

SIMMONS FIRST NATIONAL CORP

Form 10-Q

August 07, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended June 30, 2017 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

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer
Smaller reporting company Emerging Growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares outstanding of the Registrant’s Common Stock as of July 27, 2017, was 32,213,638.

Simmons First National Corporation

Quarterly Report on Form 10-Q

June 30, 2017

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Part I: Financial Information**Item 1. Financial Statements (Unaudited)****Simmons First National Corporation****Consolidated Balance Sheets****June 30, 2017 and December 31, 2016**

(In thousands, except share data)	June 30, 2017	December 31, 2016
	(Unaudited)	
ASSETS		
Cash and non-interest bearing balances due from banks	\$ 112,567	\$ 117,007
Interest bearing balances due from banks	212,547	168,652
Federal funds sold	4,500	--
Cash and cash equivalents	329,614	285,659
Interest bearing balances due from banks - time	6,057	4,563
Investment securities		
Held-to-maturity	419,003	462,096
Available-for-sale	1,190,600	1,157,354
Total investments	1,609,603	1,619,450
Mortgage loans held for sale	16,266	27,788
Assets held in trading accounts	50	41
Loans:		
Legacy loans	5,000,572	4,327,207
Allowance for loan losses	(41,379)	(36,286)
Loans acquired, net of discount and allowance	1,224,739	1,305,683
Net loans	6,183,932	5,596,604
Premises and equipment	230,641	199,359
Premises held for sale	--	6,052
Foreclosed assets	26,012	26,895
Interest receivable	27,337	27,788
Bank owned life insurance	148,134	138,620
Goodwill	379,437	348,505
Other intangible assets	58,528	52,959
Other assets	52,697	65,773
Total assets	\$9,068,308	\$8,400,056
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		

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Non-interest bearing transaction accounts	\$1,650,986	\$1,491,676
Interest bearing transaction accounts and savings deposits	4,141,426	3,956,483
Time deposits	1,311,123	1,287,060
Total deposits	7,103,535	6,735,219
Federal funds purchased and securities sold under agreements to repurchase	121,419	115,029
Other borrowings	474,962	273,159
Subordinated debentures	67,312	60,397
Accrued interest and other liabilities	67,004	65,141
Total liabilities	7,834,232	7,248,945
Stockholders' equity:		
Common stock, Class A, \$0.01 par value; 120,000,000 shares authorized; 32,212,832 and 31,277,723 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	322	313
Surplus	761,754	711,976
Undivided profits	483,322	454,034
Accumulated other comprehensive loss	(11,322)	(15,212)
Total stockholders' equity	1,234,076	1,151,111
Total liabilities and stockholders' equity	\$9,068,308	\$8,400,056

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation**Consolidated Statements of Income****Three and Six Months Ended June 30, 2017 and 2016**

(In thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
INTEREST INCOME				
Loans	\$73,549	\$63,009	\$142,277	\$129,688
Federal funds sold	13	17	14	27
Investment securities	9,990	8,499	19,441	17,005
Mortgage loans held for sale	145	295	271	572
Assets held in trading accounts	--	3	--	9
Interest bearing balances due from banks	201	77	322	220
TOTAL INTEREST INCOME	83,898	71,900	162,325	147,521
INTEREST EXPENSE				
Deposits	4,816	3,776	9,020	7,430
Federal funds purchased and securities sold under agreements to repurchase	92	59	167	125
Other borrowings	1,559	938	2,753	2,065
Subordinated debentures	619	544	1,193	1,087
TOTAL INTEREST EXPENSE	7,086	5,317	13,133	10,707
NET INTEREST INCOME	76,812	66,583	149,192	136,814
Provision for loan losses	7,023	4,616	11,330	7,439
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	69,789	61,967	137,862	129,375
NON-INTEREST INCOME				
Trust income	4,113	3,656	8,325	7,287
Service charges on deposit accounts	8,483	7,661	16,585	14,977
Other service charges and fees	2,515	2,718	4,712	5,585
Mortgage and SBA lending income	3,961	4,730	6,384	7,564
Investment banking income	637	1,181	1,327	1,865
Debit and credit card fees	8,659	7,688	16,593	14,888
Bank owned life insurance income	859	826	1,677	1,824
Gain on sale of securities	2,236	3,759	2,299	4,088
Other income	4,281	4,669	7,902	8,319
TOTAL NON-INTEREST INCOME	35,744	36,888	65,804	66,397
NON-INTEREST EXPENSE				

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Salaries and employee benefits	34,205	33,103	69,741	67,877
Occupancy expense, net	4,868	4,990	9,531	9,461
Furniture and equipment expense	4,550	4,077	8,993	8,023
Other real estate and foreclosure expense	517	967	1,106	1,934
Deposit insurance	780	1,096	1,460	2,244
Merger related costs	6,603	372	7,127	465
Other operating expenses	19,885	19,532	39,772	35,927
TOTAL NON-INTEREST EXPENSE	71,408	64,137	137,730	125,931
INCOME BEFORE INCOME TAXES	34,125	34,718	65,936	69,841
Provision for income taxes	11,060	11,809	20,751	23,427
NET INCOME	23,065	22,909	45,185	46,414
Preferred stock dividends	--	--	--	24
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	\$23,065	\$22,909	\$45,185	\$46,390
BASIC EARNINGS PER SHARE	\$0.72	\$0.75	\$1.43	\$1.53
DILUTED EARNINGS PER SHARE	\$0.72	\$0.75	\$1.42	\$1.52

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation**Consolidated Statements of Comprehensive Income****Three and Six Months Ended June 30, 2017 and 2016**

(In thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
NET INCOME	\$23,065	\$22,909	\$45,185	\$46,414
OTHER COMPREHENSIVE INCOME				
Unrealized holding gains arising during the period on available-for-sale securities	7,133	4,865	8,700	15,446
Less: Reclassification adjustment for realized gains included in net income	2,236	3,759	2,299	4,088
Other comprehensive gain, before tax effect	4,897	1,106	6,401	11,358
Less: Tax effect of other comprehensive gain	1,921	434	2,511	4,455
TOTAL OTHER COMPREHENSIVE INCOME	2,976	672	3,890	6,903
COMPREHENSIVE INCOME	\$26,041	\$23,581	\$49,075	\$53,317

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation**Consolidated Statements of Cash Flows****Six Months Ended June 30, 2017 and 2016**

(In thousands)	June 30, 2017 (Unaudited)	June 30, 2016
OPERATING ACTIVITIES		
Net income	\$45,185	\$46,414
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	9,649	8,039
Provision for loan losses	11,330	7,439
Gain on sale of available-for-sale securities	(2,299)	(4,088)
Net accretion of investment securities and assets	(13,884)	(15,810)
Net amortization on borrowings	213	208
Stock-based compensation expense	3,958	1,719
(Gain) loss on sale of premises and equipment, net of impairment	(615)	3,000
Gain on sale of foreclosed assets held for sale	(141)	(1,180)
Gain on sale of mortgage loans held for sale	(5,432)	(6,584)
Deferred income taxes	2,230	615
Increase in cash surrender value of bank owned life insurance	(1,677)	(1,824)
Originations of mortgage loans held for sale	(222,946)	(293,929)
Proceeds from sale of mortgage loans held for sale	239,900	300,249
Changes in assets and liabilities:		
Interest receivable	2,283	1,643
Assets held in trading accounts	(9)	(2,899)
Other assets	11,656	17,239
Accrued interest and other liabilities	(12,949)	(11,088)
Income taxes payable	9,471	(3,142)
Net cash provided by operating activities	75,923	46,021
INVESTING ACTIVITIES		
Net originations of loans	(340,457)	(89,962)
(Increase) decrease in due from banks - time	490	4,326
Purchases of premises and equipment, net	(26,664)	(4,044)
Proceeds from sale of premises and equipment	3,475	--
Proceeds from sale of foreclosed assets held for sale	7,510	19,364
Proceeds from sale of available-for-sale securities	326,937	232,806
Proceeds from maturities of available-for-sale securities	17,720	61,164
Purchases of available-for-sale securities	(197,439)	(280,506)
Proceeds from maturities of held-to-maturity securities	44,240	79,976
Purchases of held-to-maturity securities	(860)	(6,162)
Proceeds from the sale of held-to-maturity securities	441	--
Proceeds from bank owned life insurance death benefits	--	1,876

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Purchases of bank owned life insurance	(25)	(25)
Cash paid in business combinations, net of cash received	(22,000)	--
Net cash (used in) provided by investing activities	(186,632)	18,813
FINANCING ACTIVITIES		
Net change in deposits	(20,660)	(57,893)
Repayments of subordinated debentures	--	(594)
Dividends paid on preferred stock	--	(24)
Dividends paid on common stock	(15,897)	(14,514)
Net change in other borrowed funds	198,803	29,538
Net change in federal funds purchased and securities sold under agreements to repurchase	(10,773)	3,640
Net shares issued under stock compensation plans	3,191	4,210
Redemption of preferred stock	--	(30,852)
Net cash provided by (used in) financing activities	154,664	(66,489)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	43,955	(1,655)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	285,659	252,262
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$329,614	\$250,607

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation

Consolidated Statements of Stockholders' Equity

Six Months Ended June 30, 2017 and 2016

(In thousands, except share data)	Preferred Stock	Common Stock	Surplus	Accumulated Other Comprehensive Income (Loss)	Undivided Profits	Total
Balance, December 31, 2015	\$30,852	\$ 303	\$662,378	\$ (2,665)	\$385,987	\$1,076,855
Comprehensive income				6,903	46,414	53,317
Stock issued for employee stock purchase plan – 6,002 shares	--	--	231	--	--	231
Stock-based compensation plans, net – 131,546 shares	--	1	5,697	--	--	5,698
Preferred stock redeemed	(30,852)	--	--	--	--	(30,852)
Dividends on preferred stock	--	--	--	--	(24)	(24)
Dividends on common stock – \$0.48 per share	--	--	--	--	(14,514)	(14,514)
Balance, June 30, 2016 (Unaudited)	--	304	668,306	4,238	417,863	1,090,711
Comprehensive income	--	--	--	(19,450)	50,400	30,950
Stock issued for employee stock purchase plan – 9,733 shares	--	--	355	--	--	355
Stock-based compensation plans, net – 16,269 shares	--	1	2,071	--	--	2,072
Stock issued for Citizens National acquisition – 835,741 common shares	--	8	41,244	--	--	41,252
Cash dividends – \$0.48 per share	--	--	--	--	(14,229)	(14,229)
Balance, December 31, 2016	--	313	711,976	(15,212)	454,034	1,151,111
Comprehensive income				3,890	45,185	49,075
Stock issued for employee stock purchase plan – 13,001 shares	--	--	618	--	--	618
Stock-based compensation plans, net – 122,138 shares	--	1	6,530	--	--	6,531
Stock issued for Hardeman acquisition – 799,970 common shares	--	8	42,630	--	--	42,638
Dividends on common stock – \$0.50 per share	--	--	--	--	(15,897)	(15,897)
Balance, June 30, 2017 (Unaudited)	\$--	\$ 322	\$761,754	\$ (11,322)	\$483,322	\$1,234,076

See Condensed Notes to Consolidated Financial Statements.

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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.

In the opinion of management, all adjustments necessary for a fair presentation of the results of interim periods have been made. Certain gains and fees were reclassified within non-interest income categories in the 2016 financial statements to conform to the 2017 presentation. These reclassifications were not material to the consolidated financial statements. The consolidated balance sheet of the Company as of December 31, 2016, 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 2016 filed with the U.S. Securities and Exchange Commission (the “SEC”).

Recently Issued Accounting Pronouncements

ASU 2017-09 – *Stock Compensation: Scope of Modification Accounting* (“ASU 2017-09”). ASU 2017-09 provides clarity and reduces both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation - Stock Compensation, to a change to the terms or conditions of a share-based payment award. An entity may change the terms or conditions of a share-based payment award for many different reasons, and the nature and effect of the change can vary significantly. ASU 2017-09 provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. ASU 2017-09 is

effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact this standard will have on the Company's results of operations, financial position or disclosures, but it is not expected to have a material impact.

ASU 2017-08 – *Premium Amortization on Purchased Callable Debt Securities* (“ASU 2017-08”). ASU 2017-08 amends the amortization period for certain purchased callable debt securities held at a premium. Specifically, the amendments shorten the amortization period by requiring that the premium be amortized to the earliest call date. Under current GAAP, entities generally amortize the premium as an adjustment of yield over the contractual life of the instrument. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. ASU 2017-08 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. We elected to adopt the provisions of ASU 2017-08 during the quarter ended March 31, 2017 in advance of the required application date. The adoption of this standard did not have a material effect on the Company's results of operations, financial position or disclosures.

ASU 2017-04 – *Goodwill and Other: Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”). ASU 2017-04 eliminates Step 2 from the goodwill impairment test which required entities to compare the implied fair value of goodwill. Under ASU 2017-04, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted for interim or annual impairment tests beginning in 2017. ASU 2017-04 is not expected to have a material effect on the Company's results of operations, financial position or disclosures.

ASU 2016-15 – *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments* (“ASU 2016-15”). ASU 2016-15 is designed to address the diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The standard also provides guidance on when an entity should separate or aggregate cash flows based on the predominance principle. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Since ASU 2016-15 applies to the classification of cash flows, no impact is anticipated on the Company's financial position or results of operations; however, the Company is currently evaluating the impact this standard will have on its financial statement disclosures, but it is not expected to have a material impact.

ASU 2016-13 – *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”). ASU 2016-13 requires earlier measurement of credit losses, expands the range of information considered in determining expected credit losses and enhances disclosures. The main objective of ASU 2016-13 is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments in ASU 2016-13 replace the incurred loss impairment methodology in current GAAP (“Accounting Principles Generally Accepted in the United States of America”) with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We have formed a cross functional team that is assessing our data and system needs and is evaluating the impact of adopting the new guidance. We expect to recognize a one-time cumulative effect adjustment to the allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective, but cannot yet determine the magnitude of any such one-time adjustment or the overall impact on the Company’s results of operations, financial position or disclosures.

ASU 2016-09 – *Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Accounting* (“ASU 2016-09”). Under ASU 2016-09 all excess tax benefits and tax deficiencies related to share-based payment awards should be recognized as income tax expense or benefit in the income statement during the period in which they occur. Previously, such amounts were recorded in the pool of excess tax benefits included in additional paid-in capital, if such pool was available. Because excess tax benefits are no longer recognized in additional paid-in capital, the assumed proceeds from applying the treasury stock method when computing earnings per share should exclude the amount of excess tax benefits that would have previously been recognized in additional paid-in capital. Additionally, excess tax benefits should be classified along with other income tax cash flows as an operating activity rather than a financing activity, as was previously the case. ASU 2016-09 also provides that an entity can make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest (current GAAP) or account for forfeitures when they occur. ASU 2016-09 changes the threshold to qualify for equity classification (rather than as a liability) to permit withholding up to the maximum statutory tax rates (rather than the minimum as was previously the case) in the applicable jurisdictions. ASU 2016-09 became effective for annual and interim periods beginning after December 15, 2016. The prospective adoption of this standard has not had a material effect on the Company’s results of operations, financial position or disclosures. The impact of the requirement to report those income tax effects in earnings reduced reported federal and state income tax expense by \$0.3 million and \$1.5 million, respectively, for the three and six months ended June 30, 2017.

ASU 2016-02 – *Leases* (“ASU 2016-02”). ASU 2016-02 establishes the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. The new guidance results in a more consistent representation of the rights and obligations arising from leases by requiring lessees to recognize the lease asset and lease liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions, such as information about variable lease payments and options to renew and terminate leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Based on leases outstanding as of June 30, 2017, we do not expect the new standard to have a material impact on our results of operations, but anticipate increases in our assets and liabilities. Decisions to repurchase, modify or renew leases prior to the implementation date will impact the level of materiality.

ASU 2016-01 – *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* (“ASU 2016-01”). ASU 2016-01 makes changes primarily affecting the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the FASB clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. ASU 2016-01 is effective for fiscal periods beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact this standard will have on the Company’s results of operations, financial position or disclosures, but it is not expected to have a material impact.

ASU 2015-16 – *Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments* (“ASU 2015-16”). ASU 2015-16 requires entities to recognize measurement period adjustments during the reporting period in which the adjustments are determined. The income effects, if any, of a measurement period adjustment are cumulative and are to be reported in the period in which the adjustment to a provisional amount is determined. Also, ASU 2015-16 requires presentation on the face of the income statement or in the notes, the effect of the measurement period adjustment as if the adjustment had been recognized at acquisition date. Under previous guidance, adjustments to provisional amounts identified during the measurement period are to be recognized retrospectively. ASU 2015-16 became effective for annual and interim periods beginning after December 15, 2015 and should be applied prospectively to measurement period adjustments that occur after the effective date. The adoption of this standard has not had a material effect on the Company’s results of operations, financial position or disclosures.

ASU 2015-14 – *Revenue from Contracts with Customers: Deferral of the Effective Date* (“ASU 2015-14”). ASU 2015-14 is an update to the effective date in ASU 2014-09 – *Revenue from Contracts with Customers* (“ASU 2014-09”). ASU 2014-09 provides guidance that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2015-14 is effective prospectively, for annual and interim periods, beginning after December 15, 2017. The adoption of this standard is not expected to have a material effect on the Company’s results of operations, financial position or disclosures. The guidance does not apply to revenue associated with financial instruments, including loans and securities that are accounted for under other GAAP, which comprises a significant portion of our revenue stream. We believe that for most revenue streams within the scope of ASU 2015-14, the amendments will not change the timing of when the revenue is recognized. We will continue to evaluate the impact focusing on noninterest income sources within the scope of ASU 2015-14; however, we do not expect adoption to have a material impact on the Company’s results of operations, financial position or disclosures.

There have been no other significant changes to the Company’s accounting policies from the 2016 Form 10-K. Presently, the Company is not aware of any other changes to the Accounting Standards Codification that will have a material impact on the Company’s present or future financial position or results of operations.

Acquisition Accounting, Loans Acquired

The Company accounts for its acquisitions under ASC Topic 805, *Business Combinations*, which requires the use of the acquisition method of accounting. All identifiable assets acquired, including loans, are recorded at fair value. No allowance for loan losses related to the loans acquired 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. 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.

The Company evaluates loans acquired, other than purchased impaired loans, in accordance with the provisions of ASC Topic 310-20, *Nonrefundable Fees and Other Costs*. The fair value discount on these loans is accreted into interest income over the weighted average life of the loans using a constant yield method. The Company evaluates purchased impaired loans in accordance with the provisions of ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*. Purchased 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.

For impaired loans accounted for under ASC Topic 310-30, the Company continues to estimate cash flows expected to be collected on these loans. The Company evaluates at each balance sheet date whether the present value of the loans determined using the effective interest rates has decreased significantly and if so, recognizes a provision for loan loss in the 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 remaining life of the loan.

For further discussion of our acquisition and loan accounting, see Note 2, Acquisitions, and Note 5, Loans Acquired.

Earnings Per Common Share (“EPS”)

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

Following is the computation of earnings per common share for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(In thousands, except per share data)				
Net income available to common shareholders	\$23,065	\$22,909	\$45,185	\$46,390
Average common shares outstanding	31,817	30,353	31,585	30,340
Average potential dilutive common shares	209	99	209	99
Average diluted common shares	32,026	30,452	31,794	30,439
Basic earnings per share	\$0.72	\$0.75	\$1.43	\$1.53
Diluted earnings per share ⁽¹⁾	\$0.72	\$0.75	\$1.42	\$1.52

(1) Stock options to purchase 258,255 and 65,005 shares for the three and six months ended June 30, 2016 were not included in the diluted EPS calculation because the exercise price of those options exceeded the average market price. There were no stock options excluded from the earnings per share calculation due to the related exercise price exceeding the average market price for the three and six months ended June 30, 2017.

NOTE 2: ACQUISITIONS**Hardeman County Investment Company, Inc.**

On May 15, 2017, the Company completed the acquisition of Hardeman County Investment Company, Inc. (“Hardeman”), headquartered in Jackson, Tennessee, including its wholly-owned bank subsidiary, First South Bank. The Company issued 799,970 shares of its common stock valued at approximately \$42.6 million as of May 15, 2017, plus

\$30.0 million in cash in exchange for all outstanding shares of Hardeman common stock.

Prior to the acquisition, Hardeman conducted banking business from 10 branches located in western Tennessee. Including the effects of the acquisition method accounting adjustments, the Company acquired approximately \$462.9 million in assets, including approximately \$251.6 million in loans (inclusive of loan discounts) and approximately \$389.0 million in deposits. The Company expects to complete the systems conversion and merge First South Bank into Simmons Bank in September 2017. As part of the systems conversion, 5 existing Simmons and First South Bank branches will be consolidated.

Goodwill of \$29.4 million was recorded as a result of the transaction. The merger strengthened the Company's position in the western Tennessee market and the Company will be able to achieve cost savings by integrating the two companies and combining accounting, data processing, and other administrative functions all of which gave rise to the goodwill recorded. The goodwill will not be deductible for tax purposes.

A summary, at fair value, of the assets acquired and liabilities assumed in the Hardeman transaction, as of the acquisition date, is as follows:

(In thousands)	Acquired from Hardeman	Fair Value Adjustments	Fair Value
Assets Acquired			
Cash and due from banks	\$ 8,001	\$ --	\$8,001
Interest bearing balances due from banks - time	1,984	--	1,984
Investment securities	170,654	(316)	170,338
Loans acquired	257,641	(5,992)	251,649
Allowance for loan losses	(2,382)	2,382	--
Foreclosed assets	1,083	(452)	631
Premises and equipment	9,905	1,258	11,163
Bank owned life insurance	7,819	--	7,819
Goodwill	11,485	(11,485)	--
Core deposit intangible	--	7,840	7,840
Other intangibles	--	830	830
Other assets	2,639	(1)	2,638
Total assets acquired	\$ 468,829	\$ (5,936)	\$462,893
Liabilities Assumed			
Deposits:			
Non-interest bearing transaction accounts	\$ 76,555	\$ --	\$76,555
Interest bearing transaction accounts and savings deposits	214,872	--	214,872
Time deposits	97,917	(368)	97,549
Total deposits	389,344	(368)	388,976
Securities sold under agreement to repurchase	17,163	--	17,163
Other borrowings	3,000	--	3,000
Subordinated debentures	6,702	--	6,702
Accrued interest and other liabilities	1,891	1,924	3,815
Total liabilities assumed	418,100	1,556	419,656
Equity	50,729	(50,729)	--
Total equity assumed	50,729	(50,729)	--
Total liabilities and equity assumed	\$ 468,829	\$ (49,173)	\$419,656
Net assets acquired			43,237
Purchase price			72,639
Goodwill			\$29,402

The purchase price allocation and certain fair value measurements remain preliminary due to the timing of the acquisition. Management will continue to review the estimated fair values and evaluate the assumed tax positions. The Company expects to finalize its analysis of the acquired assets and assumed liabilities in this transaction over the next few months, within one year of the acquisition. Therefore, adjustments to the estimated amounts and carrying values

may occur.

The Company's operating results for 2017 include the operating results of the acquired assets and assumed liabilities of Hardeman subsequent to the acquisition date.

Citizens National Bank

On September 9, 2016, the Company completed the acquisition of Citizens National Bank ("Citizens"), headquartered in Athens, Tennessee. The Company issued 835,741 shares of its common stock valued at approximately \$41.3 million as of September 9, 2016, plus \$35.0 million in cash in exchange for all outstanding shares of Citizens common stock.

Prior to the acquisition, Citizens conducted banking business from 9 branches located in east Tennessee. Including the effects of the acquisition method accounting adjustments, the Company acquired approximately \$585.5 million in assets, including approximately \$340.9 million in loans (inclusive of loan discounts) and approximately \$509.9 million in deposits. The Company completed the systems conversion and merged Citizens into Simmons Bank on October 21, 2016.

Goodwill of \$23.0 million was recorded as a result of the transaction. The merger strengthened the Company's position in the east Tennessee market and the Company is able to achieve cost savings by integrating the two companies and combining accounting, data processing, and other administrative functions all of which gave rise to the goodwill recorded. The goodwill will be deductible for tax purposes.

A summary, at fair value, of the assets acquired and liabilities assumed in the Citizens transaction, as of the acquisition date, is as follows:

(In thousands)	Acquired from Citizens	Fair Value Adjustments	Fair Value
Assets Acquired			
Cash and due from banks	\$ 131,467	\$ --	\$ 131,467
Federal funds sold	10,000	--	10,000
Investment securities	61,987	1	61,988
Loans acquired	350,361	(9,511)	340,850
Allowance for loan losses	(4,313)	4,313	--
Foreclosed assets	4,960	(1,518)	3,442
Premises and equipment	6,746	1,339	8,085
Bank owned life insurance	6,632	--	6,632
Core deposit intangible	--	5,075	5,075
Other intangibles	--	591	591
Other assets	17,364	6	17,370
Total assets acquired	\$ 585,204	\$ 296	\$ 585,500
Liabilities Assumed			
Deposits:			
Non-interest bearing transaction accounts	\$ 109,281	\$ --	\$ 109,281
Interest bearing transaction accounts and savings deposits	204,912	--	204,912
Time deposits	195,664	--	195,664
Total deposits	509,857	--	509,857
Securities sold under agreement to repurchase	13,233	--	13,233
FHLB borrowings	4,000	47	4,047
Accrued interest and other liabilities	3,558	1,530	5,088
Total liabilities assumed	530,648	1,577	532,225
Equity	54,556	(54,556)	--
Total equity assumed	54,556	(54,556)	--
Total liabilities and equity assumed	\$ 585,204	\$ (52,979)	\$ 532,225
Net assets acquired			53,275
Purchase price			76,300
Goodwill			\$ 23,025

The purchase price allocation and certain fair value measurements remain preliminary due to the timing of the acquisition. Management will continue to review the estimated fair values and to evaluate the assumed tax positions. The Company expects to finalize its analysis of the acquired assets and assumed liabilities in this transaction over the next few months, within one year of the acquisition. Therefore, adjustments to the estimated amounts and carrying values may occur.

The Company's operating results for 2017 and 2016 include the operating results of the acquired assets and assumed liabilities of Citizens subsequent to the acquisition date.

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

Cash and due from banks, time deposits due from banks and federal funds sold – The carrying amount of these assets is a reasonable estimate of fair value based on the short-term nature of these assets.

Investment securities – Investment securities were acquired with an adjustment to fair value based upon quoted market prices if material. Otherwise, the carrying amount of these assets was deemed to be a reasonable estimate of fair value.

Loans acquired – 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.

Premises and equipment – Bank premises and equipment were acquired with an adjustment to fair value, which represents the difference between the Company's current analysis of property and equipment values completed in connection with the acquisition and book value acquired.

Bank owned life insurance – Bank owned life insurance is carried at its current cash surrender value, which is the most reasonable estimate of fair value.

Goodwill – The consideration paid as a result of the acquisition exceeded the fair value of the assets acquired, resulting in an intangible asset, goodwill. Goodwill established prior to the acquisitions, if applicable, was written off.

Core deposit intangible – This intangible asset represents the value of the relationships that the acquired banks 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. Core deposit intangible established prior to the acquisitions, if applicable, was written off.

Other intangibles – This intangible assets represent the value of the relationships that Citizens had with their trust customers and Hardeman had with their insurance customers. The fair value of these intangible assets was estimated based on a combination of discounted cash flow methodology and a market valuation approach. Other intangibles established prior to the acquisitions, if applicable, was written off.

Other assets – The fair value adjustment results from certain assets whose value was estimated to be less than book value, such as certain prepaid assets, receivables and other miscellaneous assets. Otherwise, the carrying amount of these assets was deemed to be a reasonable estimate of fair value.

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. The Company performed a fair value analysis of the estimated weighted average interest rate of the certificates of deposits compared to the current market rates and recorded a fair value adjustment for the difference when material.

Securities sold under agreement to repurchase – The carrying amount of securities sold under agreement to repurchase is a reasonable estimate of fair value based on the short-term nature of these liabilities.

FHLB and other borrowings – The fair value of Federal Home Loan Bank and other borrowings is estimated based on borrowing rates currently available to the Company for borrowings with similar terms and maturities.

Subordinated debentures – The fair value of subordinated debentures is estimated based on borrowing rates currently available to the Company for borrowings with similar terms and maturities. Due to the floating rate nature of the debenture, the fair value approximates book value as of the date acquired.

Accrued interest and other liabilities – The adjustment establishes a liability for unfunded commitments equal to the fair value of that liability at the date of acquisition.

Southwest Bancorp, Inc. (Pending Acquisition)

On December 14, 2016, the Company announced that it has entered into a definitive agreement and plan of merger (“SBI Agreement”) with Southwest Bancorp, Inc. (“SBI”), headquartered in Stillwater, Oklahoma, including its wholly-owned bank subsidiary, Bank SNB. According to the terms of the SBI Agreement, the Company will acquire all of the outstanding common stock of SBI in a transaction valued at approximately \$564.4 million (based on the Company’s common stock closing price as of December 13, 2016), subject to potential adjustments. The transaction is expected to be accretive to the Company’s diluted core earnings per common share in the first full year of operation.

SBI conducts banking business from 31 branches located in Oklahoma, Colorado, Kansas and Texas. As of December 31, 2016, SBI had approximately \$2.5 billion in assets, \$1.9 billion in loans and \$1.9 billion in deposits. Completion of the transaction is expected as early as October 2017 or as late as January 2018 and is subject to certain closing conditions, including approval by the shareholders of both SBI and the Company and customary regulatory approvals. Upon closing, SBI will merge into the Company.

First Texas BHC, Inc. (Pending Acquisition)

On January 23, 2017, the Company announced that it has entered into a definitive agreement and plan of merger (“First Texas Agreement”) with First Texas BHC, Inc. (“First Texas”), headquartered in Fort Worth, Texas, including its wholly-owned bank subsidiary, Southwest Bank. According to the terms of the First Texas Agreement, the Company will acquire all of the outstanding common stock of First Texas in a transaction valued at approximately \$462 million (based on the Company’s common stock closing price as of January 20, 2017), subject to potential adjustments. The transaction is expected to be accretive to the Company’s diluted core earnings per common share in the first full year of operation.

First Texas conducts banking business from 16 branches located in the Dallas/Fort Worth Metroplex. As of December 31, 2016, First Texas had approximately \$2.1 billion in assets, \$1.8 billion in loans and \$1.7 billion in deposits. Completion of the transaction is expected as early as October 2017 or as late as January 2018 and is subject to certain closing conditions, including approval by the shareholders of both First Texas and the Company and customary regulatory approvals. Upon closing, First Texas will merge into the Company.

NOTE 3: INVESTMENT SECURITIES

The amortized cost and fair value of investment securities that are classified as held-to-maturity (“HTM”) and available-for-sale (“AFS”) are as follows:

(In thousands)	June 30, 2017				December 31, 2016			
	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. Government agencies	\$67,912	\$52	\$(178)	\$67,786	\$76,875	\$107	\$(182)	\$76,800
Mortgage-backed securities	17,882	66	(198)	17,750	19,773	63	(249)	19,587
State and political subdivisions	331,249	6,623	(105)	337,767	362,532	4,967	(842)	366,657
Other securities	1,960	--	--	1,960	2,916	--	--	2,916
Total HTM	\$419,003	\$6,741	\$(481)	\$425,263	\$462,096	\$5,137	\$(1,273)	\$465,960
Available-for-Sale								
U.S. Treasury	\$19,996	\$1	\$--	\$19,997	\$300	\$--	\$--	\$300
U.S. Government agencies	149,296	213	(1,890)	147,619	140,005	67	(2,301)	137,771
Mortgage-backed securities	892,080	95	(13,970)	878,205	885,783	178	(17,637)	868,324
State and political subdivisions	86,915	133	(3,376)	83,672	108,374	38	(5,469)	102,943
Other securities	59,990	1,117	--	61,107	47,022	996	(2)	48,016
Total AFS	\$1,208,277	\$1,559	\$(19,236)	\$1,190,600	\$1,181,484	\$1,279	\$(25,409)	\$1,157,354

Securities with limited marketability, such as stock in the Federal Reserve Bank and the Federal Home Loan Bank, are carried at cost and are reported as other available-for-sale securities in the table above.

Certain investment securities are valued at less than their historical cost. Total fair value of these investments at June 30, 2017, was \$1.1 billion, which is approximately 69.6% of the Company’s combined available-for-sale and held-to-maturity investment portfolios.

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2017:

(In thousands)	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Held-to-Maturity						
U.S. Government agencies	\$14,938	\$(62)	\$37,883	\$(116)	\$52,821	\$(178)
Mortgage-backed securities	10,036	(151)	1,291	(47)	11,327	(198)
State and political subdivisions	18,939	(104)	225	(1)	19,164	(105)
Total HTM	\$43,913	\$(317)	\$39,399	\$(164)	\$83,312	\$(481)
Available-for-Sale						
U.S. Government agencies	\$111,504	\$(1,761)	\$16,868	\$(129)	\$128,372	\$(1,890)
Mortgage-backed securities	785,746	(12,903)	45,673	(1,067)	831,419	(13,970)
State and political subdivisions	57,309	(2,137)	20,158	(1,239)	77,467	(3,376)
Other securities	100	--	--	--	100	--
Total AFS	\$954,659	\$(16,801)	\$82,699	\$(2,435)	\$1,037,358	\$(19,236)

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.

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

Management has the ability and intent to hold the securities classified as held to maturity until they mature, at which time the Company expects to receive full value for the securities. Furthermore, as of June 30, 2017, management also had the ability and intent to hold the securities classified as available-for-sale for a period of time sufficient for a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of

the securities are impaired due to reasons of credit quality. Accordingly, as of June 30, 2017, management believes the impairments detailed in the table above are temporary. 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.

Income earned on securities for the three and six months ended June 30, 2017 and 2016, is as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Taxable:				
Held-to-maturity	\$636	\$1,446	\$1,297	\$2,323
Available-for-sale	6,238	4,492	12,054	8,926
Non-taxable:				
Held-to-maturity	2,217	2,399	4,500	5,545
Available-for-sale	899	162	1,590	211
Total	\$9,990	\$8,499	\$19,441	\$17,005

The amortized cost and estimated fair value by maturity of securities are shown in the following table. Securities are classified according to their contractual maturities without consideration of principal amortization, potential prepayments or call options. Accordingly, actual maturities may differ from contractual maturities.

(In thousands)	Held-to-Maturity		Available-for-Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	\$50,648	\$50,636	\$21,212	\$21,213
After one through five years	108,555	109,055	100,683	99,792
After five through ten years	100,222	101,798	8,941	8,712
After ten years	141,696	146,024	126,471	122,671
Securities not due on a single maturity date	17,882	17,750	892,080	878,205
Other securities (no maturity)	--	--	58,890	60,007
Total	\$419,003	\$425,263	\$1,208,277	\$1,190,600

The carrying value, which approximates the fair value, of securities pledged as collateral, to secure public deposits and for other purposes, amounted to \$1.0 billion at June 30, 2017 and \$915.2 million at December 31, 2016.

There were \$2.2 million of gross realized gains and \$5,000 of gross realized losses from the sale of available for sale securities during the three months ended June 30, 2017, and there were \$2.3 million of realized gains and \$5,000 of realized losses from the sale of available for sale securities during the six months ended June 30, 2017. There were \$3.8 million of gross realized gains and no realized losses for the three months ended June 30, 2016, and there were \$4.1 million of gross realized gains and no realized losses from the sale of available for sale securities during the six months ended June 30, 2016.

The state and political subdivision debt obligations are predominately non-rated bonds representing small issuances, primarily in Arkansas, Missouri, Tennessee and Texas issues, which are evaluated on an ongoing basis.

NOTE 4: LOANS AND ALLOWANCE FOR LOAN LOSSES

At June 30, 2017, the Company's loan portfolio was \$6.225 billion, compared to \$5.633 billion at December 31, 2016. The various categories of loans are summarized as follows:

(In thousands)	June 30, 2017	December 31, 2016
Consumer:		
Credit cards	\$ 176,953	\$ 184,591
Other consumer	366,136	303,972
Total consumer	543,089	488,563
Real Estate:		
Construction	457,896	336,759
Single family residential	1,014,412	904,245
Other commercial	2,089,707	1,787,075
Total real estate	3,562,015	3,028,079
Commercial:		
Commercial	678,932	639,525
Agricultural	191,345	150,378
Total commercial	870,277	789,903
Other	25,191	20,662
Loans	5,000,572	4,327,207
Loans acquired, net of discount and allowance ⁽¹⁾	1,224,739	1,305,683
Total loans	\$6,225,311	\$5,632,890

(1) See Note 5, Loans Acquired, for segregation of loans acquired by loan class.

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, a factor that influenced the Company's judgment regarding the allowance for loan losses consists of a five-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 and other consumer loans. 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.

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 one or three year balloons, and the Company has recently instituted a pricing mechanism for commercial loans. It is standard practice to require personal guaranties on commercial loans for 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 acquired, segregated by class of loans, are as follows:

(In thousands)	June 30, 2017	December 31, 2016
<i>Consumer:</i>		
Credit cards	\$293	\$ 373
Other consumer	2,747	1,793
Total consumer	3,040	2,166
<i>Real estate:</i>		
Construction	2,761	3,411
Single family residential	12,722	12,139
Other commercial	20,368	12,385
Total real estate	35,851	27,935
<i>Commercial:</i>		
Commercial	16,169	7,765
Agricultural	2,066	1,238
Total commercial	18,235	9,003
Total	\$57,126	\$ 39,104

An age analysis of past due loans, excluding loans acquired, segregated by class of loans, is as follows:

(In thousands)	Gross 30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days Past Due & Accruing
June 30, 2017						
Consumer:						
Credit cards	\$568	\$565	\$1,133	\$175,820	\$176,953	\$ 271
Other consumer	3,301	1,779	5,080	361,056	366,136	10
Total consumer	3,869	2,344	6,213	536,876	543,089	281
Real estate:						
Construction	950	1,748	2,698	455,198	457,896	--
Single family residential	5,429	5,756	11,185	1,003,227	1,014,412	--
Other commercial	3,385	9,542	12,927	2,076,780	2,089,707	--
Total real estate	9,764	17,046	26,810	3,535,205	3,562,015	--
Commercial:						
Commercial	7,408	8,543	15,951	662,981	678,932	--
Agricultural	53	2,009	2,062	189,283	191,345	--
Total commercial	7,461	10,552	18,013	852,264	870,277	--
Other	--	--	--	25,191	25,191	--
Total	\$21,094	\$29,942	\$51,036	\$4,949,536	\$5,000,572	\$ 281
December 31, 2016						
Consumer:						
Credit cards	\$716	\$275	\$991	\$183,600	\$184,591	\$ 275
Other consumer	3,786	1,027	4,813	299,159	303,972	11
Total consumer	4,502	1,302	5,804	482,759	488,563	286
Real estate:						
Construction	1,420	1,246	2,666	334,093	336,759	--
Single family residential	6,310	5,927	12,237	892,008	904,245	14
Other commercial	4,212	6,722	10,934	1,776,141	1,787,075	--
Total real estate	11,942	13,895	25,837	3,002,242	3,028,079	14
Commercial:						
Commercial	2,040	5,296	7,336	632,189	639,525	--
Agricultural	121	1,215	1,336	149,042	150,378	--
Total commercial	2,161	6,511	8,672	781,231	789,903	--
Other	--	--	--	20,662	20,662	--
Total	\$18,605	\$21,708	\$40,313	\$4,286,894	\$4,327,207	\$ 300

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.

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 acquired, 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 Three Months Ended June 30, 2017	Interest Income Recognized	Average Investment in Impaired Loans Six Months Ended June 30, 2017	Interest Income Recognized
<u>June 30, 2017</u>									
Consumer:									
Credit cards	\$ 293	\$ 293	\$ --	\$ 293	\$ --	\$ 261	\$ 6	\$ 298	\$ 11
Other consumer	2,824	2,747	--	2,747	--	2,581	17	2,321	31
Total consumer	3,117	3,040	--	3,040	--	2,842	23	2,619	42
Real estate:									
Construction	3,309	1,755	1,006	2,761	156	2,748	21	2,969	39
Single family residential	13,423	12,004	718	12,722	46	12,837	90	12,686	167
Other commercial	22,562	7,324	13,044	20,368	1,686	22,402	138	19,670	258
Total real estate	39,294	21,083	14,768	35,851	1,888	37,987	249	35,325	464
Commercial:									
Commercial	17,682	4,674	11,495	16,169	3,636	14,275	91	12,952	170
Agricultural	3,183	2,066	--	2,066	--	2,152	13	1,840	24
Total commercial	20,865	6,740	11,495	18,235	3,636	16,427	104	14,792	194
Total	\$ 63,276	\$ 30,863	\$ 26,263	\$ 57,126	\$ 5,524	\$ 57,256	\$ 376	\$ 52,736	\$ 700
<u>December 31, 2016</u>									
Consumer:									
Credit cards	\$ 373	\$ 373	\$ --	\$ 373	\$ --	\$ 216	\$ --	\$ 304	\$ 10
Other consumer	1,836	1,797	3	1,800	1	841	12	708	18
Total consumer	2,209	2,170	3	2,173	1	1,057	12	1,012	28
Real estate:									
Construction	4,275	1,038	2,374	3,412	156	5,089	61	5,044	126
Single family residential	12,970	10,630	1,753	12,383	162	9,032	110	7,904	197
Other commercial	20,993	6,891	7,315	14,206	99	19,976	220	14,789	370
Total real estate	38,238	18,559	11,442	30,001	417	34,097	391	27,737	693
Commercial:									
Commercial	11,848	2,734	7,573	10,307	262	2,539	31	2,355	59
Agricultural	2,226	1,215	--	1,215	--	1,084	15	810	20
Total commercial	14,074	3,949	7,573	11,522	262	3,623	46	3,165	79
Total	\$ 54,521	\$ 24,678	\$ 19,018	\$ 43,696	\$ 680	\$ 38,777	\$ 449	\$ 31,914	\$ 800

At June 30, 2017, and December 31, 2016, impaired loans, net of government guarantees and excluding loans acquired, totaled \$57.1 million and \$43.7 million, respectively. Allocations of the allowance for loan losses relative to impaired loans were \$5.5 million and \$680,000 at June 30, 2017 and December 31, 2016, respectively. Approximately \$376,000 and \$700,000 of interest income was recognized on average impaired loans of \$57.3 million and \$52.7 million for the three and six months ended June 30, 2017. Interest income recognized on impaired loans on a cash basis during the three and six months ended June 30, 2017 and 2016 was not material.

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

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

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

The following table presents a summary of troubled debt restructurings, excluding loans acquired, segregated by class of loans.

(Dollars in thousands)	Accruing TDR Loans		Nonaccrual TDR Loans		Total TDR Loans	
	Number	Balance	Number	Balance	Number	Balance
June 30, 2017						
Real estate:						
Construction	--	\$--	2	\$445	2	\$445
Single-family residential	1	43	19	1,212	20	1,255
Other commercial	6	6,624	4	8,089	10	14,713
Total real estate	7	6,667	25	9,746	32	16,413
Commercial:						
Commercial	7	2,127	9	788	16	2,915
Total commercial	7	2,127	9	788	16	2,915
Total	14	\$8,794	34	\$10,534	48	\$19,328
December 31, 2016						
Consumer:						
Other consumer	--	\$--	1	\$3	1	\$3
Total consumer	--	--	1	3	1	3
Real estate:						
Construction	--	--	1	18	1	18
Single-family residential	3	167	29	2,078	32	2,245
Other commercial	23	9,048	2	780	25	9,828
Total real estate	26	9,215	32	2,876	58	12,091
Commercial:						
Commercial	15	1,783	5	297	20	2,080
Total commercial	15	1,783	5	297	20	2,080

Total	41	\$10,998	38	\$3,176	79	\$14,174
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The following table presents loans that were restructured as TDRs during the three and six months ended June 30, 2017 and 2016, excluding loans acquired, segregated by class of loans.

(Dollars in thousands)	Number of Loans	Balance Prior to TDR	Balance at June 30	Modification Type Change in Maturity Date	Change in Rate	Financial Impact on Date of Restructure
Three Months Ended June 30, 2017						
Commercial:						
Commercial	4	\$41	\$39	\$--	\$ 39	\$ --
Total commercial	4	41	39	--	39	--
Total	4	\$41	\$39	\$--	\$ 39	\$ --
Three Months Ended June 30, 2016						
Consumer:						
Other consumer	1	\$3	\$3	\$3	\$ --	\$ --
Total consumer	1	3	3	3	--	--
Real Estate:						
Single-family residential	7	618	615	61	554	--
Other commercial	1	348	364	--	364	--
Total real estate	8	966	979	61	918	--
Commercial:						
Commercial	9	426	399	399	--	--
Total commercial	9	426	399	399	--	--
Total	18	\$1,395	\$1,381	\$463	\$ 918	\$ --
Six Months Ended June 30, 2017						
Real estate:						
Construction	1	\$456	\$456	\$456	\$ --	\$ --
Other commercial	2	7,362	7,362	7,362	--	33
Total real estate	3	7,818	7,818	7,818	--	33
Commercial:						
Commercial	9	811	799	760	39	--
Total commercial	9	811	799	760	39	--
Total	12	\$8,629	\$8,617	\$8,578	\$ 39	\$ 33
Six Months Ended June 30, 2016						
Consumer:						
Other consumer	1	\$3	\$3	\$3	\$ --	\$ --
Total consumer	1	3	3	3	--	--
Real estate:						
Single-family residential	9	796	793	239	554	--

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Other commercial	25	8,962	8,931	8,567	364	--
Total real estate	34	9,758	9,724	8,806	918	--
Commercial:						
Commercial	11	600	572	572	--	--
Total commercial	11	600	572	572	--	--
Total	46	\$10,361	\$10,299	\$9,381	\$ 918	\$ --

During the three months ended June 30, 2017, the Company modified 4 loans with a recorded investment of \$41,000 prior to modification which were deemed troubled debt restructuring. The restructured loans were modified by changing the interest rate. Based on the fair value of the collateral, no specific reserve was determined necessary for 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.

During the six months ended June 30, 2017, the Company modified 12 loans with a recorded investment of \$8.6 million prior to modification which was deemed troubled debt restructuring. The restructured loans were modified by deferring amortized principal payments, changing the maturity date and requiring interest only payments for a period of 12 months. Based on the fair value of the collateral, a specific reserve of \$33,000 was determined necessary for 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.

During the three months ended June 30, 2016, the Company modified 18 loans with a recorded investment of \$1.4 million and during the six months ended June 30, 2016, the Company modified 46 loans with a total recorded investment of \$10.4 million prior to modification which were deemed troubled debt restructuring. The restructured loans were modified by changing various terms, including changing the maturity date, deferring amortized principal payments and requiring interest only payments for a period of 12 months. Based on the fair value of the collateral, a specific reserve of \$324,000 was determined necessary for 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 was one commercial real estate loan for which a payment default occurred during the six months ended June 30, 2017, and that had been modified as a TDR within 12 months or less of the payment default, excluding loans acquired. There were no loans for which a payment default occurred during the six months ended June 30, 2016, and that had been modified as a TDR within 12 months or less of the payment default, excluding loans acquired. We define a payment default as a payment received more than 90 days after its due date.

In addition to the TDRs that occurred during the period provided in the preceding tables, the Company had TDRs with pre-modification loan balances of \$117,000 and \$166,500 at June 30, 2017 and 2016, respectively, for which other real estate owned (“OREO”) was received in full or partial satisfaction of the loans. The majority of such TDRs were in commercial real estate and residential real estate. At June 30, 2017 and December 31, 2016, the Company had \$1,321,000 and \$1,714,000, respectively, of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process. At June 30, 2017 and December 31, 2016, the Company had \$2,648,000 and \$5,094,000, respectively, of OREO secured by residential real estate properties.

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, Missouri and Tennessee.

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

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

Risk Rate 2 – Pass (Good) - Loans under this category possess a nominal risk of default. This category includes borrowers with strong financial strength and superior financial ratios and trends. These loans are generally fully

secured by cash or equivalents (other than those rated "excellent").

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

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

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

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

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

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

Loans acquired are evaluated using this internal grading system. Loans acquired are evaluated individually and include purchased credit impaired loans of \$8.4 million and \$17.8 million that are accounted for under ASC Topic 310-30 and are classified as substandard (Risk Rating 6) as of June 30, 2017 and December 31, 2016, respectively. Of the remaining loans acquired and accounted for under ASC Topic 310-20, \$33.2 million and \$47.8 million were classified (Risk Ratings 6, 7 and 8 – see classified loans discussion below) at June 30, 2017 and December 31, 2016, respectively.

Purchased credit impaired loans are loans that showed evidence of deterioration of credit quality during the loan term and for which it is probable, at acquisition, that the Company will be unable to collect all amounts contractually owed. Their fair value was initially based on the estimate of cash flows, both principal and interest, expected to be collected or estimated collateral values if cash flows are not estimable, discounted at prevailing market rates of interest. The difference between the undiscounted cash flows expected at acquisition and the fair value at acquisition is recognized as interest income on a level-yield method over the life of the loan. Contractually required payments for interest and principal that exceed the undiscounted cash flows expected at acquisition are not recognized as a yield adjustment. Increases in expected cash flows subsequent to the initial investment are recognized prospectively through adjustment of the yield on the loan over its remaining life. Decreases in expected cash flows are recognized as impairment.

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, excluding loans accounted for under ASC Topic 310-30, were \$156.1 million and \$166.0 million, as of June 30, 2017 and December 31, 2016, respectively.

The following table presents a summary of loans by credit risk rating as of June 30, 2017 and December 31, 2016, segregated by class of loans. Loans accounted for under ASC Topic 310-30 are all included in Risk Rate 1-4 in this table.

(In thousands)	Risk Rate 1-4	Risk Rate 5	Risk Rate 6	Risk Rate 7	Risk Rate 8	Total
June 30, 2017						
Consumer:						
Credit cards	\$176,388	\$--	\$565	\$--	\$--	\$176,953
Other consumer	363,073	--	3,063	--	--	366,136
Total consumer	539,461	--	3,628	--	--	543,089
Real estate:						
Construction	449,699	1,739	6,442	16	--	457,896
Single family residential	986,793	3,288	24,179	152	--	1,014,412
Other commercial	2,031,129	6,611	51,967	--	--	2,089,707
Total real estate	3,467,621	11,638	82,588	168	--	3,562,015
Commercial:						
Commercial	651,846	2,022	25,061	3	--	678,932
Agricultural	188,224	129	2,969	23	--	191,345
Total commercial	840,070	2,151	28,030	26	--	870,277
Other	25,191	--	--	--	--	25,191
Loans acquired	1,150,104	32,960	40,182	1,486	7	1,224,739
Total	\$6,022,447	\$46,749	\$154,428	\$1,680	\$7	\$6,225,311

(In thousands)	Risk Rate 1-4	Risk Rate 5	Risk Rate 6	Risk Rate 7	Risk Rate 8	Total
December 31, 2016						
Consumer:						
Credit cards	\$183,943	\$--	\$648	\$--	\$--	\$184,591
Other consumer	301,632	26	2,314	--	--	303,972
Total consumer	485,575	26	2,962	--	--	488,563
Real estate:						
Construction	330,080	98	6,565	16	--	336,759
Single family residential	875,603	4,024	24,460	158	--	904,245
Other commercial	1,738,207	6,874	41,994	--	--	1,787,075
Total real estate	2,943,890	10,996	73,019	174	--	3,028,079
Commercial:						
Commercial	616,805	558	22,162	--	--	639,525
Agricultural	148,218	104	2,033	--	23	150,378
Total commercial	765,023	662	24,195	--	23	789,903

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Other	20,662	--	--	--	--	20,662
Loans acquired	1,217,886	22,181	64,075	1,541	--	1,305,683
Total	\$5,433,036	\$33,865	\$164,251	\$1,715	\$23	\$5,632,890

Allowance for Loan Losses

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 310-10, *Receivables*, and allowance allocations calculated in accordance with ASC Topic 450-20, *Loss Contingencies*. Accordingly, the methodology is based on the Company’s internal grading system, specific impairment analysis, qualitative and quantitative factors.

As mentioned above, allocations to the allowance for loan losses are categorized as either specific allocations or general allocations.

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 loan, including scheduled principal and interest payments. For a collateral dependent loan, the Company’s evaluation process includes a valuation by appraisal or other collateral analysis. This valuation is compared to the remaining outstanding principal balance of the loan. If a loss is determined to be probable, the loss is included in the allowance for loan losses as a specific allocation. If the loan is not collateral dependent, the measurement of loss is based on the difference between the expected and contractual future cash flows of the loan.

The general allocation is calculated monthly based on management’s assessment of several factors such as (1) historical loss experience based on volumes and types, (2) volume and trends in delinquencies and nonaccruals, (3) lending policies and procedures including those for loan losses, collections and recoveries, (4) national, state and local economic trends and conditions, (5) external factors and pressure from competition, (6) the experience, ability and depth of lending management and staff, (7) seasoning of new products obtained and new markets entered through acquisition and (8) other factors and trends that will affect specific loans and categories of loans. The Company establishes general allocations for each major loan category. This category 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 following table details activity in the allowance for loan losses by portfolio segment for the three and six months ended June 30, 2017. 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	Total
<u>Three Months Ended June 30, 2017</u>					
Balance, beginning of period ⁽²⁾	\$ 8,173	\$22,253	\$3,729	\$ 3,710	\$37,865
Provision for loan losses ⁽¹⁾	249	4,974	649	436	6,308
Charge-offs	(349)	(1,712)	(901)	(993)	(3,955)
Recoveries	32	216	277	636	1,161
Net recoveries (charge-offs)	(317)	(1,496)	(624)	(357)	(2,794)
Balance, June 30, 2017 ⁽²⁾	\$ 8,105	\$25,731	\$3,754	\$ 3,789	\$41,379
<u>Six Months Ended June 30, 2017</u>					
Balance, beginning of period ⁽²⁾	\$ 7,739	\$21,817	\$3,779	\$ 2,951	\$36,286
Provision for loan losses ⁽¹⁾	945	5,834	1,407	1,679	9,865
Charge-offs	(641)	(2,368)	(1,945)	(2,167)	(7,121)
Recoveries	62	448	513	1,326	2,349
Net charge-offs	(579)	(1,920)	(1,432)	(841)	(4,772)
Balance, June 30, 2017 ⁽²⁾	\$ 8,105	\$25,731	\$3,754	\$ 3,789	\$41,379
Period-end amount allocated to:					
Loans individually evaluated for impairment	\$ 3,636	\$1,888	\$--	\$--	\$5,524
Loans collectively evaluated for impairment	4,469	23,843	3,754	3,789	35,855
Balance, June 30, 2017 ⁽²⁾	\$ 8,105	\$25,731	\$3,754	\$ 3,789	\$41,379

Provision for loan losses of \$714,000 and \$1,464,000 attributable to loans acquired was excluded from this table for the three and six months ended June 30, 2017, respectively (total provision for loan losses for the three and six (1) months ended June 30, 2017 was \$7,023,000 and \$11,330,000). There were \$758,000 and \$2.0 million in charge-offs for loans acquired during the three and six months ended June 30, 2017, respectively, resulting in an ending balance in the allowance related to loans acquired of \$391,000.

Allowance for loan losses at June 30, 2017 includes \$391,000 allowance for loans acquired (not shown in the table above). Allowance for loan losses at March 31, 2017 includes \$435,000 allowance for loans acquired. Allowance (2) for loan losses at December 31, 2016 includes \$954,000 allowance for loans acquired. The total allowance for loan losses at June 30, 2017, March 31, 2017 and December 31, 2016 was \$41,770,000, \$38,300,000 and \$37,240,000, respectively.

Activity in the allowance for loan losses for the three and six months ended June 30, 2016 was as follows:

(In thousands)	Commercial	Real Estate	Credit Card	Other Consumer and Other	Total
<u>Three Months Ended June 30, 2016</u>					
Balance, beginning of period ⁽⁴⁾	\$ 7,083	\$ 19,925	\$ 3,757	\$ 1,916	\$ 32,681
Provision for loan losses ⁽³⁾	2,714	423	440	732	4,309
Charge-offs	(2,283)	(824)	(702)	(489)	(4,298)
Recoveries	318	111	253	149	831
Net charge-offs	(1,965)	(713)	(449)	(340)	(3,467)
Balance, June 30, 2016 ⁽⁴⁾	\$ 7,832	\$ 19,635	\$ 3,748	\$ 2,308	\$ 33,523
<u>Six Months Ended June 30, 2016</u>					
Balance, beginning of period ⁽⁴⁾	\$ 5,985	\$ 19,522	\$ 3,893	\$ 1,951	\$ 31,351
Provision for loan losses ⁽³⁾	4,281	943	921	987	7,132
Charge-offs	(2,759)	(1,053)	(1,561)	(882)	(6,255)
Recoveries	325	223	495	252	1,295
Net charge-offs	(2,434)	(830)	(1,066)	(630)	(4,960)
Balance, June 30, 2016 ⁽⁴⁾	\$ 7,832	\$ 19,635	\$ 3,748	\$ 2,308	\$ 33,523
Period-end amount allocated to:					
Loans individually evaluated for impairment	\$ 63	\$ 3,080	\$ --	\$ 6	\$ 3,149
Loans collectively evaluated for impairment	7,769	16,555	3,748	2,302	30,374
Balance, June 30, 2016 ⁽⁴⁾	\$ 7,832	\$ 19,635	\$ 3,748	\$ 2,308	\$ 33,523
Period-end amount allocated to:					
Loans individually evaluated for impairment	\$ 262	\$ 417	\$ --	\$ 1	\$ 680
Loans collectively evaluated for impairment	7,477	21,400	3,779	2,950	35,606
Balance, December 31, 2016 ⁽⁵⁾	\$ 7,739	\$ 21,817	\$ 3,779	\$ 2,951	\$ 36,286

Provision for loan losses of \$307,000 attributable to loans acquired was excluded from this table for the three and six months ended June 30, 2016 (total provision for loan losses for the three and six months ended June 30, 2016 ⁽³⁾ was \$4,616,000 and \$7,439,000). The \$307,000 was subsequently charged-off, resulting in no change to the ending balance in the allowance related to loans acquired.

Allowance for loan losses at June 30, 2016, March 31, 2016 and December 31, 2015 includes \$954,000 allowance ⁽⁴⁾ for loans acquired. The total allowance for loan losses at June 30, 2016, March 31, 2016 and December 31, 2015 was \$34,477,000, \$33,635,000 and \$32,305,000, respectively.

⁽⁵⁾ Allowance for loan losses at December 31, 2016 includes \$954,000 allowance for loans acquired (not shown in the table above). The total allowance for loan losses December 31, 2016 was \$37,240,000.

The Company's recorded investment in loans, excluding loans acquired, related to each balance in the allowance for loan losses by portfolio segment on the basis of the Company's impairment methodology was as follows:

(In thousands)	Commercial	Real Estate	Credit Card	Other Consumer and Other	Total
June 30, 2017					
Loans individually evaluated for impairment	\$ 18,235	\$35,851	\$293	\$2,747	\$57,126
Loans collectively evaluated for impairment	852,042	3,526,164	176,660	388,580	4,943,446
Balance, end of period	\$ 870,277	\$3,562,015	\$176,953	\$391,327	\$5,000,572
December 31, 2016					
Loans individually evaluated for impairment	\$ 11,522	\$30,001	\$373	\$1,800	\$43,696
Loans collectively evaluated for impairment	778,381	2,998,078	184,218	322,834	4,283,511
Balance, end of period	\$ 789,903	\$3,028,079	\$184,591	\$324,634	\$4,327,207

NOTE 5: LOANS ACQUIRED

During the second quarter of 2017, the Company evaluated \$249.3 million of net loans (\$254.3 million gross loans less \$5.0 million discount) purchased in conjunction with the acquisition of Hardeman, described in Note 2, Acquisitions, in accordance with the provisions of ASC Topic 310-20, *Nonrefundable Fees and Other Costs*. The fair value discount is being accreted into interest income over the weighted average life of the loans using a constant yield method. These loans are not considered to be impaired loans. The Company evaluated the remaining \$2.3 million of net loans (\$3.3 million gross loans less \$956,000 discount) purchased in conjunction with the acquisition of Hardeman for impairment in accordance with the provisions of ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*. Purchased loans are considered impaired if there is evidence of credit deterioration during the loan term and if it is probable that not all contractually required payments will be collected.

During the third quarter of 2016, the Company evaluated \$340.1 million of net loans (\$348.8 million gross loans less \$8.7 million discount) purchased in conjunction with the acquisition of Citizens, described in Note 2, Acquisitions, in accordance with the provisions of ASC Topic 310-20, *Nonrefundable Fees and Other Costs*. The fair value discount is being accreted into interest income over the weighted average life of the loans using a constant yield method. These loans are not considered to be impaired loans. The Company evaluated the remaining \$757,000 of net loans (\$1.6 million gross loans less \$848,000 discount) purchased in conjunction with the acquisition of Citizens for impairment in accordance with the provisions of ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*.

See Note 2, Acquisitions, for further discussion of loans acquired.

The following table reflects the carrying value of all loans acquired as of June 30, 2017 and December 31, 2016:

(in thousands)	Loans Acquired	
	June 30, 2017	December 31, 2016
Consumer:		
Other consumer	\$37,636	\$49,677
Total consumer	37,636	49,677
Real estate:		
Construction	59,731	57,587
Single family residential	374,219	423,176
Other commercial	634,892	690,108
Total real estate	1,068,842	1,170,871
Commercial:		
Commercial	116,057	81,837
Agricultural	2,204	3,298
Total commercial	118,261	85,135
Total loans acquired ⁽¹⁾	\$1,224,739	\$1,305,683

(1) Loans acquired are reported net of a \$391,000 and \$954,000 allowance at June 30, 2017 and December 31, 2016, respectively.

Nonaccrual loans acquired, excluding purchased credit impaired loans accounted for under ASC Topic 310-30, segregated by class of loans, are as follows (see Note 4, Loans and Allowance for Loan Losses, for discussion of nonaccrual loans):

(In thousands)	Nonaccrual Loans Acquired	
	June 30, 2017	December 31, 2016
Consumer:		
Other consumer	\$303	\$456
Total consumer	303	456
Real estate:		
Construction	1,950	7,961
Single family residential	11,902	13,366
Other commercial	10,686	22,045
Total real estate	24,538	43,372

Commercial:

Commercial	2,607	2,806
Agricultural	184	198
Total commercial	2,791	3,004
Total	\$27,632	\$46,832

An age analysis of past due loans acquired segregated by class of loans, is as follows (see Note 4, Loans and Allowance for Loan Losses, for discussion of past due loans):

(In thousands)	Gross 30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days Past Due & Accruing
June 30, 2017						
Consumer:						
Other consumer	\$465	\$89	\$554	\$37,082	\$37,636	\$ --
Total consumer	465	89	554	37,082	37,636	--
Real estate:						
Construction	148	1,442	1,590	58,141	59,731	--
Single family residential	2,005	4,553	6,558	367,661	374,219	48
Other commercial	1,991	5,009	7,000	627,892	634,892	--
Total real estate	4,144	11,004	15,148	1,053,694	1,068,842	48
Commercial:						
Commercial	1,549	801	2,350	113,707	116,057	--
Agricultural	67	--	67	2,137	2,204	--
Total commercial	1,616	801	2,417	115,844	118,261	--
Total	\$6,225	\$11,894	\$18,119	\$1,206,620	\$1,224,739	\$ 48
December 31, 2016						
Consumer:						
Other consumer	\$571	\$189	\$760	\$48,917	\$49,677	\$ --
Total consumer	571	189	760	48,917	49,677	--
Real estate:						
Construction	132	7,332	7,464	50,123	57,587	--
Single family residential	8,358	4,857	13,215	409,961	423,176	11
Other commercial	2,836	10,741	13,577	676,531	690,108	--
Total real estate	11,326	22,930	34,256	1,136,615	1,170,871	11
Commercial:						
Commercial	723	2,153	2,876	78,961	81,837	--
Agricultural	48	--	48	3,250	3,298	--
Total commercial	771	2,153	2,924	82,211	85,135	--
Total	\$12,668	\$25,272	\$37,940	\$1,267,743	\$1,305,683	\$ 11

The following table presents a summary of loans acquired by credit risk rating, segregated by class of loans (see Note 4, Loans and Allowance for Loan Losses, for discussion of loan risk rating). Loans accounted for under ASC Topic 310-30 are all included in Risk Rate 1-4 in this table.

(In thousands)	Risk Rate 1-4	Risk Rate 5	Risk Rate 6	Risk Rate 7	Risk Rate 8	Total
June 30, 2017						
Consumer:						
Other consumer	\$36,934	\$18	\$684	\$--	\$ --	\$37,636
Total consumer	36,934	18	684	--	--	37,636
Real estate:						
Construction	57,016	67	2,648	--	--	59,731
Single family residential	355,328	1,647	15,758	1,486	--	374,219
Other commercial	595,029	24,328	15,535	--	--	634,892
Total real estate	1,007,373	26,042	33,941	1,486	--	1,068,842
Commercial:						
Commercial	103,777	6,900	5,373	--	7	116,057
Agricultural	2,020	--	184	--	--	2,204
Total commercial	105,797	6,900	5,557	--	7	118,261
Total	\$1,150,104	\$32,960	\$40,182	\$1,486	\$ 7	\$1,224,739
December 31, 2016						
Consumer:						
Other consumer	\$48,992	\$14	\$671	\$--	\$ --	\$49,677
Total consumer	48,992	14	671	--	--	49,677
Real estate:						
Construction	50,704	88	6,795	--	--	57,587
Single family residential	400,553	2,696	18,392	1,535	--	423,176
Other commercial	641,018	17,384	31,706	--	--	690,108
Total real estate	1,092,275	20,168	56,893	1,535	--	1,170,871
Commercial:						
Commercial	73,609	1,965	6,257	6	--	81,837
Agricultural	3,010	34	254	--	--	3,298
Total commercial	76,619	1,999	6,511	6	--	85,135
Total	\$1,217,886	\$22,181	\$64,075	\$1,541	\$ --	\$1,305,683

Loans acquired were individually evaluated and recorded at estimated fair value, including estimated credit losses, at the time of acquisition. These loans 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 legacy loan portfolio, with most focus being placed on those loans which include the larger loan

relationships and those loans which exhibit higher risk characteristics.

The amount of the estimated cash flows expected to be received from the purchased credit impaired loans in excess of the fair values recorded for the purchased credit impaired loans is referred to as the accretable yield. The accretable yield is recognized as interest income over the estimated lives of the loans. Each quarter, the Company estimates the cash flows expected to be collected from the acquired purchased credit impaired loans, and adjustments may or may not be required.

The impact of the adjustments on the Company's financial results for the three and six months ended June 30, 2017 and 2016 is shown below:

(In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
Impact on net interest income and pre-tax income	\$1,388	\$80	\$2,572	\$1,175
Net impact, net of taxes	\$844	\$49	\$1,563	\$714

These adjustments will be recognized over the remaining lives of the purchased credit impaired loans. The accretible yield adjustments recorded in future periods will change as the Company continues to evaluate expected cash flows from the purchased credit impaired loans.

Changes in the carrying amount of the accretible yield for all purchased impaired loans were as follows for the three and six months ended June 30, 2017 and 2016.

(In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2017		June 30, 2017	
	Accretible Yield	Carrying Amount of Loans	Accretible Yield	Carrying Amount of Loans
Beginning balance	\$1,217	\$8,695	\$1,655	\$17,802
Additions	--	2,388	--	2,388
Accretible yield adjustments	1,418	--	2,646	--
Accretion	(1,869)	1,869	(3,535)	3,535
Payments and other reductions, net	--	(4,504)	--	(15,277)
Balance, ending	\$766	\$8,448	\$766	\$8,448

(In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2016		June 30, 2016	
	Accretible Yield	Carrying Amount of	Accretible Yield	Carrying Amount of

	Loans		Loans	
Beginning balance	\$2,034	\$21,259	\$954	\$23,469
Additions	--	--	--	--
Accretable yield adjustments	642	--	3,074	--
Accretion	(311)	311	(1,663)	1,663
Payments and other reductions, net	--	(907)	--	(4,469)
Balance, ending	\$2,365	\$20,663	\$2,365	\$20,663

Purchased impaired loans are evaluated on an individual borrower basis. Because some loans evaluated by the Company were determined to have experienced impairment in the estimated credit quality or cash flows, the Company recorded a provision and established an allowance for loan losses for loans acquired resulting in a total allowance on loans acquired of \$391,000 at June 30, 2017 and \$954,000 at December 31, 2016. The provision on loans acquired for the three and six months ended June 30, 2017 was \$714,000 and \$1.5 million, respectively. The provision on loans acquired during the three and six months ended June 30, 2016 was \$307,000.

NOTE 6: GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill is tested annually, or more often 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. Goodwill totaled \$379.4 million at June 30, 2017 and \$348.5 million at December 31, 2016.

The Company recorded \$29.4 million of goodwill as a result of its 2017 Hardeman acquisition and the goodwill is not deductible for tax purposes. Goodwill impairment was neither indicated nor recorded during the six months ended June 30, 2017 or the year ended December 31, 2016.

Core deposit premiums are amortized over a ten year period and are periodically evaluated, at least annually, as to the recoverability of their carrying value. Core deposit premiums of \$7.8 million were recorded during the second quarter of 2017 as part of the Hardeman acquisition. Core deposit premiums of \$5.1 million were recorded in the fourth quarter of 2016 as part of the Citizens acquisition.

Intangible assets are being amortized over various periods ranging from 10 to 15 years. The Company recorded \$830,000 of intangible assets during the second quarter of 2017 related to the insurance operations acquired in the Hardeman acquisition. The Company recorded \$591,000 of intangible assets during the fourth quarter of 2016 related to the trust operations acquired in the Citizens acquisition.

The Company's goodwill and other intangibles (carrying basis and accumulated amortization) at June 30, 2017 and December 31, 2016, were as follows:

(In thousands)	June 30, 2017	December 31, 2016
Goodwill	\$ 379,437	\$ 348,505
Core deposit premiums:		
Gross carrying amount	56,532	48,692
Accumulated amortization	(12,956)	(10,625)
Core deposit premiums, net	43,576	38,067
Purchased credit card relationships:		
Gross carrying amount	2,068	2,068

Accumulated amortization	(1,551)	(1,344)
Purchased credit card relationships, net	517	724
Books of business intangible:		
Gross carrying amount	16,714	15,884
Accumulated amortization	(2,279)	(1,716)
Books of business intangible, net	14,435	14,168
Other intangible assets, net	58,528	52,959
Total goodwill and other intangible assets	\$437,965	\$401,464

The Company's estimated remaining amortization expense on intangibles as of June 30, 2017 is as follows:

(In thousands) Year	Amortization Expense
Remainder of 2017	\$ 3,452
2018	6,705
2019	6,395
2020	6,382
2021	6,320
Thereafter	29,274
Total	\$ 58,528

NOTE 7: TIME DEPOSITS

Time deposits include approximately \$665,268,000 and \$600,280,000 of certificates of deposit of \$100,000 or more at June 30, 2017, and December 31, 2016, respectively. Of this total approximately \$229,780,000 and \$193,596,000 of certificates of deposit were over \$250,000 at June 30, 2017 and December 31, 2016, respectively.

NOTE 8: INCOME TAXES

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

(In thousands)	June 30, 2017	June 30, 2016
Income taxes currently payable	\$ 18,521	\$ 22,812
Deferred income taxes	2,230	615
Provision for income taxes	\$ 20,751	\$ 23,427

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

June 30,

(In thousands)	2017	December 31, 2016
Deferred tax assets:		
Loans acquired	\$7,066	\$7,986
Allowance for loan losses	16,536	14,754
Valuation of foreclosed assets	4,030	3,958
Tax NOLs from acquisition	12,806	13,077
Deferred compensation payable	2,905	2,785
Vacation compensation	1,879	1,740
Accrued equity and other compensation	4,879	6,367
Acquired securities	1,224	1,098
Other accrued liabilities	2,053	1,834
Unrealized loss on available-for-sale securities	7,037	9,559
Other	5,794	5,267
Gross deferred tax assets	66,209	68,425
Deferred tax liabilities:		
Goodwill and other intangible amortization	(32,321)	(29,601)
Accumulated depreciation	(6,520)	(5,370)
Other	(6,056)	(5,877)
Gross deferred tax liabilities	(44,897)	(40,848)
Net deferred tax asset, included in other assets	\$21,312	\$27,577

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense for the six months ended June 30, 2017 and 2016 is shown below:

(In thousands)	June 30, 2017	June 30, 2016
Computed at the statutory rate (35%)	\$23,078	\$24,444
Increase (decrease) in taxes resulting from:		
State income taxes, net of federal tax benefit	775	1,369
Discrete items related to ASU 2016-09	(1,377)	--
Tax exempt interest income	(2,205)	(2,048)
Tax exempt earnings on BOLI	(438)	(519)
Merger related expenses	372	--
Federal tax credits	(793)	(53)
Other differences, net	1,339	234
Actual tax provision	\$20,751	\$23,427

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.

Section 382 of the Internal Revenue Code imposes an annual limit on the ability of a corporation that undergoes an "ownership change" to use its U.S. net operating losses to reduce its tax liability. The Company closed a stock acquisition in a prior year that invoked the Section 382 annual limitation. Approximately \$36.5 million of federal net operating losses subject to the IRC Sec 382 annual limitation are expected to be utilized by the Company. The net operating loss carryforwards expire between 2028 and 2035.

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 2013 tax year and forward. The Company's various state income tax returns are generally open from the 2013 and later tax return years based on individual state statute of limitations.

NOTE 9: SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

We utilize securities sold under agreements to repurchase to facilitate the needs of our customers and to facilitate secured short-term funding needs. Securities sold under agreements to repurchase are stated at the amount of cash received in connection with the transaction. We monitor collateral levels on a continuous basis. We may be required to provide additional collateral based on the fair value of the underlying securities. Securities pledged as collateral under repurchase agreements are maintained with our safekeeping agents.

The gross amount of recognized liabilities for repurchase agreements was \$120.9 million and \$102.4 million at June 30, 2017 and December 31, 2016, respectively. The remaining contractual maturity of the securities sold under agreements to repurchase in the consolidated balance sheets as of June 30, 2017 and December 31, 2016 is presented in the following tables.

(In thousands)	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
June 30, 2017					
Repurchase agreements:					
U.S. Government agencies	\$ 120,919	\$ --	\$ --	\$ --	\$ 120,919
December 31, 2016					
Repurchase agreements:					
U.S. Government agencies	\$ 101,647	\$ --	\$ --	\$ 757	\$ 102,404

NOTE 10: OTHER BORROWINGS AND SUBORDINATED DEBENTURES

Debt at June 30, 2017 and December 31, 2016 consisted of the following components:

(In thousands)	June 30, 2017	December 31, 2016
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Other Borrowings

FHLB advances, net of discount, due 2017 to 2033, 0.95% to 7.37% secured by residential real estate loans	\$429,287	\$225,230
Notes payable, due 10/15/2020, 3.85%, fixed rate, unsecured	45,675	47,929
Total other borrowings	474,962	273,159

Subordinated Debentures

Trust preferred securities, due 12/30/2033, floating rate of 2.80% above the three month LIBOR rate, reset quarterly, callable without penalty	20,620	20,620
Trust preferred securities, net of discount, due 6/30/2035, floating rate of 1.75% above the three month LIBOR rate, reset quarterly, callable without penalty	9,276	9,225
Trust preferred securities, net of discount, due 9/15/2037, floating rate of 1.37% above the three month LIBOR rate, reset quarterly	10,207	10,130
Trust preferred securities, net of discount, due 12/3/2033, floating rate of 2.88% above the three month LIBOR rate, reset quarterly, callable without penalty	5,159	5,161
Trust preferred securities, net of discount, due 12/13/2034, floating rate of 2.00% above the three month LIBOR rate, reset quarterly, callable without penalty	5,127	5,105
Trust preferred securities, net of discount, due 6/6/2037, floating rate of 1.57% above the three month LIBOR rate, reset quarterly, callable without penalty	10,221	10,156
Trust preferred securities, net of discount, due 12/15/2035, floating rate of 1.45% above the three month LIBOR rate, reset quarterly, callable without penalty	6,702	--
Total subordinated debentures	67,312	60,397
Total other borrowings and subordinated debentures	\$542,274	\$333,556

The Company had \$392.1 million of Federal Home Loan Bank (“FHLB”) advances with original maturities of one year or less at June 30, 2107 and \$180.0 million at December 31, 2016.

The Company had total FHLB advances of \$429.3 million at June 30, 2017, with approximately \$1.263 billion of additional advances available from the FHLB. The FHLB advances are secured by mortgage loans and investment securities totaling approximately \$1.954 billion at June 30, 2017.

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 June 30, 2017, are:

(In thousands) Year	Annual Maturities
2017	\$3,713
2018	23,941
2019	7,665
2020	36,424
2021	2,333
Thereafter	76,148
Total	\$ 150,224

NOTE 11: CONTINGENT LIABILITIES

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

NOTE 12: COMMON STOCK

On July 23, 2012, the Company approved a stock repurchase program which authorized the repurchase of up to 850,000 shares of Class A common stock, or approximately 5% of the shares outstanding at that time. 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. Under the repurchase program, there is no time limit for the stock repurchases, nor is there a minimum number of shares that the Company intends to repurchase. The Company may discontinue purchases at any time that management determines additional purchases are not warranted. The Company intends to use the repurchased shares to satisfy stock option exercises, payment of future stock awards and dividends and general corporate purposes.

NOTE 13: UNDIVIDED PROFITS

The Company's subsidiary bank is 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 Commissioner of the Arkansas State Bank Department is required if the total of all dividends declared by an Arkansas state bank in any calendar year exceeds seventy-five percent (75%) of the total of its net profits, as defined, for that year combined with seventy-five percent (75%) of its retained net profits of the preceding year. At June 30, 2017, the Company's subsidiary bank had approximately \$4.0 million available for payment of dividends to the Company, without prior regulatory approval.

The risk-based capital guidelines of the Federal Reserve Board and the Arkansas State Bank Department include the definitions for (1) a well-capitalized institution, (2) an adequately-capitalized institution, and (3) an undercapitalized institution. Under the Basel III Rules effective January 1, 2015, the criteria for a well-capitalized institution are: a 5% "Tier 1 leverage capital" ratio, an 8% "Tier 1 risk-based capital" ratio, 10% "total risk-based capital" ratio; and a 6.50% "common equity Tier 1 (CET1)" ratio.

The Company and Bank must hold a capital conservation buffer composed of CET1 capital above its minimum risk-based capital requirements. The implementation of the capital conservation buffer began on January 1, 2016, at the 0.625% level and will phase in over a four-year period (increasing by that amount on each subsequent January 1 until it reaches 2.5% on January 1, 2019). As of June 30, 2017, the Company and its subsidiary bank met all capital adequacy requirements under the Basel III Capital Rules, and management believes the Company and subsidiary bank would meet all Capital Rules on a fully phased-in basis if such requirements were currently effective. The Company's CET1 ratio was 12.11% at June 30, 2017.

NOTE 14: 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 six months ended June 30, 2017:

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	Stock Options Outstanding		Stock Awards Outstanding		Stock Units Outstanding	
	Number of Shares (000)	Weighted Average Exercise Price	Number of Shares (000)	Weighted Average Exercise Price	Number of Shares (000)	Weighted Average Exercise Price
Balance, January 1, 2017	473	42.85	139	40.96	113	45.40
Granted	--	--	--	--	174	58.51
Stock Options Exercised	(38)	32.64	--	--	--	--
Stock Awards/Units Vested	--	--	(26)	34.27	(121)	52.69
Forfeited/Expired	(3)	44.67	(11)	43.69	(9)	51.62
Balance, June 30, 2017	432	\$ 43.73	102	\$ 42.41	157	\$ 54.05
Exercisable, June 30, 2017	323	\$ 43.16				

The following table summarizes information about stock options under the plans outstanding at June 30, 2017:

Range of Exercise Prices	Options Outstanding		Options Exercisable		
	Number of Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
\$17.55-\$21.13	4,550	2.83	\$ 19.29	4,150	\$ 19.32
21.29 -21.29	4,400	5.62	21.29	2,900	21.29
21.51 -21.51	1,500	2.55	21.51	1,500	21.51
30.31 -30.31	22,180	0.88	30.31	22,180	30.31
40.57 -40.57	40,490	7.50	40.57	40,490	40.57
40.72 -40.72	1,500	7.38	40.72	600	40.72
44.40 -44.40	49,870	7.73	44.40	37,144	44.40
45.50 -45.50	246,485	8.11	45.50	190,907	45.50
47.02 -47.02	58,090	8.25	47.02	20,838	47.02
48.13 -48.13	3,305	8.21	48.13	2,645	48.13
\$17.55-\$48.13	432,370	7.56	\$ 43.73	323,354	\$ 43.16

Total stock-based compensation expense was \$4,499,000 and \$2,097,000 during the six months ended June 30, 2017 and 2016, respectively. Stock-based compensation expense is recognized ratably over the requisite service period for all stock-based awards. There was \$433,000 of unrecognized stock-based compensation expense related to stock options at June 30, 2017. Unrecognized stock-based compensation expense related to non-vested stock awards was \$16,485,000 at June 30, 2017. At such date, the weighted-average period over which this unrecognized expense is expected to be recognized was 2.2 years.

The intrinsic value of stock options outstanding and stock options exercisable at June 30, 2017 was \$3,963,000 and \$3,149,000. Aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of the period, which was \$52.90 as of June 30, 2017, and the exercise price multiplied by the number of options outstanding and exercisable at a price below that closing price. The total intrinsic value of stock options exercised during the six months ended June 30, 2017 and June 30, 2016, was \$765,000 and \$741,000, respectively.

The fair value of the Company's employee stock options granted is estimated on the date of grant using the Black-Scholes option-pricing model. This model requires the input of highly subjective assumptions, changes to which can materially affect the fair value estimate. There were no stock options granted during the six months ended June 30, 2017. The weighted-average fair value of stock options granted during the six months ended June 30, 2016 was \$11.64 per share. The Company estimated expected market price volatility and expected term of the options based on historical data and other factors. The weighted-average assumptions used to determine the fair value of options granted are detailed in the table below:

Six
Months
Ended
June 30,
2016

Expected dividend yield	1.96 %
Expected stock price volatility	27.34 %
Risk-free interest rate	2.01 %
Expected life of options (years)	7

NOTE 15: ADDITIONAL CASH FLOW INFORMATION

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

(In thousands)	Six Months Ended	
	June 30, 2017	2016
Interest paid	\$ 13,203	\$ 10,817
Income taxes paid	10,067	21,610
Transfers of loans to foreclosed assets held for sale	2,667	2,970
Transfers of premises and equipment to premises held for sale	--	6,167
Transfers of premises held for sale to foreclosed assets held for sale	3,188	923

NOTE 16: OTHER OPERATING EXPENSES

Other operating expenses consist of the following:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Professional services	\$3,962	\$2,911	\$9,131	\$6,404
Postage	1,204	1,074	2,335	2,309
Telephone	982	1,041	2,060	2,100
Credit card expense	3,107	2,542	5,944	5,372

Marketing	1,687	2,149	3,033	3,122
Operating supplies	459	458	814	817
Amortization of intangibles	1,554	1,451	3,104	2,908
Branch right sizing expense	99	3,219	217	3,233
Other expense	6,831	4,687	13,134	9,662
Total other operating expenses	\$19,885	\$19,532	\$39,772	\$35,927

NOTE 17: 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, Simmons Bank. 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 collectability or present other unfavorable features.

NOTE 18: COMMITMENTS AND CREDIT RISK

The Company grants agri-business, commercial and residential loans to customers throughout Arkansas, Kansas, Missouri and Tennessee, 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 June 30, 2017, the Company had outstanding commitments to extend credit aggregating approximately \$568,760,000 and \$1,545,227,000 for credit card commitments and other loan commitments, respectively. At December 31, 2016, the Company had outstanding commitments to extend credit aggregating approximately \$562,527,000 and \$1,220,137,000 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 \$33,111,000 and \$29,362,000 at June 30, 2017, and December 31, 2016, respectively, with terms ranging from 9 months to 15 years. At June 30, 2017 and December 31, 2016, the Company had no deferred revenue under standby letter of credit agreements.

NOTE 19: PREFERRED STOCK

On February 27, 2015, as part of the acquisition of Community First, the Company issued 30,852 shares of Senior Non-Cumulative Perpetual Preferred Stock, Series A (“Simmons Series A Preferred Stock”) in exchange for the outstanding shares of Community First Senior Non-Cumulative Perpetual Preferred Stock, Series C (“Community First Series C Preferred Stock”). The preferred stock was held by the United States Department of the Treasury (“Treasury”) as the Community First Series C Preferred Stock was issued when Community First entered into a Small Business Lending Fund Securities Purchase Agreement with the Treasury. The Simmons Series A Preferred Stock qualified as Tier 1 capital and paid quarterly dividends. The rate remained fixed at 1% through February 18, 2016, at which time it would convert to a fixed rate of 9%. On January 29, 2016, the Company redeemed all of the preferred stock, including accrued and unpaid dividends.

NOTE 20: 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 order to ensure the fair values are consistent with ASC Topic 820, we periodically check the fair values by comparing them to another pricing source, such as Bloomberg. The availability of pricing confirms Level 2 classification in the fair value hierarchy. The third-party pricing service is subject to an annual review of internal controls (SSAE 16), which is made available to us for our review. 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 U.S. Treasury securities 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 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 June 30, 2017 and December 31, 2016.

(In thousands)	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2017				
ASSETS				
Available-for-sale securities				
U.S. Treasury	\$19,997	\$19,997	\$ --	\$ --
U.S. Government agencies	147,619	--	147,619	--
Mortgage-backed securities	878,205	--	878,205	--
State and political subdivisions	83,672	--	83,672	--
Other securities	61,107	--	61,107	--
Assets held in trading accounts	50	--	50	--
December 31, 2016				
ASSETS				

Available-for-sale securities				
U.S. Treasury	\$ 300	\$ 300	\$ --	\$ --
U.S. Government agencies	137,771	--	137,771	--
Mortgage-backed securities	868,324	--	868,324	--
States and political subdivisions	102,943	--	102,943	--
Other securities	48,016	--	48,016	--
Assets held in trading accounts	41	--	41	--

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.

Appraisals are updated at renewal, if not more frequently, for all collateral dependent loans that are deemed impaired by way of impairment testing. Impairment testing is performed on all loans over \$1.5 million rated Substandard or worse, all existing impaired loans regardless of size and all TDRs. All collateral dependent impaired loans meeting these thresholds have had updated appraisals or internally prepared evaluations within the last one to two years and these updated valuations are considered in the quarterly review and discussion of the corporate Special Asset Committee. On targeted CRE loans, appraisals/internally prepared valuations may be updated before the typical 1-3 year balloon/maturity period. If an updated valuation results in decreased value, a specific (ASC 310) impairment is placed against the loan, or a partial charge-down is initiated, depending on the circumstances and anticipation of the loan's ability to remain a going concern, possibility of foreclosure, certain market factors, etc.

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 unobservable market data. As of June 30, 2017 and December 31, 2016, the fair value of foreclosed assets held for sale less estimated costs to sell was \$26.0 million and \$26.9 million, respectively.

The significant unobservable inputs (Level 3) used in the fair value measurement of collateral for collateral-dependent impaired loans and foreclosed assets primarily relate to the specialized discounting criteria applied to the borrower's reported amount of collateral. The amount of the collateral discount depends upon the condition and marketability of the collateral, as well as other factors which may affect the collectability of the loan. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset. It is reasonably possible that a change in the estimated fair value for instruments measured using Level 3 inputs could occur in the future. As the Company's primary objective in the event of default would be to liquidate the collateral to settle the outstanding balance of the loan, collateral that is less marketable would receive a larger discount. During the reported periods, collateral discounts ranged from 10% to 40% for commercial and residential real estate collateral.

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 June 30, 2017 and December 31, 2016, 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 June 30, 2017 and December 31, 2016.

(In thousands)	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2017				
ASSETS				
Impaired loans ⁽¹⁾ ⁽²⁾ (collateral dependent)	\$ 11,079	\$--	\$ --	\$ 11,079
Foreclosed assets held for sale ⁽¹⁾	6,984	--	--	6,984
December 31, 2016				
ASSETS				
Impaired loans ⁽¹⁾ ⁽²⁾ (collateral dependent)	\$ 17,154	\$--	\$ --	\$ 17,154
Foreclosed assets held for sale ⁽¹⁾	17,806	--	--	17,806

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

Specific allocations of \$2,139,000 and \$2,384,000 were related to the impaired collateral dependent loans for (2) which fair value re-measurements took place during the periods ended June 30, 2017 and December 31, 2016, respectively.

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 not previously disclosed.

Cash and cash equivalents – The carrying amount for cash and cash equivalents approximates fair value (Level 1).

Interest bearing balances due from banks – The fair value of interest bearing balances due from banks – time is estimated using a discounted cash flow calculation that applies the rates currently offered on deposits of similar remaining maturities (Level 2).

Held-to-maturity securities – Fair values for held-to-maturity securities equal quoted market prices, if available, such as for highly liquid government bonds (Level 1). If quoted market prices are not available, fair values are estimated based on quoted market prices of similar securities. 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 (Level 2). In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Loans – The fair value of loans, excluding loans acquired, 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 (Level 3).

Loans acquired – Fair values of loans acquired 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 (Level 3).

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) (Level 2). 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 (Level 3).

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 (Level 2).

Other borrowings – For short-term instruments, the carrying amount is a reasonable estimate of fair value. For long-term debt, rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value (Level 2).

Subordinated debentures – The fair value of subordinated debentures is estimated using the rates that would be charged for subordinated debentures of similar remaining maturities (Level 2).

Accrued interest receivable/payable – The carrying amounts of accrued interest approximated fair value (Level 2).

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 fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The estimated fair values, and related carrying amounts, of the Company's financial instruments are as follows:

(In thousands)	Carrying Amount	Fair Value Measurements			Total
		Level 1	Level 2	Level 3	
June 30, 2017					
Financial assets:					
Cash and cash equivalents	\$329,614	\$329,614	\$--	\$--	\$344,647
Interest bearing balances due from banks - time	6,057	--	6,057	--	6,057
Held-to-maturity securities	419,003	--	425,263	--	425,263
Mortgage loans held for sale	16,266	--	--	16,266	16,266
Interest receivable	27,337	--	27,337	--	27,337
Legacy loans (net of allowance)	4,959,193	--	--	4,941,097	4,941,097
Loans acquired (net of allowance)	1,224,739	--	--	1,220,270	1,220,270
Financial liabilities:					
Non-interest bearing transaction accounts	1,650,986	--	1,650,986	--	1,650,986
Interest bearing transaction accounts and savings deposits	4,141,426	--	4,141,426	--	4,141,426
Time deposits	1,311,123	--	--	1,301,715	1,301,715
Federal funds purchased and securities sold under agreements to repurchase	121,419	--	121,419	--	121,419
Other borrowings	474,962	--	479,740	--	479,740
Subordinated debentures	67,312	--	62,012	--	62,012
Interest payable	1,706	--	1,706	--	1,706
December 31, 2016					
Financial assets:					
Cash and cash equivalents	\$285,659	\$285,659	\$--	\$--	\$285,659
Interest bearing balances due from banks - time	4,563	--	4,563	--	4,563
Held-to-maturity securities	462,096	--	465,960	--	465,960
Mortgage loans held for sale	27,788	--	--	27,788	27,788
Interest receivable	27,788	--	27,788	--	27,788
Legacy loans (net of allowance)	4,290,921	--	--	4,305,165	4,305,165
Loans acquired (net of allowance)	1,305,683	--	--	1,310,017	1,310,017
Financial liabilities:					
Non-interest bearing transaction accounts	1,491,676	--	1,491,676	--	1,491,676
Interest bearing transaction accounts and savings deposits	3,956,483	--	3,956,483	--	3,956,483
Time deposits	1,287,060	--	--	1,278,339	1,278,339
Federal funds purchased and securities sold under agreements to repurchase	115,029	--	115,029	--	115,029
Other borrowings	273,159	--	292,367	--	292,367
Subordinated debentures	60,397	--	55,318	--	55,318
Interest payable	1,668	--	1,668	--	1,668

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 June 30, 2017, and the related condensed consolidated statements of income and comprehensive income for the three and six months ended June 30, 2017 and 2016 and the related consolidated statements of stockholders' equity and cash flows for the six month periods ended June 30, 2017 and 2016. 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, 2016, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated February 28, 2017, 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, 2016, 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

Little Rock, Arkansas

August 7, 2017

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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 June 30, 2017 was \$23.1 million and diluted earnings per share were \$0.72, compared to net income of \$22.9 million and \$0.75 diluted earnings per share for the same period of 2016. Diluted earnings per share decreased by \$0.03, or 4.0%. Net income for the six months ended June 30, 2017, was \$45.2 million and diluted earnings per share were \$1.42, compared to net income of \$46.4 million and \$1.52 diluted earnings per share for the same period in 2016. Year-to-date diluted earnings per share decreased by \$0.10, or 6.6%.

Net income for the first and second quarters in both 2017 and 2016 included non-core items that impacted net income. The 2017 non-core items were significant and mainly related to acquisitions. The 2016 non-core items primarily related to branch right sizing initiatives. Excluding all non-core items, core earnings for the three months ended June 30, 2017 were \$26.8 million, or \$0.84 diluted core earnings per share, compared to \$25.1 million, or \$0.82 diluted core earnings per share for the same period in 2016. Diluted core earnings per share increased by \$0.02, or 2.4%. Year-to-date core earnings were \$49.3 million, an increase of \$1.0 million, or 2.1%, compared with the same period in 2016. Year-to-date diluted core earnings per share were \$1.55, a decrease of \$0.04, or 2.5%. See Reconciliation of Non-GAAP Measures for additional discussion of non-GAAP measures.

On January 17, 2017, we merged Simmons First Finance Company, a wholly-owned subsidiary of Simmons Bank, into Simmons Bank to reduce regulatory risks related to its operations relative to the size of its assets. At June 30, 2017, the loan balance of this portfolio was \$38 million.

In February 2017, we executed the sale of 11 substandard loans, which were primarily loans acquired, with a net principal balance of \$11 million. We recognized a loss of \$676,000 on this sale.

During March 2017, we exited the indirect lending market as this is a low-margin unit and we made a financial decision to reallocate our capital resources. At June 30, 2017, the loan balance of this portfolio was \$217 million.

On May 15, 2017, we closed the transaction to acquire Hardeman County Investment Company, Inc. ("Hardeman") including its wholly-owned bank subsidiary, First South Bank. At June 30, 2017 First South Bank operated as an independently chartered bank. First South Bank is scheduled to be merged into our lead bank, Simmons Bank, in September 2017 with a simultaneous systems conversion. As a result of this acquisition, we recognized \$7.1 million in pretax merger related expenses during the six month period ended June 30, 2017.

In June 2017, we executed a sale of thirty-five classified loans with a discounted principal balance of \$13.8 million, which included \$7.3 million of legacy loans and \$6.5 million of loans acquired. The loans acquired portion of the sale resulted in a benefit of \$1.4 million accretion income and \$714,000 increase in provision expense for loans acquired, resulting in a net pretax benefit of approximately \$700,000.

The regulatory application and shareholder approval processes for our announced acquisitions of Southwest Bancorp, Inc. and First Texas BHC, Inc. is progressing as we recently filed the merger applications for these transactions. Conversion and integration plans are in process. Subject to regulatory approval and the satisfaction of other closing conditions, we anticipate a closing date as early as October 2017 or as late as January 2018.

We had solid results in the second quarter. We are pleased with the positive trends in our balance sheet as reflected in our organic loan growth as well as in our growth from acquisitions. We are experiencing upward pressure on cost of funds which is currently prohibiting an expansion in the net interest margin. We continue to expand our risk management programs in anticipation of surpassing \$10 billion in assets within the next few months.

Total loans, including loans acquired, were \$6.225 billion at June 30, 2017, compared to \$5.633 billion at December 31, 2016 and \$5.014 billion at June 30, 2016. Total loans increased \$448 million during the quarter, which included \$270 million in legacy loan growth from strong activity in the Springfield, Northwest Arkansas, Kansas City, St. Louis and Little Rock markets. We continue to have good asset quality.

Stockholders' equity as of June 30, 2017 was \$1.234 billion, book value per share was \$38.31 and tangible book value per share was \$24.71. Our ratio of stockholders' equity to total assets was 13.6% and the ratio of tangible stockholders' equity to tangible assets was 9.2% at June 30 2017. See Reconciliation of Non-GAAP Measures for additional discussion of non-GAAP measures. The Company's Tier I leverage ratio of 10.8%, 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).

Simmons First National Corporation is a \$9.1 billion Arkansas based financial holding company conducting financial operations throughout Arkansas, Kansas, Missouri and Tennessee.

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, (c) the valuation of goodwill and the useful lives applied to intangible assets, (d) the valuation of stock-based compensation plans and (e) income taxes.

Allowance for Loan Losses on Loans Not Acquired

The allowance for loan losses is management's estimate of probable losses in the loan portfolio. 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 for loan losses is calculated monthly based on management's assessment of several factors such as (1) historical loss experience based on volumes and types, (2) volume and trends in delinquencies and nonaccruals, (3)

lending policies and procedures including those for loan losses, collections and recoveries, (4) national, state and local economic trends and conditions, (5) external factors and pressure from competition, (6) the experience, ability and depth of lending management and staff, (7) seasoning of new products obtained and new markets entered through acquisition and (8) other factors and trends that will affect specific loans and categories of loans. We establish general allocations for each major loan category. This category 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. General reserves have been established, based upon the aforementioned factors and allocated to the individual loan categories. Allowances are accrued for probable losses 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.

Our evaluation of the allowance for loan losses is inherently subjective as it requires material estimates. The actual amounts of loan losses realized in the near term could differ from the amounts estimated in arriving at the allowance for loan losses reported in the financial statements.

Acquisition Accounting, Loans Acquired

We account for our 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 loans acquired 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. 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.

We evaluate loans acquired in accordance with the provisions of ASC Topic 310-20, *Nonrefundable Fees and Other Costs*. The fair value discount on these loans is accreted into interest income over the weighted average life of the loans using a constant yield method. These loans are not considered to be impaired loans. We evaluate purchased impaired loans accordance with the provisions of ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*. Purchased 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. All loans acquired 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.

For impaired loans accounted for under ASC Topic 310-30, we continue to estimate cash flows expected to be collected on purchased credit impaired loans. We evaluate at each balance sheet date whether the present value of our purchased credit impaired loans determined using the effective interest rates has decreased significantly and if so, recognize a provision for loan loss in our consolidated statement of income. For any significant increases in cash flows expected to be collected, we adjust the amount of accretable yield recognized on a prospective basis over the remaining life of the purchased credit impaired loans.

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*, as amended by ASU 2011-08 – *Testing Goodwill for Impairment*. 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.

Stock-based Compensation 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, restricted stock awards, restricted stock units, and performance stock units. 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 14, 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.

The adoption of ASU 2016-09 – *Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Accounting*, decreased the effective tax rate during the year as the new standard impacted how the income tax effects associated with stock-based compensation are recognized.

IMPACTS OF FUTURE GROWTH

In late 2016 and early 2017, the Company announced that it has entered into definitive agreements and plans of merger with three bank holding companies ("Announced Acquisitions") (see "Note 2: Acquisitions," beginning on page 11). One of these Announced Acquisitions closed in May 2017. The remaining Announced Acquisitions are likely to close during 2017. Each of the bank holding companies' subsidiary banks is expected to be subsequently merged into Simmons Bank (the bank mergers, together with the Announced Acquisitions, are hereinafter referred to as the "Anticipated Transactions"). Upon the completion of the Anticipated Transactions, both the Company and Simmons Bank are expected to have assets in excess of \$10 billion.

The Dodd-Frank Act and associated Federal Reserve regulations cap the interchange rate on debit card transactions that can be charged by banks that, together with their affiliates, have at least \$10 billion in assets at \$0.21 per transaction plus five basis points multiplied by the value of the transaction. The cap goes into effect July 1st of the year following the year in which a bank reaches the \$10 billion asset threshold. Due to the Company's Announced Acquisitions, Simmons Bank, when viewed together with its affiliates, expects to have assets in excess of \$10 billion by December 31, 2017, and anticipates, therefore, that it will be subject to the interchange rate cap effective July 1, 2018. Because of the cap, Simmons Bank estimates that it will receive approximately \$3.8 million less in debit card fees on an after-tax basis in 2018 and \$7.5 million less on an after-tax basis in 2019.

The Dodd-Frank Act also requires banks and bank holding companies with more than \$10 billion in assets to conduct annual stress tests. In anticipation of becoming subject to this requirement, the Company and Simmons Bank have begun the necessary preparations, including undertaking a gap analysis, implementing enhancements to the audit and compliance departments, and investing in various information technology systems. However, the Company believes that significant, additional expenditures will be required in order to fully comply with the stress testing requirements. Based upon the expected closing dates of the Anticipated Transactions, the Company believes that the first stress test will be required to be reported in or around July 2020 for the fiscal year 2019.

Additionally, the Dodd-Frank Act established the Bureau of Consumer Financial Protection (the "CFPB") and granted it supervisory authority over banks with total assets of more than \$10 billion. After completion of the Anticipated Transactions, Simmons Bank will become subject to CFPB oversight with respect to its compliance with federal consumer financial laws. Simmons Bank will continue to be subject to the oversight of its other regulators with respect to matters outside the scope of the CFPB's jurisdiction. While the CFPB has broad rule-making, supervisory and examination authority, as well as expanded data collecting and enforcement powers, its ultimate impact on the operations of Simmons Bank remains uncertain.

It is also important to note that the Dodd-Frank Act changed how the FDIC calculates deposit insurance premiums payable by insured depository institutions. The Dodd-Frank Act directed the FDIC to amend its assessment regulations so that assessments are generally based upon a depository institution's average total consolidated assets less the average tangible equity of the insured depository institution during the assessment period. Assessments were previously based on the amount of an institution's insured deposits. When Simmons Bank exceeds \$10 billion in total assets, it will become subject to the assessment rates assigned to larger banks which may result in higher deposit insurance premiums.

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. Through acquisition our loans acquired tended to have longer maturities. In addition, due to market pressures the duration of our legacy loan portfolio has also extended over the past several years. Our current interest rate sensitivity shows that approximately 36% of our loans and 72% of our time deposits will reprice in the next year.

Net Interest Income Quarter-to-Date Analysis

For the three month period ended June 30, 2017, net interest income on a fully taxable equivalent basis was \$78.9 million, an increase of \$10.6 million, or 15.6%, over the same period in 2016. The increase in net interest income was the result of a \$12.4 million increase in interest income and a \$1.8 million increase in interest expense.

The increase in interest income primarily resulted from a \$10.6 million increase in interest income on loans, consisting of legacy loans and loans acquired. The increase in loan volume during 2017 generated \$12.4 million of additional interest income, while a 15 basis point decline in yield resulted in a \$1.8 million decrease in interest income. The interest income increase from loan volume was primarily due to our legacy loan growth from the same period last year, the Hardeman acquisition during the quarter and the Citizens acquisition in the third quarter of 2016.

Included in interest income is the effect of yield accretion recognized as a result of updated estimates of the cash flows of our loans acquired, as discussed in Note 5, Loans Acquired, in the accompanying Notes to Consolidated Financial Statements included elsewhere in this report. Each quarter, we estimate the cash flows expected to be collected from the loans acquired, and adjustments may or may not be required. The cash flow estimate may increase or decrease based on payment histories and loss expectations of the loans. The resulting adjustment to interest income is spread on a level-yield basis over the remaining expected lives of the loans.

For the three months ended June 30, 2017 and 2016, interest income included \$4.8 million and \$4.7 million, respectively, for the yield accretion recognized on loans acquired. The accretable yield adjustments recorded in future periods will change as we continue to evaluate expected cash flows from the loans acquired.

The increase in interest expense was the result of a \$1.0 million increase in interest expense on deposits primarily from deposit volume from the recent acquisitions. Interest expense also increased \$621,000 due to the \$262.3 million increase in other borrowings.

Net Interest Income Year-to-Date Analysis

For the six month period ended June 30, 2017, net interest income on a fully taxable equivalent basis was \$153.2 million, an increase of \$12.7 million, or 9.0%, over the same period in 2016. The increase in net interest income was the result of a \$15.1 million increase in interest income and a \$2.4 million increase in interest expense.

The increase in interest income primarily resulted from a \$12.7 million increase in interest income on loans and a \$2.7 million increase in interest income on investment securities. The increase in loan volume during 2017 generated \$22.4 million of additional interest income, while a 37 basis point decline in yield resulted in a \$9.7 million decrease in interest income. The increase in loan volume was primarily due to our acquisitions. \$536,000 of the increase in interest income on investment securities was due to volume increases while \$2.1 million was a result of an increase in yield on the security portfolio.

For the six months ended June 30, 2017, interest income included \$9.2 million and \$12.8 million, respectively, for the yield accretion recognized on loans acquired.

The \$2.4 million increase in interest expense is primarily from the growth in deposit accounts related to the acquisitions and the increase in other debt.

Net Interest Margin

Our net interest margin decreased 10 basis points to 4.04% for the three month period ended June 30, 2017, when compared to 4.14% for the same period in 2016. For the six month period ended June 30, 2017, net interest margin decreased 24 basis points to 4.04% when compared to 4.28% for the same period in 2016. The most significant factor in the decreasing margin during the six month period ended June 30, 2017 is the impact of the lower accretable yield adjustments discussed. Normalized for all accretion on loans acquired, our core net interest margin at June 30, 2017 and 2016 was 3.79% and 3.86%, respectively. We expect that increases in deposit costs will continue to offset short-term increases in rates on earning assets. These increases are a result of increased competition for deposits and the recent Federal Reserve rate hikes. See Reconciliation of Non-GAAP Measures for additional discussion of non-GAAP measures.

Net Interest Income Tables

Tables 1 and 2 reflect an analysis of net interest income on a fully taxable equivalent basis for the three and six months ended June 30, 2017 and 2016, respectively, as well as changes in fully taxable equivalent net interest margin for the three and six months ended June 30, 2017, versus June 30, 2016.

Table 1: Analysis of Net Interest Margin

(FTE = Fully Taxable Equivalent)

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Interest income	\$83,898	\$71,900	\$162,325	\$147,521
FTE adjustment	2,082	1,675	4,047	3,759
Interest income – FTE	85,980	73,575	166,372	151,280
Interest expense	7,086	5,317	13,133	10,707
Net interest income – FTE	\$78,894	\$68,258	\$153,239	\$140,573
Yield on earning assets – FTE	4.40	% 4.47	% 4.38	% 4.60
Cost of interest bearing liabilities	0.48	% 0.42	% 0.45	% 0.42
Net interest spread – FTE	3.92	% 4.05	% 3.93	% 4.18
Net interest margin – FTE	4.04	% 4.14	% 4.04	% 4.28

Table 2: Changes in Fully Taxable Equivalent Net Interest Margin

(In thousands)	Three Months Ended June 30, 2017 vs. 2016	Six Months Ended June 30, 2017 vs. 2016
Increase due to change in earning assets	\$ 12,757	\$ 22,565
Decrease due to change in earning asset yields	(352)	(7,473)
Decrease due to change in interest bearing liabilities	(1,465)	(2,397)
Decrease due to change in interest rates paid on interest bearing liabilities	(304)	(29)
Increase in net interest income	\$ 10,636	\$ 12,666

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 and six months ended June 30, 2017 and 2016. 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. Nonaccrual 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

(\$ in thousands)	Three Months Ended June 30,					
	2017			2016		
	Average Balance	Income/ Expense	Yield/ Rate (%)	Average Balance	Income/ Expense	Yield/ Rate (%)
ASSETS						
Earning assets:						
Interest bearing balances due from banks	\$ 160,318	\$ 201	0.50	\$ 126,114	\$ 77	0.25
Federal funds sold	3,078	13	1.69	2,570	17	2.66
Investment securities - taxable	1,374,261	6,874	2.01	1,087,179	5,939	2.20
Investment securities - non-taxable	337,230	5,118	6.09	416,115	4,203	4.06
Mortgage loans held for sale	12,250	145	4.75	28,844	295	4.11
Assets held in trading accounts	52	--	0.00	6,932	3	0.17
Loans	5,954,019	73,629	4.96	4,957,888	63,041	5.11
Total interest earning assets	7,841,208	85,980	4.40	6,625,642	73,575	4.47
Non-earning assets	971,252			896,491		
Total assets	\$ 8,812,460			\$ 7,522,133		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities:						
Interest bearing liabilities						
Interest bearing transaction and savings accounts	\$ 4,069,179	\$ 2,984	0.29	\$ 3,526,278	\$ 2,035	0.23
Time deposits	1,277,336	1,832	0.58	1,242,805	1,741	0.56
Total interest bearing deposits	5,346,515	4,816	0.36	4,769,083	3,776	0.32
Federal funds purchased and securities sold under agreement to repurchase	115,101	92	0.32	104,668	59	0.23
Other borrowings	434,584	1,559	1.44	172,268	938	2.19
Subordinated debentures	64,019	619	3.88	60,132	544	3.64
Total interest bearing liabilities	5,960,219	7,086	0.48	5,106,151	5,317	0.42
Non-interest bearing liabilities:						
Non-interest bearing deposits	1,597,550			1,271,878		
Other liabilities	45,348			57,486		
Total liabilities	7,603,117			6,435,515		

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Stockholders' equity	1,209,343		1,086,618	
Total liabilities and stockholders' equity	\$8,812,460		\$7,522,133	
Net interest spread			3.92	4.05
Net interest margin		\$78,894	4.04	\$68,258 4.14

(\$ in thousands)	Six Months Ended June 30,					
	2017			2016		
	Average Balance	Income/ Expense	Yield/ Rate(%)	Average Balance	Income/ Expense	Yield/ Rate(%)
ASSETS						
Earning assets:						
Interest bearing balances due from banks	\$ 143,417	\$ 322	0.45	\$ 146,748	\$ 220	0.30
Federal funds sold	1,663	14	1.70	2,204	27	2.46
Investment securities - taxable	1,333,351	13,351	2.02	1,082,017	11,249	2.09
Investment securities - non-taxable	343,032	10,002	5.88	422,966	9,453	4.49
Mortgage loans held for sale	11,861	271	4.61	27,730	572	4.15
Assets held in trading accounts	50	--	0.00	6,064	9	0.30
Loans	5,819,803	142,412	4.93	4,923,787	129,750	5.30
Total interest earning assets	7,653,117	166,372	4.38	6,611,516	151,280	4.60
Non-earning assets	960,063			899,141		
Total assets	\$ 8,613,240			\$ 7,510,657		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities:						
Interest bearing liabilities						
Interest bearing transaction and savings accounts	\$ 4,009,451	\$ 5,430	0.27	\$ 3,505,424	\$ 4,053	0.23
Time deposits	1,269,881	3,590	0.57	1,273,209	3,377	0.53
Total interest bearing deposits	5,279,332	9,020	0.34	4,778,633	7,430	0.31
Federal funds purchased and securities sold under agreement to repurchase	113,287	167	0.30	109,109	125	0.23
Other borrowings	390,126	2,753	1.42	178,134	2,065	2.33
Subordinated debentures	62,236	1,193	3.87	60,121	1,087	3.64
Total interest bearing liabilities	5,844,981	13,133	0.45	5,125,997	10,707	0.42
Non-interest bearing liabilities:						
Non-interest bearing deposits	1,532,025			1,248,595		
Other liabilities	48,328			55,362		
Total liabilities	7,425,334			6,429,954		
Stockholders' equity	1,187,906			1,080,703		
Total liabilities and stockholders' equity	\$ 8,613,240			\$ 7,510,657		
Net interest spread			3.93			4.18
Net interest margin		\$ 153,239	4.04		\$ 140,573	4.28

Table 4 shows changes in interest income and interest expense resulting from changes in volume and changes in interest rates for the three and six month periods ended June 30, 2017, as compared to the same periods 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 June 30, 2017 over 2016			Six Months Ended June 30, 2017 over 2016		
	Volume	Yield/ Rate	Total	Volume	Yield/ Rate	Total
Increase (decrease) in:						
Interest income:						
Interest bearing balances due from banks	\$26	\$98	\$124	\$(5)	\$107	\$102
Federal funds sold	3	(7)	(4)	(6)	(7)	(13)
Investment securities - taxable	1,468	(533)	935	2,530	(428)	2,102
Investment securities - non-taxable	(907)	1,822	915	(1,994)	2,543	549
Mortgage loans held for sale	(191)	41	(150)	(356)	55	(301)
Assets held in trading accounts	(2)	(1)	(3)	(5)	(4)	(9)
Loans	12,360	(1,772)	10,588	22,401	(9,739)	12,662
Total	12,757	(352)	12,405	22,565	(7,473)	15,092
Interest expense:						
Interest bearing transaction and savings accounts	344	605	949	629	748	1,377
Time deposits	49	42	91	(9)	222	213
Federal funds purchased and securities sold under agreements to repurchase	6	27	33	5	37	42
Other borrowings	1,030	(409)	621	1,733	(1,045)	688
Subordinated debentures	36	39	75	39	67	106
Total	1,465	304	1,769	2,397	29	2,426
Increase (decrease) in net interest income	\$11,292	\$(656)	\$10,636	\$20,168	\$(7,502)	\$12,666

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 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 June 30, 2017, was \$7.0 million, compared to \$4.6 million for the three month period ended June 30, 2016, an increase of \$2.4 million. The provision for loan losses for the six month period ended June 30, 2017, was \$11.3 million, compared to \$7.4 million for the six month period ended June 30, 2016, an increase of \$3.9 million. See Allowance for Loan Losses section for additional information.

The provision increase was necessary in order to maintain an appropriate allowance for loan losses for the company's growing legacy portfolio. Significant loan growth in our markets, both from new loans and from loans acquired migrating to legacy, as well as increases in specific reserves on certain impaired loans, required an allowance to be established for those loans through a provision.

Finally, a \$714,000 and \$1.5 million provision was recorded on loans acquired during the three and six months ended June 30, 2017 as a result of a shortage in our credit mark on certain purchased credit impaired loans. The shortage in credit mark was due to subsequent deterioration in the loans after purchase.

NON-INTEREST INCOME

Total non-interest income was \$35.7 million for the three month period ended June 30, 2017, a decrease of \$1.1 million, or 3.1%, compared to \$36.9 million for the same period in 2016. Total non-interest income was \$65.8 million for the six month period ended June 30, 2017, a decrease of \$593,000, or 0.9%, compared to \$66.4 million for the same period in 2016.

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 and SBA loans, investment banking income, income from the increase in cash surrender values of bank owned life insurance and gains (losses) from sales of securities.

The decrease in non-interest income was due to gains recorded on the sale of securities that totaled \$2.3 million during the six month period ended June 30, 2017 compared to \$4.1 million for the same period in 2016. In addition, non-interest income from mortgage and SBA lending was \$1.2 million less than the same period in 2016. These decreases were partially offset by increases in trust income, service charges and debit and credit card fees.

Table 5 shows non-interest income for the three and six month periods ended June 30, 2017 and 2016, respectively, as well as changes in 2017 from 2016.

Table 5: Non-Interest Income

(In thousands)	Three Months		2017		Six Months		2017	
	Ended June 30		Change from		Ended June 30		Change from	
	2017	2016	2016		2017	2016	2016	
Trust income	\$4,113	\$3,656	\$457	12.50 %	\$8,325	\$7,287	\$1,038	14.24 %
Service charges on deposit accounts	8,483	7,661	822	10.73	16,585	14,977	1,608	10.74
Other service charges and fees	2,515	2,718	(203)	-7.47	4,712	5,585	(873)	-15.63
Mortgage and SBA lending income	3,961	4,730	(769)	-16.26	6,384	7,564	(1,180)	-15.60
Investment banking income	637	1,181	(544)	-46.06	1,327	1,865	(538)	-28.85
Debit and credit card fees	8,659	7,688	971	12.63	16,593	14,888	1,705	11.45
Bank owned life insurance income	859	826	33	4.00	1,677	1,824	(147)	-8.06
Gain on sale of securities, net	2,236	3,759	(1,523)	-40.52	2,299	4,088	(1,789)	-43.76

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Net gain on sale of premises held for sale	632	--	632	100.00	589	--	589	100.00
Other income	3,649	4,669	(1,020)	-21.85	7,313	8,319	(1,006)	-12.09
Total non-interest income	\$35,744	\$36,888	\$(1,144)	-3.10 %	\$65,804	\$66,397	\$(593)	-0.89 %

Recurring fee income (service charges, trust fees and credit card fees) for the three month period ended June 30, 2017, was \$23.8 million, an increase of \$2 million from the three month period ended June 30, 2016. Trust income increased by \$457,000 or 12.5%, service charges and fees increased \$619,000 or 6.0% and debit and credit card fees increased by \$971,000, or 12.6%. The increase in debit and credit card fees is related to a higher volume of debit and credit card. The majority of the increase was due to the additions of accounts from the Hardeman and Citizen acquisitions and continued positive growth in our trust department.

Mortgage and SBA lending income decreased by \$1.2 million for the six months ended June 30, 2017 compared to last year, due primarily to the seasonal nature of the mortgage volume as well as the timing of selling the guaranteed portion of SBA loans. Investment banking income decreased \$538,000 during the six months ended June 30, 2017 compared to the same period last year as a result of the closure of our Institutional Division and exit from its lines of business in the third quarter of 2016.

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 months ended June 30, 2017 was \$71.4 million, an increase of \$7.3 million, or 11.3%, from the same period in 2016. The most significant impact to non-interest expense were the following non-core items.

We saw a \$6.2 million increase in merger related costs from last year. We had \$6.6 million of merger related costs in the second quarter of 2017 compared to only \$372,000 in the second quarter of 2016. The merger related costs in the current year were from our acquisition of Hardeman during the quarter and from the two pending acquisitions. This increase was offset by a decrease in branch right sizing expense for the second quarter of 2017 to \$99,000 from \$3.2 million for the second quarter of 2016.

Normalizing for the non-core merger related costs and branch right sizing expenses, non-interest expense for the three months ended June 30, 2017 increased \$4.2 million, or 6.9 %, from the same period in 2016, primarily due to the incremental operating expenses of the acquired franchises and increased professional fees associated with preparation to pass \$10 billion in assets.

Non-interest expense for the six months ended June 30, 2017 was \$137.7 million, an increase of \$11.8 million, or 9.4%, from the same period in 2016. The most significant impact to non-interest expense were the following non-core items.

First, we saw a \$6.7 million increase in merger related costs from last year. Included in the six months ended June 30, 2017 were \$7.1 million in merger related costs, primarily from our Hardeman transaction and from our anticipated acquisitions . In the same period of 2016 we recorded \$465,000 of merger related costs.

Second, branch right sizing expense for the six months ended June 30, 2017 decreased by \$3.0 million from the same period in 2016. We had \$3.2 million of branch right sizing expense in 2016 from our ten branch closings. We continue to monitor branch operations and profitability as well as changing customer habits.

Normalizing for the non-core merger related costs and branch right sizing, non-interest expense for the six months ended June 30, 2017 increased \$8.2 million, or 6.7%, from the same period in 2016, primarily due to the incremental operating expenses of the acquired franchises.

Salaries and employee benefits increased by \$1.1 million for the three months ended June 30, 2017 compared to the same period in 2016. Salaries and employee benefits increased by \$1.9 million for the six months ended June 30, 2017 related to the Hardeman acquisition which occurred during May 2017 and the Citizen merger which occurred during September 2016. Occupancy expense decreased by \$122,000 for the three months ended June 30, 2017 and increased \$70,000 for the six months period ended June 30, 2017 when compared to the same periods in 2016, while furniture and equipment expense increased by \$473,000 and \$970,000 from the same periods in 2016.

The increases in several other operating expense categories during the periods were a result of the 2017 and 2016 acquisitions. Professional services increased by \$1.1 million for the three months ended June 30, 2017 from the same period in 2016. Professional services increased by \$2.7 million for the six months ended June 30, 2017 from the same period in 2016 related to exam fees, auditing and accounting services and general consulting expenses.

Table 6 below shows non-interest expense for the three and six month periods ended June 30, 2017 and 2016, respectively, as well as changes in 2017 from 2016.

Table 6: Non-Interest Expense

(In thousands)	Three Months		2017		Six Months		2017	
	Ended June 30	2016	2016	Change from 2016	Ended June 30	2016	2016	Change from 2016
Salaries and employee benefits	\$34,205	\$33,103	\$1,102	3.33 %	\$69,741	\$67,877	\$1,864	2.75 %
Occupancy expense, net	4,868	4,990	(122)	-2.44	9,531	9,461	70	0.74
Furniture and equipment expense	4,550	4,077	473	11.60	8,993	8,023	970	12.09
Other real estate and foreclosure expense	517	967	(450)	-46.54	1,106	1,934	(828)	-42.81
Deposit insurance	780	1,096	(316)	-28.83	1,460	2,244	(784)	-34.94
Merger related costs	6,603	372	6,231	1675.00	7,127	465	6,662	1432.00
Other operating expenses:								
Professional services	3,962	2,911	1,051	36.10	9,131	6,404	2,727	42.58
Postage	1,204	1,074	130	12.10	2,335	2,309	26	1.13
Telephone	982	1,041	(59)	-5.67	2,060	2,100	(40)	-1.90
Credit card expenses	3,107	2,542	565	22.23	5,944	5,372	572	10.65
Marketing	1,687	2,149	(462)	-21.50	3,033	3,122	(89)	-2.85
Operating supplies	459	458	1	0.22	814	817	(3)	-0.37
Amortization of intangibles	1,554	1,451	103	7.10	3,104	2,908	196	6.74
Branch right sizing expense	99	3,219	(3,120)	-96.92	217	3,233	(3,016)	-93.29
Other expense	6,831	4,687	2,144	45.74	13,134	9,662	3,472	35.93
Total non-interest expense	\$71,408	\$64,137	\$7,271	11.34 %	\$137,730	\$125,931	\$11,799	9.37 %

LOAN PORTFOLIO

Our legacy loan portfolio, excluding loans acquired, averaged \$4.615 billion and \$3.455 billion during the first six months of 2017 and 2016, respectively. As of June 30, 2017, total loans, excluding loans acquired, were \$5.001 billion, an increase of \$673.4 million from December 31, 2016. 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).

The growth in the legacy portfolio is primarily attributable very strong growth in the majority of our market areas in which we operate. We continue to actively recruit and hire new associates in our growth markets in an effort to make quality loans. In addition, \$35 million of the increase was related to loan participations with First Texas BHC, Inc., our pending acquisition target, which is evidence of their strong loan demand.

Also contributing to our legacy loan growth are loans acquired that have migrated to legacy loans. When we make a credit decision on an acquired loan as a result of the loan maturing or renewing, the outstanding balance of that loan migrates from loans acquired to legacy loans. Our legacy loan growth from December 31, 2016 to June 30, 2017 included \$112.9 million in balances that migrated from loans acquired during the period. These migrated loan balances are included in the legacy loan balances as of June 30, 2017.

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 appropriate 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 acquired, at the indicated dates are reflected in Table 7, according to type of loan.

Table 7: Loan Portfolio

(In thousands)	June 30, 2017	December 31, 2016
Consumer:		
Credit cards	\$176,953	\$184,591
Other consumer	366,136	303,972
Total consumer	543,089	488,563
Real estate:		
Construction	457,896	336,759
Single family residential	1,014,412	904,245
Other commercial	2,089,707	1,787,075
Total real estate	3,562,015	3,028,079
Commercial:		
Commercial	678,932	639,525
Agricultural	191,345	150,378
Total commercial	870,277	789,903
Other	25,191	20,662
Total loans, excluding loans acquired, before allowance for loan losses	\$5,000,572	\$4,327,207

Consumer loans consist of credit card loans and other consumer loans. Consumer loans were \$543.1 million at June 30, 2017, or 10.9% of total loans, compared to \$488.6 million, or 11.3% of total loans at December 31, 2016. The increase in consumer loans from December 31, 2016, to June 30, 2017, was due to growth in direct consumer loans offset by the expected seasonal decrease in our credit card portfolio..

Real estate loans consist of construction loans, single-family residential loans and commercial real estate loans. Real estate loans were \$3.562 billion at June 30, 2017, or 71.2% of total loans, compared to the \$3.028 billion, or 70.0%, of total loans at December 31, 2016, an increase of \$533.9 million.

Commercial loans consist of non-real estate loans related to business and agricultural loans. Commercial loans were \$870.3 million at June 30, 2017, or 17.4% of total loans, compared to \$789.9 million, or 18.3% of total loans at December 31, 2016, an increase of \$80.4 million. Non-agricultural commercial loans increased to \$678.9 million, a \$39.4 million increase, or 6.2%, growth from December 31, 2016. Agricultural loans increased to \$191.3 million, a

\$41.0 million increase, or 27.29%, primarily due to seasonality of the portfolio, which normally peaks in the third quarter and is at its lowest point at the end of the first quarter.

LOANS ACQUIRED

On September 9, 2016, we completed the acquisition of Citizens and issued 835,741 shares of the Company's common stock valued at approximately \$41.3 million as of September 9, 2016, plus \$35.0 million in cash in exchange for all outstanding shares of Citizens common stock. Included in the acquisition were loans with a fair value of \$340.8 million.

On May 15, 2017, we completed the acquisition of Hardeman and issued 799,970 shares of the Company's common stock valued at approximately \$42.6 million as of May 15, 2017, plus \$30.0 million in cash in exchange for all outstanding shares of Hardeman common stock. Included in the acquisition were loans with a fair value of \$251.6 million.

Table 8 reflects the carrying value of all loans acquired as of June 30, 2017 and December 31, 2016.

Table 8: Loans Acquired

(In thousands)	June 30, 2017	December 31, 2016
Consumer:		
Other consumer	\$37,636	\$49,677
Total consumer	37,636	49,677
Real estate:		
Construction	59,731	57,587
Single family residential	374,219	423,176
Other commercial	634,892	690,108
Total real estate	1,068,842	1,170,871
Commercial:		
Commercial	116,057	81,837
Agricultural	2,204	3,298
Total commercial	118,261	85,135
Total loans acquired ⁽¹⁾	\$1,224,739	\$1,305,683

(1) Loans acquired are reported net of a \$391,000 and \$954,000 allowance at June 30, 2017 and December 31, 2016, respectively.

The majority of the loans acquired in the Citizens and Hardeman acquisitions were evaluated and are being accounted for in accordance with ASC Topic 310-20, *Nonrefundable Fees and Other Costs*. The fair value discount is being accreted into interest income over the weighted average life of the loans using a constant yield method. These loans are not considered to be impaired loans.

We evaluated the remaining loans purchased in conjunction with the acquisitions of Citizens and Hardeman for impairment in accordance with the provisions of ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*. Purchased loans are considered impaired if there is evidence of credit deterioration during the loan term and if it is probable that not all contractually required payments will be collected.

Some purchased impaired loans were determined to have experienced additional impairment upon disposition or foreclosure in 2017. During the three and six months ended June 30, 2017, we recorded \$714,000 and \$1,464,000,

respectively, provision for these loans and charge-offs of \$2.0 million, resulting in an allowance for loan losses for purchased impaired loans at June 30, 2017 of \$391,000. See Note 2 and Note 5 of the Notes to Consolidated Financial Statements for further discussion of loans acquired.

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. Simmons Bank recognizes 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. When accounts reach 90 days past due and there are attachable assets, the accounts are considered for litigation. Credit card loans are generally charged off when payment of interest or principal exceeds 150 days past due. The credit card recovery group pursues account holders until it is determined, on a case-by-case basis, to be uncollectible.

Total non-performing assets, excluding all loans acquired, increased by \$17.1 million from December 31, 2016 to June 30, 2017. Foreclosed assets held for sale decreased by \$883,000. During the second quarter, \$3.2 million in former bank branches previously classified as premises held for sale were transferred to foreclosed assets held for sale. Nonaccrual loans increased by \$18.0 million during the period, primarily CRE loans. Non-performing assets, including trouble debt restructurings (“TDRs”) and acquired foreclosed assets, as a percent of total assets were 1.02% at June 30, 2017, compared to 0.93% at December 31, 2016. The increase in the non-performing ratio from the fourth quarter is primarily the result of two credit relationships totaling \$11.0 million in the Wichita market.

In June 2017, we executed a sale of thirty-five classified loans with a discounted principal balance of \$13.8 million, which included \$7.3 million of legacy loans and \$6.5 million of loans acquired. The loans acquired portion of the sale resulted in a benefit of \$1.4 million accretion income and \$714,000 increase in provision expense for loans acquired, resulting in a net benefit of approximately \$700,000.

In February 2017, we executed a sale of eleven substandard loans, which were primarily loans acquired, with a net principal balance of \$11 million. We recognized a loss of \$676,000 on this sale.

From time to time, certain 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. Our TDR balance increased to \$19.3 million at June 30, 2017, compared to \$14.2 million at December 31, 2016. The majority of our TDRs remain in the CRE portfolio with the largest increase comprised of two relationships.

We return 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.

We continue to maintain good asset quality. The allowance for loan losses as a percent of total loans was 0.83% as of June 30, 2017. Non-performing loans equaled 1.15% of total loans, a 24 basis point increase from December 31, 2016 and a 2 basis point decrease from June 30, 2016. Non-performing assets were 0.93% of total assets. The allowance for loan losses was 72% of non-performing loans. Our annualized net charge-offs to total loans for the first six months of 2017 was 0.21%. Excluding credit cards, the annualized net charge-offs to total loans for the same period was 0.15%. Annualized net credit card charge-offs to total credit card loans were 1.63%, compared to 1.28% during the full year 2016, and more than 190 basis points better than the most recently published industry average charge-off ratio as reported by the Federal Reserve for all banks.

Table 9 presents information concerning non-performing assets, including nonaccrual loans and foreclosed assets held for sale (excluding all loans acquired).

Table 9: Non-performing Assets

(\$ in thousands)	June 30, 2017	December 31, 2016
Nonaccrual loans ⁽¹⁾	\$57,127	\$39,104
Loans past due 90 days or more (principal or interest payments)	281	299
Total non-performing loans	57,408	39,403
Other non-performing assets:		
Foreclosed assets held for sale	26,012	26,895
Other non-performing assets	485	471
Total other non-performing assets	26,497	27,366
Total non-performing assets	\$83,905	\$66,769
Performing TDRs	\$8,794	\$10,998
Allowance for loan losses to non-performing loans	72 %	92 %
Non-performing loans to total loans	1.15 %	0.91 %
Non-performing assets to total assets ⁽²⁾	0.93 %	0.79 %

⁽¹⁾ Includes nonaccrual TDRs of approximately \$10.5 million at June 30, 2017 and \$3.2 million at December 31, 2016.

⁽²⁾ Excludes all loans acquired, except for their inclusion in total assets.

There was no interest income on nonaccrual loans recorded for the three and six month periods ended June 30, 2017 and 2016.

At June 30, 2017, impaired loans, net of government guarantees and loans acquired, were \$57.1 million compared to \$43.7 million at December 31, 2016. The increase in impaired loans is primarily related to the non-performing loans discussed above. 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 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 310-10, *Receivables*, and allowance allocations calculated in accordance with ASC Topic 450-20, *Loss Contingencies*. Accordingly, the methodology is based on our internal grading system, specific impairment analysis, qualitative and quantitative factors.

As mentioned above, allocations to the allowance for loan losses are categorized as either specific allocations or general allocations.

Specific Allocations

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, including scheduled principal and interest payments. For a collateral dependent loan, our evaluation process includes a valuation by appraisal or other collateral analysis. This valuation is compared to the remaining outstanding principal balance of the loan. If a loss is determined to be probable, the loss is included in the allowance for loan losses as a specific allocation. If the loan is not collateral dependent, the measurement of loss is based on the difference between the expected and contractual future cash flows of the loan.

General Allocations

The general allocation is calculated monthly based on management's assessment of several factors such as (1) historical loss experience based on volumes and types, (2) volume and trends in delinquencies and nonaccruals, (3) lending policies and procedures including those for loan losses, collections and recoveries, (4) national, state and local economic trends and conditions, (5) external factors and pressure from competition, (6) the experience, ability and depth of lending management and staff, (7) seasoning of new products obtained and new markets entered through acquisition and (8) other factors and trends that will affect specific loans and categories of loans. We established general allocations for each major loan category. This category 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.

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)	2017	2016
Balance, beginning of year	\$36,286	\$31,351
Loans charged off:		
Credit card	1,945	1,561
Other consumer	2,167	882
Real estate	2,368	1,053
Commercial	641	2,759
Total loans charged off	7,121	6,255
Recoveries of loans previously charged off:		
Credit card	513	495
Other consumer	1,326	252
Real estate	448	223
Commercial	62	325
Total recoveries	2,349	1,295
Net loans charged off	4,772	4,960
Provision for loan losses ⁽¹⁾	9,865	7,132
Balance, June 30 ⁽³⁾	\$41,379	33,523
Loans charged off:		
Credit card		1,634
Other consumer		1,093
Real estate		6,464
Commercial		1,197
Total loans charged off		10,388
Recoveries of loans previously charged off:		
Credit card		412
Other consumer		264
Real estate		128
Commercial		40
Total recoveries		844
Net loans charged off		9,544
Provision for loan losses ⁽²⁾		12,307
Balance, end of year ⁽³⁾		\$36,286

(1) Provision for loan losses of \$1,464,000 attributable to loans acquired, was excluded from this table for 2017 (total year-to-date provision for loan losses is \$11,330,000) and \$307,000 was excluded from this table for 2016 (total 2016 provision for loan losses is \$7,439,000). Charge offs of \$2.0 million on loans acquired were excluded from

this table for 2017 (total net loan charged off is \$6.8 million.

(2) Provision for loan losses of \$626,000 attributable to loans acquired, was excluded from this table for 2016 (total 2016 provision for loan losses is \$20,065,000).

(3) Allowance for loan losses at June 30, 2017 includes \$391,000 allowance for loans acquired (not shown in the table above) and December 31, 2016 and June 30, 2016 includes \$954,000 allowance for loans acquired (not shown in the table above). The total allowance for loan losses at June 30, 2017 was \$41,770,000 and the total allowance for loan losses at December 31, 2016 and June 30, 2016 was \$37,240,000 and \$34,477,000, respectively.

Provision for Loan Losses

The amount of provision to the allowance during the three and six months ended June 30, 2017 and 2016, and for the year ended December 31, 2016, 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 loss experience. It is management's practice to review the allowance on a monthly basis, and after considering the factors previously noted, to determine the level of provision made to the allowance.

Allowance for Loan Losses Allocation

As of June 30, 2017, the allowance for loan losses reflects an increase of approximately \$5.1 million from December 31, 2016, while total loans, excluding loans acquired, increased by \$673.4 million over the same six month period. The allocation in each category within the allowance generally reflects the overall changes in the loan portfolio mix.

The following table sets forth the sum of the amounts of the allowance for loan losses attributable to individual loans within each category, or loan categories in general. The table also reflects the percentage of loans in each category to the total loan portfolio, excluding loans acquired, for each of the periods indicated. These allowance amounts have been computed using the Company's internal grading system, specific impairment analysis, qualitative and quantitative factor allocations. The amounts shown are not necessarily indicative of the actual future losses that may occur within individual categories.

Table 11: Allocation of Allowance for Loan Losses

(\$ in thousands)	June 30, 2017			December 31, 2016		
	Allowance Amount	% of loans (1)	%	Allowance Amount	% of loans (1)	%
Credit cards	\$3,754	3.6	%	\$3,779	4.3	%
Other consumer	3,442	7.3	%	2,796	7.0	%
Real estate	25,731	71.2	%	21,817	70.0	%
Commercial	8,105	17.4	%	7,739	18.2	%
Other	347	0.5	%	155	0.5	%

Total ⁽²⁾	\$41,379	100.0%	\$36,286	100.0%
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(1) Percentage of loans in each category to total loans, excluding loans acquired.

Allowance for loan losses at June 30, 2017 and December 31, 2016 includes \$391,000 and \$954,000, respectively, (2) allowance for loans acquired (not shown in the table above). The total allowance for loan losses at June 30, 2017 and December 31, 2016 was \$41,770,000 and \$37,240,000, respectively

DEPOSITS

Deposits are our primary source of funding for earning assets and are primarily developed through our network of over 159 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 June 30, 2017, core deposits comprised 90.6% of our total deposits.

We continually monitor the funding requirements along with competitive interest rates in the markets we serve. Because of our community banking philosophy, our 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 we experience increased loan demand or other liquidity needs. We can also utilize brokered deposits as an additional source of funding to meet liquidity needs.

Our total deposits as of June 30, 2017, were \$7.104 billion, an increase of \$368.3 million from December 31, 2016. We have continued our strategy to move more volatile time deposits to less expensive, revenue enhancing transaction accounts. Non-interest bearing transaction accounts, interest bearing transaction accounts and savings accounts totaled \$5.792 billion at June 30, 2017, compared to \$5.448 billion at December 31, 2016, a \$344.3 million increase. Total time deposits increased \$24.1 million to \$1.311 billion at June 30, 2017, from \$1.287 billion at December 31, 2016. We had \$22.1 million and \$7.0 million of brokered deposits at June 30, 2017 and December 31, 2016, respectively.

OTHER BORROWINGS AND SUBORDINATED DEBENTURES

Our total debt was \$542.3 million and \$333.6 million at June 30, 2017 and December 31, 2016, respectively. The outstanding balance for June 30, 2017 includes \$392.1 million in FHLB short-term advances, \$37.2 million in FHLB long-term advances, \$45.7 million in notes payable and \$67.3 million of trust preferred securities. The outstanding balance for December 31, 2016 included \$180.0 million in FHLB short-term advances, \$45.3 million in FHLB long-term advances, \$47.9 million in notes payable and \$60.4 million of trust preferred securities.

The \$45.7 million notes payable is unsecured debt from correspondent banks at a rate of 3.85% with quarterly principal and interest payments. The debt has a 10 year amortization with a 5 year balloon payment due in October 2020.

During the six months ended June 30, 2017, we increased total debt by \$208.7 million from December 31, 2016 primarily due to the \$212.1 million increase in FHLB short-term advances partially offset by the maturity of \$6.3 million of FHLB long-term advances.

CAPITAL

Overview

At June 30, 2017, total capital was \$1.234 billion. Capital represents shareholder ownership in the Company – the book value of assets in excess of liabilities. At June 30, 2017, our common equity to assets ratio was 13.6%, down 9 basis points from year-end 2016.

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.

On February 27, 2015, as part of the acquisition of Community First, the Company issued 30,852 shares of Senior Non-Cumulative Perpetual Preferred Stock, Series A (“Simmons Series A Preferred Stock”) in exchange for the outstanding shares of Community First Senior Non-Cumulative Perpetual Preferred Stock, Series C (“Community First Series C Preferred Stock”). The preferred stock was held by the United States Department of the Treasury (“Treasury”) as the Community First Series C Preferred Stock was issued when Community First entered into a Small Business Lending Fund Securities Purchase Agreement with the Treasury. The Simmons Series A Preferred Stock qualified as Tier 1 capital and paid quarterly dividends. On January 29, 2016, the Company redeemed all of the Simmons Series A Preferred Stock, including accrued and unpaid dividends.

Stock Repurchase

During 2007, the Company approved a stock repurchase program which authorized the repurchase of up to 700,000 shares of common stock. On July 23, 2012, we announced the substantial completion of the existing stock repurchase program and the adoption by our Board of Directors of a new stock repurchase program. The current program authorizes the repurchase of up to 850,000 additional shares of Class A common stock, or approximately 5% of the shares outstanding. 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. Under the repurchase program, there is no time limit for the stock repurchases, nor is there a minimum number of shares that we intend to repurchase. We may discontinue purchases at any time that management determines additional purchases are not warranted. We intend to use the repurchased shares to satisfy stock option exercises, payment of future stock awards and dividends and general corporate purposes. We had no stock repurchases during 2016 or 2017.

Cash Dividends

We declared cash dividends on our common stock of \$0.50 per share for the first six months of 2017 compared to \$0.48 per share for the first six months of 2016, an increase of \$0.02, or 4.2%. 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 and the funding of debt obligations. The primary sources for meeting these liquidity needs are the current cash on hand at the parent company and the future dividends received from Simmons Bank. Payment of dividends by the subsidiary bank 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 bank subsidiary is 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, Tier 1 and common equity 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 June 30, 2017, we meet all capital adequacy requirements to which we are subject.

As of the most recent notification from regulatory agencies, the subsidiary was well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company and the Bank must maintain minimum total risk-based, Tier 1 risk-based, common equity 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 June 30, 2017 and December 31, 2016 are presented in Table 12 below:

Table 12: Risk-Based Capital

(\$ in thousands)	June 30, 2017	December 31, 2016		
Tier 1 capital:				
Stockholders' equity	\$1,234,076	\$1,151,111		
Trust preferred securities	67,312	60,397		
Goodwill and other intangible assets, net of deferred taxes	(406,990)	(354,028)		
Unrealized gain on available-for-sale securities, net of income taxes	11,322	15,212		
Other	--	15		
Total Tier 1 capital	905,720	872,707		
Tier 2 capital:				
Qualifying unrealized gain on available-for-sale equity securities	1	--		
Qualifying allowance for loan losses	45,369	40,241		
Total Tier 2 capital	45,370	40,241		
Total risk-based capital	\$951,090	\$912,948		
Risk weighted assets	\$6,925,727	\$6,039,034		
Assets for leverage ratio	\$8,424,763	\$7,966,681		
Ratios at end of period:				
Common equity Tier 1 ratio (CET1)	12.11	%	13.45	%
Tier 1 leverage ratio	10.75	%	10.95	%
Tier 1 risk-based capital ratio	13.08	%	14.45	%
Total risk-based capital ratio	13.73	%	15.12	%
Minimum guidelines:				
Common equity Tier 1 ratio	4.50	%	4.50	%
Tier 1 leverage ratio	4.00	%	4.00	%
Tier 1 risk-based capital ratio	6.00	%	6.00	%
Total risk-based capital ratio	8.00	%	8.00	%
Well capitalized guidelines:				
Common equity Tier 1 ratio	6.50	%	6.50	%
Tier 1 leverage ratio	5.00	%	5.00	%
Tier 1 risk-based capital ratio	8.00	%	8.00	%
Total risk-based capital ratio	10.00	%	10.00	%

Regulatory Capital Changes

In July 2013, the Company's primary federal regulator, the Federal Reserve, published final rules (the "Basel III Capital Rules") establishing a new comprehensive capital framework for U.S. banks. The rules implement the Basel Committee's December 2010 framework known as "Basel III" for strengthening international capital standards. The Basel III Capital Rules substantially revised the risk-based capital requirements applicable to bank holding companies and depository institutions compared to the then current U.S. risk-based capital rules.

The Basel III Capital Rules define the components of capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios. The rules also address risk weights and other issues affecting the denominator in banking institutions' regulatory capital ratios and replace the existing risk-weighting approach with a more risk-sensitive approach.

The Basel III Capital Rules expand the risk-weighting categories from the four Basel I-derived categories (0%, 20%, 50% and 100%) to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset categories, including many residential mortgages and certain commercial real estate.

The final rules include a new common equity Tier 1 capital to risk-weighted assets ratio of 4.5% and a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets. The rules also raise the minimum ratio of Tier 1 capital to risk-weighted assets from 4.0% to 6.0% and require a minimum leverage ratio of 4.0%. The Basel III Capital Rules became effective for the Company and its subsidiary bank on January 1, 2015, with full compliance with all of the final rule's requirements phased in over a multi-year schedule. Management believes that, as of June 30, 2017, the Company and Simmons Bank would meet all capital adequacy requirements under the Basel III Capital Rules on a fully phased-in basis if such requirements were currently effective.

Tier 1 capital includes common equity tier 1 capital and certain additional tier 1 items as provided under the Basel III Rules. The tier 1 capital for the Company consists of common equity tier 1 capital and \$67.3 million of trust preferred securities. The Basel III Rules include certain provisions that would require trust preferred securities to be phased out of qualifying tier 1 capital. Currently, the Company's trust preferred securities are grandfathered under the Basel III Rules and will continue to be included as tier 1 capital. However, should the Company exceed \$15 billion in total assets, the grandfather provisions applicable to its trust preferred securities would no longer apply and such trust preferred securities would no longer be included as tier 1 capital, but would continue to be included as total capital.

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.

CAUTIONARY NOTE REGARDING 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 terms. 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 tables below present computations of core earnings (net income excluding non-core items {gain from early retirement of trust preferred securities, merger related costs and branch right sizing expenses}) and diluted core earnings per share (non-GAAP) as well as a reconciliation of tangible book value per share (non-GAAP), tangible common equity to tangible equity (non-GAAP) and the core net interest margin (non-GAAP). Non-core items are included in financial results presented in accordance with generally accepted accounting principles (“GAAP”).

The Company believes the exclusion of these non-core 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. These non-GAAP financial measures are also used by management to assess the performance of the Company’s business, because management does not consider these non-core 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) and core net interest margin (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. These non-GAAP financial measures are also used by management to assess the performance of the Company’s business, because management does not consider these non-core 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

We have \$438.0 million and \$401.5 million total goodwill and other intangible assets at June 30, 2017 and December 31, 2016, respectively. Because of our high level of intangible assets, management believes a useful calculation is return on tangible equity (non-GAAP).

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.

Non-GAAP financial measures 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 non-core 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 non-core items does not represent the amount that effectively accrues directly to stockholders (i.e., non-core items are included in earnings and stockholders’ equity).

See Table 13 below for the reconciliation of core earnings, which exclude non-core items for the periods presented.

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

(\$ in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
Net income	\$23,065	\$22,909	\$45,185	\$46,390
Non-core items:				
Gain from early retirement of trust preferred securities	--	--	--	(594)
Merger related costs	6,603	372	7,127	465
Branch right sizing	(536)	3,219	(382)	3,233
Tax effect ⁽¹⁾	(2,379)	(1,409)	(2,645)	(1,218)
Net non-core items	3,688	2,182	4,100	1,886
Core earnings (non-GAAP)	\$26,753	\$25,091	\$49,285	\$48,276
Diluted earnings per share	\$0.72	\$0.75	\$1.42	\$1.52
Non-core items:				
Gain from early retirement of trust preferred securities	--	--	--	(0.02)
Merger related costs	0.21	0.01	0.22	0.02
Branch right sizing	(0.02)	0.11	(0.01)	0.11
Tax effect ⁽¹⁾	(0.07)	(0.05)	(0.08)	(0.04)
Net non-core items	0.12	0.07	0.13	0.07
Diluted core earnings per share (non-GAAP)	\$0.84	\$0.82	\$1.55	\$1.59

(1) Effective tax rate of 39.225%, adjusted for non-deductible merger related costs.

See Table 14 below for the reconciliation of tangible book value per share.

Table 14: Reconciliation of Tangible Book Value per Share (non-GAAP)

(In thousands, except per share data)	June 30, 2017	December 31, 2016
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Total common stockholders' equity	\$1,234,076	\$1,151,111
Intangible assets:		
Goodwill	(379,437)	(348,505)
Other intangible assets	(58,528)	(52,959)
Total intangibles	(437,965)	(401,464)
Tangible common stockholders' equity	\$796,111	\$749,647
Shares of common stock outstanding	32,212,832	31,277,723
Book value per common share	\$38.31	\$36.80
Tangible book value per common share (non-GAAP)	\$24.71	\$23.97

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See Table 15 below for the calculation of tangible common equity and the reconciliation of tangible common equity to tangible assets as of June 30, 2017 and December 31, 2016.

Table 15: Reconciliation of Tangible Common Equity and the Ratio of Tangible Common Equity to Tangible Assets (non-GAAP)

(In thousands, except per share data)	June 30, 2017	December 31, 2016		
Total common stockholders' equity	\$1,234,076	\$1,151,111		
Intangible assets:				
Goodwill	(379,437)	(348,505)		
Other intangible assets	(58,528)	(52,959)		
Total intangibles	(437,965)	(401,464)		
Tangible common stockholders' equity	\$796,111	\$749,647		
Total assets	\$9,068,308	\$8,400,056		
Intangible assets:				
Goodwill	(379,437)	(348,505)		
Other intangible assets	(58,528)	(52,959)		
Total intangibles	(437,965)	(401,464)		
Tangible assets	\$8,630,343	\$7,998,592		
Ratio of equity to assets	13.61	%	13.70	%
Ratio of tangible common equity to tangible assets (non-GAAP)	9.22	%	9.37	%

See Table 16 below for the calculation of core net interest margin for the periods presented.

Table 16: Reconciliation of Core Net Interest Margin (non-GAAP)

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net interest income	\$76,812	\$66,583	\$149,192	\$136,814
FTE adjustment	2,082	1,675	4,047	3,759
Fully tax equivalent net interest income	78,894	68,258	153,239	140,573

Total accretable yield	(4,792)	(4,700)	(9,219)	(12,777)
Core net interest income	\$74,102	\$63,558	\$144,020	\$127,796
Average earning assets – quarter-to-date	\$7,841,208	\$6,625,642	\$7,653,177	\$6,611,516
Net interest margin	4.04	4.14	4.04	4.28
Core net interest margin (non-GAAP)	3.79	3.86	3.79	3.89

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Parent Company

The Company has leveraged its investment in its 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 June 30, 2017, undivided profits of the Company's subsidiary banks was approximately \$270.7 million, of which approximately \$4.0 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, our subsidiary banks 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 Bank's 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 the subsidiary bank monitor these same indicators and makes adjustments as needed.

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 are available on a daily basis and are used to meet the normal fluctuations of a dynamic balance sheet. The Company and our subsidiary bank have approximately \$285 million in Federal funds lines of credit from upstream correspondent banks that can be accessed, when needed. 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.

Second, Simmons Bank has a line of credit available with the Federal Home Loan Bank. While we use portions of this line to match off longer-term mortgage loans, we also use this line to meet liquidity needs. Approximately \$1.3 billion of this line of credit is currently available, if needed, for liquidity.

A third source of liquidity is that we have the ability to access large wholesale deposits from both the public and private sector to fund short-term liquidity needs.

A fourth source of liquidity is the retail deposits available through our network of financial centers throughout Arkansas, Kansas, Missouri and Tennessee. Although this method can be a somewhat more expensive alternative to supplying liquidity, this source can be used to meet intermediate term liquidity needs.

Fifth, 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 74.0% 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.

Sixth, we have a network of correspondent banks from which we can access debt to meet liquidity needs, as was demonstrated by the \$52.3 million of unsecured debt issued in the fourth quarter of 2015.

Finally, we have the ability to access funds through the Federal Reserve Bank Discount Window.

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.

As of June 30, 2017, the model simulations projected that 100 and 200 basis point increases in interest rates would result in a positive variance in net interest income of 0.46% and 1.03%, respectively, relative to the base case over the next 12 months, while decreases in interest rates of 100 basis points would result in a negative variance in net interest income of -3.54% relative to the base case over the next 12 months. The likelihood of a decrease in interest rates in excess of 50 basis points as of June 30, 2017 is considered remote given current interest rate levels and the recent rate increase by the Federal Reserve. These are good faith estimates and assume that the composition of our interest sensitive assets and liabilities existing at each year-end will remain constant over the relevant twelve month measurement period and that changes in market interest rates are instantaneous and sustained across the yield curve regardless of duration of pricing characteristics of specific assets or liabilities. Also, this analysis does not contemplate any actions that we might undertake in response to changes in market interest rates. We believe these estimates are not necessarily indicative of what actually could occur in the event of immediate interest rate increases or decreases of this magnitude. As interest-bearing assets and liabilities reprice in different time frames and proportions to market interest

rate movements, various assumptions must be made based on historical relationships of these variables in reaching any conclusion. Since these correlations are based on competitive and market conditions, we anticipate that our future results will likely be different from the foregoing estimates, and such differences could be material.

The table below presents our sensitivity to net interest income at June 30, 2017:

Table 17: Net Interest Income Sensitivity

Interest Rate Scenario	% Change from Base
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Up 200 basis points	1.03%
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Up 100 basis points	0.46%
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Down 100 basis points	-3.54%
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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 Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act) 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 were effective for the period.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal controls over financial reporting during the quarter ended June 30, 2017, which materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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, 2016. 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 no purchases of its common stock during the three months ended June 30, 2017.

Item 6. Exhibits

Exhibit No.	Description
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2.1	Purchase and Assumption Agreement Whole Bank All Deposits, among Federal Insurance Deposit Corporation, Receiver of Truman Bank, St. Louis, Missouri, Federal Deposit Insurance Corporation, and Simmons First National Bank, Pine Bluff, Arkansas, dated as of September 14, 2012 (incorporated by reference to Exhibit 2.1 to Simmons First National Corporation's Current Report on Form 8-K, as amended, for September 20, 2012 (File No. 000-06253)).
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2.2	Loan Sale Agreement, by and between Federal Deposit Insurance Corporation, as Receiver for Truman Bank, St. Louis, Missouri, and Simmons First National Bank, Pine Bluff, Arkansas, dated as of September 14, 2012 (incorporated by reference to Exhibit 2.2 to Simmons First National Corporation's Current Report on Form 8-K, as amended, for September 20, 2012 (File No. 000-06253)).
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2.3	Purchase and Assumption Agreement Whole Bank All Deposits, among Federal Insurance Deposit Corporation, Receiver of Excel Bank, Sedalia, Missouri, Federal Deposit Insurance Corporation, and Simmons First National Bank, Pine Bluff, Arkansas, dated as of October 19, 2012 (incorporated by reference to Exhibit 2.1 to Simmons First National Corporation's Current Report on Form 8-K, as amended, for October 25, 2012 (File No. 000-06253)).
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2.4	Stock Purchase Agreement by and between Simmons First National Corporation and Rogers Bancshares, Inc., dated as of September 10, 2013 (incorporated by reference to Exhibit 10.1 to Simmons First National Corporation's Current Report on Form 8-K for September 12, 2013 (File No. 000-06253)).
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2.5 Agreement and Plan of Merger, dated as of March 24, 2014, by and between Simmons First National Corporation and Delta Trust & Banking Corporation (incorporated by reference to Annex A to the Joint Proxy Statement/Prospectus filed by Simmons First National Corporation on July 23, 2014 (File No. 000-06253)).

2.6 Agreement and Plan of Merger, dated as of May 6, 2014, by and between Simmons First National Corporation and Community First Bancshares, Inc., as amended on September 11, 2014 (incorporated by reference to Annex A to the Joint Proxy Statement/Prospectus filed by Simmons First National Corporation on October 8, 2014 (File No. 000-06253)).

2.7 Agreement and Plan of Merger, dated as of May 27, 2014, by and between Simmons First National Corporation and Liberty Bancshares, Inc., as amended on September 11, 2014 (incorporated by reference to Annex B to the Joint Proxy Statement/Prospectus filed by Simmons First National Corporation on October 8, 2014 (File No. 000-06253)).

2.8 Agreement and Plan of Merger, dated as of April 28, 2015, by and between Simmons First National Corporation and Ozark Trust & Investment Corporation (incorporated by reference to Exhibit 10.1 to Simmons First National Corporation's Current Report on Form 8-K for April 29, 2015 (File No. 000-06253)).

2.9 Stock Purchase Agreement by and among Citizens National Bank, Citizens National Bancorp, Inc. and Simmons First National Corporation, dated as of May 18, 2016 (incorporated by reference to Exhibit 2.1 to Simmons First National Corporation's Current Report on Form 8-K for May 18, 2016 (File No. 000-06253)).

2.10 Agreement and Plan of Merger, dated as of November 17, 2016, by and between Simmons First National Corporation and Hardeman County Investment Company, Inc. (incorporated by reference to Exhibit 2.1 to Simmons First National Corporation's Current Report on Form 8-K for November 17, 2016 (File No. 000-06253)).

2.11 Agreement and Plan of Merger, dated as of December 14, 2016, by and between Simmons First National Corporation and Southwest Bancorp, Inc., as amended on July 19, 2017.*

2.12 Agreement and Plan of Merger, dated as of January 23, 2017, by and between Simmons First National Corporation and First Texas, BHC, Inc., as amended on July 19, 2017.*

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.*

Certificate of Designation of Senior Non-Cumulative Perpetual Preferred Stock, Series A of Simmons First National Corporation, dated February 27, 2015 (incorporated by reference to Exhibit 3.1 to Simmons First National Corporation's Current Report on Form 8-K on October 8, 2014 (File No. 000-06253)).

4.1 Instruments defining the rights of security holders, including indentures. Simmons First National Corporation hereby agrees to furnish copies of instruments defining the rights of holders of long-term debt of the Corporation and its consolidated subsidiaries to the U.S. Securities and Exchange Commission upon request. No issuance of debt exceeds ten percent of the total assets of the Corporation and its subsidiaries on a consolidated basis.

12.1 Computation of Ratios of Earnings to Combined Fixed Charges and Preferred Dividend.*

14.1 Code of Ethics, dated March 22, 2017 (incorporated by reference to Exhibit 14.1 to Simmons First National Corporation's Current Report on Form 8-K filed March 22, 2017 (File No. 000-06253)).

14.2 Finance Group Code of Ethics, dated December 2003 (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-15(e) and 15d-15(e) Certification – George A. Makris, Jr., Chairman and Chief Executive Officer.*

31.2 Rule 13a-15(e) and 15d-15(e) Certification – Robert A. Fehlman, Senior Executive Vice President, Chief Financial Officer and Treasurer.*

31.3 Rule 13a-15(e) and 15d-15(e) Certification – David W. Garner, Executive Vice President, Controller and Chief Accounting 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 – George A. Makris, Jr., 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, Senior Executive Vice President, Chief Financial Officer and Treasurer.*

32.3 Certification Pursuant to 18 U.S.C. Sections 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – David W. Garner, Executive Vice President, Controller and Chief Accounting Officer.*

101.INS XBRL Instance Document.**

101.SCH XBRL Taxonomy Extension Schema.**

101.CAL XBRL Taxonomy Extension Calculation Linkbase.**

101.DEF XBRL Taxonomy Extension Definition Linkbase.**

101.LAB XBRL Taxonomy Extension Labels Linkbase.**

101.PRE XBRL Taxonomy Extension Presentation Linkbase.**

* Filed herewith

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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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: August 7, 2017 /s/ George A. Makris, Jr.
George A. Makris, Jr.
Chairman and Chief Executive Officer

Date: August 7, 2017 /s/ Robert A. Fehlman
Robert A. Fehlman
Senior Executive Vice President,
Chief Financial Officer and Treasurer

Date: August 7, 2017 /s/ David W. Garner
David W. Garner
Executive Vice President, Controller
and Chief Accounting Officer

