SIMMONS FIRST NATIONAL CORP
Form 10-Q
November 09, 2011

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 September 30, 2011   Commission File Number 000-06253

SIMMONS FIRST NATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Arkansas	71-0407808
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

501 Main Street, Pine Bluff, Arkansas	71601
(Address of principal executive offices)	(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. S 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 S 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 S No

The number of shares outstanding of the Registrant's Common Stock as of October 24, 2011, was 17,273,647.

Simmons First National Corporation

Quarterly Report on Form 10-Q

September 30, 2011

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Part I: Financial Information

Item 1. Financial Statements

Simmons First National Corporation

Consolidated Balance Sheets

September 30, 2011 and December 31, 2010

(In thousands, except share data)	September 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
Cash and non-interest bearing balances due from banks	$ 33,408	$ 33,717
Interest bearing balances due from banks	490,283	418,343
Cash and cash equivalents	523,691	452,060
Investment securities	644,881	613,662
Mortgage loans held for sale	21,037	17,237
Assets held in trading accounts	5,252	7,577
Loans	1,631,541	1,683,464
Allowance for loan losses	(29,151)	(26,416)
Net loans	1,602,390	1,657,048
Covered assets:		
Loans, net of discount	172,394	231,600
Other real estate owned, net of discount	13,845	8,717
FDIC indemnification asset	51,223	60,235
Premises and equipment	86,972	77,199
Foreclosed assets held for sale, net	22,159	23,204
Interest receivable	16,195	17,363
Bank owned life insurance	50,175	49,072
Goodwill	60,605	60,605
Core deposit premiums	1,793	2,463
Other assets	20,736	38,390
Total assets	$ 3,293,348	$ 3,316,432
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing transaction accounts	$ 531,025	$ 428,750
Interest bearing transaction accounts and savings deposits	1,194,907	1,220,133
Time deposits	908,882	959,886
Total deposits	2,634,814	2,608,769
Federal funds purchased and securities sold under agreements to repurchase	98,286	109,139
Short-term debt	481	1,033
Long-term debt	122,501	164,324
Accrued interest and other liabilities	29,607	35,796
Total liabilities	2,885,689	2,919,061

Stockholders' equity:		
Preferred stock, $0.01 par value; 40,040,000 shares authorized and unissued at September 30, 2011 and December 31, 2010	—	—
Common stock, Class A, $0.01 par value; 60,000,000 shares authorized; 17,329,775 and 17,271,594 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively	173	173
Surplus	115,026	114,040
Undivided profits	291,830	282,646
Accumulated other comprehensive income		
Unrealized appreciation on available-for-sale securities, net of income taxes of $406 at September 30, 2011 and $331 at December 31, 2010	630	512
Total stockholders' equity	407,659	397,371
Total liabilities and stockholders' equity	$ 3,293,348	$ 3,316,432

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation

Consolidated Statements of Income

Three and Nine Months Ended September 30, 2011 and 2010

(In thousands, except per share data)	Three Months Ended September 30, 2011 (Unaudited)	2010	Nine Months Ended September 30, 2011 (Unaudited)	2010
INTEREST INCOME				
Loans	$24,366	$26,934	$72,343	$80,413
Covered loans	3,917	864	12,605	1,077
Federal funds sold	3	6	5	12
Investment securities	3,539	4,182	11,015	13,178
Mortgage loans held for sale	130	210	305	429
Assets held in trading accounts	8	7	26	20
Interest bearing balances due from banks	243	123	776	487
TOTAL INTEREST INCOME	32,206	32,326	97,075	95,616
INTEREST EXPENSE				
Deposits	3,594	4,605	11,569	14,881
Federal funds purchased and securities sold under agreements to repurchase	113	126	332	398
Short-term debt	13	15	37	45
Long-term debt	1,207	1,524	3,774	4,619
TOTAL INTEREST EXPENSE	4,927	6,270	15,712	19,943
NET INTEREST INCOME	27,279	26,056	81,363	75,673
Provision for loan losses	2,842	3,407	8,845	10,396
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	24,437	22,649	72,518	65,277
NON-INTEREST INCOME				
Trust income	1,370	1,343	3,959	3,763
Service charges on deposit accounts	4,450	4,388	12,519	13,428
Other service charges and fees	695	646	2,281	2,096
Income on sale of mortgage loans, net of commissions	1,249	1,242	2,724	2,777
Income on investment banking, net of commissions	203	369	1,184	1,750
Credit card fees	4,303	3,972	12,510	11,692
Premiums on sale of student loans	—	1,979	—	2,524
Bank owned life insurance income	261	404	1,078	1,260
Gain on FDIC-assisted transactions	—	—	—	3,037
Other income	1,191	479	4,463	1,943
TOTAL NON-INTEREST INCOME	13,722	14,822	40,718	44,270
NON-INTEREST EXPENSE				
Salaries and employee benefits	15,533	14,809	49,085	45,039
Occupancy expense, net	2,224	1,906	6,513	5,632
Furniture and equipment expense	1,763	1,542	4,912	4,563
Other real estate and foreclosure expense	215	304	532	676
Deposit insurance	211	885	2,092	2,899

Merger related costs	—	134	357	577
Other operating expenses	7,687	7,178	22,809	21,444
TOTAL NON-INTEREST EXPENSE	27,633	26,758	86,300	80,830
INCOME BEFORE INCOME TAXES	10,526	10,713	26,936	28,717
Provision for income taxes	3,269	3,093	7,867	8,160
NET INCOME	$7,257	$7,620	$19,069	$20,557
BASIC EARNINGS PER SHARE	$0.42	0.45	$1.10	$1.20
DILUTED EARNINGS PER SHARE	$0.42	0.44	$1.10	$1.19

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation

Consolidated Statements of Cash Flows

Nine Months Ended September 30, 2011 and 2010

(In thousands)	September 30, 2011 (Unaudited)	September 30, 2010
OPERATING ACTIVITIES		
Net income	$ 19,069	$ 20,557
Items not requiring (providing) cash		
Depreciation and amortization	4,542	4,275
Provision for loan losses	8,845	10,396
Net amortization of investment securities	(9)	(24)
Stock-based compensation expense	921	717
Net accretion and gain/loss on FDIC covered assets	(3,575)	(81)
Gain on FDIC-assisted transactions	—	(3,037)
Deferred income taxes	(2,490)	1,457
Bank owned life insurance income	(1,078)	(1,260)
Changes in		
Interest receivable	1,168	997
Mortgage loans held for sale	(3,800)	(16,986)
Assets held in trading accounts	2,325	(526)
Other assets	1,922	(1,761)
Accrued interest and other liabilities	(2,428)	1,651
Income taxes payable	(1,271)	1,398
Net cash provided by operating activities	24,141	17,773
INVESTING ACTIVITIES		
Net collections of covered loans	51,625	7,134
Net collections of loans	27,386	99,243
Purchases of premises and equipment, net	(13,645)	(3,531)
Proceeds from sale of covered other real estate owned	5,241	2,006
Proceeds from sale of foreclosed assets held for sale	19,472	11,728
Proceeds from sale of available-for-sale securities	5,331	—
Proceeds from maturities of available-for-sale securities	255,255	390,417
Purchases of available-for-sale securities	(252,556)	(366,346)
Proceeds from maturities of held-to-maturity securities	132,733	313,038
Purchases of held-to-maturity securities	(171,855)	(310,520)
Purchases of bank owned life insurance	(25)	(6,482)
Cash received on FDIC loss share	25,531	1,252
Net cash proceeds received in FDIC-assisted transaction	—	18,067
Net cash provided by investing activities	84,493	156,006

FINANCING ACTIVITIES		
Net change in deposits	26,045	(147,343)
Net change in short-term debt	(552)	(1,912)
Dividends paid	(9,885)	(9,808)
Proceeds from issuance of long-term debt	3,625	3,915
Repayment of long-term debt	(45,448)	(26,909)
Net change in federal funds purchased and securities sold under agreements to repurchase	(10,853)	(20,349)
Net shares issued under stock compensation plans	474	966
Repurchase of common stock	(409)	—
Net cash used in financing activities	(37,003)	(201,440)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	71,631	(27,661)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	452,060	353,585
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 523,691	$ 325,924

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation

Consolidated Statements of Stockholders' Equity

Nine Months Ended September 30, 2011 and 2010

(In thousands, except share data)	Common Stock	Surplus	Accumulated Other Comprehensive Income	Undivided Profits	Total
Balance, December 31, 2009	$ 171	$ 111,694	$ 762	$ 258,620	$ 371,247
Comprehensive income					
Net income	—	—	—	20,557	20,557
Change in unrealized appreciation on available-for-sale securities, net of income taxes of $222	—	—	290	—	290
Comprehensive income					20,847
Stock issued as bonus shares – 80,245 shares	1	203	—	—	204
Vesting bonus shares	—	587	—	—	587
Stock issued for employee stock purchase plan – 4,947 shares	—	131	—	—	131
Exercise of stock options – 67,988 shares	—	968	—	—	968
Stock granted under stock-based compensation plans	—	130	—	—	130
Securities exchanged under stock option plan	—	(337)	—	—	(337)
Cash dividends – $0.57 per share	—	—	—	(9,808)	(9,808)
Balance, September 30, 2010 (Unaudited)	172	113,376	1,052	269,369	383,969
Comprehensive income					
Net income	—	—	—	16,560	16,560
Change in unrealized appreciation on available-for-sale securities, net of income taxes of ($383)	—	—	(540)	—	(540)
Comprehensive income					16,020
Stock issued as bonus shares – 3,000 shares	—	—	—	—	—
Vesting bonus shares	—	214	—	—	214
Exercise of stock options – 40,616 shares	1	492	—	—	493
Stock granted under stock-based compensation plans	—	43	—	—	43
Securities exchanged under stock option plan	—	(85)	—	—	(85)
Cash dividends – $0.19 per share	—	—	—	(3,283)	(3,283)
Balance, December 31, 2010	173	114,040	512	282,646	397,371
Comprehensive income					
Net income	—	—	—	19,069	19,069
Change in unrealized appreciation on available-for-sale securities, net of income taxes of $116	—	—	118	—	118
Comprehensive income					19,187

Stock issued as bonus shares – 47,995 shares	—	98	—	—	98
Vesting bonus shares	—	813	—	—	813
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	—	108	—	—	108
Securities exchanged under stock option plan – (4,185 shares)	—	(109)	—	—	(109)
Repurchase of common stock – (19,000 shares)	—	(409)	—	—	(409)
Cash dividends – $0.57 per share	—	—	—	(9,885)	(9,885)
Balance, September 30, 2011 (Unaudited)	$ 173	$ 115,026	$ 630	$ 291,830	$ 407,659

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, 2010, 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 2010 filed with the U.S. Securities and Exchange Commission (the "SEC").

Recently Issued Accounting Pronouncements

In July 2010, the FASB issued ASU 2010-20, *Receivables* (Topic 310) – *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses.* ASU 2010-20 requires entities to provide disclosures designed to facilitate financial statement users' evaluation of (i) the nature of credit risk inherent in the entity's portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for those changes in the allowance for credit losses. Disclosures must be disaggregated by portfolio segment, the level at which an entity develops and documents a systematic method for determining its allowance for credit losses, and class of financing receivable, which is generally a disaggregation of portfolio segment. The required disclosures include, among other things, a rollforward of the allowance for credit losses as well as information about modified, impaired, nonaccrual and past due loans and credit quality indicators. The Company adopted the disclosure provisions of the new authoritative guidance about activity that occurs during a reporting period on January 1, 2011. The adoption of these provisions did not have a significant impact on the Company's financial position or results of operations. The effective date disclosures related to loans modified in a troubled debt restructuring ("TDR") was temporarily deferred to coincide with the effective date of the then proposed ASU 2011-02, *Receivables* (Topic 310) – *A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring,* which is further discussed below.

In April 2011, the FASB issued ASU 2011-02, *Receivables* (Topic 310) – *A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring.* ASU 2011-02 amended prior guidance to provide assistance in determining whether a modification of the terms of a receivable meets the definition of a troubled debt restructuring. The new authoritative guidance provides clarification for evaluating whether a concession has been granted and whether a debtor is experiencing financial difficulties. ASU 2011-02 was effective for the Company on July 1, 2011, and applies retrospectively to restructurings occurring on or after January 1, 2011. In April 2011, the FASB issued ASU 2011-02, *Receivables* (Topic 310) - *A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring*. ASU 2011-02 amended prior guidance to provide assistance in determining whether a modification of the terms of a recievable meets the definition of a troubled debt restructuring. The new authoritative guidance provides clarification for evaluating whether a concession has been granted and whether a debtor is experiencing financial difficulties. ASU 2011-02 was effective for the Company on July 1, 2011, and applies retrospectively to restructuring occuring on or after January 1, 2011. The adoption of this guidance did not have a significant impact on the Company's financial position or results of operation. See Note 4 for disclosures related to this ASU.

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 will be effective for the Company on January 1, 2012, and is not expected to have a significant impact on the Company's ongoing 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 is effective for the Company for annual periods 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 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 is effective for the Company for annual periods beginning after December 15, 2011, and is expected to result in presentation changes to the Company's statements of income and the addition of a statement of comprehensive income. The adoption of ASU 2011-05 is not expected to have a significant impact on the Company's ongoing 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.

There have been no other significant changes to the Company's accounting policies from the 2010 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 Loss Share Receivable

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 (FDIC loss share receivable) 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 2 and Note 5 to the consolidated financial statements.

Earnings Per Share

Basic earnings per share are computed based on the weighted average number of common shares outstanding during each year. Diluted earnings per share are computed using the weighted average common shares and all potential dilutive common shares outstanding during the period.

Following is the computation of per share earnings for the three and nine months ended September 30, 2011 and 2010:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except per share data)	2011	2010	2011	2010
Net income	$7,257	$7,620	$19,069	$20,557
Average common shares outstanding	17,348	17,220	17,329	17,187
Average potential dilutive common shares	10	62	10	62
Average diluted common shares	17,358	17,282	17,339	17,249
Basic earnings per share	$0.42	$0.45	$1.10	$1.20
Diluted earnings per share	$0.42	$0.44	$1.10	$1.19

Stock options to purchase 152,470 and 98,998 shares for the three and nine months ended September 30, 2011 and 2010, respectively, were not included in the earnings per share calculation because the exercise price exceeded the average market price.

NOTE 2: ACQUISITIONS

On May 14, 2010, the Company, through its wholly-owned subsidiary, Simmons First National Bank ("SFNB" or "lead bank"), entered into a purchase and assumption agreement 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. As a result of this acquisition, the Company expanded its footprint outside the Arkansas borders for the first time. The Company recognized a pre-tax gain of $3.0 million on this transaction and incurred pre-tax merger related costs of $0.4 million.

On October 15, 2010, the Company, through the lead bank, entered into a purchase and assumption agreement with loss share arrangements with the FDIC to purchase substantially all of the assets and to assume substantially all of the deposits and certain other liabilities of Security Savings Bank, FSB ("SSB") with nine offices in Kansas, including three in Salina, two each in Olathe and Wichita and one each in Overland Park and Leawood. This acquisition marked the

Company's second expansion outside the State of Arkansas. The Company recognized a pre-tax gain of $18.3 million on this transaction and incurred pre-tax merger related costs of $2.0 million.

A summary, at fair value, of the assets acquired and liabilities assumed in the SWCB and SSB transactions, as of acquisition dates, is as follows:

(In thousands)	SWCB	SSB	Total
Assets Acquired			
Cash and due from banks	$7,414	$11,063	$18,477
Cash received from FDIC	10,000	71,200	81,200
Receivable from FDIC	653	1,856	2,509
Investment securities	24,850	75,621	100,471
Loans not covered by loss share agreements	—	991	991
Covered assets:			
Loans	40,177	219,158	259,335
Other real estate	4,646	6,363	11,009
FDIC indemnification asset	13,783	68,330	82,113
Core deposit premium	—	1,480	1,480
Other assets	467	1,577	2,044
Total assets acquired	101,990	457,639	559,629
Liabilities Assumed			
Deposits:			
Non-interest bearing transaction accounts	5,063	82,614	87,677
Interest bearing transaction accounts and savings deposits	103	8,624	8,727
Time deposits	92,174	246,999	339,173
Total deposits	97,340	338,237	435,577
Repurchase agreements	—	2,215	2,215
FHLB borrowings	—	95,676	95,676
Accrued interest and other liabilities	1,613	3,234	4,847
Total liabilities assumed	98,953	439,362	538,315
Pre-tax gains on FDIC-assisted transactions	$3,037	$18,277	$21,314

The following is a description of the methods used to determine the fair values of significant assets and liabilities presented above.

Cash and due from banks, cash received from FDIC and receivable from FDIC – The carrying amount of these assets is a reasonable estimate of fair value based on the short-term nature of these assets. The $10.0 million cash received from the FDIC for SWCB and $71.2 million for SSB is the first pro-forma cash settlement received from the FDIC on Monday following the closing weekend. The $0.7 million receivable from the FDIC for SWCB and $1.9 million for SSB is the remaining amount due from the settlement.

Investment securities – Investment securities were acquired from the FDIC at fair market value. The fair values provided by the FDIC were reviewed and considered reasonable based on SFNB’s understanding of the market conditions.

Loans – Fair values for loans were based on a discounted cash flow methodology that considered factors including the type of loan and related collateral, classification status, fixed or variable interest rate, term of loan and whether or not the loan was amortizing, and current discount rates. The discount rates used for loans are based on current market rates for new originations of comparable loans and include adjustments for liquidity concerns. The discount rate does not include a factor for credit losses as that has been included in the estimated cash flows. Loans were grouped together according to similar characteristics and were treated in the aggregate when applying various valuation techniques.

Foreclosed assets held for sale – These assets are presented at the estimated present values that management expects to receive when the properties are sold, net of related costs of disposal.

FDIC indemnification asset – This loss sharing asset is measured separately from the related covered assets as it is not contractually embedded in the covered assets and is not transferable with the covered assets should SFNB choose to dispose of them. Fair value was estimated using projected cash flows related to the loss sharing agreements based on the expected reimbursements for losses and the applicable loss sharing percentages. These cash flows were discounted to reflect the uncertainty of the timing and receipt of the loss-sharing reimbursement from the FDIC.

Core deposit premium – This intangible asset represents the value of the relationships that SWCB and SSB had with their deposit customers. The fair value of this intangible asset was estimated based on a discounted cash flow methodology that gave appropriate consideration to expected customer attrition rates, cost of the deposit base and the net maintenance cost attributable to customer deposits. Based on the valuation methodologies use in the analysis, the estimated fair value of the core deposit premium at SWCB was immaterial.

Deposits – The fair values used for the demand and savings deposits that comprise the transaction accounts acquired, by definition equal the amount payable on demand at the acquisition date. Even though deposit rates were above market, because SFNB reset deposit rates to current market rates, there was no fair value adjustment recorded for time deposits.

FHLB borrowings – The fair value of Federal Home Loan Bank (“FHLB”) borrowings is estimated based on borrowing rates currently available to the Company for borrowings with similar terms and maturities. Included in the SSB acquisition were FHLB borrowed funds with a fair value totaling $95.7 million. The Company did not need these advances to meet its present liquidity needs, and redeemed approximately $60.8 million of the advances during the fourth quarter of 2010. The FHLB borrowings are secured by mortgage loans. The remaining borrowings will be held to maturity to match loans with similar maturities.

FDIC True-Up Provision – The purchase and assumption agreements for SWCB and SSB allow for the FDIC to recover a portion of the funds previously paid out under the indemnification agreement in the event losses fail to reach the expected loss level under a claw back provision (“true-up provision”). A true-up is scheduled to occur in the calendar month in which the tenth anniversary of the respective closing occurs. If the threshold is not met, the assuming institution is required to pay the FDIC 50 percent of the excess, if any, within 45 days following the true-up.

The value of the true-up provision liability is calculated as the present value of the estimated payment to the FDIC in the tenth year using the formula provided in the agreements. The result of the calculation is based on the net present value of expected future cash payments to be made by SFNB to the FDIC at the conclusion of the loss share agreements. The discount rate used was based on current market rates. The expected cash flows were calculated in accordance with the loss share agreements and are based primarily on the expected losses on the covered assets. The value of the true-up provision was $3.3 million and $3.2 million at September 30, 2011 and December 31, 2010, respectively, and was included in accrued interest and other liabilities on the balance sheet.

In connection with the SWBC and SSB acquisitions, SFNB and the FDIC will share in the losses on assets covered under the loss share agreements. The FDIC will reimburse SFNB for 80% of all losses on covered assets. The loss sharing agreements entered into by SFNB and the FDIC in conjunction with the purchase and assumption agreements require that SFNB follow certain servicing procedures as specified in the loss share agreements or risk losing FDIC reimbursement of covered asset losses. Additionally, to the extent that actual losses incurred by SFNB under the loss share agreements are less than expected, SFNB may be required to reimburse the FDIC under the clawback provisions of the loss share agreements. At September 30, 2011 and December 31, 2010, the covered loans and covered other real estate owned and the related FDIC indemnification asset (collectively, the "covered assets") and the FDIC true-up provision were reported at the net present value of expected future amounts to be paid or received.

Purchased loans acquired in a business combination, including loans purchased in the SWCB and SSB acquisitions, are recorded at estimated fair value on their purchase date with no carryover of the related allowance for loan and lease losses. Purchased loans are accounted for in accordance with ASC Topic 310-30*, Loans and Debt Securities Acquired with Deteriorated Credit Quality* accounting guidance for certain loans or debt securities acquired in a transfer, when the loans have evidence of credit deterioration since origination and it is probable at the date of acquisition that the acquirer will not collect all contractually required principal and interest payments. The difference between contractually required payments and the cash flows expected to be collected at acquisition is referred to as the non-accretable difference. Subsequent decreases to the expected cash flows will generally result in a provision for loan and lease losses. Subsequent increases in cash flows result in a reversal of the provision for loan and lease losses to the extent of prior charges and an adjustment in accretable yield, recognized on a prospective basis over the loan's or pool's remaining life, which will have a positive impact on interest income.

The Company has finalized its analysis of the acquired loans along with the other acquired assets and assumed liabilities in these transactions. No significant adjustments to the estimated amounts and carrying values were required.

During 2010, SFNB acquired the real estate (building and land) for the Springfield, Missouri location (formerly SWCB) for a total of $1.1 million. During the three months ended March 31, 2011, SFNB acquired the real estate for four of the Kansas locations previously owned by SSB related entities for a total of $6.2 million. Three additional Kansas locations were purchased during the three months ended September 30, 2011, upon final settlement of SSB with the FDIC, for a total of $4.4 million. Two other locations are leased from third parties and SFNB will continue to lease these facilities.

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:

	September 30, 2011				December 31, 2010			
(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	$ 22	$ —	$4,022	$4,000	$ 28	$ —	$4,028
U.S. Government agencies	291,795	1,057	(19)	292,833	249,844	1,764	(507)	251,101
Mortgage-backed securities	67	4	—	71	78	4	—	82
State and political subdivisions	207,510	6,404	(153)	213,761	210,331	2,280	(1,845)	210,766
Other securities	930	—	—	930	930	—	—	930
	$504,302	$ 7,487	$ (172)	$511,617	$465,183	$ 4,076	$ (2,352)	$466,907
Available-for-Sale								
U.S. Government agencies	$121,564	$ 426	$ (51)	$121,939	$125,175	$ 577	$ (283)	$125,469
Mortgage-backed securities	2,338	286	—	2,624	2,647	143	(1)	2,789
Other securities	15,641	379	(4)	16,016	19,814	411	(4)	20,221
	$139,543	$ 1,091	$ (55)	$140,579	$147,636	$ 1,131	$ (288)	$148,479

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 September 30, 2011, 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	$12,981	$(19)	$—	$—	$12,981	$(19)
State and political subdivisions	2,113	(17)	1,490	(136)	3,603	(153)
Total	$15,094	$(36)	$1,490	$(136)	$16,584	$(172)
Available-for-Sale						
U.S. Government agencies	$39,142	$(51)	$—	$—	$39,142	$(51)
Other securities	1	(4)	—	—	1	(4)
Total	$39,143	$(55)	$—	$—	$39,143	$(55)

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 September 30, 2011, 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 September 30, 2011, 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 $437,794,000 at September 30, 2011, and $435,635,000 at December 31, 2010.

The book value of securities sold under agreements to repurchase amounted to $78,701,000 and $75,774,000 for September 30, 2011, and December 31, 2010, respectively.

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Income earned on securities for the nine months ended September 30, 2011 and 2010, is as follows:

(In thousands)	2011	2010
Taxable		
Held-to-maturity	$3,243	$3,560
Available-for-sale	1,851	3,387
Non-taxable		
Held-to-maturity	5,921	6,231
Total	$11,015	$13,178

Maturities of investment securities at September 30, 2011, are as follows:

	Held-to-Maturity		Available-for-Sale	
	Amortized	Fair	Amortized	Fair
(In thousands)	Cost	Value	Cost	Value
One year or less	$22,973	$23,065	$322	$322
After one through five years	215,934	217,569	56,466	56,630
After five through ten years	183,043	185,268	67,109	67,607
After ten years	82,352	85,715	5	4
Other securities	—	—	15,641	16,016
Total	$504,302	$511,617	$139,543	$140,579

There were no realized gains or losses on investment securities for the three and nine month periods ended September 30, 2011 or 2010.

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 September 30, 2011, the Company's loan portfolio, excluding loans covered by FDIC loss share agreements, was $1.63 billion, compared to $1.68 billion at December 31, 2010. The various categories of loans, excluding loans covered by FDIC loss share agreements, are summarized as follows:

(In thousands)	September 30, 2011	December 31, 2010
Consumer		
Credit cards	$182,886	$190,329
Student loans	50,620	61,305
Other consumer	112,947	118,581
Total consumer	346,453	370,215
Real Estate		
Construction	113,317	153,772
Single family residential	353,917	364,442
Other commercial	550,410	548,360
Total real estate	1,017,644	1,066,574
Commercial		
Commercial	138,724	150,501
Agricultural	123,873	86,171
Total commercial	262,597	236,672
Other	4,847	10,003
Total loans before allowance for loan losses	$1,631,541	$1,683,464

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)	September 30, 2011	December 31, 2010
Consumer:		
Credit cards	$ 247	$ 295
Student loans	—	—
Other consumer	863	963
Total consumer	1,110	1,258
Real estate:		
Construction	141	804
Single family residential	4,731	3,470
Other commercial	8,184	4,340
Total real estate	13,056	8,614
Commercial:		
Commercial	687	972
Agricultural	490	342
Total commercial	1,177	1,314
Other	—	—
Total	$ 15,343	$ 11,186

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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
September 30, 2011						
Consumer:						
Credit cards	$896	$711	$1,607	$181,279	$182,886	$463
Student loans	1,726	2,496	4,222	46,398	50,620	2,496
Other consumer	1,454	548	2,002	110,945	112,947	241
Total consumer	4,076	3,755	7,831	338,622	346,453	3,200
Real estate:						
Construction	314	141	455	112,862	113,317	—
Single family residential	1,861	3,246	5,107	348,810	353,917	50
Other commercial	1,565	7,569	9,134	541,276	550,410	11
Total real estate	3,740	10,956	14,696	1,002,948	1,017,644	61
Commercial:						
Commercial	400	446	846	137,878	138,724	11
Agricultural	58	447	505	123,368	123,873	—
Total commercial	458	893	1,351	261,246	262,597	11
Other	—	—	—	4,847	4,847	—
Total	$8,274	$15,604	$23,878	$1,607,663	$1,631,541	$3,272
December 31, 2010						
Consumer:						
Credit cards	$971	$911	$1,882	$188,447	$190,329	$615
Student loans	1,505	1,736	3,241	58,064	61,305	1,736
Other consumer	2,016	448	2,464	116,117	118,581	155
Total consumer	4,492	3,095	7,587	362,628	370,215	2,506
Real estate:						
Construction	691	498	1,189	152,583	153,772	—
Single family residential	1,877	2,155	4,032	360,410	364,442	122
Other commercial	7,312	2,229	9,541	538,819	548,360	—
Total real estate	9,880	4,882	14,762	1,051,812	1,066,574	122
Commercial:						
Commercial	1,002	500	1,502	148,999	150,501	77
Agricultural	25	185	210	85,961	86,171	—
Total commercial	1,027	685	1,712	234,960	236,672	77
Other	—	—	—	10,003	10,003	—
Total	$15,399	$8,662	$24,061	$1,659,403	$1,683,464	$2,705

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
September 30, 2011						Three Months Ended		Nine Months Ended	
Consumer:									
Credit cards	$ 711	$ 711	$ —	$ 711	$ 107	$ 569	$ 13	$ 743	$ 38
Student loans	—	—	—	—	—	—	—	—	—
Other consumer	1,287	1,101	159	1,260	279	1,211	13	1,290	42
Total consumer	1,998	1,812	159	1,971	386	1,780	26	2,033	80
Real estate:									
Construction	5,772	4,306	1,423	5,729	396	5,855	64	7,127	231
Single family residential	7,325	5,203	1,780	6,983	574	6,712	73	6,264	203
Other commercial	32,168	5,518	25,091	30,609	1,401	30,828	336	31,015	1,009
Total real estate	45,265	15,027	28,294	43,321	2,371	43,395	473	44,406	1,443
Commercial:									
Commercial	1,098	700	170	870	170	1,173	13	1,308	42
Agricultural	607	430	170	600	142	584	6	563	18
Total commercial	1,705	1,130	340	1,470	312	1,757	19	1,871	60
Other	—	—	—	—	—	—	—	—	—
Total	$ 48,968	$ 17,969	$ 28,793	$ 46,762	$ 3,069	$ 46,932	$ 518	$ 48,310	$ 1,583
December 31, 2010									
Consumer:									
Credit cards	$ 911	$ —	$ 911	$ 911	$ 159				
Student loans	—	—	—	—	—				
Other consumer	1,431	92	1,270	1,362	368				
Total consumer	2,342	92	2,181	2,273	527				
Real estate:									
Construction	9,690	5,878	2,591	8,469	804				
Single family residential	6,590	3,002	3,366	6,368	792				
Other commercial	32,547	3,843	27,531	31,374	2,342				
Total real estate	48,827	12,723	33,488	46,211	3,938				
Commercial:									
Commercial	1,567	704	655	1,359	626				
Agricultural	703	318	454	772	144				
Total commercial	2,270	1,022	1,109	2,131	770				
Other	—	—	—	—	—				
Total	$ 53,439	$ 13,837	$ 36,778	$ 50,615	$ 5,235				

At September 30, 2011, and December 31, 2010, impaired loans, net of government guarantees, totaled $46.8 million and $50.6 million, respectively. Allocations of the allowance for loan losses relative to impaired loans were $3.1 million at September 30, 2011, and $5.2 million at December 31, 2010. Approximately $518,000 and $1.583 million of interest income was recognized on average impaired loans of $46.9 million and $48.3 million, respectively, for the three and nine months ended September 30, 2011. Interest recognized on impaired loans on a cash basis during the three and nine months ended September 30, 2011 and 2010 was immaterial.

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.

During the quarter ended September 30, 2011, the Company adopted ASU 2011-02 – *A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring*. The amendments in ASU 2011-02 require prospective application of the impairment measurement guidance in ASC 31-10-35 for those loans newly identified as impaired. As a result of adopting ASU 2011-02, the Company reassessed all restructurings that occurred on or after January 1, 2011, the beginning of the current fiscal year, for identification as TDRs. The Company identified no loans as TDRs for which the allowance for loan losses had previously been measured under a general allowance for loan losses methodology. Therefore, there was no additional impact to the allowance for loan losses as a result of the adoption.

The following table presents a summary of troubled debt restructurings as of September 30, 2011, 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	4	21	—	—	4	21
Total consumer	4	21	—	—	4	21
Real estate:						
Construction	1	1,277	—	—	1	1,277
Single-family residential	5	711	3	340	8	1,051
Other commercial	13	7,841	6	4,577	19	12,418
Total real estate	19	9,829	9	4,917	28	14,746
Commercial:						
Commercial	2	340	1	35	3	375
Agricultural	2	203	—	—	2	203
Total commercial	4	543	1	35	5	578
Other	—	—	—	—	—	—
Total	27	$10,393	10	$4,952	37	$15,345

During the three months ended September 30, 2011, the Company modified one commercial real estate loan with a recorded investment of $514,000 prior to modification which was deemed a troubled debt restructuring. The Company modified the loan terms to extend the maturity date of the loan. Based on the fair value of the collateral, no specific reserve was determined necessary for this loan.

The following table presents loans that were restructured as TDRs during the nine months ended September 30, 2011, excluding loans covered by FDIC loss share agreements, segregated by class of loans.

(Dollars in thousands)	Number of Loans	Balance Prior to TDR	Balance at September 30, 2011	Modification Type Change in Maturity Date	Change in Rate	Financial Impact on Date of Restructure
Nine Months Ended September 30, 2011						
Consumer:						
Credit cards	—	$—	$ —	$—	$ —	$ —
Student loans	—	—	—	—	—	—
Other consumer	3	20	13	13	—	—
Total consumer	3	20	13	13	—	—
Real estate:						
Construction	—	—	—	—	—	—
Single family residential	1	262	259	259	—	—
Other commercial	2	526	524	524	—	—
Total real estate	3	788	783	783	—	—
Commercial:						
Commercial	2	346	340	340	—	—
Agricultural	—	—	—	—	—	—
Total commercial	2	346	340	340	—	—
Other	—	—	—	—	—	—
Total	8	$1,154	$ 1,136	$1,136	$ —	$ —

During the nine months ended September 30, 2011, the Company modified a total of eight loans with a recorded investment of $1,154,000 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 eight loans was a change in or extension of the maturity date. 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 three months ended September 30, 2011, and that had been modified as a TDR within 12 months or less of the payment default. We define a payment default as a payment received more than 90 days after its due date.

The following table presents loans for which a payment default occurred during the nine months ended September 30, 2011, and that had been modified as a TDR within 12 months or less of the payment default, excluding loans covered by FDIC loss share agreements, segregated by class of loans.

(Dollars in thousands)	Number of Loans	Recorded Balance at September 30, 2011	Charge-offs	Transfers to OREO
Nine Months Ended September 30, 2011				
Consumer:				
Credit cards	—	$—	$—	
Student loans	—	—	—	—
Other consumer	—	—	—	—
Total consumer	—	—	—	—
Real estate:				
Construction	—	—	—	—
Single family residential	—	—	—	—
Other commercial	5	4,057	556	—
Total real estate	5	4,057	556	—
Commercial:				
Commercial	1	35	3	—
Agricultural	—	—	—	—
Total commercial	1	35	3	—
Other	—	—	—	—
Total	6	$4,092	$559	$—

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 to 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.

- *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.

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 $72.5 million and $67.6 million as of September 30, 2011 and December 31, 2010, respectively.

The following table presents a summary of loans by credit risk rating as of September 30, 2011 and December 31, 2010, excluding loans covered by FDIC loss share agreements, segregated by class of loans.

(In thousands)	Risk Rate 1-4	Risk Rate 5	Risk Rate 6	Risk Rate 7	Risk Rate 8	Total
September 30, 2011						
Consumer:						
Credit cards	$182,175	$—	$711	$—	$—	$182,886
Student loans	48,124	—	2,496	—	—	50,620
Other consumer	110,829	12	2,028	50	28	112,947
Total consumer	341,128	12	5,235	50	28	346,453
Real estate:						
Construction	104,384	2,888	6,045	—	—	113,317
Single family residential	343,174	1,150	9,576	17	—	353,917
Other commercial	498,965	7,737	43,708	—	—	550,410
Total real estate	946,523	11,775	59,329	17	—	1,017,644
Commercial:						
Commercial	131,706	636	6,337	45	—	138,724
Agricultural	122,116	334	1,423	—	—	123,873
Total commercial	253,822	970	7,760	45	—	262,597
Other	4,847	—	—	—	—	4,847
Total	$1,546,320	$12,757	$72,324	$112	$28	$1,631,541

(In thousands)	Risk Rate 1-4	Risk Rate 5	Risk Rate 6	Risk Rate 7	Risk Rate 8	Total
December 31, 2010						
Consumer:						
Credit cards	$189,418	$—	$911	$—	$ —	$190,329
Student loans	59,569	—	1,736	—	—	61,305
Other consumer	116,179	15	2,323	64	—	118,581
Total consumer	365,166	15	4,970	64	—	370,215
Real estate:						
Construction	144,482	570	8,720	—	—	153,772
Single family residential	356,271	1,158	6,992	21	—	364,442
Other commercial	494,828	11,543	41,989	—	—	548,360
Total real estate	995,581	13,271	57,701	21	—	1,066,574
Commercial:						
Commercial	146,155	526	3,806	14	—	150,501
Agricultural	85,105	—	1,066	—	—	86,171
Total commercial	231,260	526	4,872	14	—	236,672
Other	10,003	—	—	—	—	10,003
Total	$1,602,010	$13,812	$67,543	$99	$ —	$1,683,464

Net (charge-offs)/recoveries for the three and nine months ended September 30, 2011 and 2010, excluding loans covered by FDIC loss share agreements, segregated by class of loans, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2011	2010	2011	2010
Consumer:				
Credit cards	$(879)	$(1,021)	$(2,706)	$(3,293)
Student loans	(9)	(6)	(31)	(37)
Other consumer	(222)	(403)	(825)	(1,118)
Total consumer	(1,110)	(1,430)	(3,562)	(4,448)
Real estate:				
Construction	(15)	(803)	(787)	(1,621)
Single-family residential	(125)	(91)	(480)	(504)
Other commercial	36	(1,142)	(468)	(2,696)
Total real estate	(104)	(2,036)	(1,735)	(4,821)
Commercial:				
Commercial	(276)	(113)	(847)	(491)
Agriculture	3	(27)	34	30
Total commercial	(273)	(140)	(813)	(461)
Other	—	—	—	—
Total	$(1,487)	$(3,606)	$(6,110)	$(9,730)

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. During the second quarter of 2009, management made adjustments to the Company's methodology in the evaluation of the collectability of loans, which added quantitative factors to the internal and external influences used in determining the credit quality of loans and the allocation of the allowance. This adjustment in methodology resulted in an addition to impaired loans from classified loans and a redistribution of allocated and unallocated reserves. It is likely that the methodology will continue to evolve over time.

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, 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.

Loans identified as losses by management, internal loan review and/or bank examiners are charged-off.

The following table details activity in the allowance for loan losses by portfolio segment for the three and nine months ended September 30, 2011. 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 September 30, 2011						
Balance, beginning of period	$ 2,524	$9,929	$5,487	$ 1,777	$ 8,079	$27,796
Provision for loan losses	116	(64)	919	320	1,551	2,842
Charge-offs	(345)	(255)	(1,140)	(450)	—	(2,190)
Recoveries	72	151	261	219	—	703
Net charge-offs	(273)	(104)	(879)	(231)	—	(1,487)
Balance, September 30	$ 2,367	$9,761	$5,527	$ 1,866	$ 9,630	$29,151
Nine Months Ended September 30, 2011						
Balance, beginning of year	$ 2,277	$9,692	$5,549	$ 1,958	$ 6,940	$26,416
Provision for loan losses	903	1,804	2,684	764	2,690	8,845
Charge-offs	(1,185)	(2,280)	(3,441)	(1,360)	—	(8,266)
Recoveries	372	545	735	504	—	2,156
Net charge-offs	(813)	(1,735)	(2,706)	(856)	—	(6,110)
Balance, September 30	$ 2,367	$9,761	$5,527	$ 1,866	$ 9,630	$29,151
Period-end amount allocated to:						
Loans individually evaluated for impairment	$ 312	$2,371	$107	$ 279	$ —	$3,069
Loans collectively evaluated for impairment	2,055	7,390	5,420	1,587	9,630	26,082
Balance, September 30	$ 2,367	$9,761	$5,527	$ 1,866	$ 9,630	$29,151

Activity in the allowance for loan losses for the nine months ended September 30, 2010 and the year ended December 31, 2010, was as follows:

(In thousands)	2010
Balance, beginning of year	$25,016
Provision for loan losses	10,396
Charge-offs	(14,896)
Recoveries	5,166
Net charge-offs	(9,730)
Balance, September 30	25,682
Provision for loan losses	3,733
Charge-offs	(3,706)
Recoveries	707
Net charge-offs	(2,999)
Balance, end of year	$26,416

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 is as follows:

(In thousands)	Commercial	Real Estate	Credit Card	Other Consumer and Other	Total
September 30, 2011					
Loans individually evaluated for impairment	$ 1,470	$43,321	$711	$ 1,260	$46,762
Loans collectively evaluated for impairment	261,127	974,323	182,175	167,154	1,584,779
Balance, end of period	$ 262,597	$1,017,644	$182,886	$ 168,414	$1,631,541
December 31, 2010					
Loans individually evaluated for impairment	$ 2,131	$46,211	$911	$ 1,362	$50,615
Loans collectively evaluated for impairment	234,541	1,020,363	189,418	188,527	1,632,849
Balance, end of period	$ 236,672	$1,066,574	$190,329	$ 189,889	$1,683,464

NOTE 5: COVERED LOANS

The Company evaluated loans purchased in conjunction with the acquisition of SWCB and SSB described in Note 2, Acquisitions, 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 September 30, 2011 and December 31, 2010, for the SWCB and SSB FDIC-assisted transactions:

	Loans Covered by FDIC Loss Share	
(in thousands)	September 30, 2011	December 31, 2010
Consumer:		
Other consumer	$36	$105
Total consumer	36	105
Real estate:		
Construction	26,044	73,527
Single family residential	29,812	50,182
Other commercial	112,691	89,495
Total real estate	168,547	213,204
Commercial:		
Commercial	3,811	17,975
Agricultural	—	316
Total commercial	3,811	18,291
Total covered loans (1)	$172,394	$231,600

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(1) These loans were not classified as non-performing assets at September 30, 2011 or December 31, 2010, 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 following is a summary of the covered impaired loans acquired in the acquisitions during 2010, as of the dates of acquisition.

(in thousands)	SWCB	SSB
Contractually required principal and interest at acquisition	$58,739	$334,582
Non-accretable difference (expected losses and foregone interest)	(15,396)	(78,139)
Cash flows expected to be collected at acquisition	43,343	256,443
Accretable yield	(3,166)	(37,285)
Basis in acquired loans at acquisition	$40,177	$219,158

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As of the respective acquisition dates, the estimates of contractually required payments receivable, including interest, for all covered impaired loans acquired in the SWCB and SSB transactions were $393.3 million. The cash flows expected to be collected as of the acquisition dates for these loans were $299.8 million, including interest. These amounts were determined based upon the estimated remaining life of the underlying loans, which includes the effects of estimated prepayments.

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

	Three Months Ended September 30, 2011		Nine Months Ended September 30, 2011	
(In thousands)	Accretable Yield	Carrying Amount of Loans	Accretable Yield	Carrying Amount of Loans
Beginning balance	$27,559	$192,899	$36,247	$231,600
Additions	—	—	—	—
Accretion	(3,917)	3,917	(12,605)	12,605
Payments received, net	—	(24,422)	—	(71,811)
Balance, ending	$23,642	$172,394	$23,642	$172,394

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 September 30, 2011 or December 31, 2010.

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.

The carrying basis and accumulated amortization of core deposit premiums (net of core deposit premiums that were fully amortized) at September 30, 2011, and December 31, 2010, were as follows:

(In thousands)	December 31, 2011	December 31 2010
Gross carrying amount	$ 7,885	$ 7,885
Accumulated amortization	(6,092)	(5,422)
Net core deposit premiums	$ 1,793	$ 2,463

Core deposit premium amortization expense recorded for the nine months ended September 30, 2011 and 2010, was $670,000 and $575,000, respectively. The Company's estimated amortization expense for the remainder of 2011 is $214,000, and for each of the following four years is:

2012 – $295,000; 2013 – $261,000; 2014 – $157,000; and 2015 – $151,000.

NOTE 7: TIME DEPOSITS

Time deposits include approximately $395,224,000 and $360,349,000 of certificates of deposit of $100,000 or more at September 30, 2011, and December 31, 2010, respectively.

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NOTE 8: INCOME TAXES

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

(In thousands)	September 30, 2011	September 30, 2010
Income taxes currently payable	$ 10,357	$ 6,703
Deferred income taxes	(2,490)	1,457
Provision for income taxes	$ 7,867	$ 8,160

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

(In thousands)	September 30, 2011	December 31, 2010
Deferred tax assets		
Loans acquired	$ 6,736	$ 11,002
FDIC true-up liability	1,311	1,251
Allowance for loan losses	11,044	9,857
Valuation of foreclosed assets	1,348	2,393
Deferred compensation payable	1,615	1,532
FHLB advances	583	1,600
Vacation compensation	1,017	960
Loan interest	767	767
Other	511	442
Total deferred tax assets	24,932	29,804
Deferred tax liabilities		
Accumulated depreciation	(383)	(597)
Deferred loan fee income and expenses, net	(1,664)	(1,413)
FHLB stock dividends	(428)	(414)
Goodwill and core deposit premium amortization	(9,359)	(3,688)
FDIC indemnification asset	(20,092)	(32,209)
Available-for-sale securities	(406)	(331)
Other	(626)	(1,592)
Total deferred tax liabilities	(32,958)	(40,244)
Net deferred tax liabilities included in other liabilities on balance sheets	$ (8,026)	$ (10,440)

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A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

(In thousands)	September 30, 2011	September 30, 2010
Computed at the statutory rate (35%)	$ 9,427	$ 10,051
Increase (decrease) in taxes resulting from:		
State income taxes, net of federal tax benefit	665	622
Tax exempt interest income	(2,093)	(2,207)
Tax exempt earnings on BOLI	(377)	(441)
Other differences, net	245	135
Actual tax provision	$ 7,867	$ 8,160

The Company follows ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. ASC Topic 740 also provides guidance on the accounting for and disclosure of unrecognized tax benefits, interest and penalties.

The amount of unrecognized tax benefits may increase or decrease in the future for various reasons including adding amounts for current tax year positions, expiration of open income tax returns due to the statutes of limitation, changes in management’s judgment about the level of uncertainty, status of examinations, litigation and legislative activity and the addition or elimination of uncertain tax positions.

The Company files income tax returns in the U.S. federal jurisdiction. The Company’s U.S. federal income tax returns are open and subject to examinations from the 2007 tax year and forward. The Company’s various state income tax returns are generally open from the 2004 and later tax return years based on individual state statute of limitations.

NOTE 9: SHORT-TERM AND LONG-TERM DEBT

Long-term debt at September 30, 2011, and December 31, 2010, consisted of the following components:

(In thousands)	September 30, 2011	December 31, 2010
FHLB advances, due 2011 to 2033, 2.00% to 8.41% secured by residential real estate loans	$91,571	$133,394
Trust preferred securities, due 12/30/2033, fixed at 8.25%, callable without penalty	10,310	10,310
Trust preferred securities, due 12/30/2033, floating rate of 2.80% above the three month LIBOR rate, reset quarterly, callable without penalty	10,310	10,310
Trust preferred securities, due 12/30/2033, floating rate of 2.80% above the three month LIBOR rate, reset quarterly, callable without penalty	10,310	10,310
	$122,501	$164,324

At September 30, 2011, the Company had no Federal Home Loan Bank ("FHLB") advances with original maturities of one year or less.

The Company had total FHLB advances of $91.6 million at September 30, 2011, with approximately $332.3 million of additional advances available from the FHLB. The FHLB advances are secured by mortgage loans and investment securities totaling approximately $481.6 million at September 30, 2011.

The trust preferred securities are tax-advantaged issues that qualify for Tier 1 capital treatment. Distributions on these securities are included in interest expense on long-term debt. Each of the trusts is a statutory business trust organized for the sole purpose of issuing trust securities and investing the proceeds thereof in junior subordinated debentures of the Company, the sole asset of each trust. The preferred securities of each trust represent preferred beneficial interests in the assets of the respective trusts and are subject to mandatory redemption upon payment of the junior subordinated debentures held by the trust. The common securities of each trust are wholly-owned by the Company. Each trust's ability to pay amounts due on the trust preferred securities is solely dependent upon the Company making payment on the related junior subordinated debentures. The Company's obligations under the junior subordinated securities and other relevant trust agreements, in aggregate, constitute a full and unconditional guarantee by the Company of each respective trust's obligations under the trust securities issued by each respective trust.

Aggregate annual maturities of long-term debt at September 30, 2011, are:

(In thousands)	Year	Annua Maturities

2011	$1,886
2012	7,090
2013	21,962
2014	5,691
2015	9,386
Thereafter	76,486
Total	$122,501

NOTE 10: CONTINGENT LIABILITIES

The Company and/or its subsidiaries have various unrelated legal proceedings, most of which involve loan foreclosure activity pending, which, in the aggregate, are not expected to have a material adverse effect on the financial position of the Company and its subsidiaries.

NOTE 11: CAPITAL STOCK

On February 27, 2009, at a special meeting, the Company's shareholders approved an amendment to the Articles of Incorporation to establish 40,040,000 authorized shares of preferred stock, $0.01 par value. The aggregate liquidation preference of all shares of preferred stock cannot exceed $80,000,000. As of September 30, 2011, no preferred stock has been issued.

On November 28, 2007, the Company announced the adoption by the Board of Directors of a stock repurchase program. The program authorizes the repurchase of up to 700,000 shares of Class A common stock, or approximately 5% of the outstanding common stock. Under the repurchase program, there is no time limit for the stock repurchases, nor is there a minimum number of shares the Company intends to repurchase. The Company may discontinue purchases at any time that management determines additional purchases are not warranted. As part of its strategic focus on building capital, management suspended the Company's stock repurchase program in July 2008.

On September 27, 2011, the Company announced that it will reinstate the existing stock repurchase program. Prior to the suspension of the program, the Company had repurchased 54,328 shares, thereby leaving authority to repurchase 645,672 shares under the program. The shares are to be purchased from time to time at prevailing market prices, through open market or unsolicited negotiated transactions, depending upon market conditions. The Company intends to use the repurchased shares to satisfy stock option exercises, payment of future stock dividends and general corporate purposes.

During the three month period ended September 30, 2011, after announcing the reinstatement of the program, the Company repurchased 19,000 shares of stock with a weighted average repurchase price of $21.60 per share. Under the current stock repurchase plan, the Company can repurchase an additional 626,672 shares.

On August 26, 2009, the Company filed a shelf registration statement with the SEC. The shelf registration statement, which was declared effective on September 9, 2009, allows the Company to raise capital from time to time, up to an aggregate of $175 million, through the sale of common stock, preferred stock, or a combination thereof, subject to market conditions. Specific terms and prices are determined at the time of any offering under a separate prospectus supplement that the Company is required to file with the SEC at the time of the specific offering.

In November 2009, the Company raised common equity through an underwritten public offering by issuing 2,650,000 shares of common stock at a price of $24.50 per share, less underwriting discounts and commissions. The net proceeds of the offering after deducting underwriting discounts and commissions and offering expenses were $61.3 million. In December 2009, the underwriters of the Company's stock offering exercised and completed their option to purchase an additional 397,500 shares of common stock at $24.50 to cover over-allotments. The net proceeds of the exercise of the over-allotment option after deducting underwriting discounts and commissions were $9.2 million. The total net proceeds of the offering after deducting underwriting discounts and commissions and offering expenses were approximately $70.5 million.

NOTE 12: UNDIVIDED PROFITS

The Company's subsidiary banks are subject to a legal limitation on dividends that can be paid to the parent company without prior approval of the applicable regulatory agencies. The approval of the Comptroller of the Currency is required, if the total of all dividends declared by a national bank in any calendar year exceeds the total of its net profits, as defined, for that year combined with its retained net profits of the preceding two years. Arkansas bank regulators have specified that the maximum dividend limit state banks may pay to the parent company without prior approval is 75% of current year earnings plus 75% of the retained net earnings of the preceding year. At September 30, 2011, the bank subsidiaries had approximately $17.8 million available for payment of dividends to the Company, without prior approval of the regulatory agencies.

The risk-based capital guidelines of the Federal Reserve Board and the Office of the Comptroller of the Currency include the definitions for (1) a well-capitalized institution, (2) an adequately-capitalized institution, and (3) an undercapitalized institution. The criteria for a well-capitalized institution are: a 5% "Tier l leverage capital" ratio, a 6% "Tier 1 risk-based capital" ratio, and a 10% "total risk-based capital" ratio. As of September 30, 2011, each of the eight subsidiary banks met the capital standards for a well-capitalized institution. The Company's "total risk-based capital" ratio was 22.15% at September 30, 2011.

NOTE 13: STOCK BASED COMPENSATION

The Company's Board of Directors has adopted various stock compensation plans. The plans provide for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, and bonus stock awards. Pursuant to the plans, shares are reserved for future issuance by the Company upon the exercise of stock options or awarding of bonus shares granted to directors, officers and other key employees.

The table below summarizes the transactions under the Company's active stock compensation plans for the nine months ended September 30, 2011:

	Stock Options Outstanding		Non-Vested Stock Awards Outstanding	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Grant-Date Fair-Value
Balance, January 1, 2011	258,789	$ 25.11	110,536	$ 26.81
Granted	—	—	47,995	28.18
Stock Options Exercised	(28,566)	12.53	—	—
Stock Awards Vested	—	—	(30,195)	26.80

Forfeited/Expired	(400)	26.20	—	—
Balance, September 30, 2011	229,823	$ 26.67	128,336	$ 26.49
Exercisable, September 30, 2011	203,055	$ 26.27		

The following table summarizes information about stock options under the plans outstanding at September 30, 2011:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$15.65 - $15.65	1,753	0.3	$ 15.65	1,753	$ 15.65
23.78 - 24.50	80,600	3.1	24.06	80,600	24.06
26.19 - 27.67	52,200	4.6	26.20	52,200	26.20
28.42 - 28.42	48,700	5.7	28.42	40,560	28.42
30.31 - 30.31	46,570	6.7	30.31	27,942	30.31

Total stock-based compensation expense was $920,919 and $717,347 during the nine months ended September 30, 2011 and 2010, respectively. Stock-based compensation expense is recognized ratably over the requisite service period for all stock-based awards. Unrecognized stock-based compensation expense related to stock options totaled $140,359 at September 30, 2011. At such date, the weighted-average period over which this unrecognized expense is expected to be recognized was 0.75 years. Unrecognized stock-based compensation expense related to non-vested stock awards was $2,717,358 at September 30, 2011. At such date, the weighted-average period over which this unrecognized expense is expected to be recognized was 2.63 years.

Outstanding stock options and exercisable stock options had no aggregate intrinsic values at September 30, 2011. Aggregate intrinsic value represents the difference between the Company’s closing stock price on the last trading day of the period, which was $21.70 as of September 30, 2011, and the exercise price multiplied by the number of options outstanding. The total intrinsic values of stock options exercised during the nine months ended September 30, 2011 and 2010, were $262,000 and $953,000, respectively.

NOTE 14: ADDITIONAL CASH FLOW INFORMATION

The following is a summary of the Company’s additional cash flow information during the nine months ended:

	Nine Months Ended September 30,	
(In thousands)	2011	2010
Interest paid	$16,109	$20,403
Income taxes paid	11,625	5,305

Transfers of loans to foreclosed assets held for sale	18,247	26,452
Transfers of covered loans to covered other real estate owned	10,369	10

NOTE 15: OTHER OPERATING EXPENSES

Other operating expenses consist of the following:

(In thousands)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Professional services	$1,010	$1,041	$3,216	$3,042
Postage	586	594	1,785	1,868
Telephone	641	584	1,909	1,707
Credit card expense	1,643	1,407	4,805	4,037
Operating supplies	365	354	1,197	1,013
Amortization of core deposit premiums	222	187	670	575
Other expense	3,220	3,011	9,227	9,202
Total other operating expenses	$7,687	$7,178	$22,809	$21,444

NOTE 16: CERTAIN TRANSACTIONS

From time to time the Company and its subsidiaries have made loans and other extensions of credit to directors, officers, their associates and members of their immediate families. From time to time directors, officers and their associates and members of their immediate families have placed deposits with the Company’s subsidiary banks. Such loans, other extensions of credit and deposits were made in the ordinary course of business, on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons not related to the lender and did not involve more than normal risk of collectibility or present other unfavorable features.

NOTE 17: COMMITMENTS AND CREDIT RISK

The Company grants agri-business, commercial and residential loans to customers throughout Arkansas, Kansas and southern Missouri along with credit card loans to customers throughout the United States. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate.

At September 30, 2011, the Company had outstanding commitments to extend credit aggregating approximately $344,158,000 and $293,071,000 for credit card commitments and other loan commitments, respectively. At December 31, 2010, the Company had outstanding commitments to extend credit aggregating approximately $272,688,000 and $287,055,000 for credit card commitments and other loan commitments, respectively.

Standby letters of credit are conditional commitments issued by the Company, to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The Company had total outstanding letters of credit amounting to $8,719,000 and $11,767,000 at September 30, 2011, and December 31, 2010, respectively, with terms ranging from 90 days to three years. At September 30, 2011, and December 31, 2010, the Company's deferred revenue under standby letter of credit agreements is approximately $52,000 and $31,000, respectively.

NOTE 18: FAIR VALUE MEASUREMENTS

ASC Topic 820, *Fair Value Measurements* defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

ASC Topic 820 defines fair value 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. The guidance also establishes a fair value hierarchy that requires the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Topic 820 describes three levels of inputs that may be used to measure fair value:

· *Level 1 Inputs* – Quoted prices in active markets for identical assets or liabilities.

· *Level 2 Inputs* – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices for similar assets or liabilities 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 3 Inputs* – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates, and therefore, estimates of fair value after the balance sheet date may differ significantly from the amounts presented herein. A more detailed description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy.

Available-for-sale securities – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds, mortgage products and exchange traded equities. Other securities classified as available-for-sale are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms and conditions, among other things. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Company's investment in a government money market mutual fund (the "AIM Fund") is reported at fair value utilizing Level 1 inputs. The remainder of the Company's available-for-sale securities are reported at fair value utilizing Level 2 inputs.

Assets held in trading accounts – The Company's trading account investment in the AIM Fund is reported at fair value utilizing Level 1 inputs. The remainder of the Company's assets held in trading accounts are reported at fair value utilizing Level 2 inputs.

The following table sets forth the Company's financial assets by level within the fair value hierarchy that were measured at fair value on a recurring basis as of September 30, 2011 and December 31, 2010.

		Fair Value Measurements Using		
(In thousands)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>September 30, 2011</u>				
ASSETS				
Available-for-sale securities				
U.S. Government agencies	$ 121,939	$—	$ 121,939	$ —
Mortgage-backed securities	2,624	—	2,624	—
Other securities	16,016	1,503	14,513	—
Assets held in trading accounts	5,252	2,000	3,252	—
<u>December 31, 2010</u>				
ASSETS				
Available-for-sale securities				
U.S. Government agencies	$ 125,469	$—	$ 125,469	$ —
Mortgage-backed securities	2,789	—	2,789	—
Other securities	20,221	1,503	18,718	—
Assets held in trading accounts	7,577	2,700	4,877	—

Certain financial assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Financial assets and liabilities measured at fair value on a nonrecurring basis include the following:

Impaired loans (Collateral Dependent) – Loan impairment is reported when full payment under the loan terms is not expected. Allowable methods for determining the amount of impairment include estimating fair value using the fair value of the collateral for collateral-dependent loans. If the impaired loan is identified as collateral dependent, then the fair value method of measuring the amount of impairment is utilized. This method requires obtaining a current independent appraisal of the collateral and applying a discount factor to the value. A portion of the allowance for loan losses is allocated to impaired loans if the value of such loans is deemed to be less than the unpaid balance. If these allocations cause the allowance for loan losses to require an increase, such increase is reported as a component of the provision for loan losses. Loan losses are charged against the allowance when management believes the uncollectability of a loan is confirmed. Impaired loans that are collateral dependent are classified within Level 3 of the fair value hierarchy when impairment is determined using the fair value method.

Foreclosed assets held for sale – Foreclosed assets held for sale are reported at fair value, less estimated costs to sell. At foreclosure, if the fair value, less estimated costs to sell, of the real estate acquired is less than the Company's recorded investment in the related loan, a write-down is recognized through a charge to the allowance for loan losses. Additionally, valuations are periodically performed by management and any subsequent reduction in value is recognized by a charge to income. The fair value of foreclosed assets held for sale is estimated using Level 3 inputs based on observable market data. As of September 30, 2011 and December 31, 2010, the fair value of foreclosed assets held for sale, excluding those covered by FDIC loss share agreements, less estimated costs to sell was $22.2 million and $23.2 million, respectively.

Mortgage loans held for sale – Mortgage loans held for sale are reported at fair value if, on an aggregate basis, the fair value of the loans is less than cost. In determining whether the fair value of loans held for sale is less than cost when quoted market prices are not available, the Company may consider outstanding investor commitments, discounted cash flow analyses with market assumptions or the fair value of the collateral if the loan is collateral dependent. Such loans are classified within either Level 2 or Level 3 of the fair value hierarchy. Where assumptions are made using significant unobservable inputs, such loans held for sale are classified as Level 3. At September 30, 2011, and December 31, 2010, the aggregate fair value of mortgage loans held for sale exceeded their cost. Accordingly, no mortgage loans held for sale were marked down and reported at fair value.

The following table sets forth the Company's financial assets by level within the fair value hierarchy that were measured at fair value on a nonrecurring basis as of September 30, 2011, and December 31, 2010.

		Fair Value Measurements Using		
(In thousands)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2011				
ASSETS				
Impaired loans (1) (2) (collateral dependent)	$11,391	$—	$ —	$ 11,391
Foreclosed assets held for sale (1)	1,478	—	—	1,478
December 31, 2010				
ASSETS				

Impaired loans (collateral dependent)	45,380	—	—	45,380

—

(1) These amounts represent the resulting carrying amounts on the Consolidated Balance Sheets for impaired collateral dependent loans and foreclosed assets held for sale for which fair value re-measurements took place during the period.

(2) Specific allocations of $230,000 were related to the impaired collateral dependent loans for which fair value re-measurements took place during the period.

ASC Topic 825, *Financial Instruments*, requires disclosure in annual and interim financial statements of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or nonrecurring basis. The following methods and assumptions were used to estimate the fair value of each class of financial instruments.

Cash and cash equivalents – The carrying amount for cash and cash equivalents approximates fair value.

Held-to-maturity securities – Fair values for held-to-maturity securities equal quoted market prices, if available. If quoted market prices are not available, fair values are estimated based on quoted market prices of similar securities.

Loans – The fair value of loans, excluding those covered by FDIC loss share agreements, is estimated by discounting the future cash flows, using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Loans with similar characteristics were aggregated for purposes of the calculations. The carrying amount of accrued interest approximates its fair value.

Covered loans – Fair values of covered loans are based on a discounted cash flow methodology that considers factors including the type of loan and related collateral, variable or fixed rate, classification status, remaining term, interest rate, historical delinquencies, loan to value ratios, current market rates and remaining loan balance. The loans were grouped together according to similar characteristics and were treated in the aggregate when applying various valuation techniques. The discount rates used for loans were based on current market rates for new originations of similar loans. Estimated credit losses were also factored into the projected cash flows of the loans.

FDIC indemnification asset – Fair value of the FDIC indemnification asset is based on the net present value of future cash proceeds expected to be received from the FDIC under the provisions of the loss share agreements using a discount rate that is based on current market rates.

Deposits – The fair value of demand deposits, savings accounts and money market deposits is the amount payable on demand at the reporting date (i.e., their carrying amount). The fair value of fixed-maturity time deposits is estimated using a discounted cash flow calculation that applies the rates currently offered for deposits of similar remaining maturities. The carrying amount of accrued interest payable approximates its fair value.

Federal Funds purchased, securities sold under agreement to repurchase and short-term debt – The carrying amount for Federal funds purchased, securities sold under agreement to repurchase and short-term debt are a reasonable estimate of fair value.

Long-term debt – Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt.

Commitments to Extend Credit, Letters of Credit and Lines of Credit – The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair values of letters of credit and lines of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate or otherwise settle the obligations with the counterparties at the reporting date.

The following table represents estimated fair values of the Company's financial instruments. The fair values of certain of these instruments were calculated by discounting expected cash flows. This method involves significant judgments by management considering the uncertainties of economic conditions and other factors inherent in the risk management of financial instruments. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments and because management does not intend to sell these financial instruments, the Company does not know whether the fair values shown below represent values at which the respective financial instruments could be sold individually or in the aggregate.

	September 30, 2011		December 31, 2010	
(In thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	$523,691	$523,691	$452,060	$452,060
Held-to-maturity securities	504,302	511,617	465,183	466,907
Mortgage loans held for sale	21,037	21,037	17,237	17,237
Interest receivable	16,195	16,195	17,363	17,363
Loans, net	1,602,390	1,599,634	1,657,048	1,649,773
Covered loans	172,394	170,933	231,600	228,375
FDIC indemnification asset	51,223	51,223	60,235	60,235
Financial liabilities				
Non-interest bearing transaction accounts	531,025	531,025	428,750	428,750
Interest bearing transaction accounts and savings deposits	1,194,907	1,194,907	1,220,133	1,220,133
Time deposits	908,882	912,320	959,886	962,535
Federal funds purchased and securities sold under agreements to repurchase	98,286	98,286	109,139	109,139
Short-term debt	481	481	1,033	1,033
Long-term debt	122,501	129,069	164,324	176,628
Interest payable	1,617	1,617	2,015	2,015

The fair value of commitments to extend credit, letters of credit and lines of credit is not presented since management believes the fair value to be insignificant.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Committee, Board of Directors and Stockholders

Simmons First National Corporation

Pine Bluff, Arkansas

We have reviewed the accompanying condensed consolidated balance sheet of **SIMMONS FIRST NATIONAL CORPORATION** as of September 30, 2011, and the related condensed consolidated statements of income for the three month and nine month periods ended September 30, 2011 and 2010 and statements of stockholders’ equity and cash flows for the nine month periods ended September 30, 2011 and 2010. These interim financial statements are the responsibility of the Company’s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2010, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated March 4, 2011, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2010, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

BKD, LLP

/s/ BKD, LLP

Pine Bluff, Arkansas

November 9, 2011

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Our net income for the three months ended September 30, 2011, was $7.3 million and diluted earnings per share were $0.42, compared to $0.44 diluted earnings per share for the same period of 2010. Net income for the nine month period ended September 30, 2011, was $19.1 million and diluted earnings per share were $1.10, compared to $1.19 diluted earnings per share for the same period of 2010.

The primary driver for the slight decrease in net income and diluted earnings per share was the elimination of premiums on sale of student loans. For the three and nine months ended September 30, 2010, respectively, we recorded $2.0 million and $2.5 million of income from premiums on the sale of student loans. We had no sales of student loans in the first nine months of 2011, and do not anticipate any for the remainder of the year (see Non-Interest Income section of this Item for further discussion).

During 2010, one of our wholly-owned bank subsidiaries, Simmons First National Bank ("SFNB" or the "lead bank") entered into purchase and assumption agreements with loss share arrangements with the FDIC to purchase substantially all of the assets and to assume substantially all of the deposits and certain other liabilities of Security Savings Bank, FSB ("SSB") in Olathe, Kansas and Southwest Community Bank ("SWCB") in Springfield, Missouri. These acquisitions resulted in substantial bargain purchase gains which directly increased capital. Just as important, especially during this extended period of weak loan demand, the loans acquired in these transactions have replaced loans from our declining legacy portfolio with higher yielding loans that are "covered" by the FDIC. Under the terms of the loss sharing arrangements, the FDIC will cover 80% of the Bank's losses on the disposition of loans and foreclosed real estate attributable to the acquisitions.

Stockholders' equity as of September 30, 2011, was $407.7 million, book value per share was $23.52 and tangible book value per share was $19.92. Our ratio of stockholders' equity to total assets was 12.4% and the ratio of tangible stockholders' equity to tangible assets was 10.7% at September 30, 2011. The Company's Tier I leverage ratio of 12.11%, as well as our other regulatory capital ratios, remain significantly above the "well capitalized" levels (see Table 12 in the Capital section of this Item). Our excess capital positions us to continue to take advantage of unprecedented acquisition opportunities through FDIC-assisted transactions of failed banks. We continue to actively pursue the right opportunities that meet our strategic plan regarding mergers and acquisitions. As with our history, we will continue to be very deliberate and disciplined in these acquisition opportunities.

Although the general state of the national economy has shown signs of improvement, it remains somewhat unsettled. Also, despite continued challenges in the Northwest Arkansas region, overall, we continue to have good asset quality, compared to the rest of the industry.

Total assets were $3.29 billion at September 30, 2011, compared to $3.32 billion at December 31, 2010. Total loans and covered loans, net of discount, were $1.80 billion at September 30, 2011, compared to $1.92 billion at December 31, 2010.

Simmons First National Corporation is an Arkansas based financial holding company with eight community banks in Pine Bluff, Lake Village, Jonesboro, Rogers, Searcy, Russellville, El Dorado and Hot Springs, Arkansas. Our eight banks conduct financial operations from 88 offices, of which 84 are financial centers, located in 47 communities in Arkansas, Kansas and Missouri.

CRITICAL ACCOUNTING POLICIES

Overview

We follow accounting and reporting policies that conform, in all material respects, to generally accepted accounting principles and to general practices within the financial services industry. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. While we base estimates on historical experience, current information and other factors deemed to be relevant, actual results could differ from those estimates.

We consider accounting estimates to be critical to reported financial results if (i) the accounting estimate requires management to make assumptions about matters that are highly uncertain and (ii) different estimates that management reasonably could have used for the accounting estimate in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, could have a material impact on our financial statements.

The accounting policies that we view as critical to us are those relating to estimates and judgments regarding (a) the determination of the adequacy of the allowance for loan losses, (b) acquisition accounting and valuation of covered loans and related indemnification asset, (c) the valuation of goodwill and the useful lives applied to intangible assets, (d) the valuation of employee benefit plans and (e) income taxes.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance is maintained at a level considered adequate to provide for potential loan losses related to specifically identified loans as well as probable credit losses inherent in the remainder of the loan portfolio as of period end. This estimate is based on management's evaluation of the loan portfolio, as well as on prevailing and anticipated economic conditions and historical losses by loan category. General reserves have been established, based upon the aforementioned factors and allocated to the individual loan categories. Allowances are accrued on specific loans evaluated for impairment for which the basis of each loan, including accrued interest, exceeds the discounted amount of expected future collections of interest and principal or, alternatively, the fair value of loan collateral. The unallocated reserve generally serves to compensate for the uncertainty in estimating loan losses, including the possibility of changes in risk ratings and specific reserve allocations in the loan portfolio as a result of our ongoing risk management system.

A loan is considered impaired when it is probable that we will not receive all amounts due according to the contractual terms of the loan. 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.

Specific allocations are applied when quantifiable factors are present requiring a greater allocation than that we established based on our analysis of historical losses for each loan category. Accrual of interest is discontinued and interest accrued and unpaid is removed at the time such amounts are delinquent 90 days unless management is aware of circumstances which warrant continuing the interest accrual. Interest is recognized for nonaccrual loans only upon receipt and only after all principal amounts are current according to the terms of the contract.

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

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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 2 and Note 5 to the consolidated financial statements.

Goodwill and Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Other intangible assets represent purchased assets that also lack physical substance but can be separately distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset or liability. We perform an annual goodwill impairment test, and more than annually if circumstances warrant, in accordance with ASC Topic 350, *Intangibles – Goodwill and Other*. ASC Topic 350 requires that goodwill and intangible assets that have indefinite lives be reviewed for impairment annually, or more frequently if certain conditions occur. Impairment losses on recorded goodwill, if any, will be recorded as operating expenses.

Employee Benefit Plans

We have adopted various stock-based compensation plans. The plans provide for the grant of incentive stock options, nonqualified stock options, stock appreciation rights and bonus stock awards. Pursuant to the plans, shares are reserved for future issuance by the Company upon exercise of stock options or awarding of bonus shares granted to directors, officers and other key employees.

In accordance with ASC Topic 718, *Compensation – Stock Compensation*, the fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model that uses various assumptions. This model requires the input of highly subjective assumptions, changes to which can materially affect the fair value estimate. For additional information, see Note 13, Stock Based Compensation, in the accompanying Condensed Notes to Consolidated Financial Statements included elsewhere in this report.

Income Taxes

We are subject to the federal income tax laws of the United States, and the tax laws of the states and other jurisdictions where we conduct business. Due to the complexity of these laws, taxpayers and the taxing authorities may subject these laws to different interpretations. Management must make conclusions and estimates about the application of these innately intricate laws, related regulations, and case law. When preparing the Company's income tax returns, management attempts to make reasonable interpretations of the tax laws. Taxing authorities have the ability to challenge management's analysis of the tax law or any reinterpretation management makes in its ongoing assessment of facts and the developing case law. Management assesses the reasonableness of its effective tax rate quarterly based on its current estimate of net income and the applicable taxes expected for the full year. On a quarterly basis, management also reviews circumstances and developments in tax law affecting the reasonableness of deferred tax assets and liabilities and reserves for contingent tax liabilities.

NET INTEREST INCOME

Overview

Net interest income, our principal source of earnings, is the difference between the interest income generated by earning assets and the total interest cost of the deposits and borrowings obtained to fund those assets. Factors that determine the level of net interest income include the volume of earning assets and interest bearing liabilities, yields earned and rates paid, the level of non-performing loans and the amount of non-interest bearing liabilities supporting earning assets. Net interest income is analyzed in the discussion and tables below on a fully taxable equivalent basis. The adjustment to convert certain income to a fully taxable equivalent basis consists of dividing tax-exempt income by one minus the combined federal and state income tax rate of 39.225%.

Our practice is to limit exposure to interest rate movements by maintaining a significant portion of earning assets and interest bearing liabilities in short-term repricing. Historically, approximately 70% of our loan portfolio and approximately 80% of our time deposits have repriced in one year or less. These historical percentages are consistent with our current interest rate sensitivity, although approximately 71% of our time deposits are currently scheduled to reprice within one year.

Net Interest Income Quarter-to-Date Analysis

For the three month period ended September 30, 2011, net interest income on a fully taxable equivalent basis was $28.5 million, an increase of $1.2 million, or 4.4%, over the same period in 2010. The increase in net interest income was the result of a $1.3 million decrease in interest expense and a $0.1 million decrease in interest income.

The $1.3 million decrease in interest expense is the result of a 28 basis point decrease in cost of funds due to competitive repricing during a low interest rate environment. The lower interest rates accounted for a $1.4 million decrease in interest expense, while additional volume added $0.1 million to interest expense. The most significant component of this decrease was the $0.8 million decrease associated with the repricing of the Company’s time deposits that resulted from time deposits that matured during the period or were tied to a rate that fluctuated with changes in market rates. As a result, the average rate paid on time deposits decreased 35 basis points from 1.55% to 1.20%. Lower rates on interest bearing transaction and savings accounts resulted in an additional $0.4 million decrease in interest expense, with the average rate decreasing by 15 basis points from 0.43% to 0.28%. Another $0.2 million decrease in interest expense resulted from the conversion of $10.3 million in trust preferred securities from a fixed rate of 6.97% to a floating rate of 2.80% above the three month LIBOR rate. Payoffs of FHLB borrowings caused a $0.1 million decrease in interest expense, with a $0.2 million increase due to deposit growth.

Limiting the decrease in interest income to $0.01 million can be attributed to our FDIC-assisted acquisitions in 2010. The acquired covered loans generated an additional $3.1 million in interest income, while the declining balance of our legacy portfolio, which excludes acquired loans, caused a $2.5 million decrease in interest income. The remaining decrease in interest income is primarily due to a 27 basis point decline in the yield on investment securities.

Net Interest Income Year-to-Date Analysis

For the nine month period ended September 30, 2011, net interest income on a fully taxable equivalent basis was $85.1 million, an increase of $5.6 million, or 7.1%, over the same period in 2010. The increase in net interest income was the result of a $4.2 million decrease in interest expense and a $1.4 million increase in interest income.

The $4.2 million decrease in interest expense is the result of a 28 basis point decrease in cost of funds due to competitive repricing during a low interest rate environment. The lower interest rates accounted for a $4.4 million decrease in interest expense, while additional volume added $0.2 million to interest expense. The most significant component of this decrease was the $2.5 million decrease associated with the repricing of the Company's time deposits that resulted from time deposits that matured during the period or were tied to a rate that fluctuated with changes in market rates. As a result, the average rate paid on time deposits decreased 37 basis points from 1.64% to 1.27%. Lower rates on interest bearing transaction and savings accounts resulted in an additional $1.4 million decrease in interest expense, with the average rate decreasing by 16 basis points from 0.47% to 0.31%. Another $0.5 million decrease in interest expense resulted from the conversion of $10.3 million in trust preferred securities from a fixed rate of 6.97% to a floating rate of 2.80% above the three month LIBOR rate. Payoffs of FHLB borrowings caused a $0.4 million decrease in interest expense, with a $0.6 million increase due to deposit growth.

The $1.4 million increase in interest income can be attributed to our FDIC-assisted acquisitions in 2010. The acquired covered loans generated an additional $11.5 million in interest income. A 7 basis point improvement in yield on the legacy loan portfolio, which excludes acquired loans, resulted in a $1.0 million increase in interest income, while the declining balance of the legacy portfolio caused a $9.0 million decrease in interest income. The remaining decrease in interest income is primarily due to a 32 basis point decline in the yield on investment securities.

Net Interest Margin

Our net interest margin decreased 16 basis points to 3.86% for the three month period ended September 30, 2011, when compared to 4.02% for the same period in 2010. Our margin decline from the same quarter last year was driven by two factors. First, while keeping us prepared to benefit from rising interest rates, our high levels of liquidity are pushing the margin down. Also, margin is impacted by our drop in legacy loan balances from the previous year.

For the nine month period ended September 30, 2011, net interest margin increased 2 basis points to 3.87%, when compared to 3.85% for the same period in 2010. The increase in margin over the nine month period was primarily due to a higher yield on covered loans acquired through acquisitions compared to the yield on loans in our legacy portfolio.

Net Interest Income Tables

Table 1 and 2 reflect an analysis of net interest income on a fully taxable equivalent basis for the three month and nine month periods ended September 30, 2011 and 2010, respectively, as well as changes in fully taxable equivalent net interest margin for the three month and nine month periods ended September 30, 2011, versus September 30, 2010.

Table 1: Analysis of Net Interest Margin

(FTE =Fully Taxable Equivalent)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2011	2010	2011	2010
Interest income	$32,206	$32,326	$97,075	$95,616
FTE adjustment	1,233	1,257	3,739	3,782
Interest income – FTE	33,439	33,583	100,814	99,398
Interest expense	4,927	6,270	15,712	19,943
Net interest income – FTE	$28,512	$27,313	$85,102	$79,455
Yield on earning assets – FTE	4.53 %	4.94 %	4.59 %	4.82 %
Cost of interest bearing liabilities	0.84 %	1.12 %	0.89 %	1.17 %
Net interest spread – FTE	3.69 %	3.82 %	3.70 %	3.65 %
Net interest margin – FTE	3.86 %	4.02 %	3.87 %	3.85 %

Table 2: Changes in Fully Taxable Equivalent Net Interest Margin

(In thousands)	Three Months Ended September 30, 2011 vs. 2010	Nine Months Ended September 30, 2011 vs. 2010
Increase due to change in earning assets	$ 537	$ 2,166
Decrease due to change in earning asset yields	(681)	(750)
Decrease due to change in interest bearing liabilities	(61)	(209)
Increase due to change in interest rates paid on interest bearing liabilities	1,404	4,440
Increase in net interest income	$ 1,199	$ 5,647

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Table 3 shows, for each major category of earning assets and interest bearing liabilities, the average (computed on a daily basis) amount outstanding, the interest earned or expensed on such amount and the average rate earned or expensed for the three month and nine month periods ended September 30, 2011 and 2010. The table also shows the average rate earned on all earning assets, the average rate expensed on all interest bearing liabilities, the net interest spread and the net interest margin for the same periods. The analysis is presented on a fully taxable equivalent basis. Non-accrual loans were included in average loans for the purpose of calculating the rate earned on total loans.

Table 3: Average Balance Sheets and Net Interest Income Analysis

	Three Months Ended September 30,					
	2011			2010		
($ in thousands)	Average Balance	Income/ Expense	Yield/ Rate(%)	Average Balance	Income/ Expense	Yield/ Rate(%)
ASSETS						
Earning Assets						
Interest bearing balances due from banks	$462,333	$243	0.21	$159,996	$123	0.31
Federal funds sold	2,309	3	0.52	3,477	6	0.68
Investment securities - taxable	418,179	1,588	1.51	448,978	2,110	1.86
Investment securities - non-taxable	207,240	3,172	6.07	205,809	3,315	6.39
Mortgage loans held for sale	12,527	130	4.12	19,842	210	4.20
Assets held in trading accounts	7,428	8	0.43	7,438	7	0.37
Loans	1,640,439	24,378	5.90	1,809,902	26,948	5.91
Covered loans	180,884	3,917	8.59	38,956	864	8.80
Total interest earning assets	2,931,339	33,439	4.53	2,694,398	33,583	4.94
Non-earning assets	328,447			308,699		
Total assets	$3,259,786			$3,003,097		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities						
Interest bearing liabilities						
Interest bearing transaction and savings accounts	$1,201,174	$856	0.28	$1,143,827	$1,236	0.43
Time deposits	902,543	2,738	1.20	860,265	3,369	1.55
Total interest bearing deposits	2,103,717	3,594	0.68	2,004,092	4,605	0.91
Federal funds purchased and securities sold under agreement to repurchase	93,067	113	0.48	82,708	126	0.60
Other borrowed funds						
Short-term debt	579	13	8.91	3,241	15	1.84
Long-term debt	123,136	1,207	3.89	137,631	1,524	4.39
Total interest bearing liabilities	2,320,499	4,927	0.84	2,227,672	6,270	1.12
Non-interest bearing liabilities						
Non-interest bearing deposits	494,982			363,599		
Other liabilities	35,683			27,600		
Total liabilities	2,851,164			2,618,871		
Stockholders' equity	408,622			384,226		
Total liabilities and stockholders' equity	$3,259,786			$3,003,097		
Net interest spread			3.69			3.82

Net interest margin	$28,512	3.86	$27,313	4.02

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	Nine Months Ended September 30,					
	2011			2010		
(In thousands)	Average Balance	Income/ Expense	Yield/ Rate(%)	Average Balance	Income/ Expense	Yield/ Rate(%)
ASSETS						
Earning Assets						
Interest bearing balances due from banks	$466,205	$776	0.22	$230,611	$487	0.28
Federal funds sold	1,149	5	0.58	1,845	12	0.87
Investment securities - taxable	412,846	5,093	1.65	441,893	6,947	2.10
Investment securities - non-taxable	207,638	9,623	6.20	206,734	9,969	6.45
Mortgage loans held for sale	9,259	305	4.40	13,072	429	4.39
Assets held in trading accounts	7,496	26	0.46	7,166	20	0.37
Loans	1,631,362	72,381	5.93	1,835,178	80,457	5.86
Covered loans	200,342	12,605	8.41	21,010	1,077	6.85
Total interest earning assets	2,936,297	100,814	4.59	2,757,509	99,398	4.82
Non-earning assets	332,170			295,628		
Total assets	$3,268,467			$3,053,137		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities						
Interest bearing liabilities						
Interest bearing transaction and savings accounts	$1,213,458	$2,832	0.31	$1,162,217	$4,071	0.47
Time deposits	918,241	8,737	1.27	882,270	10,810	1.64
Total interest bearing deposits	2,131,699	11,569	0.73	2,044,487	14,881	0.97
Federal funds purchased and securities sold under agreement to repurchase	102,159	332	0.43	98,693	398	0.54
Other borrowed funds						
Short-term debt	757	37	6.53	3,483	45	1.73
Long-term debt	129,408	3,774	3.90	140,464	4,619	4.40
Total interest bearing liabilities	2,364,023	15,712	0.89	2,287,127	19,943	1.17
Non-interest bearing liabilities						
Non-interest bearing deposits	464,981			362,474		
Other liabilities	34,705			23,958		
Total liabilities	2,863,709			2,673,559		
Stockholders' equity	404,758			379,578		
Total liabilities and stockholders' equity	$3,268,467			$3,053,137		
Net interest spread			3.70			3.65
Net interest margin		$85,102	3.87		$79,455	3.85

Table 4 shows changes in interest income and interest expense resulting from changes in volume and changes in interest rates for the three month and nine month period ended September 30, 2011, as compared to the same period of the prior year. The changes in interest rate and volume have been allocated to changes in average volume and changes in average rates in proportion to the relationship of absolute dollar amounts of the changes in rates and volume.

Table 4: Volume/Rate Analysis

(In thousands, on a fully taxable equivalent basis)	Three Months Ended September 30, 2011 over 2010			Nine Months Ended September 30, 2011 over 2010		
	Yield/ Volume	Yield/ Rate	Total	Volume	Rate	Total
Increase (decrease) in						
Interest income						
Interest bearing balances due from banks	$171	$(51)	$120	$410	$(121)	$289
Federal funds sold	(2)	(1)	(3)	(4)	(3)	(7)
Investment securities - taxable	(138)	(384)	(522)	(434)	(1,420)	(1,854)
Investment securities - non-taxable	23	(166)	(143)	44	(390)	(346)
Mortgage loans held for sale	(76)	(4)	(80)	(126)	2	(124)
Assets held in trading accounts	—	1	1	1	5	6
Loans	(2,518)	(52)	(2,570)	(9,033)	957	(8,076)
Covered loans	3,077	(24)	3,053	11,308	220	11,528
Total	537	(681)	(144)	2,166	(750)	1,416
Interest expense						
Interest bearing transaction and savings accounts	59	(439)	(380)	172	(1,411)	(1,239)
Time deposits	159	(790)	(631)	426	(2,499)	(2,073)
Federal funds purchased and securities sold under agreements to repurchase	15	(28)	(13)	14	(80)	(66)
Other borrowed funds						
Short-term debt	(20)	18	(2)	(56)	48	(8)
Long-term debt	(152)	(165)	(317)	(347)	(498)	(845)
Total	61	(1,404)	(1,343)	209	(4,440)	(4,231)
Increase in net interest income	$476	$723	$1,199	$1,957	$3,690	$5,647

PROVISION FOR LOAN LOSSES

The provision for loan losses represents management's determination of the amount necessary to be charged against the current period's earnings in order to maintain the allowance for loan losses at a level considered appropriate in relation to the estimated risk inherent in the loan portfolio. The level of provision to the allowance is based on management's judgment, with consideration given to the composition, maturity and other qualitative characteristics of the portfolio, historical loan loss experience, assessment of current economic conditions, past due and non-performing loans and net loan loss experience. It is management's practice to review the allowance on at least a quarterly basis, but generally on a monthly basis, and, after considering the factors previously noted, to determine the level of provision made to the allowance.

The provision for loan losses for the three month period ended September 30, 2011, was $2.8 million, compared to $3.4 million for the three month period ended September 30, 2010, a decrease of $565,000. The provision for loan losses for the nine month period ended September 30, 2011, was $8.9 million, compared to $10.4 million for the nine month period ended September 30, 2010, a decrease of $1.5 million. The provision decrease was primarily due to a decrease from 2010 in net loan charge-offs. However, we did add a special $500,000 provision during the second quarter of 2011, as we believe there remain many economic and financial factors, including the many uncertainties related to our national debt, spending and taxes that have recently consumed the news, that necessitate the need for a higher level of unallocated reserve, resulting in a higher level of provision. See Allowance for Loan Losses section for additional information.

NON-INTEREST INCOME

Total non-interest income was $13.7 million for the three month period ended September 30, 2011, a decrease of $1.1 million, or 7.4%, compared to $14.8 million for the same period in 2010. The decrease was due to a $2.0 million premium on sale of student loans during the three months period ended September 30, 2010, with none during the same period this year. Normalizing for the student loan income, non-interest income for the three months ended September 30, 2011, increased 6.8% from the same period of 2010.

For the nine months ended September 30, 2011, non-interest income was $40.7 million, a decrease of $3.6 million, or 8.0%, compared to $44.3 million for the same period ended September 30, 2010. The decrease was primarily a result of a $3.0 million bargain purchase gain on the FDIC-assisted acquisition of SWCB in the second quarter of 2010, along with a $2.5 million premium on sale of student loans during the nine month period ended September 30, 2010, with none during the same period this year. The decrease in non-interest income was partially offset by a $1.1 million gain from the sale of MasterCard stock in the second quarter of 2011 (see further discussion later in this section).

Non-interest income is principally derived from recurring fee income, which includes service charges, trust fees and credit card fees. Non-interest income also includes income on the sale of mortgage loans, investment banking income, premiums on sale of student loans, income from the increase in cash surrender values of bank owned life insurance, gains (losses) from sales of securities and gains on FDIC-assisted transactions.

Table 5 shows non-interest income for the three month and nine month periods ended September 30, 2011 and 2010, respectively, as well as changes in 2011 from 2010.

Table 5: Non-Interest Income

(In thousands)	Three Months Ended September 30 2011	2010	2011 Change from 2010		Nine Months Ended September 30 2011	2010	2011 Change from 2010	
Trust income	$1,370	$1,343	$27	2.01 %	$3,959	$3,763	$196	5.21 %
Service charges on deposit accounts	4,450	4,388	62	1.41	12,519	13,428	(909)	-6.77
Other service charges and fees	695	646	49	7.59	2,281	2,096	185	8.83
Income on sale of mortgage loans, net of commissions	1,249	1,242	7	0.56	2,724	2,777	(53)	-1.91
Income on investment banking, net of commissions	203	369	(166)	-44.99	1,184	1,750	(566)	-32.34
Credit card fees	4,303	3,972	331	8.33	12,510	11,692	818	7.00
Premiums on sale of student loans	—	1,979	(1,979)	-100.00	—	2,524	(2,524)	-100.00
Bank owned life insurance income	261	404	(143)	-35.40	1,078	1,260	(182)	-14.44
Gain on FDIC-assisted transaction	—	—	—	—	—	3,037	(3,037)	-100.00
Other income	1,191	479	712	148.64	4,463	1,943	2,520	129.70
Total non-interest income	$13,722	$14,822	$(1,100)	-7.42 %	$40,718	$44,270	$(3,552)	-8.02 %

Recurring fee income for the three month period ended September 30, 2011, was $10.8 million, an increase of $469,000 from the three month period ended September 30, 2010. Service charges on deposit accounts increased by $62,000, the first quarter we have not seen a significant decline in fee income from regulatory changes related to overdrafts on point-of-sale transactions. Credit card fees increased $331,000 due primarily to a higher volume of credit and debit card transactions. In July, the Federal Reserve released final rules regarding debit card fee income under the Durbin amendment. While the Durbin amendment only applies to banks of $10 billion or more in size, we have consistently indicated that we believe all banks will ultimately be negatively impacted. In fact, we continue to estimate the potential negative impact to our institution, going forward, to be approximately $600,000 annually.

Recurring fee income for the nine month period ended September 30, 2011, was $31.3 million, an increase of $290,000 from the same period in 2010. Service charges on deposit accounts decreased by $909,000, due to a decline in fee income as a result of last year's regulatory changes related to overdrafts on point-of-sale transactions. Credit card fees increased $818,000 for the nine months ended September 30, due primarily to a growing volume of credit and debit card transactions.

Income on investment banking decreased $166,000 and $566,000, for the three months and nine months ended September 30, 2011, respectively, compared to the same period in 2010. The decrease is primarily the result of a favorable mark-to-market adjustment on trading investments during 2010, with unfavorable adjustments in 2011.

As expected, premiums on sale of student loans decreased by $2.0 million and $2.5 million for the three and nine months ended September 30, 2011, compared to the same periods in 2010. U.S. Government legislation has eliminated the private sector from providing student loans after the 2009-2010 school year. Therefore, we had no student loan sales in the first nine months of 2011, and do not anticipate any sales for the remainder of the year. See Loan Portfolio section for additional information on student loans.

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There were no realized gains or losses from the sale of securities for the three and nine month periods ended September 30, 2011, with no realized gains or losses for the three and nine month period ended September 30, 2010.

Other non-interest income for the three months ended September 30, 2011, increased by $712,000, over the same period last year. Approximately $465,000 of this increase was related to SSB, our October 2010 FDIC-assisted transaction, including accretion on assets acquired. The remainder of the increase is related to credit card incentives and other miscellaneous income.

Other non-interest income for the nine months ended September 30, 2011, increased by $2.5 million, over the same period last year. Approximately $1.3 million of this increase was related to SSB, including accretion on assets acquired. The other significant reason for this increase was the $1.1 million gain from the sale of MasterCard stock in the second quarter of 2011. On May 31, 2006, MasterCard Incorporated completed its Initial Public Offering ("IPO"). As a part of the IPO, approximately 41% of the equity was issued to member-banks as Class B common stock. Conversion of Class B shares to Class A shares was restricted as to the timing and number of shares eligible until the fourth anniversary of the IPO. As a member-bank the Company received 4,077 shares of MasterCard Class B stock. As there was no market or readily ascertainable fair market value for the class B shares, they were recorded with no basis value. On May 31, 2010, restrictions on the conversion of the Class B shares to Class A shares expired, permitting Class B stockholders to convert Class B shares into an equal number of Class A shares for prompt disposition to the public. On May 13, 2011, the Company applied for conversion of its class B shares to Class A common stock and recorded a $1.1 million pre-tax gain upon conversion approval by MasterCard Incorporated and immediately sold the Class A shares.

NON-INTEREST EXPENSE

Non-interest expense consists of salaries and employee benefits, occupancy, equipment, foreclosure losses and other expenses necessary for the operation of the Company. Management remains committed to controlling the level of non-interest expense, through the continued use of expense control measures that have been installed. We utilize an extensive profit planning and reporting system involving all subsidiaries. Based on a needs assessment of the business plan for the upcoming year, monthly and annual profit plans are developed, including manpower and capital expenditure budgets. These profit plans are subject to extensive initial reviews and monitored by management on a monthly basis. Variances from the plan are reviewed monthly and, when required, management takes corrective action intended to ensure financial goals are met. We also regularly monitor staffing levels at each subsidiary to ensure productivity and overhead are in line with existing workload requirements.

Non-interest expense for the three and nine month periods ended September 30, 2011, was $27.6 million and $86.3 million, an increase of $875,000, or 3.3%, and $5.5 million, or 6.8%, from the same periods in 2010. Included in non-interest expense for the three and nine months ended September 30, 2011, were approximately $1.7 million and $5.9 million, respectively, in incremental normal operating expenses for our third quarter 2010 FDIC-assisted acquisition in Kansas. Normalizing for these incremental operating expenses and for nonrecurring items, non-interest expense for the three month period decreased by approximately $654,000, or 2.5%, from the previous year.

Non-interest expense for the nine months ended September 30, 2011, was flat when compared to the same period in 2010, after normalizing for the incremental Kansas operating expenses and for nonrecurring items (see Table 13 in the Reconciliation of non-GAAP Measures section of this Item for details of the nonrecurring items). These decreases in normalized non-interest expense are principally the result of the implementation of our efficiency initiatives.

Salaries and employee benefits increased by $724,000, or 4.9%, and $4.0 million, or 9.0%, respectively, for the three and nine month periods ended September 30, 2011. Occupancy expense increased by $318,000, or 16.7%, and $881,000, or 15.6%, respectively, for the same periods. These increases were primarily related to the Kansas FDIC-assisted acquisition. Normalizing for the incremental expenses related to the acquisition, salaries and employee benefits decreased by 1.5% in the three month period of 2011 from 2010, and increased by 1.8% in the and nine month period of 2011 over 2010, while occupancy expense was relatively flat over the same periods.

Deposit insurance for the three and nine months ended September 30, 2011, decreased $674,000 and $807,000, respectively, from the same periods in 2010. The decrease was primarily due to a decrease in deposit insurance premiums resulting from changes in the FDIC's assessment base and rates. Deposit insurance expense for the three months ended September 30, 2011, included some accrual adjustments for the previous quarter, resulting in a lower expense for the quarter than is expected for future quarters.

Credit card expense for the three and nine months ended September 30, 2011, increased $236,000 and $768,000, respectively, from the same periods in 2010. This increase was primarily due to the increased card usage, interchange fees and other related expense resulting from initiatives we have taken to grow our credit card portfolio.

Table 6 below shows non-interest expense for the three month and nine month periods ended September 30, 2011 and 2010, respectively, as well as changes in 2011 from 2010.

Table 6: Non-Interest Expense

	Three Months Ended September 30		2011 Change from		Nine Months Ended September 30		2011 Change from	
(In thousands)	2011	2010	2010		2011	2010	2010	
Salaries and employee benefits	$15,533	$14,809	$724	4.89 %	$49,085	$45,039	$4,046	8.98 %
Occupancy expense, net	2,224	1,906	318	16.68	6,513	5,632	881	15.64
Furniture and equipment expense	1,763	1,542	221	14.33	4,912	4,563	349	7.65
Other real estate and foreclosure expense	215	304	(89)	-29.28	532	676	(144)	-21.30
Deposit insurance	211	885	(674)	-76.16	2,092	2,899	(807)	-27.84
Merger related costs	—	134	(134)	-100.00	357	577	(220)	-38.13
Other operating expenses								
Professional services	1,010	1,041	(31)	-2.98	3,216	3,042	174	5.72
Postage	586	594	(8)	-1.35	1,785	1,868	(83)	-4.44
Telephone	641	584	57	9.76	1,909	1,707	202	11.83

Credit card expenses	1,643	1,407	236	16.77		4,805	4,037	768	19.02
Operating supplies	365	354	11	3.11		1,197	1,013	184	18.16
Amortization of intangibles	222	187	35	18.72		670	575	95	16.52
Other expense	3,220	3,011	209	6.94		9,227	9,202	25	0.27
Total non-interest expense	$27,633	$26,758	$875	3.27	%	$86,300	$80,830	$5,470	6.77 %

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LOAN PORTFOLIO

Our loan portfolio, including loans covered by FDIC loss share agreements, averaged $1.832 billion and $1.856 billion during the first nine months of 2011 and 2010, respectively. As of September 30, 2011, total loans, excluding loans covered by FDIC loss share agreements, were $1.632 billion, a decrease of $52 million from December 31, 2010. The most significant components of the loan portfolio were loans to businesses (commercial loans, commercial real estate loans and agricultural loans) and individuals (consumer loans, credit card loans and single-family residential real estate loans).

We seek to manage our credit risk by diversifying our 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 loan losses and regularly reviewing loans through the internal loan review process. The loan portfolio is diversified by borrower, purpose and industry and, in the case of credit card loans, which are unsecured, by geographic region. We seek to use diversification within the loan portfolio to reduce 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. We use the allowance for loan losses as a method to value the loan portfolio at its estimated collectible amount. Loans are regularly reviewed to facilitate the identification and monitoring of deteriorating credits.

The balances of loans outstanding, excluding loans covered by FDIC loss share agreements, at the indicated dates are reflected in Table 7, according to type of loan.

Table 7: Loan Portfolio

(In thousands)	September 30, 2011	December 31, 2010
Consumer		
Credit cards	$182,886	$190,329
Student loans	50,620	61,305
Other consumer	112,947	118,581
Total consumer	346,453	370,215
Real Estate		
Construction	113,317	153,772
Single family residential	353,917	364,442
Other commercial	550,410	548,360
Total real estate	1,017,644	1,066,574
Commercial		
Commercial	138,724	150,501

Agricultural	123,873	86,171
Total commercial	262,597	236,672
Other	4,847	10,003
Total loans before allowance for loan losses	$1,631,541	$1,683,464

Consumer loans consist of credit card loans, student loans and other consumer loans. Consumer loans were $346.5 million at September 30, 2011, or 21.2% of total loans, compared to $370.2 million, or 22.0% of total loans at December 31, 2010. The decrease in consumer loans from December 31, 2010, to September 30, 2011, was primarily due to the paydowns of student loans, the seasonal decline in our credit card portfolio and declines in our indirect lending area.

Simmons First had been in the student loan business since 1966, and we believe that the banking industry had been very efficient in serving the students and the schools in Arkansas. However, U.S. Government legislation has eliminated the private sector from providing student loans after the 2009 - 2010 school year. Therefore, as of September 30, 2010, the Company and the banking industry are no longer providers of student loans.

As for our current student loan portfolio, we have sold the loans we originated during the 2009-2010 school year under the program established in 2008 in which the government purchased the loans at par plus a premium. Sales of these loans during the third quarter of 2010 have left $50.6 million of student loans in our portfolio that will not qualify for the government purchase program, down $10.7 million, or 17.4%, from December 31, 2010. We currently plan to continue servicing the remaining student loans internally until the loans pay off, we find a suitable buyer or the students consolidate their loans.

Real estate loans consist of construction loans, single-family residential loans and commercial real estate loans. Real estate loans were $1.018 billion at September 30, 2011, or 62.4% of total loans, compared to the $1.067 billion, or 63.4% of total loans at December 31, 2010. Our construction and development (“C&D”) loans decreased by $40.5 million, or 26.3%, with loans either migrating to our commercial real estate (“CRE”) portfolio or being liquidated or refinanced elsewhere. Considering the challenges in the economy, we believe it is important to note that we have no significant concentrations in our real estate loan portfolio mix. Our C&D loans represent only 6.9% of our loan portfolio and, CRE loans (excluding C&D) represent 33.7% of our loan portfolio, both of which compare very favorably to our peers.

Commercial loans consist of commercial loans and agricultural loans. Commercial loans were $262.6 million at September 30, 2011, or 16.1% of total loans, compared to $236.7 million, or 14.1% of total loans at December 31, 2010. An increase in the agricultural loan portfolio due primarily to seasonality was partially offset by a decrease in other commercial loans due to weak loan demand throughout Arkansas, Kansas and southern Missouri.

COVERED ASSETS

On May 14, 2010, the Company acquired substantially all of the assets and assumed substantially all of the deposits and certain other liabilities of SWCB in an FDIC-assisted transaction that generated a pre-tax bargain-purchase gain of $3.0 million. On October 15, 2010, the Company acquired substantially all of the assets and assumed substantially all of the deposits and certain other liabilities of SSB in an FDIC-assisted transaction that generated a pre-tax bargain-purchase gain of $18.3 million. Loans comprise the majority of the assets acquired and are subject to loss share agreements with the FDIC whereby SFNB is indemnified against 80% of losses. The loans acquired from the former SWCB and the former SSB, as well as the acquired other real estate owned and the related indemnification asset from the FDIC, are presented as covered assets in the accompanying consolidated financial statements.

A summary of the covered assets at the indicated dates are reflected in Table 8:

Table 8: Covered Assets

(In thousands)	September 30, 2011	December 31, 2010
Loans, net of discount	$172,394	$231,600
Other real estate owned, net of discount	13,845	8,717
FDIC indemnification asset	51,223	60,235
Total covered assets	$237,462	$300,552

ASSET QUALITY

A loan is considered impaired when it is probable that we will not receive all amounts due according to the contractual terms of the loans. Impaired loans include non-performing loans (loans past due 90 days or more and nonaccrual loans) and certain other loans identified by management that are still performing.

Non-performing loans are comprised of (a) nonaccrual loans, (b) loans that are contractually past due 90 days and (c) other loans for which terms have been restructured to provide a reduction or deferral of interest or principal, because of deterioration in the financial position of the borrower. The subsidiary banks recognize income principally on the accrual basis of accounting. When loans are classified as nonaccrual, generally, the accrued interest is charged off and no further interest is accrued. Loans, excluding credit card loans, are placed on a nonaccrual basis either: (1) when there are serious doubts regarding the collectability of principal or interest, or (2) when payment of interest or principal is 90 days or more past due and either (i) not fully secured or (ii) not in the process of collection. If a loan is determined by management to be uncollectible, the portion of the loan determined to be uncollectible is then charged to the allowance for loan losses.

Credit card loans are classified as impaired when payment of interest or principal is 90 days past due. Litigation accounts are placed on nonaccrual until such time as deemed uncollectible. Credit card loans are generally charged off when payment of interest or principal exceeds 180 days past due, but are turned over to the credit card recovery department, to be pursued until such time as they are determined, on a case-by-case basis, to be uncollectible.

Historically, we have sold our student loans into the secondary market before they reached payout status, thus requiring no servicing by the Company. Currently, since the government takeover of the student loan origination business in 2010, there is no secondary market for student loans; therefore, we are now required to service loans that have converted to a payout basis. Student loans are classified as impaired when payment of interest or principal is 90 days past due. Approximately $2.5 million of government guaranteed student loans were over 90 days past due during the quarter ending September 30, 2011. Under existing rules, when these loans exceed 270 days past due, the Department of Education will purchase them at 97% of principal and accrued interest. Although these student loans remain guaranteed by the federal government, because they are over 90 days past due they are included in our non-performing assets.

Total non-performing assets, excluding other real estate covered by FDIC loss share agreements, increased by $3.8 million from December 31, 2010, to September 30, 2011. The majority of the increase was related to moving two classified credits, previously reported as performing troubled debt restructurings ("TDRs"), to nonaccrual status. As a result of these credit reclassifications, non-performing assets, including TDRs, as a percent of total assets were 1.56% at September 30, 2011, compared to 1.71% at December 31, 2010.

Given current economic conditions, borrowers of all types are experiencing declines in income and cash flow. As a result, many borrowers are seeking to reduce contractual cash outlays, the most prominent being debt payments. In an effort to preserve our net interest margin and earning assets, we are open to working with existing customers in order to maximize the collectability of the debt.

When we restructure a loan to a borrower that is experiencing financial difficulty and grant a concession that we 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. We assess the exposure for each modification, either by collateral discounting or by calculation of the present value of future cash flows, and determine 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 had TDRs totaling $15.3 million and $21.6 million at September 30, 2011, and December 31, 2010, respectively. The majority of performing and non-performing TDRs are in our CRE portfolio.

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.

Although the general state of the national economy has shown signs of improvement, it remains unsettled with much uncertainty of the impact from the current debt and budget crisis. Also, despite the challenges in housing and commercial real estate markets, overall, we continue to maintain relatively good asset quality compared to the rest of the industry. The allowance for loan losses as a percent of total loans was 1.79% as of September 30, 2011. Non-performing loans equaled 1.14 % of total loans. Non-performing assets were 1.24% of total assets, up 12 basis points from year end. The allowance for loan losses was 157% of non-performing loans. Our annualized net charge-offs to total loans for the first nine months of 2011 was only 0.50%. Excluding credit cards, the annualized net charge-offs to total loans for the same period was 0.31%. Annualized net credit card charge-offs to total credit card loans for the most recent quarter were 1.94%, compared to 2.37% during the full year 2010, yet more than 400 basis points below the most recently published industry average for credit card charge-offs.

The Company does not own any securities backed by subprime mortgage assets, and offers no mortgage loan products that target subprime borrowers.

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Table 9 presents information concerning non-performing assets, including nonaccrual and other real estate owned (excluding covered loans and covered other real estate owned).

Table 9: Non-performing Assets

($ in thousands)	September 30, 2011	December 31, 2010
Nonaccrual loans (1)	$15,343	$11,186
Loans past due 90 days or more (principal or interest payments):		
Government guaranteed student loans (2)	2,496	1,736
Other loans	777	969
Total loans past due 90 days or more	3,273	2,705
Total non-performing loans	18,616	13,891
Other non-performing assets:		
Foreclosed assets held for sale	22,159	23,204
Other non-performing assets	191	109
Total other non-performing assets	22,350	23,313
Total non-performing assets	$40,966	$37,204
Performing TDRs	$10,393	19,426
Allowance for loan losses to non-performing loans	156.59%	190.17%
Non-performing loans to total loans	1.14 %	0.83 %
Non-performing loans to total loans (excluding Government guaranteed student loans) (2)	0.99 %	0.72 %
Non-performing assets to total assets (3)	1.24 %	1.12 %
Non-performing assets to total assets (excluding Government guaranteed student loans) (2) (3)	1.17 %	1.07 %

(1) Includes nonaccrual TDRs of approximately $5.0 million at September 30, 2011, and $2.1 million at December 31, 2010.

(2) Student loans past due 90 days or more are included in non-performing loans. Student loans are Government guaranteed and will be purchased at 97% of principal and accrued interest when they exceed 270 days past due; therefore, non-performing ratios have been calculated excluding these loans.

(3) Excludes assets covered by FDIC loss share agreements, except for their inclusion in total assets.

There was no interest income on the nonaccrual loans recorded for the nine month periods ended September 30, 2011 and 2010.

At September 30, 2011, impaired loans, net of government guarantees, were $46.8 million compared to $50.6 million at December 31, 2010. On an ongoing basis, management evaluates the underlying collateral on all impaired loans and allocates specific reserves, where appropriate, in order to absorb potential losses if the collateral were ultimately foreclosed.

ALLOWANCE FOR LOAN LOSSES

Overview

The Company maintains an allowance for loan losses. This allowance is created through charges to income and maintained at a sufficient level to absorb expected losses in our loan portfolio. 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 non-accruals, (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 we evaluate 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

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. Our 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.

Allocations for Classified Assets with no Specific Allocation

We establish 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. During the second quarter of 2009, we made adjustments to our methodology in the evaluation of the collectability of loans, which added quantitative factors to the internal and external influences used in determining the credit quality of loans and the allocation of the allowance. This adjustment in methodology resulted in an addition to impaired loans from classified loans and a redistribution of allocated and unallocated reserves.

It is likely that the methodology will continue to evolve over time. Allocated reserves are presented in Table 10 below detailing the components of the allowance for loan losses.

General Allocations

We establish 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. We give consideration to trends, changes in loan mix, delinquencies, prior losses and other related information.

Unallocated Portion

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, 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. In addition, there is now much uncertainty related to the potential impact of the current debt and budget crisis, and the possible downgrading of our national debt. 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.

Reserve for Unfunded Commitments

In addition to the allowance for loan losses, we have established a reserve for unfunded commitments, classified in other liabilities. This reserve is maintained at a level sufficient to absorb losses arising from unfunded loan commitments. The adequacy of the reserve for unfunded commitments is determined monthly based on methodology similar to our methodology for determining the allowance for loan losses. Net adjustments to the reserve for unfunded commitments are included in other non-interest expense.

An analysis of the allowance for loan losses is shown in Table 10.

Table 10: Allowance for Loan Losses

(In thousands)	2011	2010
Balance, beginning of year	$26,416	$25,016
Loans charged off		
Credit card	3,441	4,103
Other consumer	1,360	1,911
Real estate	2,280	8,203
Commercial	1,185	679
Total loans charged off	8,266	14,896
Recoveries of loans previously charged off		
Credit card	735	810
Other consumer	504	756
Real estate	545	3,382
Commercial	372	218
Total recoveries	2,156	5,166
Net loans charged off	6,110	9,730
Provision for loan losses	8,845	10,396
Balance, September 30	$29,151	25,682
Loans charged off		
Credit card		1,218
Other consumer		560
Real estate		1,361
Commercial		567
Total loans charged off		3,706
Recoveries of loans previously charged off		
Credit card		225
Other consumer		128
Real estate		275
Commercial		79
Total recoveries		707
Net loans charged off		2,999
Provision for loan losses		3,733
Balance, end of year		$26,416

Provision for Loan Losses

The amount of provision to the allowance during the three and nine month periods ended September 30, 2011 and 2010, and for the year ended December 31, 2010, was based on management's judgment, with consideration given to the composition of the portfolio, historical loan loss experience, assessment of current economic conditions, past due and non-performing loans and net loan loss experience. It is management's practice to review the allowance on at least a quarterly basis, but generally on a monthly basis, to determine the level of provision made to the allowance.

Allocated Allowance for Loan Losses

We utilize a consistent methodology in the calculation and application of the allowance for loan losses. Because there are portions of the portfolio that have not matured to the degree necessary to obtain reliable loss statistics from which to calculate estimated losses, the unallocated portion of the allowance is an integral component of the total allowance. Although unassigned to a particular credit relationship or product segment, this portion of the allowance is vital to safeguard against the uncertainty and imprecision inherent when estimating credit losses, especially when trying to determine the impact the current and unprecedented economic crisis will have on the existing loan portfolios.

Accordingly, several factors in the national economy, including the increase of unemployment rates, the continuing credit crisis, the mortgage crisis, the uncertainty in the residential and commercial real estate markets and other loan sectors which may be exhibiting weaknesses and the unknown impact of various current and future federal government economic stimulus programs influence our determination of the size of unallocated reserves. In addition, there is now much uncertainty related to the potential impact of the current debt and budget crisis, and the possible downgrading of our national debt.

As of September 30, 2011, the allowance for loan losses reflects an increase of approximately $2.7 million from December 31, 2010, while total loans decreased by $51.9 million over the same nine month period. The allocation in each category within the allowance generally reflects the overall changes in the loan portfolio mix.

The unallocated allowance for loan losses is based on our concerns over the uncertainty of the national economy and the economy in Arkansas, Kansas and southern Missouri. The impact of market pricing in the poultry, timber and catfish industries in Arkansas remains uncertain. We are also cautious regarding the continued softening of the real estate market. The housing industry remains one of the weakest links for economic recovery. Although the state unemployment rates in our markets are lagging behind the national average, they have continued to rise. We actively monitor the status of these industries and economic factors as they relate to our loan portfolio and make changes to the allowance for loan losses as necessary. Based on our analysis of loans and external uncertainties, we believe the allowance for loan losses is adequate for the period ended September 30, 2011.

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We allocate the allowance for loan losses according to the amount deemed to be reasonably necessary to provide for losses incurred within the categories of loans set forth in Table 11.

Table 11: Allocation of Allowance for Loan Losses

	September 30, 2011		December 31, 2010	
($ in thousands)	Allowance Amount	% of loans (1)	Allowance Amount	% of loans (1)
Credit cards	$5,527	11.2 %	$5,549	11.3 %
Other consumer	1,668	10.0 %	1,703	10.7 %
Real estate	9,761	62.4 %	9,692	63.4 %
Commercial	2,367	16.1 %	2,277	14.1 %
Other	198	0.3 %	255	0.5 %
Unallocated	9,630		6,940	
Total	$29,151	100.0%	$26,416	100.0%

(1) Percentage of loans in each category to total loans not covered by FDIC loss share.

<u>DEPOSITS</u>

Deposits are our primary source of funding for earning assets and are primarily developed through our network of 84 financial centers. We offer a variety of products designed to attract and retain customers with a continuing focus on developing core deposits. Our core deposits consist of all deposits excluding time deposits of $100,000 or more and brokered deposits. As of September 30, 2011, core deposits comprised 83.4% of our total deposits.

We continually monitor the funding requirements at each subsidiary bank along with competitive interest rates in the markets it serves. Because of our community banking philosophy, subsidiary bank executives in the local markets establish the interest rates offered on both core and non-core deposits. This approach ensures that the interest rates being paid are competitively priced for each particular deposit product and structured to meet the funding requirements. We believe we are paying a competitive rate when compared with pricing in those markets.

We manage our interest expense through deposit pricing and do not anticipate a significant change in total deposits. We believe that additional funds can be attracted and deposit growth can be accelerated through deposit pricing if it experiences increased loan demand or other liquidity needs. We also utilize brokered deposits as an additional source of funding to meet liquidity needs.

Our total deposits as of September 30, 2011, were $2.635 billion, an increase of $26.0 million from December 31, 2010. We have continued our strategy to move more volatile time deposits to less expensive, revenue enhancing transaction accounts. Non-interest bearing transaction accounts increased $102.2 million to $531.0 million at September 30, 2011, compared to $428.8 million at December 31, 2010. Interest bearing transaction and savings accounts were $1.195 billion at September 30, 2011, a $25.2 million decrease compared to $1.220 billion on December 31, 2010. Total time deposits decreased approximately $51.0 million to $908.9 million at September 30, 2011, from $959.9 million at December 31, 2010. We had $21.4 million and $21.5 of brokered deposits at September 30, 2011, and December 31, 2010, respectively.

LONG-TERM DEBT

Our long-term debt was $122.5 million and $164.3 million at September 30, 2011, and December 31, 2010, respectively. The outstanding balance for September 30, 2011, includes $91.6 million in FHLB long-term advances and $30.9 million of trust preferred securities. During the nine months ended September 30, 2011, we reduced long-term debt by $41.8 million, or 25.4%, from December 31, 2010, through scheduled payoffs of FHLB advances.

CAPITAL

Overview

At September 30, 2011, total capital reached $407.7 million. Capital represents shareholder ownership in the Company – the book value of assets in excess of liabilities. At September 30, 2011, our equity to asset ratio was 12.4% compared to 12.0% at year-end 2010.

Capital Stock

On February 27, 2009, at a special meeting, our shareholders approved an amendment to the Articles of Incorporation to establish 40,040,000 authorized shares of preferred stock, $0.01 par value. The aggregate liquidation preference of all shares of preferred stock cannot exceed $80,000,000. As of September 30, 2010, no preferred stock has been issued.

On August 26, 2009, we filed a shelf registration statement with the Securities and Exchange Commission (the “SEC”). The shelf registration statement, which was declared effective on September 9, 2009, allows us to raise capital from time to time, up to an aggregate of $175 million, through the sale of common stock, preferred stock, or a combination thereof, subject to market conditions. Specific terms and prices are determined at the time of any offering under a separate prospectus supplement that we are required to file with the SEC at the time of the specific offering.

In November 2009, the Company raised common equity through an underwritten public offering by issuing 2,650,000 shares of common stock at a price of $24.50 per share, less underwriting discounts and commissions. The net proceeds of the offering after deducting underwriting discounts and commissions and offering expenses were $61.3 million. In December 2009, the underwriters of our stock offering exercised and completed their option to purchase an additional 397,500 shares of common stock at $24.50 to cover over-allotments. The net proceeds of the exercise of the over-allotment option after deducting underwriting discounts and commissions were $9.2 million. The total net proceeds of the offering after deducting underwriting discounts and commissions and offering expenses were approximately $70.5 million.

Stock Repurchase

On November 28, 2007, we announced the substantial completion of the existing stock repurchase program and the adoption by the Board of Directors of a new stock repurchase program. The program authorizes the repurchase of up to 700,000 shares of Class A common stock, or approximately 5% of the outstanding common stock. Under the repurchase program, there is no time limit for the stock repurchases, nor is there a minimum number of shares we intend to repurchase. We may discontinue purchases at any time that management determines additional purchases are not warranted. As part of our strategic focus on building capital, we suspended our stock repurchase program in July 2008.

On September 27, 2011, we announced the reinstatement of the existing stock repurchase program. Simmons First continues to have one of the strongest capital positions within our peer group. A portion of our capital has been allocated for our acquisition program, and we plan to leave this portion of our capital available for this purpose. However, based on our recent stock price, we plan to utilize a portion of our annual earnings to repurchase shares. The reinstatement of the repurchase program allows us to acquire shares for corporate purposes, as well as make an investment in our Company. The shares are to be purchased from time to time at prevailing market prices, through open market or unsolicited negotiated transactions, depending upon market conditions. We intend to use the repurchased shares for stock based compensation programs, for payment of future stock dividends and for general corporate purposes. During the nine month period ended September 30, 2011, after announcing the reinstatement of the program, we repurchased 19,000 shares of stock with a weighted average repurchase price of $21.60 per share. Under the current stock repurchase plan, the Company can repurchase an additional 626,672 shares.

Cash Dividends

We declared cash dividends on our common stock of $0.57 per share for the first nine months of 2011 compared to $0.57 per share for the first nine months of 2010. The timing and amount of future dividends are at the discretion of our Board of Directors and will depend upon our consolidated earnings, financial condition, liquidity and capital requirements, the amount of cash dividends paid to us by our subsidiaries, applicable government regulations and policies and other factors considered relevant by our Board of Directors. Our Board of Directors anticipates that we will continue to pay quarterly dividends in amounts determined based on the factors discussed above. However, there can be no assurance that we will continue to pay dividends on our common stock at the current levels or at all.

Parent Company Liquidity

The primary liquidity needs of the Parent Company are the payment of dividends to shareholders, the funding of debt obligations and the share repurchase plan. The primary sources for meeting these liquidity needs are the current cash on hand at the parent company and the future dividends received from the eight subsidiary banks. Payment of dividends by the eight subsidiary banks is subject to various regulatory limitations. See the Liquidity and Market Risk Management discussions of Item 3 – Quantitative and Qualitative Disclosure About Market Risk for additional information regarding the parent company’s liquidity.

Risk Based Capital

Our subsidiaries are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. Our capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require us to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes that, as of September 30, 2011, we meet all capital adequacy requirements to which we are subject.

As of the most recent notification from regulatory agencies, the subsidiaries were well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company and subsidiaries must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institutions' categories.

Our risk-based capital ratios at September 30, 2011, and December 31, 2010, are presented in Table 12 below:

Table 12: Risk-Based Capital

($ in thousands)	September 30, 2011	December 31, 2010
Tier 1 capital		
Stockholders' equity	$407,659	$397,371
Trust preferred securities	30,000	30,000
Goodwill and core deposit premiums	(48,403)	(49,953)
Unrealized gain (loss) on available-for-sale securities, net of income taxes	(630)	(512)
Total Tier 1 capital	388,626	376,906
Tier 2 capital		
Qualifying unrealized gain on available-for-sale equity securities	6	7
Qualifying allowance for loan losses	23,337	23,553
Total Tier 2 capital	23,343	23,560
Total risk-based capital	$411,969	$400,466
Risk weighted assets	$1,859,657	$1,879,832
Assets for leverage ratio	$3,210,283	$3,327,825
Ratios at end of period		
Tier 1 leverage ratio	12.11 %	11.33 %
Tier 1 risk-based capital ratio	20.90 %	20.05 %
Total risk-based capital ratio	22.15 %	21.30 %
Minimum guidelines		
Tier 1 leverage ratio	4.00 %	4.00 %
Tier 1 risk-based capital ratio	4.00 %	4.00 %
Total risk-based capital ratio	8.00 %	8.00 %
Well capitalized guidelines		
Tier 1 leverage ratio	5.00 %	5.00 %
Tier 1 risk-based capital ratio	6.00 %	6.00 %
Total risk-based capital ratio	10.00 %	10.00 %

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

See the section titled *Recently Issued Accounting Pronouncements* in Note 1, Basis of Presentation, in the accompanying Condensed Notes to Consolidated Financial Statements included elsewhere in this report for details of recently issued accounting pronouncements and their expected impact on the Company's ongoing financial position and results of operation.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this quarterly report may not be based on historical facts and are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements may be identified by reference to a future period(s) or by the use of forward-looking terminology, such as "anticipate," "estimate," "expect," "foresee," "believe," "may," "might," "will," "would," "could" or "intend," future or conditional verb tenses, and variations or negatives of such ter These forward-looking statements include, without limitation, those relating to the Company's future growth, revenue, assets, asset quality, profitability and customer service, critical accounting policies, net interest margin, non-interest revenue, market conditions related to the Company's stock repurchase program, allowance for loan losses, the effect of certain new accounting standards on the Company's financial statements, income tax deductions, credit quality, the level of credit losses from lending commitments, net interest revenue, interest rate sensitivity, loan loss experience, liquidity, capital resources, market risk, earnings, effect of pending litigation, acquisition strategy, efficiency initiatives, legal and regulatory limitations and compliance and competition.

These forward-looking statements involve risks and uncertainties, and may not be realized due to a variety of factors, including, without limitation: the effects of future economic conditions, governmental monetary and fiscal policies, as well as legislative and regulatory changes; the risks of changes in interest rates and their effects on the level and composition of deposits, loan demand and the values of loan collateral, securities and interest sensitive assets and liabilities; the costs of evaluating possible acquisitions and the risks inherent in integrating acquisitions; the effects of competition from other commercial banks, thrifts, mortgage banking firms, consumer finance companies, credit unions, securities brokerage firms, insurance companies, money market and other mutual funds and other financial institutions operating in our market area and elsewhere, including institutions operating regionally, nationally and internationally, together with such competitors offering banking products and services by mail, telephone, computer and the Internet; the failure of assumptions underlying the establishment of reserves for possible loan losses; and those factors set forth under Item 1A. Risk-Factors of this report and other cautionary statements set forth elsewhere in this report. Many of these factors are beyond our ability to predict or control. In addition, as a result of these and other factors, our past financial performance should not be relied upon as an indication of future performance.

We believe the expectations reflected in our forward-looking statements are reasonable, based on information available to us on the date hereof. However, given the described uncertainties and risks, we cannot guarantee our future performance or results of operations and you should not place undue reliance on these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, and all written or oral forward-looking statements attributable to us are expressly qualified in their entirety by this section.

RECONCILIATION OF NON-GAAP MEASURES

The table below presents computations of core earnings (net income excluding nonrecurring items {Gain on sale of MasterCard stock, gain on FDIC-assisted transaction, merger related costs and branch right sizing expense}) and diluted core earnings per share (non-GAAP). Nonrecurring items are included in financial results presented in accordance with generally accepted accounting principles (“GAAP”).

The Company believes the exclusion of these nonrecurring items in expressing earnings and certain other financial measures, including “core earnings”, provides a meaningful base for period-to-period and company-to-company comparisons, which management believes will assist investors and analysts in analyzing the core financial measures of the Company and predicting future performance. This non-GAAP financial measure is also used by management to assess the performance of the Company’s business, because management does not consider these nonrecurring items to be relevant to ongoing financial performance. Management and the Board of Directors utilize “core earnings” (non-GAAP) for the following purposes:

- Preparation of the Company’s operating budgets
- Monthly financial performance reporting
- Monthly “flash” reporting of consolidated results (management only)
- Investor presentations of Company performance

The Company believes the presentation of “core earnings” on a diluted per share basis, “diluted core earnings per share” (non-GAAP), provides a meaningful base for period-to-period and company-to-company comparisons, which management believes will assist investors and analysts in analyzing the core financial measures of the Company and predicting future performance. This non-GAAP financial measure is also used by management to assess the performance of the Company’s business, because management does not consider these nonrecurring items to be relevant to ongoing financial performance on a per share basis. Management and the Board of Directors utilize “diluted core earnings per share” (non-GAAP) for the following purposes:

- Calculation of annual performance-based incentives for certain executives
- Calculation of long-term performance-based incentives for certain executives
- Investor presentations of Company performance

The Company believes that presenting these non-GAAP financial measures will permit investors and analysts to assess the performance of the Company on the same basis as that applied by management and the Board of Directors.

“Core earnings” and “diluted core earnings per share” (non-GAAP) have inherent limitations, are not required to be uniformly applied and are not audited. To mitigate these limitations, the Company has procedures in place to identify and approve each item that qualifies as nonrecurring to ensure that the Company’s “core” results are properly reflected for period-to-period comparisons. Although these non-GAAP financial measures are frequently used by stakeholders in the evaluation of a Company, they have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analyses of results as reported under GAAP. In particular, a measure of earnings that excludes nonrecurring items does not represent the amount that effectively accrues directly to stockholders (i.e., nonrecurring items are included in earnings and stockholders’ equity).

See Table 13 below for the reconciliation of non-GAAP financial measures, which exclude nonrecurring items for the periods presented.

Table 13: Reconciliation of Core Earnings (non-GAAP)

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2011	2010	2011	2010
Net Income	$7,257	$7,620	$19,069	$20,557
Nonrecurring items				
Gain on sale of MasterCard stock	—	—	(1,132)	—
Gain on FDIC-assisted transaction	—	—	—	(3,037)
Merger related costs	—	134	357	577
Branch right sizing	—	—	141	372
Tax effect (1)	—	(53)	248	716
Net nonrecurring items	—	81	(386)	(1,372)
Core earnings (non-GAAP)	$7,257	$7,701	$18,683	$19,185
Diluted earnings per share	$0.42	$0.44	$1.10	$1.19
Nonrecurring items				
Gain on sale of MasterCard stock	—	—	(0.07)	—
Gain on FDIC-assisted transaction	—	—	—	(0.18)
Merger related costs	—	—	0.02	0.03
Branch right sizing	—	—	0.01	0.02
Tax effect (1)	—	—	0.02	0.05
Net nonrecurring items	—	—	(0.02)	(0.08)
Diluted core earnings per share (non-GAAP)	$0.42	$0.44	$1.08	$1.11

(1) Effective tax rate of 39.225%; with 2010 adjusted for additional fair value deduction related to the donation of a closed branch with a fair value significantly higher than its book value.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Parent Company

The Company has leveraged its investment in subsidiary banks and depends upon the dividends paid to it, as the sole shareholder of the subsidiary banks, as a principal source of funds for dividends to shareholders, stock repurchase and debt service requirements. At September 30, 2011, undivided profits of the Company's subsidiary banks were approximately $222.8 million, of which approximately $17.8 million was available for the payment of dividends to the Company without regulatory approval. In addition to dividends, other sources of liquidity for the Company are the sale of equity securities and the borrowing of funds.

Subsidiary Banks

Generally speaking, the Company's banking subsidiaries rely upon net inflows of cash from financing activities, supplemented by net inflows of cash from operating activities, to provide cash used in investing activities. Typical of most banking companies, significant financing activities include: deposit gathering; use of short-term borrowing facilities, such as federal funds purchased and repurchase agreements; and the issuance of long-term debt. The banks' primary investing activities include loan originations and purchases of investment securities, offset by loan payoffs and investment maturities.

Liquidity represents an institution's ability to provide funds to satisfy demands from depositors and borrowers, by either converting assets into cash or accessing new or existing sources of incremental funds. A major responsibility of management is to maximize net interest income within prudent liquidity constraints. Internal corporate guidelines have been established to constantly measure liquid assets, as well as relevant ratios concerning earning asset levels and purchased funds. The management and board of directors of each bank subsidiary monitor these same indicators and make adjustments as needed.

In response to tightening credit markets in 2007 and anticipating potential liquidity pressures in 2008, the Company’s management strategically planned to enhance the liquidity of each of its subsidiary banks during 2008 and 2009. The Company grew deposits through various initiatives, and built additional liquidity in each of its subsidiary banks by securing additional long-term funding from FHLB borrowings. At September 30, 2011, each subsidiary bank was within established guidelines and total corporate liquidity remains very strong. At September 30, 2011, cash and cash equivalents, trading and available-for-sale securities and mortgage loans held for sale were 21.0% of total assets, as compared to 18.6% at December 31, 2010.

Liquidity Management

The objective of our liquidity management is to access adequate sources of funding to ensure that cash flow requirements of depositors and borrowers are met in an orderly and timely manner. Sources of liquidity are managed so that reliance on any one funding source is kept to a minimum. Our liquidity sources are prioritized for both availability and time to activation.

Our liquidity is a primary consideration in determining funding needs and is an integral part of asset/liability management. Pricing of the liability side is a major component of interest margin and spread management. Adequate liquidity is a necessity in addressing this critical task. There are five primary and secondary sources of liquidity available to the Company. The particular liquidity need and timeframe determine the use of these sources.

The first source of liquidity available to the Company is Federal funds. Federal funds, primarily from downstream correspondent banks, are available on a daily basis and are used to meet the normal fluctuations of a dynamic balance sheet. In addition, the Company and its subsidiary banks have approximately $91 million in Federal funds lines of credit from upstream correspondent banks that can be accessed, when needed. In order to ensure availability of these upstream funds, we have a plan for rotating the usage of the funds among the upstream correspondent banks, thereby providing approximately $40 million in funds on a given day. Historical monitoring of these funds has made it possible for us to project seasonal fluctuations and structure our funding requirements on a month-to-month basis.

A second source of liquidity is the retail deposits available through our network of subsidiary banks throughout Arkansas. Although this method can be a more expensive alternative to supplying liquidity, this source can be used to meet intermediate term liquidity needs.

Third, our subsidiary banks have lines of credits available with the Federal Home Loan Bank. While we use portions of those lines to match off longer-term mortgage loans, we also use those lines to meet liquidity needs. Approximately $332 million of these lines of credit are currently available, if needed.

Fourth, we use a laddered investment portfolio that ensures there is a steady source of intermediate term liquidity. These funds can be used to meet seasonal loan patterns and other intermediate term balance sheet fluctuations. Approximately 22% of the investment portfolio is classified as available-for-sale. We also use securities held in the securities portfolio to pledge when obtaining public funds.

Finally, we have the ability to access large deposits from both the public and private sector to fund short-term liquidity needs.

We believe the various sources available are ample liquidity for short-term, intermediate-term and long-term liquidity.

Market Risk Management

Market risk arises from changes in interest rates. We have risk management policies to monitor and limit exposure to market risk. In asset and liability management activities, policies designed to minimize structural interest rate risk are in place. The measurement of market risk associated with financial instruments is meaningful only when all related and offsetting on- and off-balance-sheet transactions are aggregated, and the resulting net positions are identified.

Interest Rate Sensitivity

Interest rate risk represents the potential impact of interest rate changes on net income and capital resulting from mismatches in repricing opportunities of assets and liabilities over a period of time. A number of tools are used to monitor and manage interest rate risk, including simulation models and interest sensitivity gap analysis. Management uses simulation models to estimate the effects of changing interest rates and various balance sheet strategies on the level of the Company’s net income and capital. As a means of limiting interest rate risk to an acceptable level, management may alter the mix of floating and fixed-rate assets and liabilities, change pricing schedules and manage investment maturities during future security purchases.

The simulation model incorporates management’s assumptions regarding the level of interest rates or balance changes for indeterminate maturity deposits for a given level of market rate changes. These assumptions have been developed through anticipated pricing behavior. Key assumptions in the simulation models include the relative timing of prepayments, cash flows and maturities. These assumptions are inherently uncertain and, as a result, the model cannot precisely estimate net interest income or precisely predict the impact of a change in interest rates on net income or capital. Actual results will differ from simulated results due to the timing, magnitude and frequency of interest rate changes and changes in market conditions and management strategies, among other factors.

The table below presents our interest rate sensitivity position at September 30, 2011. This analysis is based on a point in time and may not be meaningful because assets and liabilities are categorized according to contractual maturities, repricing periods and expected cash flows rather than estimating more realistic behaviors as is done in the simulation models. Also, this analysis does not consider subsequent changes in interest rate level or spreads between asset and liability categories.

Table 14: Interest Rate Sensitivity

	Interest Rate Sensitivity Period							
	0-30	31-90	91-180	181-365	1-2	2-5	Over 5	
(In thousands, except ratios)	Days	Days	Days	Days	Years	Years	Years	Total
Earning assets								
Short-term investments	$490,283	$—	$—	$—	$—	$—	$—	$490,283
Assets held in trading accounts	5,252	—	—	—	—	—	—	5,252
Investment securities	74,394	135,985	123,668	65,222	63,330	43,509	138,773	644,881
Mortgage loans held for sale	21,037	—	—	—	—	—	—	21,037
Loans	619,143	109,530	158,919	280,160	251,164	191,678	20,947	1,631,541
Covered loans	76,094	12,641	1,904	21,040	20,837	39,080	798	172,394
Total earning assets	1,286,203	258,156	284,491	366,422	335,331	274,267	160,518	2,965,388
Interest bearing liabilities								
Interest bearing transaction and savings deposits	692,984	—	—	—	100,385	301,154	100,384	1,194,907
Time deposits	80,561	174,767	230,518	244,118	96,343	82,504	71	908,882
Short-term debt	98,767	—	—	—	—	—	—	98,767
Long-term debt	21,134	2,469	1,467	4,326	16,104	25,316	51,685	122,501

Total interest bearing liabilities	893,446	177,236	231,985	248,444	212,832	408,974	152,140	2,325,057
Interest rate sensitivity Gap	$392,757	$80,920	$52,506	$117,978	$122,499	$(134,707)	$8,378	$640,331
Cumulative interest rate sensitivity Gap	$392,757	$473,677	$526,183	$644,161	$766,660	$631,953	$640,331	
Cumulative rate sensitive assets to rate sensitive liabilities	144.0 %	144.2 %	140.4 %	141.5 %	143.5 %	129.1 %	127.5 %	
Cumulative Gap as a % of earning assets	13.2 %	16.0 %	17.7 %	21.7 %	25.9 %	21.3 %	21.6 %	

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in 15 C.F.R. 240.13a-15(e) or 15 C.F.R. 240.15d-15(e)) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's current disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date of evaluation.

Part II: Other Information

Item 1A. Risk Factors

Management is not aware of any material changes to the risk factors discussed in Part 1, Item 1A of our Form 10-K for the year ended December 31, 2010. In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, Item 1A of our Form 10-K, which could materially and adversely affect the Company's business, ongoing financial condition and results of operations. The risks described are not the only risks facing the Company. Additional risks and uncertainties not presently known to management or that management currently believes to be immaterial may also adversely affect our business, ongoing financial condition or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Issuer Purchases of Equity Securities. The Company made the following purchases of its common stock during the three months ended September 30, 2011:

	Total Number	Maximum

Period	Total Number of Shares Purchased	Average Price Paid Per Share	of Shares Purchased as Part of Publicly Announced Plans	Number of Shares that May Yet be Purchased Under the Plans
July 1 – July 31	—	$ —	—	645,672
August 1 – August 31	—	—	—	645,672
September 1 – September 30	19,000	21.60	19,000	626,672
Total	19,000	$ 21.60	19,000	

Item 6. Exhibits

Exhibit No.	**Description**
2.1	Purchase and Assumption Agreement, dated as of May 14, 2010, among Federal Insurance Deposit Corporation, Receiver of Southwest Community Bank, Springfield, Missouri, Federal Deposit Insurance Corporation and Simmons First National Bank (incorporated by reference to Exhibit 2.1 to Simmons First National Corporation's Current Report on Form 8-K, as amended, for May 19, 2010 (File No. 000-06253)).
2.2	Purchase and Assumption Agreement, dated as of October 15, 2010, among Federal Insurance Deposit Corporation, Receiver of Security Savings Bank F.S.B., Olathe, Kansas, Federal Deposit Insurance Corporation and Simmons First National Bank (incorporated by reference to Exhibit 2.1 to Simmons First National Corporation's Current Report on Form 8-K, as amended, for October 21, 2010 (File No. 000-06253)).
3.1	Restated Articles of Incorporation of Simmons First National Corporation (incorporated by reference to Exhibit 3.1 to Simmons First National Corporation's Quarterly Report on Form 10-Q for the Quarter ended March 31, 2009 (File No. 000-06253)).
3.2	Amended By-Laws of Simmons First National Corporation (incorporated by reference to Exhibit 3.2 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2007 (File No. 000-06253)).
10.1	Amended and Restated Trust Agreement, dated as of December 16, 2003, among the Company, Deutsche Bank Trust Company Americas, Deutsche Bank Trust Company Delaware and each of J. Thomas May, Barry L. Crow and Robert A. Fehlman as administrative trustees, with respect to Simmons First Capital Trust II (incorporated by reference to Exhibit 10.1 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).
10.2	Guarantee Agreement, dated as of December 16, 2003, between the Company and Deutsche Bank Trust Company Americas, as guarantee trustee, with respect to Simmons First Capital Trust II (incorporated by reference to Exhibit 10.2 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).
10.3	Junior Subordinated Indenture, dated as of December 16, 2003, among the Company and Deutsche Bank Trust Company Americas, as trustee, with respect to the junior subordinated note held by Simmons First Capital Trust II (incorporated by reference to Exhibit 10.3 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).

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10.4	Amended and Restated Trust Agreement, dated as of December 16, 2003, among the Company, Deutsche Bank Trust Company Americas, Deutsche Bank Trust Company Delaware and each of J. Thomas May, Barry L. Crow and Robert A. Fehlman as administrative trustees, with respect to Simmons First Capital Trust III (incorporated by reference to Exhibit 10.4 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).
10.5	Guarantee Agreement, dated as of December 16, 2003, between the Company and Deutsche Bank Trust Company Americas, as guarantee trustee, with respect to Simmons First Capital Trust III (incorporated by reference to Exhibit 10.5 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).
10.6	Junior Subordinated Indenture, dated as of December 16, 2003, among the Company and Deutsche Bank Trust Company Americas, as trustee, with respect to the junior subordinated note held by Simmons First Capital Trust III (incorporated by reference to Exhibit 10.6 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).
10.7	Amended and Restated Trust Agreement, dated as of December 16, 2003, among the Company, Deutsche Bank Trust Company Americas, Deutsche Bank Trust Company Delaware and each of J. Thomas May, Barry L. Crow and Robert A. Fehlman as administrative trustees, with respect to Simmons First Capital Trust IV (incorporated by reference to Exhibit 10.7 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).
10.8	Guarantee Agreement, dated as of December 16, 2003, between the Company and Deutsche Bank Trust Company Americas, as guarantee trustee, with respect to Simmons First Capital Trust IV (incorporated by reference to Exhibit 10.8 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).
10.9	Junior Subordinated Indenture, dated as of December 16, 2003, among the Company and Deutsche Bank Trust Company Americas, as trustee, with respect to the junior subordinated note held by Simmons First Capital Trust IV (incorporated by reference to Exhibit 10.9 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).
10.10	Notice of discretionary bonuses to J. Thomas May, David L. Bartlett, Robert A. Fehlman, Marty D. Casteel and Robert C. Dill (incorporated by reference to Simmons First National Corporation's Current Report on Form 8-K for January 25, 2010 (File No. 000-06253)).

10.11	Deferred Compensation Agreements, adopted January 25, 2010, between Simmons First National Corporation and Robert A. Fehlman and Marty D. Casteel (incorporated by reference to Exhibits 10.2 and 10.3 to Simmons First National Corporation's Current Report on Form 8-K for January 25, 2010 (File No. 000-06253)).
10.12	Simmons First National Corporation Executive Retention Program, adopted January 25, 2010, and notice of retention bonuses to David Bartlett, Robert A. Fehlman and Marty D. Casteel (incorporated by reference to Exhibit 10.4 to Simmons First National Corporation's Current Report on Form 8-K for January 25, 2010 (File No. 000-06253)).
10.13	Simmons First National Corporation Executive Stock Incentive Plan – 2010, adopted January 25, 2010 (incorporated by reference to Exhibit 10.5 to Simmons First National Corporation's Current Report on Form 8-K for January 25, 2010 (File No. 000-06253)).
10.14	Deferred Compensation Agreement for Marty D. Casteel (incorporated by reference to Exhibit 10.3 to Simmons First National Corporation's Current Report on Form 8-K for January 25, 2010 (File No. 000-06253)).
10.15	Simmons First National Corporation Executive Retention Program (incorporated by reference to Exhibit 10.4 to Simmons First National Corporation's Current Report on Form 8-K for January 25, 2010 (File No. 000-06253)).
10.16	Simmons First National Corporation Executive Stock Incentive Plan - 2010 (incorporated by reference to Exhibit 10.5 to Simmons First National Corporation's Current Report on Form 8-K for January 25, 2010 (File No. 000-06253)).
10.17	Change in Control Agreement for J. Thomas May (incorporated by reference to Exhibit 10(a) to Simmons First National Corporation's Quarterly Report on Form 10-Q filed August 9, 2001 (File No. 000-06253)).
10.18	Change in Control Agreement for Robert A. Fehlman (incorporated by reference to Exhibit 10.3 to Simmons First National Corporation's Current Report on Form 8-K filed January 29, 2010 (File No. 000-06253)).
10.19	Change in Control Agreement for David Bartlett (incorporated by reference to Exhibit 10.1 to Simmons First National Corporation's Current Report on Form 8-K filed March 2, 2006 (File No. 000-06253)).
10.20	Change in Control Agreement for Marty D. Casteel (incorporated by reference to Exhibit 10.2 to Simmons First National Corporation's Current Report on Form 8-K filed January 29, 2010 (File No. 000-06253)).

10.21	Change in Control Agreement for Robert Dill (incorporated by reference to Exhibit 10.21 to Simmons First National Corporation's Amendment to the Annual Report on Form 10-K/A for the Year ended December 31, 2009 (File No. 000-06253)).
10.22	Amendment to Change in Control Agreement for Robert C. Dill (incorporated by reference to Exhibit 10.22 to Simmons First National Corporation's Amendment to the Annual Report on Form 10-K/A for the Year ended December 31, 2009 (File No. 000-06253)).
10.23	Amended and Restated Deferred Compensation Agreement for J. Thomas May (incorporated by reference to Exhibit 10.23 to Simmons First National Corporation's Amendment to the Annual Report on Form 10-K/A for the Year ended December 31, 2009 (File No. 000-06253)).
10.24	First Amendment to the Amended and Restated Deferred Compensation Agreement for J. Thomas May (incorporated by reference to Exhibit 10.24 to Simmons First National Corporation's Amendment to the Annual Report on Form 10-K/A for the Year ended December 31, 2009 (File No. 000-06253)).
10.25	Second Amendment to the Amended and Restated Deferred Compensation Agreement for J. Thomas May (incorporated by reference to Exhibit 10.25 to Simmons First National Corporation's Amendment to the Annual Report on Form 10-K/A for the Year ended December 31, 2009 (File No. 000-06253)).
10.26	Executive Salary Continuation Agreement for David L. Bartlett (incorporated by reference to Exhibit 10.26 to Simmons First National Corporation's Amendment to the Annual Report on Form 10-K/A for the Year ended December 31, 2009 (File No. 000-06253)).
10.27	409A Amendment to the Simmons First Bank of Hot Springs Executive Salary Continuation Agreement for David Bartlett (incorporated by reference to Exhibit 10.27 to Simmons First National Corporation's Amendment to the Annual Report on Form 10-K/A for the Year ended December 31, 2009 (File No. 000-06253)).
10.28	Simmons First National Corporation Incentive and Non-Qualified Stock Option Plan (incorporated by reference to Exhibit 4.1 to Simmons First National Corporation's Registration Statement on Form S-8 filed May 19, 2006 (File No. 333-134276)).
10.29	Simmons First National Corporation Executive Stock Incentive Plan (incorporated by reference to Exhibit 4.1 to Simmons First National Corporation's Registration Statement on Form S-8 filed May 19, 2006 (File No. 333-134301)).

10.30	Simmons First National Corporation Executive Stock Incentive Plan – 2001 (incorporated by reference to Definitive Additional Materials to Simmons First National Corporation's Definitive Proxy Materials on Schedule 14A filed April 2, 2001 (File No. 000-06253)).
10.31	Simmons First National Corporation Executive Stock Incentive Plan – 2006 (incorporated by reference to Exhibit 1.2 to Simmons First National Corporation's Definitive Proxy Materials on Schedule 14A filed March 10, 2006 (File No. 000-06253)).
10.32	First Amendment to Simmons First National Corporation Executive Stock Incentive Plan – 2006 (incorporated by reference to Exhibit 10.1 to Simmons First National Corporation's Current Report on Form 8-K filed June 4, 2007 (File No. 000-06253)).
10.33	Simmons First National Corporation Outside Director's Stock Incentive Plan - 2006 (incorporated by reference to Exhibit 1.3 to Simmons First National Corporation's Definitive Proxy Materials on Schedule 14A filed March 10, 2006 (File No. 000-06253)).
10.34	Amended and Restated Simmons First National Corporation Outside Director's Stock Incentive Plan - 2006 (incorporated by reference to Exhibit 1.1 to Simmons First National Corporation's Definitive Proxy Materials on Schedule 14A filed March 10, 2008 (File No. 000-06253)).
10.35	Simmons First National Corporation Dividend Reinvestment Plan (incorporated by reference to Exhibit 4.1 to Simmons First National Corporation's Registration Statement on Form S-3D filed May 20, 1998 (File No. 333-53119)).
10.36	Simmons First National Corporation Amended and Restated Dividend Reinvestment Plan (incorporated by reference to Exhibit 4.1 to Simmons First National Corporation's Registration Statement on Form S-3D filed July 14, 2004 (File No. 333-117350)).
10.37	Form of Lock-Up Agreement (incorporated by reference to Exhibit 10.1 to Simmons First National Corporation's Current Report on Form 8-K filed November 12, 2009 (File No. 000-06253)).
12.1	Computation of Ratios of Earnings to Fixed Charges.*
14	Code of Ethics, dated December 2003, for CEO, CFO, controller and other accounting officers (incorporated by reference to Exhibit 14 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).
15.1	Awareness Letter of BKD, LLP.*

31.1 Rule 13a-14(a)/15d-14(a) Certification – J. Thomas May, Chairman and Chief Executive Officer.*
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31.2 Rule 13a-14(a)/15d-14(a) Certification – Robert A. Fehlman, Chief Financial Officer.*

32.1 Certification Pursuant to 18 U.S.C. Sections 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – J. Thomas May, Chairman and Chief Executive Officer.*

32.2 Certification Pursuant to 18 U.S.C. Sections 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Robert A. Fehlman, Chief Financial Officer.*

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SIMMONS FIRST NATIONAL CORPORATION

(Registrant)

Date: November 9, 2011 /s/ J. Thomas May
J. Thomas May
Chairman and
Chief Executive Officer

Date: November 9, 2011 /s/ Robert A. Fehlman
Robert A. Fehlman
Executive Vice President and
Chief Financial Officer