SIMMONS FIRST NATIONAL CORP
Form 10-Q
August 09, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For Quarter Ended June 30, 2013 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. S 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).
S Yes £ No

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

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

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

The number of shares outstanding of the Registrant's Common Stock as of July 23, 2013, was 16,242,464.

Simmons First National Corporation
Quarterly Report on Form 10-Q

June 30, 2013

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Part I: Financial Information
Item 1. Financial Statements

Simmons First National Corporation
Consolidated Balance Sheets
June 30, 2013 and December 31, 2012

(In thousands, except share data)	June 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Cash and non-interest bearing balances due from banks	$ 38,494	$ 47,470
Interest bearing balances due from banks	420,740	467,984
Federal funds sold	--	22,343
Cash and cash equivalents	459,234	537,797
Investment securities	732,995	687,483
Mortgage loans held for sale	14,454	25,367
Assets held in trading accounts	8,739	6,224
Loans:		
Loans	1,650,395	1,628,513
Allowance for loan losses	(27,398)	(27,882)
Loans acquired, covered by FDIC loss share (net of discount)	163,736	210,842
Loans acquired, not covered by FDIC loss share (net of discount)	63,500	82,764
Net loans	1,850,233	1,894,237
FDIC indemnification asset	66,858	75,286
Premises and equipment	88,164	87,557
Foreclosed assets	30,390	33,352
Foreclosed assets covered by FDIC loss share	22,990	27,620
Interest receivable	12,637	14,530
Bank owned life insurance	59,710	52,066
Goodwill	60,605	60,605
Core deposit premiums	3,487	3,760
Other assets	11,273	21,605
Total assets	$ 3,421,769	$ 3,527,489
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing transaction accounts	$ 565,433	$ 576,655
Interest bearing transaction accounts and savings deposits	1,428,422	1,421,137
Time deposits	819,264	876,371
Total deposits	2,813,119	2,874,163
Federal funds purchased and securities sold under agreements to repurchase	79,063	104,078
Other borrowings	77,659	89,441
Subordinated debentures	20,620	20,620
Accrued interest and other liabilities	29,458	33,125
Total liabilities	3,019,919	3,121,427
Stockholders' equity:		
Preferred stock, $0.01 par value; 40,040,000 shares authorized and unissued at June 30, 2013 and December 31, 2012	--	--

Common stock, Class A, $0.01 par value; 60,000,000 shares authorized; 16,289,239 and 16,542,778 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	163	165
Surplus	89,434	96,587
Undivided profits	314,663	309,053
Accumulated other comprehensive (loss) income	(2,410)	257
Total stockholders' equity	401,850	406,062
Total liabilities and stockholders' equity	$ 3,421,769	$ 3,527,489

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Income
Three and Six Months Ended June 30, 2013 and 2012

(In thousands, except per share data)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
	(Unaudited)		(Unaudited)	
INTEREST INCOME				
Loans not covered by FDIC loss share	$ 22,602	$ 22,358	$ 46,298	$ 44,630
Loans covered by FDIC loss share	6,469	4,994	12,644	10,967
Federal funds sold	5	1	8	1
Investment securities	3,019	3,313	5,921	6,588
Mortgage loans held for sale	118	164	273	317
Assets held in trading accounts	6	13	17	25
Interest bearing balances due from banks	352	349	642	652
TOTAL INTEREST INCOME	32,571	31,192	65,803	63,180
INTEREST EXPENSE				
Deposits	2,082	2,680	4,281	5,645
Federal funds purchased and securities sold under agreements to repurchase	53	77	118	176
Other borrowings	692	799	1,426	1,613
Subordinated debentures	162	385	321	777
TOTAL INTEREST EXPENSE	2,989	3,941	6,146	8,211
NET INTEREST INCOME	29,582	27,251	59,657	54,969
Provision for loan losses	1,034	775	1,953	1,546
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	28,548	26,476	57,704	53,423
NON-INTEREST INCOME				
Trust income	1,342	1,240	2,786	2,549
Service charges on deposit accounts	4,474	3,930	8,715	7,795
Other service charges and fees	791	738	1,566	1,530
Mortgage lending income	1,338	1,445	2,554	2,739
Investment banking income	696	442	1,150	1,141
Credit card fees	4,341	4,207	8,380	8,286
Bank owned life insurance income	366	368	644	723
Loss on sale of securities	(193)	--	(193)	--
Net (loss) gain on assets covered by FDIC loss share agreements	(2,615)	(2,153)	(4,757)	(4,818)
Other income	733	876	1,741	1,871
TOTAL NON-INTEREST INCOME	11,273	11,093	22,586	21,816
NON-INTEREST EXPENSE				
Salaries and employee benefits	17,937	16,590	36,444	33,414
Occupancy expense, net	2,450	2,029	5,005	4,110
Furniture and equipment expense	2,030	1,608	3,753	3,212
Other real estate and foreclosure expense	59	194	390	401

Deposit insurance	492	457	1,267	1,028
Merger related costs	(467)	--	(227)	--
Other operating expenses	7,818	7,366	15,599	14,716
TOTAL NON-INTEREST EXPENSE	30,319	28,244	62,231	56,881
INCOME BEFORE INCOME TAXES	9,502	9,325	18,059	18,358
Provision for income taxes	2,926	2,789	5,546	5,467
NET INCOME	$ 6,576	$ 6,536	$ 12,513	$ 12,891
BASIC EARNINGS PER SHARE	$ 0.40	$ 0.38	$ 0.76	$ 0.75
DILUTED EARNINGS PER SHARE	$ 0.40	$ 0.38	$ 0.76	$ 0.75

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Comprehensive Income
Three and Six Months Ended June 30, 2013 and 2012

(In thousands, except per share data)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
	(Unaudited)		(Unaudited)	
NET INCOME	$ 6,576	$ 6,536	$ 12,513	$ 12,891
OTHER COMPREHENSIVE INCOME				
Unrealized holding (losses) gains arising during the period on available-for-sale securities	(4,232)	186	(4,581)	102
Less: Reclassification adjustment for realized losses included in net income	(193)	--	(193)	--
Other comprehensive (loss) gain, before tax effect	(4,039)	186	(4,388)	102
Less: Tax effect of other comprehensive (loss) gain	(1,584)	73	(1,721)	40
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME	(2,455)	113	(2,667)	62
COMPREHENSIVE INCOME	$ 4,121	$ 6,649	$ 9,846	$ 12,953

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Cash Flows
Six Months Ended June 30, 2013 and 2012

(In thousands)	June 30, 2013	June 30, 2012
	(Unaudited)	
OPERATING ACTIVITIES		
Net income	$ 12,513	$ 12,891
Items not requiring (providing) cash:		
Depreciation and amortization	2,940	2,751
Provision for loan losses	1,953	1,546
Net amortization (accretion) of investment securities and assets not covered by FDIC loss share	873	(138)
Stock-based compensation expense	714	769
Net accretion on assets covered by FDIC loss share	(3,170)	(1,494)
Deferred income taxes	(1,756)	(802)
Loss on sale of investments	193	--
Bank owned life insurance income	(644)	(723)
Changes in:		
Interest receivable	1,893	2,151
Mortgage loans held for sale	10,913	7,481
Assets held in trading accounts	(2,515)	(271)
Other assets	4,997	2,014
Accrued expenses and other liabilities	(2,788)	1,816
Income taxes payable	158	897
Net cash provided by operating activities	26,274	28,888
INVESTING ACTIVITIES		
Net originations of loans	(14,323)	(41,648)
Net collections of loans covered by FDIC loss share	53,044	43,343
Purchases of premises and equipment, net	(3,274)	(1,288)
Proceeds from sale of foreclosed assets held for sale	12,669	7,875
Proceeds from sale of foreclosed assets held for sale, covered by FDIC loss share	7,897	2,364
Proceeds from sale of available-for-sale securities	617	730
Proceeds from maturities of available-for-sale securities	69,930	153,832
Purchases of available-for-sale securities	(60,817)	(149,254)
Proceeds from maturities of held-to-maturity securities	105,426	310,755
Purchases of held-to-maturity securities	(164,840)	(310,695)
Purchase of bank owned life insurance	(7,000)	(25)
Cash received on FDIC loss share	8,447	9,682
Net cash provided by investing activities	7,776	25,671
FINANCING ACTIVITIES		
Net change in deposits	(61,044)	(21,113)
Dividends paid	(6,903)	(6,838)
Net change in other borrowed funds	(11,782)	696
Net change in federal funds purchased and securities sold under agreements to repurchase	(25,015)	(44,546)
Net shares issued under stock compensation plans	450	324
Repurchase of common stock	(8,319)	(7,706)

Net cash used in financing activities	(112,613)	(79,183)
DECREASE IN CASH AND CASH EQUIVALENTS	(78,563)	(24,624)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	537,797	570,206
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 459,234	$ 545,582

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Stockholders' Equity
Six Months Ended June 30, 2013 and 2012

(In thousands, except share data)	Common Stock	Surplus	Accumulated Other Comprehensive Income (Loss)	Undivided Profits	Total
Balance, December 31, 2011	$ 172	$ 112,436	$ 439	$ 294,864	$ 407,911
Comprehensive income:					
Net income	--	--	--	12,891	12,891
Change in unrealized appreciation on available-for-sale securities, net of income taxes of ($40)	--	--	62	--	62
Comprehensive income					12,953
Stock issued as bonus shares – 51,245 shares	1	191	--	--	192
Vesting bonus shares	--	718	--	--	718
Stock issued for employee stock purchase plan – 5,103 shares	--	132	--	--	132
Stock granted under stock-based compensation plans	--	51	--	--	51
Repurchase of common stock – (311,674 shares)	(3)	(7,703)	--	--	(7,706)
Cash dividends – $0.40 per share	--	--	--	(6,838)	(6,838)
Balance, June 30, 2012 (Unaudited)	170	105,825	501	300,917	407,413
Comprehensive income:					
Net income	--	--	--	14,793	14,793
Change in unrealized appreciation on available-for-sale securities, net of income taxes of ($77)	--	--	(244)	--	(244)
Comprehensive income					14,549
Stock issued as bonus shares	(1)	--	--	--	(1)
Vesting bonus shares	--	587	--	--	587
Stock granted under stock-based compensation plans	--	32	--	--	32
Repurchase of common stock – (414,213 shares)	(4)	(9,857)	--	--	(9,861)
Cash dividends – $0.40 per share	--	--	--	(6,657)	(6,657)
Balance, December 31, 2012	165	96,587	257	309,053	406,062
Comprehensive income:					
Net income	--	--	--	12,513	12,513
Change in unrealized appreciation on available-for-sale securities, net of income taxes of ($1,721)	--	--	(2,667)	--	(2,667)
Comprehensive income					9,846
Stock issued as bonus shares – 64,006 shares	1	228	--	--	229

Vesting bonus shares		--		687		--		--		687
Stock issued for employee stock purchase plan – 5,244 shares		--		126		--		--		126
Exercise of stock options – 4,000 shares		--		95		--		--		95
Stock granted under stock-based compensation plans		--		27		--		--		27
Repurchase of common stock – (326,789 shares)		(3)		(8,316)		--		--		(8,319)
Cash dividends – $0.42 per share		--		--		--		(6,903)		(6,903)
Balance, June 30, 2013 (Unaudited)	$	163	$	89,434	$	(2,410)	$	314,663	$	401,850

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, 2012, 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 2012 filed with the U.S. Securities and Exchange Commission (the "SEC").

Recently Issued Accounting Pronouncements

In July 2012, the FASB issued ASU 2012-02, Intangibles – Goodwill and Other (Topic 350) – Testing Indefinite-Lived Intangible Assets for Impairment. ASU 2012-02 amends the guidance related to testing indefinite-lived intangible assets, other than goodwill, for impairment. The provisions of ASU 2012-02 allow for a qualitative assessment in testing an indefinite-lived intangible asset for impairment before calculating the fair value of the asset. If the qualitative assessment determines that it is more likely than not that the asset is impaired, then a quantitative assessment of the fair value of the asset is required; otherwise, the quantitative calculation is not necessary. The provisions of ASU 2012-02 became effective for the Company on January 1, 2013, and did not have a significant impact on the Company's ongoing financial position or results of operations.

In October, 2012, the FASB issued ASU 2012-06, Business Combinations (Topic 805) – Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution. ASU 2012-06 amends guidance on the subsequent accounting for an indemnification asset recognized at the acquisition date as a result of a government assisted acquisition of a financial institution. ASU 2012-06 requires that a subsequent adjustment to the indemnification asset be measured on the same basis as the underlying indemnified assets. Any amortization of changes in value of the indemnification asset should be limited to the lesser of the term of the indemnification agreement and the remaining life of the indemnified assets. ASU 2012-06 became effective for the Company on January 1, 2013. Because the Company has historically accounted for its indemnification assets in accordance with ASU 2012-06, its early adoption did not have a significant impact on the Company's financial position or results of operations.

In February, 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220) – Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. ASU 2013-02 requires disclosure of amounts reclassified out of accumulated other comprehensive income in their entirety, by component, on the face of the statement of comprehensive income or in the notes to the financial statements. Amounts that are not required to be

classified in their entirety to net income must be cross-referenced to other disclosures that provide additional detail. ASU 2013-02 became effective prospectively for the Company on January 1, 2013, and did not have a significant impact on the Company's financial position or results of operations.

There have been no other significant changes to the Company’s accounting policies from the 2012 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, Covered Loans and Related Indemnification Asset

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

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

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

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

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

NOTE 2: EARNINGS PER SHARE

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

Following is the computation of per share earnings for the three and six months ended June 30, 2013 and 2012:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share data)	2013	2012	2013	2012
Net income	$ 6,576	$ 6,536	$ 12,513	$ 12,891
Average common shares outstanding	16,415	17,044	16,465	17,130
Average potential dilutive common shares	3	5	4	4
Average diluted common shares	16,418	17,049	16,469	17,134
Basic earnings per share	$ 0.40	$ 0.38	$ 0.76	$ 0.75
Diluted earnings per share	$ 0.40	$ 0.38	$ 0.76	$ 0.75

Stock options to purchase 138,528 and 227,670 shares for the three and six months ended June 30, 2013 and 2012, respectively, were not included in the diluted EPS calculation because the exercise price of those options exceeded the average market price.

NOTE 3: INVESTMENT SECURITIES

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

	June 30, 2013				December 31, 2012			
(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	$ 313,050	$ 33	$ (8,322)	$ 304,761	$ 288,098	$ 135	$ (679)	$ 287,554
Mortgage-backed securities	43	2	--	45	49	1	--	50
State and political subdivisions	241,751	2,097	(6,120)	237,728	207,374	5,140	(160)	212,354
Other securities	620	--	--	620	620	--	--	620
Total HTM	$ 555,464	$ 2,132	$ (14,442)	$ 543,154	$ 496,141	$ 5,276	$ (839)	$ 500,578
Available-for-Sale								
U.S. Government agencies	$ 163,989	$ --	$ (4,599)	$ 159,390	$ 152,708	$ 65	$ (292)	$ 152,481
Mortgage-backed securities	1,898	180	--	2,078	20,436	287	(89)	20,634
	1,272	1	(11)	1,262	2,989	--	(1)	2,988

State and political subdivisions								
Other securities	14,337	464	--	14,801	14,787	456	(4)	15,239
Total AFS	$ 181,496	$ 645	$ (4,610)	$ 177,531	$ 190,920	$ 808	$ (386)	$ 191,342

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

As of June 30, 2013, securities with unrealized losses, segregated by length of impairment, were as follows:

	Less Than 12 Months		12 Months or More		Total	
(In thousands)	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Held-to-Maturity						
U.S. Government agencies	$ 299,727	$ (8,322)	$ --	$ --	$ 299,727	$ (8,322)
State and political subdivisions	91,359	(6,094)	104	(26)	91,463	(6,120)
Total HTM	$ 391,086	$ (14,416)	$ 104	$ (26)	$ 391,190	$ (14,442)
Available-for-Sale						
U.S. Government agencies	$ 159,090	$ (4,599)	$ --	$ --	$ 159,090	$ (4,599)
State and political subdivisions	1,211	(11)	--	--	1,211	(11)
Total AFS	$ 160,301	$ (4,610)	$ --	$ --	$ 160,301	$ (4,610)

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

Management has the ability and intent to hold the securities classified as held to maturity until they mature, at which time the Company expects to receive full value for the securities. Furthermore, as of June 30, 2013, management also had the ability and intent to hold the securities classified as available-for-sale for a period of time sufficient for a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of June 30, 2013, management believes the impairments detailed in the table above are temporary.

The carrying value, which approximates the fair value, of securities pledged as collateral, to secure public deposits and for other purposes, amounted to $656.2 million at June 30, 2013, and $434.8 million at December 31, 2012.

The book value of securities sold under agreements to repurchase equaled $58.5 million and $58.8 million for June 30, 2013, and December 31, 2012, respectively.

Income earned on securities for the three and six months ended June 30, 2013 and 2012, is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2013	2012	2013	2012
Taxable:				
Held-to-maturity	$ 760	$ 829	$ 1,463	$ 1,681
Available-for-sale	546	585	1,065	1,111
Non-taxable:				
Held-to-maturity	1,709	1,899	3,384	3,796
Available-for-sale	4	--	9	--

Total	$	3,019	$	3,313	$	5,921	$	6,588

Maturities of investment securities at June 30, 2013, are as follows:

(In thousands)	Held-to-Maturity Amortized Cost	Held-to-Maturity Fair Value	Available-for-Sale Amortized Cost	Available-for-Sale Fair Value
One year or less	$ 29,768	$ 29,879	$ 350	$ 350
After one through five years	188,430	186,541	55,674	55,216
After five through ten years	240,321	234,222	110,092	106,032
After ten years	96,945	92,512	1,043	1,132
Other securities	--	--	14,337	14,801
Total	$ 555,464	$ 543,154	$ 181,496	$ 177,531

There were no realized gains and realized losses of $193,000 on investment securities for the three and six months ended June 30, 2013. There were no realized gains or losses on investment securities for the three and six months ended June 30, 2012.

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

NOTE 4: LOANS AND ALLOWANCE FOR LOAN LOSSES

At June 30, 2013, the Company's loan portfolio was $1.88 billion, compared to $1.92 billion at December 31, 2012. The various categories of loans are summarized as follows:

(In thousands)	June 30, 2013	December 31, 2012
Consumer:		
Credit cards	$ 173,536	$ 185,536
Student loans	30,106	34,145
Other consumer	103,765	105,319
Total consumer	307,407	325,000
Real Estate:		
Construction	142,902	138,132
Single family residential	364,239	356,907
Other commercial	572,110	568,166
Total real estate	1,079,251	1,063,205
Commercial:		
Commercial	152,122	141,336
Agricultural	107,113	93,805
Total commercial	259,235	235,141
Other	4,502	5,167
Loans	1,650,395	1,628,513
Loans acquired, covered by FDIC loss share (net of discount)	163,736	210,842
Loans acquired, not covered by FDIC loss share (net of discount)	63,500	82,764
Total loans before allowance for loan losses	$ 1,877,631	$ 1,922,119

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.

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

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

Commercial – The commercial loan portfolio includes commercial and agricultural loans, representing loans to commercial customers and farmers for use in normal business or farming operations to finance working capital needs, equipment purchase or other expansion projects. Collection risk in this portfolio is driven by the creditworthiness of the underlying borrowers, particularly cash flow from customers??business or farming operations. The Company continues its efforts to keep loan terms short, reducing the potential negative impact of upward movement in interest rates. Term loans are generally set up with a one or three year balloon, and the Company has recently instituted a pricing 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 30 days from the date such payments were due. Loans are placed on nonaccrual status when, in management’s opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Nonaccrual loans, excluding loans acquired, segregated by class of loans, are as follows:

(In thousands)	June 30, 2013	December 31, 2012
Consumer:		
Credit cards	$ 334	$ 281
Other consumer	828	801
Total consumer	1,162	1,082
Real estate:		

Construction	110	463
Single family residential	2,069	2,706
Other commercial	2,396	4,254
Total real estate	4,575	7,423
Commercial:		
Commercial	439	471
Agricultural	87	147
Total commercial	526	618
Total	$ 6,263	$ 9,123

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

(In thousands)	Gross 30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days Past Due & Accruing
June 30, 2013						
Consumer:						
Credit cards	$ 613	$ 507	$ 1,120	$ 172,416	$ 173,536	$ 172
Student loans	1,031	2,254	3,285	26,821	30,106	2,254
Other consumer	923	531	1,454	102,311	103,765	127
Total consumer	2,567	3,292	5,859	301,548	307,407	2,553
Real estate:						
Construction	22	44	66	142,836	142,902	26
Single family residential	2,157	1,412	3,569	360,670	364,239	439
Other commercial	476	2,336	2,812	569,298	572,110	--
Total real estate	2,655	3,792	6,447	1,072,804	1,079,251	465
Commercial:						
Commercial	478	346	824	151,298	152,122	115
Agricultural	126	58	184	106,929	107,113	--
Total commercial	604	404	1,008	258,227	259,235	115
Other	--	--	--	4,502	4,502	--
Total	$ 5,826	$ 7,488	$ 13,314	$ 1,637,081	$ 1,650,395	$ 3,133
December 31, 2012						
Consumer:						
Credit cards	$ 710	$ 547	$ 1,257	$ 184,279	$ 185,536	$ 266
Student loans	901	2,234	3,135	31,010	34,145	2,234
Other consumer	1,149	529	1,678	103,641	105,319	204
Total consumer	2,760	3,310	6,070	318,930	325,000	2,704
Real estate:						
Construction	309	365	674	137,458	138,132	--
Single family residential	3,069	1,539	4,608	352,299	356,907	137
Other commercial	716	3,303	4,019	564,147	568,166	--
Total real estate	4,094	5,207	9,301	1,053,904	1,063,205	137
Commercial:						
Commercial	340	385	725	140,611	141,336	74
Agricultural	81	113	194	93,611	93,805	--
Total commercial	421	498	919	234,222	235,141	74
Other	--	--	--	5,167	5,167	--
Total	$ 7,275	$ 9,015	$ 16,290	$ 1,612,223	$ 1,628,513	$ 2,915

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. 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
						Three Months Ended June 30, 2013		Six Months Ended June 30, 2013	
June 30, 2013									
Consumer:									
Credit cards	$ 507	$ 507	$ --	$ 507	$ 76	$ 501	$ 3	$ 516	$ 8
Other consumer	1,030	928	92	1,020	196	1,026	10	1,061	22
Total consumer	1,537	1,435	92	1,527	272	1,527	13	1,577	30
Real estate:									
Construction	3,272	2,052	1,177	3,229	419	3,350	34	4,020	84
Single family residential	3,145	2,130	1,015	3,145	533	3,744	37	3,835	80
Other commercial	9,285	5,183	2,881	8,064	557	11,827	118	14,212	295
Total real estate	15,702	9,365	5,073	14,438	1,509	18,921	189	22,067	459
Commercial:									
Commercial	724	458	149	607	105	664	7	669	14
Agricultural	87	87	--	87	9	90	1	90	2
Total commercial	811	545	149	694	114	754	8	759	16
Total	$ 18,050	$ 11,345	$ 5,314	$ 16,659	$ 1,895	$ 21,201	$ 210	$ 24,403	$ 505
						Three Months Ended June 30, 2012		Six Months Ended June 30, 2012	
December 31, 2012									
Consumer:									
Credit cards	$ 547	$ 547	$ --	$ 547	$ 82	$ 540	$ 4	$ 562	$ 8
Other consumer	1,140	999	131	1,130	249	1,145	14	1,206	30
Total consumer	1,687	1,546	131	1,677	331	1,685	18	1,768	38
Real estate:									
Construction	5,443	3,866	1,494	5,360	505	5,628	71	5,512	138
Single family residential	4,091	2,877	1,140	4,017	494	3,803	48	4,146	104
Other commercial	21,199	5,903	13,078	18,981	1,310	22,402	283	23,850	596
Total real estate	30,733	12,646	15,712	28,358	2,309	31,833	402	33,508	838
Commercial:									
Commercial	842	487	191	678	179	751	10	794	20
Agricultural	236	74	16	90	24	247	3	310	8
Total commercial	1,078	561	207	768	203	998	13	1,104	28
Total	$ 33,498	$ 14,753	$ 16,050	$ 30,803	$ 2,843	$ 34,516	$ 433	$ 36,380	$ 904

At June 30, 2013, and December 31, 2012, impaired loans, net of government guarantees and excluding loans acquired, totaled $16.7 million and $30.8 million, respectively. Allocations of the allowance for loan losses relative to

impaired loans were $1.9 million at June 30, 2013, and $2.8 million at December 31, 2012. Approximately $210,000 and $505,000 of interest income was recognized on average impaired loans of $21.2 million and $24.4 million for the three and six months ended June 30, 2013. Interest income recognized on impaired loans on a cash basis during the three and six months ended June 30, 2013 and 2012 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 required.

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
June 30, 2013						
Consumer:						
Other consumer	1	$ 33	--	$ --	1	$ 33
Total consumer	1	33	--	--	1	33
Real estate:						
Construction	1	988	--	--	1	988
Single-family residential	4	885	1	11	5	896
Other commercial	13	7,840	1	608	14	8,448
Total real estate	18	9,713	2	619	20	10,332
Commercial:						
Commercial	2	76	1	85	3	161
Agriculture	1	652	--	--	1	652
Total commercial	3	728	1	85	4	813
Total	22	$ 10,474	3	$ 704	25	$ 11,178
December 31, 2012						
Consumer:						
Other consumer	1	$ 33	1	$ 12	2	$ 45
Total consumer	1	33	1	12	2	45
Real estate:						
Construction	2	1,212	--	--	2	1,212
Single-family residential	3	570	1	15	4	585
Other commercial	14	8,508	4	2,962	18	11,470
Total real estate	19	10,290	5	2,977	24	13,267
Commercial:						
Commercial	1	39	1	85	2	124
Agricultural	1	653	--	--	1	653
Total commercial	2	692	1	85	3	777
Total	22	$ 11,015	7	$ 3,074	29	$ 14,089

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The following table presents loans that were restructured as TDRs during the six months ended June 30, 2013 and 2012, excluding loans acquired, segregated by class of loans.

(Dollars in thousands)	Number of Loans	Balance Prior to TDR	Balance at June 30	Modification Type: Change in Maturity Date	Modification Type: Change in Rate	Financial Impact on Date of Restructure
Six Months Ended June 30, 2013						
Real estate:						
Single-family residential	1	321	318	--	318	--
Total real estate	1	321	318	--	318	--
Total	1	$ 321	$ 318	$ --	$ 318	$ --
Six Months Ended June 30, 2012						
Consumer:						
Other consumer	1	$ 48	$ 33	$ --	$ 33	$ --
Total consumer	1	48	33	--	33	--
Real estate:						
Other commercial	4	1,054	879	--	879	--
Total real estate	4	1,054	879	--	879	--
Commercial:						
Commercial	1	50	39	--	39	--
Total commercial	1	50	39	--	39	--
Total	6	$ 1,152	$ 951	$ --	$ 951	$ --

During the three months ended June 30, 2013, the Company did not modify any loans which were deemed troubled debt restructurings. During the six months ended June 30, 2013, the Company modified one loan with a recorded investment of $321,000 prior to modification which was deemed troubled debt restructuring. The restructured loan was modified by lowering of the interest rate. Based on the fair value of the collateral, no specific reserve was determined necessary for this loan. Also, there was no immediate financial impact from the restructuring of this loan, as it was not considered necessary to charge-off interest or principal on the date of restructure.

There were no loans for which a payment default occurred during the six months ended June 30, 2013 and 2012, and that had been modified as a TDR within 12 months or less of the payment default, excluding loans acquired. We define a payment default as a payment received more than 90 days after its due date.

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

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

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

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

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

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

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

- 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, including loans covered by FDIC loss share agreements, are evaluated using this internal grading system. However, since these loans are accounted for in pools, all of the loan pools were considered satisfactory at June 30, 2013 and December 31, 2012, respectively. Loans acquired, covered by loss share agreements, have additional protection provided by the FDIC. See Note 5, Loans Acquired, for further discussion of the acquired loan pools and loss sharing agreements.

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

loans. Total classified loans were $38.7 million and $39.0 million as of June 30, 2013 and December 31, 2012, respectively.

The following table presents a summary of loans by credit risk rating as of June 30, 2013 and December 31, 2012, segregated by class of loans.

(In thousands)	Risk Rate 1-4	Risk Rate 5	Risk Rate 6	Risk Rate 7	Risk Rate 8	Total
June 30, 2013						
Consumer:						
Credit cards	$ 173,029	$ --	$ 507	$ --	$ --	$ 173,536
Student loans	27,852	--	2,254	--	--	30,106
Other consumer	102,272	4	1,408	62	19	103,765
Total consumer	303,153	4	4,169	62	19	307,407
Real estate:						
Construction	138,888	77	3,937	--	--	142,902
Single family residential	356,634	1,440	6,165	--	--	364,239
Other commercial	542,950	7,264	21,896	--	--	572,110
Total real estate	1,038,472	8,781	31,998	--	--	1,079,251
Commercial:						
Commercial	149,631	203	2,288	--	--	152,122
Agricultural	106,936	--	177	--	--	107,113
Total commercial	256,567	203	2,465	--	--	259,235
Other	4,502	--	--	--	--	4,502
Loans acquired, covered by FDIC loss share	163,736	--	--	--	--	163,736
Loans acquired, not covered by FDIC loss share	63,500	--	--	--	--	63,500
Total	$ 1,829,930	$ 8,988	$ 38,632	$ 62	$ 19	$ 1,877,631

(In thousands)	Risk Rate 1-4	Risk Rate 5	Risk Rate 6	Risk Rate 7	Risk Rate 8	Total
December 31, 2012						
Consumer:						
Credit cards	$ 184,989	$ --	$ 547	$ --	$ --	$ 185,536
Student loans	31,911	--	2,234	--	--	34,145
Other consumer	103,597	7	1,660	33	22	105,319
Total consumer	320,497	7	4,441	33	22	325,000
Real estate:						
Construction	131,873	30	6,229	--	--	138,132
Single family residential	348,628	1,458	6,821	--	--	356,907
Other commercial	540,986	8,484	18,696	--	--	568,166
Total real estate	1,021,487	9,972	31,746	--	--	1,063,205
Commercial:						
Commercial	138,948	114	2,235	39	--	141,336
Agricultural	93,357	--	448	--	--	93,805
Total commercial	232,305	114	2,683	39	--	235,141
Other	5,167	--	--	--	--	5,167
	210,842	--	--	--	--	210,842

Loans acquired, covered by FDIC loss share						
Loans acquired, not covered by FDIC loss share	82,764	--	--	--	--	82,764
Total	$ 1,873,062	$ 10,093	$ 38,870	$ 72	$ 22	$ 1,922,119

Net (charge-offs)/recoveries for the three and six months ended June 30, 2013 and 2012, excluding loans acquired, segregated by class of loans, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2013	2012	2013	2012
Consumer:				
Credit cards	$ (539)	$ (617)	$ (1,212)	$ (1,404)
Student loans	(17)	(20)	(30)	(38)
Other consumer	(177)	(97)	(343)	(149)
Total consumer	(733)	(734)	(1,585)	(1,591)
Real estate:				
Construction	(7)	--	(119)	46
Single-family residential	(54)	9	(89)	(211)
Other commercial	(531)	161	(555)	(1,274)
Total real estate	(592)	170	(763)	(1,439)
Commercial:				
Commercial	(28)	11	(57)	(43)
Agriculture	(18)	(150)	(32)	(184)
Total commercial	(46)	(139)	(89)	(227)
Total	$ (1,371)	$ (703)	$ (2,437)	$ (3,257)

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 fair value of 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 loan 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) concentrations of credit within the loan portfolio, (6) the experience, ability and depth of lending management and staff and (7) 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.

As of December 31, 2012, the Company refined its allowance calculation. As part of the refinement process, management evaluated the criteria previously applied to the entire loan portfolio, and used to calculate the unallocated portion of the allowance, and applied those criteria to each specific loan category. This included the impact of national, state and local economic trends, external factors and competition, economic outlook and business conditions and other factors and trends that will affect specific loans and categories of loans. As a result of the refined allowance calculation, the allocation of the Company's allowance for loan losses may not be comparable with periods prior to December 31, 2012.

The following table details activity in the allowance for loan losses by portfolio segment for the three and six months ended June 30, 2013. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

(In thousands)	Commercial	Real Estate	Credit Card	Other Consumer and Other	Unallocated	Total
Three Months Ended June 30, 2013						
Balance, beginning of period	$ 3,532	$ 16,131	$ 6,799	$ 1,273	$ --	$ 27,735
Provision for loan losses	233	(64)	616	249	--	1,034
Charge-offs	(133)	(887)	(743)	(310)	--	(2,073)
Recoveries	87	295	204	116	--	702
Net charge-offs	(46)	(592)	(539)	(194)	--	(1,371)
Balance, June 30, 2013	$ 3,719	$ 15,475	$ 6,876	$ 1,328	$ --	$ 27,398
Six Months Ended June 30, 2013						
Balance, beginning of period	$ 3,446	$ 15,453	$ 7,211	$ 1,772	$ --	$ 27,882
Provision for loan losses	362	785	877	(71)	--	1,953
Charge-offs	(229)	(1,126)	(1,652)	(684)	--	(3,691)
Recoveries	140	363	440	311	--	1,254
Net charge-offs	(89)	(763)	(1,212)	(373)	--	(2,437)
Balance, June 30, 2013	$ 3,719	$ 15,475	$ 6,876	$ 1,328	$ --	$ 27,398
Period-end amount allocated to:						
Loans individually evaluated for impairment	$ 114	$ 1,509	$ 76	$ 196	$ --	$ 1,895
Loans collectively evaluated for impairment	3,605	13,966	6,800	1,132	--	25,503
Balance, June 30, 2013	$ 3,719	$ 15,475	$ 6,876	$ 1,328	$ --	$ 27,398

Activity in the allowance for loan losses for the three and six months ended June 30, 2012 was as follows:

(In thousands)	Commercial	Real Estate	Credit Card	Other Consumer and Other	Unallocated	Total
Three Months Ended June 30, 2012						
Balance, beginning of period	$ 1,914	$ 9,641	$ 5,500	$ 1,771	$ 9,499	$ 28,325
Provision for loan losses	208	657	603	122	(815)	775
Charge-offs	(165)	(78)	(829)	(252)	--	(1,324)
Recoveries	26	248	212	135	--	621
Net charge-offs	(139)	170	(617)	(117)	--	(703)
Balance, June 30, 2012	$ 1,983	$ 10,468	$ 5,486	$ 1,776	$ 8,684	$ 28,397
Six Months Ended June 30, 2012						
Balance, beginning of period	$ 2,063	$ 10,117	$ 5,513	$ 1,847	$ 10,568	$ 30,108
Provision for loan losses	147	1,790	1,377	116	(1,884)	1,546
Charge-offs	(294)	(2,617)	(1,826)	(478)	--	(5,215)
Recoveries	67	1,178	422	291	--	1,958
Net charge-offs	(227)	(1,439)	(1,404)	(187)	--	(3,257)
Balance, June 30, 2012	$ 1,983	$ 10,468	$ 5,486	$ 1,776	$ 8,684	$ 28,397
Period-end amount allocated to:						
Loans individually evaluated for impairment	$ 187	$ 2,888	$ 80	$ 244	$ --	$ 3,399
Loans collectively evaluated for impairment	1,796	7,580	5,406	1,532	8,684	24,998
Balance, June 30, 2012	$ 1,983	$ 10,468	$ 5,486	$ 1,776	$ 8,684	$ 28,397
Period-end amount allocated to:						
Loans individually evaluated for impairment	$ 203	$ 2,309	$ 82	$ 249	$ --	$ 2,843
Loans collectively evaluated for impairment	3,243	13,144	7,129	1,523	--	25,039
Balance, December 31, 2012	$ 3,446	$ 15,453	$ 7,211	$ 1,772	$ --	$ 27,882

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

(In thousands)	Commercial	Real Estate	Credit Card	Other Consumer and Other	Total
June 30, 2013					
Loans individually evaluated for impairment	$ 694	$ 14,438	$ 507	$ 1,020	$ 16,659
Loans collectively evaluated for impairment	258,541	1,064,813	173,029	137,353	1,633,736
Balance, end of period	$ 259,235	$ 1,079,251	$ 173,536	$ 138,373	$ 1,650,395
December 31, 2012					
Loans individually evaluated for impairment	$ 768	$ 28,358	$ 547	$ 1,130	$ 30,803

Loans collectively evaluated for impairment	234,373	1,034,847	184,989	143,501	1,597,710
Balance, end of period	$ 235,141	$ 1,063,205	$ 185,536	$ 144,631	$ 1,628,513

NOTE 5: LOANS ACQUIRED

The Company evaluated loans acquired in its FDIC-assisted transactions for impairment in accordance with the provisions of ASC Topic 310-30. All loans acquired, whether or not 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.

The following table reflects the carrying value of all acquired impaired loans as of June 30, 2013 and December 31, 2012:

(in thousands)	Loans Acquired June 30, 2013	Loans Acquired December 31, 2012
Consumer:		
Other consumer	$ 872	$ 1,847
Total consumer	872	1,847
Real estate:		
Construction	18,444	19,172
Single family residential	73,313	90,795
Other commercial	126,022	160,148
Total real estate	217,779	270,115
Commercial:		
Commercial	8,585	18,950
Agricultural	--	2,694
Total commercial	8,585	21,644
Total loans acquired (1) (2)	$ 227,236	$ 293,606

(1) These loans were not classified as non-performing assets at June 30, 2013 or December 31, 2012, as the loans are accounted for on a pooled basis and the pools are considered to be performing. Therefore, interest income, through accretion of the difference between the carrying amount of the loans and the expected cash flows, is being recognized on all purchased impaired loans. The loans are grouped in pools sharing common risk characteristics and were treated in the aggregate when applying various valuation techniques.

(2) Included in loans acquired were $163.7 million and $210.8 million of loans covered by FDIC loss share agreements at June 30, 2013 and December 31, 2012, respectively.

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

The amount of the estimated cash flows expected to be received from the acquired loan pools in excess of the fair values recorded for the loan pools is referred to as the accretable yield. The accretable yield is recognized as interest income over the estimated lives of the loans. Each quarter, the Company estimates the cash flows expected to be collected from the acquired loan pools, and adjustments may or may not be required. Beginning in the fourth quarter of 2011, the cash flows estimate has increased on the loans acquired in 2010 based on payment histories and reduced loss expectations of the loan pools. This has resulted in increased interest income that is spread on a level-yield basis over the remaining expected lives of the loan pools. Because these particular loan pools are covered by FDIC loss share, the increases in expected cash flows also reduce the amount of expected reimbursements under the loss sharing agreements with the FDIC, which are recorded as indemnification assets. The estimated adjustments to the indemnification assets are amortized on a level-yield basis over the remainder of the loss sharing agreements or the remaining expected lives of the loan pools, whichever is shorter. The impact of the adjustments on the Company's financial results for the three and six months ended June 30, 2013 and 2012, is shown below:

Three Months Ended	Six Months Ended

(In thousands)	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Impact on net interest income	$ 3,150	$ 3,004	$ 6,097	$ 6,189
Non-interest income	(3,062)	(2,737)	(5,890)	(5,516)
Net impact to pre-tax income	88	267	207	673
Net impact, net of taxes	$ 53	$ 162	$ 126	$ 409

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Because these adjustments will be recognized over the remaining lives of the loan pools and the remainder of the loss sharing agreements, respectively, they will impact future periods as well. The current estimate of the remaining accretable yield adjustment that will positively impact interest income is $19.5 million and the remaining adjustment to the indemnification assets that will reduce non-interest income is $16.9 million. Of the remaining adjustments, the Company expects to recognize $5.5 million of interest income and a $5.5 million reduction of non-interest income, resulting in no impact to pre-tax income, during the remainder of 2013. The accretable yield adjustments recorded in future periods will change as the Company continues to evaluate expected cash flows from the acquired loan pools.

Changes in the carrying amount of the accretable yield for all purchased impaired and non-impaired loans were as follows for the three and six months ended June 30, 2013 and 2012.

(In thousands)	Three Months Ended June 30, 2013 Accretable Yield	Three Months Ended June 30, 2013 Carrying Amount of Loans	Six Months Ended June 30, 2013 Accretable Yield	Six Months Ended June 30, 2013 Carrying Amount of Loans
Beginning balance	$ 49,396	$ 260,282	$ 58,066	$ 293,606
Additions	--	--	--	--
Accretable yield adjustments	--	--	--	--
Accretion	(7,861)	7,861	(16,531)	16,531
Payments and other reductions, net	--	(40,907)	--	(82,901)
Balance, ending	$ 41,535	$ 227,236	$ 41,535	$ 227,236

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

No pools evaluated by the Company were determined to have experienced impairment in the estimated credit quality or cash flows. There were no allowances for loan losses related to the purchased impaired loans at June 30, 2013 or December 31, 2012.

The purchase and assumption agreements for the FDIC-assisted acquisitions allow for the FDIC to recover a portion of the funds previously paid out under the indemnification agreement in the event losses fail to reach the expected loss level under a claw back provision ("true-up provision"). The amount of the true-up provision for each acquisition is measured and recorded at Day 1 fair values. It is 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. This true-up amount, which is payable to the FDIC upon termination of the applicable loss share agreement, is then discounted back to net present value. To the extent that actual losses on covered loans and covered foreclosed assets are less than estimated losses, the applicable true-up provision payable to the FDIC upon termination of the loss share agreements will increase. To

the extent that actual losses on covered loans and covered foreclosed assets are more than estimated losses, the applicable true-up provision payable to the FDIC upon termination of the loss share agreements will decrease.

The following table presents a summary of the changes in the FDIC true-up provision for the three and six months ended June 30, 2013 and 2012.

(In thousands)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Beginning balance	$ 5,256	$ 3,699	$ 4,854	$ 3,419
FDIC true-up provision recorded on new acquisitions	--	--	--	--
Amortization expense	38	38	81	66
Adjustments related to changes in expected losses	283	250	642	502
Balance, ending	$ 5,577	$ 3,987	$ 5,577	$ 3,987

NOTE 6: GOODWILL AND CORE DEPOSIT PREMIUMS

Goodwill is tested annually, or more than annually, if circumstances warrant, for impairment. If the implied fair value of goodwill is lower than its carrying amount, goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements. Goodwill totaled $60.6 million at June 30, 2013, unchanged from December 31, 2012.

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.

Goodwill, along with the carrying basis and accumulated amortization of core deposit premiums (net of core deposit premiums that were fully amortized) at June 30, 2013, and December 31, 2012, were as follows:

(In thousands)	June 30, 2013	December 31, 2012
Goodwill	$ 60,605	$ 60,605
Core deposit premiums:		
Gross carrying amount	$ 5,401	$ 5,597
Accumulated amortization	(1,914)	(1,837)
Net core deposit premiums	$ 3,487	$ 3,760

Core deposit premium amortization expense recorded for the six months ended June 30, 2013 and 2012, was $273,000 and $148,000, respectively. The Company's estimated remaining amortization expense on core deposit premiums as of June 30, 2013, is as follows:

(In thousands)	Year	Amortization Expense
	Remainder of 2013	$ 241
	2014	410
	2015	403
	2016	401
	2017	401
	Thereafter	1,631
	Total	$ 3,487

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NOTE 7: TIME DEPOSITS

Time deposits include approximately $351,486,000 and $370,598,000 of certificates of deposit of $100,000 or more at June 30, 2013, and December 31, 2012, respectively.

NOTE 8: INCOME TAXES

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

(In thousands)	June 30, 2013	June 30, 2012
Income taxes currently payable	$ 7,302	$ 6,269
Deferred income taxes	(1,756)	(802)
Provision for income taxes	$ 5,546	$ 5,467

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

(In thousands)	June 30, 2013	December 31, 2012
Deferred tax assets		
Loans acquired	$ 20,480	$ 24,186
FDIC true-up liability	2,056	1,775
Allowance for loan losses	10,622	10,736
Valuation of foreclosed assets	221	669
Deferred compensation payable	1,728	1,676
FHLB advances	345	409
Vacation compensation	1,099	1,058
Accumulated depreciation	583	280
Loan interest	767	767
Available-for-sale securities	1,555	--
Other	593	569
Total deferred tax assets	40,049	42,125
Deferred tax liabilities		
Deferred loan fee income and expenses, net	(2,988)	(2,373)
FHLB stock dividends	(298)	(296)
Goodwill and core deposit premium amortization	(11,922)	(11,190)
FDIC indemnification asset	(26,227)	(31,846)
Available-for-sale securities	--	(166)
Other	(2,326)	(3,443)
Total deferred tax liabilities	(43,761)	(49,314)
Net deferred tax liabilities included in other liabilities on balance sheets	$ (3,712)	$ (7,189)

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

(In thousands)	June 30, 2013	June 30, 2012
Computed at the statutory rate (35%)	$ 6,321	$ 6,425

Increase (decrease) in taxes resulting from:		
State income taxes, net of federal tax benefit	508	490
Tax exempt interest income	(1,200)	(1,341)
Tax exempt earnings on BOLI	(225)	(253)
Other differences, net	142	146
Actual tax provision	$ 5,546	$ 5,467

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

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

The Company files income tax returns in the U.S. federal jurisdiction. The Company's U.S. federal income tax returns are open and subject to examinations from the 2009 tax year and forward. The Company's various state income tax returns are generally open from the 2006 and later tax return years based on individual state statute of limitations.

NOTE 9: OTHER BORROWINGS AND SUBORDINATED DEBENTURES

Debt at June 30, 2013, and December 31, 2012, consisted of the following components:

(In thousands)	June 30, 2013	December 31, 2012
Other Borrowings		
FHLB advances, due 2013 to 2033, 0.35% to 8.41% secured by real estate loans	$ 77,659	$ 89,441
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
Total other borrowings and subordinated debentures	$ 98,279	$ 110,061

At June 30, 2013, the Company had no Federal Home Loan Bank ("FHLB") advances with original maturities of one year or less.

The Company had total FHLB advances of $77.7 million at June 30, 2013, with approximately $523.9 million of additional advances available from the FHLB. The FHLB advances are secured by mortgage loans and investment securities totaling approximately $651.3 million at June 30, 2013.

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

other relevant trust agreements, in aggregate, constitute a full and unconditional guarantee by the Company of each respective trust’s obligations under the trust securities issued by each respective trust.

Aggregate annual maturities of long-term debt at June 30, 2013, are:

(In thousands)	Year		Annual Maturities
	2013	$	3,432
	2014		11,409
	2015		10,729
	2016		9,101
	2017		21,845
	Thereafter		41,763
	Total	$	98,279

NOTE 10: CONTINGENT LIABILITIES

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

NOTE 11: CAPITAL STOCK

During 2007, the Company approved a stock repurchase program which authorized the repurchase of up to 700,000 shares of common stock. On July 23, 2012, the Company announced the substantial completion of the existing stock repurchase program and the adoption by the Board of Directors of a new stock repurchase program. The new program authorizes the repurchase of up to 850,000 additional shares of Class A common stock, or approximately 5% of the shares outstanding. The shares are to be purchased from time to time at prevailing market prices, through open market or unsolicited negotiated transactions, depending upon market conditions. Under the repurchase program, there is no time limit for the stock repurchases, nor is there a minimum number of shares that 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 repurchased 326,789 shares of stock with a weighted average repurchase price of $25.50 per share during the six month period ended June 30, 2013. Under the current stock repurchase plan, the Company can repurchase an additional 246,911 shares.

NOTE 12: UNDIVIDED PROFITS

The Company’s subsidiary banks are subject to a legal limitation on dividends that can be paid to the parent company without prior approval of the applicable regulatory agencies. The approval of the Comptroller of the Currency is required, if the total of all dividends declared by a national bank in any calendar year exceeds the total of its net profits, as defined, for that year combined with its retained net profits of the preceding two years. Arkansas bank regulators have specified that the maximum dividend limit state banks may pay to the parent company without prior approval is 75% of current year earnings plus 75% of the retained net earnings of the preceding year. At June 30, 2013, the Company subsidiaries had approximately $11.8 million available for payment of dividends to the Company, without prior approval of the regulatory agencies.

The risk-based capital guidelines of the Federal Reserve Board and the Office of the Comptroller of the Currency include the definitions for (1) a well-capitalized institution, (2) an adequately-capitalized institution, and (3) an undercapitalized institution. The criteria for a well-capitalized institution are: a 5% "Tier l leverage capital" ratio, a

6% "Tier 1 risk-based capital" ratio, and a 10% "total risk-based capital" ratio. As of June 30, 2013, each of the eight subsidiary banks met the capital standards for a well-capitalized institution. The Company's “total risk-based capital” ratio was 20.24% at June 30, 2013.

NOTE 13: STOCK BASED COMPENSATION

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

The table below summarizes the transactions under the Company's active stock compensation plans for the six months ended June 30, 2013:

	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, 2013	217,650	$ 26.77	134,730	$ 25.89
Granted	--	--	64,006	25.57
Stock Options Exercised	(4,000)	23.78	--	--
Stock Awards Vested	--	--	(46,975)	26.92
Forfeited/Expired	(2,522)	26.88	--	--
Balance, June 30, 2013	211,128	$ 26.82	151,761	$ 25.52
Exercisable, June 30, 2013	211,128	$ 26.82		

The following table summarizes information about stock options under the plans outstanding at June 30, 2013:

Range of Exercise Prices			Options Outstanding			Options Exercisable	
			Number of Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$23.78	-	$23.78	41,800	1.1	$ 23.78	41,800	$ 23.78
24.50	-	24.50	30,800	1.9	24.50	30,800	24.50
26.19	-	27.67	48,100	2.8	26.20	48,100	26.20
28.42	-	28.42	46,100	3.7	28.42	46,100	28.42
30.31	-	30.31	44,328	4.7	30.31	44,328	30.31

Total stock-based compensation expense was $714,000 and $769,000 during the six months ended June 30, 2013 and 2012, respectively. Stock-based compensation expense is recognized ratably over the requisite service period for all stock-based awards. There was no unrecognized stock-based compensation expense related to stock options at June 30, 2013. Unrecognized stock-based compensation expense related to non-vested stock awards was $3,036,000 at June 30, 2013. At such date, the weighted-average period over which this unrecognized expense is expected to be recognized was 2.55 years.

The intrinsic value of stock options outstanding and stock options exercisable at June 30, 2013 was $145,000. Intrinsic value represents the difference between the Company's closing stock price on the last trading day

of the period, which was $26.09 as of June 30, 2013, and the exercise price multiplied by the number of options outstanding and exercisable at a price below that closing price. The total intrinsic value of stock options exercised during the six months ended June 30, 2013 was $9,000. There were no stock options exercised during the six months ended June 30, 2012.

NOTE 14: ADDITIONAL CASH FLOW INFORMATION

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

(In thousands)	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Interest paid	$ 6,112	$ 8,047
Income taxes paid	7,144	5,372
Transfers of loans to foreclosed assets	6,556	3,423
Transfers of loans acquired, covered by FDIC loss share, to foreclosed assets covered by FDIC loss share	3,267	7,443

NOTE 15: OTHER OPERATING EXPENSES

Other operating expenses consist of the following:

(In thousands)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Professional services	$ 1,106	$ 1,002	$ 2,248	$ 2,119
Postage	609	618	1,242	1,245
Telephone	550	612	1,208	1,213
Credit card expense	1,790	1,719	3,331	3,411
Operating supplies	405	331	794	667
Amortization of core deposit premiums	137	74	273	148
Other expense	3,221	3,010	6,503	5,913
Total other operating expenses	$ 7,818	$ 7,366	$ 15,599	$ 14,716

NOTE 16: CERTAIN TRANSACTIONS

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

NOTE 17: COMMITMENTS AND CREDIT RISK

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

counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate.

At June 30, 2013, the Company had outstanding commitments to extend credit aggregating approximately $432,096,000 and $333,083,000 for credit card commitments and other loan commitments. At December 31, 2012, the Company had outstanding commitments to extend credit aggregating approximately $401,817,000 and $301,444,000 for credit card commitments and other loan commitments.

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 $9,009,000 and $9,901,000 at June 30, 2013, and December 31, 2012, respectively, with terms ranging from 7 months to 5 years. At June 30, 2013 and December 31, 2012, the Company's deferred revenue under standby letter of credit agreements was approximately $20,000 and $10,000, respectively.

NOTE 18: FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in valuation techniques during the periods ended June 30, 2013 and 2012.

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 a government money market mutual fund (the "AIM Fund") is reported at fair value utilizing Level 1 inputs. The remainder of the Company's available-for-sale securities are reported at fair value utilizing Level 2 inputs.

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

The following table sets forth the Company's financial assets by level within the fair value hierarchy that were measured at fair value on a recurring basis as of June 30, 2013 and December 31, 2012.

		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)
June 30, 2013				
ASSETS				
Available-for-sale securities:				
U.S. Government agencies	$ 159,390	$ --	$ 159,390	$ --
Mortgage-backed securities	2,078	--	2,078	--
State and political subdivisions	1,262	--	1,262	--
Other securities	14,801	1,504	13,297	--
Assets held in trading accounts	8,739	1,750	6,989	--
December 31, 2012				
ASSETS				
Available-for-sale securities:				
U.S. Government agencies	$ 152,481	$ --	$ 152,481	$ --
Mortgage-backed securities	20,634	--	20,634	--
State and political subdivisions	2,988	--	2,988	--
Other securities	15,239	1,504	13,735	--
Assets held in trading accounts	6,224	1,800	4,424	--

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 for selected loans rated Special Mention or worse begins at $500,000, with testing on all loans over $1.5 million rated Special Mention or worse. 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 observable market data. As of June 30, 2013 and December 31, 2012, the fair value of foreclosed assets held for sale, excluding those covered by FDIC loss share agreements, less estimated costs to sell was $30.4 million and $33.4 million, respectively.

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

Mortgage loans held for sale – Mortgage loans held for sale are reported at fair value if, on an aggregate basis, the fair value of the loans is less than cost. In determining whether the fair value of loans held for sale is less than cost when quoted market prices are not available, the Company may consider outstanding investor commitments, discounted cash flow analyses with market assumptions or the fair value of the collateral if the loan is collateral dependent. Such loans are classified within either Level 2 or Level 3 of the fair value hierarchy. Where assumptions are made using significant unobservable inputs, such loans held for sale are classified as Level 3. At June 30, 2013, and December 31, 2012, the aggregate fair value of mortgage loans held for sale exceeded their cost. Accordingly, no mortgage loans held for sale were marked down and reported at fair value.

The following table sets forth the Company's financial assets by level within the fair value hierarchy that were measured at fair value on a nonrecurring basis as of June 30, 2013, and December 31, 2012.

		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)
June 30, 2013				
ASSETS				
Impaired loans (1) (2) (collateral dependent)	$ 2,661	$ --	$ --	$ 2,661
Foreclosed assets held for sale (1)	2,756	--	--	2,756
December 31, 2012				
ASSETS				

Impaired loans (1) (2) (collateral dependent)	$ 4,900	$ --	$ --	$ 4,900
Foreclosed assets held for sale (1)	1,484	--	--	1,484

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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 $302,000 and $219,000 were related to the impaired collateral dependent loans for which fair value re-measurements took place during the periods ended June 30, 2013 and December 31, 2012, respectively.

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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).

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).

FDIC indemnification asset – Fair value of the FDIC indemnification asset is based on the net present value of future cash proceeds expected to be received from the FDIC under the provisions of the loss share agreements using a discount rate that is based on current market rates (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 – 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
June 30, 2013					
Financial assets:					
Cash and cash equivalents	$ 459,234	$ 459,234	$ --	$ --	$ 459,234
Held-to-maturity securities	555,464	--	543,154	--	543,154
Mortgage loans held for sale	14,454	--	--	14,454	14,454
Interest receivable	12,637	--	12,637	--	12,637
Loans	1,622,997	--	--	1,622,698	1,622,698
Loans acquired, covered by FDIC loss share	163,736	--	--	160,693	160,693
Loans acquired, not covered by FDIC loss share	63,500	--	--	61,619	61,619
FDIC indemnification asset	66,858	--	--	66,858	66,858
Financial liabilities:					
Non-interest bearing transaction accounts	565,433	--	565,433	--	565,433
Interest bearing transaction accounts and savings deposits	1,428,422	--	1,428,422	--	1,428,422
Time deposits	819,264	--	--	823,059	823,059
Federal funds purchased and securities sold under agreements to repurchase	79,063	--	79,063	--	79,063
Other borrowings	77,659	--	79,896	--	79,896
Subordinated debentures	20,620	--	18,327	--	18,327
Interest payable	1,130	--	1,130	--	1,130
December 31, 2012					
Financial assets:					
Cash and cash equivalents	$ 537,797	$ 537,797	$ --	$ --	$ 537,797
Held-to-maturity securities	496,141	--	500,578	--	500,578
Mortgage loans held for sale	25,367	--	--	25,367	25,367
Interest receivable	14,530	--	14,530	--	14,530
Loans	1,600,631	--	--	1,602,014	1,602,014
Loans acquired, covered by FDIC loss share	210,842	--	--	208,685	208,685
Loans acquired, not covered by FDIC loss share	82,764	--	--	82,764	82,764
FDIC indemnification asset	75,286	--	--	75,286	75,286
Financial liabilities:					
Non-interest bearing transaction accounts	576,655	--	576,655	--	576,655
Interest bearing transaction accounts and savings deposits	1,421,137	--	1,421,137	--	1,421,137
Time deposits	876,371	--	--	880,201	880,201
Federal funds purchased and securities sold under agreements to repurchase	104,078	--	104,078	--	104,078
Other borrowings	89,441	--	94,472	--	94,472
Subordinated debentures	20,620	--	15,414	--	15,414
Interest payable	1,096	--	1,096	--	1,096

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Committee, Board of Directors and Stockholders
Simmons First National Corporation
Pine Bluff, Arkansas

We have reviewed the accompanying condensed consolidated balance sheet of SIMMONS FIRST NATIONAL CORPORATION as of June 30, 2013, and the related condensed consolidated statements of income and comprehensive income for the three month and six month periods ended June 30, 2013 and 2012 and statements of stockholders’ equity and cash flows for the six month periods ended June 30, 2013 and 2012. 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, 2012, 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 March 12, 2013, 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, 2012, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

BKD, LLP

/s/ BKD, LLP

Pine Bluff, Arkansas
August 9, 2013

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

OVERVIEW

Our net income for the three months ended June 30, 2013, was $6.6 million and diluted earnings per share were $0.40, compared to net income of $6.5 million and $0.38 diluted earnings per share for the same period of 2012. Net income for the six months ended June 30, 2013, was $12.5 million and diluted earnings per share were $0.76, compared to net income of $12.9 million and $0.75 diluted earnings per share for the same period of 2012.

Considering interest rates continued at historical lows, we were pleased with our 5.3% increase in EPS for the quarter when compared to the same quarter last year. More so, we were pleased with the positive trends in our balance sheet, as reflected in our normalized organic loan growth of approximately 3%, which enabled us to produce a net interest margin of 3.96%. The organic loan growth, coupled with strong asset quality, position us favorably for the balance of the year.

Stockholders' equity as of June 30, 2013, was $401.9 million, book value per share was $24.67 and tangible book value per share was $20.74. Our ratio of stockholders' equity to total assets was 11.7% and the ratio of tangible stockholders' equity to tangible assets was 10.1% at June 30, 2013. The Company's Tier I leverage ratio of 11.0%, 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).

During the first quarter we fully integrated the acquired locations, including system conversions, on our 2012 FDIC-assisted acquisitions. Those acquisitions were strategic in that they complement the footprint we have been building in the Kansas and Missouri market. Our exceptional level of capital positions us to continue to take advantage of additional acquisition opportunities to expand our presence in that geographic region through additional FDIC and/or traditional acquisitions going forward. We continue to actively pursue the right opportunities that meet our strategic plan regarding mergers and acquisitions.

We continue to allocate our earnings, less dividends, to our stock repurchase program. We believe our stock, at its recent market price, continues to be an excellent investment. We increased our quarterly dividend from $0.20 to $0.21 per share, beginning with the first quarter. On an annual basis, the $0.84 per share dividend results in a 3% return, based on our recent stock price.

Total assets were $3.42 billion at June 30, 2013, compared to $3.53 billion at December 31, 2012. Total loans, including loans acquired, were $1.88 billion at June 30, 2013, compared to $1.92 billion at December 31, 2012. We continue to have good asset quality.

Simmons First National Corporation is an Arkansas based financial holding company with eight community banks in Pine Bluff, Lake Village, Jonesboro, Rogers, Searcy, Russellville, El Dorado and Hot Springs, Arkansas. Our eight banks conduct financial operations from 96 offices, of which 92 are financial centers, located in 55 communities in Arkansas, Kansas and Missouri.

During the three and six months ended June 30, 2013, we incurred $467,000 and $227,000 reduction in after-tax merger related expenses associated with our 2012 FDIC-assisted acquisitions. Excluding this nonrecurring item, core net income for the three and six months ended June 30, 2013, was $6.4 million and $12.5 million and diluted core earnings per share were $0.39 and $0.76, up $0.01 when compared to the same periods of 2012.

CRITICAL ACCOUNTING POLICIES

Overview

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

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

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

Allowance for Loan Losses 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.

Prior to the fourth quarter of 2012, we measured the appropriateness of the allowance for loan losses in its entirety using (a)ASC 450-20 which includes quantitative (historical loss rates) and qualitative factors (management adjustment factors) such as (1) lending policies and procedures, (2) economic outlook and business conditions, (3) level and trend in delinquencies, (4) concentrations of credit and (5) external factors and competition; which are combined with the historical loss rates to create the baseline factors that are allocated to the various loan categories; (b) specific allocations on impaired loans in accordance with ASC 310-10; and (c) the unallocated amount.

The unallocated amount was evaluated on the loan portfolio in its entirety and was based on additional factors, such as (1) trends in volume, maturity and composition, (2) national, state and local economic trends and conditions, (3) the experience, ability and depth of lending management and staff and (4) other factors and trends that will affect specific loans and categories of loans, such as a heightened risk in agriculture, credit card and commercial real estate loan portfolios.

As of December 31, 2012, we refined our allowance calculation. As part of the refinement process, we evaluated the criteria previously applied to the entire loan portfolio, and used to calculate the unallocated portion of the allowance, and applied those criteria to each specific loan category. For example, the impact of national, state and local economic trends and conditions was evaluated by and allocated to specific loan categories.

After this refinement, the allowance 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) concentrations of credit within the loan portfolio, (6) the experience, ability and depth of lending management and staff and (7) 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.

Acquisition Accounting, Covered Loans and Related Indemnification Asset

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

timing of undiscounted expected principal, interest and other cash flows.

Over the life of the acquired loans, we continue to estimate cash flows expected to be collected on pools of loans sharing common risk characteristics, which are treated in the aggregate when applying various valuation techniques. We evaluate at each balance sheet date whether the present value of our pools of 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 pool's remaining life.

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

The shared-loss agreements continue to be measured on the same basis as the related indemnified loans, as prescribed by ASC Topic 805. Deterioration in the credit quality of the loans (immediately recorded as an adjustment to the allowance for loan losses) would immediately increase the basis of the shared-loss agreements, with the offset recorded through the consolidated statement of income. Increases in the credit quality or cash flows of loans (reflected as an adjustment to yield and accreted into income over the remaining life of the loans) decrease the basis of the shared-loss agreements, with such decrease being accreted into income over 1) the same period or 2) the life of the shared-loss agreements, whichever is shorter. Loss assumptions used in the basis of the indemnified loans are consistent with the loss assumptions used to measure the indemnification asset. Fair value accounting incorporates into the fair value of the indemnification asset an element of the time value of money, which is accreted back into income over the life of the shared-loss agreements.

Upon the determination of an incurred loss the indemnification asset will be reduced by the amount owed by the FDIC. A corresponding, claim receivable is recorded until cash is received from the FDIC. For further discussion of our acquisition and loan accounting, see Note 5, Loans Acquired, in the accompanying Condensed Notes to Consolidated Financial Statements included elsewhere in this report.

Goodwill and Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Other intangible assets represent purchased assets that also lack physical substance but can be separately distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset or liability. We perform an annual goodwill impairment test, and more than annually if circumstances warrant, in accordance with ASC Topic 350, Intangibles – Goodwill and Other, as amended by ASU 2011-08 – Testing Goodwill for Impairment. ASC Topic 350 requires that goodwill and intangible assets that have indefinite lives be reviewed for impairment annually, or more frequently if certain conditions occur. Impairment losses on recorded goodwill, if any, will be recorded as operating expenses.

Employee Benefit Plans

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

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

Income Taxes

We are subject to the federal income tax laws of the United States, and the tax laws of the states and other jurisdictions where we conduct business. Due to the complexity of these laws, taxpayers and the taxing authorities

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

NET INTEREST INCOME

Overview

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

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

Net Interest Income Quarter-to-Date Analysis

For the three month period ended June 30, 2013, net interest income on a fully taxable equivalent basis was $30.7 million, an increase of $2.2 million, or 7.8%, over the same period in 2012. The increase in net interest income was the result of a $1.3 million increase in interest income and a $0.9 million decrease in interest expense.

The increase in interest income of $1.3 million can be attributed to the growth in our loan portfolio, despite a decline in loan yields. The acquired covered loans generated an additional $1.5 million in interest income, while noncovered loans (acquired and legacy), added another $0.2 million. Offsetting these increases was a $0.4 million decrease in interest income primarily due to a 29 basis point decline in the yield on investment securities.

The $1.5 million increase in interest income from covered loans included a $2.0 million increase due to the increased loan volume resulting from our 2012 FDIC-assisted acquisitions, partially offset by a $0.5 million decrease due to lower average yields on the covered loans, decreasing to 15.05% in 2013 from 16.64% in 2012. The yield decrease was due to reduced yield accretion, including that recognized in conjunction with the fair value of the loan pools acquired in the 2010 FDIC-assisted transactions as discussed in Note 5, Loans Acquired, in the accompanying Condensed Notes to Consolidated Financial Statements included elsewhere in this report. Each quarter, we estimate the cash flows expected to be collected from the acquired loan pools. Beginning in the fourth quarter of 2011, this cash flows estimate increased based on the payment histories and reduced loss expectations of the loan pools. This resulted in increased interest income that is spread on a level-yield basis over the remaining expected lives of the loan pools. The increases in expected cash flows also reduce the amount of expected reimbursements under the loss sharing agreements with the FDIC, which are recorded as indemnification assets. The estimated adjustments to the indemnification assets will be amortized on a level-yield basis over the remainder of the loss sharing agreements or the remaining expected life of the loan pools, whichever is shorter, and are recorded in non-interest expense.

For the three months ended June 30, 2013, the adjustments increased interest income by $3.2 million and decreased non-interest income by $3.1 million. The net impact to pre-tax income was $88,000 for the three months ended June 30, 2013. Because these adjustments will be recognized over the estimated remaining lives of the loan pools and the remainder of the loss sharing agreements, respectively, they will impact future periods as well. The current estimate of the remaining accretable yield adjustment that will positively impact interest income is $19.5 million and the remaining adjustment to the indemnification assets that will reduce non-interest income is $16.9 million. Of the remaining adjustments, we expect to recognize $5.5 million of interest income and a $5.5 million reduction of non-interest income during the remainder of 2013. The accretable yield adjustments recorded in future periods will

change as we continue to evaluate expected cash flows from the acquired loan pools.

The $0.9 million decrease in interest expense is the result of a 20 basis point decrease in cost of funds due to competitive repricing during a low interest rate environment. The lower interest rates accounted for a $0.8 million decrease in interest expense, while declining volume caused a $0.1 million decrease in interest expense. The most significant component of this decrease was the $0.5 million decrease associated with the repricing of the Company's time deposits that resulted from time deposits that matured during the period or were tied to a rate that fluctuated with changes in market rates. As a result, the average rate paid on time deposits decreased 25 basis points from 0.96% to 0.71%. Interest expense on subordinated debentures decreased by $0.2 million due to our redemption of $10 million of 8.25% fixed rate trust preferred securities in the third quarter of 2012.

Net Interest Income Year-to-Date Analysis

For the six month period ended June 30, 2013, net interest income on a fully taxable equivalent basis was $61.8 million, an increase of $4.4 million, or 7.7%, over the same period in 2012. The increase in net interest income was the result of a $2.4 million increase in interest income and a $2.0 million decrease in interest expense.

The increase in interest income of $2.4 million can be attributed to the growth in our loan portfolio, despite a decline in loan yields. The acquired covered loans generated an additional $1.7 million in interest income, while noncovered loans (acquired and legacy), added another $1.6 million. Offsetting these increases was a $0.9 million decrease in interest income primarily due to a 32 basis point decline in the yield on investment securities.

The $1.7 million increase in interest income from covered loans included a $3.9 million increase due to the increased loan volume resulting from our 2012 FDIC-assisted acquisitions, partially offset by a $2.2 million decrease due to lower average yields on the covered loans, decreasing to 13.83% in 2013 from 16.82% in 2012. The yield increase was due to reduced yield accretion, including that recognized in conjunction with the fair value of the loan pools acquired in the 2010 FDIC-assisted transactions. For the six months ended June 30, 2013, the adjustments increased interest income by $6.1 million and decreased non-interest income by $5.9 million. The net impact to pre-tax income was $207,000 for the six months ended June 30, 2013.

The $2.0 million decrease in interest expense is primarily the result of a 22 basis point decrease in cost of funds due to competitive repricing during a low interest rate environment. The lower interest rates accounted for a $1.9 million decrease in interest expense, while declining volume caused a $0.1 million decrease in interest expense. The most significant component of this decrease was the $1.2 million decrease associated with the repricing of the Company's time deposits that resulted from time deposits that matured during the period or were tied to a rate that fluctuated with changes in market rates. As a result, the average rate paid on time deposits decreased 28 basis points from 1.01% to 0.73%. Lower rates on interest bearing transaction and savings accounts resulted in an additional $0.3 million decrease in interest expense, with the average rate decreasing by 5 basis points from 0.22% to 0.17%. Interest expense on subordinated debentures decreased by $0.4 million due to last year's $10 million redemption.

Net Interest Margin

Our net interest margin increased 9 basis points to 3.96% for the three month period ended June 30, 2013, when compared to 3.87% for the same period in 2012. For the six month period ended June 30, 2013, net interest margin increased 8 basis points to 3.98% when compared to 3.90% for the same period in 2012. The margin has been strengthened from the impact of the accretable yield adjustments discussed above. Also, the acquisition of loans, along with our ability to stabilize the size of our legacy loan portfolio, has allowed us to increase our level of higher yielding assets. Conversely, while keeping us prepared to benefit from rising interest rates, our high levels of liquidity continue to compress our margin.

Net Interest Income Tables

Tables 1 and 2 reflect an analysis of net interest income on a fully taxable equivalent basis for the three month and six month periods ended June 30, 2013 and 2012, respectively, as well as changes in fully taxable equivalent net interest margin for the three month and six month periods ended June 30, 2013, versus June 30, 2012.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2013	2012	2013	2012
Interest income	$ 32,571	$ 31,192	$ 65,803	$ 63,180
FTE adjustment	1,095	1,208	2,168	2,411
Interest income – FTE	33,666	32,400	67,971	65,591
Interest expense	2,989	3,941	6,146	8,211
Net interest income – FTE	$ 30,677	$ 28,459	$ 61,825	$ 57,380
Yield on earning assets – FTE	4.35%	4.41%	4.38%	4.46%
Cost of interest bearing liabilities	0.48%	0.68%	0.49%	0.71%
Net interest spread – FTE	3.87%	3.73%	3.89%	3.75%
Net interest margin – FTE	3.96%	3.87%	3.98%	3.90%

Table 2: Changes in Fully Taxable Equivalent Net Interest Margin

(In thousands)	Three Months Ended June 30, 2013 vs. 2012	Six Months Ended June 30, 2013 vs. 2012
Increase due to change in earning assets	$ 3,525	$ 7,099
Decrease due to change in earning asset yields	(2,259)	(4,719)
Increase due to change in interest bearing liabilities	106	174
Increase due to change in interest rates paid on interest bearing liabilities	846	1,891
Increase in net interest income	$ 2,218	$ 4,445

Table 3 shows, for each major category of earning assets and interest bearing liabilities, the average (computed on a daily basis) amount outstanding, the interest earned or expensed on such amount and the average rate earned or expensed for the three and six month periods ended June 30, 2013 and 2012. 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 June 30,					
	2013			2012		
($ in thousands)	Average Balance	Income/ Expense	Yield/ Rate(%)	Average Balance	Income/ Expense	Yield/ Rate(%)
ASSETS						
Earning assets:						
Interest bearing balances due from banks	$ 527,787	$ 352	0.27	$ 550,512	$ 349	0.25
Federal funds sold	1,922	5	1.04	363	1	1.11
Investment securities - taxable	480,220	1,306	1.09	471,826	1,414	1.21
Investment securities - non-taxable	213,015	2,796	5.26	209,006	3,095	5.96
Mortgage loans held for sale	14,154	118	3.34	17,623	164	3.74
Assets held in trading accounts	8,292	6	0.29	7,831	13	0.67
Loans, not covered by loss share	1,688,699	22,614	5.37	1,579,166	22,370	5.70
Loans acquired, covered by loss share	172,415	6,469	15.05	120,695	4,994	16.64
Total interest earning assets	3,106,504	33,666	4.35	2,957,022	32,400	4.41
Non-earning assets	376,106			308,349		
Total assets	$ 3,482,610			$ 3,265,371		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities:						
Interest bearing liabilities						
Interest bearing transaction and savings accounts	$ 1,456,258	$ 603	0.17	$ 1,282,616	$ 676	0.21
Time deposits	834,583	1,479	0.71	837,821	2,004	0.96
Total interest bearing deposits	2,290,841	2,082	0.36	2,120,437	2,680	0.51
Federal funds purchased and securities sold under agreement to repurchase	89,879	53	0.24	82,738	77	0.37
Other borrowings	80,090	692	3.47	89,606	799	3.59
Subordinated debentures	20,620	162	3.15	30,930	385	5.01
Total interest bearing liabilities	2,481,430	2,989	0.48	2,323,711	3,941	0.68
Non-interest bearing liabilities:						
Non-interest bearing deposits	560,804			502,884		
Other liabilities	32,146			29,077		
Total liabilities	3,074,380			2,855,672		
Stockholders' equity	408,230			409,699		
	$ 3,482,610			$ 3,265,371		

Total liabilities and stockholders' equity						
Net interest spread			3.87			3.73
Net interest margin	$	30,677	3.96	$	28,459	3.87

	Six Months Ended June 30,					
		2013			2012	
($ in thousands)	Average Balance	Income/ Expense	Yield/ Rate(%)	Average Balance	Income/ Expense	Yield/ Rate(%)
ASSETS						
Earning assets:						
Interest bearing balances due from banks	$ 544,273	$ 642	0.24	$ 563,464	$ 652	0.23
Federal funds sold	5,205	8	0.31	322	1	0.62
Investment securities - taxable	484,184	2,528	1.05	465,496	2,792	1.21
Investment securities - non-taxable	207,000	5,538	5.40	209,183	6,184	5.95
Mortgage loans held for sale	16,798	273	3.28	17,349	317	3.67
Assets held in trading accounts	8,409	17	0.41	7,338	25	0.69
Loans, not covered by loss share	1,678,876	46,321	5.56	1,564,753	44,653	5.74
Loans acquired, covered by loss share	184,303	12,644	13.83	131,129	10,967	16.82
Total interest earning assets	3,129,048	67,971	4.38	2,959,034	65,591	4.46
Non-earning assets	381,018			313,494		
Total assets	$ 3,510,066			$ 3,272,528		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities:						
Interest bearing liabilities						
Interest bearing transaction and savings accounts	$ 1,450,748	$ 1,214	0.17	$ 1,267,794	$ 1,372	0.22
Time deposits	846,638	3,067	0.73	850,671	4,273	1.01
Total interest bearing deposits	2,297,386	4,281	0.38	2,118,465	5,645	0.54
Federal funds purchased and securities sold under agreement to repurchase	104,005	118	0.23	95,790	176	0.37
Other borrowings	81,981	1,426	3.51	89,763	1,613	3.61
Subordinated debentures	20,620	321	3.14	30,930	777	5.05
Total interest bearing liabilities	2,503,992	6,146	0.49	2,334,948	8,211	0.71
Non-interest bearing liabilities:						
Non-interest bearing deposits	564,196			498,625		
Other liabilities	33,316			28,247		
Total liabilities	3,101,504			2,861,820		
Stockholders' equity	408,562			410,708		
Total liabilities and stockholders' equity	$ 3,510,066			$ 3,272,528		
Net interest spread			3.89			3.75
Net interest margin		$ 61,825	3.98		$ 57,380	3.90

Table 4 shows changes in interest income and interest expense resulting from changes in volume and changes in interest rates for the three month and six month periods ended June 30, 2013, as compared to the same period of the prior year. The changes in interest rate and volume have been allocated to changes in average volume and changes in average rates in proportion to the relationship of absolute dollar amounts of the changes in rates and volume.

Table 4: Volume/Rate Analysis

(In thousands, on a fully taxable equivalent basis)	Three Months Ended June 30, 2013 over 2012			Six Months Ended June 30, 2013 over 2012		
	Volume	Yield/ Rate	Total	Volume	Yield/ Rate	Total
Increase (decrease) in:						
Interest income:						
Interest bearing balances due from banks	$ (14)	$ 17	$ 3	$ (22)	$ 12	$ (10)
Federal funds sold	4	--	4	7	--	7
Investment securities - taxable	25	(100)	(75)	108	(372)	(264)
Investment securities - non-taxable	58	(390)	(332)	(64)	(582)	(646)
Mortgage loans held for sale	(30)	(16)	(46)	(10)	(34)	(44)
Assets held in trading accounts	1	(8)	(7)	4	(12)	(8)
Loans, not covered by loss share	1,504	(1,260)	244	3,183	(1,515)	1,668
Loans acquired, covered by loss share	1,977	(502)	1,475	3,893	(2,216)	1,677
Total	3,525	(2,259)	1,266	7,099	(4,719)	2,380
Interest expense:						
Interest bearing transaction and savings accounts	84	(157)	(73)	180	(338)	(158)
Time deposits	(8)	(517)	(525)	(20)	(1,186)	(1,206)
Federal funds purchased and securities sold under agreements to repurchase	7	(31)	(24)	16	(74)	(58)
Other borrowings	(83)	(24)	(107)	(137)	(50)	(187)
Subordinated debentures	(106)	(117)	(223)	(213)	(243)	(456)
Total	(106)	(846)	(952)	(174)	(1,891)	(2,065)
(Decrease) increase in net interest income	$ 3,631	$ (1,413)	$ 2,218	$ 7,273	$ (2,828)	$ 4,445

PROVISION FOR LOAN LOSSES

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

The provision for loan losses for the three month period ended June 30, 2013, was $1.0 million, compared to $0.8 million for the three month period ended June 30, 2012, an increase of $0.2 million. The provision for loan losses for

the six month period ended June 30, 2013, was $2.0 million, compared to $1.6 million for the six month period ended June 30, 2012, an increase of $0.4 million. See Allowance for Loan Losses section for additional information.

NON-INTEREST INCOME

Total non-interest income was $11.3 million for the three month period ended June 30, 2013, an increase of $180,000, or 1.6%, compared to $11.1 million for the same period in 2012. Total non-interest income was $22.6 million for the six month period ended June 30, 2013, an increase of $770,000, or 3.5%, compared to $21.8 million for the same period in 2012.

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, gains (losses) from sales of securities and gains (losses) related to FDIC-assisted transactions and covered assets.

Table 5 shows non-interest income for the three and six month periods ended June 30, 2013 and 2012, respectively, as well as changes in 2013 from 2012.

Table 5: Non-Interest Income

(In thousands)	Three Months Ended June 30 2013	Three Months Ended June 30 2012	2013 Change from 2012		Six Months Ended June 30 2013	Six Months Ended June 30 2012	2013 Change from 2012	
Trust income	$ 1,342	$ 1,240	$ 102	8.23%	$ 2,786	$ 2,549	$ 237	9.30%
Service charges on deposit accounts	4,474	3,930	544	13.84	8,715	7,795	920	11.80
Other service charges and fees	791	738	53	7.18	1,566	1,530	36	2.35
Mortgage lending income	1,338	1,445	(107)	-7.40	2,554	2,739	(185)	-6.75
Investment banking income	696	442	254	57.47	1,150	1,141	9	0.79
Credit card fees	4,341	4,207	134	3.19	8,380	8,286	94	1.13
Bank owned life insurance income	366	368	(2)	-0.54	644	723	(79)	-10.93
Loss on sale of securities	(193)	--	(193)	--	(193)	--	(193)	--
Net gain (loss) on assets covered by FDIC loss share agreements	(2,615)	(2,153)	(462)	-21.46	(4,757)	(4,818)	61	1.27
Other income	733	876	(143)	-16.32	1,741	1,871	(130)	-6.95
Total non-interest income	$ 11,273	$ 11,093	$ 180	1.62%	$ 22,586	$ 21,816	$ 770	3.53%

Recurring fee income (service charges, trust fees and credit card fees) for the three month period ended June 30, 2013, was $10.9 million, an increase of $833,000, or 8.2%, from the three month period ended June 30, 2012. Service charges on deposit accounts increased by $544,000, or 13.8%, primarily due to accounts added as part of our 2012 FDIC-assisted acquisitions, recently implemented paper statement fees and an increase in NSF income. Trust income increased by $102,000, or 8.2%, due primarily to growth in our personal trust and investor management client base during 2012.

Recurring fee income for the six month period ended June 30, 2013, was $21.4 million, an increase of $1.3 million, or 6.4%, from the six month period ended June 30, 2012. Service charges on deposit accounts increased by $920,000, or 11.8%, primarily due to accounts added as part of our 2012 FDIC-assisted acquisitions, recently implemented paper statement fees and an increase in NSF income. Trust income increased by $237,000, or 9.3%, due primarily to growth in our personal trust and investor management client base during 2012.

Mortgage banking income decreased by $107,000 and $185,000 for the three and six months ended June 30, 2013, compared to last year, due primarily to a decline in residential refinancing volume from 2012. Investment banking

income increased by $254,000 for the three months ended June 30, primarily due to a favorable mark-to-market adjustment on trading investments. Investment banking income for the six months ended June 30, 2013, increased $9,000 from the same period last year, as second quarter income was offset by our first quarter decrease, which was due to the sustained low interest rate environment resulting in fewer “calls??for our dealer-bank customers during the first quarter.

We recorded a nonrecurring $193,000 loss from the sale of securities during the three and six months ended June 30, 2013, as we liquidated the investment portfolios remaining from our 2012 FDIC-assisted acquisitions. Selling these securities was part of our initial acquisition plan, as the portfolios were mostly mortgage-backed securities that did not fit our corporate investment strategy. There were no realized gains or losses from the sale of securities for the three and six month periods ended June 30, 2012.

Net gain (loss) on assets covered by FDIC loss share agreements decreased by $462,000 for the three months ended June 30, 2013, due primarily to reduced gains on the sale of FDIC-OREO compared to gains recognized in the same period of 2012.

NON-INTEREST EXPENSE

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

Non-interest expense for the three months ended June 30, 2013, was $30.3 million, an increase of $2.1 million, or 7.4%, from the same period in 2012. Non-interest expense for the six months ended June 30, 2013, was $62.2 million, an increase of $5.4 million, or 9.4%, from the same period in 2012.

Included in non-interest expense for the three and six months ended June 30, 2013, were $1.9 million and $4.5 million in normal operating expense attributable to our 2012 FDIC-assisted acquisitions. Excluding these normal operating expenses related to the acquisitions, non-interest expense for the three and six months ended June 30, 2013, increased only $222,000, or 0.8%, and $816,000, or 1.4%, from the same periods in 2012.

During the quarter ended June 30, 2013, we reversed $467,000 in nonrecurring merger related costs that were previously accrued for system related conversions for our Truman and Excel acquisitions. Much of these savings were the direct result of our experience in integrating and converting acquisitions. Normalizing for the nonrecurring merger related costs and the normal operating expenses of the acquisitions, non-interest expense for the three and six months ended June 30, 2013, increased by $689,000, or 2.4%, and $1.0 million, or 1.8%, from the same periods in 2012. Our ability to record only small increases in comparative costs from last year can be attributed to good expense control.

Salaries and employee benefits increased by $1.3 million and $3.0 million for the three and six months ended June 30, 2013, including $825,000 and $2.1 million, respectively, related to the 2012 acquisitions. Occupancy expense increased by $421,000 and $895,000 for the same periods, with $342,000 and $728,000, respectively, related to the acquisitions. Furniture and equipment expense increased by $422,000 and $541,000 for the same periods, with $113,000 and $249,000, respectively, related to the acquisitions.

Table 6 below shows non-interest expense for the three month and six month periods ended June 30, 2013 and 2012, respectively, as well as changes in 2013 from 2012.

Table 6: Non-Interest Expense

	Three Months Ended June 30		2013 Change from		Six Months Ended June 30		2013 Change from	
(In thousands)	2013	2012	2012		2013	2012	2012	
Salaries and employee benefits	$ 17,937	$ 16,590	$ 1,347	8.12%	$ 36,444	$ 33,414	$ 3,030	9.07%
Occupancy expense, net	2,450	2,029	421	20.75	5,005	4,110	895	21.78
Furniture and equipment expense	2,030	1,608	422	26.24	3,753	3,212	541	16.84
	59	194	(135)	-69.59	390	401	(11)	-2.74

Other real estate and foreclosure expense								
Deposit insurance	492	457	35	7.66	1,267	1,028	239	23.25
Merger related costs	(467)	--	(467)	--	(227)	--	(227)	--
Other operating expenses:								
Professional services	1,106	1,002	104	10.38	2,248	2,119	129	6.09
Postage	609	618	(9)	-1.46	1,242	1,245	(3)	-0.24
Telephone	550	612	(62)	-10.13	1,208	1,213	(5)	-0.41
Credit card expenses	1,790	1,719	71	4.13	3,331	3,411	(80)	-2.35
Operating supplies	405	331	74	22.36	794	667	127	19.04
Amortization of intangibles	137	74	63	85.14	273	148	125	84.46
Other expense	3,221	3,010	211	7.01	6,503	5,913	590	9.98
Total non-interest expense	$ 30,319	$ 28,244	$ 2,075	7.35%	$ 62,231	$ 56,881	$ 5,350	9.41%

LOAN PORTFOLIO

Our loan portfolio, excluding loans acquired, averaged $1.602 billion and $1.565 billion during the first six months of 2013 and 2012, respectively. As of June 30, 2013, total loans, excluding loans acquired, were $1.650 billion, an increase of $22 million from December 31, 2012. The most significant components of the loan portfolio were loans to businesses (commercial loans, commercial real estate loans and agricultural loans) and individuals (consumer loans, credit card loans and single-family residential real estate loans).

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

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

Table 7: Loan Portfolio

(In thousands)	June 30, 2013	December 31, 2012
Consumer:		
Credit cards	$ 173,536	$ 185,536
Student loans	30,106	34,145
Other consumer	103,765	105,319
Total consumer	307,407	325,000
Real estate:		
Construction	142,902	138,132
Single family residential	364,239	356,907
Other commercial	572,110	568,166
Total real estate	1,079,251	1,063,205
Commercial:		
Commercial	152,122	141,336
Agricultural	107,113	93,805
Total commercial	259,235	235,141
Other	4,502	5,167
Total loans, excluding loans acquired, before allowance for loan losses	$ 1,650,395	$ 1,628,513

Consumer loans consist of credit card loans, student loans and other consumer loans. Consumer loans were $307.4 million at June 30, 2013, or 18.6% of total loans, compared to $325.0 million, or 20.0% of total loans at December 31, 2012. The decrease in consumer loans from December 31, 2012, to June 30, 2013, was primarily due to the seasonal decline in our credit card portfolio, a decrease in our indirect lending, and the paydowns and consolidation of student loans – a business line eliminated from the private sector by Government legislation after the 2009 – 2010 school year. We plan to continue servicing the remaining student loans internally until the loans pay off, we find a suitable

buyer or the students consolidate their loans.

Real estate loans consist of construction loans, single-family residential loans and commercial real estate loans. Real estate loans were $1.079 billion at June 30, 2013, or 65.4% of total loans, compared to the $1.063 billion, or 65.3% of total loans at December 31, 2012, an increase of $16.0 million.

Commercial loans consist of commercial loans and agricultural loans. Commercial loans were $259.2 million at June 30, 2013, or 15.7% of total loans, compared to $235.1 million, or 14.4% of total loans at December 31, 2012, an increase of $24.1 million. This increase was due to the $13.3 million seasonal increase in our agricultural loan portfolio, which normally peaks in the third quarter and is at its lowest point at the end of the first quarter. Non-agricultural commercial loans at June 30, 2013 increased to $152.1 million, a $10.8 million, or 7.6%, growth from December 31, 2012.

ASSETS ACQUIRED

Since May 2010, the Company has acquired substantially all of the assets and assumed substantially all of the deposits and certain other liabilities of four failed banks in FDIC-assisted transactions in Kansas and Missouri. Loans comprise the majority of the assets acquired. The majority of the loans acquired, along with the majority of the foreclosed assets acquired, are subject to loss share agreements with the FDIC whereby SFNB is indemnified against 80% of losses. These loans and foreclosed assets, as well as the related indemnification asset from the FDIC, are presented as covered assets in the accompanying consolidated financial statements.

A summary of the covered assets, along with the assets acquired that are not covered under FDIC loss share agreements, are reflected in Table 8 below as of June 30, 2013 and December 31, 2012.

Table 8: Assets Acquired

(In thousands)	June 30, 2013	December 31, 2012
Loans acquired, covered by FDIC loss share (net of discount)	$ 163,736	$ 210,842
Foreclosed assets covered by FDIC loss share	22,990	27,620
FDIC indemnification asset	66,858	75,286
Total covered assets	$ 253,584	$ 313,748
Loans acquired, not covered by FDIC loss share (net of discount)	$ 63,500	$ 82,764
Foreclosed assets acquired, not covered by FDIC loss share	8,586	11,796
Total assets acquired, not covered by FDIC loss share	$ 72,086	$ 94,560

We evaluated loans purchased in conjunction with the acquisitions for impairment in accordance with the provisions of ASC Topic 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality. All loans acquired, whether or not 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. All loans acquired in these transactions were deemed to be impaired loans. These loans were not classified as nonperforming assets at June 30, 2013 or December 31, 2012, as the loans are accounted for on a pooled basis and the pools are considered to be performing. Therefore, interest income, through accretion of the difference between the carrying amount of the loans and the expected cash flows, is being recognized on all purchased impaired loans. For further discussion of assets acquired, see Note 5, Loans Acquired, in the accompanying Condensed Notes to Consolidated Financial Statements included elsewhere in this report.

ASSET QUALITY

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

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

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

Historically, we have sold our student loans into the secondary market before they reached payout status, thus requiring no servicing by the Company. Currently, since the government takeover of the student loan origination business in 2010, there is no secondary market for student loans; therefore, we are now required to service loans that have converted to a payout basis. Student loans are classified as impaired when payment of interest or principal is 90 days past due. Approximately $2.3 million of government guaranteed student loans were over 90 days past due as of June 30, 2013. Under existing rules, when these loans exceed 270 days past due, the Department of Education will purchase them at 97% of principal and accrued interest. Although these student loans remain guaranteed by the federal government, because they are over 90 days past due they are included in our non-performing assets.

Total non-performing assets, excluding all loans acquired and foreclosed assets covered by FDIC loss share agreements, decreased by $5.8 million from December 31, 2012, to June 30, 2013. As part of our 2012 FDIC-assisted transactions, we acquired $13.6 million in non-covered foreclosed assets, with $11.8 million remaining at December 31, 2012, and $8.6 million at June 30, 2013. Of the decrease in non-performing assets from December 31, 2012 to June 30, 2013, $3.2 million was due to the reduction in these acquired foreclosed assets, not covered by FDIC loss share. The remaining $2.6 million decrease in non-performing assets resulted primarily from the decrease in nonaccrual loans. Non-performing assets, including troubled debt restructurings (“TDRs”) and the acquired non-covered foreclosed assets, as a percent of total assets were 1.47% at June 30, 2013, compared to 1.61% at December 31, 2012.

Given current economic conditions, borrowers of all types are experiencing declines in income and cash flow. As a result, many borrowers are seeking to reduce contractual cash outlays, the most prominent being debt payments. In an effort to preserve our net interest margin and earning assets, we continue to work 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. We had TDRs totaling $11.2 million and $14.1 million at June 30, 2013, and December 31, 2012, respectively. During the period we moved a $3.3 million CRE loan, previously classified as a TDR, to OREO at the fair value of the underlying collateral, and charged off the remaining balance, for which we had a specific allocation to the allowance. The majority of our TDRs remain in the CRE portfolio.

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.

Although the general state of the national economy remains volatile, and despite the challenges in housing and commercial real estate markets, we continue to maintain good asset quality, compared to the industry. The allowance for loan losses as a percent of total loans was 1.66% as of June 30, 2013. Non-performing loans equaled 0.57 % of total loans. Non-performing assets were 1.16% of total assets, a 13 basis point improvement from December 31, 2012. The allowance for loan losses was 292% of non-performing loans. Our annualized net charge-offs to total loans for the first six months of 2013 was 0.31%. Excluding credit cards, the annualized net charge-offs to total loans for the same period was 0.17%. Annualized net credit card charge-offs to total credit card loans for the most recent quarter were 1.25%, compared to 1.50% during the full year 2012, and nearly 250 basis points below the most recently published industry average for credit card charge-offs.

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

Table 9: Non-performing Assets

($ in thousands)	June 30, 2013	December 31, 2012
Nonaccrual loans (1)	$ 6,263	$ 9,123
Loans past due 90 days or more (principal or interest payments):		
Government guaranteed student loans (2)	2,254	2,234
Other loans	879	681
Total loans past due 90 days or more	3,133	2,915
Total non-performing loans	9,396	12,038
Other non-performing assets:		
Foreclosed assets held for sale	21,804	21,556
Acquired foreclosed assets held for sale, not covered by loss share	8,586	11,796
Other non-performing assets	80	221
Total other non-performing assets	30,470	33,573
Total non-performing assets	$ 39,866	$ 45,611
Performing TDRs	$ 10,474	$ 11,015
Allowance for loan losses to non-performing loans	292%	232%
Non-performing loans to total loans	0.57%	0.74%
Non-performing loans to total loans (excluding Government guaranteed student loans) (2)	0.43%	0.60%
Non-performing assets to total assets (3)	1.17%	1.29%
Non-performing assets to total assets (excluding Government guaranteed student loans) (2) (3)	1.10%	1.23%

(1) Includes nonaccrual TDRs of approximately $0.7 million at June 30, 2013 and $3.1 million at December 31, 2012.
(2) Student loans past due 90 days or more are included in non-performing loans. Student loans are Government guaranteed and will be purchased at 97% of principal and accrued interest when they exceed 270 days past due; therefore, non-performing ratios have been calculated excluding these loans.
(3) Excludes all loans acquired and excludes foreclosed assets acquired, covered by FDIC loss share agreements, except for their inclusion in total assets.

There was no interest income on nonaccrual loans recorded for the three and six month periods ended June 30, 2013 and 2012.

At June 30, 2013, impaired loans, net of government guarantees and loans acquired, were $16.7 million compared to $30.8 million at December 31, 2012, a decrease of $14.1 million. During 2013, our special assets and loan workout teams have seen their efforts yield positive results on some significant loans. During the three months ended June 30, 2013, an impaired $4.9 million hotel loan was upgraded and removed from impairment status based on increased debt coverage and increased occupancy rates. During the same period, a $3.5 million impaired CRE loan was paid off, and we received a $1.6 million payment on another. Also, as previously discussed, we moved a $3.3 million impaired CRE loan to OREO with the remaining balance charged off during the quarter ended June 30, 2013. 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.

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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) concentrations of credit within the loan portfolio, (6) the experience, ability and depth of lending management and staff and (7) other factors and trends that will affect specific loans and categories of loans. We established general allocations for each major loan category. This category also includes allocations to loans which are collectively evaluated for loss such as credit cards, one-to-four family owner occupied residential real estate loans and other consumer loans.

Reserve for Unfunded Commitments

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

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

Table 10: Allowance for Loan Losses

(In thousands)	2013	2012
Balance, beginning of year	$ 27,882	$ 30,108
Loans charged off:		
Credit card	1,652	1,826
Other consumer	684	478
Real estate	1,126	2,617
Commercial	229	294
Total loans charged off	3,691	5,215
Recoveries of loans previously charged off:		
Credit card	440	422
Other consumer	311	291
Real estate	363	1,178
Commercial	140	67
Total recoveries	1,254	1,958
Net loans charged off	2,437	3,257
Provision for loan losses	1,953	1,546
Balance, June 30	$ 27,398	28,397
Loans charged off:		
Credit card		1,690
Other consumer		720
Real estate		1,478
Commercial		249
Total loans charged off		4,137
Recoveries of loans previously charged off:		
Credit card		436
Other consumer		284
Real estate		205
Commercial		103
Total recoveries		1,028
Net loans charged off		3,109
Provision for loan losses		2,594
Balance, end of year		$ 27,882

Provision for Loan Losses

The amount of provision to the allowance during the three and six months ended June 30, 2013 and 2012, and for the year ended December 31, 2012, 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

Prior to the fourth quarter of 2012, we measured the appropriateness of the allowance for loan losses in its entirety using (a)ASC 450-20 which includes quantitative (historical loss rates) and qualitative factors (management adjustment factors) such as (1) lending policies and procedures, (2) economic outlook and business conditions, (3) level and trend in delinquencies, (4) concentrations of credit and (5) external factors and competition; which are combined with the historical loss rates to create the baseline factors that are allocated to the various loan categories; (b) specific allocations on impaired loans in accordance with ASC 310-10; and (c) the unallocated amount.

The unallocated amount was evaluated on the loan portfolio in its entirety and was based on additional factors, such as (1) trends in volume, maturity and composition, (2) national, state and local economic trends and conditions, (3) the experience, ability and depth of lending management and staff and (4) other factors and trends that will affect specific loans and categories of loans, such as a heightened risk in agriculture, credit card and commercial real estate loan portfolios.

As of December 31, 2012, we refined our allowance calculation. As part of the refinement process, we evaluated the criteria previously applied to the entire loan portfolio, and used to calculate the unallocated portion of the allowance, and applied those criteria to each specific loan category. For example, the impact of national, state and local economic trends and conditions was evaluated by and allocated to specific loan categories. As a result of this refined allowance calculation, as of December 31, 2012, we allocated to the various loan categories the amounts previously included in our unallocated allowance prior to the fourth quarter of 2012.

The Company may also consider additional qualitative factors in future periods for allowance allocations, including, among other factors, (1) seasoning of the loan portfolio, (2) the offering of new loan products, (3) specific industry conditions affecting portfolio segments and (4) the Company's expansion into new markets. As a result of the refined allowance calculation, the allocation of our allowance may not be comparable with periods prior to December 31, 2012.

As of June 30, 2013, the allowance for loan losses reflects a decrease of approximately $484,000 from December 31, 2012, while total loans, excluding loans acquired, increased by $21.9 million over the same six month period. The allocation in each category within the allowance generally reflects the overall changes in the loan portfolio mix. We have seen a positive trend in our asset quality during the first half of 2013, as indicated in our asset quality ratios presented in Table 9. Non-performing loans to total loans have declined from 0.74% at December 31, 2012, to 0.57% at June 30, 2013, and our allowance for loan losses at June 30, 2013 was at 292% of non-performing loans, compared to 232% at December 31, 2012 (see Asset Quality section for more detailed discussion). The decrease in our allowance for loan losses to total loans ratio to 1.66% at June 30, 2013, from 1.71% at December 31, 2012, is directionally consistent with the trends in our asset quality over the period.

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. As previously discussed, we refined our allowance calculation during 2012 such that we no longer maintain unallocated allowance. 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. We had no allocation of our allowance to loans acquired for any of the periods presented.

Table 11: Allocation of Allowance for Loan Losses

	June 30, 2013		December 31, 2012	
($ in thousands)	Allowance Amount	% of loans (1)	Allowance Amount	% of loans (1)
Credit cards	$ 6,876	10.5%	$ 7,211	11.4%
Other consumer	1,127	8.1%	1,574	8.6%
Real estate	15,475	65.4%	15,453	65.3%
Commercial	3,719	15.7%	3,446	14.4%
Other	201	0.3%	198	0.3%
Total	$ 27,398	100.0%	$ 27,882	100.0%

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

DEPOSITS

Deposits are our primary source of funding for earning assets and are primarily developed through our network of 92 financial centers. We offer a variety of products designed to attract and retain customers with a continuing focus on developing core deposits. Our core deposits consist of all deposits excluding time deposits of $100,000 or more and brokered deposits. As of June 30, 2013, core deposits comprised 86.9% of our total deposits.

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

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

Our total deposits as of June 30, 2013, were $2.813 billion, a decrease of $61.0 million from December 31, 2012. We have continued our strategy to move more volatile time deposits to less expensive, revenue enhancing transaction accounts. Interest bearing transaction and savings accounts were $1.428 billion at June 30, 2013, a $7.3 million increase compared to $1.421 billion on December 31, 2012. Total time deposits decreased approximately $57.1 million to $819.3 million at June 30, 2013, from $876.4 million at December 31, 2012. We had $16.1 million and $16.6 million of brokered deposits at June 30, 2013, and December 31, 2012, respectively.

OTHER BORROWINGS AND SUBORDINATED DEBENTURES

Our total debt was $98.3 million and $110.1 million at June 30, 2013, and December 31, 2012, respectively. The outstanding balance for June 30, 2013, includes $77.7 million in FHLB long-term advances and $20.6 million of trust preferred securities. During the six months ended June 30, 2013, we decreased total debt by $11.8 million, or 10.7%, from December 31, 2012, due to scheduled payoffs of FHLB advances.

CAPITAL

Overview

At June 30, 2013, total capital was $401.9 million. Capital represents shareholder ownership in the Company – the book value of assets in excess of liabilities. At June 30, 2013, our equity to asset ratio was 11.7%, up 23 basis points from year-end 2012.

Capital Stock

On February 27, 2009, at a special meeting, our shareholders approved an amendment to the Articles of Incorporation to establish 40,040,000 authorized shares of preferred stock, $0.01 par value. The aggregate liquidation preference of all shares of preferred stock cannot exceed $80,000,000. As of June 30, 2013, no preferred stock has been issued.

Stock Repurchase

On July 23, 2012, the Company announced the substantial completion of the existing stock repurchase program and the adoption by our Board of Directors of a new stock repurchase program. The new program authorizes the

repurchase of up to 850,000 additional shares of Class A common stock, or approximately 5% of the shares outstanding. The shares are to be purchased from time to time at prevailing market prices, through open market or unsolicited negotiated transactions, depending upon market conditions. Under the repurchase program, there is no time limit for the stock repurchases, nor is there a minimum number of shares that we intend to repurchase. We may discontinue purchases at any time that management determines additional purchases are not warranted. We intend to use the repurchased shares to satisfy stock option exercises, payment of future stock awards and dividends and general corporate purposes.

During the six months ended June 30, 2013, we repurchased 326,789 shares of stock with a weighted average repurchase price of $25.50 per share. Under the current stock repurchase plan, an additional 246,911 shares are available for repurchase. We continue to allocate our earnings, less dividends, to our stock repurchase program. We believe our stock, at its current price, continues to be an excellent investment.

Cash Dividends

We declared cash dividends on our common stock of $0.42 per share for the first six months of 2013 compared to $0.40 per share for the first six months of 2012, an increase of $0.02, or 5.0%. The timing and amount of future dividends are at the discretion of our Board of Directors and will depend upon our consolidated earnings, financial condition, liquidity and capital requirements, the amount of cash dividends paid to us by our subsidiaries, applicable government regulations and policies and other factors considered relevant by our Board of Directors. Our Board of Directors anticipates that we will continue to pay quarterly dividends in amounts determined based on the factors discussed above. However, there can be no assurance that we will continue to pay dividends on our common stock at the current levels or at all.

Parent Company Liquidity

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

Risk Based Capital

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

Quantitative measures established by regulation to ensure capital adequacy require us to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes that, as of June 30, 2013, we meet all capital adequacy requirements to which we are subject.

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

Our risk-based capital ratios at June 30, 2013, and December 31, 2012, are presented in Table 12 below:

Table 12: Risk-Based Capital

($ in thousands)	June 30, 2013	December 31, 2012
Tier 1 capital:		
Stockholders' equity	$ 401,850	$ 406,062
Trust preferred securities	20,000	20,000
Goodwill and core deposit premiums	(48,091)	(48,966)
Unrealized loss (gain) on available-for-sale securities, net of income taxes	2,410	(257)
Total Tier 1 capital	376,169	376,839
Tier 2 capital:		
Qualifying unrealized gain on available-for-sale equity securities	35	19
Qualifying allowance for loan losses	24,818	24,743
Total Tier 2 capital	24,853	24,762
Total risk-based capital	$ 401,022	$ 401,601
Risk weighted assets	$ 1,981,341	$ 1,974,800
Assets for leverage ratio	$ 3,434,844	$ 3,484,504
Ratios at end of period:		
Tier 1 leverage ratio	10.95%	10.81%
Tier 1 risk-based capital ratio	18.99%	19.08%
Total risk-based capital ratio	20.24%	20.34%
Minimum guidelines:		
Tier 1 leverage ratio	4.00%	4.00%
Tier 1 risk-based capital ratio	4.00%	4.00%
Total risk-based capital ratio	8.00%	8.00%
Well capitalized guidelines:		
Tier 1 leverage ratio	5.00%	5.00%
Tier 1 risk-based capital ratio	6.00%	6.00%
Total risk-based capital ratio	10.00%	10.00%

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 revise the risk-based capital requirements applicable to bank holding companies and depository institutions compared to the 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 current 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 are effective for the Company and its subsidiary banks on January 1, 2015, with full compliance with all of the final rule's requirements phased in over a multi-year schedule. Management believes that, as of June 30, 2013, the Company and each of its subsidiary banks would meet all capital adequacy requirements under the Basel III 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 table below presents computations of core earnings (net income excluding nonrecurring items {merger related costs and loss on sale of securities related to FDIC-assisted acquisitions}) and diluted core earnings per share (non-GAAP). Nonrecurring items are included in financial results presented in accordance with generally accepted accounting principles ("GAAP").

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

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

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

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

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

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

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

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

($ in thousands)	Three Months Ended June 30, 2013	2012	Six Months Ended June 30, 2013	2012
Net Income	$ 6,576	$ 6,536	$ 12,513	$ 12,891
Nonrecurring items:				
Merger related costs	(467)	--	(227)	--
Loss on sale of securities related to FDIC-assisted acquisitions	193	--	193	--
Tax effect (1)	107	--	13	--
Net nonrecurring items	(167)	--	(21)	--
Core earnings (non-GAAP)	$ 6,409	$ 6,536	$ 12,492	$ 12,891
Diluted earnings per share	$ 0.40	$ 0.38	$ 0.76	$ 0.75
Nonrecurring items:				--
Merger related costs	(0.03)	--	(0.02)	--
Loss on sale of securities related to FDIC-assisted acquisitions	0.01	--	0.01	--
Tax effect (1)	0.01	--	0.01	--
Net nonrecurring items	(0.01)	--	--	--
Diluted core earnings per share (non-GAAP)	$ 0.39	$ 0.38	$ 0.76	$ 0.75

(1) Effective tax rate of 39.225%.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Parent Company

The Company has leveraged its investment in subsidiary banks and depends upon the dividends paid to it, as the sole shareholder of the subsidiary banks, as a principal source of funds for dividends to shareholders, stock repurchase and debt service requirements. At June 30, 2013, undivided profits of the Company's subsidiary banks were approximately $192.5 million, of which approximately $11.8 million was available for the payment of dividends to the Company without regulatory approval. In addition to dividends, other sources of liquidity for the Company are the sale of equity securities and the borrowing of funds.

Subsidiary Banks

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

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

In response to tightening credit markets in 2007 and anticipating potential liquidity pressures in 2008, the Company’s management strategically planned to enhance the liquidity of each of its subsidiary banks during 2008 and 2009. We grew core deposits through various initiatives, and built additional liquidity in each of our subsidiary banks by securing additional long-term funding from FHLB borrowings. At June 30, 2013, each subsidiary bank was within established guidelines and total corporate liquidity remains very strong. At June 30, 2013, cash and cash equivalents, trading and available-for-sale securities and mortgage loans held for sale were 19.3% of total assets, as compared to 21.6% at December 31, 2012.

Liquidity Management

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

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

The first source of liquidity available to the Company is Federal funds. Federal funds, primarily from downstream correspondent banks, are available on a daily basis and are used to meet the normal fluctuations of a dynamic balance sheet. In addition, the Company and its subsidiary banks have approximately $71 million in Federal funds lines of credit from upstream correspondent banks that can be accessed, when needed. In order to ensure availability of these upstream funds, we have a plan for rotating the usage of the funds among the upstream correspondent banks, thereby providing approximately $40 million in funds on a given day. Historical monitoring of these funds has made it possible for us to project seasonal fluctuations and structure our funding requirements on a month-to-month basis.

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

Third, our subsidiary banks have lines of credits available with the Federal Home Loan Bank. While we use portions of those lines to match off longer-term mortgage loans, we also use those lines to meet liquidity needs. Approximately $524 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 24% of the investment portfolio is classified as available-for-sale. We also use securities held in the securities portfolio to pledge when obtaining public funds.

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

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

Market Risk Management

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

Interest Rate Sensitivity

Interest rate risk represents the potential impact of interest rate changes on net income and capital resulting from mismatches in repricing opportunities of assets and liabilities over a period of time. A number of tools are used to monitor and manage interest rate risk, including simulation models and interest sensitivity gap analysis. Management

uses simulation models to estimate the effects of changing interest rates and various balance sheet strategies on the level of the Company's net income and capital. As a means of limiting interest rate risk to an acceptable level, management may alter the mix of floating and fixed-rate assets and liabilities, change pricing schedules and manage investment maturities during future security purchases.

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

The table below presents our interest rate sensitivity position at June 30, 2013. This analysis is based on a point in time and may not be meaningful because assets and liabilities are categorized according to contractual maturities, repricing periods and expected cash flows rather than estimating more realistic behaviors as is done in the simulation models. Also, this analysis does not consider subsequent changes in interest rate level or spreads between asset and liability categories.

Table 14: Interest Rate Sensitivity

	Interest Rate Sensitivity Period							
(In thousands, except ratios)	0-30 Days	31-90 Days	91-180 Days	181-365 Days	1-2 Years	2-5 Years	Over 5 Years	Total
Earning assets:								
Short-term investments	$ 420,740	$ --	$ --	$ --	$ --	$ --	$ --	$ 420,740
Assets held in trading accounts	4,741	--	--	--	3,000	998	--	8,739
Investment securities	51,072	29,017	11,568	63,947	209,855	162,990	204,546	732,995
Mortgage loans held for sale	14,454	--	--	--	--	--	--	14,454
Loans	517,521	84,570	123,358	250,102	229,732	414,960	30,152	1,650,395
Loans acquired, not covered	96,189	6,861	12,357	22,675	15,361	10,293	--	163,736
Loans acquired, covered	18,934	2,530	8,331	11,966	7,440	14,299	--	63,500
Total earning assets	1,123,651	122,978	155,614	348,690	465,388	603,540	234,698	3,054,559
Interest bearing liabilities:								
Interest bearing transaction	761,271	--	--	--	133,230	400,691	133,230	1,428,422

and savings deposits								
Time deposits	75,157	118,824	183,536	236,168	131,380	74,182	17	819,264
Short-term debt	79,063	--	--	--	--	--	--	79,063
Long-term debt	21,104	964	6,958	2,797	12,075	36,971	17,410	98,279
Total interest bearing liabilities	936,595	119,788	190,494	238,965	276,685	511,844	150,657	2,425,028
Interest rate sensitivity Gap	$ 187,056	$ 3,190	$ (34,880)	$ 109,725	$ 188,703	$ 91,696	$ 84,041	$ 629,531
Cumulative interest rate sensitivity Gap	$ 187,056	$ 190,246	$ 155,366	$ 265,091	$ 453,794	$ 545,490	$ 629,531	
Cumulative rate sensitive assets to rate sensitive liabilities	120.0%	118.0%	112.5%	117.8%	125.7%	124.0%	126.0%	
Cumulative Gap as a % of earning assets	6.1%	6.2%	5.1%	8.7%	14.9%	17.9%	20.6%	

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

There were no changes in the Company’s internal controls over financial reporting during the quarter ended June 30, 2013, 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, 2012. In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, Item 1A of our Form 10-K, which could materially and adversely affect the Company’s business, ongoing financial condition and results of operations. The risks described are not the only risks facing the Company. Additional risks and uncertainties not presently known to management or that management currently believes to be immaterial may also adversely affect our business, ongoing financial condition or results of operations.

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

(c) Issuer Purchases of Equity Securities. The Company made the following purchases of its common stock during the three months ended June 30, 2013:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet be Purchased Under the Plans
April 1 – April 30	41,688	$ 24.60	41,688	437,997
May 1 – May 31	99,862	25.36	99,862	338,135
June 1 – June 30	91,224	25.97	91,224	246,911
Total	232,774	$ 25.46	232,774	

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)).
3.1	Restated Articles of Incorporation of Simmons First National Corporation (incorporated by reference to Exhibit 3.1 to Simmons First National Corporation's Quarterly Report on Form 10-Q for the Quarter ended March 31, 2009 (File No. 000-06253)).
3.2	Amended By-Laws of Simmons First National Corporation (incorporated by reference to Exhibit 3.2 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2007 (File No. 000-06253)).
10.1	Amended and Restated Trust Agreement, dated as of December 16, 2003, among the Company, Deutsche Bank Trust Company Americas, Deutsche Bank Trust Company Delaware and each of J. Thomas May, Barry L. Crow and Robert A. Fehlman as administrative trustees, with respect to Simmons First Capital Trust II (incorporated by reference to Exhibit 10.1 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).
10.2	Guarantee Agreement, dated as of December 16, 2003, between the Company and Deutsche Bank Trust Company Americas, as guarantee trustee, with respect to Simmons First Capital Trust II (incorporated by reference to Exhibit 10.2 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).

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10.3 Junior Subordinated Indenture, dated as of December 16, 2003, among the Company and Deutsche Bank Trust Company Americas, as trustee, with respect to the junior subordinated note held by Simmons First Capital Trust II (incorporated by reference to Exhibit 10.3 to Simmons First National Corporation’s Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).

10.4 Amended and Restated Trust Agreement, dated as of December 16, 2003, among the Company, Deutsche Bank Trust Company Americas, Deutsche Bank Trust Company Delaware and each of J. Thomas May, Barry L. Crow and Robert A. Fehlman as administrative trustees, with respect to Simmons First Capital Trust III (incorporated by reference to Exhibit 10.4 to Simmons First National Corporation’s Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).

10.5 Guarantee Agreement, dated as of December 16, 2003, between the Company and Deutsche Bank Trust Company Americas, as guarantee trustee, with respect to Simmons First Capital Trust III (incorporated by reference to Exhibit 10.5 to Simmons First National Corporation’s Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).

10.6 Junior Subordinated Indenture, dated as of December 16, 2003, among the Company and Deutsche Bank Trust Company Americas, as trustee, with respect to the junior subordinated note held by Simmons First Capital Trust III (incorporated by reference to Exhibit 10.6 to Simmons First National Corporation’s Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).

10.7 Amended and Restated Trust Agreement, dated as of December 16, 2003, among the Company, Deutsche Bank Trust Company Americas, Deutsche Bank Trust Company Delaware and each of J. Thomas May, Barry L. Crow and Robert A. Fehlman as administrative trustees, with respect to Simmons First Capital Trust IV (incorporated by reference to Exhibit 10.7 to Simmons First National Corporation’s Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).

10.8 Guarantee Agreement, dated as of December 16, 2003, between the Company and Deutsche Bank Trust Company Americas, as guarantee trustee, with respect to Simmons First Capital Trust IV (incorporated by reference to Exhibit 10.8 to Simmons First National Corporation’s Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).

10.9 Junior Subordinated Indenture, dated as of December 16, 2003, among the Company and Deutsche Bank Trust Company Americas, as trustee, with respect to the junior subordinated note held by Simmons First Capital Trust IV (incorporated by reference to Exhibit 10.9 to Simmons First National Corporation’s Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).

10.10 Notice of discretionary bonuses to J. Thomas May, David L. Bartlett, Robert A. Fehlman, Marty D. Casteel and Robert C. Dill (incorporated by reference to Simmons First National Corporation’s Current Report on Form 8-K for January 25, 2010 (File No. 000-06253)).

10.11 Deferred Compensation Agreements, adopted January 25, 2010, between Simmons First National Corporation and Robert A. Fehlman and Marty D. Casteel (incorporated by reference to Exhibits 10.2 and 10.3 to Simmons First National Corporation’s Current Report on Form 8-K for January 25, 2010 (File No. 000-06253)).

10.12 Simmons First National Corporation Executive Retention Program, adopted January 25, 2010, and notice of retention bonuses to David Bartlett, Robert A. Fehlman and Marty D. Casteel (incorporated by reference to Exhibit 10.4 to Simmons First National Corporation’s Current Report on Form 8-K for January 25, 2010 (File No. 000-06253)).

10.13 Simmons First National Corporation Executive Stock Incentive Plan – 2010, adopted January 25, 2010 (incorporated by reference to Exhibit 10.5 to Simmons First National Corporation's Current Report on Form 8-K for January 25, 2010 (File No. 000-06253)).

10.14 Deferred Compensation Agreement for Marty D. Casteel (incorporated by reference to Exhibit 10.3 to Simmons First National Corporation's Current Report on Form 8-K for January 25, 2010 (File No. 000-06253)).

10.15 Simmons First National Corporation Executive Retention Program (incorporated by reference to Exhibit 10.4 to Simmons First National Corporation's Current Report on Form 8-K for January 25, 2010 (File No. 000-06253)).

10.16 Simmons First National Corporation Executive Stock Incentive Plan - 2010 (incorporated by reference to Exhibit 10.5 to Simmons First National Corporation's Current Report on Form 8-K for January 25, 2010 (File No. 000-06253)).

10.17 Change in Control Agreement for J. Thomas May (incorporated by reference to Exhibit 10(a) to Simmons First National Corporation's Quarterly Report on Form 10-Q filed August 9, 2001 (File No. 000-06253)).

10.18 Change in Control Agreement for Robert A. Fehlman (incorporated by reference to Exhibit 10.3 to Simmons First National Corporation's Current Report on Form 8-K filed January 29, 2010 (File No. 000-06253)).

10.19 Change in Control Agreement for David Bartlett (incorporated by reference to Exhibit 10.1 to Simmons First National Corporation's Current Report on Form 8-K filed March 2, 2006 (File No. 000-06253)).

10.20 Change in Control Agreement for Marty D. Casteel (incorporated by reference to Exhibit 10.2 to Simmons First National Corporation's Current Report on Form 8-K filed January 29, 2010 (File No. 000-06253)).

10.21 Change in Control Agreement for Robert Dill (incorporated by reference to Exhibit 10.21 to Simmons First National Corporation's Amendment to the Annual Report on Form 10-K/A for the Year ended December 31, 2009 (File No. 000-06253)).

10.22 Amendment to Change in Control Agreement for Robert C. Dill (incorporated by reference to Exhibit 10.22 to Simmons First National Corporation's Amendment to the Annual Report on Form 10-K/A for the Year ended December 31, 2009 (File No. 000-06253)).

10.23 Amended and Restated Deferred Compensation Agreement for J. Thomas May (incorporated by reference to Exhibit 10.23 to Simmons First National Corporation's Amendment to the Annual Report on Form 10-K/A for the Year ended December 31, 2009 (File No. 000-06253)).

10.24 First Amendment to the Amended and Restated Deferred Compensation Agreement for J. Thomas May (incorporated by reference to Exhibit 10.24 to Simmons First National Corporation's Amendment to the Annual Report on Form 10-K/A for the Year ended December 31, 2009 (File No. 000-06253)).

10.25 Second Amendment to the Amended and Restated Deferred Compensation Agreement for J. Thomas May (incorporated by reference to Exhibit 10.25 to Simmons First National Corporation's Amendment to the Annual Report on Form 10-K/A for the Year ended December 31, 2009 (File No. 000-06253)).

10.26 Executive Salary Continuation Agreement for David L. Bartlett (incorporated by reference to Exhibit 10.26 to Simmons First National Corporation's Amendment to the Annual Report on Form 10-K/A for the Year ended December 31, 2009 (File No. 000-06253)).

10.27 409A Amendment to the Simmons First Bank of Hot Springs Executive Salary Continuation Agreement for David Bartlett (incorporated by reference to Exhibit 10.27 to Simmons First National Corporation's Amendment to the Annual Report on Form 10-K/A for the Year ended December 31, 2009 (File No. 000-06253)).

10.28 Simmons First National Corporation Incentive and Non-Qualified Stock Option Plan (incorporated by reference to Exhibit 4.1 to Simmons First National Corporation's Registration Statement on Form S-8 filed May 19, 2006 (File No. 333-134276)).

10.29 Simmons First National Corporation Executive Stock Incentive Plan (incorporated by reference to Exhibit 4.1 to Simmons First National Corporation's Registration Statement on Form S-8 filed May 19, 2006 (File No. 333-134301)).

10.30 Simmons First National Corporation Executive Stock Incentive Plan – 2001 (incorporated by reference to Definitive Additional Materials to Simmons First National Corporation's Definitive Proxy Materials on Schedule 14A filed April 2, 2001 (File No. 000-06253)).

10.31 Simmons First National Corporation Executive Stock Incentive Plan – 2006 (incorporated by reference to Exhibit 1.2 to Simmons First National Corporation's Definitive Proxy Materials on Schedule 14A filed March 10, 2006 (File No. 000-06253)).

10.32 First Amendment to Simmons First National Corporation Executive Stock Incentive Plan – 2006 (incorporated by reference to Exhibit 10.1 to Simmons First National Corporation's Current Report on Form 8-K filed June 4, 2007 (File No. 000-06253)).

10.33 Simmons First National Corporation Outside Director's Stock Incentive Plan - 2006 (incorporated by reference to Exhibit 1.3 to Simmons First National Corporation's Definitive Proxy Materials on Schedule 14A filed March 10, 2006 (File No. 000-06253)).

10.34 Amended and Restated Simmons First National Corporation Outside Director's Stock Incentive Plan - 2006 (incorporated by reference to Exhibit 1.1 to Simmons First National Corporation's Definitive Proxy Materials on Schedule 14A filed March 10, 2008 (File No. 000-06253)).

10.35 Simmons First National Corporation Dividend Reinvestment Plan (incorporated by reference to Exhibit 4.1 to Simmons First National Corporation's Registration Statement on Form S-3D filed May 20, 1998 (File No. 333-53119)).

10.36 Simmons First National Corporation Amended and Restated Dividend Reinvestment Plan (incorporated by reference to Exhibit 4.1 to Simmons First National Corporation's Registration Statement on Form S-3D filed July 14, 2004 (File No. 333-117350)).

10.37 Form of Lock-Up Agreement (incorporated by reference to Exhibit 10.1 to Simmons First National Corporation's Current Report on Form 8-K filed November 12, 2009 (File No. 000-06253)).

10.38 Simmons First National Corporation Executive Stock Incentive – 2010 (incorporated by reference to exhibit 99.1 to Simmons First National Corporation's Registration Statement on Form S-8 filed January 28, 2013 (File No.

333-186254)).

12.1	Computation of Ratios of Earnings to Fixed Charges.*

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14 Code of Ethics, dated December 2003, for CEO, CFO, controller and other accounting officers (incorporated by reference to Exhibit 14 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).

15.1 Awareness Letter of BKD, LLP.*

31.1 Rule 13a-14(a)/15d-14(a) Certification of the Corporation's Chief Executive Officer.*

31.2 Rule 13a-14(a)/15d-14(a) Certification of the Corporation's Chief Financial Officer.*

32.1 Certification of the Corporation's Chief Executive Officer Pursuant to 18 U.S.C. Sections 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

32.2 Certification of the Corporation's Chief Financial Officer Pursuant to 18 U.S.C. Sections 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

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: August 9, 2013	/s/ J. Thomas May J. Thomas May Chairman and Chief Executive Officer
Date: August 9, 2013	/s/ Robert A. Fehlman Robert A. Fehlman Senior Executive Vice President, Chief Financial Officer and Treasurer