SIMMONS FIRST NATIONAL CORP
Form 10-Q
May 10, 2011
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# FORM 10-Q

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

| | |
|---|---|
| For Quarter Ended March 31, 2011 | Commission File Number 0-6253 |

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

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

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

Not Applicable

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Former name, former address and former fiscal year, if changed since last report

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

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

| | | | |
|---|---|---|---|
| Large accelerated filer o | Accelerated filer x | Non-accelerated filer o | Smaller reporting company o |

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

The number of shares outstanding of the Registrant’s Common Stock as of April 22, 2011, was 17,331,345.

Simmons First National Corporation
Quarterly Report on Form 10-Q
March 31, 2011

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Part I: Financial Information
Item 1. Financial Statements

Simmons First National Corporation
Consolidated Balance Sheets
March 31, 2011 and December 31, 2010

| (In thousands, except share data) | March 31, 2011 (Unaudited) | December 31, 2010 |
|---|---|---|
| ASSETS | | |
| Cash and non-interest bearing balances due from banks | $35,923 | $33,717 |
| Interest bearing balances due from banks | 473,247 | 418,343 |
| Cash and cash equivalents | 509,170 | 452,060 |
| Investment securities | 621,592 | 613,662 |
| Mortgage loans held for sale | 6,618 | 17,237 |
| Assets held in trading accounts | 7,468 | 7,577 |
| Loans | 1,619,374 | 1,683,464 |
| Allowance for loan losses | (27,905) | (26,416) |
| Net loans | 1,591,469 | 1,657,048 |
| Covered Assets: | | |
| Loan, net of discount | 208,774 | 231,600 |
| Other real estate owned, net of discount | 12,933 | 8,717 |
| FDIC indemnification asset | 58,520 | 60,235 |
| Premises and equipment | 82,948 | 77,199 |
| Foreclosed assets held for sale, net | 23,686 | 23,204 |
| Interest receivable | 15,382 | 17,363 |
| Bank owned life insurance | 49,475 | 49,072 |
| Goodwill | 60,605 | 60,605 |
| Core deposit premiums | 2,239 | 2,463 |
| Other assets | 18,511 | 38,390 |
| Total assets | $3,269,390 | $3,316,432 |
| | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Deposits: | | |
| Non-interest bearing transaction accounts | $459,628 | $428,750 |
| Interest bearing transaction accounts and savings deposits | 1,217,718 | 1,220,133 |
| Time deposits | 924,070 | 959,886 |
| Total deposits | 2,601,416 | 2,608,769 |
| Federal funds purchased and securities sold under agreements to repurchase | 107,099 | 109,139 |
| Short-term debt | 718 | 1,033 |
| Long-term debt | 127,344 | 164,324 |
| Accrued interest and other liabilities | 33,266 | 35,796 |
| Total liabilities | 2,869,843 | 2,919,061 |
| | | |
| Stockholders' equity: | | |
| Preferred stock, $0.01 par value; 40,040,000 shares authorized and unissued at March 31, 2011 and December 31, 2010 | -- | -- |

| | | |
|---|---|---|
| Common stock, Class A, $0.01 par value; 60,000,000 shares authorized; 17,327,601 and 17,271,594 shares issued and outstanding at March 31, 2011, and December 31, 2010, respectively | 173 | 173 |
| Surplus | 114,537 | 114,040 |
| Undivided profits | 284,420 | 282,646 |
| Accumulated other comprehensive income | | |
| Unrealized appreciation on available-for-sale securities, net of income taxes of $269 at March 31, 2011 and $331 at December 31, 2010 | 417 | 512 |
| Total stockholders' equity | 399,547 | 397,371 |
| Total liabilities and stockholders' equity | $3,269,390 | $3,316,432 |

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Income
Three Months Ended March 31, 2011 and 2010

| (In thousands, except per share data) | Three Months Ended March 31, 2011 (Unaudited) | 2010 |
|---|---|---|
| INTEREST INCOME | | |
| Loans | $24,094 | $26,788 |
| Covered loans | 4,341 | -- |
| Federal funds sold | 1 | 4 |
| Investment securities | 3,705 | 4,531 |
| Mortgage loans held for sale | 88 | 70 |
| Assets held in trading accounts | 9 | 2 |
| Interest bearing balances due from banks | 235 | 191 |
| TOTAL INTEREST INCOME | 32,473 | 31,586 |
| | | |
| INTEREST EXPENSE | | |
| Deposits | 4,176 | 5,437 |
| Federal funds purchased and securities sold under agreements to repurchase | 116 | 149 |
| Short-term debt | 12 | 15 |
| Long-term debt | 1,335 | 1,573 |
| TOTAL INTEREST EXPENSE | 5,639 | 7,174 |
| | | |
| NET INTEREST INCOME | 26,834 | 24,412 |
| Provision for loan losses | 2,675 | 3,231 |
| | | |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 24,159 | 21,181 |
| | | |
| NON-INTEREST INCOME | | |
| Trust income | 1,346 | 1,250 |
| Service charges on deposit accounts | 3,857 | 4,301 |
| Other service charges and fees | 806 | 779 |
| Income on sale of mortgage loans, net of commissions | 626 | 603 |
| Income on investment banking, net of commissions | 600 | 605 |
| Credit card fees | 3,943 | 3,677 |
| Bank owned life insurance income | 403 | 290 |
| Other income | 1,051 | 695 |
| TOTAL NON-INTEREST INCOME | 12,632 | 12,200 |
| | | |
| NON-INTEREST EXPENSE | | |
| Salaries and employee benefits | 17,116 | 15,166 |
| Occupancy expense, net | 2,189 | 1,882 |
| Furniture and equipment expense | 1,589 | 1,495 |
| Other real estate and foreclosure expense | 94 | 58 |
| Deposit insurance | 1,039 | 955 |

| | | |
|---|---|---|
| Merger related costs | 190 | -- |
| Other operating expenses | 7,758 | 7,240 |
| TOTAL NON-INTEREST EXPENSE | 29,975 | 26,796 |
| | | |
| INCOME BEFORE INCOME TAXES | 6,816 | 6,585 |
| Provision for income taxes | 1,750 | 1,629 |
| | | |
| NET INCOME | $5,066 | $4,956 |
| BASIC EARNINGS PER SHARE | $0.29 | $0.29 |
| DILUTED EARNINGS PER SHARE | $0.29 | $0.29 |

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Cash Flows
Three Months Ended March 31, 2011 and 2010

| (In thousands) | March 31, 2011 (Unaudited) | March 31, 2010 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net income | $5,066 | $4,956 |
| Items not requiring (providing) cash | | |
| Depreciation and amortization | 5,162 | 1,438 |
| Provision for loan losses | 2,675 | 3,231 |
| Net amortization of investment securities | 22 | 36 |
| Stock-based compensation expense | 273 | 218 |
| Net accretion on covered loans | (706) | -- |
| Net accretion on covered other real estate owned | (113) | -- |
| Net accretion on FDIC indemnification asset | (287) | -- |
| Deferred income taxes | (274) | 239 |
| Bank owned life insurance income | (403) | (290) |
| Changes in | | |
| Interest receivable | 1,981 | 1,460 |
| Mortgage loans held for sale | 10,619 | 1,467 |
| Assets held in trading accounts | 109 | (635) |
| Other assets | 2,606 | (1,165) |
| Accrued interest and other liabilities | (3,455) | 42 |
| Income taxes payable | 1,199 | 969 |
| Net cash provided by operating activities | 24,474 | 11,966 |
| | | |
| INVESTING ACTIVITIES | | |
| Net collections of covered loans | 18,181 | -- |
| Net collections of loans | 49,678 | 11,579 |
| Purchases of premises and equipment, net | (10,687) | (519) |
| Proceeds from sale of covered other real estate owned | 1,248 | -- |
| Proceeds from sale of foreclosed assets held for sale | 12,744 | 685 |
| Proceeds from sale of available-for-sale securities | 1,928 | -- |
| Proceeds from maturities of available-for-sale securities | 67,661 | 524,964 |
| Purchases of available-for-sale securities | (41,060) | (498,444) |
| Proceeds from maturities of held-to-maturity securities | 4,794 | 629,080 |
| Purchases of held-to-maturity securities | (41,370) | (597,061) |
| Purchases of bank owned life insurance | -- | (6,457) |
| Cash received on FDIC loss share | 19,275 | -- |
| Net cash provided by investing activities | 82,392 | 63,827 |
| | | |
| FINANCING ACTIVITIES | | |
| Net change in deposits | (7,353) | (3,903) |
| Net change in short-term debt | (315) | (377) |
| Dividends paid | (3,292) | (3,266) |
| Proceeds from issuance of long-term debt | 2,320 | 1,157 |
| Repayment of long-term debt | (39,300) | (21,797) |

| | | |
|---|---|---|
| Net change in Federal funds purchased and securities sold under agreements to repurchase | (2,040) | 25,840 |
| Net shares issued under stock compensation plans | 224 | 339 |
| Net used in financing activities | (49,756) | (2,007) |
| | | |
| INCREASE IN CASH AND CASH EQUIVALENTS | 57,110 | 73,786 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 452,060 | 353,585 |
| | | |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | $509,170 | $427,371 |

See Condensed Notes to Consolidated Financial Statements.

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Simmons First National Corporation
Consolidated Statements of Stockholders' Equity
Three Months Ended March 31, 2011 and 2010

| (In thousands, except share data) | Common Stock | Surplus | Accumulated Other Comprehensive Income | Undivided Profits | Total |
|---|---|---|---|---|---|
| Balance, December 31, 2009 | $171 | $111,694 | $ 762 | $258,620 | $371,247 |
| Comprehensive income | | | | | |
| Net income | -- | -- | -- | 4,956 | 4,956 |
| Change in unrealized appreciation on available-for-sale securities, net of income taxes of ($144) | -- | -- | (240) | -- | (240) |
| Comprehensive income | | | | | 4,716 |
| Stock issued as bonus shares – 76,345 shares | 1 | 98 | -- | -- | 99 |
| Non-vested bonus shares | -- | 175 | -- | -- | 175 |
| Stock issued for employee stock purchase plan – 4,947 shares | -- | 131 | -- | -- | 131 |
| Exercise of stock options – 16,520 shares | -- | 257 | -- | -- | 257 |
| Stock granted under stock-based compensation plans | -- | 43 | -- | -- | 43 |
| Securities exchanged under stock option plan | -- | (148) | -- | -- | (148) |
| Dividends paid – $0.19 per share | -- | -- | -- | (3,266) | (3,266) |
| | | | | | |
| Balance, March 31, 2010 (Unaudited) | 172 | 112,250 | 522 | 260,310 | 373,254 |
| Comprehensive income | | | | | |
| Net income | -- | -- | -- | 32,161 | 32,161 |
| Change in unrealized appreciation on available-for-sale securities, net of income taxes of ($17) | -- | -- | (10) | -- | (10) |
| Comprehensive income | | | | | 32,151 |
| Stock issued as bonus shares –6,900 shares | -- | 105 | -- | -- | 105 |
| Non-vested bonus shares | -- | 626 | -- | -- | 626 |
| Exercise of stock options – 92,084 shares | 1 | 1,203 | -- | -- | 1,204 |
| Stock granted under stock-based compensation plans | -- | 130 | -- | -- | 130 |
| Securities exchanged under stock option plan | -- | (274) | -- | -- | (274) |
| Dividends paid – $0.57 per share | -- | -- | -- | (9,825) | (9,825) |
| | | | | | |
| Balance, December 31, 2010 | 173 | 114,040 | 512 | 282,646 | 397,371 |
| Comprehensive income | | | | | |
| Net income | -- | -- | -- | 5,066 | 5,066 |
| Change in unrealized appreciation on available-for-sale securities, net of income taxes of ($61) | -- | -- | (95) | -- | (95) |

| | | | | | |
|---|---|---|---|---|---|
| Comprehensive income | | | | | 4,971 |
| Stock issued as bonus shares – 44,170 shares | -- | -- | -- | -- | -- |
| Non-vested bonus shares | -- | 230 | -- | -- | 230 |
| Stock issued for employee stock purchase plan – 4,805 shares | -- | 127 | -- | -- | 127 |
| Exercise of stock options – 7,032 shares | -- | 97 | -- | -- | 97 |
| Stock granted under stock-based compensation plans | -- | 43 | -- | -- | 43 |
| Dividends paid – $0.19 per share | -- | -- | -- | (3,292 ) | (3,292 ) |
| Balance, March 31, 2011 (Unaudited) | $173 | $114,537 | $ 417 | $284,420 | $399,547 |

See Condensed Notes to Consolidated Financial Statements.

SIMMONS FIRST NATIONAL CORPORATION

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1: BASIS OF PRESENTATION

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

All adjustments made to the unaudited financial statements were of a normal recurring nature. In the opinion of management, all adjustments necessary for a fair presentation of the results of interim periods have been made. Certain prior year amounts are reclassified to conform to current year classification. The consolidated balance sheet of the Company as of December 31, 2010, has been derived from the audited consolidated balance sheet of the Company as of that date. The results of operations for the period are not necessarily indicative of the results to be expected for the full year.

Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-K Annual Report for 2010 filed with the U.S. Securities and Exchange Commission (the "SEC").

Recently Issued Accounting Pronouncements

In July 2010, the FASB issued ASU 2010-20, Receivables (Topic 310) – Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. ASU 2010-20 requires entities to provide disclosures designed to facilitate financial statement users' evaluation of (i) the nature of credit risk inherent in the entity's portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for those changes in the allowance for credit losses. Disclosures must be disaggregated by portfolio segment, the level at which an entity develops and documents a systematic method for determining its allowance for credit losses, and class of financing receivable, which is generally a disaggregation of portfolio segment. The required disclosures include, among other things, a rollforward of the allowance for credit losses as well as information about modified, impaired, nonaccrual and past due loans and credit quality indicators. The Company adopted the disclosure provisions of the new authoritative guidance about activity that occurs during a reporting period on January 1, 2011. The adoption of these provisions did not have a significant impact on the Company's financial position or results of operations. The Company adopted the disclosure provisions of the new authoritative guidance about activity that occurs during a reporting period on January 1, 2011. The adoption of these provisions did not have a significant impact on the Company's financial position, results of operations or disclosures. The disclosures related to loans modified in a troubled debt restructuring ("TDR") will be effective for the reporting periods after June 15, 2011, and will have no impact on the Company's financial position or results of operations.

In April 2011, the FASB issued ASU 2011-02, Receivables (Topic 310) – A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring. ASU 2011-02 amended prior guidance to provide assistance in determining whether a modification of the terms of a receivable meets the definition of a troubled debt restructuring. The new authoritative guidance provides clarification for evaluating whether a concession has been granted and whether a debtor is experiencing financial difficulties. The new authoritative guidance will be effective for the reporting periods after June 15, 2011, and should be applied retrospectively to restructurings occurring on or after the beginning of the fiscal year of adoption.  Adoption of the new guidance will have no significant impact on the Company's financial position or results of operations.

There have been no other significant changes to the Company's accounting policies from the 2010 Form 10-K. The Company is not aware of any other changes from the FASB that will have a significant impact on the Company's present or future financial position or results of operations.

Acquisition Accounting, Covered Loans and Related Loss Share Receivable

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

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

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

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

Upon the determination of an incurred loss the indemnification asset will be reduced by the amount owed by the FDIC. A corresponding, claim receivable is recorded until cash is received from the FDIC. For further discussion of the Company's acquisition and loan accounting, see Note 2 and Note 5 to the consolidated financial statements.

Earnings Per Share

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

Following is the computation of per share earnings for the three months ended March 31, 2011 and 2010:

| (In thousands, except per share data) | 2011 | 2010 |
|---|---|---|
| Net Income | $5,066 | $4,956 |
| | | |
| Average common shares outstanding | 17,297 | 17,140 |
| Average potential dilutive common shares | 33 | 73 |
| Average diluted common shares | 17,330 | 17,213 |
| | | |
| Basic earnings per share | $0.29 | $0.29 |
| Diluted earnings per share | $0.29 | $0.29 |

Stock options to purchase 95,270 and 100,290 shares for the three months ended March 31, 2011 and 2010, respectively, were not included in the earnings per share calculation because the exercise price exceeded the average market price.

NOTE 2: ACQUISITIONS

On May 14, 2010, the Company, through its wholly-owned subsidiary, Simmons First National Bank ("SFNB" or "lead bank"), entered into a purchase and assumption agreement with loss share arrangements with the FDIC pursuant to which it acquired substantially all of the assets and assumed substantially all of the deposits and certain other liabilities of Southwest Community Bank ("SWCB") in Springfield, Missouri. As a result of this acquisition, the Company expanded its footprint outside the Arkansas borders for the first time. The Company recognized a pre-tax gain of $3.0 million on this transaction and incurred pre-tax merger related costs of $0.4 million.

On October 15, 2010, the Company, through the lead bank, entered into a purchase and assumption agreement with loss share arrangements with the FDIC to purchase substantially all of the assets and to assume substantially all of the deposits and certain other liabilities of Security Savings Bank, FSB ("SSB") with nine offices in Kansas, including three in Salina, two each in Olathe and Wichita and one each in Overland Park and Leawood. This acquisition marked the Company's second expansion outside the State of Arkansas. The Company recognized a pre-tax gain of $18.3 million on this transaction and incurred pre-tax merger related costs of $2.0 million.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During 2010, SFNB acquired the real estate (building and land) for the Springfield, Missouri location (formerly SWCB) for a total of $1.1 million. During the three months ended March 31, 2011, SFNB acquired the real estate for four of the Kansas locations previously owned by SSB related entities for a total of $6.2 million. An option to purchase the remaining SSB owned Kansas locations has been executed with the FDIC, and will be completed with final settlement of SSB with the FDIC. Three locations are leased from third parties and SFNB will continue to lease these facilities.

NOTE 3: INVESTMENT SECURITIES

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

| | March 31, 2011 | | | | December 31, 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| (In thousands) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized (Losses) | Estimated Fair Value | Amortized Cost | Gross Unrealized Gains | Gross Unrealized (Losses) | Estimated Fair Value |
| Held-to-Maturity | | | | | | | | |
| U.S. Treasury | $4,000 | $ 29 | $ -- | $4,029 | $4,000 | $ 28 | $ -- | $4,028 |
| U.S. Government agencies | 289,844 | 1,262 | (658) | 290,448 | 249,844 | 1,764 | (507) | 251,101 |
| Mortgage-backed securities | 75 | 4 | -- | 79 | 78 | 4 | -- | 82 |
| State and political subdivisions | 206,896 | 3,309 | (541) | 209,664 | 210,331 | 2,280 | (1,845) | 210,766 |
| Other securities | 930 | -- | -- | 930 | 930 | -- | -- | 930 |
| | $501,745 | $ 4,604 | $ (1,199) | $505,150 | $465,183 | $ 4,076 | $ (2,352) | $466,907 |
| Available-for-Sale | | | | | | | | |
| U.S. Government agencies | $97,747 | $ 476 | $ (393) | $97,830 | $125,175 | $ 577 | $ (283) | $125,469 |
| Mortgage-backed securities | 2,466 | 193 | (2) | 2,657 | 2,647 | 143 | (1) | 2,789 |
| Other securities | 18,948 | 416 | (4) | 19,360 | 19,814 | 411 | (4) | 20,221 |
| | $119,161 | $ 1,085 | $ (399) | $119,847 | $147,636 | $ 1,131 | $ (288) | $148,479 |

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

As of March 31, 2011, securities with unrealized losses, segregated by length of impairment, were as follows:

| | Less Than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| (In thousands) | 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 | $131,937 | $658 | $-- | $-- | $131,937 | $658 |
| State and political subdivisions | 20,268 | 357 | 1,564 | 184 | 21,832 | 541 |
| Total | $152,205 | $1,015 | $1,564 | $184 | $153,769 | $1,199 |
| Available-for-Sale | | | | | | |
| U.S. Government agencies | $51,784 | $393 | $-- | $-- | $51,784 | $393 |
| Mortgage-backed securities | 160 | 1 | 46 | 1 | 206 | 2 |
| Other securities | 1 | 4 | -- | -- | 1 | 4 |
| Total | $51,945 | $398 | $46 | $1 | $51,991 | $399 |

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 March 31, 2011, management also had the ability and intent to hold the securities classified as available-for-sale for a period of time sufficient for a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of March 31, 2011, management believes the impairments detailed in the table above are temporary.

The carrying value, which approximates the fair value, of securities pledged as collateral, to secure public deposits and for other purposes, amounted to $429,349,000 at March 31, 2011, and $435,635,000 at December 31, 2010.

The book value of securities sold under agreements to repurchase amounted to $67,959,000 and $75,774,000 for March 31, 2011, and December 31, 2010, respectively.

Income earned on securities for the three months ended March 31, 2011 and 2010, is as follows:

| (In thousands) | 2011 | 2010 |
|---|---|---|
| Taxable | | |
| Held-to-maturity | $1,170 | $1,303 |
| Available-for-sale | 549 | 1,144 |
| | | |
| Non-taxable | | |
| Held-to-maturity | 1,986 | 2,084 |
| Available-for-sale | -- | -- |
| | | |
| Total | $3,705 | $4,531 |

Maturities of investment securities at March 31, 2011, are as follows:

| | Held-to-Maturity | | Available-for-Sale | |
|---|---|---|---|---|
| (In thousands) | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| One year or less | $ 25,303 | $ 25,395 | $ -- | $ -- |
| After one through five years | 303,031 | 304,186 | 62,594 | 62,365 |
| After five through ten years | 89,094 | 90,184 | 37,613 | 38,116 |
| After ten years | 84,317 | 85,385 | 6 | 6 |
| Other securities | -- | -- | 18,948 | 19,360 |
| | | | | |
| Total | $ 501,745 | $ 505,150 | $ 119,161 | $ 119,847 |

There were no realized gains or losses on investment securities for the three months ended March 31, 2011 or 2010.

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

NOTE 4: LOANS AND ALLOWANCE FOR LOAN LOSSES

At March 31, 2011, the Company's loan portfolio, excluding loans covered by FDIC loss share agreements, was $1.62 billion, compared to $1.68 billion at December 31, 2010. The various categories of loans, excluding loans covered by FDIC loss share agreements, are summarized as follows:

| (In thousands) | March 31, 2011 | December 31, 2010 |
|---|---|---|
| Consumer | | |
| Credit cards | $176,544 | $190,329 |
| Student loans | 57,181 | 61,305 |
| Other consumer | 110,954 | 118,581 |
| Total consumer | 344,679 | 370,215 |
| Real Estate | | |
| Construction | 142,261 | 153,772 |
| Single family residential | 358,152 | 364,442 |
| Other commercial | 546,659 | 548,360 |
| Total real estate | 1,047,072 | 1,066,574 |
| Commercial | | |
| Commercial | 144,298 | 150,501 |
| Agricultural | 72,205 | 86,171 |
| Total commercial | 216,503 | 236,672 |
| Other | 11,120 | 10,003 |
| | | |
| Total loans before allowance for loan losses | $1,619,374 | $1,683,464 |

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

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

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

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

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

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

| (In thousands) | March 31, 2011 | December 31, 2010 |
|---|---|---|
| Consumer: | | |
| Credit cards | $269 | $295 |
| Student loans | -- | -- |
| Other consumer | 1,786 | 963 |
| Total consumer | 2,055 | 1,258 |
| Real estate: | | |
| Construction | 2,860 | 804 |
| Single family residential | 3,123 | 3,470 |
| Other commercial | 6,381 | 4,340 |
| Total real estate | 12,364 | 8,614 |

| | | |
|---|---|---|
| Commercial: | | |
| Commercial | 931 | 972 |
| Agricultural | 241 | 342 |
| Total commercial | 1,172 | 1,314 |
| Other | -- | -- |
| | | |
| Total | $15,591 | $11,186 |

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

| (In thousands) | Gross 30-89 Days Past Due | 90 Days or More Past Due | Total Past Due | Current | Total Loans | 90 Days Past Due & Accruing |
|---|---|---|---|---|---|---|
| March 31, 2011 | | | | | | |
| Consumer: | | | | | | |
| Credit cards | $702 | $922 | $1,624 | $174,920 | $176,544 | $654 |
| Student loans | 2,525 | 2,627 | 5,152 | 52,029 | 57,181 | 2,627 |
| Other consumer | 1,399 | 552 | 1,951 | 109,003 | 110,954 | 141 |
| Total consumer | 4,626 | 4,101 | 8,727 | 335,952 | 344,679 | 3,422 |
| Real estate: | | | | | | |
| Construction | 240 | 2,575 | 2,815 | 139,446 | 142,261 | 22 |
| Single family residential | 2,812 | 1,453 | 4,265 | 353,887 | 358,152 | 104 |
| Other commercial | 10,548 | 6,712 | 17,260 | 529,399 | 546,659 | 131 |
| Total real estate | 13,600 | 10,740 | 24,340 | 1,022,732 | 1,047,072 | 257 |
| Commercial: | | | | | | |
| Commercial | 339 | 496 | 835 | 143,463 | 144,298 | 64 |
| Agricultural | 536 | 205 | 741 | 71,464 | 72,205 | -- |
| Total commercial | 875 | 701 | 1,576 | 214,927 | 216,503 | 64 |
| Other | -- | -- | -- | 11,120 | 11,120 | -- |
| Total | $19,101 | $15,542 | $34,643 | $1,584,731 | $1,619,374 | $3,743 |
| December 31, 2010 | | | | | | |
| Consumer: | | | | | | |
| Credit cards | $971 | $911 | $1,882 | $188,447 | $190,329 | $615 |
| Student loans | 1,505 | 1,736 | 3,241 | 58,064 | 61,305 | 1,736 |
| Other consumer | 2,016 | 448 | 2,464 | 116,117 | 118,581 | 155 |
| Total consumer | 4,492 | 3,095 | 7,587 | 362,628 | 370,215 | 2,506 |
| Real estate: | | | | | | |
| Construction | 691 | 498 | 1,189 | 152,583 | 153,772 | -- |
| Single family residential | 1,877 | 2,155 | 4,032 | 360,410 | 364,442 | 122 |
| Other commercial | 7,312 | 2,229 | 9,541 | 538,819 | 548,360 | -- |
| Total real estate | 9,880 | 4,882 | 14,762 | 1,051,812 | 1,066,574 | 122 |
| Commercial: | | | | | | |
| Commercial | 1,002 | 500 | 1,502 | 148,999 | 150,501 | 77 |
| Agricultural | 25 | 185 | 210 | 85,961 | 86,171 | -- |
| Total commercial | 1,027 | 685 | 1,712 | 234,960 | 236,672 | 77 |
| Other | -- | -- | -- | 10,003 | 10,003 | -- |
| Total | $15,399 | $8,662 | $24,061 | $1,659,403 | $1,683,464 | $2,705 |

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

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

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

| (In thousands) | Unpaid Contractual Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Average Investment in Impaired Loans | Interest Income Recognized |
|---|---|---|---|---|---|---|---|
| March 31, 2011 | | | | | | | |
| Consumer: | | | | | | | |
| Credit cards | $ 923 | $ 923 | $ -- | $ 923 | $ 138 | $ 917 | $ 13 |
| Student loans | -- | -- | -- | -- | -- | -- | -- |
| Other consumer | 1,435 | 1,169 | 207 | 1,376 | 330 | 1,369 | 15 |
| Total consumer | 2,358 | 2,092 | 207 | 2,299 | 468 | 2,286 | 28 |
| Real estate: | | | | | | | |
| Construction | 9,491 | 6,649 | 1,679 | 8,328 | 579 | 8,398 | 92 |
| Single family residential | 5,416 | 4,104 | 1,161 | 5,265 | 501 | 5,817 | 64 |
| Other commercial | 32,484 | 6,330 | 24,702 | 31,032 | 1,323 | 31,203 | 344 |
| Total real estate | 47,391 | 17,083 | 27,542 | 44,625 | 2,403 | 45,418 | 500 |
| Commercial: | | | | | | | |
| Commercial | 1,568 | 933 | 595 | 1,528 | 563 | 1,444 | 16 |
| Agricultural | 550 | 219 | 95 | 314 | 126 | 543 | 6 |
| Total commercial | 2,118 | 1,152 | 690 | 1,842 | 689 | 1,987 | 22 |
| Other | -- | -- | -- | -- | -- | -- | -- |
| Total | $ 51,867 | $ 20,327 | $ 28,439 | $ 48,766 | $ 3,560 | $ 49,691 | $ 550 |
| December 31, 2010 | | | | | | | |
| Consumer: | | | | | | | |
| Credit cards | $ 911 | $ -- | $ 911 | $ 911 | $ 159 | | |
| Student loans | -- | -- | -- | -- | -- | | |
| Other consumer | 1,431 | 92 | 1,270 | 1,362 | 368 | | |
| Total consumer | 2,342 | 92 | 2,181 | 2,273 | 527 | | |
| Real estate: | | | | | | | |
| Construction | 9,690 | 5,878 | 2,591 | 8,469 | 804 | | |
| Single family residential | 6,590 | 3,002 | 3,366 | 6,368 | 792 | | |
| Other commercial | 32,547 | 3,843 | 27,531 | 31,374 | 2,342 | | |
| Total real estate | 48,827 | 12,723 | 33,488 | 46,211 | 3,938 | | |
| Commercial: | | | | | | | |
| Commercial | 1,567 | 704 | 655 | 1,359 | 626 | | |
| Agricultural | 703 | 318 | 454 | 772 | 144 | | |
| Total commercial | 2,270 | 1,022 | 1,109 | 2,131 | 770 | | |
| Other | -- | -- | -- | -- | -- | | |
| Total | $ 53,439 | $ 13,837 | $ 36,778 | $ 50,615 | $ 5,235 | | |

At March 31, 2011, and December 31, 2010, impaired loans, net of government guarantees, totaled $48,766,000 and $50,615,000, respectively. Allocations of the allowance for loan losses relative to impaired loans were $3,560,000 at March 31, 2011, and $5,235,000 at December 31, 2010. Approximately $550,000 and $516,000 of interest income was recognized on average impaired loans of $49,691,000 and $56,532,000 as of March 31, 2011 and 2010, respectively. Interest recognized on impaired loans on a cash basis during the first three months of 2011 and 2010 was immaterial.

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, Missouri and Kansas.

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

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

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

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

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

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

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

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

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

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

The following table presents weighted average risk ratings and classified loans, net of government guarantees and excluding loans covered by FDIC loss share agreements, segregated by class of loans.

| | March 31, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| | Weighted Average Risk Rating | Classified Loans (in thousands) | Weighted Average Risk Rating | Classified Loans (In thousands) |
| Consumer: | | | | |
| Credit cards | 3.02 | $923 | 3.02 | $911 |
| Student loans | 3.14 | -- | 3.09 | -- |
| Other consumer | 3.07 | 2,429 | 3.06 | 2,377 |
| Total consumer | | 3,352 | | 3,288 |
| Real estate: | | | | |
| Construction | 3.23 | 8,552 | 3.19 | 8,720 |
| Single family residential | 3.08 | 6,198 | 3.08 | 6,940 |
| Other commercial | 3.30 | 37,453 | 3.32 | 37,631 |
| Total real estate | | 52,203 | | 53,291 |
| Commercial: | | | | |
| Commercial | 3.12 | 4,239 | 3.07 | 2,350 |
| Agricultural | 3.07 | 523 | 3.06 | 915 |
| Total commercial | | 4,762 | | 3,265 |
| Other | 3.00 | -- | 3.00 | -- |
| | | | | |
| Total | | $60,317 | | $59,844 |

Net (charge-offs)/recoveries for the three months ended March 31, 2011 and 2010, excluding loans covered by FDIC loss share agreements, segregated by class of loans, were as follows:

| (In thousands) | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Consumer: | | |
| Credit cards | $(919) | $(1,206) |
| Student loans | (8) | (6) |
| Other consumer | (127) | (202) |
| Total consumer | (1,054) | (1,414) |
| Real estate: | | |
| Construction | -- | (67) |
| Single family residential | (17) | (115) |
| Other commercial | (79) | (1,518) |
| Total real estate | (96) | (1,700) |
| Commercial: | | |
| Commercial | (68) | (147) |
| Agricultural | 32 | 60 |
| Total commercial | (36) | (87) |
| Other | -- | -- |
| | | |
| Total | $(1,186) | $(3,201) |

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

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

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

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

The Company establishes allocations for loans rated "watch" through "doubtful" based upon analysis of historical loss experience by category. A percentage rate is applied to each of these loan categories to determine the level of dollar allocation. During the second quarter of 2009, management made adjustments to the Company's methodology in the evaluation of the collectability of loans, which added quantitative factors to the internal and external influences used in determining the credit quality of loans and the allocation of the allowance. This adjustment in methodology resulted in an addition to impaired loans from classified loans and a redistribution of allocated and unallocated reserves. It is likely that the methodology will continue to evolve over time.

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

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

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

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

The following table details activity in the allowance for loan losses by portfolio segment for the three months ended March 31, 2011. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

| (In thousands) | Commercial | Real Estate | Credit Card | Other Consumer and Other | Unallocated | Total |
|---|---|---|---|---|---|---|
| Balance, beginning of year | $ 2,277 | $ 9,692 | $ 5,549 | $ 1,958 | $ 6,940 | $ 26,416 |
| Provision for loan losses | 197 | 255 | 922 | 42 | 1,259 | 2,675 |
| Charge-offs | (95) | (343) | (1,156) | (289) | -- | (1,883) |
| Recoveries | 59 | 247 | 237 | 154 | -- | 697 |
| Net charge-offs | (36) | (96) | (919) | (135) | -- | (1,186) |
| Balance, March 31 | $ 2,438 | $ 9,851 | $ 5,552 | $ 1,865 | $ 8,199 | $ 27,905 |
| Period-end amount allocated to: | | | | | | |
| Loans individually evaluated for impairment | $ 689 | $ 2,403 | $ 138 | $ 330 | $ -- | $ 3,560 |
| Loans collectively evaluated for impairment | 1,749 | 7,448 | 5,414 | 1,535 | 8,199 | 24,345 |
| Balance, March 31 | $ 2,438 | $ 9,851 | $ 5,552 | $ 1,865 | $ 8,199 | $ 27,905 |

Activity in the allowance for loan losses for the three months ended March 31, 2010 and the year ended December 31, 2010, was as follows:

| (In thousands) | 2010 |
|---|---|
| Balance, beginning of year | $ 25,016 |
| Provision for loan losses | 3,231 |
| Charge-offs | (4,563) |
| Recoveries | 1,363 |
| Net charge-offs | (3,200) |
| Balance, March 31 | 25,047 |
| Provision for loan losses | 10,898 |
| Charge-offs | (14,039) |
| Recoveries | 4,510 |

| | | | |
|---|---|---|---|
| Net charge-offs | | (9,529 | ) |
| Balance, end of year | $ | 26,416 | |

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

| (In thousands) | Commercial | Real Estate | Credit Card | Other Consumer and Other | Total |
|---|---|---|---|---|---|
| March 31, 2011 | | | | | |
| Loans individually evaluated for impairment | $ 5,438 | $ 67,607 | $ -- | $ 398 | $ 73,443 |
| Loans collectively evaluated for impairment | 211,065 | 979,465 | 176,544 | 178,857 | 1,545,931 |
| Balance, end of period | $ 216,503 | $ 1,047,072 | $ 176,544 | $ 179,255 | $ 1,619,374 |
| December 31, 2010 | | | | | |
| Loans individually evaluated for impairment | $ 5,155 | $ 68,956 | $ -- | $ 452 | $ 74,563 |
| Loans collectively evaluated for impairment | 231,517 | 997,618 | 190,329 | 189,437 | 1,608,901 |
| Balance, end of period | $ 236,672 | $ 1,066,574 | $ 190,329 | $ 189,889 | $ 1,683,464 |

NOTE 5: COVERED LOANS

The Company evaluated loans purchased in conjunction with the acquisition of SWCB and SSB described in Note 2, Acquisition, for impairment in accordance with the provisions of ASC Topic 310-30. Purchased covered loans are considered impaired if there is evidence of credit deterioration since origination and if it is probable that not all contractually required payments will be collected. The following table reflects the carrying value of all purchased covered impaired loans as of March 31, 2011 and December 31, 2010, for the SWCB and SSB FDIC-assisted transactions:

| | Loans Covered by FDIC Loss Share | |
|---|---|---|
| (in thousands) | March 31, 2011 | December 31, 2010 |
| Consumer: | | |
| Other consumer | $ 67 | $ 105 |
| Total consumer | 67 | 105 |
| Real estate: | | |
| Construction | 51,288 | 73,527 |
| Single family residential | 46,838 | 50,182 |
| Other commercial | 94,946 | 89,495 |
| Total real estate | 193,072 | 213,204 |
| Commercial: | | |
| Commercial | 15,635 | 17,975 |

| | | |
|---|---|---|
| Agricultural | -- | 316 |
| Total commercial | 15,635 | 18,291 |
| | | |
| Total covered loans (1) | $208,774 | $231,600 |

(1) These loans were not classified as non-performing assets at March 31, 2011 or December 31, 2010, as the loans are accounted for on a pooled basis and the pools are considered to be performing. Therefore, interest income, through accretion of the difference between the carrying amount of the loans and the expected cash flows, is being recognized on all purchased impaired loans. The loans are grouped in pools sharing common risk characteristics and were treated in the aggregate when applying various valuation techniques.

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

The following is a summary of the covered impaired loans acquired in the acquisitions during 2010, as of the dates of acquisition.

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

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

Changes in the carrying amount of the accretable yield for purchased impaired and non-impaired loans were as follows for the three months ended March 31, 2011, for SWCB and SSB.

| (in thousands) | Accretable Yield | Carrying Amount of Loans |
| --- | --- | --- |
| Beginning balance | $36,247 | $231,600 |
| Additions | -- | -- |
| Accretion | (4,341) | 4,341 |
| Payments received, net | -- | (27,167) |
| Balance, ending | $31,906 | $208,774 |

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

NOTE 6: GOODWILL AND CORE DEPOSIT PREMIUMS

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

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

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

| (In thousands) | March 31, 2011 | December 31, 2010 |
|---|---|---|
| Gross carrying amount | $ 7,885 | $ 7,885 |
| Accumulated amortization | (5,646) | (5,422) |
| Net core deposit premiums | $ 2,239 | $ 2,463 |

Core deposit premium amortization expense recorded for the three months ended March 31, 2011 and 2010, was $224,000 and $201,000, respectively. The Company's estimated amortization expense for the remainder of 2011 is $312,000, and for each of the following four years is: 2012 – $469,000; 2013 – $416,000; 2014 – $175,000; and 2015 – $151,000.

NOTE 7: TIME DEPOSITS

Time deposits include approximately $387,000,000 and $360,349,000 of certificates of deposit of $100,000 or more at March 31, 2011, and December 31, 2010, respectively.

NOTE 8: INCOME TAXES

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

| (In thousands) | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Income taxes currently payable | $2,024 | $1,390 |
| Deferred income taxes | (274) | 239 |
| Provision for income taxes | $1,750 | $1,629 |

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

| (In thousands) | March 31, 2011 | December 31, 2010 |
|---|---|---|
| Deferred tax assets | | |
| Loans acquired | $11,002 | $11,002 |
| FDIC true-up liability | 1,251 | 1,251 |
| Allowance for loan losses | 10,479 | 9,857 |
| Valuation of foreclosed assets | 2,393 | 2,393 |
| Deferred compensation payable | 1,556 | 1,532 |
| FHLB advances | 1,600 | 1,600 |
| Vacation compensation | 975 | 960 |
| Loan interest | 767 | 767 |
| Other | 467 | 442 |
| Total deferred tax assets | 30,490 | 29,804 |
| | | |
| Deferred tax liabilities | | |
| Accumulated depreciation | (506) | (597) |
| Deferred loan fee income and expenses, net | (1,495) | (1,413) |
| FHLB stock dividends | (417) | (414) |
| Goodwill and core deposit premium amortization | (4,156) | (3,688) |
| FDIC indemnification asset | (32,209) | (32,209) |
| Available-for-sale securities | (269) | (331) |
| Other | (1,542) | (1,592) |
| Total deferred tax liabilities | (40,594) | (40,244) |
| | | |
| Net deferred tax liabilities included in other liabilities on balance sheets | $(10,104) | $(10,440) |

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

| (In thousands) | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Computed at the statutory rate (35%) | $ 2,386 | $ 2,305 |
| | | |
| Increase (decrease) in taxes resulting from: | | |
| State income taxes, net of federal tax benefit | 126 | 84 |
| Tax exempt interest income | (702) | (738) |
| Tax exempt earnings on BOLI | (141) | (102) |
| Other differences, net | 81 | 80 |
| | | |
| Actual tax provision | $ 1,750 | $ 1,629 |

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

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

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

NOTE 9: SHORT-TERM AND LONG-TERM DEBT

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

| (In thousands) | March 31, 2011 | December 31, 2010 |
|---|---|---|
| FHLB advances, due 2011 to 2033, 2.00% to 8.41% secured by residential real estate loans | $96,414 | $133,394 |
| Trust preferred securities, due 12/30/2033, fixed at 8.25%, callable without penalty | 10,310 | 10,310 |
| Trust preferred securities, due 12/30/2033, floating rate of 2.80% above the three month LIBOR rate, reset quarterly, callable without penalty | 10,310 | 10,310 |
| Trust preferred securities, due 12/30/2033, floating rate of 2.80% above the three month LIBOR rate, reset quarterly, callable without penalty | 10,310 | 10,310 |
| | $127,344 | $164,324 |

At March 31, 2011, the Company had no Federal Home Loan Bank ("FHLB") advances with original maturities of one year or less.

The Company had total FHLB advances of $96.4 million at March 31, 2011, with approximately $544.4 million of additional advances available from the FHLB.

The FHLB advances are secured by mortgage loans and investment securities totaling approximately $319.7 million at March 31, 2011.

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

Aggregate annual maturities of long-term debt at March 31, 2011, are:

| (In thousands) | Year | Annual Maturities |
|---|---|---|
| | 2011 | $ 6,433 |
| | 2012 | 7,278 |
| | 2013 | 23,231 |
| | 2014 | 5,639 |
| | 2015 | 9,331 |
| | Thereafter | 75,432 |
| | Total | $ 127,344 |

NOTE 10: CONTINGENT LIABILITIES

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

NOTE 11: CAPITAL STOCK

On February 27, 2009, at a special meeting, the Company's shareholders approved an amendment to the Articles of Incorporation to establish 40,040,000 authorized shares of preferred stock, $0.01 par value. The aggregate liquidation preference of all shares of preferred stock cannot exceed $80,000,000. As of March 31, 2011, no preferred stock has been issued.

On November 28, 2007, the Company announced the adoption by the Board of Directors of a stock repurchase program. The program authorizes the repurchase of up to 700,000 shares of Class A common stock, or approximately 5% of the outstanding common stock. Under the repurchase program, there is no time limit for the stock repurchases, nor is there a minimum number of shares the Company intends to repurchase. The Company may discontinue purchases at any time that management determines additional purchases are not warranted. The shares are to be purchased from time to time at prevailing market prices, through open market or unsolicited negotiated transactions, depending upon market conditions. The Company intends to use the repurchased shares to satisfy stock option exercises, payment of future stock dividends and general corporate purposes. The Company may discontinue purchases at any time that management determines additional purchases are not warranted.

As part of its strategic focus on building capital, management suspended the Company's stock repurchase program in July 2008. The Company has made no purchases of its common stock since that time. Under the current stock repurchase plan, the Company can repurchase an additional 645,672 shares. However, because of the recently completed stock offering and based on management's strategy to retain capital, the Company does not anticipate resuming its stock repurchases during 2011.

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

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

NOTE 12: UNDIVIDED PROFITS

The Company's subsidiary banks are subject to a legal limitation on dividends that can be paid to the parent company without prior approval of the applicable regulatory agencies. The approval of the Comptroller of the Currency is required, if the total of all dividends declared by a national bank in any calendar year exceeds the total of its net profits, as defined, for that year combined with its retained net profits of the preceding two years. Arkansas bank regulators have specified that the maximum dividend limit state banks may pay to the parent company without prior approval is 75% of current year earnings plus 75% of the retained net earnings of the preceding year. At March 31, 2011, the bank subsidiaries had approximately $13.4 million available for payment of dividends to the Company, without prior approval of the regulatory agencies.

The Federal Reserve Board's risk-based capital guidelines include the definitions for (1) a well-capitalized institution, (2) an adequately-capitalized institution, and (3) an undercapitalized institution. The criteria for a well-capitalized institution are: a 5% "Tier l leverage capital" ratio, a 6% "Tier 1 risk-based capital" ratio, and a 10% "total risk-based capital" ratio. As of March 31, 2011, each of the eight subsidiary banks met the capital standards for a well-capitalized institution. The Company's "total risk-based capital" ratio was 22.24% at March 31, 2011.

NOTE 13: STOCK BASED COMPENSATION

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

The table below summarizes the transactions under the Company's active stock compensation plans for the three months ended March 31, 2011:

| | Stock Options Outstanding | | Non-Vested Stock Awards Outstanding | |
|---|---|---|---|---|
| | Number of Shares | Weighted Average Exercise Price | Number of Shares | Weighted Average Grant-Date Fair-Value |
| Balance, January 1, 2011 | 258,789 | $25.11 | 110,536 | $26.81 |
| Granted | -- | -- | 44,170 | 28.40 |
| Stock Options Exercised | (7,032) | 13.78 | -- | -- |
| Stock Awards Vested | -- | -- | (19,542) | 26.43 |
| Forfeited/Expired | (400) | 26.20 | -- | -- |
| Balance, March 31, 2011 | 251,357 | $25.43 | 135,164 | $26.59 |
| Exercisable, March 31, 2011 | 196,155 | $24.44 | | |

The following table summarizes information about stock options under the plans outstanding at March 31, 2011:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Prices | Number of Shares | Weighted Average Remaining Contractual Life (Years) | Weighted Average Exercise Price | Number of Shares | Weighted Average Exercise Price |
| $12.13 - $15.65 | 23,287 | 0.15 | $12.39 | 23,287 | $12.39 |
| 23.78 - 24.50 | 80,600 | 3.64 | 24.06 | 80,600 | 24.06 |
| 26.19 - 27.67 | 52,200 | 5.08 | 26.20 | 41,220 | 26.21 |
| 28.42 - 28.42 | 48,700 | 6.16 | 28.42 | 32,420 | 28.42 |
| 30.31 - 30.31 | 46,570 | 7.16 | 30.31 | 18,628 | 30.31 |

Total stock-based compensation expense was $273,343 and $218,322 during the three months ended March 31, 2011 and 2010, respectively. Stock-based compensation expense is recognized ratably over the requisite service period for all stock-based awards. Unrecognized stock-based compensation expense related to stock options totaled $204,844 at March 31, 2011. At such date, the weighted-average period over which this unrecognized expense is expected to be recognized was 0.94 years. Unrecognized stock-based compensation expense related to non-vested stock awards was $3,300,450 at March 31, 2011. At such date, the weighted-average period over which this unrecognized expense is expected to be recognized was 2.72 years.

Aggregate intrinsic values of outstanding stock options and exercisable stock options at March 31, 2011, were $418,000 and $520,000, respectively.  Aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of the period, which was $27.09 as of March 31, 2011, and the exercise price multiplied by the number of options outstanding.  The total intrinsic values of stock options exercised during the three months ended March 31, 2011 and 2010, were $94,000 and $198,000, respectively.

NOTE 14:    ADDITIONAL CASH FLOW INFORMATION

| (In thousands) | Three Months Ended March 31, 2011 | 2010 |
|---|---|---|
| Interest paid | $ 5,938 | $ 7,602 |
| Income taxes paid | 825 | 421 |
| Transfers of loans to foreclosed assets held for sale | 13,227 | 10,250 |
| Transfers of covered loans to covered other real estate owned | 5,464 | -- |

NOTE 15:    OTHER OPERATING EXPENSES

Other operating expenses consist of the following:

| (In thousands) | Three Months Ended March 31, 2011 | 2010 |
|---|---|---|
| Professional services | $ 1,127 | $ 1,126 |
| Postage | 623 | 654 |
| Telephone | 636 | 627 |
| Credit card expense | 1,587 | 1,284 |
| Operating supplies | 405 | 321 |
| Amortization of core deposit premiums | 224 | 201 |
| Other expense | 3,156 | 3,027 |
| Total other operating expenses | $ 7,758 | $ 7,240 |

NOTE 16:    CERTAIN TRANSACTIONS

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

NOTE 17: COMMITMENTS AND CREDIT RISK

The Company grants agri-business, commercial and residential loans to customers throughout Arkansas, 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 March 31, 2011, the Company had outstanding commitments to extend credit aggregating approximately $278,015,000 and $336,082,000 for credit card commitments and other loan commitments, respectively. At December 31, 2010, the Company had outstanding commitments to extend credit aggregating approximately $272,688,000 and $287,055,000 for credit card commitments and other loan commitments, respectively.

Standby letters of credit are conditional commitments issued by the Company, to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The Company had total outstanding letters of credit amounting to $10,320,000 and $11,767,000 at March 31, 2011, and December 31, 2010, respectively, with terms ranging from 90 days to three years. At March 31, 2011, and December 31, 2010, the Company’s deferred revenue under standby letter of credit agreements is approximately $13,000 and $31,000, respectively.

NOTE 18: FAIR VALUE MEASUREMENTS

ASC Topic 820, Fair Value Measurements and Disclosures 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 and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

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

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

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

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| (In thousands) | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| March 31, 2011 | | | | |
| ASSETS | | | | |
| Available-for-sale securities | | | | |
| U.S. Government agencies | $97,830 | $-- | $97,830 | $ -- |
| Mortgage-backed securities | 2,657 | -- | 2,657 | -- |
| Other securities | 19,360 | 1,503 | 17,857 | -- |
| Assets held in trading accounts | 7,468 | 2,300 | 5,168 | -- |
| | | | | |
| December 31, 2010 | | | | |
| ASSETS | | | | |
| Available-for-sale securities | | | | |
| U.S. Government agencies | $125,469 | $-- | $125,469 | $ -- |
| Mortgage-backed securities | 2,789 | -- | 2,789 | -- |
| Other securities | 20,221 | 1,503 | 18,718 | -- |
| Assets held in trading accounts | 7,577 | 2,700 | 4,877 | -- |

Certain financial assets 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 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.

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 March 31, 2011, and December 31, 2010, the aggregate fair value of mortgage loans held for sale exceeded their cost. Accordingly, no mortgage loans held for sale were marked down and reported at fair value.

Covered loans and other real estate owned – Fair values of covered loans and other real estate owned 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. Covered loans and other real estate owned are classified within Level 3 of the fair value hierarchy.

FDIC indemnification asset – Fair value of the FDIC indemnification asset is based on the net present value of future cash proceeds expected to be received from the FDIC under the provisions of the loss share agreements using a discount rate that is based on current market rates. The FDIC indemnification asset is classified within Level 3 of the fair value hierarchy.

FDIC true-up payable – Fair value of the FDIC true-up payable is based on the net present value of expected future cash payments to be made by the Company to the FDIC at the conclusion of the loss share agreements. The discount rate used was based on current market rates. The expected cash flows were calculated in accordance with the loss share agreements and are based primarily on the expected losses on the covered assets. The FDIC true-up is classified within Level 3 of the fair value hierarchy.

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

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| (In thousands) | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| March 31, 2011 | | | | |
| ASSETS | | | | |
| Impaired loans (collateral dependent) | $ 45,207 | $ -- | $ -- | $ 45,207 |
| Covered assets: | | | | |
| Loans | 208,774 | -- | -- | 208,774 |
| Other real estate owned | 12,933 | -- | -- | 12,933 |
| FDIC indemnification asset | 58,520 | -- | -- | 58,520 |
| LIABILITIES | | | | |
| FDIC true-up liability | 3,276 | -- | -- | 3,276 |
| | | | | |
| December 31, 2010 | | | | |
| ASSETS | | | | |
| Impaired loans (collateral dependent) | 45,380 | -- | -- | 45,380 |
| Covered assets: | | | | |
| Loans | 231,600 | -- | -- | 231,600 |
| Other real estate owned | 8,717 | -- | -- | 8,717 |
| FDIC indemnification asset | 60,235 | -- | -- | 60,235 |
| LIABILITIES | | | | |
| FDIC true-up liability | 3,246 | -- | -- | 3,246 |

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

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

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

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

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

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

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

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

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

| | March 31, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| (In thousands) | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial assets | | | | |
| Cash and cash equivalents | $509,170 | $509,170 | $452,060 | $452,060 |
| Held-to-maturity securities | 501,745 | 505,150 | 465,183 | 466,907 |
| Mortgage loans held for sale | 6,618 | 6,618 | 17,237 | 17,237 |
| Interest receivable | 15,382 | 15,382 | 17,363 | 17,363 |
| Loans, net | 1,591,469 | 1,588,140 | 1,657,048 | 1,649,773 |
| Covered loans | 208,774 | 209,748 | 231,600 | 228,375 |
| FDIC indemnification asset | 58,520 | 58,520 | 60,235 | 60,235 |
| Financial liabilities | | | | |
| Non-interest bearing transaction accounts | 459,628 | 459,628 | 428,750 | 428,750 |
| Interest bearing transaction accounts and savings deposits | 1,217,718 | 1,217,718 | 1,220,133 | 1,220,133 |
| Time deposits | 924,070 | 926,385 | 959,886 | 962,535 |
| Federal funds purchased and securities sold under agreements to repurchase | 107,099 | 107,099 | 109,139 | 109,139 |
| Short-term debt | 718 | 718 | 1,033 | 1,033 |
| Long-term debt | 127,344 | 136,350 | 164,324 | 176,628 |
| Interest payable | 1,717 | 1,717 | 2,015 | 2,015 |

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

Foreclosed assets held for sale are the only material non-financial assets valued on a nonrecurring basis which are held by the Company 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 2 inputs based on observable market data. As of March 31, 2011 and December 31, 2010, the fair value of foreclosed assets held for sale, excluding those covered by FDIC loss share agreements, less estimated costs to sell was \$23.7 million and \$23.2 million, respectively.

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 March 31, 2011, and the related condensed consolidated statements of income for the three month periods ended March 31, 2011 and 2010 and statements of stockholders' equity and cash flows for the three month periods ended March 31, 2011 and 2010. These interim financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2010, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated March 10, 2011, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2010, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

BKD, LLP

/s/ BKD, LLP

Pine Bluff, Arkansas
May 10, 2010

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

### OVERVIEW

Our net income for the three months ended March 31, 2011, was $5.1 million, an increase of $110,000, or 2.2%, from the same period in 2010. Diluted earnings per share were $0.29 for the three months ended March 31, 2011, unchanged from the same period in 2010.

Included in the current period was $115,000 of after-tax merger related costs associated with our 2010 FDIC-assisted transactions. Excluding this non-recurring expense item, core earnings were $5.2 million for the quarter ended March 31, 2011, an increase of $225,000, or 4.5%, compared to the same period in 2010. Core diluted earnings per share for the three months ended March 31, 2011, were $0.30, compared to $0.29 for the same period in 2010.

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

Stockholders' equity as of March 31, 2011 was $399.5 million, book value per share was $23.06 and tangible book value per share was $19.43. Our ratio of stockholders' equity to total assets was 12.2% and the ratio of tangible stockholders' equity to tangible assets was 10.5% at March 31, 2011. The Company's Tier I leverage ratio of 11.74%, as well as our other regulatory capital ratios, remain significantly above the "well capitalized" levels (see Table 12 in the Capital section of this Item). Our excess capital positions us to continue to take advantage of unprecedented acquisition opportunities through FDIC-assisted transactions of failed banks. We continue to actively pursue the right opportunities that meet our strategic plan regarding mergers and acquisitions. As with our history, we will continue to be very deliberate and disciplined in these acquisition opportunities.

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

Total assets were $3.27 billion at March 31, 2011, compared to $3.32 billion at December 31, 2010. Total loans and covered loans, net of discount, were $1.83 billion at March 31, 2011, compared to $1.92 billion at December 31, 2010.

Simmons First National Corporation is an Arkansas based financial holding company with eight community banks in Pine Bluff, Lake Village, Jonesboro, Rogers, Searcy, Russellville, El Dorado and Hot Springs, Arkansas. Our eight banks conduct financial operations from 89 offices, of which 85 are financial centers, located in 47 communities in Arkansas, Missouri and Kansas.

## CRITICAL ACCOUNTING POLICIES

### Overview

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

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

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

### Allowance for Loan Losses

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

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

A loan is considered impaired when it is probable that we will not receive all amounts due according to the contractual terms of the loan. This includes loans that are delinquent 90 days or more, nonaccrual loans and certain other loans identified by management. Certain other loans identified by management consist of performing loans with specific allocations of the allowance for loan losses. Specific allocations are applied when quantifiable factors are present requiring a greater allocation than that we established based on our analysis of historical losses for each loan category. Accrual of interest is discontinued and interest accrued and unpaid is removed at the time such amounts are delinquent 90 days unless management is aware of circumstances which warrant continuing the interest accrual. Interest is recognized for nonaccrual loans only upon receipt and only after all principal amounts are current according to the terms of the contract.

Acquisition Accounting, Covered Loans and Related Indemnification Asset

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

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

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

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

Upon the determination of an incurred loss the indemnification asset will be reduced by the amount owed by the FDIC. A corresponding, claim receivable is recorded until cash is received from the FDIC. For further discussion of the Company’s acquisition and loan accounting, see Note 2 and Note 5 to the consolidated financial statements.

Goodwill and Intangible Assets

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

Employee Benefit Plans

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

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

Income Taxes

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

NET INTEREST INCOME

Overview

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

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

Net Interest Income

For the three month period ended March 31, 2011, net interest income on a fully taxable equivalent basis was $28.1 million, an increase of $2.4 million, or 9.4%, over the same period in 2010. The increase in net interest income was the result of a $0.9 million increase in interest income and a $1.5 million decrease in interest expense.

The $1.5 million decrease in interest expense is primarily the result of a 30 basis point decrease in cost of funds due to competitive repricing during a low interest rate environment. The lower interest rates accounted for a $1.7 million decrease in interest expense. The most significant component of this decrease was the $1.0 million decrease associated with the repricing of the Company's time deposits that resulted from time deposits that matured during the period or were tied to a rate that fluctuated with changes in market rates. As a result, the average rate paid on time deposits decreased 41 basis points from 1.76% to 1.35%. Lower rates on interest bearing transaction and savings accounts resulted in an additional $0.5 million decrease in interest expense, with the average rate decreasing by 18 basis points from 0.53% to 0.35%. Another $0.2 million decrease in interest expense resulted from the conversion of $10.3 million in trust preferred securities from a fixed rate of 6.97% to a floating rate of 2.80% above the three month LIBOR rate. There was also a $0.2 increase in interest expense due to higher average balances of deposits during the period.

The $0.9 million increase in interest income is primarily the result of our FDIC-assisted acquisitions in 2010. The acquired covered loans generated an additional $4.3 million in interest income. A 26 basis point improvement in yield on the legacy loan portfolio, which excludes acquired loans, resulted in a $1.2 million increase in interest income, while the declining balance of the legacy portfolio caused a $3.8 million decrease in interest income. The remaining decrease in interest income is primarily due to a 39 basis point decline in the yield on investment securities.

Net Interest Margin

Our net interest margin increased 16 basis points to 3.87% for the three month period ended March 31, 2011, when compared to 3.71% for the same period in 2010. The increase in margin was primarily due to a higher yield on covered loans acquired through acquisitions compared to the yield on loans in our legacy portfolio.

Net Interest Income Tables

Table 1 and 2 reflect an analysis of net interest income on a fully taxable equivalent basis for the three month periods ended March 31, 2011 and 2010, respectively, as well as changes in fully taxable equivalent net interest margin for the three month periods ended March 31, 2011, versus March 31, 2010.

Table 1: Analysis of Net Interest Income
(FTE =Fully Taxable Equivalent)

| | Period Ended March 31, | |
|---|---|---|
| ($ in thousands) | 2011 | 2010 |
| Interest income | $ 32,473 | $ 31,586 |
| FTE adjustment | 1,252 | 1,266 |
| | | |
| Interest income – FTE | 33,725 | 32,852 |
| Interest expense | 5,639 | 7,174 |
| | | |
| Net interest income – FTE | $ 28,086 | $ 25,678 |
| | | |
| Yield on earning assets – FTE | 4.69 % | 4.74 % |
| Cost of interest bearing liabilities | 0.95 % | 1.25 % |
| Net interest spread – FTE | 3.74 % | 3.49 % |
| Net interest margin – FTE | 3.90 % | 3.71 % |

Table 2: Changes in Fully Taxable Equivalent Net Interest Margin

| (In thousands) | March 31, 2011 vs. 2010 |
|---|---|
| Increase due to change in earning assets | $ 483 |
| Increase due to change in earning asset yields | 390 |
| Increase due to change in interest bearing liabilities | (150 ) |
| Increase due to change in interest rates paid on interest bearing liabilities | 1,685 |
| | |
| Increase in net interest income | $ 2,408 |

Table 3 shows, for each major category of earning assets and interest bearing liabilities, the average (computed on a daily basis) amount outstanding, the interest earned or expensed on such amount and the average rate earned or expensed for the three month periods ended March 31, 2011 and 2010. The table also shows the average rate earned on all earning assets, the average rate expensed on all interest bearing liabilities, the net interest spread and the net interest margin for the same periods. The analysis is presented on a fully taxable equivalent basis. Non-accrual loans were included in average loans for the purpose of calculating the rate earned on total loans.

Table 3: Average Balance Sheets and Net Interest Income Analysis

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| ($ in thousands) | Average Balance | Income/ Expense | Yield/ Rate(%) | Average Balance | Income/ Expense | Yield/ Rate(%) |
| ASSETS | | | | | | |
| Earning Assets | | | | | | |
| Interest bearing balances due from banks | $ 463,858 | $ 235 | 0.21 | $ 290,990 | $ 191 | 0.27 |
| Federal funds sold | 583 | 1 | 0.70 | 1,015 | 4 | 1.60 |
| Investment securities - taxable | 405,257 | 1,719 | 1.72 | 432,736 | 2,447 | 2.29 |
| Investment securities - non-taxable | 207,956 | 3,225 | 6.29 | 207,507 | 3,334 | 6.52 |
| Mortgage loans held for sale | 7,445 | 88 | 4.79 | 5,815 | 70 | 4.88 |
| Assets held in trading accounts | 7,598 | 9 | 0.48 | 6,968 | 2 | 0.12 |
| Loans | 1,606,225 | 24,107 | 6.09 | 1,863,850 | 26,804 | 5.83 |
| Covered loans | 219,956 | 4,341 | 8.00 | -- | -- | |
| Total interest earning assets | 2,918,878 | 33,725 | 4.69 | 2,808,881 | 32,852 | 4.74 |
| Non-earning assets | 365,573 | | | 276,220 | | |
| Total assets | $ 3,284,451 | | | $ 3,085,101 | | |
| | | | | | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | |
| Liabilities | | | | | | |
| Interest bearing liabilities | | | | | | |
| Interest bearing transaction and savings accounts | $ 1,216,903 | $ 1,042 | 0.35 | $ 1,166,643 | $ 1,518 | 0.53 |
| Time deposits | 940,430 | 3,134 | 1.35 | 900,740 | 3,919 | 1.76 |
| Total interest bearing deposits | 2,157,333 | 4,176 | 0.79 | 2,067,383 | 5,437 | 1.07 |
| Federal funds purchased and | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| securities sold under agreement to repurchase | 114,491 | 116 | 0.41 | 114,376 | 149 | 0.53 |
| Other borrowed funds | | | | | | |
| Short-term debt | 865 | 12 | 5.63 | 3,751 | 15 | 1.62 |
| Long-term debt | 139,728 | 1,335 | 3.87 | 145,387 | 1,573 | 4.39 |
| Total interest bearing liabilities | 2,412,417 | 5,639 | 0.95 | 2,330,897 | 7,174 | 1.25 |
| Non-interest bearing liabilities | | | | | | |
| Non-interest bearing deposits | 436,272 | | | 357,483 | | |
| Other liabilities | 34,480 | | | 21,386 | | |
| Total liabilities | 2,883,169 | | | 2,709,766 | | |
| Stockholders' equity | 401,282 | | | 375,335 | | |
| Total liabilities and stockholders' equity | $ 3,284,451 | | | $ 3,085,101 | | |
| Net interest spread | | | 3.74 | | | 3.49 |
| Net interest margin | | $ 28,086 | 3.90 | | $ 25,678 | 3.71 |

Table 4 shows changes in interest income and interest expense resulting from changes in volume and changes in interest rates for the three month period ended March 31, 2011, as compared to the same period of the prior year. The changes in interest rate and volume have been allocated to changes in average volume and changes in average rates in proportion to the relationship of absolute dollar amounts of the changes in rates and volume.

Table 4: Volume/Rate Analysis

| | Period Ended March 31 2011 over 2010 | | |
|---|---|---|---|
| (In thousands, on a fully taxable equivalent basis) | Volume | Yield/ Rate | Total |
| Increase (decrease) in | | | |
| Interest income | | | |
| Interest bearing balances due from banks | $95 | $(51) | $44 |
| Federal funds sold | (2) | (1) | (3) |
| Investment securities - taxable | (149) | (280) | (429) |
| Investment securities - non-taxable | 7 | (415) | (408) |
| Mortgage loans held for sale | 19 | (1) | 18 |
| Assets held in trading accounts | -- | 7 | 7 |
| Loans | (3,828) | 1,131 | (2,697) |
| Covered loans | 4,341 | -- | 4,341 |
| Total | 483 | 390 | 873 |
| Interest expense | | | |
| Interest bearing transaction and savings accounts | 63 | (539) | (476) |
| Time deposits | 166 | (951) | (785) |
| Federal funds purchased and securities sold under agreements to repurchase | -- | (33) | (33) |
| Other borrowed funds | | | |
| Short-term debt | (19) | 16 | (3) |
| Long-term debt | (60) | (178) | (238) |
| Total | 150 | (1,685) | (1,535) |
| Increase in net interest income | $333 | $2,075 | $2,408 |

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

The provision for loan losses for the three month period ended March 31, 2011, was $2.7 million, compared to $3.2 million for the three month period ended March 31, 2010, a decrease of $556,000. The provision decrease was primarily due to the declining balances in our legacy loan portfolio. See Allowance for Loan Losses section for additional information.

NON-INTEREST INCOME

Total non-interest income was $12.6 million for the three month period ended March 31, 2011, an increase of $432,000, or 3.5%, compared to $12.2 million for the same period in 2010. Non-interest income is principally derived from recurring fee income, which includes service charges, trust fees and credit card fees. Non-interest income also includes income on the sale of mortgage loans, investment banking income, premiums on sale of student loans, income from the increase in cash surrender values of bank owned life insurance and gains (losses) from sales of securities.

Table 5 shows non-interest income for the three month period ended March 31, 2011 and 2010, respectively, as well as changes in 2011 from 2010.

Table 5: Non-Interest Income

| (In thousands) | Period Ended March 31 2011 | 2010 | 2011 Change from 2010 | |
|---|---|---|---|---|
| Trust income | $1,346 | $1,250 | $96 | 7.68 % |
| Service charges on deposit accounts | 3,857 | 4,301 | (444) | -10.32 |
| Other service charges and fees | 806 | 779 | 27 | 3.47 |
| Income on sale of mortgage loans, net of commissions | 626 | 603 | 23 | 3.81 |
| Income on investment banking, net of commissions | 600 | 605 | (5) | -0.83 |
| Credit card fees | 3,943 | 3,677 | 266 | 7.23 |
| Bank owned life insurance income | 403 | 290 | 113 | 38.97 |
| Other income | 1,051 | 695 | 356 | 51.22 |
| | | | | |
| Total non-interest income | $12,632 | $12,200 | $432 | 3.54 % |

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Recurring fee income for the three month period ended March 31, 2011, was $10.0 million, a decrease of $55,000 from the three month period ended March 31, 2010. Service charges on deposit accounts decreased by $444,000, primarily due to lower NSF income as a result of regulatory changes related to overdrafts and point-of-sale. Credit card fees increased $266,000, due primarily to a higher volume of credit and debit card transactions.

We recorded no income from premiums on sale of student loans for the three months ended March 31, 2011 and 2010, as we had no student loan sales during either quarter. U.S. Government legislation has eliminated the private sector from providing student loans after the 2009-2010 school year. We anticipate no premiums on sale of student loans for the remainder of 2011 and beyond. See Loan Portfolio section for additional information.

Other non-interest income for the three months ended March 31, 2011, increased by $356,000 over the same period last year, primarily due to the accretion on assets acquired through FDIC-assisted transactions in 2010.

There were no gains or losses on sale of securities during the three months ended March 31, 2011 or 2010.

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 month period ended March 31, 2011, was $30.0 million, an increase of $3.2 million, or 11.9%, from the same period in 2010.

Salaries and employee benefits increased by $2.0 million, or 12.9%, and occupancy expense increased by $307,000, or 16.3%, for the three months ended March 31, 2011 over 2010. These increases were primarily related to the FDIC-assisted acquisitions in Kansas and Missouri. Also included in the first quarter expense for 2011 were $190,000 in merger related costs for the acquisitions.

Credit card expense for the three months ended March 31, 2011, increased $303,000 from the same period in 2010. This increase was primarily due to increased card usage, interchange fees and other related expense resulting from initiatives we have taken to grow our credit card portfolio.

Table 6 below shows non-interest expense for the three month period ended March 31, 2011 and 2010, respectively, as well as changes in 2011 from 2010.

Table 6: Non-Interest Expense

| (In thousands) | Period Ended March 31 2011 | 2010 | 2011 Change from 2010 | |
|---|---|---|---|---|
| Salaries and employee benefits | $17,116 | $15,166 | $1,950 | 12.86 % |
| Occupancy expense, net | 2,189 | 1,882 | 307 | 16.31 |
| Furniture and equipment expense | 1,589 | 1,495 | 94 | 6.29 |
| Other real estate and foreclosure expense | 94 | 58 | 36 | 62.07 |
| Deposit insurance | 1,039 | 955 | 84 | 8.80 |
| Merger related costs | 190 | -- | 190 | 100.00 |
| Other operating expenses: | | | | |
| Professional services | 1,127 | 1,126 | 1 | 0.09 |
| Postage | 623 | 654 | (31) | -4.74 |
| Telephone | 636 | 627 | 9 | 1.44 |
| Credit card expenses | 1,587 | 1,284 | 303 | 23.60 |
| Operating supplies | 405 | 321 | 84 | 26.17 |
| Amortization of core deposits | 224 | 201 | 23 | 11.44 |
| Other expense | 3,156 | 3,027 | 129 | 4.26 |
| | | | | |
| Total non-interest expense | $29,975 | $26,796 | $3,179 | 11.86 % |

LOAN PORTFOLIO

Our loan portfolio, including loans covered by FDIC loss share agreements, averaged $1.853 billion and $1.864 billion during the first three months of 2011 and 2010, respectively. As of March 31, 2011, total loans, excluding loans covered by FDIC loss share agreements, were $1.619 billion, a decrease of $64.1 million from December 31, 2010. The most significant components of the loan portfolio were loans to businesses (commercial loans, commercial real estate loans and agricultural loans) and individuals (consumer loans, credit card loans and single-family residential real estate loans).

We seek to manage our credit risk by diversifying our loan portfolio, determining that borrowers have adequate sources of cash flow for loan repayment without liquidation of collateral, obtaining and monitoring collateral, providing an adequate allowance for loan losses and regularly reviewing loans through the internal loan review process. The loan portfolio is diversified by borrower, purpose and industry and, in the case of credit card loans, which are unsecured, by geographic region. We seek to use diversification within the loan portfolio to reduce credit risk, thereby minimizing the adverse impact on the portfolio, if weaknesses develop in either the economy or a particular segment of borrowers. Collateral requirements are based on credit assessments of borrowers and may be used to recover the debt in case of default. We use the allowance for loan losses as a method to value the loan portfolio at its estimated collectible amount. Loans are regularly reviewed to facilitate the identification and monitoring of deteriorating credits.

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

Table 7: Loan Portfolio

| (In thousands) | March 31, 2011 | December 31, 2010 |
|---|---|---|
| Consumer | | |
| Credit cards | $ 176,544 | $ 190,329 |
| Student loans | 57,181 | 61,305 |
| Other consumer | 110,954 | 118,581 |
| Total consumer | 344,679 | 370,215 |
| Real Estate | | |
| Construction | 142,261 | 153,772 |
| Single family residential | 358,152 | 364,442 |
| Other commercial | 546,659 | 548,360 |
| Total real estate | 1,047,072 | 1,066,574 |
| Commercial | | |
| Commercial | 144,298 | 150,501 |
| Agricultural | 72,205 | 86,171 |
| Total commercial | 216,503 | 236,672 |
| Other | 11,120 | 10,003 |
| | | |
| Total loans before allowance for loan losses | $ 1,619,374 | $ 1,683,464 |

Consumer loans consist of credit card loans, student loans and other consumer loans. Consumer loans were $344.7 million at March 31, 2011, or 21.3% of total loans, compared to $370.2 million, or 22.0% of total loans at December 31, 2010. The consumer loan decrease from December 31, 2010, to March 31, 2011, is primarily due to the seasonal decline in our credit card portfolio and declines in both our direct and indirect lending areas.

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

As for our current student loan portfolio, we have sold the loans we originated during the 2009-2010 school year under the program established in 2008 in which the government purchased the loans at par plus a premium. Sales of these loans during the third quarter of 2010 have left $57.2 million of student loans in our portfolio that will not qualify for the government purchase program, down $4.1 million, or 6.7%, from December 31, 2010. We currently plan to continue servicing the remaining student loans internally until the loans pay off, we find a suitable buyer or the students consolidate their loans.

Real estate loans consist of construction loans, single-family residential loans and commercial real estate loans. Real estate loans were $1.047 billion at March 31, 2011, or 64.7% of total loans, compared to the $1.067 billion, or 63.4% of total loans at December 31, 2010. Our construction and development (“C&D”) loans decreased by $11.5 million, or 7.5%, with loans either migrating to our commercial real estate (“CRE”) portfolio or being liquidated or refinanced elsewhere. Considering the challenges in the economy, we believe it is important to note that we have no significant concentrations in our real estate loan portfolio mix. Our C&D loans represent only 8.8% of our loan portfolio and, CRE loans (excluding C&D) represent 33.8% of our loan portfolio, both of which compare very favorably to our peers.

Commercial loans consist of commercial loans, agricultural loans and loans to financial institutions. Commercial loans were $216.5 million at March 31, 2011, or 13.4% of total loans, compared to $236.7 million, or 14.1% of total loans at December 31, 2010. The commercial loan decrease is primarily due to seasonality in the agricultural loan portfolio and to weak loan demand throughout Arkansas, Kansas and southern Missouri.

COVERED ASSETS

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

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

Table 8: Covered Assets

| (In thousands) | March 31, 2011 | December 31, 2010 |
|---|---|---|
| Loans, net of discount | $ 208,774 | $ 231,600 |
| Other real estate owned, net of discount | 12,933 | 8,717 |
| FDIC indemnification asset | 58,520 | 60,235 |
| Total covered assets | $ 280,227 | $ 300,552 |

## ASSET QUALITY

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

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

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

Historically, we have sold our student loans into the secondary market before they reached payout status, thus requiring no servicing by the Company. Currently, since the government takeover of the student loan origination business in 2010, there is no secondary market for student loans; therefore, we are now required to service loans that have converted to a payout basis. Student loans are classified as impaired when payment of interest or principal is 90 days past due. Approximately $2.6 million of government guaranteed student loans were over 90 days past due during the quarter ending March 31, 2011. Under existing rules, when these loans exceed 270 days past due, the Department of Education will purchase them at 97% of principal and accrued interest. Although these student loans remain guaranteed by the federal government, because they are over 90 days past due they are included in our non-performing assets.

Total non-performing assets, excluding other real estate covered by FDIC loss share agreements, increased by $6.1 million from December 31, 2010, to March 31, 2011. The majority of the increase was related to moving two classified credits, previously reported as performing troubled debt restructurings (“TDRs”), to nonaccrual status. As a result of these credit reclassifications, non-performing assets, including TDRs, as a percent of total assets were 1.65% at March 31, 2011, compared to 1.71% at December 31, 2010.

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

When we restructure a loan to a borrower that is experiencing financial difficulty and grant a concession that we would not otherwise consider, a “troubled debt restructuring” results and the Company classifies the loan as a TDR. The Company grants various types of concessions, primarily interest rate reduction and/or payment modifications or extensions, with an occasional forgiveness of principal.

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

Once an obligation has been restructured because of such credit problems, it continues to be considered a TDR until paid in full; or, if an obligation yields a market interest rate and no longer has any concession regarding payment amount or amortization, then it is not considered a TDR one year after the year in which the restructuring takes place. The Company had TDRs totaling $18.7 million and $21.6 million at March 31, 2011, and December 31, 2010, respectively. The majority of performing and non-performing TDRs are in our CRE portfolio.

The Company returns TDRs to accrual status only if (1) all contractual amounts due can reasonably be expected to be repaid within a prudent period, and (2) repayment has been in accordance with the contract for a sustained period, typically at least six months.

Although the general state of the national economy has shown signs of improvement, it remains somewhat unsettled. Also, despite the challenges in housing and commercial real estate markets, overall, we continue to maintain relatively good asset quality compared to the rest of the industry. The allowance for loan losses as a percent of total loans was 1.72% as of March 31, 2011. Non-performing loans equaled 1.19. % of total loans. Non-performing assets were 1.32% of total assets, up 20 basis points from year end. The allowance for loan losses was 144% of non-performing loans. Our annualized net charge-offs to total loans for the first quarter of 2011 was only 0.29%. Excluding credit cards, the annualized net charge-offs to total loans for the first quarter was 0.07%. Annualized net credit card charge-offs to total credit card loans for the first quarter were 2.06%, compared to 2.37% during the full year 2010, yet more than 500 basis points below the most recently published industry average for credit card charge-offs.

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

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

Table 9: Non-performing Assets

| ($ in thousands) | | March 31, 2011 | | | December 31, 2010 | |
|---|---|---|---|---|---|---|
| Nonaccrual loans (1) | $ | 15,591 | | $ | 11,186 | |
| Loans past due 90 days or more (principal or interest payments): | | | | | | |
| Government guaranteed student loans (2) | | 2,627 | | | 1,736 | |
| Other loans | | 1,117 | | | 969 | |
| Total loans past due 90 days or more | | 3,744 | | | 2,705 | |
| Total non-performing loans | | 19,335 | | | 13,891 | |
| Other non-performing assets: | | | | | | |
| Foreclosed assets held for sale | | 23,686 | | | 23,204 | |
| Other non-performing assets | | 246 | | | 109 | |
| Total other non-performing assets | | 23,932 | | | 23,313 | |
| Total non-performing assets | $ | 43,267 | | $ | 37,204 | |
| Performing TDRs | $ | 10,653 | | | 19,426 | |
| Allowance for loan losses to non-performing loans (3) | | 144.32 | % | | 190.17 | % |
| Non-performing loans to total loans (3) | | 1.19 | % | | 0.83 | % |
| Non-performing loans to total loans (excluding government guaranteed student loans) (2) (3) | | 1.03 | % | | 0.72 | % |
| Non-performing assets to total assets (including TDRs) (3) | | 1.65 | % | | 1.71 | % |
| Non-performing assets to total assets (3) | | 1.32 | % | | 1.12 | % |
| Non-performing assets to total assets (excluding government guaranteed student loans) (2) (3) | | 1.24 | % | | 1.07 | % |

(1) Includes nonaccrual TDRs of approximately $8.0 million at March 31, 2011, and $2.1 million at December 31, 2010.
(2) Student loans past due 90 days or more are included in non-performing loans. Student loans are government guaranteed and will be purchased at 97% of principal and accrued interest when they exceed 270 days past due; therefore, non-performing ratios have been calculated excluding these loans.
(3) Excludes assets covered by FDIC loss share agreements, except for their inclusion in total assets.

There was no interest income on the nonaccrual loans recorded for the three month periods ended March 31, 2011 and 2010.

At March 31, 2011, impaired loans, net of government guarantees, were $48.8 million compared to $50.6 million at December 31, 2010.  On an ongoing basis, management evaluates the underlying collateral on all impaired loans and allocates specific reserves, where appropriate, in order to absorb potential losses if the collateral were ultimately foreclosed.

ALLOWANCE FOR LOAN LOSSES

Overview

The Company maintains an allowance for loan losses.  This allowance is created through charges to income and maintained at a sufficient level to absorb expected losses in our loan portfolio.  The allowance for loan losses is determined monthly based on management's assessment of several factors such as (1) historical loss experience based on volumes and types, (2) reviews or evaluations of the loan portfolio and allowance for loan losses, (3) trends in volume, maturity and composition, (4) off balance sheet credit risk, (5) volume and trends in delinquencies and non-accruals, (6) lending policies and procedures including those for loan losses, collections and recoveries, (7) national, state and local economic trends and conditions, (8) concentrations of credit that might affect loss experience across one or more components of the loan portfolio, (9) the experience, ability and depth of lending management and staff and (10) other factors and trends that will affect specific loans and categories of loans.

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

Specific Allocations

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

Allocations for Classified Assets with no Specific Allocation

We establish allocations for loans rated "watch" through "doubtful" based upon analysis of historical loss experience by category.  A percentage rate is applied to each of these loan categories to determine the level of dollar allocation.  During the second quarter of 2009, we made adjustments to our methodology in the evaluation of the collectability of loans, which added quantitative factors to the internal and external influences used in determining the credit quality of loans and the allocation of the allowance.  This adjustment in methodology resulted in an addition to impaired loans from classified loans and a redistribution of allocated and unallocated reserves.

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

General Allocations

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

Unallocated Portion

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

Reserve for Unfunded Commitments

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

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

Table 10: Allowance for Loan Losses

| (In thousands) | 2011 | 2010 |
|---|---|---|
| Balance, beginning of year | $26,416 | $25,016 |
| | | |
| Loans charged off | | |
| Credit card | 1,156 | 1,435 |
| Other consumer | 289 | 500 |
| Real estate | 343 | 2,401 |
| Commercial | 95 | 227 |
| Total loans charged off | 1,883 | 4,563 |
| | | |
| Recoveries of loans previously charged off | | |
| Credit card | 237 | 229 |
| Other consumer | 154 | 293 |
| Real estate | 247 | 701 |
| Commercial | 59 | 140 |
| Total recoveries | 697 | 1,363 |
| Net loans charged off | 1,186 | 3,200 |
| Provision for loan losses | 2,675 | 3,231 |
| | | |
| Balance, March 31 | $27,905 | 25,047 |
| | | |
| Loans charged off | | |
| Credit card | | 3,886 |
| Other consumer | | 1,971 |
| Real estate | | 7,163 |
| Commercial | | 1,019 |
| Total loans charged off | | 14,039 |
| | | |
| Recoveries of loans previously charged off | | |
| Credit card | | 806 |
| Other consumer | | 591 |
| Real estate | | 2,956 |
| Commercial | | 157 |
| Total recoveries | | 4,510 |
| Net loans charged off | | 9,529 |
| Provision for loan losses | | 10,898 |
| | | |
| Balance, end of year | | $26,416 |

Provision for Loan Losses

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

Allocated Allowance for Loan Losses

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

Accordingly, several factors in the national economy, including the increase of unemployment rates, the continuing credit crisis, the mortgage crisis, the uncertainty in the residential and commercial real estate markets and other loan sectors which may be exhibiting weaknesses and the unknown impact of various current and future federal government economic stimulus programs influence our determination of the size of unallocated reserves.

As of March 31, 2011, the allowance for loan losses reflects an increase of approximately $1.5 million from December 31, 2010, while total loans decreased by $64.1 million over the same three month period. The allocation in each category within the allowance generally reflects the overall changes in the loan portfolio mix.

The unallocated allowance for loan losses is based on our concerns over the uncertainty of the national economy and the economy in Arkansas, Kansas and southern Missouri. The impact of market pricing in the poultry, timber and catfish industries in Arkansas remains uncertain. We are also cautious regarding the continued softening of the real estate market. The housing industry remains one of the weakest links for economic recovery. Although Arkansas’s unemployment rate is lagging behind the national average, it has continued to rise. We actively monitor the status of these industries and economic factors as they relate to our loan portfolio and make changes to the allowance for loan losses as necessary. Based on our analysis of loans and external uncertainties, we believe the allowance for loan losses is adequate for the period ended March 31, 2011.

We allocate the allowance for loan losses according to the amount deemed to be reasonably necessary to provide for losses incurred within the categories of loans set forth in Table 10.

Table 10: Allocation of Allowance for Loan Losses

| | March 31, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| ($ in thousands) | Allowance Amount | % of loans (1) | Allowance Amount | % of loans (1) |
| Credit cards | $ 5,552 | 10.9 % | $ 5,549 | 11.3 % |
| Other consumer | 1,687 | 10.4 % | 1,703 | 10.7 % |
| Real estate | 9,851 | 64.7 % | 9,692 | 63.4 % |
| Commercial | 2,438 | 13.4 % | 2,277 | 14.1 % |
| Other | 178 | 0.6 % | 255 | 0.5 % |
| Unallocated | 8,199 | | 6,940 | |
| Total | $ 27,905 | 100.00 % | $ 26,416 | 100.0 % |

(1) Percentage of loans in each category to total loans

DEPOSITS

Deposits are our primary source of funding for earning assets and are primarily developed through our network of 85 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 March 31, 2011, core deposits comprised 84.3% of our total deposits.

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

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

Our total deposits as of March 31, 2011, were $2.601 billion, a decrease of $7.4 million from December 31, 2010. We have continued our strategy to move more volatile time deposits to less expensive, revenue enhancing transaction accounts. Non-interest bearing transaction accounts increased $30.9 million to $459.6 million at March 31, 2011, compared to $428.8 million at December 31, 2010. Interest bearing transaction and savings accounts were $1.218 billion at March 31, 2011, a $2.4 million decrease compared to $1.220 billion on December 31, 2010. Total time deposits decreased approximately $35.8 million to $924.1 million at March 31, 2011, from $959.9 million at December 31, 2010. We had $21.4 million and $21.5 of brokered deposits at March 31, 2011, and December 31, 2010, respectively.

LONG-TERM DEBT

Our long-term debt was $127.3 million and $164.3 million at March 31, 2011, and December 31, 2010, respectively. The outstanding balance for March 31, 2011, includes $96.4 million in FHLB long-term advances and $30.9 million of trust preferred securities. During the three months ended March 31, 2011, we decreased long-term debt by $37.0 million, or 22.5%, from December 31, 2010, through scheduled payoffs of FHLB advances.

CAPITAL

Overview

At March 31, 2011, total capital reached $399.5 million. Capital represents shareholder ownership in the Company – the book value of assets in excess of liabilities. At March 31, 2011, our equity to asset ratio was 12.2% compared to 12.0% at year-end 2010.

Capital Stock

On February 27, 2009, at a special meeting, our shareholders approved an amendment to the Articles of Incorporation to establish 40,040,000 authorized shares of preferred stock, $0.01 par value. The aggregate liquidation preference of all shares of preferred stock cannot exceed $80,000,000. As of March 31, 2010, no preferred stock has been issued.

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

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

Stock Repurchase

On November 28, 2007, we announced the substantial completion of the existing stock repurchase program and the adoption by the Board of Directors of a new stock repurchase program. The program authorizes the repurchase of up to 700,000 shares of Class A common stock, or approximately 5% of the outstanding common stock. Under the repurchase program, there is no time limit for the stock repurchases, nor is there a minimum number of shares we intend to repurchase. The shares are to be purchased from time to time at prevailing market prices, through open market or unsolicited negotiated transactions, depending upon market conditions. We intend to use the repurchased shares for stock based compensation programs, for payment of future stock dividends and for general corporate purposes. We may discontinue purchases at any time that management determines additional purchases are not warranted. As part of our strategic focus on building capital, we suspended our stock repurchase program in July 2008. We made no purchases of our common stock during the three months ended March 31, 2011, or year ended December 31, 2010. Because of the 2009 stock offering and based on our strategy to retain capital, we do not anticipate resuming our stock repurchase during 2011.

Cash Dividends

We declared cash dividends on our common stock of $0.19 per share for the first three months of 2011 compared to $0.19 per share for the first three months of 2010. The timing and amount of future dividends are at the discretion of our Board of Directors and will depend upon our consolidated earnings, financial condition, liquidity and capital requirements, the amount of cash dividends paid to us by our subsidiaries, applicable government regulations and policies and other factors considered relevant by our Board of Directors. Our Board of Directors anticipates that we will continue to pay quarterly dividends in amounts determined based on the factors discussed above. However, there can be no assurance that we will continue to pay dividends on our common stock at the current levels or at all.

Parent Company Liquidity

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

Risk Based Capital

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

Quantitative measures established by regulation to ensure capital adequacy require us to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes that, as of March 31, 2011, we meet all capital adequacy requirements to which we are subject.

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

Our risk-based capital ratios at March 31, 2011, and December 31, 2010, are presented in table 12 below:

Table 12: Risk-Based Capital

| ($ in thousands) | March 31, 2011 | December 31, 2010 |
|---|---|---|
| Tier 1 capital | | |
| Stockholders' equity | $399,547 | $397,371 |
| Trust preferred securities | 30,000 | 30,000 |
| Goodwill and core deposit premiums | (49,447) | (49,953) |
| Unrealized gain (loss) on available-for-sale securities, net of income taxes | (417) | (512) |
| Total Tier 1 capital | 379,683 | 376,906 |
| Tier 2 capital | | |
| Qualifying unrealized gain on available-for-sale equity securities | 14 | 7 |
| Qualifying allowance for loan losses | 22,700 | 23,553 |
| Total Tier 2 capital | 22,714 | 23,560 |
| Total risk-based capital | $402,397 | $400,466 |
| Risk weighted assets | $1,809,241 | $1,879,832 |
| Assets for leverage ratio | $3,234,262 | $3,327,825 |
| Ratios at end of period | | |
| Tier 1 leverage ratio | 11.74% | 11.33% |
| Tier 1 risk-based capital ratio | 20.99% | 20.05% |
| Total risk-based capital ratio | 22.24% | 21.30% |
| Minimum guidelines | | |
| Tier 1 leverage ratio | 4.00% | 4.00% |
| Tier 1 risk-based capital ratio | 4.00% | 4.00% |
| Total risk-based capital ratio | 8.00% | 8.00% |

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

FORWARD-LOOKING STATEMENTS

Certain statements contained in this quarterly report may not be based on historical facts and are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements may be identified by reference to a future period(s) or by the use of forward-looking terminology, such as "anticipate," "estimate," "expect," "foresee," "believe," "may," "might," "will," "would," "could" or "intend," future or conditional verb tenses, and variations or negatives of such 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 table below presents computations of core earnings (net income excluding nonrecurring items {merger related costs }) and diluted core earnings per share (non-GAAP). Nonrecurring items are included in financial results presented in accordance with generally accepted accounting principles ("GAAP").

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

Preparation of the Company's operating budgets
Monthly financial performance reporting
Monthly "flash" reporting of consolidated results (management only)
Investor presentations of Company performance

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

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

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

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

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

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

| ($ in thousands) | Three Months Ended March 31, 2011 | 2010 |
|---|---|---|
| Net Income | $ 5,066 | $ 4,956 |
| Nonrecurring items | | |
| Merger related costs | 190 | -- |
| Tax effect (1) | (75) | -- |
| Net nonrecurring items | 115 | -- |
| Core earnings (non-GAAP) | $ 5,181 | $ 4,956 |
| Diluted earnings per share | $ 0.29 | $ 0.29 |
| Nonrecurring items | | |
| Merger related costs | 0.01 | -- |
| Tax effect (1) | -- | -- |
| Net nonrecurring items | 0.01 | -- |
| Diluted core earnings per share (non-GAAP) | $ 0.30 | $ 0.29 |

(1) Effective tax rate of 39.225%.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Parent Company

The Company has leveraged its investment in subsidiary banks and depends upon the dividends paid to it, as the sole shareholder of the subsidiary banks, as a principal source of funds for dividends to shareholders, stock repurchase and debt service requirements. At March 31, 2011, undivided profits of the Company's subsidiary banks were approximately $216.5 million, of which approximately $13.4 million was available for the payment of dividends to the Company without regulatory approval. In addition to dividends, other sources of liquidity for the Company are the sale of equity securities and the borrowing of funds.

Subsidiary Banks

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

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

In response to tightening credit markets in 2007 and anticipating potential liquidity pressures in 2008, the Company’s management strategically planned to enhance the liquidity of each of its subsidiary banks during 2008 and 2009. We grew core deposits through various initiatives, and built additional liquidity in each of our subsidiary banks by securing additional long-term funding from FHLB borrowings. At March 31, 2011, each subsidiary bank was within established guidelines and total corporate liquidity remains very strong. At March 31, 2011, cash and cash equivalents, trading and available-for-sale securities and mortgage loans held for sale were 19.4% of total assets, as compared to 18.6% at December 31, 2010.

Liquidity Management

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

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

The first source of liquidity available to the Company is Federal funds. Federal funds, primarily from downstream correspondent banks, are available on a daily basis and are used to meet the normal fluctuations of a dynamic balance sheet. In addition, the Company and its subsidiary banks have approximately $99 million in Federal funds lines of credit from upstream correspondent banks that can be accessed, when needed. In order to ensure availability of these upstream funds, we have a plan for rotating the usage of the funds among the upstream correspondent banks, thereby providing approximately $40 million in funds on a given day. Historical monitoring of these funds has made it possible for us to project seasonal fluctuations and structure our funding requirements on a month-to-month basis.

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

Third, our subsidiary banks have lines of credits available with the Federal Home Loan Bank. While we use portions of those lines to match off longer-term mortgage loans, we also use those lines to meet liquidity needs. Approximately $544 million of these lines of credit are currently available, if needed.

Fourth, we use a laddered investment portfolio that ensures there is a steady source of intermediate term liquidity. These funds can be used to meet seasonal loan patterns and other intermediate term balance sheet fluctuations. Approximately 19.3% of the investment portfolio is classified as available-for-sale. We also use securities held in the securities portfolio to pledge when obtaining public funds.

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

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

Market Risk Management

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

Interest Rate Sensitivity

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

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

The table below presents our interest rate sensitivity position at March 31, 2011. This analysis is based on a point in time and may not be meaningful because assets and liabilities are categorized according to contractual maturities, repricing periods and expected cash flows rather than estimating more realistic behaviors as is done in the simulation models. Also, this analysis does not consider subsequent changes in interest rate level or spreads between asset and liability categories.

Table 14: Interest Rate Sensitivity

| | Interest Rate Sensitivity Period | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 0-30 | 31-90 | 91-180 | 181-365 | 1-2 | 2-5 | Over 5 | |
| (In thousands, except ratios) | Days | Days | Days | Days | Years | Years | Years | Total |
| Earning assets | | | | | | | | |
| Short-term investments | $473,247 | $-- | $-- | $-- | $-- | $-- | $-- | $473,247 |
| Assets held in trading accounts | 4,410 | -- | 1,070 | -- | 1,988 | -- | -- | 7,468 |
| Investment securities | 61,171 | 103,963 | 57,853 | 105,842 | 125,917 | 101,943 | 64,903 | 621,592 |
| Mortgage loans held for sale | 6,618 | -- | -- | -- | -- | -- | -- | 6,618 |
| Loans | 641,575 | 106,238 | 159,224 | 230,245 | 240,430 | 203,963 | 37,699 | 1,619,374 |
| Covered loans | 94,573 | 25,660 | 16,741 | 20,028 | 13,177 | 38,503 | 92 | 208,774 |
| Total earning assets | 1,281,594 | 235,861 | 234,888 | 356,115 | 381,512 | 344,409 | 102,694 | 2,937,073 |
| Interest bearing liabilities | | | | | | | | |
| Interest bearing transaction and savings deposits | 706,633 | -- | -- | -- | 102,217 | 306,651 | 102,217 | 1,217,718 |
| Time deposits | 93,247 | 148,104 | 213,558 | 306,450 | 116,701 | 45,937 | 73 | 924,070 |
| Short-term debt | 107,817 | -- | -- | -- | -- | -- | -- | 107,817 |
| Long-term debt | 491 | 23,274 | 1,442 | 4,417 | 15,825 | 28,755 | 53,140 | 127,344 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Total interest bearing liabilities | 908,188 | 171,378 | 215,000 | 310,867 | 234,743 | 381,343 | 155,430 | 2,376,949 |
| Interest rate sensitivity Gap | $373,406 | $64,483 | $19,888 | $45,248 | $146,769 | $(36,934 ) | $(52,736 ) | $560,124 |
| Cumulative interest rate sensitivity Gap | $373,406 | $437,889 | $457,777 | $503,025 | $649,794 | $612,860 | $560,124 | |
| Cumulative rate sensitive asset to rate sensitive liabilities | 141.1 % | 140.6 % | 135.4 % | 131.3 % | 135.3 % | 127.6 % | 123.6 % | |
| Cumulative Gap as a % of earning assets | 12.7 % | 14.9 % | 15.6 % | 17.1 % | 22.1 % | 20.9 % | 19.1 % | |

## Item 4. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

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

### Changes in Internal Control over Financial Reporting

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

## Part II: Other Information

## Item 1A. Risk Factors

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

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

(c) Issuer Purchases of Equity Securities. The Company made no purchases of its common stock during the three months ended March 31, 2011.

Item 6. Exhibits

| Exhibit No. | Description |
|---|---|
| 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. 0-6253)). |
| 3.2 | Amended By-Laws of Simmons First National Corporation (incorporated by reference to Exhibit 3.2 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2007 (File No. 0-6253)). |
| 10.1 | Amended and Restated Trust Agreement, dated as of December 16, 2003, among the Company, Deutsche Bank Trust Company Americas, Deutsche Bank Trust Company Delaware and each of J. Thomas May, Barry L. Crow and Robert A. Fehlman as administrative trustees, with respect to Simmons First Capital Trust II (incorporated by reference to Exhibit 10.1 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)). |
| 10.2 | Guarantee Agreement, dated as of December 16, 2003, between the Company and Deutsche Bank Trust Company Americas, as guarantee trustee, with respect to Simmons First Capital Trust II (incorporated by reference to Exhibit 10.2 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)). |
| 10.3 | Junior Subordinated Indenture, dated as of December 16, 2003, among the Company and Deutsche Bank Trust Company Americas, as trustee, with respect to the junior subordinated note held by Simmons First Capital Trust II (incorporated by reference to Exhibit 10.3 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)). |
| 10.4 | Amended and Restated Trust Agreement, dated as of December 16, 2003, among the Company, Deutsche Bank Trust Company Americas, Deutsche Bank Trust Company Delaware and each of J. Thomas May, Barry L. Crow and Robert A. Fehlman as administrative trustees, with respect to Simmons First Capital Trust III (incorporated by reference to Exhibit 10.4 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)). |
| 10.5 | Guarantee Agreement, dated as of December 16, 2003, between the Company and Deutsche Bank Trust Company Americas, as guarantee trustee, with respect to Simmons First Capital Trust III (incorporated by reference to Exhibit 10.5 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)). |

| | |
|---|---|
| 10.6 | Junior Subordinated Indenture, dated as of December 16, 2003, among the Company and Deutsche Bank Trust Company Americas, as trustee, with respect to the junior subordinated note held by Simmons First Capital Trust III (incorporated by reference to Exhibit 10.6 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)). |
| 10.7 | Amended and Restated Trust Agreement, dated as of December 16, 2003, among the Company, Deutsche Bank Trust Company Americas, Deutsche Bank Trust Company Delaware and each of J. Thomas May, Barry L. Crow and Robert A. Fehlman as administrative trustees, with respect to Simmons First Capital Trust IV (incorporated by reference to Exhibit 10.7 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)). |
| 10.8 | Guarantee Agreement, dated as of December 16, 2003, between the Company and Deutsche Bank Trust Company Americas, as guarantee trustee, with respect to Simmons First Capital Trust IV (incorporated by reference to Exhibit 10.8 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)). |
| 10.9 | Junior Subordinated Indenture, dated as of December 16, 2003, among the Company and Deutsche Bank Trust Company Americas, as trustee, with respect to the junior subordinated note held by Simmons First Capital Trust IV (incorporated by reference to Exhibit 10.9 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)). |
| 10.10 | Notice of discretionary bonuses to J. Thomas May, David L. Bartlett, Robert A. Fehlman, Marty D. Casteel and Robert C. Dill (incorporated by reference to Simmons First National Corporation's Current Report on Form 8-K for January 25, 2010 (File No. 0-6253)). |
| 10.11 | Deferred Compensation Agreements, adopted January 25, 2010, between Simmons First National Corporation and Robert A. Fehlman and Marty D. Casteel (incorporated by reference to Exhibits 10.2 and 10.3 to Simmons First National Corporation's Current Report on Form 8-K for January 25, 2010 (File No. 0-6253)). |
| 10.12 | Simmons First National Corporation Executive Retention Program, adopted January 25, 2010, and notice of retention bonuses to David Bartlett, Robert A. Fehlman and Marty D. Casteel (incorporated by reference to Exhibit 10.4 to Simmons First National Corporation's Current Report on Form 8-K for January 25, 2010 (File No. 0-6253)). |
| 10.13 | Simmons First National Corporation Executive Stock Incentive Plan – 2010, adopted January 25, 2010 (incorporated by reference to Exhibit 10.5 to Simmons First National Corporation's Current Report on Form 8-K for January 25, 2010 (File No. 0-6253)). |

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| 12.1 | Computation of Ratios of Earnings to Fixed Charges.* |
| 14 | Code of Ethics, dated December 2003, for CEO, CFO, controller and other accounting officers (incorporated by reference to Exhibit 14 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)). |
| 15.1 | Awareness Letter of BKD, LLP.* |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification – J. Thomas May, Chairman and Chief Executive Officer.* |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification – Robert A. Fehlman, Chief Financial Officer.* |
| 32.1 | Certification Pursuant to 18 U.S.C. Sections 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – J. Thomas May, Chairman and Chief Executive Officer.* |
| 32.2 | Certification Pursuant to 18 U.S.C. Sections 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Robert A. Fehlman, Chief Financial Officer.* |

* Filed herewith.

SIGNATURES

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

SIMMONS FIRST NATIONAL CORPORATION
(Registrant)

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| Date: May 10, 2011 | /s/ J. Thomas May<br>J. Thomas May<br>Chairman and<br>Chief Executive Officer |
| Date: May 10, 2011 | /s/ Robert A. Fehlman<br>Robert A. Fehlman<br>Executive Vice President and<br>Chief Financial Officer |