SIMMONS FIRST NATIONAL CORP
Form 10-Q
November 08, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended September 30, 2016 Commission File Number 000-06253

SIMMONS FIRST NATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

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

870-541-1000

(Registrant's telephone number, including area code)

Not Applicable

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

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

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

Yes No

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

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

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

The number of shares outstanding of the Registrant’s Common Stock as of October 31, 2016, was 31,270,522.

Simmons First National Corporation

Quarterly Report on Form 10-Q

September 30, 2016

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Part I: Financial Information
Item 1. Financial Statements (Unaudited)

Simmons First National Corporation

Consolidated Balance Sheets

September 30, 2016 and December 31, 2015

(In thousands, except share data)	September 30, 2016	December 31, 2015
	(Unaudited)	
ASSETS		
Cash and non-interest bearing balances due from banks	$112,572	$97,656
Interest bearing balances due from banks	324,951	154,606
Federal funds sold	17,000	--
Cash and cash equivalents	454,523	252,262
Interest bearing balances due from banks - time	4,393	14,107
Investment securities		
Held-to-maturity	496,594	705,373
Available-for-sale	1,024,206	821,407
Total investments	1,520,800	1,526,780
Mortgage loans held for sale	28,069	30,265
Assets held in trading accounts	2,969	4,422
Loans:		
Legacy loans	3,943,089	3,246,454
Allowance for loan losses	(34,094)	(31,351)
Loans acquired, net of discount and allowance	1,458,198	1,672,901
Net loans	5,367,193	4,888,004
Premises and equipment	192,523	193,618
Premises held for sale	6,732	923
Foreclosed assets	30,396	44,820
Interest receivable	27,390	25,793
Bank owned life insurance	138,298	131,536
Goodwill	348,769	327,686
Other intangible assets	54,268	53,237
Other assets	50,669	66,205
Total assets	$8,226,992	$7,559,658
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing transaction accounts	$1,473,420	$1,280,234
Interest bearing transaction accounts and savings deposits	3,815,939	3,485,845
Time deposits	1,328,022	1,320,017
Total deposits	6,617,381	6,086,096
Federal funds purchased and securities sold under agreements to repurchase	124,289	99,398

Other borrowings	215,276	162,289
Subordinated debentures	60,290	60,570
Accrued interest and other liabilities	62,615	74,450
Total liabilities	7,079,851	6,482,803
Stockholders' equity:		
Preferred stock, 40,040,000 shares authorized; Series A, $0.01 par value, $1,000 liquidation value per share; 30,852 shares issued and outstanding at December 31, 2015	--	30,852
Common stock, Class A, $0.01 par value; 120,000,000 shares authorized; 31,267,614 and 30,278,432 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	313	303
Surplus	710,132	662,378
Undivided profits	434,579	385,987
Accumulated other comprehensive income (loss)	2,117	(2,665)
Total stockholders' equity	1,147,141	1,076,855
Total liabilities and stockholders' equity	$8,226,992	$7,559,658

See Condensed Notes to Consolidated Financial Statements.

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Simmons First National Corporation

Consolidated Statements of Income

Three and Nine Months Ended September 30, 2016 and 2015

(In thousands, except per share data)	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	2015
	2016	2015	2016	2015
	(Unaudited)		(Unaudited)	
INTEREST INCOME				
Loans	$65,078	$76,432	$194,765	$197,857
Investment securities	7,774	8,335	24,779	22,264
Mortgage loans held for sale	299	291	872	813
Federal funds sold and other	267	141	524	690
TOTAL INTEREST INCOME	73,418	85,199	220,940	221,624
INTEREST EXPENSE				
Deposits	3,732	4,158	11,162	11,297
Federal funds purchased and securities sold under agreements to repurchase	59	55	183	177
Other borrowings	1,048	1,812	3,114	4,014
Subordinated debentures	516	498	1,603	1,292
TOTAL INTEREST EXPENSE	5,355	6,523	16,062	16,780
NET INTEREST INCOME	68,063	78,676	204,878	204,844
Provision for loan losses	8,294	1,615	15,733	5,792
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	59,769	77,061	189,145	199,052
NON-INTEREST INCOME				
Trust income	3,873	2,215	11,160	6,536
Service charges on deposit accounts	8,771	8,488	23,748	22,881
Other service charges and fees	1,840	2,672	5,320	7,102
Mortgage lending income	5,760	3,446	15,429	9,156
Investment banking income	1,131	663	2,999	1,808
Debit and credit card fees	7,825	6,879	22,713	19,013
Bank owned life insurance income	606	748	2,429	2,066
Gain on sale of securities	315	40	4,403	2
Net (loss) on assets covered by FDIC loss share agreements	--	(9,085)	--	(14,812)
Other income	6,755	7,006	15,066	12,262
TOTAL NON-INTEREST INCOME	36,876	23,072	103,267	66,014
NON-INTEREST EXPENSE				
Salaries and employee benefits	31,784	37,000	99,660	98,720
Occupancy expense, net	4,690	4,812	14,151	13,440
Furniture and equipment expense	4,272	4,202	12,296	10,621

Other real estate and foreclosure expense	1,849	2,297	3,782	3,694
Deposit insurance	1,136	1,013	3,380	2,979
Merger related costs	1,524	857	1,989	12,523
Other operating expenses	17,179	17,314	53,102	47,189
TOTAL NON-INTEREST EXPENSE	62,434	67,495	188,360	189,166
INCOME BEFORE INCOME TAXES	34,211	32,638	104,052	75,900
Provision for income taxes	10,782	10,963	34,209	25,395
NET INCOME	23,429	21,675	69,843	50,505
Preferred stock dividends	--	77	24	180
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	$23,429	$21,598	$69,819	$50,325
BASIC EARNINGS PER SHARE	$0.77	$0.72	$2.29	$1.84
DILUTED EARNINGS PER SHARE	$0.76	$0.72	$2.28	$1.83

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation

Consolidated Statements of Comprehensive Income

Three and Nine Months Ended September 30, 2016 and 2015

(In thousands, except per share data)	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
	(Unaudited)		(Unaudited)	
NET INCOME	$23,429	$21,675	$69,843	$50,505
OTHER COMPREHENSIVE INCOME				
Unrealized holding (losses) gains arising during the period on available-for-sale securities	(3,175)	6,816	12,271	6,673
Less: Reclassification adjustment for realized gains included in net income	315	40	4,403	2
Other comprehensive (loss) gain, before tax effect	(3,490)	6,776	7,868	6,671
Less: Tax effect of other comprehensive (loss) gain	(1,369)	2,658	3,086	2,617
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME	(2,121)	4,118	4,782	4,054
COMPREHENSIVE INCOME	$21,308	$25,793	$74,625	$54,559

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation

Consolidated Statements of Cash Flows

Nine Months Ended September 30, 2016 and 2015

(In thousands)	September 30, 2016 (Unaudited)	September 30, 2015
OPERATING ACTIVITIES		
Net income	$69,843	$50,505
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	12,229	10,884
Provision for loan losses	15,733	5,792
Gain on sale of available-for-sale securities	(4,403)	(2)
Net accretion of investment securities and assets not covered by FDIC loss share	(22,863)	(26,760)
Net amortization on borrowings	314	262
Stock-based compensation expense	2,679	2,011
Net accretion on assets covered by FDIC loss share	--	(2,709)
Loss on sale of premises and equipment, net of impairment	2,841	1,958
Gain on sale of foreclosed assets held for sale	(1,731)	(3,205)
Deferred income taxes	1,070	(3,811)
FDIC loss share indemnification loss	--	7,476
Gain on sale of banking operation	--	(2,110)
Increase in cash surrender value of bank owned life insurance	(2,429)	(2,066)
Originations of mortgage loans held for sale	(472,902)	(598,336)
Proceeds from sale of mortgage loans held for sale	475,098	604,045
Changes in assets and liabilities:		
Interest receivable	(799)	(367)
Assets held in trading accounts	1,453	695
Other assets	16,680	(2,528)
Accrued interest and other liabilities	(13,950)	15,528
Income taxes payable	(2,286)	14,993
Net cash provided by operating activities	76,577	72,255
INVESTING ACTIVITIES		
Net originations of loans not covered by FDIC loss share	(140,240)	(230,589)
Net collections of loans covered by FDIC loss share	--	23,646
Decrease in due from banks - time	9,714	7,685
Purchases of premises and equipment, net	(7,950)	(5,388)
Proceeds from sale of foreclosed assets held for sale	24,095	34,387
Proceeds from sale of foreclosed assets held for sale, covered by FDIC loss share	--	2,858
Proceeds from sale of available-for-sale securities	249,079	31,702
Proceeds from maturities of available-for-sale securities	137,832	372,511
Purchases of available-for-sale securities	(498,011)	(264,636)
Proceeds from maturities of held-to-maturity securities	215,846	206,894
Purchases of held-to-maturity securities	(6,162)	(56,073)

Proceeds from bank owned life insurance death benefits	2,043	--
Purchases of bank owned life insurance	(143)	(140)
Settlement of FDIC loss share agreements	--	2,368
Cash received on FDIC loss share	--	3,980
Cash paid on sale of banking operations, net of cash received	--	(68,273)
Cash received in business combinations, net of cash paid	106,419	201,029
Net cash provided by investing activities	92,522	261,961
FINANCING ACTIVITIES		
Net change in deposits	21,428	(103,929)
Repayments of subordinated debentures	(594)	--
Dividends paid on preferred stock	(24)	(180)
Dividends paid on common stock	(21,227)	(20,059)
Net change in other borrowed funds	48,940	(132,001)
Net change in federal funds purchased and securities sold under agreements to repurchase	11,658	(16,379)
Net shares issued under stock compensation plans	3,833	3,421
Redemption of preferred stock	(30,852)	--
Net cash provided by (used in) financing activities	33,162	(269,127)
INCREASE IN CASH AND CASH EQUIVALENTS	202,261	65,089
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	252,262	335,909
CASH AND CASH EQUIVALENTS, END OF PERIOD	$454,523	$400,998

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation

Consolidated Statements of Stockholders' Equity

Nine Months Ended September 30, 2016 and 2015

(In thousands, except share data)	Preferred Stock	Common Stock	Surplus	Accumulated Other Comprehensive Income (Loss)	Undivided Profits	Total
Balance, December 31, 2014	$ --	$ 181	$156,568	$ (1,336)	$338,906	$494,319
Comprehensive income	--	--	--	4,054	50,505	54,559
Stock issued for employee stock purchase plan – 6,528 shares	--	--	226	--	--	226
Stock-based compensation plans, net – 144,923 shares	--	1	5,205	--	--	5,206
Stock issued for Community First acquisition – 30,852 preferred shares: 6,552,915 common shares	30,852	65	268,277	--	--	299,194
Stock issued for Liberty Bank acquisition – 5,181,337 common shares	--	52	212,124	--	--	212,176
Dividends on preferred stock	--	--	--	--	(180)	(180)
Dividends on common stock – $0.69 per share	--	--	--	--	(20,059)	(20,059)
Balance, September 30, 2015 (Unaudited)	30,852	299	642,400	2,718	369,172	1,045,441
Comprehensive income	--	--	--	(5,383)	23,859	18,476
Stock-based compensation plans, net –951shares	--	1	2,114	--	--	2,115
Stock issued for Ozark Trust acquisition – 339,290 common shares	--	3	17,864	--	--	17,867
Dividends on preferred stock					(77)	(77)
Cash dividends – $0.23 per share	--	--	--	--	(6,967)	(6,967)
Balance, December 31, 2015	30,852	303	662,378	(2,665)	385,987	1,076,855
Comprehensive income	--	--	--	4,782	69,843	74,625
Stock issued for employee stock purchase plan – 15,735 shares	--	--	586	--	--	586
Stock-based compensation plans, net –137,706 shares	--	2	5,924	--	--	5,926
Stock issued for Citizens National acquisition – 835,741 common shares	--	8	41,244	--	--	41,252
Preferred stock redeemed	(30,852)	--	--	--	--	(30,852)
Dividends on preferred stock	--	--	--	--	(24)	(24)
Dividends on common stock – $0.72 per share	--	--	--	--	(21,227)	(21,227)

Balance, September 30, 2016 (Unaudited)	$ --	$ 313	$710,132	$ 2,117	$434,579	$1,147,141

See Condensed Notes to Consolidated Financial Statements.

SIMMONS FIRST NATIONAL CORPORATION

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1: BASIS OF PRESENTATION

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

All adjustments made to the unaudited financial statements were of a normal recurring nature. In the opinion of management, all adjustments necessary for a fair presentation of the results of interim periods have been made. Certain prior year amounts are reclassified to conform to current year classification. The consolidated balance sheet of the Company as of December 31, 2015, 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 2015 filed with the U.S. Securities and Exchange Commission (the "SEC").

Recently Issued Accounting Pronouncements

ASU 2016-15 – *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 is designed to address the diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The standard also provides guidance on when an entity should separate or aggregate cash flows based on the predominance principle. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact this standard will have on the Company's results of operations, financial position or disclosures.

ASU 2016-13 – *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 requires earlier measurement of credit losses, expands the range of information considered in determining expected credit losses and enhances disclosures. The main objective of ASU 2016-13 is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments in ASU 2016-13 replace the incurred loss impairment methodology in current GAAP ("Accounting Principles Generally Accepted in the United States of America") with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is currently evaluating the impact this standard will have on the Company's results of operations, financial position or disclosures.

ASU 2016-09 – *Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"). ASU 2016-09 simplifies the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company is currently evaluating the impact this standard will have on the Company's results of operations, financial position or disclosures.

ASU 2016-02 – *Leases* ("ASU 2016-02"). ASU 2016-02 establishes the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. The new guidance results in a more consistent representation of the rights and obligations arising from leases by requiring lessees to recognize the lease asset and lease liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions, such as information about variable lease payments and options to renew and terminate leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the impact this standard will have on the Company's results of operations, financial position or disclosures.

ASU 2016-01 – *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 makes changes primarily affecting the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the FASB clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. ASU 2016-01 is effective for fiscal periods beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact this standard will have on the Company's results of operations, financial position or disclosures.

ASU 2015-16 – *Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments* ("ASU 2015-16"). ASU 2015-16 requires entities to recognize measurement period adjustments during the reporting period in which the adjustments are determined. The income effects, if any, of a measurement period adjustment are cumulative and are to be reported in the period in which the adjustment to a provisional amount is determined. Also, ASU 2015-16 requires presentation on the face of the income statement or in the notes, the effect of the measurement period adjustment as if the adjustment had been recognized at acquisition date. ASU 2015-16 is effective for fiscal periods beginning after December 15, 2016 and should be applied prospectively to measurement period adjustments that occur after the effective date. The Company is currently evaluating the impact this standard will have on the Company's results of operations, financial position or disclosures.

ASU 2015-14 – *Revenue from Contracts with Customers: Deferral of the Effective Date* ("ASU 2015-14"). ASU 2015-14 is an update to the effective date in ASU 2014-09 – Revenue from Contracts with Customers ("ASU 2014-09"). ASU 2014-09 provides guidance that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2015-14 is effective prospectively, for annual and interim periods, beginning after December 15, 2017. The Company is currently evaluating the impact this standard will have on the Company's results of operations, financial position or disclosures.

ASU 2015-08 – *Business Combinations: Pushdown Accounting – Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 115* ("ASU 2015-08"). ASU 2015-08 removes references to the SEC's Staff Accounting Bulletin (SAB) Topic 5.J on pushdown accounting from ASC 805-50, thereby conforming the FASB's guidance on pushdown accounting with the SEC's guidance on this topic. ASU 2015-08 became effective upon issuance. The adoption of this standard has not had a material effect on the Company's results of operations, financial position or disclosures.

ASU 2015-02 – *Consolidation (Topic 810): Amendments to the Consolidation Analysis* ("ASU 2015-02"). ASU 2015-02 amends the consolidation requirements of ASU 810 by changing the consolidation analysis required under GAAP. The revised guidance amends the consolidation analysis based on certain fee arrangements or relationships to the reporting entity and, for limited partnerships, requires entities to consider the limited partner's rights relative to the general partner. ASU 2015-02 became effective for annual and interim periods beginning after December 15, 2015. The adoption of this standard has not had a material effect on the Company's results of operations, financial position or disclosures.

There have been no other significant changes to the Company's accounting policies from the 2015 Form 10-K. Presently, the Company is not aware of any other changes to the Accounting Standards Codification that will have a material impact on the Company's present or future financial position or results of operations.

Acquisition Accounting, Acquired Loans

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

The Company evaluates loans acquired, other than purchased impaired loans, in accordance with the provisions of ASC Topic 310-20, *Nonrefundable Fees and Other Costs*. The fair value discount on these loans is accreted into interest income over the weighted average life of the loans using a constant yield method. The Company evaluates purchased impaired loans in accordance with the provisions of ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*. Purchased loans are considered impaired if there is evidence of credit deterioration since origination and if it is probable that not all contractually required payments will be collected.

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

Covered Loans and Related Indemnification Asset

In September 2015, we entered into an agreement with the FDIC to terminate all loss share agreements which were entered into in 2010 and 2012 in conjunction with the Company's acquisition of substantially all of the assets ("covered assets") and assumption of substantially all of the liabilities of four failed banks in FDIC-assisted transactions. Under the early termination, all rights and obligations of the Company and the FDIC under the FDIC loss share agreements, including the clawback provisions and the settlement of loss share and expense reimbursement claims, have been resolved and terminated.

Under the terms of the agreement, the FDIC made a net payment of $2,368,000 to the Bank as consideration for the early termination of the loss share agreements. The early termination was recorded in the Company's financial statements by removing the FDIC Indemnification Asset, receivable from FDIC, the FDIC True-up liability and recording a one-time, pre-tax charge of $7,476,000. As a result, the Company reclassified loans previously covered by FDIC loss share to loans acquired, not covered by FDIC loss share. Foreclosed assets previously covered by FDIC loss share were reclassified to foreclosed assets not covered by FDIC loss share.

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

Earnings Per Common Share ("EPS")

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

Following is the computation of earnings per common share for the three and nine months ended September 30, 2016 and 2015:

(In thousands, except per share data)	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
Net income available to common shareholders	$23,429	$21,598	$69,819	$50,325
Average common shares outstanding	30,621	29,927	30,434	27,379
Average potential dilutive common shares	223	119	223	119
Average diluted common shares	30,844	30,046	30,657	27,498
Basic earnings per share	$0.77	$0.72	$2.29	$1.84
Diluted earnings per share [(1)] [(2)]	$0.76	$0.72	$2.28	$1.83

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(1) EPS are computed independently for each quarter and therefore the sum of each quarterly EPS may not equal the year-to-date EPS. As a result of the large stock issuances during 2015 as part of the Company's acquisitions, the computed independent quarterly average common shares outstanding and the computed year-to-date average common shares differ significantly. For purposes of calculating a roll-forward amount for 2015 year-to-date EPS, diluted EPS for the third quarter of 2015 would require a computed amount of $0.74, producing a difference of $.02 from actual third quarter 2015 diluted EPS of $0.72. This difference is based on the direct result of the varying denominator for each period presented.

(2) Stock options to purchase 61,395 and 326,565 shares for the three and nine months ended September 30, 2016 and 2015, respectively, were not included in the diluted EPS calculation because the exercise price of those options exceeded the average market price.

NOTE 2: ACQUISITIONS

Liberty Bancshares, Inc.

On February 27, 2015, Simmons First National Corporation completed the acquisition of Liberty Bancshares, Inc. (“Liberty”), headquartered in Springfield, Missouri, including its wholly-owned bank subsidiary Liberty Bank (“LB”). The Company issued 5,181,337 shares of its common stock valued at approximately $212.2 million as of February 27, 2015 in exchange for all outstanding shares of Liberty common stock.

Prior to the acquisition, Liberty conducted banking business from 24 branches located in southwest Missouri. Including the effects of the acquisition method accounting adjustments, the Company acquired approximately $1.1 billion in assets, including approximately $780.7 million in loans (inclusive of loan discounts) and approximately $874.7 million in deposits. The Company completed the systems conversion and merged LB into Simmons First National Bank on April 24, 2015.

Goodwill of $95.2 million was recorded as a result of the transaction. The merger strengthened the Company’s position in the southwest Missouri market and the Company is able to achieve cost savings by integrating the two companies and combining accounting, data processing, and other administrative functions all of which gave rise to the goodwill recorded. The goodwill is not deductible for tax purposes.

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

(In thousands)	Acquired from Liberty	Fair Value Adjustments	Fair Value
Assets Acquired			
Cash and due from banks, including time deposits	$ 102,637	$ (14)	$ 102,623
Federal funds sold	7,060	--	7,060
Investment securities	99,123	(335)	98,788
Loans acquired, not covered by FDIC loss share	790,493	(9,835)	780,658
Allowance for loan losses	(10,422)	10,422	--
Premises and equipment	34,239	(3,215)	31,024
Bank owned life insurance	16,972	--	16,972
Core deposit intangible	699	13,857	14,556
Other intangibles	3,063	(3,063)	--
Other assets	17,703	(3,112)	14,591
Total assets acquired	$ 1,061,567	$ 4,705	$ 1,066,272

Liabilities Assumed			
Deposits:			
Non-interest bearing transaction accounts	$146,618	$ --	$146,618
Interest bearing transaction accounts and savings deposits	543,183	--	543,183
Time deposits	184,913	--	184,913
Total deposits	874,714	--	874,714
FHLB borrowings	46,128	223	46,351
Subordinated debentures	20,620	(510)	20,110
Accrued interest and other liabilities	7,828	300	8,128
Total liabilities assumed	949,290	13	949,303
Equity	112,277	(112,277)	--
Total equity assumed	112,277	(112,277)	--
Total liabilities and equity assumed	$1,061,567	$ (112,264)	$949,303
Net assets acquired			116,969
Purchase price			212,176
Goodwill			$95,207

During 2015 the Company finalized its analysis of the acquired loans and subordinated debentures along with the other acquired assets and assumed liabilities.

The Company's operating results for 2015 include the operating results of the acquired assets and assumed liabilities of Liberty subsequent to the acquisition date.

Community First Bancshares, Inc.

On February 27, 2015, Simmons First National Corporation completed the acquisition of Community First Bancshares, Inc. ("Community First"), headquartered in Union City, Tennessee, including its wholly-owned bank subsidiary First State Bank ("FSB"). The Company issued 6,552,915 shares of its common stock valued at approximately $268.3 million as of February 27, 2015, plus $9,974 in cash in exchange for all outstanding shares of Community First common stock. The Company also issued $30.9 million of preferred stock in exchange for all outstanding shares of Community First preferred stock. On January 29, 2016, the Company redeemed all of the preferred stock, including accrued and unpaid dividends.

Prior to the acquisition, Community First conducted banking business from 33 branches located across Tennessee. Including the effects of the acquisition method accounting adjustments, the Company acquired approximately $1.9 billion in assets, including approximately $1.1 billion in loans (inclusive of loan discounts) and approximately $1.5 billion in deposits. The Company completed the systems conversion and merged FSB into Simmons First National Bank on September 4, 2015.

Goodwill of $110.4 million was recorded as a result of the transaction. The merger allowed the Company's entrance into the Tennessee market and served as a launching platform for possible expansion into adjacent areas. The Company is able to achieve cost savings by integrating the two companies and combining accounting, data processing, and other administrative functions. Further the Company will benefit from the addition of Community First's small-business lending platform while cross-selling its trust products in Community First's market. This combination of factors gave rise to the goodwill recorded. The goodwill is not deductible for tax purposes.

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

(In thousands)	Acquired from Community First	Fair Value Adjustments	Fair Value
Assets Acquired			
Cash and due from banks	$39,848	$--	$39,848
Federal funds sold	76,508	--	76,508
Investment securities	570,199	(3,381)	566,818
Loans acquired, not covered by FDIC loss share	1,163,398	(26,855)	1,136,543
Allowance for loan losses	(14,635)	14,635	--
Foreclosed assets not covered by FDIC loss share	747	--	747
Premises and equipment	44,837	(2,794)	42,043
Bank owned life insurance	22,149	--	22,149
Goodwill	100	(100)	--
Core deposit intangible	--	11,273	11,273
Other intangibles	--	420	420
Deferred tax asset	3,700	3,538	7,238
Other assets	11,474	--	11,474
Total assets acquired	$1,918,325	$(3,264)	$1,915,061
Liabilities Assumed			
Deposits:			
Non-interest bearing transaction accounts	$103,825	$--	$103,825
Interest bearing transaction accounts and savings deposits	995,207	--	995,207
Time deposits	436,181	849	437,030
Total deposits	1,535,213	849	1,536,062
Federal funds purchased and securities sold under agreement to repurchase	16,230	--	16,230
FHLB borrowings	143,047	674	143,721
Subordinated debentures	21,754	(840)	20,914
Accrued interest and other liabilities	8,769	601	9,370
Total liabilities assumed	1,725,013	1,284	1,726,297
Equity	193,312	(193,312)	--
Total equity assumed	193,312	(193,312)	--
Total liabilities and equity assumed	$1,918,325	$(192,028)	$1,726,297
Net assets acquired			188,764
Purchase price			299,204
Goodwill			$110,440

During 2015 the Company finalized its analysis of the acquired loans and subordinated debentures along with the other acquired assets and assumed liabilities.

The Company’s operating results for 2015 include the operating results of the acquired assets and assumed liabilities of Community First subsequent to the acquisition date.

Ozark Trust & Investment Corporation

On October 29, 2015, Simmons First National Corporation completed the acquisition of Ozark Trust & Investment Corporation ("Ozark Trust"), headquartered in Springfield, Missouri, including its wholly-owned non-deposit trust company, Trust Company of the Ozarks ("TCO"). Simmons issued 339,290 shares of its common stock valued at approximately $17.9 million as of October 29, 2015, plus $5.8 million in cash in exchange for all outstanding shares of Ozark Trust common stock.

Prior to the acquisition, Ozark Trust had over $1 billion in assets under management. The Company owned 1,000 shares of Ozark Trust's common stock, which it acquired through its acquisition of Liberty in February 2015. The purchase price is allocated among the net assets of Ozark Trust acquired as appropriate, with the remaining balance being reported as goodwill.

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

(In thousands)	Acquired from Ozark Trust	Fair Value Adjustments	Fair Value
Assets Acquired			
Cash	$ 1,756	$ --	$ 1,756
Investment securities	241	--	241
Premises and equipment	1,126	418	1,544
Other intangibles	--	9,733	9,733
Other assets	752	869	1,621
Total assets acquired	$ 3,875	$ 11,020	$ 14,895
Liabilities Assumed			
Deferred tax liability	63	4,175	4,238
Accrued and other liabilities	302	--	302
Total liabilities assumed	365	4,175	4,540
Equity	3,510	(3,510)	--
Total equity assumed	3,510	(3,510)	--
Total liabilities and equity assumed	$ 3,875	$ 665	$ 4,540
Net assets acquired			10,355
Purchase price			23,623
Goodwill			$ 13,268

During 2016 the Company finalized its analysis of the acquired loans and subordinated debentures along with the other acquired assets and assumed liabilities.

The Company's operating results for 2015 include the operating results of the acquired assets and assumed liabilities of Ozark Trust subsequent to the acquisition date.

Citizens National Bank

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

Prior to the acquisition, Citizens conducted banking business from 9 branches located in east Tennessee. Including the effects of the acquisition method accounting adjustments, the Company acquired approximately $585.2 million in assets, including approximately $340.8 million in loans (inclusive of loan discounts) and approximately $509.9 million in deposits. The Company completed the systems conversion and merged Citizens into Simmons Bank on October 21, 2016.

Goodwill of $21.8 million was recorded as a result of the transaction. The merger strengthened the Company's position in the east Tennessee market and the Company is able to achieve cost savings by integrating the two companies and combining accounting, data processing, and other administrative functions all of which gave rise to the goodwill recorded. The goodwill will be deductible for tax purposes.

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

(In thousands)	Acquired from Citizens	Fair Value Adjustments	Fair Value
Assets Acquired			
Cash and due from banks	$131,467	$ --	$131,467
Federal funds sold	10,000	--	10,000
Investment securities	61,987	1	61,988
Loans acquired	350,361	(9,538)	340,823
Allowance for loan losses	(4,313)	4,313	--
Foreclosed assets	4,960	(1,518)	3,442
Premises and equipment	6,746	1,339	8,085
Bank owned life insurance	6,632	--	6,632
Core deposit intangible	--	4,941	4,941
Other intangibles	--	500	500
Other assets	17,364	(12)	17,352
Total assets acquired	$585,204	$ 26	$585,230
Liabilities Assumed			
Deposits:			
Non-interest bearing transaction accounts	$109,281	$ --	$109,281
Interest bearing transaction accounts and savings deposits	204,912	--	204,912
Time deposits	195,664	--	195,664
Total deposits	509,857	--	509,857
Securities sold under agreement to repurchase	13,233	--	13,233
FHLB borrowings	4,000	47	4,047
Accrued interest and other liabilities	3,558	--	3,558
Total liabilities assumed	530,648	47	530,695
Equity	54,556	(54,556)	--
Total equity assumed	54,556	(54,556)	--
Total liabilities and equity assumed	$585,204	$ (54,509)	$530,695
Net assets acquired			54,535
Purchase price			76,300
Goodwill			$21,765

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

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

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

Cash and due from banks, time deposits due from banks and federal funds sold – The carrying amount of these assets is a reasonable estimate of fair value based on the short-term nature of these assets. Due from banks – time were acquired with an adjustment to fair value based on rates currently available to the Company for deposits in banks with similar maturities.

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

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

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

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

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

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

Core deposit intangible – This intangible asset represents the value of the relationships that the acquired banks had with their deposit customers. The fair value of this intangible asset was estimated based on a discounted cash flow methodology that gave appropriate consideration to expected customer attrition rates, cost of the deposit base and the net maintenance cost attributable to customer deposits. Core deposit intangible established prior to the acquisitions, if applicable, was written off.

Other intangibles – These intangible assets represent the value of the relationships that Community First's insurance subsidiary and Ozark Trust had with their customers. The fair value of these intangible assets was estimated based on a combination of discounted cash flow methodology and a market valuation approach. Other intangibles established prior to the acquisitions, if applicable, was written off.

Deferred tax asset – The deferred tax asset is based on 39.225% of fair value adjustments related to the acquired assets and assumed liabilities and on a calculation of future tax benefits. The Company also recorded Liberty's, Community First's and Ozark Trust's remaining deferred tax assets and liabilities as of the acquisition date.

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

Deposits – The fair values used for the demand and savings deposits that comprise the transaction accounts acquired, by definition equal the amount payable on demand at the acquisition date. The Company performed a fair value analysis of the estimated weighted average interest rate of the certificates of deposits compared to the current market rates and recorded a fair value adjustment for the difference when material.

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

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

Subordinated debentures – The fair value of subordinated debentures is estimated based on borrowing rates currently available to the Company for borrowings with similar terms and maturities.

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

NOTE 3: INVESTMENT SECURITIES

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

	September 30, 2016				December 31, 2015			
(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. Government agencies	$80,849	$217	$ (41)	$81,025	$237,139	$582	$ (1,395)	$236,326
Mortgage-backed securities	21,453	361	(12)	21,802	24,774	86	(290)	24,570
State and political subdivisions	391,495	11,813	(22)	403,286	440,676	9,138	(123)	449,691
Other securities	2,797	--	--	2,797	2,784	--	--	2,784
Total HTM	$496,594	$12,391	$ (75)	$508,910	$705,373	$9,806	$ (1,808)	$713,371
Available-for-Sale								
U.S. Treasury	$63,974	$11	$ --	$63,985	$4,000	$ --	$ (6)	$3,994
U.S. Government agencies	148,244	670	(133)	148,781	121,017	118	(898)	120,237
Mortgage-backed securities	694,589	5,644	(485)	699,748	650,619	937	(4,130)	647,426
State and political subdivisions	67,080	468	(529)	67,019	9,762	112	--	9,874
Other securities	43,825	863	(15)	44,673	39,594	420	(138)	39,876
Total AFS	$1,017,712	$7,656	$ (1,162)	$1,024,206	$824,992	$1,587	$ (5,172)	$821,407

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

Certain investment securities are valued at less than their historical cost. Total fair value of these investments at September 30, 2016, was $339.7 million, which is approximately 22.3% of the Company’s combined available-for-sale and held-to-maturity investment portfolios.

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2016:

(In thousands)	Less Than 12 Months Estimated Fair Value	Less Than 12 Months Gross Unrealized Losses	12 Months or More Estimated Fair Value	12 Months or More Gross Unrealized Losses	Total Estimated Fair Value	Total Gross Unrealized Losses
Held-to-Maturity						
U.S. Government agencies	$ 30,987	$ (13)	$ 19,972	$ (28)	$ 50,959	$ (41)
Mortgage-backed securities	339	(1)	1,618	(11)	1,957	(12)
State and political subdivisions	14,982	(21)	330	(1)	15,312	(22)
Total HTM	$ 46,308	$ (35)	$ 21,920	$ (40)	$ 68,228	$ (75)
Available-for-Sale						
U.S. Government agencies	$ 102,360	$ (133)	$ --	$ --	$ 102,360	$ (133)
Mortgage-backed securities	134,133	(485)			134,133	(485)
State and political subdivisions	34,900	(529)	--	--	34,900	(529)
Other securities	--	--	60	(15)	60	(15)
Total AFS	$ 271,393	$ (1,147)	$ 60	$ (15)	$ 271,453	$ (1,162)

These declines primarily resulted from the rate for these investments yielding less than current market rates. Based on evaluation of available evidence, management believes the declines in fair value for these securities are temporary. Management does not have the intent to sell these securities and management believes it is more likely than not the Company will not have to sell these securities before recovery of their amortized cost basis less any current period credit losses.

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

Management has the ability and intent to hold the securities classified as held to maturity until they mature, at which time the Company expects to receive full value for the securities. Furthermore, as of September 30, 2016, management also had the ability and intent to hold the securities classified as available-for-sale for a period of time sufficient for a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of September 30, 2016, management believes the impairments detailed in the table above are temporary. Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

The book value of securities sold under agreements to repurchase equaled $123.8 million and $96.8 million for September 30, 2016 and December 31, 2015, respectively.

Income earned on securities for the three and nine months ended September 30, 2016 and 2015, is as follows:

(In thousands)	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
Taxable:				
Held-to-maturity	$771	$1,531	$3,094	$4,227
Available-for-sale	4,005	3,369	12,931	8,124
Non-taxable:				
Held-to-maturity	2,617	2,942	8,162	8,276
Available-for-sale	381	493	592	1,637
Total	$7,774	$8,335	$24,779	$22,264

Maturities of investment securities at September 30, 2016, are as follows:

(In thousands)	Held-to-Maturity Amortized Cost	Fair Value	Available-for-Sale Amortized Cost	Fair Value
One year or less	$34,442	$34,478	$68,882	$68,895
After one through five years	149,702	150,779	97,523	97,451
After five through ten years	116,101	119,142	16,274	16,452
After ten years	174,896	182,709	97,719	98,087
Securities not due on a single maturity date	21,453	21,802	694,589	699,748
Other securities (no maturity)	--	--	42,725	43,573
Total	$496,594	$508,910	$1,017,712	$1,024,206

The carrying value, which approximates the fair value, of securities pledged as collateral, to secure public deposits and for other purposes, amounted to $915.7 million at September 30, 2016 and $840.4 million at December 31, 2015.

There were $315,000 of gross realized gains and no realized losses from the sale of available for sale securities during the three months ended September 30, 2016 and there were $4.4 million of realized gains and no realized losses from the sale of available for sale securities during the nine months ended September 30, 2016. There were $43,000 of gross realized gains and $3,000 of realized losses for the three months ended September 30, 2015 and there were $45,000 of gross realized gains and $43,000 of realized losses from the sale of available for sale securities during the nine months ended September 30, 2015.

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

NOTE 4: LOANS AND ALLOWANCE FOR LOAN LOSSES

At September 30, 2016, the Company's loan portfolio was $5.401 billion, compared to $4.919 billion at December 31, 2015. The various categories of loans are summarized as follows:

(In thousands)	September 30, 2016	December 31, 2015
Consumer:		
Credit cards	$175,032	$177,288
Other consumer	275,947	208,380
Total consumer	450,979	385,668
Real Estate:		
Construction	304,082	279,740
Single family residential	841,958	696,180
Other commercial	1,521,132	1,229,072
Total real estate	2,667,172	2,204,992
Commercial:		
Commercial	607,738	500,116
Agricultural	203,529	148,563
Total commercial	811,267	648,679
Other	13,671	7,115
Loans	3,943,089	3,246,454
Loans acquired, net of discount and allowance (1)	1,458,198	1,672,901
Total loans	$5,401,287	$4,919,355

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

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

Consumer – The consumer loan portfolio consists of credit card loans and other consumer loans. Credit card loans are diversified by geographic region to reduce credit risk and minimize any adverse impact on the portfolio. Although they are regularly reviewed to facilitate the identification and monitoring of creditworthiness, credit card loans are unsecured loans, making them more susceptible to be impacted by economic downturns resulting in increasing unemployment. Other consumer loans include direct and indirect installment loans and overdrafts. Loans in this portfolio segment are sensitive to unemployment and other key consumer economic measures.

Real estate – The real estate loan portfolio consists of construction loans, single family residential loans and commercial loans. Construction and development loans ("C&D") and commercial real estate loans ("CRE") can be particularly sensitive to valuation of real estate. Commercial real estate cycles are inevitable. The long planning and production process for new properties and rapid shifts in business conditions and employment create an inherent tension between supply and demand for commercial properties. While general economic trends often move individual markets in the same direction over time, the timing and magnitude of changes are determined by other forces unique to each market. CRE cycles tend to be local in nature and longer than other credit cycles. Factors influencing the CRE market are traditionally different from those affecting residential real estate markets; thereby making predictions for one market based on the other difficult. Additionally, submarkets within commercial real estate – such as office, industrial, apartment, retail and hotel – also experience different cycles, providing an opportunity to lower the overall risk through diversification across types of CRE loans. Management realizes that local demand and supply conditions will also mean that different geographic areas will experience cycles of different amplitude and length. The Company monitors these loans closely.

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

(In thousands)	September 30, 2016	December 31, 2015
Consumer:		
Credit cards	$ 310	$ 212
Other consumer	1,406	442
Total consumer	1,716	654
Real estate:		
Construction	3,636	4,955
Single family residential	11,084	5,453
Other commercial	15,721	4,420
Total real estate	30,441	14,828
Commercial:		
Commercial	3,404	1,968
Agricultural	1,582	264
Total commercial	4,986	2,232
Total	$ 37,143	$ 17,714

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

(In thousands)	Gross 30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days Past Due & Accruing
September 30, 2016						
Consumer:						
Credit cards	$ 694	$ 446	$ 1,140	$ 173,892	$ 175,032	$ 137
Other consumer	1,741	865	2,606	273,341	275,947	--
Total consumer	2,435	1,311	3,746	447,233	450,979	137
Real estate:						
Construction	2,230	1,150	3,380	300,702	304,082	--
Single family residential	3,919	5,501	9,420	832,538	841,958	7
Other commercial	9,118	3,999	13,117	1,508,015	1,521,132	--
Total real estate	15,267	10,650	25,917	2,641,255	2,667,172	7
Commercial:						
Commercial	1,369	1,886	3,255	604,483	607,738	--
Agricultural	284	1,507	1,791	201,738	203,529	--
Total commercial	1,653	3,393	5,046	806,221	811,267	--
Other	--	--	--	13,671	13,671	--
Total	$ 19,355	$ 15,354	$ 34,709	$ 3,908,380	$ 3,943,089	$ 144
December 31, 2015						
Consumer:						
Credit cards	$ 639	$ 479	$ 1,118	$ 176,170	$ 177,288	$ 267
Other consumer	1,879	648	2,527	205,853	208,380	374
Total consumer	2,518	1,127	3,645	382,023	385,668	641
Real estate:						
Construction	1,328	4,511	5,839	273,901	279,740	--
Single family residential	4,856	3,342	8,198	687,982	696,180	364
Other commercial	869	3,302	4,171	1,224,901	1,229,072	25
Total real estate	7,053	11,155	18,208	2,186,784	2,204,992	389
Commercial:						
Commercial	3,427	637	4,064	496,052	500,116	90
Agricultural	285	243	528	148,035	148,563	56
Total commercial	3,712	880	4,592	644,087	648,679	146
Other	108	93	201	6,914	7,115	15
Total	$ 13,391	$ 13,255	$ 26,646	$ 3,219,808	$ 3,246,454	$ 1,191

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

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

Impaired loans, net of government guarantees and excluding loans acquired, segregated by class of loans, are as follows:

(In thousands)	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Investment in Impaired Loans	Interest Income Recognized	Average Investment in Impaired Loans	Interest Income Recognized
September 30, 2016						Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	
Consumer:									
Credit cards	$ 446	$ 446	$ --	$ 446	$ --	$ 439	$ --	$ 340	$ 10
Other consumer	1,469	1,404	3	1,407	1	1,324	14	882	32
Total consumer	1,915	1,850	3	1,853	1	1,763	14	1,222	42
Real estate:									
Construction	4,472	3,056	579	3,635	155	4,474	44	4,692	170
Single family residential	11,813	9,610	1,728	11,338	259	10,897	119	8,762	317
Other commercial	23,130	15,934	151	16,085	101	18,981	178	15,113	547
Total real estate	39,415	28,600	2,458	31,058	515	34,352	341	28,567	1,034
Commercial:									
Commercial	7,174	3,325	2,633	5,958	64	4,402	59	3,256	118
Agricultural	2,594	1,582	--	1,582	--	1,604	16	1,003	36
Total commercial	9,768	4,907	2,633	7,540	64	6,006	75	4,259	154
Total	$ 51,098	$ 35,357	$ 5,094	$ 40,451	$ 580	$ 42,121	$ 430	$ 34,048	$ 1,230
December 31, 2015						Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
Consumer:									
Credit cards	$ 479	$ 479	$ --	$ 479	$ 7	$ 450	$ 8	$ 394	$ 20
Other consumer	459	423	19	442	85	612	13	592	33
Total consumer	938	902	19	921	92	1,062	21	986	53
Real estate:									
Construction	5,678	1,636	3,318	4,954	441	6,230	109	5,532	306
Single family residential	5,938	4,702	945	5,647	1,034	4,945	108	5,023	278
Other commercial	5,688	4,328	88	4,416	832	3,175	68	2,830	157
Total real estate	17,304	10,666	4,351	15,017	2,307	14,350	285	13,385	741
Commercial:									
Commercial	2,656	1,654	334	1,988	387	1,488	39	1,673	93
Agricultural	264	264	--	264	45	180	5	252	14
Total commercial	2,920	1,918	334	2,252	432	1,668	44	1,925	107
Total	$ 21,162	$ 13,486	$ 4,704	$ 18,190	$ 2,831	$ 17,080	$ 350	$ 16,296	$ 901

At September 30, 2016, and December 31, 2015, impaired loans, net of government guarantees and excluding loans acquired, totaled $40.5 million and $18.2 million, respectively. Allocations of the allowance for loan losses relative to impaired loans were $580,000 and $2.8 million at September 30, 2016 and December 31, 2015, respectively. Approximately $430,000 and $1.2 million of interest income was recognized on average impaired loans of $42.1 million and $34.0 million for the three and nine months ended September 30, 2016. Interest income recognized on impaired loans on a cash basis during the three and nine months ended September 30, 2016 and 2015 was not material.

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

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

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

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

	Accruing TDR Loans		Nonaccrual TDR Loans		Total TDR Loans	
(Dollars in thousands)	Number	Balance	Number	Balance	Number	Balance
September 30, 2016						
Consumer:						
Other consumer	--	$ --	2	$ 11	2	$ 11
Total consumer	--	--	2	11	2	11
Real estate:						
Construction	--	--	1	22	1	22
Single-family residential	2	136	31	2,543	33	2,679
Other commercial	27	11,683	1	66	28	11,749
Total real estate	29	11,819	33	2,631	62	14,450
Commercial:						
Commercial	14	1,785	5	303	19	2,088
Total commercial	14	1,785	5	303	19	2,088
Total	43	$ 13,604	40	$ 2,945	83	$ 16,549
December 31, 2015						
Consumer:						
Other consumer	--	$ --	1	$ 13	1	$ 13
Total consumer	--	--	1	13	1	13
Real estate:						
Construction	--	--	1	253	1	253
Single-family residential	2	137	11	1,335	13	1,472
Other commercial	4	2,894	1	597	5	3,491
Total real estate	6	3,031	13	2,185	19	5,216
Commercial:						
Commercial	--	--	5	332	5	332
Total commercial	--	--	5	332	5	332

Total	6	$ 3,031	19	$ 2,530	25	$ 5,561

The following table presents loans that were restructured as TDRs during the three and nine months ended September 30, 2016 and 2015, excluding loans acquired, segregated by class of loans.

(Dollars in thousands)	Number of Loans	Balance Prior to TDR	Balance at September 30	Modification Type Change in Maturity Date	Change in Rate	Financial Impact on Date of Restructure
Three Months Ended September 30, 2016						
Consumer:						
Other consumer	1	$ 47	$ 8	$ 8	$ --	$ --
Total consumer	1	47	8	8	--	--
Real Estate:						
Single-family residential	13	742	694	694	--	--
Other commercial	2	835	834	66	768	--
Total real estate	15	1,577	1,528	760	768	--
Commercial:						
Commercial	5	1,387	1,387	1,387	--	--
Total commercial	5	1,387	1,387	1,387	--	--
Total	21	$ 3,011	$ 2,923	$ 2,155	$ 768	$ --
Three Months Ended September 30, 2015						
Consumer:						
Other consumer	1	$ 14	$ 14	$ 14	$ --	$ --
Total consumer	1	14	14	14	--	--
Real Estate:						
Single-family residential	2	249	207	207	--	--
Other commercial	5	347	339	339	--	--
Total real estate	7	596	546	546	--	--
Total	8	$ 610	$ 560	$ 560	$ --	$ --
Nine Months Ended September 30, 2016						
Consumer:						
Other consumer	2	$ 50	$ 11	$ 11	$ --	$ --
Total consumer	2	50	11	11	--	--
Real estate:						
Single-family residential	22	1,538	1,487	933	554	--
Other commercial	27	9,797	9,765	8,633	1,132	--
Total real estate	49	11,335	11,252	9,566	1,686	--
Commercial:						
Commercial	16	1,987	1,959	1,959	--	--
Total commercial	16	1,987	1,959	1,959	--	--
Total	67	$ 13,372	$ 13,222	$ 11,536	$ 1,686	$ --

Nine Months Ended September 30, 2015						
Consumer:						
Other consumer	1	$ 14	$ 14	$ 14	$ --	$ --
Total consumer	1	14	14	14	--	--
Real estate:						
Single-family residential	8	958	914	914	--	--
Other commercial	6	366	339	339	--	--
Total real estate	14	1,324	1,253	1,253	--	--
Total	15	$ 1,338	$ 1,267	$ 1,267	$ --	$ --

During the three months ended September 30, 2016, the Company modified 21 loans with a recorded investment of $3.0 million prior to modification which were deemed troubled debt restructuring. The restructured loans were modified by deferring amortized principal payments, changing the maturity date, changing the interest rate and requiring interest only payments for a period of 12 months. Based on the fair value of the collateral, a specific reserve of $78,000 was determined necessary for these loans. Also, there was no immediate financial impact from the restructuring of these loans, as it was not considered necessary to charge-off interest or principal on the date of restructure.

During the nine months ended September 30, 2016, the Company modified 67 loans with a recorded investment of $13.4 million prior to modification which was deemed troubled debt restructuring. The restructured loans were modified by deferring amortized principal payments, changing the maturity date, changing the interest rate and requiring interest only payments for a period of 12 months. Based on the fair value of the collateral, a specific reserve of $402,000 was determined necessary for these loans. Also, there was no immediate financial impact from the restructuring of these loans, as it was not considered necessary to charge-off interest or principal on the date of restructure.

During the three months ended September 30, 2015, the Company modified eight loans with a recorded investment of $610,000 and during the nine months ended September 30, 2015, the Company modified fifteen loans with a total recorded investment of $1,338,000 prior to modification which were deemed troubled debt restructuring. The restructured loans were modified by changing various terms, including changing the maturity date, deferring amortized principal payments and requiring interest only payments for a period of 12 months. Based on the fair value of the collateral, a $113,000 specific reserve was determined necessary for these loans. Also, there was no immediate financial impact from the restructuring of these loans, as it was not considered necessary to charge-off interest or principal on the date of restructure.

There was one consumer loan for which a payment default occurred during the nine months ended September 30, 2016, that had been modified as a TDR within 12 months or less of the payment default. A charge off of $39,000 was recorded for this loan. There were no loans during the nine months ended September 30, 2015 for which there was a payment default. We define a payment default as a payment received more than 90 days after its due date.

In addition to the TDRs that occurred during the period provided in the preceding tables, the Company had TDRs with pre-modification loan balances of $166,500 and $167,000 at September 30, 2016 and 2015, respectively, for which other real estate owned (“OREO”) was received in full or partial satisfaction of the loans. The majority of such TDRs were in commercial real estate and residential real estate. At September 30, 2016, the Company had $2,034,000 of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process. At September 30, 2016, the Company had $5,875,000 of OREO secured by residential real estate properties.

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

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

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

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

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

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

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

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

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

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

Loans acquired are evaluated using this internal grading system. Loans acquired are evaluated individually and include purchased credit impaired loans of $20.4 million and $23.5 million that are accounted for under ASC Topic 310-30 and are classified as substandard (Risk Rating 6) as of September 30, 2016 and December 31, 2015, respectively. Of the remaining loans acquired and accounted for under ASC Topic 310-20, $52.8 million and $49.9 million were classified (Risk Ratings 6, 7 and 8 – see classified loans discussion below) at September 30, 2016 and December 31, 2015, respectively.

Loans acquired, covered by loss share agreements, had additional protection provided by the FDIC prior to the termination of the loss share agreements. During the 2014 quarterly impairment testing on the estimated cash flows of the credit impaired loans, the Company established that some of the loans covered by loss share from our FDIC-assisted transactions had experienced material projected credit deterioration. As a result, the Company established a $954,000 allowance for loan losses on covered loans by recording a provision for loan losses of $0.4

million (net of FDIC-loss share adjustments) during the period ended December 31, 2014. There was no further projected credit deterioration and no addition to the allowance for covered loans during 2015. The $954,000 allowance was reclassified to allowance on acquired non-covered loans subsequent to the agreement with the FDIC to terminate the loss share agreements. See Note 5, Loans Acquired, for further discussion of the acquired loans and loss sharing agreements.

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

Classified loans for the Company include loans in Risk Ratings 6, 7 and 8. Loans may be classified, but not considered impaired, due to one of the following reasons: (1) The Company has established minimum dollar amount thresholds for loan impairment testing. Loans rated 6 – 8 that fall under the threshold amount are not tested for impairment and therefore are not included in impaired loans. (2) Of the loans that are above the threshold amount and tested for impairment, after testing, some are considered to not be impaired and are not included in impaired loans. Total classified loans, excluding loans accounted for under ASC Topic 310-30, were $178.7 million and $153.7 million, as of September 30, 2016 and December 31, 2015, respectively.

The following table presents a summary of loans by credit risk rating as of September 30, 2016 and December 31, 2015, segregated by class of loans. Loans accounted for under ASC Topic 310-30 are all included in Risk Rate 1-4 in this table.

(In thousands)	Risk Rate 1-4	Risk Rate 5	Risk Rate 6	Risk Rate 7	Risk Rate 8	Total
September 30, 2016						
Consumer:						
Credit cards	$174,586	$ --	$446	$ --	$ --	$175,032
Other consumer	274,278	27	1,628	14	--	275,947
Total consumer	448,864	27	2,074	14	--	450,979
Real estate:						
Construction	296,866	152	7,048	16	--	304,082
Single family residential	814,788	3,765	23,244	161	--	841,958
Other commercial	1,464,760	4,468	51,904	--	--	1,521,132
Total real estate	2,576,414	8,385	82,196	177	--	2,667,172
Commercial:						
Commercial	587,652	1,306	18,760	20	--	607,738
Agricultural	200,958	265	2,306	--	--	203,529
Total commercial	788,610	1,571	21,066	20	--	811,267
Other	13,671	--	--	--	--	13,671
Loans acquired	1,361,041	23,960	71,515	1,682	--	1,458,198
Total	$5,188,600	$33,943	$176,851	$ 1,893	$ --	$5,401,287

(In thousands)	Risk Rate 1-4	Risk Rate 5	Risk Rate 6	Risk Rate 7	Risk Rate 8	Total
December 31, 2015						
Consumer:						
Credit cards	$176,809	$ --	$479	$ --	$ --	$177,288
Other consumer	207,069	--	1,262	49	--	208,380
Total consumer	383,878	--	1,741	49	--	385,668
Real estate:						
Construction	270,386	319	9,019	16	--	279,740
Single family residential	679,484	2,701	13,824	171	--	696,180
Other commercial	1,178,817	5,404	44,261	590	--	1,229,072
Total real estate	2,128,687	8,424	67,104	777	--	2,204,992
Commercial:						
Commercial	487,563	2,760	9,787	6	--	500,116
Agricultural	147,788	--	775	--	--	148,563
Total commercial	635,351	2,760	10,562	6	--	648,679
Other	7,022	--	93	--	--	7,115
Loans acquired	1,590,384	9,150	69,219	3,689	459	1,672,901
Total	$4,745,322	$20,334	$148,719	$ 4,521	$ 459	$4,919,355

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Allowance for Loan Losses

Allowance for Loan Losses – The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management’s best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The Company’s allowance for loan loss methodology includes allowance allocations calculated in accordance with ASC Topic 310-10, *Receivables*, and allowance allocations calculated in accordance with ASC Topic 450-20, *Loss Contingencies*. Accordingly, the methodology is based on the Company’s internal grading system, specific impairment analysis, qualitative and quantitative factors.

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

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

The general allocation is calculated monthly based on management’s assessment of several factors such as (1) historical loss experience based on volumes and types, (2) volume and trends in delinquencies and nonaccruals, (3) lending policies and procedures including those for loan losses, collections and recoveries, (4) national, state and local economic trends and conditions, (5) external factors and pressure from competition, (6) the experience, ability and depth of lending management and staff, (7) seasoning of new products obtained and new markets entered through acquisition and (8) other factors and trends that will affect specific loans and categories of loans. The Company establishes general allocations for each major loan category. This category also includes allocations to loans which are collectively evaluated for loss such as credit cards, one-to-four family owner occupied residential real estate loans and other consumer loans.

The following table details activity in the allowance for loan losses by portfolio segment for the three and nine months ended September 30, 2016. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

(In thousands)	Commercial	Real Estate	Credit Card	Other Consumer and Other	Total
Three Months Ended September 30, 2016					
Balance, beginning of period [(2)]	$ 7,832	$19,635	$3,748	$ 2,308	$33,523
Provision for loan losses [(1)]	680	6,066	501	832	8,079
Charge-offs	(284)	(6,297)	(699)	(600)	(7,880)
Recoveries	12	55	199	106	372
Net charge-offs	(272)	(6,242)	(500)	(494)	(7,508)
Balance, September 30, 2016 [(2)]	$ 8,240	$19,459	$3,749	$ 2,646	$34,094
Nine Months Ended September 30, 2016					
Balance, beginning of period [(2)]	$ 5,985	$19,522	$3,893	$ 1,951	$31,351
Provision for loan losses [(1)]	4,961	7,009	1,422	1,819	15,211
Charge-offs	(3,043)	(7,350)	(2,260)	(1,482)	(14,135)
Recoveries	337	278	694	358	1,667
Net charge-offs	(2,706)	(7,072)	(1,566)	(1,124)	(12,468)
Balance, September 30, 2016 [(2)]	$ 8,240	$19,459	$3,749	$ 2,646	$34,094
Period-end amount allocated to:					
Loans individually evaluated for impairment	$ 64	$515	$--	$ 1	$580
Loans collectively evaluated for impairment	8,176	18,944	3,749	2,645	33,514
Balance, September 30, 2016 [(2)]	$ 8,240	$19,459	$3,749	$ 2,646	$34,094

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(1) Provision for loan losses of $215,000 and $522,000 attributable to loans acquired was excluded from this table for the three and nine months ended September 30, 2016 (total provision for loan losses for the three and nine months ended September 30, 2016 was $8,294,000 and $15,733,000). The $215,000 and $522,000 was subsequently charged-off, resulting in no increase in the ending balance in the allowance related to loans acquired.

(2) Allowance for loan losses at September 30, 2016, June 30, 2016 and December 31, 2015 includes $954,000 allowance for loans acquired. The total allowance for loan losses at September 30, June 30, 2016 and December 31, 2015 was $35,048,000, $34,477,000 and $32,305,000, respectively.

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Activity in the allowance for loan losses for the three and nine months ended September 30, 2015 was as follows:

(In thousands)	Commercial	Real Estate	Credit Card	Other Consumer and Other	Total
Three Months Ended September 30, 2015					
Balance, beginning of period [2]	$ 5,310	$18,577	$5,318	$ 1,362	$30,567
Provision for loan losses [1]	725	794	(835)	798	1,482
Charge-offs	(516)	(109)	(763)	(597)	(1,985)
Recoveries	--	25	213	78	316
Net charge-offs	(516)	(84)	(550)	(519)	(1,669)
Balance, September 30, 2015 [2]	$ 5,519	$19,287	$3,933	$ 1,641	$30,380
Nine Months Ended September 30, 2015					
Balance, beginning of period [2]	$ 6,962	$15,161	$5,445	$ 1,460	$29,028
Provision for loan losses [1]	(860)	4,778	171	966	5,055
Charge-offs	(761)	(735)	(2,350)	(1,183)	(5,029)
Recoveries	178	83	667	398	1,326
Net charge-offs	(583)	(652)	(1,683)	(785)	(3,703)
Balance, September 30, 2015 [2]	$ 5,519	$19,287	$3,933	$ 1,641	$30,380
Period-end amount allocated to:					
Loans individually evaluated for impairment	$ 626	$2,040	$7	$ 124	$2,797
Loans collectively evaluated for impairment	4,893	17,247	3,926	1,517	27,583
Balance, September 30, 2015 [2]	$ 5,519	$19,287	$3,933	$ 1,641	$30,380
Period-end amount allocated to:					
Loans individually evaluated for impairment	$ 432	$2,307	$7	$ 85	$2,831
Loans collectively evaluated for impairment	5,553	17,215	3,886	1,866	28,520
Balance, December 31, 2015 [3]	$ 5,985	$19,522	$3,893	$ 1,951	$31,351

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(1) Provision for loan losses of $ 133,000 and $737,000 attributable to loans acquired was excluded from this table for the three and nine months ended September 30, 2015 (total provision for loan losses for the three and nine months ended September 30, 2015 was $1,615,000 and $5,792,000). The $133,000 and $737,000 was subsequently charged-off, resulting in no increase to the ending balance in the allowance related to loans acquired.

(2) Allowance for loan losses at September 30, 2015, June 30, 2015 and December 31, 2014 includes $954,000 allowance for loans acquired (not shown in the table above). The total allowance for loan losses at September 30, 2015, June 30, 2015 and December 31, 2014 was $31,334,000, $31,521,000 and $29,982,000, respectively.

(3) Allowance for loan losses at December 31, 2015 includes $954,000 allowance for loans acquired (not shown in the table above). The total allowance for loan losses December 31, 2015 was $32,305,000.

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

(In thousands)	Commercial	Real Estate	Credit Card	Other Consumer and Other	Total
September 30, 2016					
Loans individually evaluated for impairment	$ 7,540	$31,058	$446	$ 1,407	$40,451
Loans collectively evaluated for impairment	803,727	2,636,114	174,586	288,211	3,902,638
Balance, end of period	$ 811,267	$2,667,172	$175,032	$289,618	$3,943,089
December 31, 2015					
Loans individually evaluated for impairment	$ 2,252	$15,017	$479	$442	$18,190
Loans collectively evaluated for impairment	646,427	2,189,975	176,809	215,053	3,228,264
Balance, end of period	$ 648,679	$2,204,992	$177,288	$215,495	$3,246,454

NOTE 5: LOANS ACQUIRED

On September 15, 2015, the Company entered into an agreement with the FDIC to terminate all loss share agreements which were entered into in 2010 and 2012 in conjunction with the Company’s acquisition of substantially all of the assets (“covered assets”) and assumption of substantially all of the liabilities of four failed banks in FDIC-assisted transactions. Under the early termination, all rights and obligations of the Company and the FDIC under the FDIC loss share agreements, including the clawback provisions and the settlement of loss share and expense reimbursement claims, have been resolved and terminated.

Under the terms of the agreement, the FDIC made a net payment of $2,368,000 to the bank as consideration for the early termination of the loss share agreements. The early termination was recorded in the Company’s financial statements by removing the FDIC Indemnification Asset, receivable from FDIC, the FDIC True-up liability and recording a one-time, pre-tax charge of $7,476,000. As a result, the Company reclassified loans previously covered by FDIC loss share to loans acquired, not covered by FDIC loss share. Foreclosed assets previously covered by FDIC loss share were reclassified to foreclosed assets not covered by FDIC loss share.

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

During the first quarter of 2015, the Company evaluated $769.9 million of net loans ($774.8 million gross loans less $4.9 million discount) purchased in conjunction with the acquisition of Liberty, described in Note 2, Acquisitions, in accordance with the provisions of ASC Topic 310-20. The fair value discount is being accreted into interest income over the weighted average life of the loans using a constant yield method. These loans are not considered to be impaired loans. The Company evaluated the remaining $10.7 million of net loans ($15.7 million gross loans less $5.0 million discount) purchased in conjunction with the acquisition of Liberty for impairment in accordance with the provisions of ASC Topic 310-30.

Also during the first quarter of 2015, the Company evaluated $1.13 billion of net loans ($1.15 billion gross loans less $23.7 million discount) purchased in conjunction with the acquisition of Community First, described in Note 2, Acquisitions, in accordance with the provisions of ASC Topic 310-20. The fair value discount is being accreted into interest income over the weighted average life of the loans using a constant yield method. These loans are not considered to be impaired loans. The Company evaluated the remaining $7.0 million of net loans ($10.1 million gross loans less $3.1 million discount) purchased in conjunction with the acquisition of Community First for impairment in accordance with the provisions of ASC Topic 310-30.

The following table reflects the carrying value of all acquired loans as of September 30, 2016 and December 31, 2015:

	Loans Acquired	
(in thousands)	September 30, 2016	December 31, 2015
Consumer:		
Other consumer	$51,237	$75,606
Total consumer	51,237	75,606
Real estate:		
Construction	60,307	77,119
Single family residential	461,346	501,002
Other commercial	771,858	854,068
Total real estate	1,293,511	1,432,189
Commercial:		
Commercial	109,562	154,533
Agricultural	3,888	10,573
Total commercial	113,450	165,106
Total loans acquired (1)	$1,458,198	$1,672,901

(1) Loans acquired are reported net of a $954,000 allowance at September 30, 2016 and December 31, 2015.

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

(In thousands)	September 30, 2016	December 31, 2015
Consumer:		
Other consumer	$ 115	$ 71
Total consumer	115	71
Real estate:		
Construction	1,580	783
Single family residential	9,237	7,795
Other commercial	9,007	6,435
Total real estate	19,824	15,013
Commercial:		
Commercial	1,347	3,859
Agricultural	121	8

Total commercial	1,468	3,867
Total	$ 21,407	$ 18,951

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

(In thousands)	Gross 30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days Past Due & Accruing
September 30, 2016						
Consumer:						
Other consumer	$ 432	$ 73	$ 505	$ 50,732	$ 51,237	$ 8
Total consumer	432	73	505	50,732	51,237	8
Real estate:						
Construction	152	7,348	7,500	52,807	60,307	--
Single family residential	4,520	4,706	9,226	452,120	461,346	744
Other commercial	1,841	12,422	14,263	757,595	771,858	47
Total real estate	6,513	24,476	30,989	1,262,522	1,293,511	791
Commercial:						
Commercial	458	2,316	2,774	106,788	109,562	14
Agricultural	--	33	33	3,855	3,888	--
Total commercial	458	2,349	2,807	110,643	113,450	14
Total	$ 7,403	$ 26,898	$ 34,301	$ 1,423,897	$ 1,458,198	$ 813
December 31, 2015						
Consumer:						
Other consumer	$ 826	$ 122	$ 948	$ 74,658	$ 75,606	$ 57
Total consumer	826	122	948	74,658	75,606	57
Real estate:						
Construction	736	9,449	10,185	66,934	77,119	410
Single family residential	9,493	4,850	14,343	486,659	501,002	1,246
Other commercial	12,910	7,810	20,720	833,348	854,068	203
Total real estate	23,139	22,109	45,248	1,386,941	1,432,189	1,859
Commercial:						
Commercial	1,999	2,334	4,333	150,200	154,533	912
Agricultural	114	396	510	10,063	10,573	396
Total commercial	2,113	2,730	4,843	160,263	165,106	1,308
Total	$ 26,078	$ 24,961	$ 51,039	$ 1,621,862	$ 1,672,901	$ 3,224

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

(In thousands)	Risk Rate 1-4	Risk Rate 5	Risk Rate 6	Risk Rate 7	Risk Rate 8	Total
September 30, 2016						
Consumer:						
Other consumer	$50,915	$15	$307	$--	$ --	$51,237
Total consumer	50,915	15	307	--	--	51,237
Real estate:						
Construction	53,028	129	7,150	--	--	60,307
Single family residential	436,351	2,736	20,616	1,643	--	461,346
Other commercial	717,579	18,997	35,282	--	--	771,858
Total real estate	1,206,958	21,862	63,048	1,643	--	1,293,511
Commercial:						
Commercial	99,647	2,050	7,826	39	--	109,562
Agricultural	3,521	33	334	--	--	3,888
Total commercial	103,168	2,083	8,160	39	--	113,450
Total	$1,361,041	$23,960	$71,515	$ 1,682	$ --	$1,458,198
December 31, 2015						
Consumer:						
Other consumer	$75,330	$--	$276	$--	$ --	$75,606
Total consumer	75,330	--	276	--	--	75,606
Real estate:						
Construction	68,775	--	8,344	--	--	77,119
Single family residential	479,193	1,490	18,640	1,675	4	501,002
Other commercial	812,537	7,328	33,748	--	455	854,068
Total real estate	1,360,505	8,818	60,732	1,675	459	1,432,189
Commercial:						
Commercial	144,239	332	7,948	2,014	--	154,533
Agricultural	10,310	--	263	--	--	10,573
Total commercial	154,549	332	8,211	2,014	--	165,106
Total	$1,590,384	$9,150	$69,219	$ 3,689	$ 459	$1,672,901

Loans acquired were individually evaluated and recorded at estimated fair value, including estimated credit losses, at the time of acquisition. These loans are systematically reviewed by the Company to determine the risk of losses that may exceed those identified at the time of the acquisition. Techniques used in determining risk of loss are similar to the Company’s legacy loan portfolio, with most focus being placed on those loans which include the larger loan relationships and those loans which exhibit higher risk characteristics.

The following is a summary of the loans acquired in the Citizens acquisition on September 9, 2016, as of the date of acquisition.

(in thousands)	Not Impaired	Impaired
Contractually required principal and interest at acquisition	$348,756	$1,605
Non-accretable difference (expected losses and foregone interest)	--	(848)
Cash flows expected to be collected at acquisition	348,756	757
Accretable yield	(8,690)	--
Basis in acquired loans at acquisition	$340,066	$757

The amount of the estimated cash flows expected to be received from the purchased credit impaired loans in excess of the fair values recorded for the purchased credit impaired loans is referred to as the accretable yield. The accretable yield is recognized as interest income over the estimated lives of the loans. Each quarter, the Company estimates the cash flows expected to be collected from the acquired purchased credit impaired loans, and adjustments may or may not be required. This has resulted in increased interest income that is spread on a level-yield basis over the remaining expected lives of the loans. For those loans previously covered by FDIC loss share, the increases in expected cash flows also reduced the amount of expected reimbursements under the loss sharing agreements with the FDIC, which was recorded as indemnification assets. The estimated adjustments to the indemnification assets were amortized on a level-yield basis over the remainder of the loss-sharing agreements or the remaining expected lives of the loans, whichever was shorter. Because the Company's loss share agreements with the FDIC have been terminated, there will be no further indemnification asset amortization in future quarters.

The impact of the adjustments on the Company's financial results for the three and nine months ended September 30, 2016 and 2015 is shown below:

(In thousands)	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
Impact on net interest income	$65	$9,699	$1,240	$19,024
Non-interest income [(1)]	--	(2,033)	--	(7,718)
Net impact to pre-tax income	65	7,666	1,240	11,306
Net impact, net of taxes	$40	$4,658	$754	$6,871

(1) Negative non-interest income resulted from the amortization of the FDIC indemnification assets. Because the Company's loss share agreements with the FDIC have been terminated, there will be no further indemnification asset amortization.

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

Changes in the carrying amount of the accretable yield for all purchased impaired loans were as follows for the three and nine months ended September 30, 2016 and 2015.

(In thousands)	Three Months Ended September 30, 2016 Accretable Yield	Carrying Amount of Loans	Nine Months Ended September 30, 2016 Accretable Yield	Carrying Amount of Loans
Beginning balance	$2,365	$20,663	$954	$23,469
Additions	--	1,614	--	1,614
Accretable yield adjustments	171	--	3,245	--
Accretion	(555)	555	(2,218)	2,218
Payments and other reductions, net	--	(1,412)	--	(5,881)
Balance, ending	$1,981	$21,420	$1,981	$21,420

(In thousands)	Three Months Ended September 30, 2015 Accretable Yield	Carrying Amount of Loans	Nine Months Ended September 30, 2015 Accretable Yield	Carrying Amount of Loans
Beginning balance	$15,048	$160,094	$20,635	$169,098
Additions	--	--	(116)	17,750
Accretable yield adjustments	575	--	6,018	--
Accretion	(9,744)	9,744	(20,658)	20,658
Payments and other reductions, net	(4,476)	(129,985)	(4,476)	(167,653)
Balance, ending	$1,403	$39,853	$1,403	$39,853

Purchased impaired loans are evaluated on an individual borrower basis. Because some loans evaluated by the Company, previously covered by loss share agreements, were determined to have experienced impairment in the estimated credit quality or cash flows during 2014, the Company recorded a provision to establish a $954,000 allowance for loan losses for covered purchased impaired loans. During 2015, the Company recorded a provision totaling $736,000 to cover impairment in the estimated credit quality of acquired loans, not covered by loss share. Non-covered loans were subsequently charged-off and the allowance was used during 2015. Because of the termination of the loss share agreements, the allowance for previously covered loans was reclassified to allowance for acquired non-covered loans, resulting in a total allowance on acquired non-covered loans of $954,000 at September 30, 2016 and December 31, 2015.

The purchase and assumption agreements for the FDIC-assisted acquisitions allowed for the FDIC to recover a portion of the funds previously paid out under the indemnification agreement in the event losses failed to reach the expected loss level under a claw back provision (“true-up provision”). The amount of the true-up provision for each acquisition was measured and recorded at Day 1 fair values. It was calculated as the difference between management's estimated losses on covered loans and covered foreclosed assets and the loss threshold contained in each loss share agreement, multiplied by the applicable clawback provisions contained in each loss share agreement, then discounted back to net present value. Due to the termination of the FDIC agreements in September 2015 there was no amortization expense recorded for the three or nine months ended September 30, 2016. For the three and nine months ended September 30, 2015, amortization expense of $27,000 and $107,000, respectively and an adjustment related to changes in expected losses of $187,000 and $720,000, respectively was recorded.

NOTE 6: GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill is tested annually, or more often than annually, if circumstances warrant, for impairment. If the implied fair value of goodwill is lower than its carrying amount, goodwill impairment is indicated, and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements. Goodwill totaled $348.8 million at September 30, 2016 and $327.7 million at December 31, 2015. The Company recorded $21.8 million during the three months ended September 30, 2016 as a result of its acquisition of Citizens. Goodwill impairment was neither indicated nor recorded during the nine months ended September 30, 2016 or the year ended December 31, 2015.

Core deposit premiums are amortized over a ten year period and are periodically evaluated, at least annually, as to the recoverability of their carrying value. Core deposit premium of $4.9 million was recorded during the third quarter of 2016 as part of the Citizens acquisition. Core deposit premiums of $11.3 million and $14.6 million were recorded during the first quarter of 2015 as part of the Community First and Liberty acquisitions, respectively.

Intangible assets are being amortized over various periods ranging from 10 to 15 years. The Community First acquisition on February 27, 2015 included an insurance line of business and the Company recorded an intangible asset of $420,000 during the first quarter of 2015.

The Company's goodwill and other intangibles (carrying basis and accumulated amortization) at September 30, 2016 and December 31, 2015, were as follows:

(In thousands)	September 30, 2016	December 31, 2015
Goodwill	$348,769	$327,686
Core deposit premiums:		
Gross carrying amount	48,558	43,648
Accumulated amortization	(9,471)	(6,217)
Core deposit premiums, net	39,087	37,431
Purchased credit card relationships:		
Gross carrying amount	2,068	2,068
Accumulated amortization	(1,241)	(931)
Purchased credit card relationships, net	827	1,137
Books of business intangible:		
Gross carrying amount	15,793	15,293
Accumulated amortization	(1,439)	(624)
Books of business intangible, net	14,354	14,669
Other intangible assets, net	54,268	53,237
Total goodwill and other intangible assets	$403,037	$380,923

The Company's estimated remaining amortization expense on intangibles as of September 30, 2016 is as follows:

(In thousands)	Year	Amortization Expense
	Remainder of 2016	$ 1,602
	2017	6,409
	2018	6,306
	2019	5,995
	2020	5,983

Thereafter	27,973
Total	$ 54,268

NOTE 7: TIME DEPOSITS

Time deposits include approximately $674,917,000 and $625,775,000 of certificates of deposit of $100,000 or more at September 30, 2016, and December 31, 2015, respectively. Of this total approximately $165,983,000 and $186,352,000 of certificates of deposit were over $250,000 at September 30, 2016 and December 31, 2015, respectively.

NOTE 8: INCOME TAXES

The provision for income taxes for the nine months ended September 30, 2016 and 2015 is comprised of the following components:

(In thousands)	September 30, 2016	September 30, 2015
Income taxes currently payable	$ 33,139	$ 29,206
Deferred income taxes	1,070	(3,811)
Provision for income taxes	$ 34,209	$ 25,395

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

(In thousands)	September 30, 2016	December 31, 2015
Deferred tax assets:		
Loans acquired	$9,669	$14,716
Allowance for loan losses	13,887	12,700
Valuation of foreclosed assets	9,387	11,212
Tax NOLs from acquisition	14,823	14,593
Deferred compensation payable	2,823	2,767
Vacation compensation	1,940	2,250
Accrued equity and other compensation	9,201	5,197
Acquired securities	2,140	1,770
Other accrued liabilities	2,556	1,943
Unrealized loss on available-for-sale securities	--	1,655
Other	3,796	3,006
Gross deferred tax assets	70,222	71,809
Deferred tax liabilities:		
Goodwill and other intangible amortization	(29,262)	(30,550)
Limitations under IRC Sec 382	(3,455)	(3,478)
Accumulated depreciation	(4,958)	(3,914)

Unrealized gain on available-for-sale securities	(1,359)	--
Other	(5,785)	(4,187)
Gross deferred tax liabilities	(44,819)	(42,129)
Net deferred tax asset, included in other assets	$25,403	$29,680

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense for the nine months ended September 30, 2016 and 2015 is shown below:

(In thousands)	September 30, 2016	September 30, 2015
Computed at the statutory rate (35%)	$ 36,418	$ 26,565
Increase (decrease) in taxes resulting from:		
State income taxes, net of federal tax benefit	1,390	2,503
Tax exempt interest income	(3,120)	(3,502)
Tax exempt earnings on BOLI	(665)	(566)
Merger related expenses	131	569
Federal tax credits	(943)	(429)
Other differences, net	998	255
Actual tax provision	$ 34,209	$ 25,395

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

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

Section 382 of the Internal Revenue Code imposes an annual limit on the ability of a corporation that undergoes an “ownership change” to use its U.S. net operating losses to reduce its tax liability. The Company closed a stock acquisition in a prior year that invoked the Section 382 annual limitation. Approximately $37.5 million of federal net operating losses subject to the IRC Sec 382 annual limitation are expected to be utilized by the Company. The net operating loss carryforwards expire between 2028 and 2035.

The Company files income tax returns in the U.S. federal jurisdiction. The Company's U.S. federal income tax returns are open and subject to examinations from the 2012 tax year and forward. The Company's various state income tax returns are generally open from the 2009 and later tax return years based on individual state statute of limitations.

NOTE 9: SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

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

The gross amount of recognized liabilities for repurchase agreements was $123.8 million and $96.8 million at September 30, 2016 and December 31, 2015, respectively. The remaining contractual maturity of the securities sold under agreements to repurchase in the consolidated balance sheets as of September 30, 2016 and December 31, 2015 is presented in the following tables.

	Remaining Contractual Maturity of the Agreements				
(In thousands)	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
September 30, 2016					
Repurchase agreements:					
U.S. Government agencies	$ 116,460	$ --	$ --	$ 7,329	$ 123,789
December 31, 2015					
Repurchase agreements:					
U.S. Government agencies	$ 89,512	$ --	$ --	$ 7,326	$ 96,838

NOTE 10: OTHER BORROWINGS AND SUBORDINATED DEBENTURES

Debt at September 30, 2016 and December 31, 2015 consisted of the following components:

(In thousands)	September 30, 2016	December 31, 2015
Other Borrowings		
FHLB advances, net of discount, due 2017 to 2033, 0.46% to 7.37% secured by residential real estate loans	$ 166,241	$ 109,989
Notes payable, due 10/15/2020, 3.85%, fixed rate, unsecured	49,035	52,300
Total other borrowings	215,276	162,289
Subordinated Debentures		
Trust preferred securities, due 12/30/2033, floating rate of 2.80% above the three month LIBOR rate, reset quarterly, callable without penalty	20,620	20,620
Trust preferred securities, net of discount, due 6/30/2035, floating rate of 1.75% above the three month LIBOR rate, reset quarterly, callable without penalty	9,200	9,723
Trust preferred securities, net of discount, due 9/15/2037, floating rate of 1.37% above the three month LIBOR rate, reset quarterly	10,091	9,975
Trust preferred securities, net of discount, due 12/3/2033, floating rate of 2.88% above the three month LIBOR rate, reset quarterly, callable without penalty	5,163	5,167
Trust preferred securities, net of discount, due 12/13/2034, floating rate of 2.00% above the three month LIBOR rate, reset quarterly, callable without penalty	5,094	5,063
	10,122	10,022

Trust preferred securities, net of discount, due 6/6/2037, floating rate of 1.57% above the three month LIBOR rate, reset quarterly, callable without penalty		
Total subordinated debentures	60,290	60,570
Total other borrowings and subordinated debentures	$ 275,566	$ 222,859

During October 2015, the Company borrowed $52.3 million from correspondent banks at a rate of 3.85% with quarterly principal and interest payments. The debt has a 10 year amortization with a 5 year balloon payment due in October 2020.

At September 30, 2016, the Company had $120.0 million of Federal Home Loan Bank ("FHLB") advances with original maturities of one year or less.

The Company had total FHLB advances of $166.2 million at September 30, 2016, with approximately $830.2 million of additional advances available from the FHLB. The FHLB advances are secured by mortgage loans and investment securities totaling approximately $1.105 billion at September 30, 2016.

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 debt at September 30, 2016, are:

(In thousands)	Year	Annual Maturities
	2016	$32,019
	2017	103,710
	2018	23,912
	2019	7,673
	2020	36,429
	Thereafter	71,823
	Total	$275,566

NOTE 11: 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 12: COMMON STOCK

During 2012, the Company approved a stock repurchase program which authorized the repurchase of up to 850,000 shares of Class A common stock, or approximately 5% of the shares outstanding at that time. The shares are to be purchased from time to time at prevailing market prices, through open market or unsolicited negotiated transactions, depending upon market conditions. Under the repurchase program, there is no time limit for the stock repurchases, nor is there a minimum number of shares that the Company intends to repurchase. The Company may discontinue purchases at any time that management determines additional purchases are not warranted. The Company intends to use the repurchased shares to satisfy stock option exercises, payment of future stock awards and dividends and general corporate purposes. The Company suspended its stock repurchases in August of 2013, with 154,136 shares remaining available for repurchase under the program.

On March 4, 2014 the Company filed a shelf registration statement with the Securities and Exchange Commission (“SEC”). Subsequently, on June 18, 2014 the Company filed Amendment No. 1 to the shelf registration statement. After becoming effective, the shelf registration statement allows the Company to raise capital from time to time, up to an aggregate of $300 million, through the sale of common stock, preferred stock, stock warrants, stock rights 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.

NOTE 13: UNDIVIDED PROFITS

The Company’s subsidiary bank is subject to a legal limitation on dividends that can be paid to the parent company without prior approval of the applicable regulatory agencies. The approval of the Commissioner of the Arkansas State Bank Department is required, if the total of all dividends declared by an Arkansas state bank in any calendar year exceeds seventy-five percent (75%) of the total of its net profits, as defined, for that year combined with seventy-five percent (75%) of its retained net profits of the preceding year. At September 30, 2016, the Company’s subsidiary bank had approximately $2.7 million available for payment of dividends to the Company, without prior regulatory approval.

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

The Company and Bank must hold a capital conservation buffer composed of CET1 capital above its minimum risk-based capital requirements. The implementation of the capital conservation buffer began on January 1, 2016, at the 0.625% level and will phase in over a four-year period (increasing by that amount on each subsequent January 1 until it reaches 2.5% on January 1, 2019). As of September 30, 2016, the Company and its subsidiary bank met all capital adequacy requirements under the Basel III Capital Rules, and management believes the Company and subsidiary bank would meet all Capital Rules on a fully phased-in basis if such requirements were currently effective. The Company's CET1 ratio was 13.81% at September 30, 2016.

NOTE 14: STOCK BASED COMPENSATION

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

The table below summarizes the transactions under the Company's active stock compensation plans for the nine months ended September 30, 2016:

	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, 2016	484,497	$ 40.59	183,101	$ 35.65
Granted	58,090	47.02	149,187	47.54
Stock Options Exercised	(52,357)	29.60	--	--
Stock Awards Vested	--	--	(132,431)	41.58
Forfeited/Expired	(5,345)	35.25	(40,099)	36.70
Balance, September 30, 2016	484,885	$ 42.61	159,758	$ 41.57
Exercisable, September 30, 2016	209,256	$ 39.16		

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The following table summarizes information about stock options under the plans outstanding at September 30, 2016:

	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
\$17.55 - \$21.29	15,850	4.54	\$ 19.72	10,600	\$ 19.33
21.51 - 21.51	2,000	3.30	21.51	2,000	21.51
28.42 - 28.42	20,300	0.63	28.42	20,300	28.42
30.31 - 30.31	27,040	1.60	30.31	27,040	30.31
40.57 - 40.57	43,720	7.66	40.57	43,720	40.57
40.72 - 40.72	1,500	8.13	40.72	300	40.72
44.40 - 44.40	54,825	8.10	44.40	26,877	44.40
45.50 - 45.50	258,255	8.86	45.50	77,161	45.50
47.02 - 47.02	58,090	9.30	47.02	--	--
48.13 - 48.13	3,305	8.96	48.13	1,258	48.13
\$17.55 - \$48.13	484,885	7.80	\$ 42.61	209,256	\$ 39.16

Total stock-based compensation expense was \$4,204,000 and \$2,010,000 during the nine months ended September 30, 2016 and 2015, respectively. Stock-based compensation expense is recognized ratably over the requisite service period for all stock-based awards. There was \$1,161,000 of unrecognized stock-based compensation expense related to stock options at September 30, 2016. Unrecognized stock-based compensation expense related to non-vested stock awards was \$7,380,000 at September 30, 2016. At such date, the weighted-average period over which this unrecognized expense is expected to be recognized was 2.8 years.

The intrinsic value of stock options outstanding and stock options exercisable at September 30, 2016 was \$3,534,000 and \$2,247,000. Aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of the period, which was \$49.90 as of September 30, 2016, and the exercise price multiplied by the number of options outstanding and exercisable at a price below that closing price. The total intrinsic value of stock options exercised during the nine months ended September 30, 2016 and September 30, 2015, was \$1,063,000 and \$1,672,000, respectively.

The fair value of the Company's employee stock options granted is estimated on the date of grant using the Black-Scholes option-pricing model. This model requires the input of highly subjective assumptions, changes to which can materially affect the fair value estimate. The weighted-average fair value of stock options granted during the nine months ended September 30, 2016 and 2015 was \$11.64 and \$7.81 per share, respectively. The Company estimated expected market price volatility and expected term of the options based on historical data and other factors. The weighted-average assumptions used to determine the fair value of options granted are detailed in the table below:

	Nine Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
Expected dividend yield	1.96	%	2.06	%
Expected stock price volatility	27.34	%	16.96	%
Risk-free interest rate	2.01	%	2.17	%
Expected life of options (years)	7		10	

NOTE 15: ADDITIONAL CASH FLOW INFORMATION

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

(In thousands)	Nine Months Ended September 30, 2016	2015
Interest paid	$16,311	$15,944
Income taxes paid	32,069	21,039
Transfers of loans not covered by FDIC loss share to foreclosed assets held for sale	3,846	14,242
Transfers of loans acquired covered by FDIC loss share to foreclosed assets covered by FDIC loss share	--	4,349
Transfers of foreclosed assets covered by FDIC loss share to foreclosed assets held for sale	--	13,895
Transfers of loans acquired covered by FDIC loss share to loans acquired not covered by FDIC loss share	--	88,922
Transfers of premises and equipment to premises held for sale	7,200	--
Transfers of premises held for sale to foreclosed assets held for sale	652	6,126

NOTE 16: OTHER OPERATING EXPENSES

Other operating expenses consist of the following:

(In thousands)	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
Professional services	$3,282	$2,111	$9,678	$6,248
Postage	1,150	1,079	3,458	3,097
Telephone	912	1,521	3,014	3,698
Credit card expense	2,947	2,309	8,319	6,579
Operating supplies	457	687	1,273	1,693
Amortization of intangibles	1,503	1,265	4,411	3,552
Branch right sizing expense	218	458	3,451	3,237
Other expense	6,710	7,884	19,498	19,085
Total other operating expenses	$17,179	$17,314	$53,102	$47,189

NOTE 17: CERTAIN TRANSACTIONS

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

NOTE 18: COMMITMENTS AND CREDIT RISK

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

At September 30, 2016, the Company had outstanding commitments to extend credit aggregating approximately $616,175,000 and $1,063,150,000 for credit card commitments and other loan commitments. At December 31, 2015, the Company had outstanding commitments to extend credit aggregating approximately $497,961,000 and $805,673,000 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 $30,053,000 and $23,515,000 at September 30, 2016, and December 31, 2015, respectively, with terms ranging from 9 months to 15 years. At September 30, 2016 and December 31, 2015, the Company had no deferred revenue under standby letter of credit agreements.

NOTE 19: PREFERRED STOCK

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

NOTE 20: FAIR VALUE MEASUREMENTS

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

ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance also establishes a fair value hierarchy that requires the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Topic 820 describes three levels of inputs that may be used to measure fair value:

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

- *Level 2 Inputs* – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices for similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- *Level 3 Inputs* – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

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

Available-for-sale securities – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds, mortgage products and exchange traded equities. Other securities classified as available-for-sale are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms and conditions, among other things. In order to ensure the fair values are consistent with ASC Topic 820, we periodically check the fair values by comparing them to another pricing source, such as Bloomberg. The availability of pricing confirms Level 2 classification in the fair value hierarchy. The third-party pricing service is subject to an annual review of internal controls (SSAE 16), which is made available to us for our review. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Company's investment in U.S. Treasury securities is reported at fair value utilizing Level 1 inputs. The remainder of the Company's available-for-sale securities are reported at fair value utilizing Level 2 inputs.

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

The following table sets forth the Company's financial assets by level within the fair value hierarchy that were measured at fair value on a recurring basis as of September 30, 2016 and December 31, 2015.

(In thousands)	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2016				
ASSETS				
Available-for-sale securities				
U.S. Treasury	$ 63,985	$ 63,985	$ --	$ --
U.S. Government agencies	148,781	--	148,781	--
Mortgage-backed securities	699,748	--	699,748	--
State and political subdivisions	67,019	--	67,019	--
Other securities	44,673	--	44,673	--

Assets held in trading accounts	2,969	--	2,969	--
December 31, 2015				
ASSETS				
Available-for-sale securities				
U.S. Treasury	$3,994	$ 3,994	$ --	$ --
U.S. Government agencies	120,237	--	120,237	--
Mortgage-backed securities	647,426	--	647,426	--
States and political subdivisions	9,874	--	9,874	--
Other securities	39,876	--	39,876	--
Assets held in trading accounts	4,422	2,409	2,013	--

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

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

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

Foreclosed assets held for sale – Foreclosed assets held for sale are reported at fair value, less estimated costs to sell. At foreclosure, if the fair value, less estimated costs to sell, of the real estate acquired is less than the Company’s recorded investment in the related loan, a write-down is recognized through a charge to the allowance for loan losses. Additionally, valuations are periodically performed by management and any subsequent reduction in value is recognized by a charge to income. The fair value of foreclosed assets held for sale is estimated using Level 3 inputs based on unobservable market data. As of September 30, 2016 and December 31, 2015, the fair value of foreclosed assets held for sale less estimated costs to sell was $30.4 million and $44.8 million, respectively.

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

Mortgage loans held for sale – Mortgage loans held for sale are reported at fair value if, on an aggregate basis, the fair value of the loans is less than cost. In determining whether the fair value of loans held for sale is less than cost when quoted market prices are not available, the Company may consider outstanding investor commitments, discounted cash flow analyses with market assumptions or the fair value of the collateral if the loan is collateral dependent. Such loans are classified within either Level 2 or Level 3 of the fair value hierarchy. Where assumptions are made using significant unobservable inputs, such loans held for sale are classified as Level 3. At September 30, 2016 and December 31, 2015, the aggregate fair value of mortgage loans held for sale exceeded their cost. Accordingly, no mortgage loans held for sale were marked down and reported at fair value.

The following table sets forth the Company's financial assets by level within the fair value hierarchy that were measured at fair value on a nonrecurring basis as of September 30, 2016 and December 31, 2015.

		Fair Value Measurements Using		
(In thousands)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2016				
ASSETS				
Impaired loans [(1)] [(2)] (collateral dependent)	$ 13,160	$ --	$ --	$ 13,160
Foreclosed assets held for sale [(1)]	16,481	--	--	16,481
December 31, 2015				
ASSETS				
Impaired loans [(1)] [(2)] (collateral dependent)	$ 19,027	$ --	$ --	$ 19,027
Foreclosed assets held for sale [(1)]	14,459	--	--	14,459

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

(2) Specific allocations of $2,350,000 and $1,136,000 were related to the impaired collateral dependent loans for which fair value re-measurements took place during the periods ended September 30, 2016 and December 31, 2015, respectively.

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

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

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

Held-to-maturity securities – Fair values for held-to-maturity securities equal quoted market prices, if available, such as for highly liquid government bonds (Level 1). If quoted market prices are not available, fair values are estimated based on quoted market prices of similar securities. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms and conditions, among other things (Level 2). In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Loans – The fair value of loans, excluding loans acquired, is estimated by discounting the future cash flows, using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Loans with similar characteristics were aggregated for purposes of the calculations (Level 3).

Loans acquired – Fair values of loans acquired are based on a discounted cash flow methodology that considers factors including the type of loan and related collateral, variable or fixed rate, classification status, remaining term, interest rate, historical delinquencies, loan to value ratios, current market rates and remaining loan balance. The loans were grouped together according to similar characteristics and were treated in the aggregate when applying various valuation techniques. The discount rates used for loans were based on current market rates for new originations of similar loans. Estimated credit losses were also factored into the projected cash flows of the loans (Level 3).

Deposits – The fair value of demand deposits, savings accounts and money market deposits is the amount payable on demand at the reporting date (i.e., their carrying amount) (Level 2). The fair value of fixed-maturity time deposits is estimated using a discounted cash flow calculation that applies the rates currently offered for deposits of similar remaining maturities (Level 3).

Federal Funds purchased, securities sold under agreement to repurchase and short-term debt – The carrying amount for Federal funds purchased, securities sold under agreement to repurchase and short-term debt are a reasonable estimate of fair value (Level 2).

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

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

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

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

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

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

(In thousands)	Carrying Amount	Fair Value Measurements Level 1	Level 2	Level 3	Total
September 30, 2016					
Financial assets:					
Cash and cash equivalents	$454,523	$454,523	$--	$--	$454,523
Interest bearing balances due from banks - time	4,393	--	4,393	--	4,393
Held-to-maturity securities	496,594	--	508,910	--	508,910
Mortgage loans held for sale	28,069	--	--	28,069	28,069
Interest receivable	27,390	--	27,390	--	27,390
Legacy loans (net of allowance)	3,908,995	--	--	3,916,460	3,916,460
Loans acquired (net of allowance)	1,458,198	--	--	1,460,983	1,460,983
Financial liabilities:					
Non-interest bearing transaction accounts	1,473,420	--	1,473,420	--	1,473,420
Interest bearing transaction accounts and savings deposits	3,815,939	--	3,815,939	--	3,815,939
Time deposits	1,328,022	--	--	1,325,370	1,325,370
Federal funds purchased and securities sold under agreements to repurchase	124,289	--	124,289	--	124,289
Other borrowings	215,276	--	224,206	--	224,206
Subordinated debentures	60,290	--	54,817	--	54,817
Interest payable	1,689	--	1,689	--	1,689
December 31, 2015					
Financial assets:					
Cash and cash equivalents	$252,262	$252,262	$--	$--	$252,262
Interest bearing balances due from banks - time	14,107	--	14,105	--	14,105
Held-to-maturity securities	705,373	--	713,371	--	713,371
Mortgage loans held for sale	30,265	--	--	30,265	30,265
Interest receivable	25,793	--	25,793	--	25,793
Legacy loans (net of allowance)	3,215,103	--	--	3,204,153	3,204,153
Loans acquired (net of allowance)	1,672,901	--	--	1,667,204	1,667,204
Financial liabilities:					
Non-interest bearing transaction accounts	1,280,234	--	1,280,234	--	1,280,234
Interest bearing transaction accounts and savings deposits	3,485,845	--	3,485,845	--	3,485,845
Time deposits	1,320,017	--	--	1,315,254	1,315,254
Federal funds purchased and securities sold under agreements to repurchase	99,398	--	99,398	--	99,398
Other borrowings	162,289	--	168,254	--	168,254
Subordinated debentures	60,570	--	55,954	--	55,954
Interest payable	1,800	--	1,800	--	1,800

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Committee, Board of Directors and Stockholders

Simmons First National Corporation

Pine Bluff, Arkansas

We have reviewed the accompanying condensed consolidated balance sheet of **SIMMONS FIRST NATIONAL CORPORATION** as of September 30, 2016, and the related condensed consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2016 and 2015 and the related consolidated statements of stockholders' equity and cash flows for the nine month periods ended September 30, 2016 and 2015. 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, 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated February 29, 2016, 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, 2015, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

BKD, LLP

/s/ BKD, LLP

Little Rock, Arkansas

November 8, 2016

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

OVERVIEW

Our net income for the three months ended September 30, 2016 was $23.4 million and diluted earnings per share were $0.76, compared to net income of $21.6 million and $0.72 diluted earnings per share for the same period of 2015. Diluted earnings per share increased by $0.04, or 5.6%. Net income for the nine months ended September 30, 2016, was $69.8 million and diluted earnings per share were $2.28, compared to net income of $50.3 million and $1.83 diluted earnings per share for the same period in 2015. Year-to-date diluted earnings per share increased by $0.45, or 24.6%.

Net income for each quarter in both 2016 and 2015 included nonrecurring items that impacted net income. The 2016 nonrecurring items primarily related to merger related costs and branch right sizing initiatives. The 2015 nonrecurring items were significant and related mainly to our acquisitions. Excluding all nonrecurring items, core earnings for the three months ended September 30, 2016 were $24.4 million, or $0.79 diluted core earnings per share, compared to $25.6 million, or $0.85 diluted core earnings per share for the same period in 2015. Diluted core earnings per share decreased by $0.06, or 7.1%. Year-to-date core earnings were $72.7 million, an increase of $8.9 million, or 14.1%, compared with the same period in 2015. Year-to-date diluted core earnings per share were $2.37, an increase of $0.05, or 2.2%. See Reconciliation of Non-GAAP Measures and Table 13 – Reconciliation of Core Earnings (non-GAAP) for additional discussion of non-GAAP measures.

On February 19, 2016, we merged Simmons First Trust Company and Trust Company of the Ozarks with and into Simmons First National Bank. We believe this will allow us to offer our trust services in an efficient and consistent manner throughout our footprint.

On September 9, 2016, we closed the transaction to acquire Citizens National Bank ("Citizens"), headquartered in Athens, Tennessee. At September 30, 2016, Citizens operated as an independently chartered bank. Citizens was subsequently merged into our lead bank on October 21, 2016 with simultaneous systems conversion. As a result of this acquisition, we recognized $2.0 million in after tax merger related expenses during the nine month period ended September 30, 2016.

During the first nine months of 2016 we opened our third retail banking office in Fayetteville, Arkansas, and closed 10 branches in various locations around our footprint. We intend to continue to review our branching strategy in future years based on market conditions, changes in economic or competitive conditions as well as various other factors.

On February 27, 2015, we closed the transactions to acquire Community First Bancshares, Inc. ("Community First") and Liberty Bancshares, Inc. ("Liberty"). Liberty Bank was subsequently merged into our lead bank, Simmons First National

Bank, on April 24, 2015 with a simultaneous systems conversion. First State Bank was subsequently merged into our lead bank, Simmons First National Bank, on September 4, 2015 with a simultaneous systems conversion. As a result of these acquisitions, we recognized $7.7 million in after tax merger related expenses during the nine month period ended September 30, 2015.

Our operating performance continues to produce good results. We are pleased with the results from the third quarter as we continue to absorb our most recent acquisition as well as the acquisitions from the previous two years. Competitive pressures and artificially low interest rates continue to put pressure on our net interest income but we have done a good job of diversifying our revenue through other lines of business such as our trust operations, mortgage lending, credit card services, and other wealth management offerings. We will continue to focus on improving our efficiency throughout the remainder of the year. We continue to pursue growth opportunities and focus on improvement in our core operating income.

We are also pleased with the positive trends in our balance sheet, as reflected in our organic loan growth as well as in our growth from acquisitions. We intend to continue seeking acquisitions that are strategic to our business.

Stockholders' equity as of September 30, 2016 was $1.147 billion, book value per share was $36.69 and tangible book value per share was $23.80. Our ratio of stockholders' equity to total assets was 13.9% and the ratio of tangible stockholders' equity to tangible assets was 9.5% at September 30, 2016. See Table 14 – Reconciliation of Tangible Book Value per Share (non-GAAP) and Table 15 – Reconciliation of Tangible Common Equity and the Ratio of Tangible Common Equity to Tangible Assets (non-GAAP) for additional discussion of non-GAAP measures. The Company's Tier I leverage ratio of 11.6%, 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).

Total assets were $8.227 billion at September 30, 2016, compared to $7.560 billion at December 31, 2015 and $7.560 billion at September 30, 2015. Total loans, including loans acquired, were $5.401 billion at September 30, 2016, compared to $4.919 billion at December 31, 2015 and $4.853 billion at September 30, 2015. We continue to have good asset quality.

Effective April 1, 2016, our wholly-owned subsidiary, Simmons First National Bank converted from a national banking association to an Arkansas state-chartered bank. The bank's name changed to Simmons Bank. Simmons Bank is a member bank of the Federal Reserve System through the Federal Reserve Bank of St. Louis. The charter conversion was a strategic undertaking that we believe will enhance our operations in the long term.

Simmons First National Corporation is a financial holding company, headquartered in Pine Bluff, Ark., with total assets of $8.2 billion conducting financial operations throughout Arkansas, Kansas, Missouri and Tennessee.

CRITICAL ACCOUNTING POLICIES

Overview

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

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

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

Allowance for Loan Losses on Loans Not Acquired

The allowance for loan losses is management's estimate of probable losses in the loan portfolio. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is calculated monthly based on management's assessment of several factors such as (1) historical loss experience based on volumes and types, (2) volume and trends in delinquencies and nonaccruals, (3) lending policies and procedures including those for loan losses, collections and recoveries, (4) national, state and local economic trends and conditions, (5) external factors and pressure from competition, (6) the experience, ability and depth of lending management and staff, (7) seasoning of new products obtained and new markets entered through acquisition and (8) other factors and trends that will affect specific loans and categories of loans. We establish general allocations for each major loan category. This category also includes allocations to loans which are collectively evaluated for loss such as credit cards, one-to-four family owner occupied residential real estate loans and other consumer loans. General reserves have been established, based upon the aforementioned factors and allocated to the individual loan categories. Allowances are accrued for probable losses on specific loans evaluated for impairment for which the basis of each loan, including accrued interest, exceeds the discounted amount of expected future collections of interest and principal or, alternatively, the fair value of loan collateral.

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

Acquisition Accounting, Acquired Loans

We account for our acquisitions under ASC Topic 805, *Business Combinations*, which requires the use of the acquisition method of accounting. All identifiable assets acquired, including loans, are recorded at fair value. No allowance for loan losses related to the 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. The fair value estimates associated with the loans include estimates related to expected prepayments and the amount and timing of undiscounted expected principal, interest and other cash flows.

We evaluate loans acquired in accordance with the provisions of ASC Topic 310-20, *Nonrefundable Fees and Other Costs*. The fair value discount on these loans is accreted into interest income over the weighted average life of the loans using a constant yield method. These loans are not considered to be impaired loans. We evaluate purchased impaired loans accordance with the provisions of ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*. Purchased loans are considered impaired if there is evidence of credit deterioration since origination and if it is probable that not all contractually required payments will be collected. All loans acquired, whether or not previously covered by FDIC loss share agreements, are considered impaired if there is evidence of credit deterioration since origination and if it is probable that not all contractually required payments will be collected.

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

Covered Loans and Related Indemnification Asset

In September 2015, the Bank entered into an agreement with the FDIC to terminate all of its remaining loss-sharing agreements. As a result, all FDIC-acquired assets are now classified as non-covered. All acquired loans are recorded at their discounted net present value; therefore, they are excluded from the computations of the asset quality ratios for the legacy loan portfolio, except for their inclusion in total assets. Under the early termination, all rights and obligations of the Bank and the FDIC under the FDIC loss share agreements, including the clawback provisions and the settlement of loss share and expense reimbursement claims, have been resolved and terminated.

Prior to the termination of the loss share agreements, 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 was accreted back into income over the life of the shared-loss agreements.

Goodwill and Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Other intangible assets represent purchased assets that also lack physical substance but can be separately distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset or liability. We perform an annual goodwill impairment test, and more than annually if circumstances warrant, in accordance with ASC Topic 350, *Intangibles – Goodwill and Other*, as amended by ASU 2011-08 – *Testing Goodwill for Impairment*. ASC Topic 350 requires that goodwill and intangible assets that have indefinite lives be reviewed for impairment annually, or more frequently if certain conditions occur. Impairment losses, 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, restricted stock awards, restricted stock units and performance stock units. Pursuant to the plans, shares are reserved for future issuance by the Company upon exercise of stock options or satisfaction of the conditions in the awards of the restricted or performance stock to directors, officers and other key employees.

In accordance with ASC Topic 718, *Compensation – Stock Compensation*, the fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model that uses various assumptions. This model requires the input of highly subjective assumptions, changes to which can materially affect the fair value estimate. For additional information, see Note 14, Stock Based Compensation, in the accompanying Condensed Notes to Consolidated Financial Statements included elsewhere in this report.

Income Taxes

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

NET INTEREST INCOME

Overview

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

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

Net Interest Income Quarter-to-Date Analysis

For the three month period ended September 30, 2016, net interest income on a fully taxable equivalent basis was $70.2 million, a decrease of $10.6 million, or 13.1%, over the same period in 2015. The decrease in net interest income was the result of an $11.8 million decrease in interest income and a $1.2 million decrease in interest expense.

The decrease in interest income primarily resulted from an $11.3 million decrease in interest income on loans, consisting of legacy loans and acquired loans. The increase in loan volume during 2016 generated $4.1 million of additional interest income, while a 120 basis point decline in yield resulted in a $15.4 million decrease in interest income. The interest income increase from loan volume was primarily due to our legacy loan growth from the same period last year.

Included in interest income is the effect of yield accretion recognized as a result of updated estimates of the cash flows of our acquired loans, as discussed in Note 5, Loans Acquired, in the accompanying Notes to Consolidated Financial Statements included elsewhere in this report. Each quarter, we estimate the cash flows expected to be collected from the acquired loans, and adjustments may or may not be required. The cash flow estimate may increase or decrease based on payment histories and loss expectations of the loans. The resulting adjustment to interest income is spread on a level-yield basis over the remaining expected lives of the loans. For loans previously covered by FDIC loss sharing agreements, any increases in expected cash flows also reduced the amount of expected reimbursements under the loss sharing agreements, which were recorded as indemnification assets. The estimated adjustments to the indemnification assets were amortized on a level-yield basis over the remainder of the loss sharing agreements or the remaining expected life of the loans, whichever was shorter, and were recorded in non-interest expense.

For the three months ended September 30, 2016, interest income was less by $9.6 million and non-interest income was greater by $2.0 million, compared to the same period in 2015, due to the adjustments discussed above. The net effect lowered 2016 third quarter pre-tax income by $7.6 million from 2015. The accretable yield adjustments recorded in future periods will change as we continue to evaluate expected cash flows from the acquired loans. With the termination of the loss sharing agreements in 2015, there will be no future adjustments to non-interest income.

The $1.2 million decrease in interest expense is primarily from a 146 basis point decline in the cost of our other borrowings.

Net Interest Income Year-to-Date Analysis

For the nine month period ended September 30, 2016, net interest income on a fully taxable equivalent basis was $211.2 million, an increase of $72,000 over the same period in 2015. The change in net interest income was the result of a $646,000 decrease in interest income and a $718,000 decrease in interest expense.

The decrease in interest income primarily resulted from a $3.0 million decrease in interest income on loans and a $2.5 million increase in interest income on investment securities. The increase in loan volume during 2016 generated $29.5 million of additional interest income, while a 95 basis point decline in yield resulted in a $32.5 million decrease in interest income. The increase in loan volume was primarily due to our legacy loan growth during 2016. $1.8 million of the increase in interest income on investment securities was due to volume increases while $735,000 was a result of an increase in yield on the security portfolio.

For the nine months ended September 30, 2016, the acquired loan cash flow adjustments resulted in a decrease to interest income by $17.8 million and non-interest income was greater by $7.7 million compared to the same period in 2015. The net increase to year-to-date 2016 pre-tax income was $10.1 million compared with 2015.

The $718,000 decrease in interest expense is primarily from a 60 basis point decline in the cost of our other borrowings.

Net Interest Margin

Our net interest margin decreased 73 basis points to 4.09% for the three month period ended September 30, 2016, when compared to 4.82% for the same period in 2015. For the nine month period ended September 30, 2016, net interest margin decreased 36 basis points to 4.22% when compared to 4.58% for the same period in 2015. The most significant factor in the decreasing margin during the three month period ended September 30, 2016 is the impact of the lower accretable yield adjustments previously discussed. Normalized for all accretion on acquired loans, our core net interest margin at September 30, 2016 and 2015 was 3.87% and 3.82%, respectively. See Reconciliation of Non-GAAP Measures and Table 16 – Reconciliation of Core Net Interest Margin (non-GAAP) for additional discussion of non-GAAP measures.

Net Interest Income Tables

Tables 1 and 2 reflect an analysis of net interest income on a fully taxable equivalent basis for the three and nine months ended September 30, 2016 and 2015, respectively, as well as changes in fully taxable equivalent net interest margin for the three and nine months ended September 30, 2016, versus September 30, 2015.

Table 1: Analysis of Net Interest Margin

(FTE = Fully Taxable Equivalent)	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2016	2015	2016	2015
Interest income	$73,418	$85,199	$220,940	$221,624
FTE adjustment	2,181	2,172	6,370	6,332
Interest income – FTE	75,599	87,371	227,310	227,956
Interest expense	5,355	6,523	16,062	16,780
Net interest income – FTE	$70,244	$80,848	$211,248	$211,176
Yield on earning assets – FTE	4.41 %	5.20 %	4.54 %	4.94 %
Cost of interest bearing liabilities	0.41 %	0.48 %	0.42 %	0.45 %
Net interest spread – FTE	4.00 %	4.72 %	4.12 %	4.49 %
Net interest margin – FTE	4.09 %	4.82 %	4.22 %	4.58 %

Table 2: Changes in Fully Taxable Equivalent Net Interest Margin

(In thousands)	Three Months Ended September 30, 2016 vs. 2015	Nine Months Ended September 30, 2016 vs. 2015
Increase due to change in earning assets	$ 3,941	$ 30,948
Decrease due to change in earning asset yields	(15,713)	(31,594)
Increase (decrease) due to change in interest bearing liabilities	300	(163)
Increase due to change in interest rates paid on interest bearing liabilities	868	881
(Decrease) increase in net interest income	$ (10,604)	$ 72

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 months ended September 30, 2016 and 2015. The table also shows the average rate earned on all earning assets, the average rate expensed on all interest bearing liabilities, the net interest spread and the net interest margin for the same periods. The analysis is presented on a fully taxable equivalent basis. Nonaccrual loans were included in average loans for the purpose of calculating the rate earned on total loans.

Table 3: Average Balance Sheets and Net Interest Income Analysis

	Three Months Ended September 30,					
	2016			2015		
($ in thousands)	Average Balance	Income/ Expense	Yield/ Rate (%)	Average Balance	Income/ Expense	Yield/ Rate (%)
ASSETS						
Earning assets:						
Interest bearing balances due from banks	$246,818	$244	0.39	$206,467	$122	0.23
Federal funds sold	6,431	19	1.18	19,086	15	0.31
Investment securities - taxable	1,038,437	4,445	1.70	1,209,985	4,901	1.61
Investment securities - non-taxable	391,495	5,468	5.56	357,048	5,582	6.20
Mortgage loans held for sale	31,256	299	3.81	26,379	291	4.38
Assets held in trading accounts	5,108	4	0.31	6,401	4	0.25
Loans	5,105,474	65,120	5.07	4,835,068	76,456	6.27
Total interest earning assets	6,825,019	75,599	4.41	6,660,434	87,371	5.20
Non-earning assets	878,818			947,333		
Total assets	$7,703,837			$7,607,767		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities:						
Interest bearing liabilities						
Interest bearing transaction and savings accounts	$3,645,414	$1,965	0.21	$3,600,930	$2,222	0.24
Time deposits	1,213,895	1,767	0.58	1,397,928	1,936	0.55
Total interest bearing deposits	4,859,309	3,732	0.31	4,998,858	4,158	0.33
Federal funds purchased and securities sold under agreement to repurchase	105,576	59	0.22	109,311	55	0.20
Other borrowings	192,453	1,048	2.17	197,832	1,812	3.63
Subordinated debentures	60,238	516	3.41	61,851	498	3.19
Total interest bearing liabilities	5,217,576	5,355	0.41	5,367,852	6,523	0.48
Non-interest bearing liabilities:						
Non-interest bearing deposits	1,322,818			1,121,078		
Other liabilities	49,191			74,696		
Total liabilities	6,589,585			6,563,626		
Stockholders' equity	1,114,252			1,044,141		
Total liabilities and stockholders' equity	$7,703,837			$7,607,767		
Net interest spread			4.00			4.72

Net interest margin	$70,244	4.09	$80,848	4.82

($ in thousands)	Nine Months Ended September 30, 2016 Average Balance	Income/ Expense	Yield/ Rate(%)	2015 Average Balance	Income/ Expense	Yield/ Rate(%)
ASSETS						
Earning assets:						
Interest bearing balances due from banks	$180,105	$465	0.34	$295,476	$561	0.25
Federal funds sold	3,613	46	1.70	50,618	118	0.31
Investment securities - taxable	1,064,670	15,029	1.89	1,152,756	12,352	1.43
Investment securities - non-taxable	415,296	16,016	5.15	349,511	16,184	6.19
Mortgage loans held for sale	28,905	872	4.03	26,230	813	4.14
Assets held in trading accounts	5,745	13	0.30	6,591	11	0.22
Loans	4,984,349	194,869	5.22	4,289,339	197,917	6.17
Total interest earning assets	6,682,683	227,310	4.54	6,170,521	227,956	4.94
Non-earning assets	892,370			866,014		
Total assets	$7,575,053			$7,036,535		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities:						
Interest bearing liabilities						
Interest bearing transaction and savings accounts	$3,552,088	$6,018	0.23	$3,274,344	$5,701	0.23
Time deposits	1,253,437	5,144	0.55	1,346,879	5,596	0.56
Total interest bearing deposits	4,805,525	11,162	0.31	4,621,223	11,297	0.33
Federal funds purchased and securities sold under agreement to repurchase	107,932	183	0.23	115,713	177	0.20
Other borrowings	182,908	3,114	2.27	186,955	4,014	2.87
Subordinated debentures	60,160	1,603	3.56	53,506	1,292	3.23
Total interest bearing liabilities	5,156,525	16,062	0.42	4,977,397	16,780	0.45
Non-interest bearing liabilities:						
Non-interest bearing deposits	1,273,337			1,064,273		
Other liabilities	53,304			63,171		
Total liabilities	6,483,166			6,104,841		
Stockholders' equity	1,091,887			931,694		
Total liabilities and stockholders' equity	$7,575,053			$7,036,535		
Net interest spread			4.12			4.49
Net interest margin		$211,248	4.22		$211,176	4.58

Table 4 shows changes in interest income and interest expense resulting from changes in volume and changes in interest rates for the three and nine month periods ended September 30, 2016, as compared to the same periods of the prior year. The changes in interest rate and volume have been allocated to changes in average volume and changes in average rates in proportion to the relationship of absolute dollar amounts of the changes in rates and volume.

Table 4: Volume/Rate Analysis

(In thousands, on a fully taxable equivalent basis)	Three Months Ended September 30, 2016 over 2015			Nine Months Ended September 30, 2016 over 2015		
	Volume	Yield/ Rate	Total	Volume	Yield/ Rate	Total
Increase (decrease) in:						
Interest income:						
Interest bearing balances due from banks	$28	$94	$122	$(260)	$164	$(96)
Federal funds sold	(15)	19	4	(194)	122	(72)
Investment securities - taxable	(723)	267	(456)	(1,002)	3,679	2,677
Investment securities - non-taxable	512	(626)	(114)	2,776	(2,944)	(168)
Mortgage loans held for sale	50	(42)	8	81	(22)	59
Assets held in trading accounts	(1)	1	--	(1)	3	2
Loans	4,090	(15,426)	(11,336)	29,548	(32,596)	(3,048)
Total	3,941	(15,713)	(11,772)	30,948	(31,594)	(646)
Interest expense:						
Interest bearing transaction and savings accounts	27	(284)	(257)	474	(157)	317
Time deposits	(264)	95	(169)	(384)	(68)	(452)
Federal funds purchased and securities sold under agreements to repurchase	(2)	6	4	(12)	18	6
Other borrowings	(48)	(716)	(764)	(85)	(815)	(900)
Subordinated debentures	(13)	31	18	170	141	311
Total	(300)	(868)	(1,168)	163	(881)	(718)
Increase (decrease) in net interest income	$4,241	$(14,845)	$(10,604)	$30,785	$(30,713)	$72

<u>PROVISION FOR LOAN LOSSES</u>

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

The provision for loan losses for the three month period ended September 30, 2016, was $8.3 million, compared to $1.6 million for the three month period ended September 30, 2015, an increase of $6.7 million. The provision for loan losses for the nine month period ended September 30, 2016, was $15.7 million, compared to $5.8 million for the nine month period ended September 30, 2015, an increase of $9.9 million. See Allowance for Loan Losses section for additional information.

The provision increase resulted from several reasons. Our increased organic legacy loan growth rate required additional allowance. Significant loan growth in our Missouri and Tennessee markets, both from new loans and from acquired loans migrating to legacy, required an allowance to be established for those loans through a provision.

Our provision expense for the three month period ended September 30, 2016 included replenishment of a $5.4 million single charge-off related to a nonaccrual loan acquired from Metropolitan National Bank. The loan was charged down to the appraised liquidation value of the collateral and the charged-off amount was added back to the allowance for loan losses during the quarter, resulting in the increase in provision. The provision expense for the nine month period ended September 30, 2016 also included replenishment of a $2 million charge-off related to potential customer fraud on an agricultural loan, which carried a pass rating and for which recovery is unknown.

Finally, a $215,000 provision was recorded on acquired loans during the three months ended September 30, 2016 while $522,000 was recorded during the nine months ended September 30, 2016 as a result of a shortage in our credit mark on certain purchased credit impaired loans.

NON-INTEREST INCOME

Total non-interest income was $36.9 million for the three month period ended September 30, 2016, an increase of $13.8 million, or 59.8%, compared to $23.1 million for the same period in 2015. Total non-interest income was $103.3 million for the nine month period ended September 30, 2016, an increase of $37.3 million, or 56.4%, compared to $66.0 million for the same period in 2015. The increase in non-interest income was partially due to gains recorded on the sale of securities that totaled $4.4 million as part of our bond portfolio rebalancing strategy. We are actively looking to reduce the number of issuances we hold in our portfolio and monitoring the market conditions for opportunities to sell securities and replace with comparable yields while only marginally extending the duration of the portfolio.

There was a $14.8 million increase in non-interest income from the nine month period ended September 30, 2016 to the same period of 2015 due to the elimination of the amortization of the indemnification asset expected to be collected from the FDIC covered loan portfolios. Excluding the indemnification asset amortization adjustments, non-interest income increased $22.5 million, or 27.8%.

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, income from the increase in cash surrender values of bank owned life insurance and gains (losses) from sales of securities. The remaining increase in non-interest income was due to additional mortgage lending, trust income and investment banking revenue.

Table 5 shows non-interest income for the three and nine month periods ended September 30, 2016 and 2015, respectively, as well as changes in 2016 from 2015.

Table 5: Non-Interest Income

	Three Months Ended September 30,		2016 Change from			Nine Months Ended September 30,		2016 Change from		
(In thousands)	2016	2015	2015			2016	2015	2015		
Trust income	$ 3,873	$ 2,215	$ 1,658	74.85	%	$ 11,160	$ 6,536	$ 4,624	70.75	%
	8,771	8,488	283	3.33		23,748	22,881	867	3.79	

Service charges on deposit accounts										
Other service charges and fees	1,840	2,672	(832)	-31.14		5,320	7,102	(1,782)	-25.09	
Mortgage lending income	5,760	3,446	2,314	67.15		15,429	9,156	6,273	68.51	
Investment banking income	1,131	663	468	70.59		2,999	1,808	1,191	65.87	
Debit and credit card fees	7,825	6,879	946	13.75		22,713	19,013	3,700	19.46	
Bank owned life insurance income	606	748	(142)	-18.98		2,429	2,066	363	17.57	
Gain on sale of securities	315	40	275	687.50		4,403	2	4,401	--	
Gain on sale of banking operations	--	2,110	(2,110)	-100.00		--	2,110	(2,110)	-100.00	
Net (loss) on assets covered by FDIC loss share agreements	--	(9,085)	9,085	-100.00		--	(14,812)	14,812	-100.00	
Net gain on sale of premises held for sale	175	153	22	14.38		175	153	22	14.38	
Other income	6,580	4,743	1,837	38.73		14,891	9,999	4,892	48.92	
Total non-interest income	$ 36,876	$ 23,072	$ 13,804	59.83	%	$ 103,267	$ 66,014	$ 37,253	56.43	%

Recurring fee income (service charges, trust fees and credit card fees) for the three month period ended September 30, 2016, was $22.3 million, an increase of $2.1 million from the three month period ended September 30, 2015. Trust income increased by $1.7 million or 74.85%, and debit and credit card fees increased by $946,000, or 13.75%. These increases were partially offset by a decrease in other service charges and fees of $832,000. The increase in trust income is related to the acquisition of Ozark Trust during the fourth quarter of 2015.

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Mortgage lending income increased by $2.3 million for the three months ended September 30, 2016 compared to last year, due primarily to additional lenders and an increasingly active residential real estate market. Included in non-interest income for the three months ended September 30, 2015 was a $2.1 million gain on the sale of our Salina banking operations.

Net loss on assets covered by FDIC loss share agreements decreased by $9.1 million and $14.8 million during the three and nine month period ending September 30, 2016, respectively, due to the termination of the FDIC loss share agreements and the related indemnification asset.

NON-INTEREST EXPENSE

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

Non-interest expense for the three months ended September 30, 2016 was $62.4 million, a decrease of $5.1 million, or 7.50%, from the same period in 2015. The most significant impact to non-interest expense were the following nonrecurring items.

We saw a $667,000 increase in merger related costs from last year. We had $1.5 million of merger related costs in the third quarter of 2016 compared to only $857,000 in the third quarter of 2015. The merger related costs in the current year were from our acquisition of Citizens and in the prior year were from our acquisitions of Liberty, Community First and Ozark Trust. This increase was offset by a decrease in branch right sizing expense for the second quarter of 2016 to $218,000 from $458,000 for the second quarter of 2015.

Normalizing for the nonrecurring merger related costs and branch right sizing expenses, non-interest expense for the three months ended September 30, 2016 decreased $5.5 million, or 8.29 %, from the same period in 2015.

Non-interest expense for the nine months ended September 30, 2016 was $188.4 million, a decrease of $806,000, or 0.43%, from the same period in 2015. The most significant impact to non-interest expense were the following nonrecurring items.

First, we saw a $10.5 million decrease in merger related costs from last year. Included in the nine months ended September 30, 2016 were $2.0 million in merger related costs, primarily from our acquisition of Citizens. In the same period of 2015 we recorded $12.5 million of merger related costs associated with our Liberty, Community First and Ozark Trust acquisitions.

Second, branch right sizing expense for the nine months ended September 30, 2016 increased by $214,000 from the same period in 2015. We had $3.5 million of branch right sizing expense in 2016 from our ten branch closings. For the same period in 2015, we had expenses of $3.2 million associated with the closure and maintenance of twelve branches. We continue to monitor branch operations and profitability as well as changing customer habits.

Normalizing for the nonrecurring merger related costs and branch right sizing, non-interest expense for the nine months ended September 30, 2016 increased $9.5 million, or 5.49%, from the same period in 2015, primarily due to the incremental operating expenses of the acquired franchises.

Salaries and employee benefits decreased by $5.2 million for the three months ended September 30, 2016 compared to the same period in 2015 as we continue to recognize the benefits from our ongoing efficiency initiatives and cost saves related to the integration of our 2015 acquisitions. Salaries and employee benefits increased by $940,000 for the nine months ended September 30, 2016 related to the Community First and Liberty mergers during 2015. Occupancy expense decreased by $122,000 for the three months ended September 30, 2016 and increased $711,000 for the nine months period ended September 30, 2016 when compared to the same periods in 2015, while furniture and equipment expense increased by $70,000 and $1.7 million from the same periods in 2015.

The incremental increases in several other operating expense categories during the periods were a result of the 2015 acquisitions. Professional services increased by $1.2 million and $3.4 million for the three and nine months ended September 30, 2016 from the same period in 2015 related to exam fees, auditing and accounting services and general consulting expenses.

Table 6 below shows non-interest expense for the three and nine month periods ended September 30, 2016 and 2015, respectively, as well as changes in 2016 from 2015.

Table 6: Non-Interest Expense

(In thousands)	Three Months Ended September 30, 2016	2015	2016 Change from 2015		Nine Months Ended September 30, 2016	2015	2016 Change from 2015	
Salaries and employee benefits	$ 31,784	$ 37,000	$ (5,216)	-14.10 %	$ 99,660	$ 98,720	$ 940	0.95 %
Occupancy expense, net	4,690	4,812	(122)	-2.54	14,151	13,440	711	5.29
Furniture and equipment expense	4,272	4,202	70	1.67	12,296	10,621	1,675	15.77
Other real estate and foreclosure expense	1,849	2,297	(448)	-19.50	3,782	3,694	88	2.38
Deposit insurance	1,136	1,013	123	12.14	3,380	2,979	401	13.46
Merger related costs	1,524	857	667	77.83	1,989	12,523	(10,534)	-84.12
Other operating expenses:								
Professional services	3,282	2,111	1,171	55.47	9,678	6,248	3,430	54.90
Postage	1,150	1,079	71	6.58	3,458	3,097	361	11.66
Telephone	912	1,521	(609)	-40.04	3,014	3,698	(684)	-18.50
Credit card expenses	2,947	2,309	638	27.63	8,319	6,579	1,740	26.45
Operating supplies	457	687	(230)	-33.48	1,273	1,693	(420)	-24.81
Amortization of intangibles	1,503	1,265	238	18.81	4,411	3,552	859	24.18
Branch right sizing expense	218	458	(240)	-52.40	3,451	3,237	214	6.61
Other expense	6,710	7,884	(1,174)	-14.89	19,498	19,085	413	2.16
Total non-interest expense	$ 62,434	$ 67,495	$ (5,061)	-7.50 %	$ 188,360	$ 189,166	$ (806)	-0.43 %

LOAN PORTFOLIO

Our legacy loan portfolio, excluding loans acquired, averaged $3.515 billion and $2.391 billion during the first nine months of 2016 and 2015, respectively. As of September 30, 2016, total loans, excluding loans acquired, were $3.943 billion, an increase of $696.6 million from December 31, 2015. The most significant components of the loan portfolio were loans to businesses (commercial loans, commercial real estate loans and agricultural loans) and individuals (consumer loans, credit card loans and single-family residential real estate loans). The growth in the legacy portfolio is primarily attributable to the larger market areas in which we now operate as a result of our acquisitions. In addition, we have actively recruited and hired new lenders in our growth markets in an effort to continue growing our loan portfolio.

Also contributing to our legacy loan growth are acquired loans that have migrated to legacy loans. When we make a credit decision on an acquired loan as a result of the loan maturing or renewing, the outstanding balance of that loan migrates from loans acquired to legacy loans. Our legacy loan growth from December 31, 2015 to September 30, 2016 included $206.4 million in balances that migrated from acquired loans during the period. These migrated loan balances are included in the legacy loan balances as of September 30, 2016.

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

The balances of loans outstanding, excluding loans acquired, at the indicated dates are reflected in Table 7, according to type of loan.

Table 7: Loan Portfolio

(In thousands)	September 30, 2016	December 31, 2015
Consumer:		
Credit cards	$ 175,032	$ 177,288
Other consumer	275,947	208,380
Total consumer	450,979	385,668
Real estate:		
Construction	304,082	279,740
Single family residential	841,958	696,180
Other commercial	1,521,132	1,229,072
Total real estate	2,667,172	2,204,992
Commercial:		
Commercial	607,738	500,116
Agricultural	203,529	148,563
Total commercial	811,267	648,679
Other	13,671	7,115
Total loans, excluding loans acquired, before allowance for loan losses	$ 3,943,089	$ 3,246,454

Consumer loans consist of credit card loans and other consumer loans. Consumer loans were $451.0 million at September 30, 2016, or 11.4% of total loans, compared to $385.7 million, or 11.9% of total loans at December 31, 2015. The increase in consumer loans from December 31, 2015, to September 30, 2016, was due to growth in direct and indirect consumer loans.

Real estate loans consist of construction loans, single-family residential loans and commercial real estate loans. Real estate loans were $2.667 billion at September 30, 2016, or 67.6% of total loans, compared to the $2.205 billion, or 67.9%, of total loans at December 31, 2015, an increase of $462.2 million. Commercial real estate loans increased to $1.521 billion, a $292.1 million, or 23.8% growth from December 31, 2015 primarily due to increased opportunities in our growth markets as a result of our larger scale from the recent acquisitions.

Commercial loans consist of non-agricultural commercial loans and agricultural loans. Commercial loans were $811.3 million at September 30, 2016, or 20.6% of total loans, compared to $648.7 million, or 20.0% of total loans at December 31, 2015, an increase of $162.6 million. Non-agricultural commercial loans increased to $607.7 million, a $107.6 million, or 21.5%, growth from December 31, 2015. Agricultural loans increased to $203.5 million, a $55.0 million, or 37.0%, increase primarily due to seasonality of the portfolio, which normally peaks in the third quarter and is at its lowest point at the end of the first quarter.

LOANS ACQUIRED

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

On February 27, 2015, we completed the acquisition of Liberty and issued 5,181,337 shares of the Company's common stock valued at approximately $212.2 million as of February 27, 2015 in exchange for all outstanding shares of Liberty common stock. Included in the acquisition were loans with a fair value of $780.7 million.

On February 27, 2015, we also completed the acquisition of Community First and issued 6,552,915 shares of the Company's common stock valued at approximately $268.3 million as of February 27, 2015, plus $9,974 in cash in exchange for all outstanding shares of Community First common stock. We also issued $30.9 million of preferred stock in exchange for all outstanding shares of Community First preferred stock. Included in the acquisition were loans with a fair value of $1.1 billion.

On August 31, 2014, we completed the acquisition of Delta Trust & Banking Corporation ("Delta Trust"), and issued 1,629,424 shares of the Company's common stock valued at approximately $65.0 million as of August 29, 2014, plus $2.4 million in cash in exchange for all outstanding shares of Delta Trust common stock. Included in the acquisition were loans with a fair value of $311.7 million.

On November 25, 2013, we completed the acquisition of Metropolitan National Bank ("Metropolitan"), in which the Company purchased all the stock of Metropolitan for $53.6 million in cash. The acquisition was conducted in accordance with the provisions of Section 363 of the United States Bankruptcy Code. Included in the acquisition were loans with a fair value of $457.4 million and foreclosed assets with a fair value of $42.9 million.

On September 15, 2015, we entered into an agreement with the FDIC to terminate all loss share agreements. Under the early termination, all rights and obligations of the Company and the FDIC under the FDIC loss share agreements, including the clawback provisions and the settlement of loss share and expense reimbursement claims, have been resolved and terminated. As a result, we have reclassified loans previously covered by FDIC loss share to acquired loans not covered and reclassified foreclosed assets previously covered by FDIC loss share to foreclosed assets not covered.

Table 8 reflects the carrying value of all acquired loans as of September 30, 2016 and December 31, 2015.

Table 8: Loans Acquired

(In thousands)	September 30, 2016	December 31, 2015
Consumer:		
Other consumer	$ 51,237	$ 75,606
Total consumer	51,237	75,606
Real estate:		
Construction	60,307	77,119
Single family residential	461,346	501,002
Other commercial	771,858	854,068
Total real estate	1,293,511	1,432,189
Commercial:		
Commercial	109,562	154,533
Agricultural	3,888	10,573
Total commercial	113,450	165,106
Total loans acquired (1)	$ 1,458,198	$ 1,672,901

(1) Loans acquired are reported net of a $954,000 allowance at September 30, 2016 and December 31, 2015.

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

We evaluated the remaining loans purchased in conjunction with the acquisitions of Citizens, Liberty, Community First, Metropolitan and Delta Trust for impairment in accordance with the provisions of ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*. Purchased loans are considered impaired if there is evidence of credit deterioration since origination and if it is probable that not all contractually required payments will be collected. Because some loans we evaluated, previously covered by loss share agreements, were determined to have experienced impairment in the estimated credit quality or cash flows during 2014, we recorded a provision to establish a $954,000 allowance for loan losses for covered purchased impaired loans. With the termination of our FDIC loss share agreements, the $954,000 allowance has been reclassified as allowance on acquired loans, not covered by loss share. See Note 2 and Note 5 of the Notes to Consolidated Financial Statements for further discussion of loans acquired.

ASSET QUALITY

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

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

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

Total non-performing assets, excluding all loans acquired, increased by $4.6 million from December 31, 2015 to September 30, 2016. Foreclosed assets held for sale decreased by $14.4 million. Nonaccrual loans increased by $19.7 million during the period, primarily CRE loans. Non-performing assets, including trouble debt restructurings (“TDRs”) and acquired foreclosed assets, as a percent of total assets were 1.00% at September 30, 2016, compared to 0.89% at December 31, 2015. The increase in the non-performing ratio from the fourth quarter is primarily the result of a single credit totaling $7.1 million and other migrated assets that have deteriorated since acquisition. We feel we are adequately reserved for the potential exposures related to these credits. There were also several larger non-performing loans that were identified during the year. The majority of these balances were related to acquired loans that have migrated, residential loans that have entered loss mitigation, and certain balances remaining outstanding which were related to potential fraudulent activity on an agricultural loan relationship discussed above. The decrease in foreclosed assets held for sale was the result of the sale of several properties we acquired through our Metropolitan National Bank and FDIC-assisted transactions.

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

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

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

Once an obligation has been restructured because of such credit problems, it continues to be considered a TDR until paid in full; or, if an obligation yields a market interest rate and no longer has any concession regarding payment amount or amortization, then it is not considered a TDR at the beginning of the calendar year after the year in which the improvement takes place. Our TDR balance increased to $16.5 million at September 30, 2016, compared to $5.6 million at December 31, 2015. The majority of our TDRs remain in the CRE portfolio with the largest increase comprised of two relationships.

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

We continue to maintain good asset quality. The allowance for loan losses as a percent of total loans was 0.86% as of September 30, 2016. Non-performing loans equaled 0.95% of total loans, a 37 basis point increase from December 31, 2015 but a 22 basis point decrease from June 30, 2016. Non-performing assets were 0.83% of total assets, a 2 basis point decline during the same period. The allowance for loan losses was 91% of non-performing loans. Our annualized net charge-offs to total loans for the first nine months of 2016 was 0.47%. Excluding credit cards, the annualized net charge-offs to total loans for the same period was 0.44%, a 32 basis point increase from the same period in 2015. This increase is related to the two larger charge offs during 2016 that were discussed above. Annualized net credit card charge-offs to total credit card loans were 1.22%, compared to 1.28% during the full year 2015, and more than 190 basis points better than the most recently published industry average charge-off ratio as reported by the Federal Reserve for all banks.

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

Table 9: Non-performing Assets

($ in thousands)	September 30, 2016		December 31, 2015	
Nonaccrual loans [(1)]	$ 37,392		$ 17,714	
Loans past due 90 days or more (principal or interest payments)	144		1,191	
Total non-performing loans	37,536		18,905	
Other non-performing assets:				
Foreclosed assets held for sale	30,396		44,820	
Other non-performing assets	621		211	
Total other non-performing assets	31,017		45,031	
Total non-performing assets	$ 68,553		$ 63,936	
Performing TDRs	$ 13,604		$ 3,031	
Allowance for loan losses to non-performing loans	91	%	166	%
Non-performing loans to total loans	0.95	%	0.58	%
Non-performing assets to total assets [(2)]	0.83	%	0.85	%

(1) Includes nonaccrual TDRs of approximately $2.9 million at September 30, 2016 and $2.5 million at December 31, 2015.

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

There was no interest income on nonaccrual loans recorded for the three and nine month periods ended September 30, 2016 and 2015.

At September 30, 2016, impaired loans, net of government guarantees and loans acquired, were $40.5 million compared to $18.2 million at December 31, 2015. The increase in impaired loans is primarily related to the non-performing loans discussed above. On an ongoing basis, management evaluates the underlying collateral on all impaired loans and allocates specific reserves, where appropriate, in order to absorb potential losses if the collateral were ultimately foreclosed.

ALLOWANCE FOR LOAN LOSSES

Overview

The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management’s best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The Company’s allowance for loan loss methodology includes allowance allocations calculated in accordance with ASC Topic 310-10, *Receivables*, and allowance allocations calculated in accordance with ASC Topic 450-20, *Loss Contingencies*. Accordingly, the methodology is based on our internal grading system, specific impairment analysis, qualitative and quantitative factors.

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

Specific Allocations

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

General Allocations

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

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

Table 10: Allowance for Loan Losses

(In thousands)	2016	2015
Balance, beginning of year	$31,351	$29,028
Loans charged off:		
Credit card	2,260	2,350
Other consumer	1,482	1,183
Real estate	7,350	735
Commercial	3,043	761
Total loans charged off	14,135	5,029
Recoveries of loans previously charged off:		
Credit card	694	667
Other consumer	358	398
Real estate	278	83
Commercial	337	178
Total recoveries	1,667	1,326
Net loans charged off	12,468	3,703
Provision for loan losses (1)	15,211	5,055
Balance, September 30 (2)	$34,094	30,380
Loans charged off:		
Credit card		757
Other consumer		489
Real estate		845
Commercial		654
Total loans charged off		2,745
Recoveries of loans previously charged off:		
Credit card		223
Other consumer		140
Real estate		120
Commercial		2
Total recoveries		485
Net loans charged off		2,260
Provision for loan losses (1)		3,231
Balance, end of year (2)		$31,351

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(1) Provision for loan losses of $522,000 attributable to loans acquired, was excluded from this table for 2016 (total year-to-date provision for loan losses is $15,733,000) and $73,000 was excluded from this table for 2015 (total 2015 provision for loan losses is $9,022,000). The $522,000 for 2016 and $736,000 for 2015 was subsequently charged-off, resulting in no increase in the allowance related to loans acquired.

(2) Allowance for loan losses at September 30, 2016 and December 31, 2015 includes $954,000 allowance for loans acquired (not shown in the table above). The total allowance for loan losses at September 30, 2016 and December

31, 2015 was $35,048,000 and $32,305,000, respectively.

Provision for Loan Losses

The amount of provision to the allowance during the three and nine months ended September 30, 2016 and 2015, and for the year ended December 31, 2015, was based on management's judgment, with consideration given to the composition of the portfolio, historical loan loss experience, assessment of current economic conditions, past due and non-performing loans and net loss experience. It is management's practice to review the allowance on a monthly basis, and after considering the factors previously noted, to determine the level of provision made to the allowance.

Allowance for Loan Losses Allocation

As of September 30, 2016, the allowance for loan losses reflects an increase of approximately $2.7 million from December 31, 2015, while total loans, excluding loans acquired, increased by $696.6 million over the same nine month period. The allocation in each category within the allowance generally reflects the overall changes in the loan portfolio mix.

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

Table 11: Allocation of Allowance for Loan Losses

($ in thousands)	September 30, 2016 Allowance Amount	% of loans (1)	December 31, 2015 Allowance Amount	% of loans (1)
Credit cards	$3,749	4.4 %	$3,893	5.5 %
Other consumer	2,510	7.0 %	1,853	6.4 %
Real estate	19,459	67.6 %	19,522	67.9 %
Commercial	8,240	20.6 %	5,985	20.0 %
Other	136	0.4 %	98	0.2 %
Total (2)	$34,094	100.0 %	$31,351	100.0 %

(1) Percentage of loans in each category to total loans, excluding loans acquired.

(2) Allowance for loan losses at September 30, 2016 and December 31, 2015 includes $954,000 allowance for loans acquired (not shown in the table above). The total allowance for loan losses at September 30, 2016 and December 31, 2015 was $35,048,000 and $32,305,000, respectively

DEPOSITS

Deposits are our primary source of funding for earning assets and are primarily developed through our network of over 100 financial centers. We offer a variety of products designed to attract and retain customers with a continuing focus on developing core deposits. Our core deposits consist of all deposits excluding time deposits of $100,000 or more and brokered deposits. As of September 30, 2016, core deposits comprised 89.8% of our total deposits.

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

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

Our total deposits as of September 30, 2016, were $6.617 billion, an increase of $531.3 million from December 31, 2015. The increase is primarily the result of the Citizens acquisition. We have continued our strategy to move more volatile time deposits to less expensive, revenue enhancing transaction accounts. Non-interest bearing transaction accounts, interest bearing transaction accounts and savings accounts totaled $5.289 billion at September 30, 2016, compared to $4.766 billion at December 31, 2015, a $523.3 million increase. Total time deposits increased $8.0 million to $1.328 billion at September 30, 2016, from $1.320 billion at December 31, 2015. We had $12.1 million and $1.5 million of brokered deposits at September 30, 2016 and December 31, 2015, respectively.

OTHER BORROWINGS AND SUBORDINATED DEBENTURES

Our total debt was $275.6 million and $222.9 million at September 30, 2016 and December 31, 2015, respectively. The outstanding balance for September 30, 2016 includes $120.0 million in FHLB short-term advances, $46.3 million in FHLB long-term advances, $49.0 million in notes payable and $60.3 million of trust preferred securities. The outstanding balance for December 31, 2015 included $40.0 million in FHLB short-term advances, $70.0 million in FHLB long-term advances, $52.3 million in notes payable and $60.6 million of trust preferred securities.

The $49.0 million notes payable is unsecured debt from correspondent banks at a rate of 3.85% with quarterly principal and interest payments. The debt has a 10 year amortization with a 5 year balloon payment due in October 2020.

During the nine months ended September 30, 2016, we increased total debt by $52.7 million from December 31, 2015 primarily due to the $80.0 million increase in FHLB short-term advances partially offset by the maturity of $22.0 million of FHLB long-term advances.

CAPITAL

Overview

At September 30, 2016, total capital was $1.147 billion. Capital represents shareholder ownership in the Company – the book value of assets in excess of liabilities. At September 30, 2016, our common equity to assets ratio was 13.9%, up 10 basis points from year-end 2015.

Capital Stock

On February 27, 2009, at a special meeting, our shareholders approved an amendment to the Articles of Incorporation to establish 40,040,000 authorized shares of preferred stock, $0.01 par value. The aggregate liquidation preference of all shares of preferred stock cannot exceed $80,000,000.

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

On March 4, 2014 the Company filed a shelf registration statement with the Securities and Exchange Commission (“SEC”). Subsequently, on June 18, 2014 the Company filed Amendment No. 1 to the shelf registration statement. After becoming effective, the shelf registration statement allows us to raise capital from time to time, up to an aggregate of $300 million, through the sale of common stock, preferred stock, stock warrants, stock rights 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.

Stock Repurchase

During 2012, we announced the adoption by the Board of Directors of a new stock repurchase program. The program authorizes the repurchase of up to 850,000 additional shares of Class A common stock, or approximately 5% of the shares outstanding at that time. The shares are to be purchased from time to time at prevailing market prices, through open market or unsolicited negotiated transactions, depending upon market conditions. Under the repurchase program, there is no time limit for the stock repurchases, nor is there a minimum number of shares that the Company intends to repurchase. We intend to use the repurchased shares to satisfy stock option exercises, payment of future stock awards and dividends and general corporate purposes. We had no stock repurchases during 2015 or 2016.

Cash Dividends

We declared cash dividends on our common stock of $0.72 per share for the first nine months of 2016 compared to $0.69 per share for the first nine months of 2015, an increase of $0.03, or 4.3%. 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 Simmons Bank. Payment of dividends by the 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 bank subsidiary is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. Our capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require us to maintain minimum amounts and ratios (set forth in the table below) of total, Tier 1 and common equity Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes that, as of September 30, 2016, we meet all capital adequacy requirements to which we are subject.

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

Our risk-based capital ratios at September 30, 2016 and December 31, 2015 are presented in Table 12 below:

Table 12: Risk-Based Capital

($ in thousands)	September 30, 2016	December 31, 2015
Tier 1 capital:		
Stockholders' equity	$ 1,147,141	$ 1,076,855
Trust preferred securities	60,290	60,570
Goodwill and other intangible assets	(354,582)	(331,931)
Unrealized gain on available-for-sale securities, net of income taxes	(2,117)	2,665
Total Tier 1 capital	850,732	808,159
Tier 2 capital:		
Qualifying unrealized gain on available-for-sale equity securities	--	--
Qualifying allowance for loan losses	38,050	35,068
Total Tier 2 capital	38,050	35,068
Total risk-based capital	$ 888,782	$ 843,227
Common equity:		
Tier 1 capital	$ 850,732	$ 808,159
Non-cumulative preferred stock	--	(30,852)
Trust preferred securities	(60,290)	(60,570)
Total common equity	$ 790,442	$ 716,737
Risk weighted assets	$ 5,724,052	$ 5,044,453
Assets for leverage ratio	$ 7,355,702	$ 7,218,559
Ratios at end of period:		
Common equity Tier 1 ratio (CET1)	13.81 %	14.21 %
Tier 1 leverage ratio	11.57 %	11.20 %
Tier 1 risk-based capital ratio	14.86 %	16.02 %
Total risk-based capital ratio	15.53 %	16.72 %
Minimum guidelines:		
Common equity Tier 1 ratio	4.50 %	4.50 %
Tier 1 leverage ratio	4.00 %	4.00 %
Tier 1 risk-based capital ratio	6.00 %	6.00 %
Total risk-based capital ratio	8.00 %	8.00 %
Well capitalized guidelines:		
Common equity Tier 1 ratio	6.50 %	6.50 %
Tier 1 leverage ratio	5.00 %	5.00 %
Tier 1 risk-based capital ratio	8.00 %	8.00 %
Total risk-based capital ratio	10.00 %	10.00 %

Regulatory Capital Changes

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

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

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

The final rules include a new common equity Tier 1 capital to risk-weighted assets ratio of 4.5% and a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets. The rules also raise the minimum ratio of Tier 1 capital to risk-weighted assets from 4.0% to 6.0% and require a minimum leverage ratio of 4.0%. The Basel III Capital Rules became effective for the Company and its subsidiary bank on January 1, 2015, with full compliance with all of the final rule's requirements phased in over a multi-year schedule.

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

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 tables below present computations of core earnings (net income excluding nonrecurring items {gain from early retirement of trust preferred securities, gain on sale of banking operations, loss on FDIC loss share termination, merger related costs and branch right sizing expenses}) and diluted core earnings per share (non-GAAP) as well as a reconciliation of tangible book value per share (non-GAAP), tangible common equity to tangible equity (non-GAAP) and the core net interest margin (non-GAAP). 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. These non-GAAP financial measures are also used by management to assess the performance of the Company's business, because management does not consider these 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" and core net interest margin (non-GAAP), provides a meaningful base for period-to-period and company-to-company comparisons, which management believes will assist investors and analysts in analyzing the core financial measures of the Company and predicting future performance. These non-GAAP financial measures are also used by management to assess the performance of the Company's business, because management does not consider these 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.

Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied and are not audited. To mitigate these limitations, the Company has procedures in place to identify and approve each item that qualifies as 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 core earnings, which exclude nonrecurring items for the periods presented.

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

($ in thousands)	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
Net income	$23,429	$21,598	$69,819	$50,325
Nonrecurring items:				
Gain from early retirement of trust preferred securities	--	--	(594)	--
Gain on sale of banking operations	--	(2,110)	--	(2,110)
Loss on FDIC loss share termination	--	7,476	--	7,476
Merger related costs	1,524	857	1,989	12,523
Branch right sizing	43	304	3,276	3,084
Tax effect (1)	(614)	(2,560)	(1,832)	(7,589)
Net nonrecurring items	953	3,967	2,839	13,384
Core earnings (non-GAAP)	$24,382	$25,565	$72,658	$63,709
Diluted earnings per share	$0.76	$0.72	$2.28	$1.83
Nonrecurring items:				
Gain from early retirement of trust preferred securities	--	--	(0.02)	--
Gain on sale of banking operations	--	(0.07)		(0.07)
Loss on FDIC loss share termination	--	0.25		0.27
Merger related costs	0.05	0.03	0.06	0.46
Branch right sizing	--	0.01	0.11	0.11
Tax effect (1)	(0.02)	(0.09)	(0.06)	(0.28)
Net nonrecurring items	0.03	0.13	0.09	0.49
Diluted core earnings per share (non-GAAP)	$0.79	$0.85	$2.37	$2.32

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

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

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

(In thousands, except per share data)	September 30, 2016	December 31, 2015

Total common stockholders’ equity	$1,147,141	$1,046,003
Intangible assets:		
Goodwill	(348,769)	(327,686)
Other intangible assets	(54,268)	(53,237)
Total intangibles	(403,037)	(380,923)
Tangible common stockholders’ equity	$744,104	$665,080
Shares of common stock outstanding	31,267,614	30,278,432
Book value per common share	$36.69	$34.55
Tangible book value per common share (non-GAAP)	$23.80	$21.97

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See Table 15 below for the calculation of tangible common equity and the reconciliation of tangible common equity to tangible assets as of September 30, 2016 and December 31, 2015.

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

(In thousands, except per share data)	September 30, 2016	December 31, 2015
Total stockholders' equity	$1,147,141	$1,076,855
Preferred stock	--	(30,852)
Total common stockholders' equity	1,147,141	1,046,003
Intangible assets:		
Goodwill	(348,769)	(327,686)
Other intangible assets	(54,268)	(53,237)
Total intangibles	(403,037)	(380,923)
Tangible common stockholders' equity	$744,104	$665,080
Total assets	$8,226,992	$7,559,658
Intangible assets:		
Goodwill	(348,769)	(327,686)
Other intangible assets	(54,268)	(53,237)
Total intangibles	(403,037)	(380,923)
Tangible assets	$7,823,955	$7,178,735
Ratio of equity to assets	13.94%	14.24%
Ratio of tangible common equity to tangible assets (non-GAAP)	9.51%	9.26%

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2016	2015	2016	2015
Net interest income	$68,063	$78,676	$204,878	$204,844
FTE adjustment	2,181	2,172	6,370	6,332
Fully tax equivalent net interest income	70,244	80,848	211,248	211,176
Total accretable yield	(4,928)	(14,928)	(17,705)	(35,055)

Core net interest income	$65,316	$65,920	$193,543	$176,121
Average earning assets – quarter-to-date	$6,825,019	$6,660,434	$6,682,683	$6,170,521
Net interest margin	4.09	4.82	4.22	4.58
Core net interest margin (non-GAAP)	3.81	3.93	3.87	3.82

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Item 3. Quantitative and Qualitative Disclosure About Market Risk

Parent Company

The Company has leveraged its investment in subsidiary banks and depends upon the dividends paid to it, as the sole shareholder of the subsidiary banks, as a principal source of funds for dividends to shareholders, stock repurchase and debt service requirements. At September 30, 2016, undivided profits of the Company's subsidiary banks was approximately $237.8 million, of which approximately $2.7 million was available for the payment of dividends to the Company without regulatory approval. In addition to dividends, other sources of liquidity for the Company are the sale of equity securities and the borrowing of funds.

Subsidiary Banks

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

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

Liquidity Management

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

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

The first source of liquidity available to the Company is Federal funds. Federal funds, 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 our subsidiary bank have approximately $285 million in Federal funds lines of credit from upstream correspondent banks that can be accessed, when needed. Historical monitoring of these funds has made it possible for us to project seasonal fluctuations and structure our funding requirements on a month-to-month basis.

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

Third, Simmons Bank has 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 $830.2 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 67% 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.

Fifth, we have a network of correspondent banks from which we can access debt to meet liquidity needs.

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.

As of September 30, 2016, the model simulations projected that 100 and 200 basis point increases in interest rates would result in a positive variance in net interest income of 0.81% and 1.19%, respectively, relative to the base case over the next 12 months, while decreases in interest rates of 100 basis points would result in a negative variance in net interest income of -2.84% relative to the base case over the next 12 months. The likelihood of a decrease in interest rates in excess of 50 basis points as of September 30, 2016 is considered remote given current interest rate levels and the December 2015 rate increase by the Federal Reserve. These are good faith estimates and assume that the composition of our interest sensitive assets and liabilities existing at each year-end will remain constant over the relevant twelve month measurement period and that changes in market interest rates are instantaneous and sustained across the yield curve regardless of duration of pricing characteristics of specific assets or liabilities. Also, this analysis does not contemplate any actions that we might undertake in response to changes in market interest rates. We believe these estimates are not necessarily indicative of what actually could occur in the event of immediate interest rate increases or decreases of this magnitude. As interest-bearing assets and liabilities reprice in different time frames and proportions to market interest rate movements, various assumptions must be made based on historical relationships of these variables in reaching any conclusion. Since these correlations are based on competitive and market conditions, we anticipate that our future results will likely be different from the foregoing estimates, and such differences could be material.

The table below presents our sensitivity to net interest income at September 30, 2016:

Table 17: Net Interest Income Sensitivity

Interest Rate Scenario	% Change from Base	
Up 200 basis points	1.19	%
Up 100 basis points	0.81	%
Down 100 basis points	-2.84	%

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's current disclosure controls and procedures were effective for the period.

Changes in Internal Control over Financial Reporting

There were no changes in the Company’s internal controls over financial reporting during the quarter ended September 30, 2016, which materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II: Other Information

Item 1A. Risk Factors

Management is not aware of any material changes to the risk factors discussed in Part 1, Item 1A of our Form 10-K for the year ended December 31, 2015. 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 September 30, 2016.

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Item 6. Exhibits

Exhibit No.	Description
2.1	Purchase and Assumption Agreement, dated as of May 14, 2010, among Federal Insurance Deposit Corporation, Receiver of Southwest Community Bank, Springfield, Missouri, Federal Deposit Insurance Corporation and Simmons First National Bank (incorporated by reference to Exhibit 2.1 to Simmons First National Corporation's Current Report on Form 8-K, as amended, for May 19, 2010 (File No. 000-06253)).
2.2	Purchase and Assumption Agreement, dated as of October 15, 2010, among Federal Insurance Deposit Corporation, Receiver of Security Savings Bank F.S.B., Olathe, Kansas, Federal Deposit Insurance Corporation and Simmons First National Bank (incorporated by reference to Exhibit 2.1 to Simmons First National Corporation's Current Report on Form 8-K, as amended, for October 21, 2010 (File No. 000-06253)).
2.3	Purchase and Assumption Agreement Whole Bank All Deposits, among Federal Insurance Deposit Corporation, Receiver of Truman Bank, St. Louis, Missouri, Federal Deposit Insurance Corporation, and Simmons First National Bank, Pine Bluff, Arkansas, dated as of September 14, 2012 (incorporated by reference to Exhibit 2.1 to Simmons First National Corporation's Current Report on Form 8-K, as amended, for September 20, 2012 (File No. 000-06253)).
2.4	Loan Sale Agreement, by and between Federal Deposit Insurance Corporation, as Receiver for Truman Bank, St. Louis, Missouri, and Simmons First National Bank, Pine Bluff, Arkansas, dated as of September 14, 2012 (incorporated by reference to Exhibit 2.2 to Simmons First National Corporation's Current Report on Form 8-K, as amended, for September 20, 2012 (File No. 000-06253)).
2.5	Purchase and Assumption Agreement Whole Bank All Deposits, among Federal Insurance Deposit Corporation, Receiver of Excel Bank, Sedalia, Missouri, Federal Deposit Insurance Corporation, and Simmons First National Bank, Pine Bluff, Arkansas, dated as of October 19, 2012 (incorporated by reference to Exhibit 2.1 to Simmons First National Corporation's Current Report on Form 8-K, as amended, for October 25, 2012 (File No. 000-06253)).
2.6	Stock Purchase Agreement by and between Simmons First National Corporation and Rogers Bancshares, Inc., dated as of September 10, 2013 (incorporated by reference to Exhibit 10.1 to Simmons First National Corporation's Current Report on Form 8-K for September 12, 2013 (File No. 000-06253)).
2.7	Agreement and Plan of Merger, dated as of March 24, 2014, by and between Simmons First National Corporation and Delta Trust & Banking Corporation(incorporated by reference to Annex A to the Joint Proxy Statement/Prospectus filed by Simmons First National Corporation on July 23, 2014 (File No. 000-06253)).
2.8	

	Agreement and Plan of Merger, dated as of May 6, 2014, by and between Simmons First National Corporation and Community First Bancshares, Inc., as amended on September 11, 2014 (incorporated by reference to Annex A to the Joint Proxy Statement/Prospectus filed by Simmons First National Corporation on October 8, 2014 (File No. 000-06253)).
2.9	Agreement and Plan of Merger, dated as of May 27, 2014, by and between Simmons First National Corporation and Liberty Bancshares, Inc., as amended on September 11, 2014 (incorporated by reference to Annex B to the Joint Proxy Statement/Prospectus filed by Simmons First National Corporation on October 8, 2014 (File No. 000-06253)).
2.10	Agreement and Plan of Merger, dated as of April 28, 2015, by and between Simmons First National Corporation and Ozark Trust & Investment Corporation (incorporated by reference to Exhibit 10.1 to Simmons First National Corporation's Current Report on Form 8-K for April 29, 2015 (File No. 000-06253)).
2.11	Stock Purchase Agreement by and among Citizens National Bank, Citizens National Bancorp, Inc. and Simmons First National Corporation, dated as of May 18, 2016 (incorporated by reference to Exhibit 2.1 to Simmons First National Corporation's Current Report on Form 8-K for May 18, 2016 (File No. 000-06253)).

3.1	Restated Articles of Incorporation of Simmons First National Corporation (incorporated by reference to Exhibit 3.1 to Simmons First National Corporation's Quarterly Report on Form 10-Q for the Quarter ended March 31, 2009 (File No. 000-06253)).
3.2	Amended By-Laws of Simmons First National Corporation, effective September 22, 2016.*
3.3	Certificate of Designation of Senior Non-Cumulative Perpetual Preferred Stock, Series A of Simmons First National Corporation, dated February 27, 2015 (incorporated by reference to Exhibit 3.1to Simmons First National Corporation's Current Report on Form 8-K on October 8, 2014 (File No. 000-06253)).
4.1	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 Bob Fehlman as administrative trustees, with respect to Simmons First Capital Trust II (incorporated by reference to Exhibit 10.1 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).
4.2	Guarantee Agreement, dated as of December 16, 2003, between the Company and Deutsche Bank Trust Company Americas, as guarantee trustee, with respect to Simmons First Capital Trust II (incorporated by reference to Exhibit 10.2 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).
4.3	Junior Subordinated Indenture, dated as of December 16, 2003, among the Company and Deutsche Bank Trust Company Americas, as trustee, with respect to the junior subordinated note held by Simmons First Capital Trust II (incorporated by reference to Exhibit 10.3 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).
4.4	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 Bob Fehlman as administrative trustees, with respect to Simmons First Capital Trust III (incorporated by reference to Exhibit 10.4 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).
4.5	Guarantee Agreement, dated as of December 16, 2003, between the Company and Deutsche Bank Trust Company Americas, as guarantee trustee, with respect to Simmons First Capital Trust III (incorporated by reference to Exhibit 10.5 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).
4.6	Junior Subordinated Indenture, dated as of December 16, 2003, among the Company and Deutsche Bank Trust Company Americas, as trustee, with respect to the junior subordinated note held by Simmons First Capital Trust III (incorporated by reference to Exhibit 10.6 to Simmons First National Corporation's Annual Report on Form 10-K

for the Year ended December 31, 2003 (File No. 000-06253)).

4.7	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 Bob Fehlman as administrative trustees, with respect to Simmons First Capital Trust IV (incorporated by reference to Exhibit 10.7 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).
4.8	Guarantee Agreement, dated as of December 16, 2003, between the Company and Deutsche Bank Trust Company Americas, as guarantee trustee, with respect to Simmons First Capital Trust IV (incorporated by reference to Exhibit 10.8 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).
4.9	Junior Subordinated Indenture, dated as of December 16, 2003, among the Company and Deutsche Bank Trust Company Americas, as trustee, with respect to the junior subordinated note held by Simmons First Capital Trust IV (incorporated by reference to Exhibit 10.9 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).

4.10	Indenture, dated as of June 23, 2005, between Community First Bancshares, Inc., and Deutsche Bank Trust Company Americas, as trustee, relating to subordinated debentures due June 30, 2035 (incorporated by reference to Exhibit 4.1to Simmons First National Corporation's Current Report on Form 8-K on October 8, 2014 (File No. 000-06253)).
4.11	First Supplemental Indenture, dated as of February 27, 2015, to Indenture, dated as of June 23, 2005, between Simmons First National Corporation and Deutsche Bank Trust Company Americas , as trustee (incorporated by reference to Exhibit 4.2to Simmons First National Corporation's Current Report on Form 8-K on October 8, 2014 (File No. 000-06253)).
4.12	Indenture, dated as of September 10, 2007, between Community First Bancshares, Inc., and Wilmington Trust Company, as trustee, relating to subordinated debentures due September 15, 2037 (incorporated by reference to Exhibit 4.3to Simmons First National Corporation's Current Report on Form 8-K on October 8, 2014 (File No. 000-06253)).
4.13	First Supplemental Indenture, dated as of February 27, 2015, to Indenture, dated as of September 10, 2007, between Simmons First National Corporation and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 4.4to Simmons First National Corporation's Current Report on Form 8-K on October 8, 2014 (File No. 000-06253)).
4.14	Indenture, dated as of December 5, 2003, between Liberty Bancshares, Inc., and U. S. Bank National Association, as trustee, relating to subordinated debentures due December 5, 2033 (incorporated by reference to Exhibit 4.5to Simmons First National Corporation's Current Report on Form 8-K on October 8, 2014 (File No. 000-06253)).
4.15	First Supplemental Indenture, dated as of February 27, 2015, to Indenture, dated as of December 5, 2003, between Simmons First National Corporation and U. S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.6to Simmons First National Corporation's Current Report on Form 8-K on October 8, 2014 (File No. 000-06253)).
4.16	Indenture, dated as of October 13, 2004, between Liberty Bancshares, Inc., and Wilmington Trust Company, as trustee, relating to subordinated debentures due October 18, 2034 (incorporated by reference to Exhibit 4.7to Simmons First National Corporation's Current Report on Form 8-K on October 8, 2014 (File No. 000-06253)).
4.17	First Supplemental Indenture, dated as of February 27, 2015, to Indenture, dated as of October 13, 2004, between Simmons First National Corporation and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 4.8to Simmons First National Corporation's Current Report on Form 8-K on October 8, 2014 (File No. 000-06253)).
4.18	Indenture, dated as of March 23, 2007, between Liberty Bancshares, Inc., and Wilmington Trust Company, as trustee, relating to subordinated debentures due June 6, 2037 (incorporated by reference to Exhibit 4.9to Simmons

	First National Corporation's Current Report on Form 8-K on October 8, 2014 (File No. 000-06253)).
4.19	First Supplemental Indenture, dated as of February 27, 2015, to Indenture, dated as of March 23, 2007, between Simmons First National Corporation and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 4.10 to Simmons First National Corporation's Current Report on Form 8-K on October 8, 2014 (File No. 000-06253)).
12.1	Computation of Ratios of Earnings to Combined Fixed Charges and Preferred Dividend.*
14	Code of Ethics, dated December 2003, for CEO, CFO, controller and other accounting officers (incorporated by reference to Exhibit 14 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).

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15.1	Awareness Letter of BKD, LLP.*
31.1	Rule 13a-15(e) and 15d-15(e) Certification – George A. Makris, Jr., Chairman and Chief Executive Officer.*
31.2	Rule 13a-15(e) and 15d-15(e) Certification – Robert A. Fehlman, Senior Executive Vice President, Chief Financial Officer and Treasurer.*
31.3	Rule 13a-15(e) and 15d-15(e) Certification – David W. Garner, Executive Vice President, Controller and Chief Accounting Officer.*
32.1	Certification Pursuant to 18 U.S.C. Sections 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – George A. Makris, Jr., Chairman and Chief Executive Officer.*
32.2	Certification Pursuant to 18 U.S.C. Sections 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Robert A. Fehlman, Senior Executive Vice President, Chief Financial Officer and Treasurer.*
32.3	Certification Pursuant to 18 U.S.C. Sections 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – David W. Garner, Executive Vice President, Controller and Chief Accounting Officer.*
101.INS	XBRL Instance Document.**
101.SCH	XBRL Taxonomy Extension Schema.**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.**
101.DEF	XBRL Taxonomy Extension Definition Linkbase.**
101.LAB	XBRL Taxonomy Extension Labels Linkbase.**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.**

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* Filed herewith

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

SIGNATURES

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

SIMMONS FIRST NATIONAL CORPORATION

(Registrant)

Date: November 8, 2016	/s/ George A. Makris, Jr. George A. Makris, Jr. Chairman and Chief Executive Officer
Date: November 8, 2016	/s/ Robert A. Fehlman Robert A. Fehlman Senior Executive Vice President, Chief Financial Officer and Treasurer
Date: November 8, 2016	/s/ David W. Garner David W. Garner Executive Vice President, Controller and Chief Accounting Officer