. Furthermore, factors that influenced the Company's judgment regarding the allowance for loan losses consists of a three-year historical loss average segregated by each primary loan sector. On an annual basis, historical loss rates are calculated for each sector.

Consumer – The consumer loan portfolio consists of credit card loans, student loans and other consumer loans. The Company no longer originates student loans, and the current portfolio is guaranteed by the Department of Education at 97% of principal and interest. Credit card loans are diversified by geographic region to reduce credit risk and minimize any adverse impact on the portfolio. Although they are regularly reviewed to facilitate the identification and monitoring of creditworthiness, credit card loans are unsecured loans, making them more susceptible to be impacted by economic downturns resulting in increasing unemployment. Other consumer loans include direct and indirect installment loans and overdrafts. Loans in this portfolio segment are sensitive to unemployment and other key consumer economic measures.

Real estate – The real estate loan portfolio consists of construction loans, single family residential loans and commercial loans. Construction and development loans ("C&D") and commercial real estate loans ("CRE") can be particularly sensitive to valuation of real estate. Commercial real estate cycles are inevitable. The long planning and production process for new properties and rapid shifts in business conditions and employment create an inherent tension between supply and demand for commercial properties. While general economic trends often move individual markets in the same direction over time, the timing and magnitude of changes are determined by other forces unique to each market. CRE cycles tend to be local in nature and longer than other credit cycles. Factors influencing the CRE market are traditionally different from those affecting residential real estate markets; thereby making predictions for one market based on the other difficult. Additionally, submarkets within commercial real estate – such as office, industrial, apartment, retail and hotel – also experience different cycles, providing an opportunity to lower the overall risk through diversification across types of CRE loans. Management realizes that local demand and supply conditions will also mean that different geographic areas will experience cycles of different amplitude and length. The Company monitors these loans closely and has no significant concentrations in its real estate loan portfolio.

Commercial – The commercial loan portfolio includes commercial and agricultural loans, representing loans to commercial customers and farmers for use in normal business or farming operations to finance working capital needs, equipment purchase or other expansion projects. Collection risk in this portfolio is driven by the creditworthiness of the underlying borrowers, particularly cash flow from customers' business or farming operations. The Company continues its efforts to keep loan terms short, reducing the negative impact of upward movement in interest rates. Term loans are generally set up with a one or three year balloon, and the Company has recently instituted a pricing index for commercial loans. It is standard practice to require personal guaranties on all commercial loans, particularly as they relate to closely-held or limited liability entities.

Nonaccrual and Past Due Loans – Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on nonaccrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Nonaccrual loans, excluding loans covered by FDIC loss share agreements, segregated by class of loans, are as follows:

(In thousands)	June 30, 2012	December 31, 2011
Consumer:		
Credit cards	$318	$ 305
Student loans	4	--
Other consumer	870	839
Total consumer	1,192	1,144
Real estate:		
Construction	795	121
Single family residential	2,513	3,198
Other commercial	3,813	7,233
Total real estate	7,121	10,552
Commercial:		
Commercial	484	757
Agricultural	192	454
Total commercial	676	1,211
Other	--	--
Total	$8,989	$ 12,907

An age analysis of past due loans, excluding loans covered by FDIC loss share agreements, segregated by class of loans, is as follows:

(In thousands)	Gross 30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days Past Due & Accruing
June 30, 2012						
Consumer:						
Credit cards	$ 614	$530	$1,144	$175,181	$176,325	$ 212
Student loans	1,187	3,279	4,466	35,357	39,823	3,275
Other consumer	999	553	1,552	105,732	107,284	181
Total consumer	2,800	4,362	7,162	316,270	323,432	3,668
Real estate:						
Construction	357	412	769	116,466	117,235	--
Single family residential	2,444	1,705	4,149	351,829	355,978	106
Other commercial	753	3,194	3,947	546,471	550,418	--
Total real estate	3,554	5,311	8,865	1,014,766	1,023,631	106
Commercial:						
Commercial	525	247	772	140,096	140,868	10
Agricultural	369	190	559	121,686	122,245	--
Total commercial	894	437	1,331	261,782	263,113	10
Other	--	--	--	4,560	4,560	--
Total	$ 7,248	$10,110	$17,358	$1,597,378	$1,614,736	$ 3,784
December 31, 2011						
Consumer:						
Credit cards	$ 820	$605	$1,425	$188,545	$189,970	$ 300
Student loans	1,894	2,483	4,377	43,042	47,419	2,483
Other consumer	1,398	664	2,062	107,149	109,211	335
Total consumer	4,112	3,752	7,864	338,736	346,600	3,118
Real estate:						
Construction	548	121	669	109,156	109,825	--
Single family residential	3,581	2,262	5,843	349,251	355,094	121
Other commercial	806	6,240	7,046	529,326	536,372	15
Total real estate	4,935	8,623	13,558	987,733	1,001,291	136
Commercial:						
Commercial	467	467	934	140,488	141,422	9
Agricultural	103	312	415	85,313	85,728	5
Total commercial	570	779	1,349	225,801	227,150	14
Other	--	--	--	4,728	4,728	--
Total	$ 9,617	$13,154	$22,771	$1,556,998	$1,579,769	$ 3,268

Impaired Loans – A loan is considered impaired when it is probable that the Company will not receive all amounts due according to the contractual terms of the loans, including scheduled principal and interest payments. This includes loans that are delinquent 90 days or more, nonaccrual loans and certain other loans identified by management. Certain other loans identified by management consist of performing loans with specific allocations of the allowance for loan losses. Impaired loans are carried at the present value of estimated future cash flows using the loan's existing rate, or the fair value of the collateral if the loan is collateral dependent. Specific allocations are applied when quantifiable factors are present requiring a greater allocation than that established by the Company based on its analysis of historical losses for each loan category.

Impairment is evaluated in total for smaller-balance loans of a similar nature and on an individual loan basis for other loans. Impaired loans, or portions thereof, are charged-off when deemed uncollectible.

Impaired loans, net of government guarantees and excluding loans covered by FDIC loss share agreements, segregated by class of loans, are as follows:

(In thousands)	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Investment in Impaired Loans	Interest Income Recognized	Average Investment in Impaired Loans	Interest Income Recognized
June 30, 2012						Three Months Ended		Six Months Ended	
Consumer:									
Credit cards	$ 530	$ 530	$ --	$ 530	$ 80	$ 540	$ 4	$ 562	$ 8
Student loans	--	--	--	--	--	--	--	--	--
Other consumer	1,249	1,114	125	1,239	244	1,145	14	1,206	30
Total consumer	1,779	1,644	125	1,769	324	1,685	18	1,768	38
Real estate:									
Construction	5,876	4,456	1,377	5,833	496	5,628	71	5,512	138
Single family residential	3,592	2,985	538	3,523	445	3,803	48	4,146	104
Other commercial	23,705	7,786	14,122	21,908	1,947	22,402	283	23,850	596
Total real estate	33,173	15,227	16,037	31,264	2,888	31,833	402	33,508	838
Commercial:									
Commercial	863	474	322	796	162	751	10	794	20
Agricultural	199	118	7	125	25	247	3	310	8
Total commercial	1,062	592	329	921	187	998	13	1,104	28
Other	--	--	--	--	--	--	--	--	--
Total	$ 36,014	$ 17,463	$ 16,491	$ 33,954	$ 3,399	$ 34,516	$ 433	$ 36,380	$ 904

December 31, 2011						Three Months Ended June 30, 2011		Six Months Ended June 30, 2011	
Consumer:									
Credit cards	$ 605	$ 605	$ --	$ 605	$ 91	$ 674	$ 12	$ 753	$ 25
Student loans	--	--	--	--	--	--	--	--	--
Other consumer	1,359	1,203	128	1,331	266	1,269	14	1,300	28
Total consumer	1,964	1,808	128	1,936	357	1,943	26	2,053	53
Real estate:									
Construction	5,324	3,783	1,498	5,281	415	7,154	76	7,593	164
Single family residential	5,152	4,243	589	4,832	402	5,853	62	6,024	130
Other commercial	28,538	13,642	13,100	26,742	1,942	31,040	330	31,151	675
Total real estate	39,014	21,668	15,187	36,855	2,759	44,047	468	44,768	969
Commercial:									
Commercial	949	569	312	881	214	1,502	16	1,454	31
Agricultural	572	332	104	436	153	441	5	551	12
Total commercial	1,521	901	416	1,317	367	1,943	21	2,005	43

Other	--	--	--	--	--	--	--	--	--
Total	$42,499	$24,377	$15,731	$40,108	$3,483	$ 47,933	$ 515	$48,826	$1,065

At June 30, 2012, and December 31, 2011, impaired loans, net of government guarantees, totaled $34.0 million and $40.1 million, respectively. Allocations of the allowance for loan losses relative to impaired loans were $3.4 million at June 30, 2012, and $3.5 million at December 31, 2011. Approximately $433,000 and $904,000 of interest income was recognized on average impaired loans of $34.5 million and $36.4 million for the three and six months ended June 30, 2012. Interest income recognized on impaired loans on a cash basis during the three and six months ended June 30, 2012 and 2011 was not material.

Included in certain impaired loan categories are troubled debt restructurings (“TDRs”). When the Company restructures a loan to a borrower that is experiencing financial difficulty and grants a concession that it would not otherwise consider, a “troubled debt restructuring” results and the Company classifies the loan as a TDR. The Company grants various types of concessions, primarily interest rate reduction and/or payment modifications or extensions, with an occasional forgiveness of principal.

Under ASC Topic 310-10-35 – Subsequent Measurement, a TDR is considered to be impaired, and an impairment analysis must be performed. The Company assesses the exposure for each modification, either by collateral discounting or by calculation of the present value of future cash flows, and determines if a specific allocation to the allowance for loan losses is needed.

Once an obligation has been restructured because of such credit problems, it continues to be considered a TDR until paid in full; or, if an obligation yields a market interest rate and no longer has any concession regarding payment amount or amortization, then it is not considered a TDR at the beginning of the calendar year after the year in which the improvement takes place. The Company returns TDRs to accrual status only if (1) all contractual amounts due can reasonably be expected to be repaid within a prudent period, and (2) repayment has been in accordance with the contract for a sustained period, typically at least six months.

The following table presents a summary of troubled debt restructurings as of June 30, 2012, excluding loans covered by FDIC loss share agreements, segregated by class of loans.

	Accruing TDR Loans		Nonaccrual TDR Loans		Total TDR Loans	
(Dollars in thousands)	Number	Balance	Number	Balance	Number	Balance
Consumer:						
Credit cards	--	$ --	--	$ --	$----	
Student loans	--	--	--	--	--	--
Other consumer	3	47	--	--	3	47
Total consumer	3	47	--	--	3	47
Real estate:						
Construction	2	1,209	--	--	2	1,209
Single-family residential	3	575	1	21	4	596
Other commercial	14	9,259	3	2,861	17	12,120
Total real estate	19	11,043	4	2,882	23	13,925
Commercial:						
Commercial	4	402	--	--	4	402
Agricultural	--	--	--	--	--	--
Total commercial	4	402	--	--	4	402
Other	--	--	--	--	--	--
Total	26	$ 11,492	4	$ 2,882	30	$ 14,374

The following table presents loans that were restructured as TDRs during the six months ended June 30, 2012, excluding loans covered by FDIC loss share agreements, segregated by class of loans.

				Modification Type		
(Dollars in thousands)	Number of Loans	Balance Prior to TDR	Balance at June 30, 2012	Change in Maturity Date	Change in Rate	Financial Impact on Date of Restructure
Consumer:						
Credit cards	--	$ --	$ --	$ --	$ --	$ --
Student loans	--	--	--	--	--	--
Other consumer	1	48	33	--	33	--

Total consumer	1	48	33	--	33	--
Real estate:						
Construction	--	--	--	--	--	--
Single family residential	--	--	--	--	--	--
Other commercial	4	1,054	879	--	879	--
Total real estate	4	1,054	879	--	879	--
Commercial:						
Commercial	1	50	39	--	39	--
Agricultural	--	--	--	--	--	--
Total commercial	1	50	39	--	39	--
Other	--	--	--	--	--	--
Total	6	$ 1,152	$ 951	$--	$ 951	$ --

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During the six months ended June 30, 2012, the Company modified a total of six loans with a recorded investment of $1.2 million prior to modification which were deemed troubled debt restructurings. Although there was additional modification of terms on some of the loans, the prevailing modification on all six loans was a lowering of the interest rate. Based on the fair value of the collateral, no specific reserve was determined necessary for any of these loans. Also, there was no immediate financial impact from the restructuring of these loans, as it was not considered necessary to charge-off interest or principal on the date of restructure.

There were no loans for which a payment default occurred during the six months ended June 30, 2012, and that had been modified as a TDR within 12 months or less of the payment default. The Company defines a payment default as a payment received more than 90 days after its due date.

Credit Quality Indicators – As part of the on-going monitoring of the credit quality of the Company's loan portfolio, management tracks certain credit quality indicators including trends related to (i) the weighted-average risk rating of commercial and real estate loans, (ii) the level of classified commercial and real estate loans, (iii) net charge-offs, (iv) non-performing loans (see details above) and (v) the general economic conditions in the States of Arkansas, Kansas and Missouri.

The Company utilizes a risk rating matrix to assign a risk rate to each of its commercial and real estate loans. Loans are rated on a scale of 1 to 8. A description of the general characteristics of the 8 risk ratings is as follows:

- Risk Rate 1 – Pass (Excellent) – This category includes loans which are virtually free of credit risk. Borrowers in this category represent the highest credit quality and greatest financial strength.

- Risk Rate 2 – Pass (Good) - Loans under this category possess a nominal risk of default. This category includes borrowers with strong financial strength and superior financial ratios and trends. These loans are generally fully secured by cash or equivalents (other than those rated "excellent").

- Risk Rate 3 – Pass (Acceptable – Average) - Loans in this category are considered to possess a normal level of risk. Borrowers in this category have satisfactory financial strength and adequate cash flow coverage to service debt requirements. If secured, the perfected collateral should be of acceptable quality and within established borrowing parameters.

- Risk Rate 4 – Pass (Monitor) - Loans in the Watch (Monitor) category exhibit an overall acceptable level of risk, but that risk may be increased by certain conditions, which represent "red flags". These "red flags" require a higher level of supervision or monitoring than the normal "Pass" rated credit. The borrower may be experiencing these conditions for the first time, or it may be recovering from weakness, which at one time justified a harsher rating. These conditions may include: weaknesses in financial trends; marginal cash flow; one-time negative operating results; non-compliance with policy or borrowing agreements; poor diversity in operations; lack of adequate monitoring information or lender supervision; questionable management ability/stability.

- Risk Rate 5 – Special Mention - A loan in this category has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special Mention loans are not adversely classified (although they are "criticized") and do not expose an institution to sufficient risk to warrant adverse classification. Borrowers may be experiencing adverse operating trends, or an ill-proportioned balance sheet. Non-financial characteristics of a Special Mention rating may include management problems, pending litigation, a non-existent, or ineffective loan agreement or other material structural weakness, and/or other significant deviation from prudent lending practices.

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- Risk Rate 6 – Substandard - A Substandard loan is inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged, if any. Loans so classified must have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt. The loans are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. This does not imply ultimate loss of the principal, but may involve burdensome administrative expenses and the accompanying cost to carry the loan.

- Risk Rate 7 – Doubtful – A loan classified Doubtful has all the weaknesses inherent in a substandard loan except that the weaknesses make collection or liquidation in full (on the basis of currently existing facts, conditions, and values) highly questionable and improbable. Doubtful borrowers are usually in default, lack adequate liquidity, or capital, and lack the resources necessary to remain an operating entity. The possibility of loss is extremely high, but because of specific pending events that may strengthen the asset, its classification as loss is deferred. Pending factors include: proposed merger or acquisition; liquidation procedures; capital injection; perfection of liens on additional collateral; and refinancing plans. Loans classified as Doubtful are placed on nonaccrual status.

    - Risk Rate 8 – Loss - Loans classified Loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the loans has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless loan, even though partial recovery may be affected in the future. Borrowers in the Loss category are often in bankruptcy, have formally suspended debt repayments, or have otherwise ceased normal business operations. Loans should be classified as Loss and charged-off in the period in which they become uncollectible.

Loans covered by FDIC loss share agreements are evaluated using this internal grading system. However, since these loans are accounted for in pools and are currently substantially covered through loss sharing agreements with the FDIC, all of the loan pools were considered satisfactory at June 30, 2012 and December 31, 2011, respectively. See Note 5, Loans Covered by FDIC Loss Share Agreements, for further discussion of the acquired loan pools and loss sharing agreements.

Classified loans for the Company include loans in Risk Ratings 6, 7 and 8. Loans may be classified, but not considered impaired, due to one of the following reasons: (1) The Company has established minimum dollar amount thresholds for loan impairment testing. Loans rated 6 – 8 that fall under the threshold amount are not tested for impairment and therefore are not included in impaired loans. (2) Of the loans that are above the threshold amount and tested for impairment, after testing, some are considered to not be impaired and are not included in impaired loans. Total classified loans were $49.4 million and $60.6 million as of June 30, 2012 and December 31, 2011, respectively.

The following table presents a summary of loans by credit risk rating as of June 30, 2012 and December 31, 2011, segregated by class of loans.

(In thousands)	Risk Rate 1-4	Risk Rate 5	Risk Rate 6	Risk Rate 7	Risk Rate 8	Total
June 30, 2012						
Consumer:						
Credit cards	$ 175,795	$ --	$ 530	$ --	$ --	$ 176,325
Student loans	36,544	--	3,279	--	--	39,823
Other consumer	105,261	49	1,911	39	24	107,284
Total consumer	317,600	49	5,720	39	24	323,432
Real estate:						
Construction	110,375	413	6,447	--	--	117,235
Single family residential	348,252	1,660	6,052	14	--	355,978
Other commercial	512,175	10,220	28,023	--	--	550,418
Total real estate	970,802	12,293	40,522	14	--	1,023,631
Commercial:						
Commercial	137,706	529	2,605	28	--	140,868
Agricultural	121,827	--	418	--	--	122,245
Total commercial	259,533	529	3,023	28	--	263,113
Other	4,560	--	--	--	--	4,560
Loans covered by FDIC loss share agreements	114,189	--	--	--	--	114,189
Total	$ 1,666,684	$ 12,871	$ 49,265	$ 81	$ 24	$ 1,728,925

(In thousands)	Risk Rate 1-4	Risk Rate 5	Risk Rate 6	Risk Rate 7	Risk Rate 8	Total
December 31, 2011						
Consumer:						
Credit cards	$ 189,365	$ --	$ 605	$ --	$ --	$ 189,970
Student loans	44,936	--	2,483	--	--	47,419
Other consumer	107,217	12	1,906	50	26	109,211
Total consumer	341,518	12	4,994	50	26	346,600
Real estate:						
Construction	100,534	3,699	5,592	--	--	109,825
Single family residential	345,880	1,377	7,821	16	--	355,094
Other commercial	491,466	8,465	36,441	--	--	536,372
Total real estate	937,880	13,541	49,854	16	--	1,001,291
Commercial:						
Commercial	136,107	510	4,762	43	--	141,422
Agricultural	84,747	148	833	--	--	85,728
Total commercial	220,854	658	5,595	43	--	227,150
Other	4,728	--	--	--	--	4,728
Loans covered by FDIC loss share agreements	158,075	--	--	--	--	158,075

Total	$ 1,663,055	$ 14,211	$ 60,443	$ 109	$ 26	$ 1,737,844

Net (charge-offs)/recoveries for the three and six months ended June 30, 2012 and 2011, excluding loans covered by FDIC loss share agreements, segregated by class of loans, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2012	2011	2012	2011
Consumer:				
Credit cards	$(617)	$(908)	$(1,404)	$(1,827)
Student loans	(20)	(14)	(38)	(22)
Other consumer	(97)	(476)	(149)	(603)
Total consumer	(734)	(1,398)	(1,591)	(2,452)
Real estate:				
Construction	--	(772)	46	(772)
Single-family residential	9	(338)	(211)	(355)
Other commercial	161	(425)	(1,274)	(504)
Total real estate	170	(1,535)	(1,439)	(1,631)
Commercial:				
Commercial	11	(503)	(43)	(571)
Agriculture	(150)	(1)	(184)	31
Total commercial	(139)	(504)	(227)	(540)
Other	--	--	--	--
Total	$(703)	$(3,437)	$(3,257)	$(4,623)

Allowance for Loan Losses – The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The Company's allowance for loan loss methodology includes allowance allocations calculated in accordance with ASC Topic 310, Receivables, and allowance allocations calculated in accordance with ASC Topic 450, Contingencies. Accordingly, the methodology is based on historical loss experience by type of credit and internal risk grade, specific homogeneous risk pools and specific loss allocations, with adjustments for current events and conditions. The Company's process for determining the appropriate level of the allowance for loan losses is designed to account for credit deterioration as it occurs. The provision for loan losses reflects loan quality trends, including the levels of and trends related to nonaccrual loans, past due loans, potential problem loans, criticized loans and net charge-offs or recoveries, among other factors. The provision for loan losses also reflects the totality of actions taken on all loans for a particular period. In other words, the amount of the provision reflects not only the necessary increases in the allowance for loan losses related to newly identified criticized loans, but it also reflects actions taken related to other loans including, among other things, any necessary increases or decreases in required allowances for specific loans or loan pools.

The allowance for loan losses is determined monthly based on management's assessment of several factors such as (1) historical loss experience based on volumes and types, (2) reviews or evaluations of the loan portfolio and allowance for loan losses, (3) trends in volume, maturity and composition, (4) off balance sheet credit risk, (5) volume and trends in delinquencies and nonaccruals, (6) lending policies and procedures including those for loan losses, collections and recoveries, (7) national, state and local economic trends and conditions, (8) concentrations of credit that might affect loss experience across one or more components of the loan portfolio, (9) the experience, ability and depth of lending management and staff and (10) other factors and trends that will affect specific loans and categories of loans.

As management evaluates the allowance for loan losses, it is categorized as follows: (1) specific allocations, (2) allocations for classified assets with no specific allocation, (3) general allocations for each major loan category and (4) unallocated portion.

Specific allocations are made when factors are present requiring a greater reserve than would be required when using the assigned risk rating allocation. As a general rule, if a specific allocation is warranted, it is the result of an analysis of a previously classified credit or relationship. The Company's evaluation process in specific allocations includes a review of appraisals or other collateral analysis. These values are compared to the remaining outstanding principal balance. If a loss is determined to be reasonably possible, the possible loss is identified as a specific allocation. If the loan is not collateral dependent, the measurement of loss is based on the expected future cash flows of the loan.

The Company establishes allocations for loans rated "watch" through "doubtful" based upon analysis of historical loss experience by category. A percentage rate is applied to each of these loan categories to determine the level of dollar allocation.

Management recognizes that unforeseen risks are inherent in the loan portfolio, and seeks to quantify, to the extent possible, factors that affect both the value and collectability of the asset. Relative to ASC Topic 310, the Company has identified the following risk assessment factors that have the potential to affect loan quality, and correspondingly, loan recognition. The factors are identified as (1) lending policies and procedures, (2) economic outlook and business conditions, (3) level and trend in delinquencies, (4) concentrations of credit and (5) external factors and competition.

The Company establishes general allocations for each major loan category. This section also includes allocations to loans which are collectively evaluated for loss such as credit cards, one-to-four family owner occupied residential real estate loans and other consumer loans. The allocations in this section are based on an analysis of historical losses for each loan category. Management gives consideration to trends, changes in loan mix, delinquencies, prior losses and other related information.

Allowance allocations other than specific, classified and general are included in the unallocated portion. While allocations are made for loans based upon historical loss analysis, the unallocated portion is designed to cover the uncertainty of how current economic conditions and other uncertainties may impact the existing loan portfolio. Factors to consider include national and state economic conditions such as increases in unemployment, the recent real estate lending crisis, the volatility in the stock market and the unknown impact of the various government stimulus programs. Various Federal Reserve articles and reports indicate the economy is in a moderate recovery, but questions remain about the durability of growth and whether it can be sustained by private demand. While the recession may be over, when compared to normal economic conditions, production, income, sales and employment are at very low levels. With moderate economic growth, it is possible the recovery could take years. The unemployment rate seems likely to remain elevated for several years. The unallocated reserve addresses inherent probable losses not included elsewhere in the allowance for loan losses. While calculating allocated reserve, the unallocated reserve supports uncertainties within the loan portfolio.

The following table details activity in the allowance for loan losses by portfolio segment for the three and six months ended June 30, 2012. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

(In thousands)	Commercial	Real Estate	Credit Card	Other Consumer and Other	Unallocated	Total
Three Months Ended June 30, 2012						
Balance, beginning of period	$ 1,914	$9,641	$5,500	$ 1,771	$ 9,499	$28,325
Provision for loan losses	208	657	603	122	(815)	775
Charge-offs	(165)	(78)	(829)	(252)	--	(1,324)
Recoveries	26	248	212	135	--	621
Net (charge-offs) recoveries	(139)	170	(617)	(117)	--	(703)
Balance, June 30, 2012	$ 1,983	$10,468	$5,486	$ 1,776	$ 8,684	$28,397
Six Months Ended June 30, 2012						
Balance, beginning of year	$ 2,063	$10,117	$5,513	$ 1,847	$ 10,568	$30,108
Provision for loan losses	147	1,790	1,377	116	(1,884)	1,546
Charge-offs	(294)	(2,617)	(1,826)	(478)	--	(5,215)
Recoveries	67	1,178	422	291	--	1,958
Net charge-offs	(227)	(1,439)	(1,404)	(187)	--	(3,257)
Balance, June 30, 2012	$ 1,983	$10,468	$5,486	$ 1,776	$ 8,684	$28,397
Period-end amount allocated to:						
Loans individually evaluated for impairment	$ 187	$2,888	$80	$ 244	$ --	$3,399
Loans collectively evaluated for impairment	1,796	7,580	5,406	1,532	8,684	24,998
Balance, June 30, 2012	$ 1,983	$10,468	$5,486	$ 1,776	$ 8,684	$28,397

Activity in the allowance for loan losses for the three and six months ended June 30, 2011 was as follows:

(In thousands)	Commercial	Real Estate	Credit Card	Other Consumer and Other	Unallocated	Total
Three Months Ended June 30, 2011						
Balance, beginning of period	$ 2,438	$ 9,851	$ 5,552	$ 1,865	$ 8,199	$ 27,905
Provision for loan losses	590	1,613	843	402	(120)	3,328
Charge-offs	(745)	(1,682)	(1,145)	(621)	--	(4,193)
Recoveries	241	147	237	131	--	756
Net charge-offs	(504)	(1,535)	(908)	(490)	--	(3,437)
Balance, June 30	$ 2,524	$ 9,929	$ 5,487	$ 1,777	$ 8,079	$ 27,796
Six Months Ended June 30, 2011						
Balance, beginning of year	$ 2,277	$ 9,692	$ 5,549	$ 1,958	$ 6,940	$ 26,416
Provision for loan losses	787	1,868	1,765	444	1,139	6,003
Charge-offs	(840)	(2,025)	(2,301)	(910)	--	(6,076)
Recoveries	300	394	474	285	--	1,453
Net charge-offs	(540)	(1,631)	(1,827)	(625)	--	(4,623)
Balance, June 30	$ 2,524	$ 9,929	$ 5,487	$ 1,777	$ 8,079	$ 27,796
Period-end amount allocated to:						
Loans individually evaluated for impairment	$ 668	$ 2,208	$ 64	$ 266	$ --	$ 3,206
Loans collectively evaluated for impairment	1,856	7,721	5,423	1,511	8,079	24,590
Balance, June 30	$ 2,524	$ 9,929	$ 5,487	$ 1,777	$ 8,079	$ 27,796
Period-end amount allocated to:						
Loans individually evaluated for impairment	$ 367	$ 2,759	$ 91	$ 266	$ --	$ 3,483
Loans collectively evaluated for impairment	1,696	7,358	5,422	1,581	10,568	26,625
Balance, December 31, 2011	$ 2,063	$ 10,117	$ 5,513	$ 1,847	$ 10,568	$ 30,108

The Company’s recorded investment in loans, excluding loans covered by FDIC loss share agreements, related to each balance in the allowance for loan losses by portfolio segment on the basis of the Company’s impairment methodology was as follows:

(In thousands)	Commercial	Real Estate	Credit Card	Other Consumer and Other	Total
June 30, 2012					
Loans individually evaluated for impairment	$ 921	$ 31,264	$ 530	$ 1,239	$ 33,954

Loans collectively evaluated for impairment	262,192	992,367	175,795	150,428	1,580,782
Balance, end of period	$ 263,113	$1,023,631	$176,325	$ 151,667	$1,614,736
December 31, 2011					
Loans individually evaluated for impairment	$ 1,317	$36,855	$605	$ 1,331	$40,108
Loans collectively evaluated for impairment	225,833	964,436	189,365	160,027	1,539,661
Balance, end of period	$ 227,150	$1,001,291	$189,970	$ 161,358	$1,579,769

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NOTE 5: LOANS COVERED BY FDIC LOSS SHARE AGREEMENTS

During 2010, the Company, through its wholly-owned subsidiary, Simmons First National Bank ("SFNB" or "lead bank"), entered into purchase and assumption agreements with loss share arrangements with the FDIC pursuant to which it acquired substantially all of the assets and assumed substantially all of the deposits and certain other liabilities of Southwest Community Bank ("SWCB") in Springfield, Missouri and Security Savings Bank, FSB ("SSB") with offices in various locations in Kansas.

The Company evaluated loans purchased in conjunction with the acquisition of SWCB and SSB for impairment in accordance with the provisions of ASC Topic 310-30. Purchased covered loans are considered impaired if there is evidence of credit deterioration since origination and if it is probable that not all contractually required payments will be collected.

The following table reflects the carrying value of all purchased covered impaired loans as of June 30, 2012 and December 31, 2011, for the SWCB and SSB FDIC-assisted transactions:

	Loans Covered by FDIC Loss Share	
(in thousands)	June 30, 2012	December 31, 2011
Consumer:		
Other consumer	$--	$ 23
Total consumer	--	23
Real estate:		
Construction	16,502	23,515
Single family residential	21,957	26,825
Other commercial	70,471	102,198
Total real estate	108,930	152,538
Commercial:		
Commercial	5,259	5,514
Agricultural	--	--
Total commercial	5,259	5,514
Total covered loans (1)	$114,189	$ 158,075

(1) These loans were not classified as non-performing assets at June 30, 2012 or December 31, 2011, as the loans are accounted for on a pooled basis and the pools are considered to be performing. Therefore, interest income, through accretion of the difference between the carrying amount of the loans and the expected cash flows, is being recognized on all purchased impaired loans. The loans are grouped in pools sharing common risk characteristics and were treated in the aggregate when applying various valuation techniques.

The acquired loans were grouped into pools based on common risk characteristics and were recorded at their estimated fair values, which incorporated estimated credit losses at the acquisition date. These loan pools are systematically reviewed by the Company to determine the risk of losses that may exceed those identified at the time of the acquisition. Techniques used in determining risk of loss are similar to the Company's non-covered loan portfolio, with most focus being placed on those loan pools which include the larger loan relationships and those loan pools which exhibit higher risk characteristics.

The amount of the estimated cash flows expected to be received from the acquired loan pools in excess of the fair values recorded for the loan pools is referred to as the accretable yield. The accretable yield is recognized as interest income over the estimated lives of the loans. Each quarter, the Company estimates the cash flows expected to be collected from the acquired loan pools, and adjustments may or may not be required. Beginning in the fourth quarter of 2011, the cash flows estimate has increased based on payment histories and reduced loss expectations of the loan pools. This resulted in increased interest income that is spread on a level-yield basis over the remaining expected lives of the loan pools. The increases in expected cash flows also reduce the amount of expected reimbursements under the loss sharing agreements with the FDIC, which are recorded as indemnification assets. The estimated adjustments to the indemnification assets are amortized on a level-yield basis over the remainder of the loss sharing agreements or the remaining expected lives of the loan pools, whichever is shorter. The impact of the adjustments on the Company’s financial results for the three and six months ended June 30, 2012 and 2011, is shown below:

(In thousands)	Three Months Ended June 30, 2012	2011	Six Months Ended June 30, 2012	2011
Impact on net interest income	$3,004	$--	$6,189	$--
Non-interest income	(2,737)	--	(5,516)	--
Net impact to pre-tax income	267	--	673	--
Net impact, net of taxes	$162	$--	$409	$--

Because these adjustments will be recognized over the remaining lives of the loan pools and the remainder of the loss sharing agreements, respectively, they will impact future periods as well. The current estimate of the remaining accretable yield adjustment that will positively impact interest income is $21.7 million and the remaining adjustment to the indemnification assets that will reduce non-interest income is $19.0 million. Of the remaining adjustments, the Company expects to recognize $5.7 million of interest income and a $5.4 million reduction of non-interest income, for a net addition to pre-tax income of approximately $0.4 million during the remainder of 2012. The accretable yield adjustments recorded in future periods will change as the Company continues to evaluate expected cash flows from the acquired loan pools.

Changes in the carrying amount of the accretable yield for purchased impaired and non-impaired loans were as follows for the three and six months ended June 30, 2012 and 2011, for SWCB and SSB, combined.

	Three Months Ended June 30, 2012		Six Months Ended June 30, 2012	
(In thousands)	Accretable Yield	Carrying Amount of Loans	Accretable Yield	Carrying Amount of Loans
Beginning balance	$36,860	$ 129,755	$42,833	$ 158,075
Additions	--	--	--	--
Accretable yield adjustments	--	--	--	--
Accretion	(4,994)	4,994	(10,967)	10,967
Payments and other reductions, net	--	(20,560)	--	(54,853)
Balance, ending	$31,866	$ 114,189	$31,866	$ 114,189

(In thousands)	Three Months Ended June 30, 2011 Accretable Yield	Three Months Ended June 30, 2011 Carrying Amount of Loans	Six Months Ended June 30, 2011 Accretable Yield	Six Months Ended June 30, 2011 Carrying Amount of Loans
Beginning balance	$31,906	$ 208,774	$36,247	$ 231,600
Additions	--	--	--	--
Accretable yield adjustments	--	--	--	--
Accretion	(4,347)	4,347	(8,688)	8,688
Payments and other reductions, net	--	(20,222)	--	(47,389)
Balance, ending	$27,559	$ 192,899	$27,559	$ 192,899

No pools evaluated by the Company were determined to have experienced impairment in the estimated credit quality or cash flows. There were no allowances for loan losses related to the purchased impaired loans at June 30, 2012 or December 31, 2011.

NOTE 6: GOODWILL AND CORE DEPOSIT PREMIUMS

Goodwill is tested annually, or more than annually, if circumstances warrant, for impairment. If the implied fair value of goodwill is lower than its carrying amount, goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements.

Core deposit premiums are periodically evaluated as to the recoverability of their carrying value.

Goodwill, along with the carrying basis and accumulated amortization of core deposit premiums (net of core deposit premiums that were fully amortized) at June 30, 2012, and December 31, 2011, were as follows:

(In thousands)	June 30, 2012	December 31, 2011
Goodwill	$60,605	$ 60,605
Core deposit premiums:		
Gross carrying amount	$3,069	$ 3,069
Accumulated amortization	(1,638)	(1,490)
Net core deposit premiums	$1,431	$ 1,579

Core deposit premium amortization expense recorded for the six months ended June 30, 2012 and 2011, was $148,000 and $448,000, respectively. The Company’s estimated remaining amortization expense on core deposit premiums as of June 30, 2012, is as follows:

(In thousands)	Year	Amortization Expense
	Remainder of 2012	$ 151
	2013	261

2014		157
2015		150
2016		148
Thereafter		564
Total	$	1,431

NOTE 7: TIME DEPOSITS

Time deposits include approximately $352,973,000 and $378,825,000 of certificates of deposit of $100,000 or more at June 30, 2012, and December 31, 2011, respectively.

NOTE 8: INCOME TAXES

The provision for income taxes is comprised of the following components:

(In thousands)	June 30, 2012	June 30, 2011
Income taxes currently payable	$6,269	$7,093
Deferred income taxes	(802)	(2,495)
Provision for income taxes	$5,467	$4,598

The tax effects of temporary differences related to deferred taxes shown on the balance sheets were:

(In thousands)	June 30, 2012	December 31, 2011
Deferred tax assets		
Loans acquired	$5,616	$ 7,150
FDIC true-up liability	1,564	1,341
Allowance for loan losses	11,115	11,457
Valuation of foreclosed assets	807	393
Deferred compensation payable	1,606	1,591
FHLB advances	477	547
Vacation compensation	1,050	1,052
Accumulated depreciation	54	--
Loan interest	767	767
Other	558	522
Total deferred tax assets	23,614	24,820
Deferred tax liabilities		
Accumulated depreciation	--	(189)
Deferred loan fee income and expenses, net	(2,056)	(1,742)
FHLB stock dividends	(327)	(430)
Goodwill and core deposit premium amortization	(10,457)	(9,725)
FDIC indemnification asset	(13,744)	(18,703)
Available-for-sale securities	(324)	(283)
Other	(2,766)	(569)
Total deferred tax liabilities	(29,674)	(31,641)