SIMMONS FIRST NATIONAL CORP
Form 10-K
March 12, 2013
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)
[x] Annual Report Pursuant to Section 13 or 15(d) of the Exchange Act of 1934
For the fiscal year ended: December 31, 2012

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 0-6253

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)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.01 par value (Title of each class)	The NASDAQ Global Select Market® (Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. [ ] Yes [x] No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. [ ] Yes [x] No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge in definitive proxy or in information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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 [x]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

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

The aggregate market value of the Registrant’s Common Stock, par value $0.01 per share, held by non-affiliates on June 30, 2012, was $358,288,661 based upon the last trade price as reported on the NASDAQ Global Select Market® of $23.25.

The number of shares outstanding of the Registrant's Common Stock as of February 1, 2013, was 16,504,124.

Part III is incorporated by reference from the Registrant's Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 16, 2013.

Introduction

The Company has chosen to combine our Annual Report to Shareholders with our Form 10-K, which is a document that U.S. public companies file with the Securities and Exchange Commission every year. Many readers are familiar with "Part II" of the Form 10-K, as it contains the business information and financial statements that were included in the financial sections of our past Annual Reports. These portions include information about our business that we believe will be of interest to investors. We hope investors will find it useful to have all of this information available in a single document.

The Securities and Exchange Commission allows us to report information in the Form 10-K by "incorporated by reference" from another part of the Form 10-K, or from the proxy statement. You will see that information is "incorporated by reference" in various parts of our Form 10-K.

A more detailed table of contents for the entire Form 10-K follows:

FORM 10-K INDEX

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual 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, 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, fair value for covered loans, covered other real estate owned and FDIC indemnification asset; 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.

PART I

ITEM 1. BUSINESS

Company Overview

Simmons First National Corporation (the “Company”) is a multi-bank financial holding company registered under the Bank Holding Company Act of 1956, as amended. The Company is headquartered in Arkansas with total assets of \$3.5 billion, loans of \$1.9 billion, deposits of \$2.9 billion and equity capital of \$406 million as of December 31, 2012. We own eight community banks that are strategically located throughout Arkansas and conduct our operations through 96 offices, of which 92 are branches, or “financial centers,” located in 55 communities in Arkansas, Missouri and Kansas.

We seek to build shareholder value by (i) focusing on strong asset quality, (ii) maintaining strong capital (iii) managing our liquidity position, (iv) improving our efficiency through specific initiatives and (v) opportunistically growing our business, both organically and through potential Federal Deposit Insurance Corporation ("FDIC")-assisted transactions and traditional private community bank acquisitions. We believe the depth and experience of our corporate executive management team and the management teams and directors of each of our community banks has allowed us to achieve excellent asset quality, a strong capital position and increased liquidity, even in the current challenging economic climate.

Community Bank Strategy

Our community banks feature locally based management and boards of directors, community-focused growth strategies, and flexibility in pricing of loans and deposits. Our community banks are supported by our main subsidiary bank, Simmons First National Bank ("SFNB" or "lead bank"), which allows our community banks to provide products and services, such as a bank-issued credit card, that are usually offered only by larger banks. We believe that our enterprise-wide support system enables us to "out-product" our smaller, community bank competitors while our local focus allows us to "out-service" our larger interstate bank competitors.

Our community banking business model involves some additional administrative costs as a result of maintaining multiple bank charters, but has allowed us to maintain strong management at the local level to meet the needs of local customers while ensuring good asset quality. In addition we, along with our lead bank, provide efficiencies through consolidated back office support for information systems, loan review, compliance, human resources, accounting and internal audit. Likewise, through a standardizing initiative, our banks share a common name, signage and products that enable us to maximize our branding and overall marketing strategy.

Growth Strategy

Over the past 20 years, as we have expanded our markets and services, our growth strategy has evolved and diversified. From 1989 through 1991, in addition to our internal branching expansion, we acquired nine branches from the Resolution Trust Corporation, the federal agency that oversaw the sale or liquidation of assets of closed savings and loans institutions.

From 1995 to 2005, our strategic focus was on creating geographic diversification throughout Arkansas, driven primarily by acquisitions of other banking institutions. During this period we completed acquisitions of nine financial institutions and a total of 20 branches from five other banking institutions, some of which allowed us to enter key growth markets such as Conway, Hot Springs, Russellville, Searcy and Northwest Arkansas. In 2005, we initiated a de novo branching strategy to enter selected new Arkansas markets and to complement our presence in existing markets. From 2005 to 2008, we opened 12 new financial centers, a regional headquarters in Northwest Arkansas and a corporate office in Little Rock. We substantially completed our de novo branching strategy in 2008.

In late 2007, as we anticipated deteriorating economic conditions, we concentrated on maintaining our strong asset quality, building capital and improving our liquidity position. We intensified our focus on loan underwriting and on monitoring our loan portfolio in order to maintain asset quality, which is well above our peer group and the industry average. From late 2007 to December 31, 2009, our liquidity position (net overnight funds sold) improved by approximately $150 million as a result of a strategic initiative to introduce deposit products that grew our core deposits in transaction and savings accounts and improved our deposit mix. Transaction and savings deposits increased from 48% of total deposits as of December 31, 2007, to 62% of total deposits as of December 31, 2009, to 63% of total deposits as of December 31, 2010, to 67% of total deposits as of December 31, 2011 and to 70% of total deposits as of December 31, 2012.

Our capital levels have remained strong during the recent economic downturn. As part of our strategic focus on building capital, we suspended our stock repurchase program in July 2008. Additionally, despite our strong capital position, in October 2008 we applied, and were one of the earliest banks approved, for funding of up to $60 million under the U.S. Treasury's Capital Purchase Program, referred to as the "CPP." After careful consideration and analysis, we believed there had been considerable improvement in the economic indicators since October 2008 and we determined that participation in the CPP was not necessary nor in the best interest of our shareholders. We notified the Treasury in July 2009 that we did not intend to participate in the CPP.

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

In December 2009, we completed a secondary stock offering by issuing a total of 3,047,500 shares of common stock, including the over-allotment, at a price of $24.50 per share, less underwriting discounts and commissions. The net proceeds of the offering after deducting underwriting discounts and commissions and offering expenses were approximately $70.5 million. Subsequent to the stock offering, we have approximately $100 million available from our shelf registration for future offerings. The excess capital positions us to continue to take advantage of unprecedented acquisition opportunity through FDIC-assisted transactions of failed banks. We continue to actively pursue the right opportunities that meet our strategic plan regarding mergers and acquisitions.

In 2010, we expanded outside the borders of Arkansas by acquiring two failed institutions through FDIC-assisted transactions. The first was a $100 million failed bank located in Springfield, Missouri and the second was a $400 million failed thrift located in Olathe, Kansas. On both transactions, we entered into a loss share agreement with the FDIC, which provides significant protection of 80% of covered assets. As part of the acquisitions, we recognized a pre-tax bargain purchase gain of $3.0 million and $18.3 million, respectively, on the Missouri and Kansas transactions.

In 2012, we acquired two additional failed institutions through FDIC-assisted transactions. The first was a $300 million failed bank located in St. Louis, Missouri and the second was a $200 million failed bank located in Sedalia, Missouri. On both transactions, we again entered into a loss share agreement with the FDIC to provide 80% protection of a significant portion of the assets. As part of the acquisitions, we recognized a pre-tax bargain purchase gain of $1.1 million and $2.3 million, respectively, on the Missouri transactions.

In September 2011, we reinstated our stock repurchase program as we continue to have one of the strongest capital positions within our peer group. A portion of our capital has been allocated for our acquisition program, and we plan to leave this portion available for this purpose. However, we plan to utilize a portion of our annual earnings to repurchase shares from time to time at prevailing market prices, through open market or unsolicited negotiated transactions, depending upon market conditions.

Acquisition Strategy

We believe we are strategically positioned to leverage our strong capital position to grow through acquisitions. In the near term, the disruptions in the financial markets continue to create opportunities for strong financial institutions to acquire selected assets and deposits of failed banks through FDIC-assisted transactions. We intend to continue focusing our near term acquisition strategy on such transactions. We also believe that the challenging economic environment combined with more restrictive bank regulatory reform will cause many financial institutions to seek merger partners in the intermediate future. We believe our community bank model, strong capital and successful acquisition history position us as a purchaser of choice for community banks seeking a strong partner.

We expect that our primary geographic target area for acquisitions, both FDIC-assisted and negotiated, will continue to be Arkansas and its contiguous states. Our priority will be to focus on acquisitions that would complement the footprint we have been building in the Kansas and Missouri market. The senior management teams of both our parent company and lead bank have had extensive experience during the past twenty years in acquiring banks, branches and deposits and post-acquisition integration of operations. We believe this experience positions us to successfully acquire and integrate banks on both an FDIC-assisted and unassisted basis.

With respect to FDIC-assisted transactions:

- We believe one of our key strengths is our management depth at the community bank level that will enable us to redeploy our human resources to integrate and operate an acquired institution’s business with minimal disruption to our existing operations. From our management pool we have assembled an in-house acquisition team to focus on evaluating and executing FDIC-assisted transactions.
- We have retained a consultant with FDIC-assisted transaction experience that has supplemented our management’s acquisition experience with additional training focused on the unique aspects of acquiring, converting and integrating banks through FDIC-assisted transactions.

With respect to negotiated community bank acquisitions:

- We have historically retained the target institution’s senior management and have provided them with an appealing level of autonomy post-integration. We intend to continue to pursue negotiated community bank acquisitions and we believe that our history with respect to such acquisitions has positioned us as an acquirer of choice for community banks.

- We encourage acquired community banks, their boards and associates to maintain their community involvement, while empowering the banks to offer a broader array of financial products and services. We believe this approach leads to enhanced profitability after the acquisition.

Efficiency Initiatives

In 2008, we began two significant initiatives to improve our operating performance by implementing cost efficiencies and selected revenue enhancements. These initiatives have led to cost savings and revenue enhancements in 2010 through 2012 and are expected to lead to further improvements in years beyond.

Our first such initiative was an effort to leverage our corporate buying power to renegotiate our existing vendor contracts at lower prices and to maximize the return on our investment in technology. We began to benefit from operating expense savings as a result of more favorable contract terms with our vendors in 2009 with the full annualized benefits substantially realized in 2011.

Our second initiative, which was larger in scope, was to identify and implement process improvements. We have reviewed our business processes in an effort to improve our profitability while preserving the quality of our customer service. The scope of this initiative included implementing revenue enhancements, further consolidating back office processes and refining our organizational structure. We began implementing this initiative in 2010, continued throughout 2011 and finalized implementation in 2012. We have experienced significant savings and revenue enhancements through this initiative.

Subsidiary Banks

Our lead bank, SFNB, is a national bank which has been in operation since 1903. As of December 31, 2012, SFNB had total assets of $2.1 billion, total loans of $1.1 billion and total deposits of $1.7 billion. Simmons First Trust Company N.A., a wholly owned subsidiary of SFNB, performs the trust and fiduciary business operations for SFNB and for our other subsidiary banks. Simmons First Investment Group, Inc., a wholly owned subsidiary of SFNB, is a broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority and performs the broker-dealer operations for SFNB.

The following table shows our community subsidiary banks other than the lead bank:

	Year		As of December 31, 2012		
Subsidiary	Acquired	Primary Market	Assets	Loans	Deposits
			(In thousands)		
Simmons First Bank of Northeast Arkansas	1984	Northeast Arkansas	$351,257	$281,147	$299,489
Simmons First Bank of South Arkansas	1984	Southeast Arkansas	191,522	103,023	162,787
Simmons First Bank of Northwest Arkansas	1995	Northwest Arkansas	243,533	130,238	196,111
Simmons First Bank of Russellville	1997	Russellville, Arkansas	190,760	101,566	139,525
Simmons First Bank of Searcy	1997	Searcy, Arkansas	152,248	93,142	116,466
Simmons First Bank of El Dorado	1999	South central Arkansas	224,186	78,112	188,441
Simmons First Bank of Hot Springs	2004	Hot Springs, Arkansas	175,869	70,773	134,389

Our subsidiary banks provide complete banking services to individuals and businesses throughout the market areas they serve. These banks offer consumer (credit card and other consumer), real estate (construction, single family residential and other commercial) and commercial (commercial, agriculture and financial institutions) loans, checking, savings and time deposits, securities and investment services and trust and investment management services (through Simmons First Trust Company N.A.).

Loan Risk Assessment

As part of our ongoing risk assessment, the Company has an Asset Quality Review Committee of management that meets quarterly to review the adequacy of the allowance for loan losses. The Committee reviews the status of past due, non-performing and other impaired loans, reserve ratios, and additional performance indicators for all of its subsidiary banks. The allowance for loan losses is determined based upon the aforementioned performance factors, and adjustments are made accordingly.

The Boards of Directors of each of our subsidiary banks review the adequacy of its allowance for loan losses on a monthly basis giving consideration to past due loans, non-performing loans, other impaired loans, and current economic conditions. Our loan review department monitors each of its subsidiary bank's loan information monthly. In addition, the loan review department prepares an analysis of the allowance for loan losses for each subsidiary bank twice a year, and reports the results to our Audit and Security Committee. In order to verify the accuracy of the monthly analysis of the allowance for loan losses, the loan review department performs an on-site detailed review of each subsidiary bank's loan files on a semi-annual basis. Additionally, we have instituted a Special Asset Committee for the purpose of reviewing criticized loans in regard to collateral adequacy, workout strategies and proper reserve allocations.

The SFNB Board of Directors has delegated oversight of assets covered by FDIC loss share agreements to the Loss Share Loan Committee, comprised of the Corporate CEO, President and an Executive Vice President, along with several SFNB executives. The Board authorizes the Committee to transact loan origination, renewal and workout procedures relative to FDIC-assisted acquisitions. Duties of the Committee shall be carried out in accordance with the Purchase and Assumption Agreements executed between the Bank and the FDIC.

Competition

There is significant competition among commercial banks in our various market areas. In addition, we also compete with other providers of financial services, such as savings and loan associations, credit unions, finance companies, securities firms, insurance companies, full service brokerage firms and discount brokerage firms. Some of our competitors have greater resources and, as such, may have higher lending limits and may offer other services that we do not provide. We generally compete on the basis of customer service and responsiveness to customer needs, available loan and deposit products, the rates of interest charged on loans, the rates of interest paid for funds, and the availability and pricing of trust and brokerage services.

Principal Offices and Available Information

Our principal executive offices are located at 501 Main Street, Pine Bluff, Arkansas 71601, and our telephone number is (870) 541-1000. We also have corporate offices in Little Rock, Arkansas. We maintain a website at http://www.simmonsfirst.com. On this website under the section “Investor Relations”, we make our filings with the Securities and Exchange Commission available free of charge, along with other Company news and announcements.

Employees

As of February 1, 2013, the Company and its subsidiaries had approximately 1,052 full time equivalent employees. None of the employees is represented by any union or similar groups, and we have not experienced any labor disputes or strikes arising from any such organized labor groups. We consider our relationship with our employees to be good.

Executive Officers of the Company

The following is a list of all executive officers of the Company. The Board of Directors elects executive officers annually.

NAME	AGE	POSITION	YEARS SERVED
J. Thomas May	66	Chairman and Chief Executive Officer	26
George A. Makris, Jr. (1)	56	CEO - Elect	15
David L. Bartlett	61	President and Chief Banking Officer	16
Robert A. Fehlman	48	Senior Executive Vice President,	24
		Chief Financial Officer and Treasurer	
Marty D. Casteel	61	Executive Vice President and Secretary	24
Robert C. Dill	69	Executive Vice President, Marketing	46
David W. Garner	43	Senior Vice President, Controller and	15
		Chief Accounting Officer	
Kevin J. Archer	49	Senior Vice President/Credit Policy and Risk Assessment	17
Sharon K. Burdine	47	Senior Vice President and Human Resources Director	15

Tina M. Groves	43	Senior Vice President/Manager, Audit/Compliance	7

(1) Mr. Makris was elected as CEO - Elect on August 13, 2012, effective January 1, 2013. He will succeed J. Thomas May as chairman and Chief Executive Officer upon Mr. May’s retirement on December 31, 2013.

Board of Directors of the Company

The following is a list of the Board of Directors of the Company as of December 31, 2012, along with their principal occupation.

NAME	PRINCIPAL OCCUPATION
J. Thomas May	Chairman and Chief Executive Officer Simmons First National Corporation
George A. Makris, Jr. (1)	CEO - Elect Simmons First National Corporation
David L. Bartlett (2)	President and Chief Banking Officer Simmons First National Corporation
William E. Clark, II	Chairman and Chief Executive Officer Clark Contractors, LLC
Steven A. Cossé	President and Chief Executive Officer Murphy Oil Corporation
Edward Drilling	President AT&T Arkansas
Sharon L. Gaber	Provost and Vice Chancellor for Academic Affairs University of Arkansas
Eugene Hunt	Attorney Hunt Law Firm
W. Scott McGeorge	President Pine Bluff Sand and Gravel Company
Harry L. Ryburn	Orthodontist (retired)
Robert L. Shoptaw	Chairman of the Board Arkansas Blue Cross and Blue Shield

(1) Mr. Makris was elected as CEO – Elect on August 13, 2012, effective January 1, 2013. He will succeed J. Thomas May as chairman and Chief Executive Officer upon Mr. May's retirement on December 31, 2013. Mr. Makris has served on the Board of Directors of the Company since 1997 and served as chairman of the Company's Audit & Security Committee from 2007 until his resignation upon his election to CEO – Elect. Prior to his election, he served as President of M. K. Distributors, Inc.
(2) Mr. Bartlett was appointed to the Board of Directors of the Company on January 28, 2013.

SUPERVISION AND REGULATION

The Company

The Company, as a bank holding company, is subject to both federal and state regulation. Under federal law, a bank holding company generally must obtain approval from the Board of Governors of the Federal Reserve System ("FRB") before acquiring ownership or control of the assets or stock of a bank or a bank holding company. Prior to approval of any proposed acquisition, the FRB will review the effect on competition of the proposed acquisition, as well as other regulatory issues.

The federal law generally prohibits a bank holding company from directly or indirectly engaging in non-banking activities. This prohibition does not include loan servicing, liquidating activities or other activities so closely related to banking as to be a proper incident thereto. Bank holding companies, including Simmons First National Corporation, which have elected to qualify as financial holding companies, are authorized to engage in financial activities. Financial activities include any activity that is financial in nature or any activity that is incidental or complimentary to a financial activity.

As a financial holding company, we are required to file with the FRB an annual report and such additional information as may be required by law. From time to time, the FRB examines the financial condition of the Company and its subsidiaries. The FRB, through civil and criminal sanctions, is authorized to exercise enforcement powers over bank holding companies (including financial holding companies) and non-banking subsidiaries, to limit activities that represent unsafe or unsound practices or constitute violations of law.

We are subject to certain laws and regulations of the state of Arkansas applicable to financial and bank holding companies, including examination and supervision by the Arkansas Bank Commissioner. Under Arkansas law, a financial or bank holding company is prohibited from owning more than one subsidiary bank, if any subsidiary bank owned by the holding company has been chartered for less than five years and, further, requires the approval of the Arkansas Bank Commissioner for any acquisition of more than 25% of the capital stock of any other bank located in Arkansas. No bank acquisition may be approved if, after such acquisition, the holding company would control, directly or indirectly, banks having 25% of the total bank deposits in the state of Arkansas, excluding deposits of other banks and public funds.

Federal legislation allows bank holding companies (including financial holding companies) from any state to acquire banks located in any state without regard to state law, provided that the holding company (1) is adequately capitalized, (2) is adequately managed, (3) would not control more than 10% of the insured deposits in the United States or more than 30% of the insured deposits in such state, and (4) such bank has been in existence at least five years if so required by the applicable state law.

Subsidiary Banks

During the fourth quarter of 2010, the Company realigned the regulatory oversight for its affiliate banks in order to create efficiencies through regulatory standardization. We operate as a multi bank holding company and over the years, have acquired several banks. In accordance with the corporate strategy of leaving the bank structure unchanged, each acquired bank stayed intact as did its regulatory structure. As a result, the Company’s eight affiliate banks were regulated by the Arkansas State Bank Department, the Federal Reserve, the FDIC, and/or the Office of the Comptroller of the Currency (“OCC”).

Following the regulatory realignment, the lead bank remained a national bank regulated by the OCC while the other seven affiliate banks became state member banks and with the Arkansas State Bank Department as their primary regulator and the Federal Reserve as their federal regulator.

The lending powers of each of the subsidiary banks are generally subject to certain restrictions, including the amount, which may be lent to a single borrower. All of our subsidiary banks are members of the FDIC, which provides insurance on deposits of each member bank up to applicable limits by the Deposit Insurance Fund. For this protection, each bank pays a statutory assessment to the FDIC each year.

Federal law substantially restricts transactions between banks and their affiliates. As a result, our subsidiary banks are limited in making extensions of credit to the Company, investing in the stock or other securities of the Company and engaging in other financial transactions with the Company. Those transactions that are permitted must generally be undertaken on terms at least as favorable to the bank as those prevailing in comparable transactions with independent third parties.

Potential Enforcement Action for Bank Holding Companies and Banks

Enforcement proceedings seeking civil or criminal sanctions may be instituted against any bank, any financial or bank holding company, any director, officer, employee or agent of the bank or holding company, which is believed by the federal banking agencies to be violating any administrative pronouncement or engaged in unsafe and unsound practices. In addition, the FDIC may terminate the insurance of accounts, upon determination that the insured institution has engaged in certain wrongful conduct or is in an unsound condition to continue operations.

Risk-Weighted Capital Requirements for the Company and the Subsidiary Banks

Since 1993, banking organizations (including financial holding companies, bank holding companies and banks) were required to meet a minimum ratio of Total Capital to Total Risk-Weighted Assets of 8%, of which at least 4% must be in the form of Tier 1 Capital. A well-capitalized institution is one that has at least a 10% "total risk-based capital" ratio. For a tabular summary of our risk-weighted capital ratios, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital" and Note 20, Stockholders’ Equity, of the Notes to Consolidated Financial Statements.

A banking organization's qualifying total capital consists of two components: Tier 1 Capital and Tier 2 Capital. Tier 1 Capital is an amount equal to the sum of common shareholders' equity, hybrid capital instruments (instruments with characteristics of debt and equity) in an amount up to 25% of Tier 1 Capital, certain preferred stock and the minority interest in the equity accounts of consolidated subsidiaries. For bank holding companies and financial holding companies, goodwill (net of any deferred tax liability associated with that goodwill) may not be included in Tier 1 Capital. Identifiable intangible assets may be included in Tier 1 Capital for banking organizations, in accordance with certain further requirements. At least 50% of the banking organization's total regulatory capital must consist of Tier 1 Capital.

Tier 2 Capital is an amount equal to the sum of the qualifying portion of the allowance for loan losses, certain preferred stock not included in Tier 1, hybrid capital instruments (instruments with characteristics of debt and equity), certain long-term debt securities and eligible term subordinated debt, in an amount up to 50% of Tier 1 Capital. The eligibility of these items for inclusion as Tier 2 Capital is subject to certain additional requirements and limitations of the federal banking agencies.

Under the risk-based capital guidelines, balance sheet assets and certain off-balance sheet items, such as standby letters of credit, are assigned to one of four-risk weight categories (0%, 20%, 50%, or 100%), according to the nature of the asset, its collateral or the identity of the obligor or guarantor. The aggregate amount in each risk category is adjusted by the risk weight assigned to that category to determine weighted values, which are then added to determine the total risk-weighted assets for the banking organization. For example, an asset, such as a commercial loan, assigned to a 100% risk category, is included in risk-weighted assets at its nominal face value, but a loan secured by a one-to-four family residence is included at only 50% of its nominal face value. The applicable ratios reflect capital, as so determined, divided by risk-weighted assets, as so determined.

Federal Deposit Insurance Corporation Improvement Act

The Federal Deposit Insurance Corporation Improvement Act ("FDICIA"), enacted in 1991, requires the FDIC to increase assessment rates for insured banks and authorizes one or more "special assessments," as necessary for the repayment of funds borrowed by the FDIC or any other necessary purpose. As directed in FDICIA, the FDIC has adopted a transitional risk-based assessment system, under which the assessment rate for insured banks will vary according to the level of risk incurred in the bank's activities. The risk category and risk-based assessment for a bank is determined from its classification, pursuant to the regulation, as well capitalized, adequately capitalized or undercapitalized.

FDICIA substantially revised the bank regulatory provisions of the Federal Deposit Insurance Act and other federal banking statutes, requiring federal banking agencies to establish capital measures and classifications. Pursuant to the regulations issued under FDICIA, a depository institution will be deemed to be well capitalized if it significantly exceeds the minimum level required for each relevant capital measure; adequately capitalized if it meets each such measure; undercapitalized if it fails to meet any such measure; significantly undercapitalized if it is significantly below any such measure; and critically undercapitalized if it fails to meet any critical capital level set forth in regulations. The federal banking agencies must promptly mandate corrective actions by banks that fail to meet the capital and related requirements in order to minimize losses to the FDIC. The FDIC and OCC advised the Company that the subsidiary banks have been classified as well capitalized under these regulations.

The federal banking agencies are required by FDICIA to prescribe standards for banks and bank holding companies (including financial holding companies) relating to operations and management, asset quality, earnings, stock valuation and compensation. A bank or bank holding company that fails to comply with such standards will be required to submit a plan designed to achieve compliance. If no plan is submitted or the plan is not implemented, the bank or holding company would become subject to additional regulatory action or enforcement proceedings.

A variety of other provisions included in FDICIA may affect the operations of the Company and the subsidiary banks, including new reporting requirements, revised regulatory standards for real estate lending, "truth in savings" provisions, and the requirement that a depository institution give 90 days prior notice to customers and regulatory authorities before closing any branch.

FDIC Deposit Insurance Assessments

On October 16, 2008, in response to the problems facing the financial markets and the economy, the FDIC published a restoration plan ("Restoration Plan") designed to replenish the Deposit Insurance Fund ("DIF") such that the reserve ratio would return to 1.15 percent within five years. On December 16, 2008, the FDIC adopted a final rule increasing risk-based assessment rates uniformly by seven basis points, on an annual basis, for the first quarter 2009.

On February 27, 2009, the FDIC concluded that the problems facing the financial services sector and the economy at large constituted extraordinary circumstances and amended the Restoration Plan and extended the time within which the reserve ratio would return to 1.15 percent from five to seven years ("Amended Restoration Plan"). In May 2009, Congress amended the statutory provision governing establishment and implementation of a Restoration Plan to allow the FDIC eight years to bring the reserve ratio back to 1.15 percent, absent extraordinary circumstances.

On May 22, 2009, the FDIC adopted a final rule imposing a five basis point special assessment on each insured depository institution's assets minus Tier 1 capital as of June 30, 2009. The special assessment was collected on September 30, 2009.

In a final rule issued on September 29, 2009, the FDIC amended the Amended Restoration Plan as follows:

- The period of the Amended Restoration Plan was extended from seven to eight years.
- The FDIC announced that it will not impose any further special assessments under the final rule it adopted in May 2009.
- The FDIC announced plans to maintain assessment rates at their current levels through the end of 2010. The FDIC also immediately adopted a uniform three basis point increase in assessment rates effective January 1, 2011 to ensure that the DIF returns to 1.15 percent within the Amended Restoration Plan period of eight years.
- The FDIC announced that, at least semi-annually following the adoption of the Amended Restoration Plan, it will update its loss and income projections for the DIF. The FDIC also announced that it may, if necessary, adopt a new rule prior to the end of the eight-year period to increase assessment rates in order to return the reserve ratio to 1.15 percent.

On November 12, 2009, the FDIC adopted a final rule to require insured institutions to prepay their quarterly risk-based deposit insurance assessments for the fourth quarter of 2009, and for all of 2010, 2011 and 2012, on December 30, 2009. Our payment was $11.2 million.

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), which was signed into law on July 21, 2010, changed how the FDIC will calculate future deposit insurance premiums payable by insured depository institutions. The Dodd-Frank Act directs the FDIC to amend its assessment regulations so that future assessments will generally be based upon a depository institution's average total consolidated assets minus the average tangible equity of the insured depository institution during the assessment period, whereas assessments were previously based on the amount of an institution's insured deposits. The minimum deposit insurance fund rate will increase from 1.15% to 1.35% by September 30, 2020, and the cost of the increase will be borne by depository institutions with assets of $10 billion or more.

The Dodd-Frank Act also provides the FDIC with discretion to determine whether to pay rebates to insured depository institutions when its deposit insurance reserves exceed certain thresholds. Previously, the FDIC was required to give rebates to depository institutions equal to the excess once the reserve ratio exceeded 1.50%, and was required to rebate 50% of the excess over 1.35% but not more than 1.5% of insured deposits. The FDIC adopted a final rule on February 7, 2011 that implemented these provisions of the Dodd-Frank Act.

Dodd-Frank Wall Street Reform and Consumer Protection Act

On July 21, 2010, the President signed into law the Dodd-Frank Act, which significantly changes the regulation of financial institutions and the financial services industry. The Dodd-Frank Act includes provisions affecting large and small financial institutions alike, including several provisions that profoundly affect how community banks, thrifts, and small bank and thrift holding companies are regulated in the future. Among other things, these provisions abolish the Office of Thrift Supervision and transfer its functions to the other federal banking agencies, relax rules regarding interstate branching, allow financial institutions to pay interest on business checking accounts, and impose new capital requirements on bank and thrift holding companies.

The Dodd-Frank Act also made permanent the temporary increase in deposit insurance coverage from $100,000 to $250,000 that was included in the EESA, and extended until December 31, 2012 the period during which the FDIC would provide unlimited deposit insurance for "noninterest bearing transaction accounts".

The Dodd-Frank Act requires that the amount of any interchange fee charged by a debit card issuer with respect to a debit card transaction must be reasonable and proportional to the cost incurred by the issuer. Effective October 1, 2011, the FRB set the interchange rate cap at $0.21 per transaction plus five basis points multiplied by the value of the transaction. While the restrictions on interchange fees do not apply to banks that, together with their affiliates, have assets of less than $10 billion, the rule has affected the competitiveness of debit cards issued by smaller banks.

The Dodd-Frank Act also established the Bureau of Consumer Financial Protection (the "CFPB") as an independent entity within the Federal Reserve, which will be given the authority to promulgate consumer protection regulations applicable to all entities offering consumer financial services or products, including banks. Additionally, the Dodd-Frank Act includes a series of provisions covering mortgage loan origination standards affecting, among other things, originator compensation, minimum repayment standards, and pre-payment penalties. The Dodd-Frank Act contains numerous other provisions affecting financial institutions of all types, many of which may have an impact on our operating environment in substantial and unpredictable ways.

Because many of the regulations required to implement the Dodd-Frank Act have been only recently issued, or have not yet been issued, the statute's effect on the financial services industry in general, and on us in particular, is uncertain at this time. The Dodd-Frank Act is likely to affect our cost of doing business, however, and may limit or expand the scope of our permissible activities and affect the competitive balance within our industry and market areas. Our management continues to actively review the provisions of the Dodd-Frank Act and to assess its probable impact on our business, financial condition, and results of operations. However, given the sweeping nature of the Dodd-Frank Act and other federal government initiatives, we expect that the Company's regulatory compliance costs will increase over time.

Basel Committee

In June 2012, the Federal Reserve and other federal regulators published two notices of proposed rulemaking (the "2012 Capital Proposals") that would 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, which are based on the international capital accords of the Basel Committee on Banking Supervision (the "Basel Committee") generally referred to as Basel I.

One of the 2012 Capital Proposals (the "Basel III Proposal") deals with the components of capital and other issues affecting the numerator in banking institutions' regulatory capital ratios and would implement the Basel Committee's December 2010 framework known as Basel III for strengthening international capital standards. The other proposal (the "Standardized Approach Proposal") deals with risk weights and other issues affecting the denominator in banking institutions' regulatory capital ratios and would replace the existing Basel I-derived risk-weighting approach with a more risk-sensitive approach based, in part, on the standardized approach in the Basel Committee's 2004 Basel II capital accords. As proposed, the Basel III Proposal and the Standardized Approach Proposal were to have come into effect on January 1, 2013 and January 1, 2015, respectively.

On November 9, 2012, the Federal Reserve announced a delay of the effective date of Basel III and Standardized Approach Proposal requirements, with no announcement of a possible new effective date. Management believes that, as of December 31, 2012, the Company and each of its subsidiary banks would meet all capital adequacy requirements under the Basel III and Standardized Approach Proposals on a fully phased-in basis if such requirements were currently effective. There can be no guarantee that the Basel III and the Standardized Approach Proposals will be adopted in their current form, what changes may be made before adoption, or when ultimate adoption will occur.

Pending Legislation

Because of concerns relating to competitiveness and the safety and soundness of the banking industry, Congress often considers a number of wide-ranging proposals for altering the structure, regulation, and competitive relationships of the nation's financial institutions. We cannot predict whether or in what form any proposals will be adopted or the extent to which our business may be affected.

ITEM 1A. RISK FACTORS

Risks Related to Our Industry

Our business may be adversely affected by conditions in the financial markets and general economic conditions.

From 2007 through 2009, the United States was in a recession. Although there are some indicators of improvement, business activity across a wide range of industries and regions has been greatly reduced and local governments and many businesses are having difficulty due to the lack of consumer spending, the lack of liquidity in the credit markets and high unemployment.

Market conditions have also led to the failure or merger of a number of prominent financial institutions. Financial institution failures or near-failures have resulted in further losses as a consequence of defaults on securities issued by them and defaults under contracts entered into with such entities as counterparties. Furthermore, declining asset values, defaults on mortgages and consumer loans, and the lack of market and investor confidence, as well as other factors, have all combined to increase credit default swap spreads, to cause rating agencies to lower credit ratings, and to otherwise increase the cost and decrease the availability of liquidity, despite very significant declines in Federal Reserve borrowing rates and other government actions. Some banks and other lenders have suffered significant losses and have become reluctant to lend, even on a secured basis, due to the increased risk of default and the impact of declining asset values on the value of collateral. The foregoing has significantly weakened the strength and liquidity of some financial institutions worldwide.

The Company’s financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, is highly dependent upon the business environment in the states of Arkansas, Missouri and Kansas, and in the United States as a whole. A favorable business environment is generally characterized by, among other factors, economic growth, efficient capital markets, low inflation, high business and investor confidence and strong business earnings. Unfavorable or uncertain economic and market conditions can be caused by: declines in economic growth, business activity or investor or business confidence; limitations on the availability or increases in the cost of credit and capital; increases in inflation or interest rates; natural disasters; or a combination of these or other factors.

The business environment in Arkansas, Missouri and Kansas could continue to deteriorate. There can be no assurance that these business and economic conditions will improve in the near term. The continuation of these conditions could adversely affect the credit quality of our loans and our results of operations and financial condition.

Recent legislative and regulatory initiatives to address difficult market and economic conditions may not stabilize the U.S. banking system.

In response to the financial crisis affecting the banking system and financial markets, the Dodd-Frank Act was enacted in 2010, as well as several programs that have been initiated by the U.S. Treasury, the FRB, and the FDIC to stabilize the financial system.

Some of the provisions of recent legislation and regulation that may adversely impact the Company include: the Durbin Amendment to the Dodd-Frank Act which mandates a limit to debit card interchange fees and Regulation E amendments to the EFTA regarding overdraft fees. These provisions may limit the type of products we offer, the methods by which we offer them, and the prices at which they are offered. These provisions may also increase our costs in offering these products.

The newly created CFPB has unprecedented authority over the regulation of consumer financial products and services. The CFPB has broad rule-making, supervisory and examination authority, as well as expanded data collecting and enforcement powers. The scope and impact of the CFPB's actions cannot be determined at this time, which creates significant uncertainty for the Company and the financial services industry in general.

These new laws, regulations, and changes may increase our costs of regulatory compliance. They may significantly affect the markets in which we do business, the markets for and value of our investments, and our ongoing operations, costs, and profitability. The future impact of the many provisions in the Dodd-Frank Act and other legislative and regulatory initiatives on the Company's business and results of operations will depend upon regulatory interpretation and rulemaking that will be undertaken over the next several months and years. As a result, we are unable to predict the ultimate impact of the Dodd-Frank Act or of other future legislation or regulation, including the extent to which it could increase costs or limit our ability to pursue business opportunities in an efficient manner, or otherwise adversely affect our business, financial condition and results of operations.

Difficult market conditions have adversely affected our industry.

The financial markets have continued to experience significant volatility. In some cases, the financial markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers' underlying financial strength. If financial market volatility worsens, or if there are more disruptions in the financial markets, including disruptions to the United States or international banking systems, there can be no assurance that we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition and results of operations.

Risks Related to Our Business

Our concentration of banking activities in Arkansas, Missouri and Kansas, including our real estate loan portfolio, makes us more vulnerable to adverse conditions in the particular local markets in which we operate.

Our subsidiary banks operate primarily within the states of Arkansas, Missouri and Kansas, where the majority of the buildings and properties securing our loans and the businesses of our customers are located. Our financial condition, results of operations and cash flows are subject to changes in the economic conditions in these three states, the ability of our borrowers to repay their loans, and the value of the collateral securing such loans. We largely depend on the continued growth and stability of the communities we serve for our continued success. Declines in the economies of these communities or the states of Arkansas, Missouri or Kansas, in general could adversely affect our ability to generate new loans or to receive repayments of existing loans, and our ability to attract new deposits, thus adversely affecting our net income, profitability and financial condition.

The ability of our borrowers to repay their loans could also be adversely impacted by the significant changes in market conditions in the region or by changes in local real estate markets, including deflationary effects on collateral value caused by property foreclosures. This could result in an increase in our charge-offs and provision for loan losses. Either of these events would have an adverse impact on our results of operations.

Our loan portfolio in Northwest Arkansas has been more negatively impacted than our loan portfolio comprised from other regions in our markets. This fact results primarily from the acute contraction in that region's economy and its real estate markets as compared to Arkansas as a whole. In 2010 we put an additional $9 million in capital into our Northwest Arkansas bank. A continued deterioration of the Northwest Arkansas economy or its failure to fully participate in an economic recovery could require us to further tighten our local lending standards, inject more capital into our Northwest Arkansas bank and increase allowances for loan losses relative to loans made in the region.

A significant decline in general economic conditions caused by inflation, recession, unemployment, acts of terrorism or other factors beyond our control could also have an adverse effect on our financial condition and results of operations. In addition, because multi-family and commercial real estate loans represent the majority of our real estate loans outstanding, a decline in tenant occupancy due to such factors or for other reasons could adversely impact the ability of our borrowers to repay their loans on a timely basis, which could have a negative impact on our results of operations.

Deteriorating credit quality, particularly in our credit card portfolio, may adversely impact us.

We have a significant consumer credit card portfolio. Although we experienced a decreased amount of net charge-offs in our credit card portfolio in 2012 and 2011, the amount of net charge-offs could worsen. While we continue to experience a better performance with respect to net charge-offs than the national average in our credit card portfolio, our net charge-offs were 1.50% of our average outstanding credit card balances for the year ended December 31, 2012, compared to 2.06% of the average outstanding balances for the year ended on December 31, 2011. The current economic downturn could adversely affect consumers in a more delayed fashion compared to commercial businesses in general. Increasing unemployment and diminished asset values may prevent our credit card customers from repaying their credit card balances which could result in an increased amount of our net charge-offs that could have a material adverse effect on our unsecured credit card portfolio.

Changes to consumer protection laws may impede our origination or collection efforts with respect to credit card accounts, change account holder use patterns or reduce collections, any of which may result in decreased profitability of our credit card portfolio.

Credit card receivables that do not comply with consumer protection laws may not be valid or enforceable under their terms against the obligors of those credit card receivables. Federal and state consumer protection laws regulate the creation and enforcement of consumer loans, including credit card receivables. For instance, the federal Truth in Lending Act was recently amended by the "Credit Card Accountability, Responsibility and Disclosure Act of 2009," or the "Credit CARD Act," which, among other things:

- prevents any increases in interest rates and fees during the first year after a credit card account is opened, and increases at any time on interest rates on existing credit card balances, unless (i) the minimum payment on the related account is 60 or more days delinquent, (ii) the rate increase is due to the expiration of a promotional rate, (iii) the account holder fails to comply with a negotiated workout plan or (iv) the increase is due to an increase in the index rate for a variable rate credit card;
- requires that any promotional rates for credit cards be effective for at least six months;
- requires 45 days notice for any change of an interest rate or any other significant changes to a credit card account;
- empowers federal bank regulators to promulgate rules to limit the amount of any penalty fees or charges for credit card accounts to amounts that are "reasonable and proportional to the related omission or violation;" and
- requires credit card companies to mail billing statements 21 calendar days before the due date for account holder payments.

As a result of the Credit CARD Act and other consumer protection laws and regulations, it may be more difficult for us to originate additional credit card accounts or to collect payments on credit card receivables, and the finance charges and other fees that we can charge on credit card account balances may be reduced. Furthermore, account holders may choose to use credit cards less as a result of these consumer protection laws. Each of these results, independently or collectively, could reduce the effective yield on revolving credit card accounts and could result in decreased profitability of our credit card portfolio.

Our growth and expansion strategy may not be successful, and our market value and profitability may suffer.

We have historically employed, as important parts of our business strategy, growth through acquisition of banks and, to a lesser extent, through branch acquisitions and de novo branching. Any future acquisitions, including any FDIC-assisted transactions, in which we might engage will be accompanied by the risks commonly encountered in acquisitions. These risks include, among other risks:

- credit risk associated with the acquired bank's loans and investments;
- difficulty of integrating operations and personnel; and
- potential disruption of our ongoing business.

In the current economic environment, we anticipate that in addition to opportunities to acquire other banks in privately negotiated transactions, we may also have opportunities to bid to acquire the assets and liabilities of failed banks in FDIC-assisted transactions. These acquisitions involve risks similar to acquiring existing banks. Because FDIC-assisted acquisitions are structured in a manner that would not allow us the time normally associated with due diligence investigations prior to committing to purchase the target bank or preparing for integration of an acquired bank, we may face additional risks in FDIC-assisted transactions. These risks include, among other things:

- loss of customers of the failed bank;
- strain on management resources related to collection and management of problem loans; and
- problems related to integration of personnel and operating systems.

In addition to pursuing the acquisition of existing viable financial institutions or the acquisition of assets and liabilities of failed banks in FDIC-assisted transactions, as opportunities arise we may also continue to engage in de novo branching to further our growth strategy. De novo branching and growing through acquisition involve numerous risks, including the following:

- the inability to obtain all required regulatory approvals;
- the significant costs and potential operating losses associated with establishing a de novo branch or a new bank;
- the inability to secure the services of qualified senior management;
- the local market may not accept the services of a new bank owned and managed by a bank holding company headquartered outside of the market area of the new bank;
- the risk of encountering an economic downturn in the new market;
- the inability to obtain attractive locations within a new market at a reasonable cost; and
- the additional strain on management resources and internal systems and controls.

We expect that competition for suitable acquisition candidates, whether such candidates are viable banks or are the subject of an FDIC-assisted transaction, will be significant. We may compete with other banks or financial service companies that are seeking to acquire our acquisition candidates, many of which are larger competitors and have greater financial and other resources. We cannot assure you that we will be able to successfully identify and acquire suitable acquisition targets on acceptable terms and conditions. Further, we cannot assure you that we will be successful in overcoming these risks or any other problems encountered in connection with acquisitions and de novo branching. Our inability to overcome these risks could have an adverse effect on our ability to achieve our business and growth strategy and maintain or increase our market value and profitability.

Our recent results do not indicate our future results and may not provide guidance to assess the risk of an investment in our common stock.

We may not be able to sustain our historical rate of growth or be able to expand our business. Various factors, such as economic conditions, regulatory and legislative considerations and competition, may also impede or prohibit our ability to expand our market presence. We may also be unable to identify advantageous acquisition opportunities or, once identified, enter into transactions to make such acquisitions. If we are not able to successfully grow our business, our financial condition and results of operations could be adversely affected.

Our cost of funds may increase as a result of general economic conditions, interest rates and competitive pressures.

Our cost of funds may increase as a result of general economic conditions, fluctuations in interest rates and competitive pressures. We have traditionally obtained funds principally through local deposits as we have a base of lower cost transaction deposits. Our costs of funds and our profitability and liquidity are likely to be adversely affected, if we have to rely upon higher cost borrowings from other institutional lenders or brokers to fund loan demand or liquidity needs. Also, changes in our deposit mix and growth could adversely affect our profitability and the ability to expand our loan portfolio.

We have been active in making student loans and this part of our business has been terminated by the federal government.

Our subsidiary banks historically have been active in the student loan market and our student loan portfolio has been profitable in the past. Recent interruptions in the credit markets and certain changes in the federal government programs affecting student loans, however, have decreased the marketability of student loans and increased our holding period for such loans. These events have increased our expenses associated with making and holding student loans and decreased the profitability of making such loans. The Company has terminated its student loan origination activities as a result of changes mandated by the Department of Education. These changes by the federal government eliminate banks from participating in student loan programs. Terminating our ability to originate student loans could adversely affect our profitability in the future.

We may not be able to raise the additional capital we need to grow and, as a result, our ability to expand our operations could be materially impaired.

Federal and state regulatory authorities require us and our subsidiary banks to maintain adequate levels of capital to support our operations. Many circumstances could require us to seek additional capital, such as:

- faster than anticipated growth;
- reduced earning levels;
- operating losses;
- changes in economic conditions;
- revisions in regulatory requirements; or

- additional acquisition opportunities.

Our ability to raise additional capital will largely depend on our financial performance, and on conditions in the capital markets which are outside our control. If we need additional capital but cannot raise it on terms acceptable to us, our ability to expand our operations or to engage in acquisitions could be materially impaired.

Accounting standards periodically change and the application of our accounting policies and methods may require management to make estimates about matters that are uncertain.

The regulatory bodies that establish accounting standards, including, among others, the Financial Accounting Standards Board and the SEC, periodically revise or issue new financial accounting and reporting standards that govern the preparation of our consolidated financial statements. The effect of such revised or new standards on our financial statements can be difficult to predict and can materially impact how we record and report our financial condition and results of operations.

In addition, our management must exercise judgment in appropriately applying many of our accounting policies and methods so they comply with generally accepted accounting principles. In some cases, management may have to select a particular accounting policy or method from two or more alternatives. In some cases, the accounting policy or method chosen might be reasonable under the circumstances and yet might result in our reporting materially different amounts than would have been reported if we had selected a different policy or method. Accounting policies are critical to fairly presenting our financial condition and results of operations and may require management to make difficult, subjective or complex judgments about matters that are uncertain.

The Federal Reserve Board's source of strength doctrine could require that we divert capital to our subsidiary banks instead of applying available capital towards planned uses, such as engaging in acquisitions or paying dividends to shareholders.

The FRB's policies and regulations require that a bank holding company, including a financial holding company, serve as a source of financial strength to its subsidiary banks, and further provide that a bank holding company may not conduct operations in an unsafe or unsound manner. It is the FRB's policy that a bank holding company should stand ready to use available resources to provide adequate capital to its subsidiary banks during periods of financial stress or adversity, such as during periods of significant loan losses, and that such holding company should maintain the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks if such a need were to arise.

A bank holding company's failure to meet its obligations to serve as a source of strength to its subsidiary banks will generally be considered to be an unsafe and unsound banking practice or a violation of the FRB's regulations, or both. Accordingly, if the financial condition of our subsidiary banks were to deteriorate, we could be compelled to provide financial support to our subsidiary banks at a time when, absent such FRB policy, we may not deem it advisable to provide such assistance. Under such circumstances, there is a possibility that we may not either have adequate available capital or feel sufficiently confident regarding our financial condition, to enter into acquisitions, pay dividends, or engage in other corporate activities.

We may incur environmental liabilities with respect to properties to which we take title.

A significant portion of our loan portfolio is secured by real property. In the course of our business, we may own or foreclose and take title to real estate and could become subject to environmental liabilities with respect to these properties. We may become responsible to a governmental agency or third parties for property damage, personal injury, investigation and clean-up costs incurred by those parties in connection with environmental contamination, or may be required to investigate or clean-up hazardous or toxic substances, or chemical releases at a property. The costs associated with environmental investigation or remediation activities could be substantial. If we were to become subject to significant environmental liabilities, it could have a material adverse effect on our results of operations and financial condition.

Our management has broad discretion over the use of proceeds from our recent common stock offering.

Although we have indicated our intent to use the proceeds from our recent common stock offering for general corporate purposes, including funding internal growth and selected future acquisitions, our Board of Directors retains significant discretion with respect to the use of proceeds from this offering. If we use the funds to acquire other businesses, there can be no assurance that any business we acquire will be successfully integrated into our operations or otherwise perform as expected. Likewise, other uses of the proceeds from this offering may not generate favorable returns for us.

Risks Related to Owning Our Stock

The holders of our subordinated debentures have rights that are senior to those of our shareholders. If we defer payments of interest on our outstanding subordinated debentures or if certain defaults relating to those debentures occur, we will be prohibited from declaring or paying dividends or distributions on, and from making liquidation payments with respect to our common stock.

We have $20.6 million of subordinated debentures issued in connection with trust preferred securities. Payments of the principal and interest on the trust preferred securities are unconditionally guaranteed by us. The subordinated debentures are senior to our shares of common stock. As a result, we must make payments on the subordinated debentures (and the related trust preferred securities) before any dividends can be paid on our common stock and, in the event of our bankruptcy, dissolution or liquidation, the holders of the debentures must be satisfied before any distributions can be made to the holders of our common stock. We have the right to defer distributions on the subordinated debentures (and the related trust preferred securities) for up to five years, during which time no dividends may be paid to holders of our capital stock. If we elect to defer or if we default with respect to our obligations to make payments on these subordinated debentures, this would likely have a material adverse effect on the market value of our common stock. Moreover, without notice to or consent from the holders of our common stock, we may issue additional series of subordinated debt securities in the future with terms similar to those of our existing subordinated debt securities or enter into other financing agreements that limit our ability to purchase or to pay dividends or distributions on our capital stock.

We may be unable to, or choose not to, pay dividends on our common stock.

We cannot assure you of our ability to continue to pay dividends. Our ability to pay dividends depends on the following factors, among others:

- We may not have sufficient earnings since our primary source of income, the payment of dividends to us by our subsidiary banks, is subject to federal and state laws that limit the ability of those banks to pay dividends;
- FRB policy requires bank holding companies to pay cash dividends on common stock only out of net income available over the past year and only if prospective earnings retention is consistent with the organization’s expected future needs and financial condition; and
- Our Board of Directors may determine that, even though funds are available for dividend payments, retaining the funds for internal uses, such as expansion of our operations, is a better strategy.

If we fail to pay dividends, capital appreciation, if any, of our common stock may be the sole opportunity for gains on an investment in our common stock. In addition, in the event our subsidiary banks become unable to pay dividends to us, we may not be able to service our debt or pay our other obligations or pay dividends on our common stock. Accordingly, our inability to receive dividends from our subsidiary banks could also have a material adverse effect on our business, financial condition and results of operations and the value of your investment in our common stock.

There may be future sales of additional common stock or preferred stock or other dilution of our equity, which may adversely affect the value of our common stock.

We are not restricted from issuing additional common stock or preferred stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock or preferred stock or any substantially similar securities. The value of our common stock could decline as a result of sales by us of a large number of shares of common stock or preferred stock or similar securities in the market or the perception that such sales could occur.

Anti-takeover provisions could negatively impact our shareholders.

Provisions of our articles of incorporation and by-laws and federal banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire us, even if doing so would be perceived to be beneficial to our shareholders. The combination of these provisions effectively inhibits a non-negotiated merger or other business combination, which, in turn, could adversely affect the market price of our common stock. These provisions could also discourage proxy contests and make it more difficult for holders of our common stock to elect directors other than the candidates nominated by our Board of Directors.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are currently no unresolved Commission staff comments.

ITEM 2. PROPERTIES

The principal offices of the Company and the lead bank consist of an eleven-story office building and adjacent office space located in the central business district of the city of Pine Bluff, Arkansas. Additionally, we also have corporate offices located in Little Rock, Arkansas.

The Company and its subsidiaries own or lease additional offices in the states of Arkansas, Missouri and Kansas. The Company and its eight banks conduct financial operations from 96 offices, of which 92 are financial centers, in 55 communities throughout Arkansas, Missouri and Kansas.

ITEM 3. LEGAL PROCEEDINGS

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. During the first quarter of 2012, the following lawsuit asserting claims against the Company was resolved.

On October 1, 2003, an action in Pulaski County Circuit Court was filed by Thomas F. Carter, Tena P. Carter and certain related entities against Simmons First Bank of South Arkansas and Simmons First National Bank alleging wrongful conduct by the banks in the collection of certain loans. The Company was later added as a party defendant. The plaintiffs were seeking $2,000,000 in compensatory damages and $10,000,000 in punitive damages. The Company and the banks filed Motions to Dismiss. The plaintiffs were granted additional time to discover any evidence for litigation, and submitted such findings. At the hearing on the Motions for Summary Judgment, the Court dismissed Simmons First National Bank due to lack of venue. Venue was changed to Jefferson County for the Company and Simmons First Bank of South Arkansas. Non-binding mediation failed on June 24, 2008. A pretrial was conducted on July 24, 2008. Several dispositive motions previously filed were heard on April 9, 2009, and arguments were presented on June 22, 2009. On July 10, 2009, the Court issued its Order dismissing five claims, leaving only a single claim for further pursuit in this matter. On August 18, 2009, plaintiffs took a nonsuit on their remaining claim of breach of good faith and fair dealing, thereby bringing all claims set forth in this action to a conclusion.

Plaintiffs subsequently filed their Notice of Appeal to the appellate court, lodged the transcript with the Arkansas Supreme Court Clerk, and filed their initial Brief. The Company and South Arkansas timely filed their Brief in response. On September 8, 2010, the Arkansas Court of Appeals dismissed the plaintiffs’ appeal without prejudice, finding that the Trial Court had not entered a final Order, which may allow the plaintiffs to re-file the appeal at a later date.

On September 14, 2011, plaintiffs filed a motion for requesting the circuit court enter a judgment on this matter. The Company and South Arkansas timely filed an objection to the plaintiffs' motion. On November 3, 2011, the circuit court denied the plaintiffs' motion. The plaintiffs filed a notice of appeal of the denial of the motion and had until late February, 2012 to lodge the record for appeal. On February 13, 2012, the Company and South Arkansas filed a motion to dismiss the appeal along with a brief and a partial transcript. On March 1, 2012, the Arkansas Supreme Court granted the motion of the Company and South Arkansas and dismissed the appeal. Following the dismissal, the plaintiff's counsel has advised counsel for the Company that the plaintiffs consider this matter concluded.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the NASDAQ Global Select Market under the symbol "SFNC." Set forth below are the high and low sales prices for our common stock as reported by the NASDAQ Global Select Market for each quarter of the fiscal years ended December 31, 2012 and 2011. Also set forth below are dividends declared per share in each of these periods:

	Price Per Common Share		Quarterly Dividends Per Common Share
	High	Low	
2012			
1st quarter	$28.54	$24.45	$ 0.20
2nd quarter	26.53	22.55	0.20
3rd quarter	25.64	22.68	0.20
4th quarter	25.71	22.36	0.20
2011			
1st quarter	$30.16	$26.45	$ 0.19
2nd quarter	27.28	24.14	0.19
3rd quarter	26.83	18.71	0.19
4th quarter	28.41	20.50	0.19

On February 1, 2013, the closing price for our common stock as reported on the NASDAQ was $25.89. As of February 1, 2013, there were 1,269 shareholders of record of our common stock.

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.

Our principal source of funds for dividend payments to our stockholders is distributions, including dividends, from our subsidiary banks, which are subject to restrictions tied to such institution's earnings. Under applicable banking laws, the declaration of dividends by SFNB in any year, in excess of its net profits, as defined, for that year, combined with its retained net profits of the preceding two years, must be approved by the Office of the Comptroller of the Currency. Further, as to Simmons First Bank of Northeast Arkansas, Simmons First Bank of El Dorado, Simmons First Bank of Northwest Arkansas, Simmons First Bank of South Arkansas, Simmons First Bank of Hot Springs, Simmons First Bank of Russellville and Simmons First Bank of Searcy, regulators have specified that the maximum dividends state banks may pay to the parent company without prior approval is 75% of the current year earnings plus 75% of the retained net earnings of the preceding year. At December 31, 2012, approximately $14.3 million was available for the payment of dividends by the subsidiary banks without regulatory approval. For further discussion of restrictions on the payment of dividends, see "Quantitative and Qualitative Disclosures About Market Risk – Liquidity and Market Risk Management," and Note 20, Stockholders' Equity, of Notes to Consolidated Financial Statements.

Stock Repurchase

The Company made the following purchases of its common stock during the three months ended December 31, 2012:

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
October 1 – October 31	14,000	$ 24.77	14,000	677,200
November 1 – November 30	19,000	23.64	19,000	658,200
December 1 – December 31	84,500	24.87	84,500	573,700
Total	117,500	$ 24.66	117,500	

On July 23, 2012, we announced the substantial completion of the existing stock repurchase program and the adoption by our Board of Directors of a new stock repurchase program. The 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 2012, we repurchased 725,887 shares of stock with a weighted average repurchase price of $24.24 per share. Under the current stock repurchase plan, we can repurchase an additional 573,700 shares.

Performance Graph

The performance graph below compares the cumulative total shareholder return on the Company's Common Stock with the cumulative total return on the equity securities of companies included in the NASDAQ Bank Stock Index and the S&P 500 Stock Index. The graph assumes an investment of $100 on December 31, 2007 and reinvestment of dividends on the date of payment without commissions. The performance graph represents past performance and should not be considered to be an indication of future performance.

	Period Ending					
Index	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12
Simmons First National Corporation	100.00	114.10	110.78	116.74	114.82	110.67
NASDAQ Bank Index	100.00	78.46	65.67	74.97	67.10	79.64
S&P 500 Index	100.00	63.00	79.68	91.68	93.61	108.59

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected consolidated financial data concerning the Company and is qualified in its entirety by the detailed information and consolidated financial statements, including notes thereto, included elsewhere in this report. The income statement, balance sheet and per common share data as of and for the years ended December 31, 2012, 2011, 2010, 2009 and 2008, were derived from consolidated financial statements of the Company, which were audited by BKD, LLP. Results from past periods are not necessarily indicative of results that may be expected for any future period.

Management believes that certain non-GAAP measures, including diluted core earnings per share, tangible book value, the ratio of tangible common equity to tangible assets, tangible stockholders' equity and return on average tangible equity, may be useful to analysts and investors in evaluating the performance of our Company. We have included certain of these non-GAAP measures, including cautionary remarks regarding the usefulness of these analytical tools, in this table. The selected consolidated financial data set forth below should be read in conjunction with the financial statements of the Company and related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this report.

	Years Ended December 31				
(In thousands, except per share & other data)	2012	2011	2010	2009	2008
Income statement data:					
Net interest income	$113,517	$108,660	$101,949	$97,727	$94,017
Provision for loan losses	4,140	11,676	14,129	10,316	8,646
Net interest income after provision for loan losses	109,377	96,984	87,820	87,411	85,371
Non-interest income	48,371	53,465	77,874	52,711	49,326
Non-interest expense	117,733	114,650	111,263	104,722	96,360
Income before taxes	40,015	35,799	54,431	35,400	38,337
Provision for income taxes	12,331	10,425	17,314	10,190	11,427
Net income	$27,684	$25,374	$37,117	$25,210	$26,910
Per share data:					
Basic earnings	1.64	1.47	2.16	1.75	1.93
Diluted earnings	1.64	1.47	2.15	1.74	1.91
Diluted core earnings (non-GAAP) (1)	1.59	1.45	1.51	1.74	1.73
Book value	24.55	23.70	23.01	21.72	20.69
Tangible book value (non-GAAP) (2)	20.66	20.09	19.36	18.07	16.16
Dividends	0.80	0.76	0.76	0.76	0.76
Basic average common shares outstanding	16,908,904	17,309,488	17,204,200	14,375,323	13,945,249
Diluted average common shares outstanding	16,911,363	17,317,850	17,264,900	14,465,718	14,107,943
Balance sheet data at period end:					
Assets	3,527,489	3,320,129	3,316,432	3,093,322	2,923,109
Investment securities	687,483	697,656	613,662	646,915	646,134
Total loans	1,922,119	1,737,844	1,915,064	1,874,989	1,933,074

Allowance for loan losses	27,882		30,108		26,416		25,016		25,841	
Goodwill & other intangible assets	64,365		62,184		63,068		62,374		63,180	
Non interest bearing deposits	576,655		532,259		428,750		363,154		334,998	
Deposits	2,874,163		2,650,397		2,608,769		2,432,172		2,336,333	
Long-term debt	89,441		89,898		133,394		128,894		127,741	
Subordinated debt & trust preferred	20,620		30,930		30,930		30,930		30,930	
Stockholders’ equity	406,062		407,911		397,371		371,247		288,792	
Tangible stockholders’ equity (non GAAP) (2)	341,697		345,727		334,303		308,873		225,612	
Capital ratios at period end:										
Stockholders’ equity to total assets	11.51	%	12.29	%	11.98	%	12.00	%	9.88	%
Tangible common equity to tangible assets (non-GAAP) (3)	9.87	%	10.61	%	10.28	%	10.19	%	7.89	%
Tier 1 leverage ratio	10.81	%	11.86	%	11.33	%	11.64	%	9.15	%
Tier 1 risk-based ratio	19.08	%	21.58	%	20.05	%	17.91	%	13.24	%
Total risk-based capital ratio	20.34	%	22.83	%	21.30	%	19.17	%	14.50	%
Dividend payout	48.78	%	51.70	%	35.35	%	43.68	%	39.79	%

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	Years Ended December 31									
	2012		2011		2010		2009		2008	
Annualized performance ratios:										
Return on average assets	0.83	%	0.77	%	1.19	%	0.85	%	0.94	%
Return on average equity	6.77	%	6.25	%	9.69	%	8.26	%	9.54	%
Return on average tangible equity (non-GAAP) (2) (4)	8.05	%	7.54	%	11.71	%	10.61	%	12.54	%
Net interest margin (5)	3.93	%	3.85	%	3.78	%	3.78	%	3.75	%
Efficiency ratio (6)	70.17	%	67.86	%	65.28	%	65.69	%	66.84	%
Balance sheet ratios: (7)										
Nonperforming assets as a percentage of period-end assets	1.29	%	1.18	%	1.12	%	1.12	%	0.64	%
Nonperforming loans as a percentage of period-end loans	0.74	%	1.02	%	0.83	%	1.35	%	0.81	%
Nonperforming assets as a percentage of period-end loans & OREO	2.74	%	2.44	%	2.18	%	1.83	%	0.96	%
Allowance/to nonperforming loans	231.62	%	186.14	%	190.17	%	98.81	%	165.12	%
Allowance for loan losses as a percentage of period-end loans	1.71	%	1.91	%	1.57	%	1.33	%	1.34	%
Net charge-offs (recoveries) as a percentage of average loans	0.40	%	0.49	%	0.71	%	0.58	%	0.43	%
Other data										
Number of financial centers	92		84		85		84		84	
Number of full time equivalent employees	1,068		1,083		1,075		1,091		1,123	

(1) Diluted core earnings (net income excluding nonrecurring items) is a non-GAAP measure. The following nonrecurring items were excluded in the calculation of diluted core earnings per share (non-GAAP). In 2012, the Company recorded a $0.05 increase in EPS from the FDIC assisted transactions of Truman Bank and Excel Bank. In 2011, the Company recorded a $0.04 increase in EPS from the sale of MasterCard stock. Also in 2011, the Company recorded a $0.01 decrease in EPS from the closing cost of a branch and a $0.01 EPS decrease from merger related costs from an FDIC-assisted acquisition. In 2010, the Company recorded a net $0.65 increase in EPS from FDIC-assisted acquisitions (bargain purchase gains, merger related costs, gains from disposition of investment securities and costs from disposition of FHLB borrowings). Also in 2010, the Company recorded a $0.01 decrease in EPS from costs to close nine branches. In 2008, the Company recorded a $0.13 increase in EPS from the cash proceeds on a mandatory Visa stock redemption and a $0.05 increase in EPS from the reversal of Visa, Inc.'s litigation expense recorded in 2007.

(2) Because of our significant level of intangible assets, total goodwill and core deposit premiums, management believes a useful calculation for investors in their analysis of our Company is tangible book value per share (non-GAAP). This non-GAAP calculation eliminates the effect of goodwill and acquisition related intangible assets and is calculated by subtracting goodwill and intangible assets from total stockholders' equity, and dividing the resulting number by the common stock outstanding at period end. The following table reflects the reconciliation of this non-GAAP measure to the GAAP presentation of book value for the periods presented above:

	Years Ended December 31				
($ in thousands, except per share data)	2012	2011	2010	2009	2008
Stockholders' equity	$406,062	$407,911	$397,371	$371,247	$288,792

Less: Intangible assets					
Goodwill	60,605	60,605	60,605	60,605	60,605
Other intangibles	3,760	1,579	2,463	1,769	2,575
Tangible stockholders' equity (non-GAAP)	$341,697	$345,727	$334,303	$308,873	$225,612
Book value per share	$24.55	$23.70	$23.01	$21.72	$20.69
Tangible book value per share (non-GAAP)	$20.66	$20.09	$19.36	$18.07	$16.16
Shares outstanding	16,542,778	17,212,317	17,271,594	17,093,931	13,960,680

(3) Tangible common equity to tangible assets ratio is tangible stockholders' equity (non-GAAP) divided by total assets less goodwill and other intangible assets as and for the periods ended presented above.

(4) Return on average tangible equity is a non-GAAP measure that removes the effect of goodwill and intangible assets, as well as the amortization of intangibles, from the return on average equity. This non-GAAP measure is calculated as net income, adjusted for the tax-effected effect of intangibles, divided by average tangible equity.

(5) Fully taxable equivalent (assuming an income tax rate of 39.225%).

(6) The efficiency ratio is total non-interest expense less foreclosure expense and amortization of intangibles, divided by the sum of net interest income on a fully taxable equivalent basis plus total non-interest income less security gains, net of tax. For the year ended December 31, 2012, this calculation excludes the gain on FDIC-assisted transactions of $3.4 million from total non-interest income and excludes merger related costs of $1.9 million from non-interest expense. For the year ended December 31, 2011, this calculation excludes the $1.1 million gain on sale of MasterCard stock. For the year ended December 31, 2010, this calculation excludes the gain on FDIC-assisted transactions of $21.3 million from total non-interest income and excludes merger related costs of $2.6 million from non-interest expense. For the year ended December 31, 2009, this calculation excludes the FDIC special assessment of $1.4 million from total non-interest expense. For the year ended December 31, 2008, this calculation adds the VISA litigation expense reversal of $1.2 million to total non-interest expense and excludes gain on partial redemption of Visa shares of $3.0 million from total non-interest income.

(7) Excludes all loans acquired and excludes foreclosed assets acquired, covered by FDIC loss share agreements, except for their inclusion in total assets.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIALCONDITION AND RESULTS OF OPERATIONS

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 Covered by Loss Share

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 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 at least 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 12, Employee Benefit Plans, in the accompanying 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.

2012 Overview

On October 19, 2012, our wholly-owned bank subsidiary, Simmons First National Bank ("SFNB" or the "lead bank"), entered into a purchase an assumptions agreement with loss share arrangements with the FDIC to purchase approximately $180 million in assets and assume substantially all of the deposits and certain other liabilities of Excel Bank of Sedalia, Missouri ("Excel"), with three branches in the Kansas City metro area and one branch in the St. Louis metro area. We recognized a pre-tax bargain purchase gain of $2.3 million on the transaction and incurred pre-tax merger related costs of $1.1 million. After taxes, the combined nonrecurring items from the transaction contributed $725,000 to net income, or $0.04 diluted earnings per share.

On September 14, 2012, SFNB entered into a purchase and assumption agreement with loss share arrangements and a separate loan sale agreement with the FDIC to purchase approximately $280 million in total assets and assume substantially all of the deposits and certain other liabilities of Truman Bank of St. Louis, Missouri ("Truman"), with four branches in the St. Louis metro area. We recognized a pre-tax bargain purchase gain of $1.1 million on the transaction and incurred pre-tax merger related costs of $815,000. After taxes, the combined nonrecurring items from the transaction contributed $185,000 to net income, or $0.01 to diluted earnings per share.

These Missouri acquisitions were the third and fourth of several that we anticipate making over the next several years, which is the reason we raised $71 million in additional capital in November 2009. The acquisitions were strategic in that they complement the footprint we have been building in the Kansas and Missouri market. We fully expect to pursue other opportunities to expand our footprint in that geographic region through additional FDIC and/or traditional acquisitions going forward.

Our net income for the year ended December 31, 2012, was $27.7 million, or $1.64 diluted earnings per share, compared to $25.4 million, or $1.47 diluted earnings per share in 2011, an increase of $0.17, or 11.6%. We are pleased with our 2012 earnings performance. We continue to benefit significantly from strong asset quality which has resulted in a reduction in our provision for loan losses from 2011. Our on-going efficiency initiatives helped offset increases from added overhead from our acquisitions resulting in a very modest increase in our non-interest expense. Net income in 2010 was $37.1 million, or $2.15 diluted earnings per share.

Net income for both 2012 and 2011 included several significant nonrecurring items that impacted net income, mostly related to our FDIC-assisted acquisitions. Excluding all nonrecurring items, core earnings for the year ended December 31, 2012, were $26.9 million, or $1.59 diluted core earnings per share, compared to $25.0 million, or $1.45 diluted core earnings per share in 2011. Diluted core earnings per share increased by $0.14, or 9.7%. See Reconciliation of Non-GAAP Measures and Table 21 – Reconciliation of Core Earnings (non-GAAP) for additional discussion of non-GAAP measures.

Stockholders' equity as of December 31, 2012, was $406.1 million, a decrease of $1.8 million, or approximately 0.45%, from December 31, 2011, primarily due to our stock repurchase program. Book value per share was $24.55 and tangible book value per share was $20.66. Our ratio of stockholders' equity to total assets was 11.5% and the ratio of tangible stockholders' equity to tangible assets was 9.9% at December 31, 2012. The Company's Tier I leverage ratio of 10.8%, as well as our other regulatory capital ratios, remain significantly above the "well capitalized" levels. See Table 18 – Risk-Based Capital for regulatory capital ratios. Our excess capital positions us to continue to take advantage of unprecedented acquisition opportunities through FDIC-assisted transactions of failed banks. We continue to actively pursue the right opportunities that meet our strategic plan regarding mergers and acquisitions. We have added to our normal FDIC acquisition strategy our intention to place "economic" bids, as we feel there will be some unique FDIC opportunities that will need to be liquidated, and will allow us to leverage our loss share infrastructure.

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. Beginning with the first quarter of 2012, we increased our quarterly dividend from $0.19 to $0.20 per share. On an annual basis, the $0.80 per share dividend results in a 3.3% return based on our recent stock price.

Total loans, including loans acquired, were $1.9 billion at December 31, 2012, an increase of $184.3 million, or 10.6%, from the same period in 2011. Loans acquired in FDIC-assisted transactions grew $135.6 million, net of discounts, and legacy loans (excluding acquired loans) grew $48.7 million, or 3.1%. We believe this organic loan growth is very positive in that the growth is coming throughout our markets in Arkansas, Kansas and Missouri, and at a time when the economy remains in a slow recovery.

Loans covered by FDIC loss share agreements, which provide 80% Government guaranteed protection against credit risk on those covered assets, were $210.8 million at December 31, 2012, compared to $158.1 million at December 31, 2011.

Although the general state of the national economy has shown signs of improvement, it remains somewhat unsettled. Despite the continued challenges, overall, we continue to have good asset quality, compared to the rest of the industry. The allowance for loan losses as a percent of total loans was 1.71% at December 31, 2012. Non-performing loans equaled 0.74% of total loans. Non-performing assets were 1.29% of total assets. The allowance for loan losses was 231.62% of non-performing loans. The Company’s net charge-offs for 2012 were 0.40% of total loans. Excluding credit cards, net charge-offs for 2012 were 0.26% of total loans.

Total assets at December 31, 2012, were $3.5 billion, an increase of $207.4 million, or 6.3%, over the period ended December 31, 2011.

Simmons First National Corporation is an Arkansas based financial holding company with $3.5 billion in assets and eight community banks in Pine Bluff, Lake Village, Jonesboro, Rogers, Searcy, Russellville, El Dorado and Hot Springs, Arkansas. Our eight subsidiary banks conduct financial operations from 96 offices, of which 92 are financial centers, located in 55 communities in Arkansas, Kansas and Missouri.

Efficiency Initiatives

We previously reported that we hired a consultant to help us identify and implement revenue enhancements, process improvements and branch staff level adjustments. The implementation was fully completed in 2012, with total annual benefits from the efficiency initiative of approximately $5 million before tax. A portion of the benefit is from revenue enhancements, with the remainder from non-interest expense savings. We assured our associates that no one would lose their job as a result of this initiative, as all positions impacted were/are being eliminated through attrition.

During June 2010, as scheduled as part of our branch right sizing initiative, and after much deliberation and analysis, we closed or consolidated nine financial centers, primarily smaller branches in rural areas. During June 2011, we closed another small branch. We believe most of the customers have been absorbed into other Simmons locations in close proximity to the closed branches. After the closings, we now have 74 financial centers in Arkansas, still one of the best footprints in the state. As a result of these closings, we recorded a one-time, nonrecurring pre-tax charge of $372,000, or $0.01 to diluted earnings per share in 2010, and $141,000 in 2011. Again, staff reductions were realized through attrition and associates at the affected branches were reassigned to other locations. Our branch right sizing initiative has been under way for some time. Over the last several years we have added numerous new financial centers, closed several and relocated others. We will continue our efforts to manage our product delivery system in the most efficient manner possible.

Both our efficiency and branch right sizing initiatives resulted in significant cost savings and staff reductions. Since the beginning of both projects in early 2009, our staffing levels are down considerably. As mentioned earlier, all of the staffing reduction was realized through attrition, and no associate lost their job.

Net Interest Income

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%.

The FRB sets various benchmark rates, including the Federal Funds rate, and thereby influences the general market rates of interest, including the deposit and loan rates offered by financial institutions. The Federal Funds rate, which is the cost to banks of immediately available overnight funds, has remained unchanged at 0.00% - 0.25% since December 16, 2008. Our loan portfolio is significantly affected by changes in the prime interest rate. The prime interest rate, which is the rate offered on loans to borrowers with strong credit, has remained unchanged at 3.25% since December 16, 2008.

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

For the year ended December 31, 2012, net interest income on a fully taxable equivalent basis was $118.2 million, an increase of $4.6 million, or 4.0%, from the same period in 2011. The increase in net interest income was the result of a $0.2 million decrease in interest income and a $4.8 million decrease in interest expense.

Limiting the decrease in interest income to $0.2 million can be attributed to our FDIC-assisted acquisitions. The acquired covered loans generated an additional $5.6 million in interest income for 2012. A 27 basis point decline in yield on the loan portfolio, excluding covered loans, resulted in a $4.3 million decrease in interest income, while the increasing average balance of the loan portfolio resulted in a $0.3 million increase in interest income. The remaining decrease in interest income is primarily due to a 53 basis point decline in the yield on investment securities.

Regarding the $5.6 million increase in interest income from covered loans, a $10.4 million increase resulted from higher average yields on the covered loans, increasing to 15.48% in 2012 from 8.90% in 2011. The yield increase was primarily due to additional yield accretion 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 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 year ended December 31, 2012, the adjustments increased interest income by $10.6 million and decreased non-interest income by $9.8 million compared to 2011. The net increase to 2012 pre-tax income was $851,000 over 2011. 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 $19.2 million and the remaining adjustment to the indemnification assets that will reduce non-interest income is $16.8 million. Of the remaining adjustments, we expect to recognize $9.6 million of interest income and a $9.1 million reduction of non-interest income for a net addition to pre-tax income of approximately $540,000 in 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 $10.4 million interest income increase from covered loan yields was partially offset by a $4.8 million decrease in interest income due to the anticipated declining balances in the portfolio, resulting in the $5.6 million interest income increase from covered loans.

The $4.8 million decrease in interest expense for 2012 was primarily the result of a 21 basis point decrease in cost of funds due to competitive repricing during a low interest rate environment, coupled with a shift in our mix of interest bearing deposits. The lower interest rates accounted for a $4.0 million decrease in interest expense. The most significant component of this decrease was the $2.8 million decrease associated with the repricing of our 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. Historically, approximately 80% of our time deposits reprice in one year or less. As a result, the average rate paid on time deposits decreased 32 basis points from 1.24% to 0.92%. Lower rates on interest bearing transaction and savings accounts resulted in an additional $1.2 million decrease in interest expense, with the average rate decreasing by 9 basis points from 0.30% to 0.21%.

Our net interest margin was 3.93% for the year ended December 31, 2012, up 8 basis points from 2011. Our margin has been strengthened by a higher yield on covered loans, including 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 over 2011. Conversely, while keeping us prepared to benefit from rising interest rates, our high levels of liquidity continue to compress our margin.

Our net interest margin was 3.85% and 3.78% for the years ended December 31, 2011 and 2010, respectively.

Tables 1 and 2 reflect an analysis of net interest income on a fully taxable equivalent basis for the years ended December 31, 2012, 2011 and 2010, respectively, as well as changes in fully taxable equivalent net interest margin for the years 2012 versus 2011 and 2011 versus 2010.

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

	Years Ended December 31		
(In thousands)	2012	2011	2010
Interest income	$129,134	$129,056	$128,955
FTE adjustment	4,705	4,970	5,012
Interest income - FTE	133,839	134,026	133,967
Interest expense	15,617	20,396	27,006
Net interest income - FTE	$118,222	$113,630	$106,961
Yield on earning assets - FTE	4.45 %	4.54 %	4.74 %
Cost of interest bearing liabilities	0.66 %	0.86 %	1.15 %
Net interest spread - FTE	3.79 %	3.68 %	3.59 %
Net interest margin - FTE	3.93 %	3.85 %	3.78 %

Table 2: Changes in Fully Taxable Equivalent Net Interest Margin

(In thousands)	2012 vs. 2011	2011 vs. 2010

Decrease due to change in earning assets	$	(3,414	)	$	(1,876	)
Increase due to change in earning asset yields		3,227			1,935	
Increase due to change in interest rates paid on interest bearing liabilities		3,968			6,015	
Increase due to change in interest bearing liabilities		811			595	
Increase in net interest income	$	4,592		$	6,669	

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 each of the years in the three-year period ended December 31, 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

	Years Ended December 31							
	2012			2011			2010	
(In thousands)	Average Balance	Income/ Expense	Yield/ Rate(%)	Average Balance	Income/ Expense	Yield/ Rate(%)	Average Balance	Inco Expe
ASSETS								
Earning assets:								
Interest bearing balances due from banks	$524,224	$1,220	0.23	$486,274	$1,100	0.23	$273,001	$721
Federal funds sold	3,107	7	0.23	886	6	0.68	1,686	15
Investment securities - taxable	474,375	5,321	1.12	426,226	6,719	1.58	440,379	8,9
Investment securities - non-taxable	208,056	12,060	5.8	207,929	12,784	6.15	206,832	13,
Mortgage loans held for sale	17,959	637	3.55	11,953	503	4.21	16,762	715
Assets held in trading accounts	7,539	48	0.64	7,466	33	0.44	7,278	30
Loans, not covered by loss share	1,626,514	91,779	5.64	1,621,251	95,763	5.91	1,800,868	106
Loans acquired, covered by loss share	147,067	22,767	15.48	192,300	17,118	8.9	79,912	4,2
Total interest earning assets	3,008,841	133,839	4.45	2,954,285	134,026	4.54	2,826,718	133
Non-earning assets	327,322			330,342			307,143	
Total assets	$3,336,163			3,284,627			$3,133,861	
LIABILITIES AND STOCKHOLDERS' EQUITY								
Liabilities:								
Interest bearing liabilities:								
Interest bearing transaction and savings deposits	$1,308,171	$2,682	0.21	$1,217,218	$3,611	0.3	$1,181,597	$5,2
Time deposits	861,004	7,943	0.92	913,009	11,314	1.24	907,146	14,
Total interest bearing deposits	2,169,175	10,625	0.49	2,130,227	14,925	0.7	2,088,743	19,
Federal funds purchased and securities sold under agreements to repurchase	91,444	310	0.34	103,557	450	0.43	101,918	532
Other borrowings	89,861	3,354	3.73	97,314	3,512	3.61	119,247	5,0
Subordinated debentures	28,268	1,328	4.7	30,930	1,509	4.88	30,930	1,9
Total interest bearing liabilities	2,378,748	15,617	0.66	2,362,028	20,396	0.86	2,340,838	27,
Non-interest bearing liabilities:								
Non-interest bearing deposits	518,243			482,651			375,941	
Other liabilities	29,985			33,855			33,941	
Total liabilities	2,926,976			2,878,534			2,750,720	

Stockholders' equity	409,187			406,093			383,141	
Total liabilities and stockholders' equity	$3,336,163			$3,284,627			$3,133,861	
Net interest spread			3.79			3.68		
Net interest margin		$118,222	3.93		$113,630	3.85		$106

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Table 4: Volume/Rate Analysis

(In thousands, on a fully taxable equivalent basis)	Years Ended December 31 2012 over 2011 Volume	Yield/ Rate	Total	2011 over 2010 Volume	Yield/ Rate	Total
Increase (decrease) in						
Interest income						
Interest bearing balances due from banks	$87	$33	$120	$495	$(116)	$379
Federal funds sold	7	(6)	1	(6)	(3)	(9)
Investment securities - taxable	697	(2,095)	(1,398)	(280)	(1,952)	(2,232)
Investment securities - non-taxable	8	(732)	(724)	70	(497)	(427)
Mortgage loans held for sale	223	(89)	134	(202)	(10)	(212)
Assets held in trading accounts	--	15	15	1	2	3
Loans, not covered by loss share	310	(4,294)	(3,984)	(10,608)	251	(10,357)
Loans acquired, covered by loss share	(4,746)	10,395	5,649	8,654	4,260	12,914
Total	(3,414)	3,227	(187)	(1,876)	1,935	59
Interest expense						
Interest bearing transaction and savings accounts	254	(1,183)	(929)	154	(1,770)	(1,616)
Time deposits	(614)	(2,757)	(3,371)	91	(3,087)	(2,996)
Federal funds purchased and securities sold under agreements to repurchase	(49)	(91)	(140)	9	(91)	(82)
Other borrowed funds						
Other borrowings	(275)	117	(158)	(849)	(657)	(1,506)
Subordinated debentures	(127)	(54)	(181)	--	(410)	(410)
Total	(811)	(3,968)	(4,779)	(595)	(6,015)	(6,610)
(Decrease) increase in net interest income	$(2,603)	$7,195	$4,592	$(1,281)	$7,950	$6,669

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 2012, 2011 and 2010, was $4.1 million, $11.7 million and $14.1 million, respectively. During 2012, we decreased our provision by approximately $7.5 million, primarily due to our improving asset quality and a decrease from 2011 in net loan charge-offs. See Allowance for Loan Losses section for additional information.

During 2011, we decreased our provision by approximately $2.5 million, primarily due to a decrease from 2010 in net loan charge-offs.

Non-Interest Income

Total non-interest income was $48.4 million in 2012, compared to $53.5 million in 2011 and $77.9 million in 2010. Non-interest income for 2012 decreased $5.1 million, or 9.5%, from 2011.

As previously discussed in the Net Interest Income section, there was a $9.8 million decrease in non-interest income from 2011 to 2012 due to reductions of the indemnification assets resulting from increased cash flows expected to be collected from the FDIC covered loan portfolios. Included in 2012 non-interest income are $3.4 million of nonrecurring bargain purchase gains on the Truman and Excel acquisitions (see Overview section for more discussion of the FDIC-assisted transactions). Also, we recorded a $1.1 million nonrecurring gain from the sale of MasterCard stock in the second quarter of 2011. Excluding the indemnification assets adjustment and these nonrecurring items, non-interest income increased $2.4 million, or 4.6%, from 2011.

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

Table 5 shows non-interest income for the years ended December 31, 2012, 2011 and 2012, respectively, as well as changes in 2012 from 2011 and in 2011 from 2010.

Table 5: Non-Interest Income

(In thousands)	Years Ended December 31 2012	2011	2010	2012 Change from 2011		2011 Change from 2010	
Trust income	$5,473	$5,375	$5,179	$98	1.82 %	$196	3.78 %
Service charges on deposit accounts	16,808	16,808	17,700	--	--	(892)	-5.04
Other service charges and fees	2,961	2,980	2,812	(19)	-0.64	168	5.97
Mortgage lending income	5,997	4,188	4,810	1,809	43.19	(622)	-12.93
Investment banking income	2,038	1,478	2,236	560	37.89	(758)	-33.90
Credit card fees	17,045	16,828	16,140	217	1.29	688	4.26
Premiums on sale of student loans	--	--	2,524	--	--	(2,524)	-100.00
Bank owned life insurance income	1,463	1,481	1,670	(18)	-1.22	(189)	-11.32
Gain on FDIC-assisted transactions	3,411	--	21,314	3,411	--	(21,314)	-100.00
Net (loss) gain on assets covered by FDIC loss share agreements	(9,793)	154	318	(9,947)	-6459.09	(164)	-51.57
Other income	2,966	4,173	2,854	(1,207)	-28.92	1,319	46.22
Gain on sale of securities, net	2	--	317	2	--	(317)	-100.00
Total non-interest income	$48,371	$53,465	$77,874	$(5,094)	-9.53 %	$(24,409)	-31.34 %

Recurring fee income (service charges, trust fee and credit card fees) for 2012 was $42.3 million, an increase of $296,000, or 0.7%, when compared with the 2011 amounts. Service charges on deposits accounts remained unchanged from 2011 as we were able to offset a significant decline in fee income from regulatory changes related to overdrafts on point-of-sale transactions. Credit card fees increased $217,000 due primarily to a higher volume of credit and debit card transactions. The increase in total fees due to transaction volume was significantly reduced as a direct result of the implementation of new regulation related to the pricing of debit card interchange fees. Although small banks were not supposed to be impacted, our earnings have definitely been directly impacted by this portion of the Dodd-Frank legislation.

Recurring fee income for 2011 was $42.0 million, an increase of $160,000, or 0.4%, when compared with the 2010 amounts. Service charges on deposits accounts decreased by $892,000 primarily due to a significant decline in fee income as a result of the regulatory changes related to overdrafts on point-of-sale transactions. Credit card fees increased $688,000 due primarily to a higher volume of credit and debit card transactions.

Mortgage banking income increased by $1.8 million, or 43.2%, in 2012 compared to 2011, primarily due to historically low mortgage rates leading to a significant increase in residential refinancing volume.   Mortgage banking income decreased by $622,000, or 12.9%, in 2011 compared to 2010, due to the significant industry-wide slowdown of financing and refinancing.

Investment banking income increased by $560,000, or 37.9%, in 2012 compared to 2011. The increase was due to a favorable mark-to-market adjustment on trading investments during 2012, with unfavorable adjustments in 2011. Investment banking income decreased by $758,000, or 33.9%, in 2011 compared to 2010, due in part to an industry-wide decline in dealer-bank activities. Another factor in the decrease was a favorable mark-to-market adjustment on trading investment during 2010, with unfavorable adjustments in 2011.

U.S. government legislation has eliminated the private sector from providing student loans after the 2009-2010 school year. Therefore, we had no student loan sales during 2012 or 2011, and no income from the sale of student loans in either of the past two years. During 2010, we had premiums on sale of student loans of $2.5 million. During the second and third quarters of 2010, we sold the balance of our loans that were originated for the 2009-2010 school year, approximately $65 million of student loans, to the government, resulting in premiums of approximately $2.5 million.

We currently plan to continue servicing the remaining student loans internally until the loans pay off, we find a suitable buyer or the students consolidate their loans. Unless we do find a suitable buyer, we do not expect to receive income from premiums on sale of student loans during 2013 or thereafter. See Loan Portfolio section for additional information on student loans.

Net gain (loss) on assets covered by FDIC loss share agreements decreased by $9.9 million in 2012 compared to 2011. As previously described, due to the increase in cash flows expected to be collected from the FDIC-covered loan portfolios, an additional $9.8 million of amortization, a reduction of non-interest income, was recorded during 2012 as compared to 2011, related to reductions of expected reimbursements under the loss sharing agreements with the FDIC, which are recorded as indemnification assets. Income from the normal accretion of the FDIC indemnification assets, net of amortization of the FDIC true-up liability, increased by $0.1 million from the previous year and gains from the sale of covered assets decreased by $0.3 million. Net gain (loss) on assets covered by FDIC loss share agreements decreased by $164,000 in 2011 compared to 2010.

Other non-interest income for 2012 decreased by $1.2 million from 2011, primarily due to a $1.1 million gain from the sale of MasterCard stock in the second quarter of 2011. On May 31, 2006, MasterCard Incorporated completed its Initial Public Offering (“IPO”). As a part of the IPO, approximately 41% of the equity was issued to member-banks as Class B common stock. Conversion of Class B shares to Class A shares was restricted as to the timing and number of shares eligible until the fourth anniversary of the IPO. As a member-bank the Company received 4,077 shares of MasterCard Class B stock. As there was no market or readily ascertainable fair market value for the class B shares, they were recorded with no basis value. On May 31, 2010, restrictions on the conversion of the Class B shares to Class A shares expired, permitting Class B stockholders to convert Class B shares into an equal number of Class A shares for prompt disposition to the public. On May 13, 2011, the Company applied for conversion of its Class B shares to Class A common stock and recorded a $1.1 million pre-tax gain upon conversion approval by MasterCard Incorporated and immediately sold the Class A shares. The gain from the sale of MasterCard stock was also the primary factor in other non-interest income for 2011 increasing by $1.3 million over 2010.

We recorded $2,000 in net realized gains on sale of securities during 2012, with no gains or losses on sale of securities during 2011. As part of our acquisition strategy related to SSB, we liquidated the acquired investment portfolio, resulting in net realized gain of $317,000 in 2010.

Non-Interest Expense

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

Non-interest expense for 2012 was $117.7 million, an increase of $3.1 million or 2.7%, from 2011. This increase includes approximately $2.5 million of incremental normal operating expenses for our 2012 FDIC-assisted acquisitions. Also included in non-interest expense are merger related costs of $1.9 million and $0.4 million in 2012 and 2011, respectively. Normalizing for these incremental operating expenses, merger related costs and other nonrecurring items, non-interest expense decreased by 0.7% in 2012 from 2011. This decrease is the result of the implementation of our efficiency initiatives. See the Reconciliation of Non-GAAP Measures section for details of the nonrecurring items. Also see the section titled Efficiency Initiatives in the 2012 Overview for additional information.

Non-interest expense for 2011 was $114.7 million, an increase of $3.4 million or 3.0%, from 2010. This increase includes approximately $5.7 million of incremental normal operating expenses in 2011 for our FDIC-assisted acquisitions of 2010. Also included in non-interest expense are merger related costs of $0.4 million and $2.6 million in 2011 and 2010, respectively. Normalizing for these incremental operating expenses, merger related costs and other nonrecurring items, non-interest expense decreased by 0.2% in 2011 from 2010, as a result of the implementation of our efficiency initiatives.

Salary and employee benefits increased to $67.0 million in 2012 from $65.1 million in 2011, an increase of $1.9 million, or 3.0%. Occupancy expense increased to $8.6 million in 2012 from $8.4 million in 2011, an increase of $0.2 million, or 1.9%. Our ability to hold increases in personnel and occupancy costs to such low levels, even with the additions of eight branches from our acquisitions, can be attributed to the effectiveness of our efficiency initiatives.

Deposit insurance expense during 2012 decreased to $2.1 million from $2.4 million in 2011, a decrease of $301,000, or 12.6%. Deposit insurance expense during 2011 decreased $1.4 million, or 37.4%, from $3.8 million in 2010. These decreases were primarily due to a decrease in deposit insurance premiums resulting from changes in the FDIC's assessment base and rates.

Fees paid for professional services increased by $265,000, or 5.8%, in 2012 over 2011, as we were in the last of three years of increased professional fees related to our ongoing efficiency initiatives. Fees paid for professional services increased by $98,000, or 2.2%, in 2011 over 2010. The increase in professional services, which consist of audit, accounting, legal and consulting fees, was primarily due to costs associated with our ongoing efficiency initiatives, which began to positively impact earnings in 2010 and 2011, and produced significant savings and revenue enhancements in 2012. See Item 1. Business – Efficiency Initiatives for additional information on our efficiency initiatives.

Credit card expense for 2012 increased $341,000, or 5.2%, from 2011, following an increase of $726,000, or 12.4%, in 2011. These increases were primarily due to increased card usage, interchange fees and other related expense resulting from initiatives we have taken to grow our credit card portfolio. See Loan Portfolio section for additional information on our credit card portfolio.

Core deposit premium amortization expense recorded for the years ended December 31, 2012, 2011 and 2010, was $347,000, $884,000 and $786,000, respectively. The Company's estimated amortization expense for each of the following five years is: 2013 – $514,000; 2014 – $410,000; 2015 – $403,000; 2016 – $401,000; and 2017 – $401,000. The estimated amortization expense decreases as core deposit premiums fully amortize in future years.

Table 6 below shows non-interest expense for the years ended December 31, 2012, 2011 and 2010, respectively, as well as changes in 2012 from 2011 and in 2011 from 2010.

Table 6: Non-Interest Expense

(In thousands)	Years Ended December 31 2012	2011	2010	2012 Change from 2011		2011 Change from 2010	
Salaries and employee benefits	$66,999	$65,058	$60,731	$1,941	2.98 %	$4,327	7.12 %
Occupancy expense, net	8,603	8,443	7,808	160	1.90	635	8.13
Furniture and equipment expense	6,882	6,633	6,093	249	3.75	540	8.86
Other real estate and foreclosure expense	992	678	974	314	46.31	(296)	-30.39
Deposit insurance	2,086	2,387	3,813	(301)	-12.61	(1,426)	-37.40
Merger related costs	1,896	357	2,611	1,539	431.09	(2,254)	-86.33
Other operating expenses							
Professional services	4,851	4,574	4,476	277	6.06	98	2.19
Postage	2,488	2,486	2,465	2	-0.08	21	0.85
Telephone	2,391	2,480	2,328	(89)	-3.59	152	6.53
Credit card expense	6,906	6,565	5,839	341	5.19	726	12.43
Operating supplies	1,419	1,653	1,403	(234)	-14.16	250	17.82
Amortization of core deposits	347	884	786	(537)	-60.75	98	12.47
Other expense	11,873	12,452	11,936	(579)	-4.65	516	4.32
Total non-interest expense	$117,733	$114,650	$111,263	$3,083	2.69 %	$3,387	3.04 %

Income Taxes

The provision for income taxes for 2012 was $12.3 million, compared to $10.4 million in 2011 and $17.3 million in 2010. The effective income tax rates for the years ended 2012, 2011 and 2010 were 30.8%, 29.1% and 31.8%, respectively.

Loan Portfolio

Our loan portfolio, excluding loans acquired, averaged $1.608 billion during 2012 and $1.621 billion during 2011. As of December 31, 2012, total loans, excluding loans acquired, were $1.629 billion, compared to $1.580 billion on December 31, 2011, an increase of $48.7 million, or 3.1%. This organic loan growth in 2012 represents a significant improvement over recent years. This marks the first time since 2008 that we have seen annual growth in our legacy loan portfolio as of year-end. 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 the loan portfolio, determining that borrowers have adequate sources of cash flow for loan repayment without liquidation of collateral, obtaining and monitoring collateral, providing an appropriate allowance for loan losses and regularly reviewing loans through the internal loan review process. The loan portfolio is diversified by borrower, purpose and industry and, in the case of credit card loans, which are unsecured, by geographic region. We seek to use diversification within the loan portfolio to reduce credit risk, thereby minimizing the adverse impact on the portfolio, if weaknesses develop in either the economy or a particular segment of borrowers. Collateral requirements are based on credit assessments of borrowers and may be used to recover the debt in case of default. We use the allowance for loan losses as a method to value the loan portfolio at its estimated collectable amount. Loans are regularly reviewed to facilitate the identification and monitoring of deteriorating credits.

Consumer loans consist of credit card loans, student loans and other consumer loans. Consumer loans were $325.0 million at December 31, 2012, or 20.0% of total loans, compared to $346.6 million, or 21.9% of total loans at December 31, 2011. The $21.6 million consumer loan decrease from 2011 to 2012 is primarily due to a $13.3 million decrease in our student loan portfolio, as expected. The remaining balance of our consumer loan portfolio decreased by $8.3 million, with small declines in our credit card, direct and indirect lending areas.

The student loan portfolio balance at December 31, 2012 was $34.1 million, a decrease of $13.3 million, or 28.0%, from December 31, 2011. Student loans were 2.1% of total loans at December 31, 2012, compared with 3.0% at December 31, 2011 and 3.6% at December 31, 2010.

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

As for our current student loan portfolio, we have sold the loans we originated during the 2009-2010 school year under the program established in 2008 in which the government will purchase the loans at par plus a premium. Sales of these loans during the third quarter of 2010 left approximately $61.3 million of student loans in our portfolio that will not qualify for the government purchase program. Payoffs and consolidations have left approximately $34.1 million of student loans in our portfolio at December 31, 2012. We currently plan to continue servicing the remaining student loans internally until the loans pay off, we find a suitable buyer or the students consolidate their loans. See Non-Interest Income section for additional information on student loans.

The credit card portfolio balance at December 31, 2012, decreased by $4.4 million, or 2.3%, when compared to the same period in 2011. After several years of significant growth, our credit card portfolio stabilized during 2010, 2011 and 2012, due primarily to increased competition from the large credit card banks.

Real estate loans consist of construction loans, single family residential loans and commercial loans. Real estate loans were $1.063 billion at December 31, 2012, or 65.3% of total loans, compared to $1.001 billion, or 63.4% of total loans at December 31, 2011, an increase of $61.9 million, or 6.2%. Our construction and development (“C&D”) loans increased by $28.3 million, or 25.8%, single family residential loans increased by $1.8 million, or 0.5%, and commercial real estate (“CRE”) loans increased by $31.8 million, or 5.9%. Considering the continuing challenges in the economy, we believe it is important to note that we have no significant concentrations in our real estate loan portfolio mix. Our C&D loans represent only 8.5% of our loan portfolio and CRE loans (excluding C&D) represent 34.9% of our loan portfolio, both of which compare very favorably to our peers.

Commercial loans consist of commercial loans and agricultural loans. Commercial loans were $235.1 million at December 31, 2012, or 14.4% of total loans, compared to the $227.2 million, or 14.4% of total loans at December 31, 2011, an increase of $8.0 million, or 3.5%.

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)	Years Ended December 31 2012	2011	2010	2009	2008
Consumer					
Credit cards	$185,536	$189,970	$190,329	$189,154	$169,615
Student loans	34,145	47,419	61,305	114,296	111,584
Other consumer	105,319	109,211	118,581	139,647	138,145
Total consumer	325,000	346,600	370,215	443,097	419,344
Real Estate					
Construction	138,132	109,825	153,772	180,759	224,924
Single family residential	356,907	355,094	364,442	392,208	409,540
Other commercial	568,166	536,372	548,360	596,517	584,843
Total real estate	1,063,205	1,001,291	1,066,574	1,169,484	1,219,307
Commercial					
Commercial	141,336	141,422	150,501	172,091	195,967
Agricultural	93,805	85,728	86,171	84,866	88,233
Total commercial	235,141	227,150	236,672	256,957	284,200
Other	5,167	4,728	10,003	5,451	10,223
Total loans, excluding loans acquired, before allowance for loan losses	$1,628,513	$1,579,769	$1,683,464	$1,874,989	$1,933,074

Table 8 reflects the remaining maturities and interest rate sensitivity of loans, excluding all loans acquired, at December 31, 2012.

Table 8: Maturity and Interest Rate Sensitivity of Loans

(In thousands)	1 year or less	Over 1 year through 5 years	Over 5 years	Total
Consumer	$279,523	$45,413	$64	$325,000
Real estate	585,819	455,417	21,969	1,063,205
Commercial	169,692	64,721	728	235,141
Other	4,537	558	72	5,167
Total	$1,039,571	$566,109	$22,833	$1,628,513
Predetermined rate	$543,915	$529,400	$19,949	$1,093,264
Floating rate	495,656	36,709	2,884	535,249
Total	$1,039,571	$566,109	$22,833	$1,628,513

Assets Acquired

On September 14, 2012, the Company acquired certain assets and assumed substantially all of the deposits and certain other liabilities of Truman in an FDIC-assisted transaction that generated a pre-tax bargain-purchase gain of $1.1 million. On October 19, 2012, the Company acquired certain assets and assumed certain deposits and other liabilities of Excel in an FDIC-assisted transaction that generated a pre-tax purchase gain of $2.3 million. In 2010, we acquired substantially all of the assets and assumed substantially all of the deposits and certain other liabilities of two other failed banks in FDIC-assisted transactions. 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 acquired loans and foreclosed assets held for sale that are not covered under FDIC loss share agreements, are reflected in Table 9 below:

Table 9: Assets Acquired

(In thousands)	December 31, 2012	December 31, 2011
Loans acquired, covered by FDIC loss share (net of discount)	$ 210,842	$ 158,075
Foreclosed assets covered by FDIC loss share	27,620	11,685
FDIC indemnification asset	75,286	47,683
Total covered assets	$ 313,748	$ 217,443
Loans acquired, not covered by FDIC loss share (net of discount)	$ 82,764	$ --
Foreclosed assets acquired, not covered by FDIC loss share	11,796	--
Total assets acquired, not covered by FDIC loss share	$ 94,560	$ --

We evaluated loans purchased in conjunction with the acquisitions of Truman and Excel, as well as loans purchased in previous FDIC-assisted transactions, for impairment in accordance with the provisions of ASC Topic 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality. Purchased loans are considered impaired if there is evidence of credit deterioration since origination and if it is probable that not all contractually required payments will be collected. All loans acquired in these transactions were deemed to be impaired loans. These loans were not classified as nonperforming assets at December 31, 2012, or December 31, 2011, 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. See Note 2 and Note 5 of the Notes to Consolidated Financial Statements for further discussion of loans acquired.

Asset Quality

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

Non-performing loans are comprised of (a) nonaccrual loans, (b) loans that are contractually past due 90 days and (c) other loans for which terms have been restructured to provide a reduction or deferral of interest or principal, because of deterioration in the financial position of the borrower. 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 $2.2 million of government guaranteed student loans were over 90 days past due as of December 31, 2012. 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, increased by $6.5 million from December 31, 2011, to December 31, 2012. The increase in non-performing assets is related to the Truman and Excel transactions, in which we acquired $13.6 million in non-covered foreclosed assets, with $11.8 million remaining at December 31, 2012. Normalizing for the acquired non-covered foreclosed assets, our non-performing assets decreased $5.2 million, primarily related to charge-offs of two credits with specific reserves. As a result of these credit charge-offs, non-performing assets, including TDRs and the newly acquired non-covered foreclosed assets , as a percent of total assets were 1.61% at December 31, 2012, compared to 1.52% at December 31, 2011.

Total non-performing assets increased by $1.9 million from December 31, 2010, to December 31, 2011. During 2011, we moved two classified credits, previously reported as performing troubled debt restructurings ("TDRs"), to nonaccrual status. We were also able to rid ourselves of several significant non-performing assets through liquidation or customer refinancing at other financial institutions. As a result of these credit reclassifications and dispositions, non-performing assets, including TDRs, as a percent of total assets decreased to 1.52% at December 31, 2011, compared to 1.71% at December 31, 2010. We remain aggressive in the identification, quantification and resolution of problem loans.

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

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

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

Once an obligation has been restructured because of such credit problems, it continues to be considered a TDR until paid in full; or, if an obligation yields a market interest rate and no longer has any concession regarding payment amount or amortization, then it is not considered a TDR at the beginning of the calendar year after the year in which the improvement takes place. We had TDRs totaling $14.1 million and $16.5 million at December 31, 2012, and December 31, 2011, respectively. The majority of our TDRs are 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 1.71% as of December 31, 2012. Non-performing loans equaled 0.74% of total loans. Non-performing assets were 1.29% of total assets. The allowance for loan losses was 232% of non-performing loans. Our net charge-offs to total loans for 2012 were 0.40%. Excluding credit cards, the net charge-offs to total loans were 0.26%. Net credit card charge-offs to total credit card loans for 2012 were 1.50%, compared to 2.06% in 2011, and more than 225 basis points better than the industry average charge-off ratio as reported by Moody's Investors Service for the same period.

We do not own any securities backed by subprime mortgage assets, and offer no mortgage loan products that target subprime borrowers.

Table 10 presents information concerning non-performing assets, including nonaccrual and restructured loans and other real estate owned (excluding all loans acquired and excluding other real estate covered by FDIC loss share agreements).

Table 10: Non-performing Assets

(In thousands, except ratios)	Years Ended December 31 2012	2011	2010	2009	2008
Nonaccrual loans (1)	$9,123	$12,907	$11,186	$21,994	$14,358
Loans past due 90 days or more (principal or interest payments):					
Government guaranteed student loans (2)	2,234	2,483	1,736	1,939	--
Other loans	681	785	969	1,383	1,292
Total loans past due 90 days or more	2,915	3,268	2,705	3,322	1,292
Total non-performing loans	12,038	16,175	13,891	25,316	15,650
Other non-performing assets:					
Foreclosed assets held for sale	21,556	22,887	23,204	9,179	2,995
Acquired foreclosed assets held for sale, not covered	11,796	--	--	--	--
Other non-performing assets	221	--	109	20	12
Total other non-performing assets	33,573	22,887	23,313	9,199	3,007
Total non-performing assets	$45,611	$39,062	$37,204	$34,515	$18,657
Performing TDRs	$11,015	$11,391	$19,426	$12,718	$--
Allowance for loan losses to non-performing loans	231.62 %	186.14 %	190.17 %	98.81 %	165.12 %
Non-performing loans to total loans	0.74	1.02	0.83	1.35	0.81
Non-performing loans to total loans (excluding government guaranteed student loans) (2)	0.60	0.87	0.72	1.25	0.81
Non-performing assets to total assets (3)	1.29	1.18	1.12	1.12	0.64
Non-performing assets to total assets (excluding government guaranteed student loans) (2) (3)	1.23	1.10	1.07	1.05	0.64

(1) Includes nonaccrual TDRs of approximately $3.1 million at December 31, 2012, and $5.2 million at December 31, 2011.
(2) Student loans past due 90 days or more are included in non-performing loans. Student loans are guaranteed by the federal government 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 other real estate acquired, covered by FDIC loss share agreements, except for their inclusion in total assets.

There was no interest income on the nonaccrual loans recorded for the years ended December 31, 2012, 2011 and 2010.

At December 31, 2012, impaired loans, net of government guarantees, excluding loans covered by FDIC loss share agreements, were $30.8 million compared to $40.1 million at December 31, 2011. Impaired loans at December 31, 2012 and 2011, includes government guaranteed student loans of $2.2 million and $2.5 million, respectively. On an ongoing basis, management evaluates the underlying collateral on all impaired loans and allocates specific reserves, where appropriate, in order to absorb potential losses if the collateral were ultimately foreclosed.

Allowance for Loan Losses

Overview

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

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

Specific Allocations

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

General Allocations

The general allocation is calculated monthly based on management's assessment of several factors such as (1) historical loss experience based on volumes and types, (2) volume and trends in delinquencies and nonaccruals, (3) lending policies and procedures including those for loan losses, collections and recoveries, (4) national, state and local economic trends and conditions, (5) 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 for the last five years is shown in table 11.

Table 11: Allowance for Loan Losses

(In thousands)	2012	2011	2010	2009	2008
Balance, beginning of year	$30,108	$26,416	$25,016	$25,841	$25,303
Loans charged off					
Credit card	3,516	4,703	5,321	5,336	3,760
Other consumer	1,198	1,890	2,471	2,758	2,105
Real estate	4,095	3,165	9,564	4,814	2,987
Commercial	543	1,411	1,246	1,920	1,394
Total loans charged off	9,352	11,169	18,602	14,828	10,246
Recoveries of loans previously charged off					
Credit card	858	979	1,035	920	883
Other consumer	575	604	884	673	519
Real estate	1,383	981	3,657	1,393	207
Commercial	170	621	297	701	529
Total recoveries	2,986	3,185	5,873	3,687	2,138
Net loans charged off	6,366	7,984	12,729	11,141	8,108
Provision for loan losses	4,140	11,676	14,129	10,316	8,646
Balance, end of year	$27,882	$30,108	$26,416	$25,016	$25,841
Net charge-offs to average loans (1)	0.40 %	0.49 %	0.71 %	0.58 %	0.43 %
Allowance for loan losses to period-end loans (1)	1.71 %	1.91 %	1.57 %	1.33 %	1.34 %
Allowance for loan losses to net charge-offs (1)	438.05 %	377.10 %	207.53 %	224.54 %	318.71 %

(1) Excludes all acquired loans.

Provision for Loan Losses

The amount of provision added to the allowance each year 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, the Company allocated (i) $1.8 million previously included as unallocated allowance to its credit card portfolio segment, (ii) $5.3 million previously included as unallocated allowance to its real estate portfolio segment, including (a) $3.2 million to commercial real estate and (b) $2.1 million to 1-4 family real estate and (iii) $1.6 million previously included as unallocated allowance to its commercial portfolio segment, including (a) $1.3 million to agricultural and (b) $0.3 million to other commercial. These allocations totaling $8.7 million were 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.

Our allocation of the allowance for loan losses remained relatively unchanged from December 31, 2010 to December 31, 2011 in each loan category, including the allocation to credit card loans. Annualized net credit card charge-offs to credit card loans decreased from 2.37% at December 31, 2010 to 2.06% at December 31, 2011. Although we continued to have minimal credit card losses compared to the industry, credit card loans are unsecured loans. The economic downturn could adversely affect consumers in a more delayed fashion compared to commercial business in general. Increasing unemployment and diminished asset values could prevent our credit card customers from repaying their credit card balances which could result in an increased amount of our net charge-offs that could have a significant adverse effect on our unsecured credit card portfolio.

The unallocated allowance for loan losses for December 31, 2011, was based on our concerns over the uncertainty of the national economy and the economy in Arkansas, Missouri and Kansas. The impact of market pricing in the poultry, timber and catfish industries in Arkansas remained uncertain. We were also cautious regarding the continued softening of the real estate market, specifically in the Northwest Arkansas region. The housing industry remained one of the weakest links for economic recovery. Although the unemployment rate in Arkansas, Missouri and Kansas was lagging behind the national average, it remained at historically high levels. We actively monitor the status of these industries and economic factors as they relate to our loan portfolio and make changes to the allowance for loan losses as necessary. Based on our analysis of loans and external uncertainties, we believe the allowance for loan losses in its entirety was appropriate for the year ended December 31, 2011.

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 and, prior to December 31, 2012, the unallocated allowance. 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 12: Allocation of Allowance for Loan Losses

	December 31														
	2012			2011			2010			2009			2008		
	Allowance	% of		Allowance	% of		Allowance	% of		Allowance	% of		Allowance	% of	
(In thousands)	Amount	loans(1)		Amount	loans(1)		Amount	loans(1)		Amount	loans(1)		Amount	loans(1)	
Credit cards	$7,211	11.4	%	$5,513	12.0	%	$5,549	11.3	%	$5,808	10.1	%	$3,957	8.8	%
Other consumer	1,574	8.6	%	1,638	9.9	%	1,703	10.7	%	1,719	13.5	%	1,325	12.9	%
Real estate	15,453	65.3	%	10,117	63.4	%	9,692	63.4	%	11,164	62.4	%	11,695	63.1	%
Commercial	3,446	14.4	%	2,063	14.4	%	2,277	14.1	%	2,451	13.7	%	2,255	14.7	%
Other	198	0.3	%	209	0.3	%	255	0.5	%	161	0.3	%	209	0.5	%
Unallocated	--			10,568			6,940			3,713			6,400		
Total	$27,882	100.0	%	$30,108	100.0	%	$26,416	100.0	%	$25,016	100.00	%	$25,841	100.0	%

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

Investments and Securities

Our securities portfolio is the second largest component of earning assets and provides a significant source of revenue. Securities within the portfolio are classified as either held-to-maturity, available-for-sale or trading.

Held-to-maturity securities, which include any security for which management has the positive intent and ability to hold until maturity, are carried at historical cost, adjusted for amortization of premiums and accretion of discounts. Premiums and discounts are amortized and accreted, respectively, to interest income using the constant yield method over the period to maturity. Interest and dividends on investments in debt and equity securities are included in income when earned.

Available-for-sale securities, which include any security for which management has no immediate plans to sell, but which may be sold in the future, are carried at fair value. Realized gains and losses, based on amortized cost of the specific security, are included in other income. Unrealized gains and losses are recorded, net of related income tax effects, in stockholders' equity. Premiums and discounts are amortized and accreted, respectively, to interest income, using the constant yield method over the period to maturity. Interest and dividends on investments in debt and equity securities are included in income when earned.

Our philosophy regarding investments is conservative based on investment type and maturity. Investments in the portfolio primarily include U.S. Treasury securities, U.S. Government agencies, mortgage-backed securities and municipal securities. Our general policy is not to invest in derivative type investments or high-risk securities, except for collateralized mortgage-backed securities for which collection of principal and interest is not subordinated to significant superior rights held by others.

Held-to-maturity and available-for-sale investment securities were $496.1 million and $191.3 million, respectively, at December 31, 2012, compared to the held-to-maturity amount of $525.4 million and available-for-sale amount of $172.2 million at December 31, 2011. Based on our level of pledging and our history of holding securities to maturity, our strategy sets portfolio targets of approximately 75% held-to-maturity and 25% available-for-sale.

As of December 31, 2012, $288.1 million, or 58.1%, of the held-to-maturity securities were invested in U.S. Treasury securities and obligations of U.S. government agencies, 34.4% of which will mature in less than five years. In the available-for-sale securities, $152.7 million, or 80.0%, were in U.S. Treasury and U.S. government agency securities, 37.6% of which will mature in less than five years.

In order to reduce our income tax burden, $207.4 million, or 41.8%, of the held-to-maturity securities portfolio, as of December 31, 2012, was invested in tax-exempt obligations of state and political subdivisions. In the available-for-sale securities, there was $3.0 million invested in tax-exempt obligations of state and political subdivisions. Most of the state and political subdivision debt obligations are non-rated bonds and represent relatively small, Arkansas issues, which are evaluated on an ongoing basis. There are no securities of any one state or political subdivision issuer exceeding ten percent of our stockholders' equity at December 31, 2012.

We have approximately $49,000 in mortgaged-backed securities in the held-to-maturity portfolio at December 31, 2012. In the available-for-sale securities, approximately $20.4 million, or 10.7% were invested in mortgaged-backed securities. Securities with limited marketability, such as stock in the Federal Reserve Bank and the Federal Home Loan Bank, are carried at cost and are reported as other available for sale securities.

As of December 31, 2012, the held-to-maturity investment portfolio had gross unrealized gains of $5.3 million and gross unrealized losses of $0.8 million.

We had $2,000 realized gains during 2012 and no gross realized gains or losses during 2011. We had gross realized gains of $467,000 and $150,000 realized losses during 2010 from the sales and/or calls of securities. As part of our acquisition strategy related to SSB, we liquidated the acquired investment portfolio, resulting in net realized gain of $317,000 in 2010.

Trading securities, which include any security held primarily for near-term sale, are carried at fair value. Gains and losses on trading securities are included in other income. Our trading account is established and maintained for the benefit of investment banking. The trading account is typically used to provide inventory for resale and is not used to take advantage of short-term price movements.

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.

The unrealized losses on our investment securities were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because we do not intend to sell the investments and it is not more likely than not that we will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, we do not consider those investments to be other-than-temporarily impaired at December 31, 2012.

Management has the ability and intent to hold the securities classified as held to maturity until they mature, at which time we expect to receive full value for the securities. Furthermore, as of December 31, 2012, 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 December 31, 2012, management believes the impairments detailed in the table below are temporary.

Table 13 presents the carrying value and fair value of investment securities for each of the years indicated.

Table 13: Investment Securities

	Years Ended December 31							
	2012				2011			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Held-to-Maturity								
U.S. Treasury	$--	$ --	$--	$--	$4,000	$ 14	$ --	$4,014
U.S. Government agencies	288,098	135	(679)	287,554	308,779	712	(154)	309,337
Mortgage-backed securities	49	1	--	50	62	1	--	63
State and political subdivisions	207,374	5,140	(160)	212,354	211,673	6,333	(144)	217,862
Other securities	620	--	--	620	930	--	--	930
Total	$496,141	$ 5,276	$(839)	$500,578	$525,444	$ 7,060	$ (298)	$532,206
Available-for-Sale								
U.S. Government agencies	$152,708	$ 65	$(292)	$152,481	$153,560	$ 295	$ (228)	$153,627
	20,436	287	(89)	20,634	2,280	277	--	2,557

Mortgage-backed securities								
State and political subdivisions	2,989	--	(1)	2,988	--	--	--	--
Other securities	14,787	456	(4)	15,239	15,648	384	(5)	16,027
Total	$190,920	$ 808	$(386)	$191,342	$171,488	$ 956	$ (233)	$172,211

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Table 14 reflects the amortized cost and estimated fair value of securities at December 31, 2012, by contractual maturity and the weighted average yields (for tax-exempt obligations on a fully taxable equivalent basis, assuming a 39.225% tax rate) of such securities. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations, with or without call or prepayment penalties.

Table 14: Maturity Distribution of Investment Securities

(In thousands)	December 31, 2012 1 year or less	Over 1 year through 5 years	Over 5 years through 10 years	Over 10 years	No fixed maturity	Total Amortized Cost	Par Value	Fair Value
Held-to-Maturity								
U.S. Government agencies	$--	$172,116	$115,982	$--	$--	$288,098	$288,140	$287,554
Mortgage-backed securities	--	18	19	12	--	49	49	50
State and political subdivisions	27,871	57,178	52,735	69,590	--	207,374	207,386	212,354
Other securities	--	--	--	620	--	620	620	620
Total	$27,871	$229,312	$168,736	$70,222	$--	$496,141	$496,195	$500,578
Percentage of total	5.6 %	46.2 %	34.0 %	14.2 %	0.0 %	100.0 %		
Weighted average yield	3.6 %	1.4 %	2.5 %	4.5 %	0.0 %	2.3 %		
Available-for-Sale								
U.S. Government agencies	$300	$71,622	$80,786	$--	$--	$152,708	$152,600	$152,481
Mortgage-backed securities	--	1,287	1,249	17,900	--	20,436	19,270	20,634
State and political subdivisions	1,708	1,281	--	--	--	2,989	2,940	2,988
Other securities	--	--	--	--	14,787	14,787	15,648	15,239
Total	$2,008	$74,190	$82,035	$17,900	$14,787	$190,920	$190,458	$191,342
Percentage of total	1.0 %	38.9 %	43.0 %	9.4 %	7.7 %	100.0 %		
Weighted average yield	2.3 %	0.8 %	2.0 %	1.1 %	3.4 %	1.6 %		

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 December 31, 2012, core deposits comprised 86.5% of our total deposits.

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

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

Our total deposits as of December 31, 2012 were $2.874 billion, an increase of $223.8 million, or 8.4%, from $2.650 billion at December 31, 2011. We have continued our strategy to move more volatile time deposits to less expensive, revenue enhancing transaction accounts throughout 2012. Non-interest bearing transaction accounts increased $44.4 million to $576.7 million at December 31, 2012, compared to $532.3 million at December 31, 2011. Interest bearing transaction and savings accounts were $1.421 billion at December 31, 2012, a $181.6 million increase compared to $1.240 billion on December 31, 2011. Total time deposits decreased approximately $2.3 million to $876.4 million at December 31, 2012, from $878.6 million at December 31, 2011. In an attempt to utilize some of our excess liquidity, we have priced deposits in a manner to encourage a reduction in non-relationship time deposits. We had $16.6 million and $20.6 million of brokered deposits at December 31, 2012 and 2011, respectively.

Table 15 reflects the classification of the average deposits and the average rate paid on each deposit category which is in excess of 10 percent of average total deposits for the three years ended December 31, 2012.

Table 15: Average Deposit Balances and Rates

	December 31								
	2012			2011			2010		
(In thousands)	Average Amount	Average Rate Paid		Average Amount	Average Rate Paid		Average Amount	Average Rate Paid	
Non-interest bearing transaction accounts	$518,243	--		$482,651	--		$375,941	--	
Interest bearing transaction and savings deposits	1,308,171	0.21	%	1,217,218	0.30	%	1,181,597	0.44	%
Time deposits									
$100,000 or more	368,437	0.95	%	380,362	1.24	%	381,432	1.62	%
Other time deposits	492,567	0.90	%	532,647	1.24	%	525,714	1.55	%
Total	$2,687,418	0.40	%	$2,612,878	0.57	%	$2,464,684	0.79	%

The Company's maturities of large denomination time deposits at December 31, 2012 and 2011 are presented in table 16.

Table 16: Maturities of Large Denomination Time Deposits

	Time Certificates of Deposit ($100,000 or more) December 31					
	2012			2011		
(In thousands)	Balance	Percent		Balance	Percent	
Maturing						
Three months or less	$95,928	25.9	%	$109,974	29.0	%
Over 3 months to 6 months	78,335	21.1	%	96,214	25.4	%
Over 6 months to 12 months	107,238	28.9	%	101,862	26.9	%
Over 12 months	89,097	24.0	%	70,775	18.7	%
Total	$370,598	100.00	%	$378,825	100.00	%

Fed Funds Purchased and Securities Sold under Agreements to Repurchase

Federal funds purchased and securities sold under agreements to repurchase were $104.1 million at December 31, 2012, as compared to $114.8 million at December 31, 2011.

We have historically funded our growth in earning assets through the use of core deposits, large certificates of deposits from local markets, FHLB borrowings and Federal funds purchased. Management anticipates that these sources will provide necessary funding in the foreseeable future.

Other Borrowings and Subordinated Debentures

Our debt was $110.1 million and $121.1 million at December 31, 2012 and 2011, respectively. The outstanding long-term debt balance for December 31, 2012, includes $89.5 million in FHLB long-term advances and $20.6 million of trust preferred securities. The outstanding balance for December 31, 2011, includes $89.9 million in FHLB long-term advances, $30.9 million of trust preferred securities and $0.3 million in other short-term borrowings.

During the year ended December 31, 2012, we reduced our debt by $11.0 million from December 31, 2011, primarily due to our election to retire $10.3 million of trust preferred securities with an 8.25% fixed interest rate on September 28, 2012. Scheduled payoffs of FHLB advances and short-term debt resulted in the remainder of the decrease in debt.

Aggregate annual maturities of long-term debt at December 31, 2012 are presented in table 17.

Table 17: Maturities of Long-Term Debt

(In thousands)	Year	Annual Maturities	
	2013	$	17,185
	2014		11,758
	2015		5,496
	2016		13,874
	2017		5,627
	Thereafter		56,121
	Total	$	110,061

Capital

Overview

At December 31, 2012, total capital reached $406.1 million. Capital represents shareholder ownership in the Company – the book value of assets in excess of liabilities. At December 31, 2012, our equity to asset ratio was 11.5% compared to 12.3% at year-end 2011.

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 December 31, 2012, no preferred stock has been issued.

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

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

Stock Repurchase

During 2007, the Company approved a stock repurchase program which authorized the repurchase of up to 700,000 shares of common stock. On July 23, 2012, we announced the substantial completion of the existing stock repurchase program and the adoption by our Board of Directors of a new stock repurchase program. The 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 2012, we repurchased 725,887 shares of stock with a weighted average repurchase price of $24.24 per share. Under the current stock repurchase plan, an additional 573,700 shares are available for repurchase.

Cash Dividends

We declared cash dividends on our common stock of $0.80 per share for the twelve months ended December 31, 2012, compared to $0.76 per share for the twelve months ended December 31, 2011. 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. See Item 5, Market for Registrant’s Common Equity and Related Stockholder Matters, for additional information regarding cash dividends.

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 affiliate banks. Payment of dividends by the eight subsidiary banks is subject to various regulatory limitations. See Item 7A, Liquidity and Qualitative Disclosures 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 December 31, 2012, 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 December 31, 2012 and 2011, are presented in table 18 below:

Table 18: Risk-Based Capital

(In thousands, except ratios)	December 31 2012		2011	
Tier 1 capital				
Stockholders' equity	$406,062		$407,911	
Trust preferred securities	20,000		30,000	
Goodwill and core deposit premiums	(48,966	)	(47,889	)
Unrealized gain on available-for-sale securities, net of income taxes	(257	)	(439	)
Total Tier 1 capital	376,839		389,583	
Tier 2 capital				
Qualifying unrealized gain on available-for-sale equity securities	19		9	
Qualifying allowance for loan losses	24,743		22,682	
Total Tier 2 capital	24,762		22,691	
Total risk-based capital	$401,601		$412,274	
Risk weighted assets	$1,974,800		$1,805,585	
Ratios at end of year				
Tier 1leverage ratio	10.81	%	11.86	%
Tier 1risk-based capital ratio	19.08	%	21.58	%
Total risk-based capital ratio	20.34	%	22.83	%
Minimum guidelines				
Tier 1 leverage ratio	4.00	%	4.00	%
Tier 1risk-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	5.00	%	5.00	%
Total risk-based capital ratio	10.00	%	10.00	%

Risk-Based Capital

In June 2012, the Company's primary federal regulator, the Federal Reserve, published two notices of proposed rulemaking (the "2012 Capital Proposals") that would 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, which are based on the international capital accords of the Basel Committee on Banking Supervision (the "Basel Committee") generally referred to as Basel I.

One of the 2012 Capital Proposals (the “Basel III Proposal”) deals with the components of capital and other issues affecting the numerator in banking institutions’ regulatory capital ratios and would implement the Basel Committee’s December 2010 framework known as Basel III for strengthening international capital standards. The other proposal (the “Standardized Approach Proposal”) deals with risk weights and other issues affecting the denominator in banking institutions’ regulatory capital ratios and would replace the existing Basel I-derived risk-weighting approach with a more risk-sensitive approach based, in part, on the standardized approach in the Basel Committee’s 2004 Basel II capital accords. As proposed, the Basel III Proposal and the Standardized Approach Proposal were to have come into effect on January 1, 2013 and January 1, 2015, respectively.

In addition to the requirements of the Basel III final capital framework, the Basel III Proposal, among other things requires the phase-out of certain hybrid securities, such as trust preferred securities, as Tier 1 capital of bank holding companies. For bank holding companies with less than $15 billion in assets, the phase-out was to be in equal installments between 2013 and 2022.

The Standardized Approach Proposal would 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.

On November 9, 2012, the Federal Reserve announced a delay of the effective date of Basel III and Standardized Approach Proposal requirements, with no announcement of a possible new effective date. Management believes that, as of December 31, 2012, the Company and each of its subsidiary banks would meet all capital adequacy requirements under the Basel III and Standardized Approach Proposals on a fully phased-in basis if such requirements were currently effective. There can be no guarantee that the Basel III and the Standardized Approach Proposals will be adopted in their current form, what changes may be made before adoption, or when ultimate adoption will occur.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

In the normal course of business, the Company enters into a number of financial commitments. Examples of these commitments include but are not limited to long-term debt financing, operating lease obligations, unfunded loan commitments and letters of credit.

Our long-term debt at December 31, 2012, includes notes payable, FHLB long-term advances and trust preferred securities, all of which we are contractually obligated to repay in future periods.

Operating lease obligations entered into by the Company are generally associated with the operation of a few of our financial centers located throughout the states of Arkansas, Kansas and Missouri. Our financial obligation on these locations is considered immaterial due to the limited number of financial centers that operate under an agreement of this type. Historically, we have purchased all of our automated teller machines (“ATMs”) and depreciated them over their estimated lives. In December 2012, we entered into a five-year operating lease agreement with our service provider to replace and maintain all outdated ATMs and the related operating software.

Commitments to extend credit and letters of credit are legally binding, conditional agreements generally having fixed expiration or termination dates. These commitments generally require customers to maintain certain credit standards and are established based on management’s credit assessment of the customer. The commitments may expire without being drawn upon. Therefore, the total commitment does not necessarily represent future funding requirements.

The funding requirements of the Company's most significant financial commitments, at December 31, 2012, are shown in table 19.

Table 19: Funding Requirements of Financial Commitments

	Payments due by period				
(In thousands)	Less than 1 Year	1-3 Years	3-5 Years	Greater than 5 Years	Total
Long-term debt	$17,185	$17,254	$19,501	$ 56,121	$110,061

ATM lease commitments	942	1,884	1,884	--	4,710
Credit card loan commitments	401,817	--	--	--	401,817
Other loan commitments	301,444	--	--	--	301,444
Letters of credit	9,901	--	--	--	9,901

Reconciliation of Non-GAAP Measures

We have $64.4 million and $62.2 million total goodwill and core deposit premiums for the periods ended December 31, 2012 and December 31, 2011, respectively. Because of our high level of these two intangible assets, management believes a useful calculation is return on tangible equity (non-GAAP). This non-GAAP calculation for the twelve months ended December 31, 2012, 2011, 2010, 2009, and 2008, which is similar to the GAAP calculation of return on average stockholders' equity, is presented in table 20.

Table 20: Return on Tangible Equity

(In thousands, except ratios)	2012		2011		2010		2009		2008	
Twelve months ended										
Return on average stockholders' equity: (A/C)	6.77	%	6.25	%	9.69	%	8.26	%	9.54	%
Return on average tangible equity - (non-GAAP): (A+B)/(C-D)	8.05	%	7.54	%	11.71	%	10.61	%	12.54	%
(A) Net income	$27,684		$25,374		$37,117		$25,210		$26,910	
(B) Amortization of intangibles, net of taxes	212		537		478		503		504	
(C) Average stockholders' equity	409,187		406,093		383,141		305,210		282,186	
(D) Average goodwill and core deposits, net	62,499		62,631		62,125		62,789		63,600	

The table below presents computations of core earnings (net income excluding nonrecurring items {gain from the cash proceeds on mandatory Visa stock redemption, Visa litigation expense reversal, gain from the sale of MasterCard stock, gains on FDIC-assisted transactions and the related merger costs, liquidation gains and losses from FDIC-assisted transactions and the one-time costs of branch right sizing}) and diluted core earnings per share (non-GAAP). Nonrecurring items are included in financial results presented in accordance with generally accepted accounting principles (GAAP).

We believe 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

We believe 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
- Investor presentations of Company performance

We believe 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 and are not required to be uniformly applied and are not audited. To mitigate these limitations, we have 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).

During the third quarter of 2012, we recorded an after-tax bargain purchase gain of $681,000 on the FDIC-assisted acquisition of Truman, along with merger related costs of $495,000, after tax.   These nonrecurring items related to Truman contributed $0.01to diluted earnings per share.

During the fourth quarter of 2012, we recorded an after-tax bargain purchase gain of $1.4 million on the FDIC-assisted acquisition of Excel, along with merger related costs of $657,000, after tax. Also, as part of our acquisition strategy, FHLB advances were paid off resulting in a $106,000 pre-payment expense, after tax. These nonrecurring items related to Excel contributed $0.04 to diluted earnings per share.

During the second quarter of 2011, we recorded an after tax gain of $688,000 on the sale of MasterCard stock, contributing $0.04 to diluted earnings per share. Also during the second quarter, as a result of our right sizing initiative, we recorded a nonrecurring charge of $0.01 to diluted earnings per share.

During the first and second quarters of 2011, we recorded after-tax merger related costs of $217,000 on the FDIC-assisted acquisition of SSB, resulting in a nonrecurring charge of $0.01 to diluted earnings per share.

During the fourth quarter of 2010, we recorded an after tax bargain purchase gain of $18.3 million on the FDIC-assisted acquisition of SSB, along with merger related costs of $1.2 million, after tax. Also, as part of our acquisition strategy, the investment portfolio was liquidated resulting in an after tax gain of $193,000, and FHLB advances were paid off resulting in a $361,000 pre-payment expense, after tax. These nonrecurring items related to SSB contributed $0.56 to diluted earnings per share.

During the second quarter of 2010, we recorded an after tax bargain purchase gain of $1.8 million on the FDIC-assisted acquisition of SWCB, along with merger related costs of $351,000. These nonrecurring items related to SWCB contributed $0.09 to diluted earnings per share. Also during the second quarter of 2010, as a result of our branch right sizing initiative, we recorded a nonrecurring charge of $0.01 to diluted earnings per share.

See table 21 below for the reconciliation of non-GAAP financial measures, which exclude nonrecurring items for the periods presented.

Table 21: Reconciliation of Core Earnings (non-GAAP)

(In thousands, except share data)	2012	2011	2010	2009	2008
Twelve months ended					
Net Income	$27,684	$25,374	$37,117	$25,210	$26,910
Nonrecurring items					
Mandatory stock redemption gain (Visa)	--	--	--	--	(2,973)
Litigation liability expense/reversal (Visa)	--	--	--	--	(1,220)
Gain on sale of MasterCard stock	--	(1,132)	--	--	--

Gain on FDIC-assisted transactions	(3,411)	--	(21,314)	--	--
Merger related costs	1,896	357	2,611	--	--
Gains from sale of securities	--	--	(317)	--	--
FHLB prepayment penalties	175	--	594	--	--
Branch right sizing	--	141	372	--	--
Tax effect (39.225%) (1)	526	248	6,978	--	1,635
Net nonrecurring items	(814)	(386)	(11,076)	--	(2,558)
Core earnings (non-GAAP)	$26,870	$24,988	$26,041	$25,210	$24,352
Diluted earnings per share	$1.64	$1.47	$2.15	$1.74	$1.91
Nonrecurring items					
Mandatory stock redemption gain (Visa)	--	--	--	--	(0.21)
Litigation liability expense/reversal (Visa)	--	--	--	--	(0.09)
Gain on sale of MasterCard stock	--	(0.07)	--	--	--
Gain on FDIC-assisted transactions	(0.21)	--	(1.23)	--	--
Merger related costs	0.12	0.02	0.15	--	--
Gain from sale of securities	--	--	(0.02)	--	--
FHLB prepayment penalties	0.01	--	0.03	--	--
Branch right sizing	--	0.01	0.02	--	--
Tax effect (39.225%) (1)	0.03	0.02	0.41	--	0.12
Net nonrecurring items	(0.05)	(0.02)	(0.64)	--	(0.18)
Diluted core earnings per share (non-GAAP)	$1.59	$1.45	$1.51	$1.74	$1.73

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

Quarterly Results

Selected unaudited quarterly financial information for the last eight quarters is shown in table 22.

Table 22: Quarterly Results

(In thousands, except per share data)	Quarter First	Second	Third	Fourth	Total
2012					
Net interest income	$27,718	$27,251	$27,941	$30,607	$113,517
Provision for loan losses	771	775	1,299	1,295	4,140
Non-interest income	10,723	11,093	11,812	14,743	48,371
Non-interest expense	28,637	28,244	28,686	32,166	117,733
Net income	6,355	6,536	6,760	8,033	27,684
Basic earnings per share	0.37	0.38	0.41	0.48	1.64
Diluted earnings per share	0.37	0.38	0.41	0.48	1.64
2011					
Net interest income	$26,834	$27,250	$27,279	$27,297	$108,660
Provision for loan losses	2,675	3,328	2,842	2,831	11,676
Non-interest income	12,632	14,364	13,722	12,747	53,465
Non-interest expense	29,975	28,692	27,633	28,350	114,650
Net income	5,066	6,746	7,257	6,305	25,374
Basic earnings per share	0.29	0.39	0.42	0.37	1.47
Diluted earnings per share	0.29	0.39	0.42	0.37	1.47

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Liquidity and Market Risk Management

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 repurchases and debt service requirements. At December 31, 2012, undivided profits of the Company's subsidiary banks were approximately $188.4 million, of which approximately $14.3 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 subsidiary banks rely upon net inflows of cash from financing activities, supplemented by net inflows of cash from operating activities, to provide cash used in investing activities. Typical of most banking companies, significant financing activities include: deposit gathering; use of short-term borrowing facilities, such as federal funds purchased and repurchase agreements; and the issuance of long-term debt. The subsidiary 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 subsidiary bank 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 December 31, 2012, each subsidiary bank was within established guidelines and total corporate liquidity remains strong. At December 31, 2012, cash and cash equivalents, trading and available-for-sale securities and mortgage loans held for sale were 21.6% of total assets, as compared to 23.1% at December 31, 2011.

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 somewhat 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 $520 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 28% 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 December 31, 2012. 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 23: 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	$490,327	$--	$--	$--	$--	$--	$--	$490,327
Assets held in trading accounts	5,224	1,000	--	--	--	--	--	6,224
Investment securities	158,641	135,501	125,237	81,020	26,624	46,019	114,441	687,483
Mortgage loans held for sale	25,367	--	--	--	--	--	--	25,367
Loans	538,608	99,265	173,218	221,171	238,216	323,912	34,123	1,628,513
Loans acquired, not covered	38,402	3,754	10,587	12,194	13,671	4,156	--	82,764
Loans acquired, covered	97,829	9,562	26,970	31,063	34,826	10,592	--	210,842
Total earning assets	1,354,398	249,082	336,012	345,448	313,337	384,679	148,564	3,131,520
Interest bearing liabilities								
Interest bearing	768,615	--	--	--	130,504	391,513	130,505	1,421,137

transaction and savings deposits								
Time deposits	96,111	126,981	182,402	253,366	140,387	77,103	21	876,371
Short-term debt	104,078	--	--	--	--	--	--	104,078
Long-term debt	27,394	2,161	4,810	8,316	6,802	37,396	23,182	110,061
Total interest bearing liabilities	996,198	129,142	187,212	261,682	277,693	506,012	153,708	2,511,647
Interest rate sensitivity Gap	$358,200	$119,940	$148,800	$83,766	$35,644	$(121,333)	$(5,144)	$619,873
Cumulative interest rate sensitivity Gap	$358,200	$478,140	$626,940	$710,706	$746,350	$625,017	$619,873	
Cumulative rate sensitive assets to rate sensitive liabilities	136.0%	142.5%	147.8%	145.1%	140.3%	126.5%	124.7%	
Cumulative Gap as a % of earning assets	11.4%	15.3%	20.0%	22.7%	23.8%	20.0%	19.8%	

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Note: Supplementary Data may be found in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations – Quarterly Results" on page 53 hereof.

Management's Report on Internal Control Over Financial Reporting

The management of Simmons First National Corporation (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles.

As of December 31, 2012, management assessed the effectiveness of the Company's internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This assessment excluded internal control over financial reporting for the operations of Truman Bank ("Truman") of St. Louis, Missouri and Excel Bank, ("Excel") of Sedalia, Missouri, as allowed by the SEC for current year acquisitions. Truman was acquired on September 14, 2012 and represented 5.3% of assets at December 31, 2012 and its banking operations represented 1.9% of total consolidated revenue for the year ended December 31, 2012. Excel was acquired on October 19, 2012 and represented 4.0% of assets at December 31, 2012 and its banking operations represented 0.8% of total consolidated revenue for the year ended December 31, 2012. Based on this assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2012, based on the specified criteria.

BKD, LLP, the independent registered public accounting firm that audited the consolidated financial statements of the Company included in this Annual Report on Form 10-K, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2012. The report, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2012, immediately follows.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited Simmons First National Corporation's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

As permitted, the Company excluded the operations of Truman Bank of St. Louis, Missouri and Excel Bank, of Sedalia, Kansas, financial institutions acquired on September 14, 2012 and October 19, 2012, respectively, from the scope of management's report on internal control over financial reporting. As such, these entities have also been excluded from the scope of our audit of internal control over financial reporting.

In our opinion, Simmons First National Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Simmons First National Corporation and our report dated March 12, 2013, expressed an unqualified opinion thereon.

BKD, LLP

/s/ BKD, LLP

Pine Bluff, Arkansas
March 12, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Simmons First National Corporation as of December 31, 2012, and 2011, and the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity for each of the years in the three-year period ended December 31, 2012. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Simmons First National Corporation as of December 31, 2012, and 2011, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Simmons First National Corporation's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 12, 2013, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

BKD, LLP

/s/ BKD, LLP

Pine Bluff, Arkansas
March 12, 2013

Simmons First National Corporation

Consolidated Balance Sheets
December 31, 2012 and 2011

(In thousands, except share data)	2012
ASSETS	
Cash and non-interest bearing balances due from banks	$47,470
Interest bearing balances due from banks	467,984
Federal funds sold	22,343
Cash and cash equivalents	537,797
Investment securities	687,483
Mortgage loans held for sale	25,367
Assets held in trading accounts	6,224
Loans:	
Loans	1,628,513
Allowance for loan losses	(27,882)
Loans acquired, covered by FDIC loss share (net of discount)	210,842
Loans acquired, not covered by FDIC loss share (net of discount)	82,764
Net loans	1,894,237
FDIC indemnification asset	75,286
Premises and equipment	87,557
Foreclosed assets	33,352
Foreclosed assets covered by FDIC loss share	27,620
Interest receivable	14,530
Bank owned life insurance	52,066
Goodwill	60,605
Core deposit premiums	3,760
Other assets	21,605
Total assets	$3,527,489
LIABILITIES AND STOCKHOLDERS' EQUITY	
Deposits:	
Non-interest bearing transaction accounts	$576,655
Interest bearing transaction accounts and savings deposits	1,421,137
Time deposits	876,371
Total deposits	2,874,163
Federal funds purchased and securities sold under agreements to repurchase	104,078
Other borrowings	89,441
Subordinated debentures	20,620
Accrued interest and other liabilities	33,125
Total liabilities	3,121,427
Stockholders' equity:	
Preferred stock, $0.01 par value; 40,040,000 shares authorized and unissued at December 31, 2012 and 2011s	--
Common stock, Class A, $0.01 par value; 60,000,000 shares authorized; 16,542,778 and 17,212,317 shares issued and outstanding at December 31, 2012 and 2011, respectively	165
Surplus	96,587
Undivided profits	309,053

Accumulated other comprehensive income	257
Total stockholders' equity	406,062
Total liabilities and stockholders' equity	$3,527,489

See Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Income
Years Ended December 31, 2012, 2011 and 2010

(In thousands, except per share data)	2012	2011	2010
INTEREST INCOME			
Loans not covered by FDIC loss share	$91,734	$95,713	$106,062
Loans covered by FDIC loss share	22,767	17,118	4,204
Federal funds sold	7	6	15
Investment securities	12,721	14,583	17,208
Mortgage loans held for sale	637	503	715
Assets held in trading accounts	48	33	30
Interest bearing balances due from banks	1,220	1,100	721
TOTAL INTEREST INCOME	129,134	129,056	128,955
INTEREST EXPENSE			
Deposits	10,625	14,925	19,537
Federal funds purchased and securities sold under agreements to repurchase	310	450	532
Other borrowings	3,354	3,512	5,018
Subordinated debentures	1,328	1,509	1,919
TOTAL INTEREST EXPENSE	15,617	20,396	27,006
NET INTEREST INCOME	113,517	108,660	101,949
Provision for loan losses	4,140	11,676	14,129
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	109,377	96,984	87,820
NON-INTEREST INCOME			
Trust income	5,473	5,375	5,179
Service charges on deposit accounts	16,808	16,808	17,700
Other service charges and fees	2,961	2,980	2,812
Mortgage lending income	5,997	4,188	4,810
Investment banking income	2,038	1,478	2,236
Credit card fees	17,045	16,828	16,140
Premiums on sale of student loans	--	--	2,524
Bank owned life insurance income	1,463	1,481	1,670
Gain on sale of securities, net	2	--	317
Gain on FDIC assisted transactions	3,411	--	21,314
Net (loss) gain on assets covered by FDIC loss share agreements	(9,793)	154	318
Other income	2,966	4,173	2,854
TOTAL NON-INTEREST INCOME	48,371	53,465	77,874
NON-INTEREST EXPENSE			
Salaries and employee benefits	66,999	65,058	60,731
Occupancy expense, net	8,603	8,443	7,808
Furniture and equipment expense	6,882	6,633	6,093
Other real estate and foreclosure expense	992	678	974
Deposit insurance	2,086	2,387	3,813

Merger related costs	1,896	357	2,611
Other operating expenses	30,275	31,094	29,233
TOTAL NON-INTEREST EXPENSE	117,733	114,650	111,263
INCOME BEFORE INCOME TAXES	40,015	35,799	54,431
Provision for income taxes	12,331	10,425	17,314
NET INCOME	$27,684	$25,374	$37,117
BASIC EARNINGS PER SHARE	$1.64	$1.47	$2.16
DILUTED EARNINGS PER SHARE	$1.64	$1.47	$2.15

See Notes to Consolidated Financial Statements.

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Simmons First National Corporation

Consolidated Statements of Comprehensive Income
Years Ended December 31, 2012, 2011 and 2010

(In thousands)	2012	2011	2010
NET INCOME	$27,684	$25,374	$37,117
OTHER COMPREHENSIVE INCOME			
Unrealized holding gains (losses) arising during the period on available-for-sale securities	(297)	(120)	(94)
Less: Reclassificaton adjustment for realized gains included in net income	2	-	317
Other comprehensive loss, before tax effect	(299)	(120)	(411)
Tax effect of other comprehensive loss	(117)	(47)	(161)
OTHER COMPREHENSIVE LOSS	(182)	(73)	(250)
COMPREHENSIVE INCOME	$27,502	$25,301	$36,867

See Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Cash Flows
Years Ended December 31, 2012, 2011 and 2010

(In thousands)	2012	2011	2010
OPERATING ACTIVITIES			
Net income	$27,684	$25,374	$37,117
Items not requiring (providing) cash			
Depreciation and amortization	5,516	6,067	5,724
Provision for loan losses	4,140	11,676	14,129
Gain on sale of investment securities	(2)	--	(317
Net accretion of investment securities	(283)	(51)	(7
Stock-based compensation expense	1,388	1,204	974
Net accretion on assets covered by FDIC loss share	(2,807)	(4,448)	(595
Gain on FDIC-assisted transactions	(3,411)	--	(21,31
Deferred income taxes	485	(3,571)	8,428
Bank owned life insurance income	(1,463)	(1,481)	(1,670
Changes in			
Interest receivable	596	2,237	518
Mortgage loans held for sale	(2,391)	(5,739)	(8,840
Assets held in trading accounts	1,317	36	(691
Other assets	1,961	4,742	3,660
Accrued interest and other liabilities	3,054	(2,847)	2,282
Income taxes payable	298	(3,642)	(291
Net cash provided by operating activities	36,082	29,557	39,107
INVESTING ACTIVITIES			
Net (originations) collections of loans	(48,502)	75,516	128,45
Net collections of loans covered by FDIC loss share	83,460	66,967	26,046
Purchases of premises and equipment, net	(2,268)	(14,470)	(4,001
Proceeds from sale of foreclosed assets held for sale	8,322	20,512	37,310
Proceeds from sale of foreclosed assets held for sale, covered by FDIC loss share	14,560	8,200	4,284
Net purchases of short-term investment securities	--	--	(1
Proceeds from sale of available-for-sale securities	2,576	5,350	75,948
Proceeds from maturities of available-for-sale securities	347,205	302,438	520,88
Purchases of available-for-sale securities	(336,924)	(331,583)	(461,9
Proceeds from maturities of held-to-maturity securities	713,362	228,284	331,52
Purchases of held-to-maturity securities	(683,820)	(288,505)	(332,6
Purchases of bank owned life insurance	(25)	(25)	(6,482
Net cash proceeds received in FDIC-assisted transactions	76,586	--	99,677
Cash received on FDIC loss share	12,471	28,872	3,751
Net cash provided by investing activities	187,003	101,556	422,83
FINANCING ACTIVITIES			
Net change in deposits	(173,379)	41,628	(258,9
Dividends paid	(13,495)	(13,156)	(13,09
Net change in other borrowed funds	(8,922)	(44,257)	(95,99
Repayment of subordinated debentures	(10,310)	--	--

Net change in federal funds purchased and securities sold under agreements to repurchase	(32,144)	5,627	3,229
Net shares issued under stock compensation plans	323	474	1,374
Repurchase of common stock	(17,567)	(3,283)	--
Net cash used in financing activities	(255,494)	(12,967)	(363,4
(DECREASE) INCREASE IN CASH EQUIVALENTS	(32,409)	118,146	98,475
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	570,206	452,060	353,58
CASH AND CASH EQUIVALENTS, END OF YEAR	$537,797	$570,206	$452,06

See Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2012, 2011 and 2010

(In thousands, except share data)	Common Stock	Surplus	Accumulated Other Comprehensive Income (Loss)	Undivided Profits	Total
Balance, December 31, 2009	$171	$111,694	$ 762	$258,620	$371,247
Comprehensive income:					
Net income	--	--	--	37,117	37,117
Change in unrealized appreciation on available-for-sale securities, net of income taxes of ($161)	--	--	(250)	--	(250)
Comprehensive income					36,867
Stock issued as bonus shares – 83,245 shares	1	203	--	--	204
Vesting bonus shares	--	801	--	--	801
Stock issued for employee stock purchase plan – 4,947 shares	--	131	--	--	131
Exercise of stock options – 108,604 shares	1	1,460	--	--	1,461
Stock granted under stock-based compensation plans	--	173	--	--	173
Securities exchanged under stock option plan	--	(422)	--	--	(422)
Cash dividends – $0.76 per share	--	--	--	(13,091)	(13,091)
Balance, December 31, 2010	173	114,040	512	282,646	397,371
Comprehensive income:					
Net income	--	--	--	25,374	25,374
Change in unrealized appreciation on available-for-sale securities, net of income taxes of ($47)	--	--	(73)	--	(73)
Comprehensive income					25,301
Stock issued as bonus shares – 47,995 shares	--	98	--	--	98
Vesting bonus shares	--	1,066	--	--	1,066
Stock issued for employee stock purchase plan – 4,805 shares	--	127	--	--	127
Exercise of stock options – 30,319 shares	--	385	--	--	385
Stock granted under stock-based compensation plans	--	138	--	--	138
Securities exchanged under stock option plan – (5,252 shares)	--	(136)	--	--	(136)
Repurchase of common stock – (137,144 shares)	(1)	(3,282)	--	--	(3,283)
Cash dividends – $0.76 per share	--	--	--	(13,156)	(13,156)
Balance, December 31, 2011	172	112,436	439	294,864	407,911
Comprehensive income:					
Net income	--	--	--	27,684	27,684
Change in unrealized appreciation on available-for-sale securities, net of income taxes of ($117)	--	--	(182)	--	(182)
Comprehensive income					27,502
Stock issued as bonus shares – 51,245 shares	--	191	--	--	191
Vesting bonus shares	--	1,305	--	--	1,305
Stock issued for employee stock purchase plan – 5,103 shares	--	132	--	--	132
Stock granted under stock-based compensation plans	--	83	--	--	83

Repurchase of common stock – (725,887 shares)	(7)	(17,560)	--	--	(17,567)
Cash dividends – $0.80 per share	--	--	--	(13,495)	(13,495)
Balance, December 31, 2012	$165	$96,587	$ 257	$309,053	$406,062

See Notes to Consolidated Financial Statements.

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Simmons First National Corporation

Notes to Consolidated Financial Statements

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Simmons First National Corporation (the "Company") is primarily engaged in providing a full range of banking services to individual and corporate customers through its subsidiaries and their branch banks with offices in Arkansas, Missouri and Kansas. The Company is subject to competition from other financial institutions. The Company also is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

Operating Segments

The Company is organized on a subsidiary bank-by-bank basis upon which management makes decisions regarding how to allocate resources and assess performance. Each of the subsidiary banks provides a group of similar community banking services, including such products and services as loans; time deposits, checking and savings accounts; personal and corporate trust services; credit cards; investment management; and securities and investment services. The individual bank segments have similar operating and economic characteristics and have been reported as one aggregated operating segment.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans and the valuation of covered loans and related indemnification asset. In connection with the determination of the allowance for loan losses and the valuation of foreclosed assets, management obtains independent appraisals for significant properties.

Principles of Consolidation

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

Reclassifications

Various items within the accompanying consolidated financial statements for previous years have been reclassified to provide more comparative information. These reclassifications had no effect on net earnings.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. For purposes of the consolidated statements of cash flows, cash and cash equivalents are considered to include cash and non-interest bearing balances due from banks, interest bearing balances due from banks and federal funds sold and securities purchased under agreements to resell.

Interest Bearing Deposits in Banks

Interest bearing balances due from banks mature within one year and are carried at cost.

Investment Securities

Held-to-maturity securities, which include any security for which the Company has the positive intent and ability to hold until maturity, are carried at historical cost adjusted for amortization of premiums and accretion of discounts. Premiums and discounts are amortized and accreted, respectively, to interest income using the constant yield method over the period to maturity.

Available-for-sale securities, which include any security for which the Company has no immediate plan to sell but which may be sold in the future, are carried at fair value. Realized gains and losses, based on specifically identified amortized cost of the individual security, are included in other income. Unrealized gains and losses are recorded, net of related income tax effects, in stockholders' equity. Premiums and discounts are amortized and accreted, respectively, to interest income using the constant yield method over the period to maturity.

Trading securities, which include any security held primarily for near-term sale, are carried at fair value. Gains and losses on trading securities are included in other income.

The Company applies accounting guidance related to recognition and presentation of other-than-temporary impairment under ASC Topic 320-10. When the Company does not intend to sell a debt security, and it is more likely than not, the Company will not have to sell the security before recovery of its cost basis, it recognizes the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. For held-to-maturity debt securities, the amount of an other-than-temporary impairment recorded in other comprehensive income for the noncredit portion of a previous other-than-temporary impairment is amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

As a result of this guidance, the Company’s consolidated statements of income reflect the full impairment (that is, the difference between the security’s amortized cost basis and fair value) on debt securities that the Company intends to sell or would more likely than not be required to sell before the expected recovery of the amortized cost basis. For available-for-sale and held-to-maturity debt securities that management has no intent to sell and believes that it more likely than not will not be required to sell prior to recovery, only the credit loss component of the impairment is recognized in earnings, while the noncredit loss is recognized in accumulated other comprehensive income. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected based on cash flow projections.

Mortgage Loans Held For Sale

Mortgage loans held for sale are carried at the lower of cost or fair value, determined using an aggregate basis. Write-downs to fair value are recognized as a charge to earnings at the time the decline in value occurs. Forward commitments to sell mortgage loans are acquired to reduce market risk on mortgage loans in the process of origination and mortgage loans held for sale. The forward commitments acquired by the Company for mortgage loans in process of origination are not mandatory forward commitments. These commitments are structured on a best efforts basis; therefore, the Company is not required to substitute another loan or to buy back the commitment if the original loan does not fund. Typically, the Company delivers the mortgage loans within a few days after the loans are funded. These commitments are derivative instruments and their fair values at December 31, 2012 and 2011 are not material. Gains and losses resulting from sales of mortgage loans are recognized when the respective loans are sold to investors. Gains and losses are determined by the difference between the selling price and the carrying amount of the loans sold, net of discounts collected or paid. Fees received from borrowers to guarantee the funding of mortgage loans held for sale are recognized as income or expense when the loans are sold or when it becomes evident that the commitment will not be used.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-offs are reported at their outstanding principal adjusted for any loans charged off, the allowance for loan losses and any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

The accrual of interest on loans, except on certain government guaranteed loans, is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

Discounts and premiums on purchased residential real estate loans are amortized to income using the interest method over the remaining period to contractual maturity, adjusted for anticipated prepayments. Discounts and premiums on purchased consumer loans are recognized over the expected lives of the loans using methods that approximate the interest method.

For discussion of the Company’s accounting for acquired loans, see Acquisition Accounting, Covered Loans and Related Indemnification Asset later in this section.

Allowance for Loan Losses

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.

Allocations to the allowance for loan losses are categorized as either general reserves or specific reserves.

The general reserve 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. The Company establishes general allocations for each major loan category and risk rating. 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.

Specific reserves are provided on loans that are 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. This includes loans that are delinquent 90 days or more, nonaccrual loans and certain other loans identified by management. Certain other loans identified by management consist of performing loans where management expects that the Company will not receive all amounts due according to the contractual terms of the loan, including scheduled principal and interest payments. Specific reserves 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. Accrual of interest is discontinued and interest accrued and unpaid is removed at the time such amounts are delinquent 90 days unless management is aware of circumstances which warrant continuing the interest accrual. Interest is recognized for nonaccrual loans only upon receipt and only after all principal amounts are current according to the terms of the contract.

Prior to December 31, 2012, the Company 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 were combined with the historical loss rates to create the baseline factors that were 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, 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.

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

Reserve for Unfunded Commitments

In addition to the allowance for loan losses, the Company has 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 the Company's methodology for determining the allowance for loan losses. Net adjustments to the reserve for unfunded commitments are included in other non-interest expense.

Acquisition Accounting, Covered Loans and Related Indemnification Asset

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

Over the life of the acquired loans, the Company continues to estimate cash flows expected to be collected on 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 2 and Note 5 to the Consolidated Financial Statements.

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized by the straight-line method over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter.

Foreclosed Assets Held For Sale

Assets acquired by foreclosure or in settlement of debt and held for sale are valued at estimated fair value as of the date of foreclosure, and a related valuation allowance is provided for estimated costs to sell the assets. Management evaluates the value of foreclosed assets held for sale periodically and increases the valuation allowance for any subsequent declines in fair value. Changes in the valuation allowance are charged or credited to other expense.

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. The Company performs an annual goodwill impairment test, and more frequently if circumstances warrant, in accordance with ASC Topic 350, Intangibles – Goodwill and Other. ASC Topic 350 requires that goodwill and intangible assets that have indefinite lives be reviewed for impairment annually, or more frequently if certain conditions occur. Impairment losses on recorded goodwill, if any, will be recorded as operating expenses.

Derivative Financial Instruments

The Company may enter into derivative contracts for the purposes of managing exposure to interest rate risk to meet the financing needs of its customers. The Company records all derivatives on the balance sheet at fair value. Historically, the Company's policy has been not to invest in derivative type investments, but, in an effort to meet the financing needs of its customers, the Company has entered into two fair value hedges. Fair value hedges include interest rate swap agreements on fixed rate loans. For derivatives designated as hedging the exposure to changes in the fair value of the hedged item, the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain of the hedging instrument. The fair value hedges are considered to be highly effective and any hedge ineffectiveness was deemed not material. The notional amount of the loans being hedged was $5.3 million at December 31, 2012, and $1.5 million at December 31, 2011.

Securities Sold Under Agreements to Repurchase

The Company sells securities under agreements to repurchase to meet customer needs for sweep accounts. At the point funds deposited by customers become investable, those funds are used to purchase securities owned by the Company and held in its general account with the designation of Customers' Securities. A third party maintains control over the securities underlying overnight repurchase agreements. The securities involved in these transactions are generally U.S. Treasury or Federal Agency issues. Securities sold under agreements to repurchase generally mature on the banking day following that on which the investment was initially purchased and are treated as collateralized financing transactions which are recorded at the amounts at which the securities were sold plus accrued interest. Interest rates and maturity dates of the securities involved vary and are not intended to be matched with funds from customers.

Bankcard Fee Income

Periodic bankcard fees, net of direct origination costs, are recognized as revenue on a straight-line basis over the period the fee entitles the cardholder to use the card.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance in ASC Topic 740, Income Taxes. The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company files consolidated income tax returns with its subsidiaries.

Earnings Per Share

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

The computation of per share earnings is as follows:

(In thousands, except per share data)	2012	2011	2010
Net Income	$27,684	$25,374	$37,117
Average common shares outstanding	16,909	17,309	17,204
Average common share stock options outstanding	2	9	61
Average diluted common shares	16,911	17,318	17,265
Basic earnings per share	$1.64	$1.47	$2.16
Diluted earnings per share	$1.64	$1.47	$2.15

Stock options to purchase 141,050, 147,470 and 95,770 shares, respectively, for the years ended December 31, 2012, 2011 and 2010, were not included in the earnings per share calculation because the exercise price exceeded the average market price.

Stock-Based Compensation

The Company has 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 12, Employee Benefit Plans.

NOTE 2: ACQUISITIONS

On September 14, 2012, the Company, through its wholly-owned subsidiary, Simmons First National Bank ("SFNB" or "lead bank"), entered into a purchase and assumption agreement with loss share arrangements and a separate loan sale agreement with the FDIC to purchase substantially all of the assets and to assume substantially all of the deposits and certain other liabilities of Truman Bank of St. Louis, Missouri ("Truman"), with four branches in the St. Louis metro area. The Company recognized a pre-tax gain of $1.1 million on this transaction and incurred pre-tax merger related costs of $815,000.

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

(In thousands)	Acquired from the FDIC	Fair Value Adjustments	Fair Value
Assets Acquired			
Cash and due from banks	$ 22,467	$ --	$22,467
Cash received from FDIC	10,495	--	10,495
Federal funds sold	12,338	--	12,338
Investment securities	23,540	--	23,540
Loans acquired, covered by FDIC loss share	87,620	(30,479)	57,141
Loans acquired, not covered by FDIC loss share	89,360	(15,965)	73,395
Foreclosed assets covered by FDIC loss share	20,723	(5,607)	15,116
Foreclosed assets not covered by FDIC loss share	10,314	(2,563)	7,751
FDIC indemnification asset	--	26,723	26,723
Premises and equipment	1,390	--	1,390
Core deposit premium	--	1,191	1,191
Other assets	1,478	149	1,627
Total assets acquired	279,725	(26,551)	253,174
Liabilities Assumed			
Deposits:			
Non-interest bearing transaction accounts	22,275	--	22,275
Interest bearing transaction accounts and savings deposits	70,705	--	70,705
Time deposits	135,573	--	135,573
Total deposits	228,553	--	228,553
Fed funds purchased and other borrowings	21,456	--	21,456
Payable to FDIC	1,285	--	1,285
Accrued interest and other liabilities	403	357	760
Total liabilities assumed	$ 251,697	$ 357	252,054
Pre-tax gain on FDIC-assisted transaction			$1,120

On October 19, 2012, the Company, through the lead bank, entered into a purchase and assumption agreement with loss share arrangements with the FDIC to purchase certain assets and to assume substantially all of the deposits and certain other liabilities of Excel Bank of Sedalia, Missouri ("Excel"), with three branches in the Kansas City metro area and one branch in the St. Louis metro area. The Company recognized a pre-tax gain of $2.3 million on this transaction and incurred pre-tax merger related costs of $1.1 million.

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

(In thousands)	Acquired from the FDIC	Fair Value Adjustments	Fair Value
Assets Acquired			
Cash and due from banks	$ 18,622	$ --	$ 18,622
Cash received from FDIC	13,845	--	13,845
Federal funds sold	104	--	104
Investment securities	8,583	--	8,583
Loans acquired, covered by FDIC loss share	111,807	(33,660)	78,147
Loans acquired, not covered by FDIC loss share	26,528	(5,376)	21,152
Foreclosed assets covered by FDIC loss share	6,671	(3,558)	3,113
Foreclosed assets not covered by FDIC loss share	8,265	(2,404)	5,861
FDIC indemnification asset	--	26,218	26,218
Premises and equipment	2,582	--	2,582
Core deposit premium	--	1,337	1,337
Other assets	972	--	972
Total assets acquired	197,979	(17,443)	180,536
Liabilities Assumed			
Deposits:			
Non-interest bearing transaction accounts	19,372	--	19,372
Interest bearing transaction accounts and savings deposits	55,082	--	55,082
Time deposits	94,138	--	94,138
Total deposits	168,592	--	168,592
FHLB borrowings	8,010	183	8,193
FDIC true-up provision	--	328	328
Accrued interest and other liabilities	426	706	1,132
Total liabilities assumed	$ 177,028	$ 1,217	178,245
Pre-tax gain on FDIC-assisted transaction			$ 2,291

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

Cash and due from banks, cash received from FDIC and Federal funds sold – The carrying amount of these assets is a reasonable estimate of fair value based on the short-term nature of these assets. The $10.5 million cash received from the FDIC for Truman and $13.8 million for Excel is the first pro-forma cash settlement received from the FDIC on Monday following the closing weekend. The $1.3 million payable to the FDIC for Truman is the excess amount received from the settlement.

Investment securities – Investment securities were acquired from the FDIC at fair market value. The fair values provided by the FDIC were reviewed and considered reasonable based on SFNB’s understanding of the market conditions, based on actual balances transferred compared to pro-forma balances.

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

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

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

Core deposit premium – This intangible asset represents the value of the relationships that Truman and Excel had with their deposit customers. The fair value of this intangible asset was estimated based on a discounted cash flow methodology that gave appropriate consideration to expected customer attrition rates, cost of the deposit base and the net maintenance cost attributable to customer deposits.

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

Federal funds purchased and other borrowings, and payable to the FDIC – The carrying amount of these liabilities is a reasonable estimate of fair value based on the short-term nature of these liabilities. The $1.3 million payable to the FDIC for Truman is the excess amount from the first pro-forma cash settlement received from the FDIC on Monday following the closing weekend.

FHLB borrowings – The fair value of Federal Home Loan Bank (“FHLB”) borrowings is estimated based on borrowing rates currently available to the Company for borrowings with similar terms and maturities. Included in the Excel acquisition were FHLB borrowed funds with a fair value totaling $8.2 million. The Company did not need these advances to meet its liquidity needs, and redeemed the advances during the fourth quarter of 2012.

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

The value of the true-up provision liability is calculated as the present value of the estimated payment to the FDIC in the tenth year using the formula provided in the agreements. The result of the calculation is based on the net present value of expected future cash payments to be made by SFNB to the FDIC at the conclusion of the loss share agreements. The discount rate used was based on current market rates. The expected cash flows were calculated in accordance with the loss share agreements and are based primarily on the expected losses on the covered assets. The value of the true-up provision is included in accrued interest and other liabilities on the balance sheet. Calculations in accordance with the agreement resulted in no true-up provision to be recorded for Truman as of the acquisition date.

In connection with the Truman and Excel acquisitions, SFNB and the FDIC will share in the losses on assets covered under the loss share agreements. The FDIC will reimburse SFNB for 80% of all losses on covered assets. The loss sharing agreements entered into by SFNB and the FDIC in conjunction with the purchase and assumption agreements require that SFNB follow certain servicing procedures as specified in the loss share agreements or risk losing FDIC reimbursement of covered asset losses. Additionally, to the extent that actual losses incurred by SFNB under the loss share agreements are less than expected, SFNB may be required to reimburse the FDIC under the clawback provisions of the loss share agreements. At December 31, 2012, the covered loans and covered other real estate owned and the related FDIC indemnification asset (collectively, the “covered assets”) were reported at the net present value of expected future amounts to be paid or received.

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

The Company expects to finalize its analysis of the acquired loans along with the other acquired assets and assumed liabilities in this transaction over the next few months, within one year of each acquisition. Therefore, adjustments to the estimated amounts and carrying values may occur. See Note 5, Loans Acquired, for discussion regarding subsequent evaluation of future cash flows.

The Bank acquired approximately $1.4 million and $2.6 million of the real estate, banking facilities, furniture and equipment of Truman and Excel, respectively, as part of the purchase and assumption agreements, and has the option to assume existing leases on the remaining banking facilities. The option to assume leases expires 90 days after the acquisition date. The Bank is leasing these facilities and equipment from the FDIC until leases are assumed, or a final decision not to lease is made.

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:

	Years Ended December 31							
	2012				2011			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Held-to-Maturity								
U.S. Treasury	$--	$ --	$ --	$--	$4,000	$ 14	$ --	$4,014
U.S. Government agencies	288,098	135	(679)	287,554	308,779	712	(154)	309,337
Mortgage-backed securities	49	1	--	50	62	1	--	63
State and political subdivisions	207,374	5,140	(160)	212,354	211,673	6,333	(144)	217,862
Other securities	620	--	--	620	930	--	--	930
Total	$496,141	$ 5,276	$ (839)	$500,578	$525,444	$ 7,060	$ (298)	$532,206
Available-for-Sale								
U.S. Government agencies	$152,708	$ 65	$ (292)	$152,481	$153,560	$ 295	$ (228)	$153,627
Mortgage-backed securities	20,436	287	(89)	20,634	2,280	277	--	2,557
State and political subdivisions	2,989	--	(1)	2,988	--	--	--	--
Other securities	14,787	456	(4)	15,239	15,649	384	(5)	16,028
Total	$190,920	$ 808	$ (386)	$191,342	$171,489	$ 956	$ (233)	$172,212

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

Certain investment securities are valued at less than their historical cost. Total fair value of these investments at December 31, 2012 and 2011, was $332.1 million and $196.3 million, which is approximately 48.0% and 27.9%, respectively, of the Company's combined available-for-sale and held-to-maturity investment portfolios.

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31:

(In thousands)	Less Than 12 Months Estimated Fair Value	Gross Unrealized Losses	12 Months or More Estimated Fair Value	Gross Unrealized Losses	Total Estimated Fair Value	Gross Unrealized Losses
December 31, 2012						
Held-to-Maturity						
U.S. Government agencies	$ 196,783	$ 679	$ --	$ --	$ 196,783	$ 679
State and political subdivisions	13,098	70	511	90	13,609	160
Total	$ 209,881	$ 749	$ 511	$ 90	$ 210,392	$ 839
Available-for-Sale						
U.S. Government agencies	$ 105,994	$ 292	$ --	$ --	$ 105,994	$ 292
Mortgage-backed securities	14,420	88	25	1	14,445	89
State and political subdivisions	1,229	1	--	--	1,229	1
Other securities	1	4	--	--	1	4
Total	$ 121,644	$ 385	$ 25	$ 1	$ 121,669	$ 386
December 31, 2011						
Held-to-Maturity						
U.S. Government agencies	$ 83,128	$ 154	$ --	$ --	$ 83,128	$ 154
State and political subdivisions	4,673	11	1,226	133	5,899	144
Total	$ 87,801	$ 165	$ 1,226	$ 133	$ 89,027	$ 298
Available-for-Sale						
U.S. Government agencies	$ 106,097	$ 201	$ 1,166	$ 27	$ 107,263	$ 228
Mortgage-backed securities	--	--	35	--	35	--
Other securities	1	5	--	--	1	5
Total	$ 106,098	$ 206	$ 1,201	$ 27	$ 107,299	$ 233

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

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

Management has the ability and intent to hold the securities classified as held to maturity until they mature, at which time the Company expects to receive full value for the securities. Furthermore, as of December 31, 2012, 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 December 31, 2012, management believes the impairments detailed in the table above are temporary. Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

Income earned on the above securities for the years ended December 31, 2012, 2011 and 2010, is as follows:

(In thousands)	2012	2011	2010
Taxable			
Held-to-maturity	$3,107	$4,229	$4,615
Available-for-sale	2,214	2,490	4,336
Non-taxable			
Held-to-maturity	7,395	7,864	8,257
Available-for-sale	5	--	--
Total	$12,721	$14,583	$17,208

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

	Held-to-Maturity		Available-for-Sale	
(In thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	$27,871	$27,975	$2,008	$2,009
After one through five years	229,312	229,683	74,190	74,310
After five through ten years	168,736	170,037	82,035	81,940
After ten years	70,222	72,883	17,900	17,844
Other securities	--	--	14,787	15,239
Total	$496,141	$500,578	$190,920	$191,342

The carrying value, which approximates the fair value, of securities pledged as collateral, to secure public deposits and for other purposes, amounted to $434.8 million at December 31, 2012 and $410.7 million at December 31, 2011. The book value of securities sold under agreements to repurchase amounted to $58.8 million and $83.6 million for December 31, 2012 and 2011, respectively.

There was $2,000 of realized gains from the sale of available for sale securities during the year ended December 31, 2012. The Company had no gross realized gains or losses during the year ended December 31, 2011, from the sale of available for sale securities. The Company had gross realized gains of $467,000 and realized losses of $150,000 during the year ended December 31, 2010. As part of its acquisition strategy related to SSB, the Company liquidated the acquired investment portfolio, resulting in the entire net realized gain of $317,000 in 2010. The income tax expense/benefit related to security gains/losses was 39.225% of the gross amounts.

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 December 31, 2012, the Company's loan portfolio was $1.92 billion, compared to $1.74 billion at December 31, 2011. The various categories of loans are summarized as follows:

(In thousands)	2012	2011
Consumer:		
Credit cards	$185,536	$189,970
Student loans	34,145	47,419
Other consumer	105,319	109,211
Total consumer	325,000	346,600
Real estate:		
Construction	138,132	109,825
Single family residential	356,907	355,094
Other commercial	568,166	536,372
Total real estate	1,063,205	1,001,291
Commercial:		
Commercial	141,336	141,422
Agricultural	93,805	85,728
Total commercial	235,141	227,150
Other	5,167	4,728
Loans	1,628,513	1,579,769
Loans acquired, covered by FDIC loss share (net of discount)	210,842	158,075
Loans acquired, not covered by FDIC loss share (net of discount)	82,764	--
Total loans before allowance for loan losses	$1,922,119	$1,737,844

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

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

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

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

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

Nonaccrual loans, excluding loans acquired, at December 31, 2012 and 2011, segregated by class of loans, are as follows:

(In thousands)	2012	2011
Consumer:		
Credit cards	$281	$305
Other consumer	801	839
Total consumer	1,082	1,144
Real estate:		
Construction	463	121
Single family residential	2,706	3,198
Other commercial	4,254	7,233
Total real estate	7,423	10,552
Commercial:		
Commercial	471	757
Agricultural	147	454
Total commercial	618	1,211
Total	$9,123	$12,907

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
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
December 31, 2011						
Consumer:						
Credit cards	$ 820	$605	$1,425	$188,545	$189,970	$ 300
Student loans	1,894	2,483	4,377	43,042	47,419	2,483
Other consumer	1,398	664	2,062	107,149	109,211	335
Total consumer	4,112	3,752	7,864	338,736	346,600	3,118
Real estate:						
Construction	548	121	669	109,156	109,825	--
Single family residential	3,581	2,262	5,843	349,251	355,094	121
Other commercial	806	6,240	7,046	529,326	536,372	15
Total real estate	4,935	8,623	13,558	987,733	1,001,291	136
Commercial:						
Commercial	467	467	934	140,488	141,422	9
Agricultural	103	312	415	85,313	85,728	5
Total commercial	570	779	1,349	225,801	227,150	14
Other	--	--	--	4,728	4,728	--
Total	$ 9,617	$13,154	$22,771	$1,556,998	$1,579,769	$ 3,268

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

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

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

(In thousands)	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Investment in Impaired Loans	Interest Income Recognized
December 31, 2012							
Consumer:							
Credit cards	$ 547	$ 547	$ --	$ 547	$ 82	$ 565	$ 16
Other consumer	1,140	999	131	1,130	249	1,179	63
Total consumer	1,687	1,546	131	1,677	331	1,744	79
Real estate:							
Construction	5,443	3,866	1,494	5,360	505	5,466	291
Single family residential	4,091	2,877	1,140	4,017	494	4,031	214
Other commercial	21,199	5,903	13,078	18,981	1,310	22,521	1,198
Total real estate	30,733	12,646	15,712	28,358	2,309	32,018	1,703
Commercial:							
Commercial	842	487	191	678	179	784	42
Agricultural	236	74	16	90	24	232	12
Total commercial	1,078	561	207	768	203	1,016	54
Total	$ 33,498	$ 14,753	$ 16,050	$ 30,803	$ 2,843	$ 34,778	$ 1,836
December 31, 2011							
Consumer:							
Credit cards	$ 605	$ 605	$ --	$ 605	$ 91	$ 715	$ 44
Other consumer	1,359	1,203	128	1,331	266	1,298	57
Total consumer	1,964	1,808	128	1,936	357	2,013	101
Real estate:							
Construction	5,324	3,783	1,498	5,281	415	6,758	298
Single family residential	5,152	4,243	589	4,832	402	5,978	264
Other commercial	28,538	13,642	13,100	26,742	1,942	30,160	1,332
Total real estate	39,014	21,668	15,187	36,855	2,759	42,896	1,894
Commercial:							
Commercial	949	569	312	881	214	1,223	54
Agricultural	572	332	104	436	153	538	24
Total commercial	1,521	901	416	1,317	367	1,761	78
Total	$ 42,499	$ 24,377	$ 15,731	$ 40,108	$ 3,483	$ 46,670	$ 2,073

At December 31, 2012, and December 31, 2011, impaired loans, net of government guarantees, totaled $30.8 million and $40.1 million, respectively. Allocations of the allowance for loan losses relative to impaired loans were $2.8 million and $3.5 million at December 31, 2012 and 2011, respectively. Approximately $1.8 million, $2.1 million and $2.4 million of interest income was recognized on average impaired loans of $34.8 million, $46.7 million and $55.8 million for 2012, 2011 and 2010, respectively. Interest recognized on impaired loans on a cash basis during 2012, 2011 and 2010 was not material.

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

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

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

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

	Accruing TDR Loans		Nonaccrual TDR Loans		Total TDR Loans	
(Dollars in thousands)	Number	Balance	Number	Balance	Number	Balance
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	586
Other commercial	14	8,508	4	2,962	18	11,470
Total real estate	19	10,290	5	2,977	24	13,268
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
December 31, 2011						
Consumer:						
Other consumer	5	$ 23	--	$ --	5	$ 23
Total consumer	5	23	--	--	5	23
Real estate:						
Construction	1	1,277	--	--	1	1,277
Single-family residential	5	957	1	34	6	991
Other commercial	13	8,602	7	5,082	20	13,683
Total real estate	19	10,836	8	5,116	27	15,951
Commercial:						
Commercial	2	332	1	35	3	367
Agricultural	2	201	--	--	2	201
Total commercial	4	533	1	35	5	568
Total	28	$ 11,391	9	$ 5,151	37	$ 16,542

The following table presents loans that were restructured as TDRs during the years ended December 31, 2012 and 2011, excluding loans acquired, segregated by class of loans.

(Dollars in thousands)	Number of Loans	Balance Prior to TDR	Balance at December 31	Modification Type Change in Maturity Date	Change in Rate	Financial Impact on Date of Restructure
Year Ended December 31, 2012						
Consumer:						
Other consumer	1	$ 48	$ 33	$--	$ 33	$ --
Total consumer	1	48	33		33	--
Real estate:						
Construction	1	51	51	--	51	--
Single family residential	--	--	--	--	--	--
Other commercial	5	2,178	1,981	653	1,328	--
Total real estate	6	2,229	2,032	653	1,379	--
Commercial:						
Commercial	1	50	39	--	39	--
Agricultural	--	--	--	--	--	--
Total commercial	1	50	39	--	39	--
Total	8	$ 2,327	$ 2,104	$653	$ 1,451	$ --
Year Ended December 31, 2011						
Consumer:						
Other consumer	4	$ 30	$ 16	$16	$ --	$ --
Total consumer	4	30	16	16	--	--
Real estate:						
Construction	--	--	--	--	--	--
Single family residential	--	--	--	--	--	--
Other commercial	4	2,112	2,112	2,112	--	--
Total real estate	4	2,112	2,112	2,112	--	--
Commercial:						
Commercial	2	346	332	332	--	--
Agricultural	--	--	--	--	--	--
Total commercial	2	346	332	332	--	--
Total	10	$ 2,488	$ 2,460	$2,460	$ --	$ --

During the year ended December 31, 2012, the Company modified a total of eight loans with a recorded investment of $2.3 million prior to modification which were deemed troubled debt restructurings. Although there was additional modification of terms on some of the loans, the prevailing modification on seven loans was a change in the rate of interest, with an extension of the maturity date on the other loan. Based on the fair value of the collateral, no specific reserve was determined necessary for any of these loans. Also, there was no immediate financial impact from the restructuring of these loans, as it was not considered necessary to charge-off interest or principal on the date of restructure.

During the year ended December 31, 2011, the Company modified a total of ten loans with a recorded investment of $2.5 million prior to modification which were deemed troubled debt restructurings. Although there was additional modification of terms on some of the loans, the prevailing modification on all ten loans was a change in or extension of the maturity date. Based on the fair value of the collateral, no specific reserve was determined necessary for any of these loans. Also, there was no immediate financial impact from the restructuring of these loans, as it was not considered necessary to charge-off interest or principal on the date of restructure.

The following table presents loans for which a payment default occurred during the years ended December 31, 2012 and 2011, and that had been modified as a TDR within 12 months or less of the payment default, excluding loans acquired, segregated by class of loans. We define a payment default as a payment received more than 90 days after its due date.

(Dollars in thousands)	Number of Loans	Recorded Balance at December 31	Charge-offs	Transfers to OREO
Year Ended December 31, 2012				
Real estate:				
Other commercial	3	$ 615	$ 1,321	$ 473
Total real estate	3	615	1,321	473
Commercial:				
Commercial	1	7	125	--
Total commercial	1	7	125	--
Total	4	$ 622	$ 1,446	$ 473
Year Ended December 31, 2011				
Real estate:				
Other commercial	5	$ 4,051	$ 556	$ --
Total real estate	5	4,051	556	--
Commercial:				
Commercial	1	35	3	--
Total commercial	1	35	3	--
Total	6	$ 4,086	$ 559	$ --

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

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

- Risk Rate 1 – Pass (Excellent) – This category includes loans which are virtually free 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 December 31, 2012 and December 31, 2011, 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 $39.0 million and $60.6 million as of December 31, 2012 and December 31, 2011, respectively.

The following table presents a summary of loans by credit risk rating, segregated by class of loans.

(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
Loans acquired, covered by FDIC loss share	210,842	--	--	--	--	210,842
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

(In thousands)	Risk Rate 1-4	Risk Rate 5	Risk Rate 6	Risk Rate 7	Risk Rate 8	Total
December 31, 2011						
Consumer:						
Credit cards	$ 189,365	$ --	$ 605	$ --	$ --	$ 189,970
Student loans	44,936	--	2,483	--	--	47,419
Other consumer	107,217	12	1,906	50	26	109,211
Total consumer	341,518	12	4,994	50	26	346,600
Real estate:						
Construction	100,534	3,699	5,592	--	--	109,825
Single family residential	345,880	1,377	7,821	16	--	355,094
Other commercial	491,466	8,465	36,441	--	--	536,372
Total real estate	937,880	13,541	49,854	16	--	1,001,291
Commercial:						
Commercial	136,107	510	4,762	43	--	141,422
Agricultural	84,747	148	833	--	--	85,728
Total commercial	220,854	658	5,595	43	--	227,150
Other	4,728	--	--	--	--	4,728
Loans acquired, covered by FDIC loss share	158,075	--	--	--	--	158,075

Total	$1,663,055	$14,211	$60,443	$109	$26	$ 1,737,844

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Net (charge-offs)/recoveries for the years ended December 31, 2012 and 2011, excluding loans acquired, segregated by class of loans, were as follows:

(In thousands)	2012	2011
Consumer:		
Credit cards	$(2,658)	$(3,724)
Student loans	(86)	(54)
Other consumer	(537)	(1,232)
Total consumer	(3,281)	(5,010)
Real estate:		
Construction	7	(753)
Single family residential	(526)	(794)
Other commercial	(2,193)	(637)
Total real estate	(2,712)	(2,184)
Commercial:		
Commercial	(221)	(538)
Agricultural	(152)	(252)
Total commercial	(373)	(790)
Other	--	--
Total	$(6,366)	$(7,984)

Allowance for Loan Losses

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

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

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

The general allocation is calculated monthly based on management's assessment of several factors such as (1) historical loss experience based on volumes and types, (2) volume and trends in delinquencies and nonaccruals, (3) lending policies and procedures including those for loan losses, collections and recoveries, (4) national, state and local economic trends and conditions, (5) 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 year ended December 31, 2012. 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
December 31, 2012						
Balance, beginning of year	$ 2,063	$10,117	$5,513	$1,847	$ 10,568	$30,108
Provision for loan losses	1,756	8,048	4,356	548	(10,568)	4,140
Charge-offs	(543)	(4,095)	(3,516)	(1,198)	--	(9,352)
Recoveries	170	1,383	858	575	--	2,986
Net charge-offs	(373)	(2,712)	(2,658)	(623)	--	(6,366)
Balance, end of year	$ 3,446	$15,453	$7,211	$1,772	$ --	$27,882
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, end of year	$ 3,446	$15,453	$7,211	$1,772	$ --	$27,882
December 31, 2011						
Balance, beginning of year	$ 2,277	$9,692	$5,549	$1,958	$ 6,940	$26,416
Provision for loan losses	576	2,609	3,688	1,175	3,628	11,676
Charge-offs	(1,411)	(3,165)	(4,703)	(1,890)	--	(11,169)
Recoveries	621	981	979	604	--	3,185
Net charge-offs	(790)	(2,184)	(3,724)	(1,286)	--	(7,984)
Balance, end of year	$ 2,063	$10,117	$5,513	$1,847	$ 10,568	$30,108
Period-end amount allocated to:						
Loans individually evaluated for impairment	$ 367	$2,759	$91	$266	$ --	$3,483
Loans collectively evaluated for impairment	1,696	7,358	5,422	1,581	10,568	26,625
Balance, end of year	$ 2,063	$10,117	$5,513	$1,847	$ 10,568	$30,108

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

(In thousands)	2010
Balance, beginning of year	$ 25,016
Provision for loan losses	14,129
Charge-offs	(18,602)
Recoveries	5,873
Net charge-offs	(12,729)
Balance, end of year	$ 26,416

The Company's recorded investment in loans, excluding loans acquired, as of December 31, 2012 and 2011 related to each balance in the allowance for loan losses by portfolio segment on the basis of the Company's impairment methodology is as follows:

(In thousands)	Commercial	Real Estate	Credit Card	Other Consumer and Other	Total
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
December 31, 2011					
Loans individually evaluated for impairment	$ 1,317	$36,855	$605	$ 1,331	$40,108
Loans collectively evaluated for impairment	225,833	964,436	189,365	160,027	1,539,661
Balance, end of period	$ 227,150	$1,001,291	$189,970	$ 161,358	$1,579,769

NOTE 5: LOANS ACQUIRED

The Company evaluated loans purchased in conjunction with the acquisition of Truman and Excel described in Note 2, Acquisitions, for impairment in accordance with the provisions of ASC Topic 310-30. Loans acquired in previous FDIC-assisted transactions were evaluated in the same manner. 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 December 31, 2012 and 2011:

(in thousands)	Loans Acquired At December 31, 2012	2011
Consumer:		
Other consumer	$1,847	$23
Total consumer	1,847	23
Real estate:		
Construction	19,172	23,515
Single family residential	90,795	26,825
Other commercial	160,148	102,198
Total real estate	270,115	152,538
Commercial:		
Commercial	18,950	5,514
Agricultural	2,694	--
Total commercial	21,644	5,514
Total loans acquired (1) (2)	$293,606	$158,075

(1) These loans were not classified as non-performing assets at December 31, 2012 or December 31, 2011, 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 $210.8 million and $158.1 million of loans covered by FDIC loss share agreements at December 31, 2012 and December 31, 2011, 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 following is a summary of the covered impaired loans acquired in the acquisitions during 2012, as of the dates of acquisition.

(in thousands)	Truman	Excel
Contractually required principal and interest at acquisition	$90,227	$121,850
Non-accretable difference (expected losses and foregone interest)	(25,308)	(29,258)
Cash flows expected to be collected at acquisition	64,919	92,592
Accretable yield	(7,778)	(14,445)
Basis in acquired loans at acquisition	$57,141	$78,147

The following is a summary of the non-covered impaired loans acquired in the acquisitions during 2012, as of the dates of acquisition.

(in thousands)	Truman	Excel
Contractually required principal and interest at acquisition	$99,065	$30,048
Non-accretable difference (expected losses and foregone interest)	(12,248)	(5,170)
Cash flows expected to be collected at acquisition	86,817	24,878
Accretable yield	(13,422)	(3,726)
Basis in acquired loans at acquisition	$73,395	$21,152

As of the respective acquisition dates, the estimates of contractually required payments receivable, including interest, for all covered and non-covered impaired loans acquired in the Truman and Excel transactions were $341.2 million. The cash flows expected to be collected as of the acquisition dates for these loans were $269.2 million, including interest. These amounts were determined based upon the estimated remaining life of the underlying loans, which includes the effects of estimated prepayments.

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 years ended December 31, 2012 and 2011 is shown below:

(In thousands)	2012	2011
Impact on net interest income	$11,751	$1,124
Non-interest income	(10,755)	(978)
Net impact to pre-tax income	997	146
Net impact, net of taxes	$606	$89

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 $19.2 million and the remaining adjustment to the indemnification assets that will reduce non-interest income is $16.8 million. Of the remaining adjustments, the Company expects to recognize $9.6 million of interest income and a $9.1 million reduction of non-interest income for a net addition to pre-tax income of approximately $540,000 during 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 years ended December 31, 2012, 2011 and 2010.

(in thousands)	Accretable Yield	Carrying Amount of Loans
Balance, January 1, 2010	$ --	$ --
Additions	40,451	259,335
Accretion	(4,204)	4,204
Payments and other reductions, net	--	(31,939)
Balance, December 31, 2010	$ 36,247	$ 231,600
Additions	--	--
Accretable yield adjustments	23,704	--
Accretion	(17,118)	17,118
Payments and other reductions, net	--	(90,643)
Balance, December 31, 2011	$ 42,833	$ 158,075
Additions	39,371	229,835
Accretable yield adjustments	--	--
Accretion	(24,138)	24,138
Payments and other reductions, net	--	(118,442)
Balance, December 31, 2012	$ 58,066	$ 293,606

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 December 31, 2012 or 2011.

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 years ended December 31, 2012, 2011 and 2010.

(in thousands)	Tune-up Provision
Balance, January 1, 2010	$--
FDIC true-up provision recorded on new acquisitions	3,188
Amortization expense	58
Adjustments related to changes in expected losses	--
Balance, December 31, 2010	$3,246
FDIC true-up provision recorded on new acquisitions	--
Amortization expense	131
Adjustments related to changes in expected losses	42
Balance, December 31, 2011	$3,419
FDIC true-up provision recorded on new acquisitions	328
Amortization expense	138
Adjustments related to changes in expected losses	969
Balance, December 31, 2012	$4,854

NOTE 6: GOODWILL AND CORE DEPOSIT PREMIUMS

Goodwill is tested annually, or more often than annually, if circumstances warrant, for impairment. If the implied fair value of goodwill is lower than its carrying amount, goodwill impairment is indicated, and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements. Goodwill totaled $60.6 million at December 31, 2012, unchanged from December 31, 2011. Although the Company had two FDIC-assisted acquisitions during the year ended December 31, 2010, no additional goodwill was recorded, as both transactions resulted in a bargain purchase gain. Goodwill impairment was neither indicated nor recorded in 2012, 2011 or 2010.

Core deposit premiums are periodically evaluated as to the recoverability of their carrying value. Additional core deposit premiums of approximately $1.2 million and $1.3 million were recorded in 2012 as part of the FDIC-assisted acquisitions of Truman and Excel, respectively, and will be amortized over a ten year period.

Goodwill, along with the carrying basis and accumulated amortization of core deposit premiums (net of core deposit premiums that were fully amortized) at December 31, 2012 and 2011 were as follows:

(In thousands)	2012	2011
Goodwill	$60,605	$60,605
Core deposit premiums:		
Gross carrying amount	$5,597	$3,069
Accumulated amortization	(1,837)	(1,490)
Net core deposit premiums	$3,760	$1,579

Core deposit premium amortization expense recorded for the years ended December 31, 2012, 2011 and 2010, was $347,000, $884,000 and $786,000, respectively. The Company’s estimated amortization expense for each of the following five years is: 2013 – $514,000; 2014 – $410,000; 2015 – $403,000; 2016 – $401,000; and 2017 – $401,000.

NOTE 7: TIME DEPOSITS

Time deposits included approximately $370,598,000 and $378,825,000 of certificates of deposit of $100,000 or more, at December 31, 2012 and 2011, respectively. Brokered deposits were $16,596,000 and $20,629,000 at December 31, 2012 and 2011, respectively. Maturities of all time deposits are as follows: 2013 – $659,541,000; 2014 – $140,387,000; 2015 – $48,662,000; 2016 – $24,595,000; 2017 – $3,164,000 and $22,000 thereafter.

Deposits are the Company's primary funding source for loans and investment securities. The mix and repricing alternatives can significantly affect the cost of this source of funds and, therefore, impact the interest margin.

NOTE 8: INCOME TAXES

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

(In thousands)	2012	2011	2010
Income taxes currently payable	$11,846	$13,996	$8,886
Deferred income taxes	485	(3,571)	8,428
Provision for income taxes	$12,331	$10,425	$17,314

The tax effects of temporary differences related to deferred taxes included in other liabilities on the consolidated balance sheets were:

(In thousands)	2012	2011
Deferred tax assets		
Loans acquired	$24,186	$7,150
FDIC true-up liability	1,775	1,341
Allowance for loan losses	10,736	11,457
Valuation of foreclosed assets	669	393
Deferred compensation payable	1,676	1,591
FHLB advances	409	547
Vacation compensation	1,058	1,052
Accumulated depreciation	280	--
Loan interest	767	767
Other	569	522
Gross deferred tax assets	42,125	24,820
Deferred tax liabilities		
Goodwill and core deposit premium amortization	(11,190)	(9,725)
FDIC indemnification asset	(31,846)	(18,703)
Accumulated depreciation	--	(189)
Available-for-sale securities	(166)	(283)
Deferred loan fee income and expenses, net	(2,373)	(1,742)
FHLB stock dividends	(296)	(430)
Other	(3,443)	(569)
Gross deferred tax liabilities	(49,314)	(31,641)
Net deferred tax liability	$(7,189)	$(6,821)

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

(In thousands)	2012	2011	2010
Computed at the statutory rate (35%)	$14,012	$12,530	$19,051
Increase (decrease) in taxes resulting from:			
State income taxes, net of federal tax benefit	1,142	883	1,542

Tax exempt interest income	(2,615)	(2,780)	(2,924)
Tax exempt earnings on BOLI	(512)	(518)	(584)
Other differences, net	304	310	229
Actual tax provision	$12,331	$10,425	$17,314

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 December 31, 2012, and 2011 consisted of the following components.

(In thousands)	2012	2011
Other Borrowings		
FHLB advances, due 2013 to 2033, 0.96% to 8.41%, secured by residential real estate loans	$89,441	$89,898
Other debt	--	272
Subordinated Debentures		
Trust preferred securities, due 12/30/2033, fixed at 8.25%, callable without penalty	--	10,310
Trust preferred securities, due 12/30/2033, floating rate of 2.80% above the three-month LIBOR rate, reset quarterly, callable without penalty	10,310	10,310
Trust preferred securities, due 12/30/2033, floating rate 2.80% above the three-month LIBOR rate, reset quarterly, callable without penalty	10,310	10,310
Total subordinated debentures	20,620	30,930
Total other borrowings and subordinated debentures	$110,061	$121,100

At December 31, 2012, 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 $89.4 million at December 31, 2012, with approximately $520.4 million of additional advances available from the FHLB.

The FHLB advances are secured by mortgage loans and investment securities totaling approximately $664.4 million at December 31, 2012.

The Company elected to retire $10.3 million of trust preferred securities with an 8.25% fixed interest rate on September 28, 2012. The trust preferred securities are tax-advantaged issues that qualify for Tier 1 capital treatment. Distributions on these securities are included in interest expense. 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 December 31, 2012 are as follows:

(In thousands)	Year	Annual Maturities	
	2013	$	17,185
	2014		11,758
	2015		5,496
	2016		13,874
	2017		5,627
	Thereafter		56,121
	Total	$	110,061

NOTE 10: CAPITAL STOCK

On February 27, 2009, at a special meeting, the Company's shareholders approved an amendment to the Articles of Incorporation to establish 40,040,000 authorized shares of preferred stock, $0.01 par value. The aggregate liquidation preference of all shares of preferred stock cannot exceed $80,000,000. As of December 31, 2012, no preferred stock has been issued.

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.

During 2012, the Company repurchased 725,887 shares of stock with a weighted average repurchase price of $24.24 per share. Under the current stock repurchase plan, the Company can repurchase an additional 573,700 shares.

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

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

NOTE 11: TRANSACTIONS WITH RELATED PARTIES

At December 31, 2012 and 2011, the subsidiary banks had extensions of credit to executive officers and directors and to companies in which the subsidiary banks' executive officers or directors were principal owners in the amount of $27.8 million in 2012 and $28.5 million in 2011.

(In thousands)	2012	2011
Balance, beginning of year	$28,472	$28,749
New extensions of credit	14,077	13,556
Repayments	(14,759)	(13,833)
Balance, end of year	$27,790	$28,472

In management's opinion, such loans and other extensions of credit and deposits (which were not material) were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these extensions of credit did not involve more than the normal risk of collectability or present other unfavorable features.

NOTE 12: EMPLOYEE BENEFIT PLANS

Retirement Plans

The Company’s 401(k) retirement plan covers substantially all employees. Contribution expense totaled $624,000, $625,000 and $591,000, in 2012, 2011 and 2010, respectively.

The Company has a discretionary profit sharing and employee stock ownership plan covering substantially all employees. Contribution expense totaled $2,952,000 for 2012, $2,936,000 for 2011 and $2,738,000 for 2010.

The Company also provides deferred compensation agreements with certain active and retired officers. The agreements provide monthly payments of retirement compensation for either stated periods or for the life of the participant. The charges to income for the plans were $258,000 for 2012, $178,000 for 2011 and $109,000 for 2010. Such charges reflect the straight-line accrual over the employment period of the present value of benefits due each participant, as of their full eligibility date, using an 8 percent discount factor.

Employee Stock Purchase Plan

The Company established an Employee Stock Purchase Plan in 2006 which generally allows participants to make contributions of up 3% of the employee’s salary, up to a maximum of $7,500 per year, for the purpose of acquiring the Company’s stock. Substantially all employees with at least two years of service are eligible for the plan. At the end of each plan year, full shares of the Company’s stock are purchased for each employee based on that employee’s contributions. The stock is purchased for an amount equal to 95% of its fair market value at the end of the plan year, or, if lower, 95% of its fair market value at the beginning of the plan year.

Stock-Based Compensation Plans

The Company’s Board of Directors has 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.

Stock-based compensation expense for all stock-based compensation awards granted after January 1, 2006, is based on the grant date fair value. For all awards except stock option awards, the grant date fair value is the market value per share as of the grant date. For stock option awards, the fair value is estimated at the date of grant using the Black-Scholes option-pricing model. This model requires the input of highly subjective assumptions, changes to which can materially affect the fair value estimate. Additionally, there may be other factors that would otherwise have a significant effect on the value of employee stock options granted but are not considered by the model. Accordingly, while management believes that the Black-Scholes option-pricing model provides a reasonable estimate of fair value, the model does not necessarily provide the best single measure of fair value for the Company's employee stock options.

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. Expected volatility is based on historical volatility of the Company's stock and other factors. The Company uses historical data to estimate option exercise and employee termination within the valuation model. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Forfeitures are estimated at the time of grant, and are based partially on historical experience.

The table below summarizes the transactions under the Company's active stock compensation plans at December 31, 2012, 2011 and 2010, and changes during the years then ended:

	Stock Options Outstanding		Non-Vested Stock Awards Outstanding	
	Number of Shares (000)	Weighted Average Exercise Price	Number of Shares (000)	Weighted Average Grant-Date Fair-Value
Balance, December 31, 2009	374	$21.78	49	$ 26.96
Granted	--	--	83	26.92
Stock Options Exercised	(108)	13.45	--	--
Stock Awards Vested	--	--	(17)	27.49
Forfeited/Expired	(7)	27.88	(4)	26.27
Balance, December 31, 2010	259	25.11	111	26.81
Granted	--	--	48	28.18
Stock Options Exercised	(30)	12.71	--	--
Stock Awards Vested	--	--	(32)	26.83
Forfeited/Expired	(1)	26.20	--	--
Balance, December 31, 2011	228	26.76	127	26.49
Granted	--	--	51	26.29
Stock Options Exercised	--	--	--	--
Stock Awards Vested	--	--	(44)	28.29
Forfeited/Expired	(10)	26.54	--	--
Balance, December 31, 2012	218	$26.77	134	$ 25.89
Exercisable, December 31, 2012	209	$26.61		

The following table summarizes information about stock options under the plans outstanding at December 31, 2012:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Shares (000)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares (000)	Weighted Average Exercise Price
$ 23.78 - $ 23.78	46	1.45	$23.78	46	$23.78
24.50 - 24.50	31	2.39	24.50	31	24.50
26.19 - 27.67	50	3.26	26.20	50	26.20
28.42 - 28.42	46	4.29	28.42	46	28.42
30.31 - 30.31	45	5.21	30.31	36	30.31

Stock-based compensation expense totaled $1,388,000 in 2012, $1,204,000 in 2011 and $974,000 in 2010. Stock-based compensation expense is recognized ratably over the requisite service period for all stock-based awards. Unrecognized stock-based compensation expense related to stock options totaled $27,000 at December 31, 2012. At such date, the weighted-average period over which this unrecognized expense is expected to be recognized was 0.3 years. Unrecognized stock-based compensation expense related to non-vested stock awards was $2.3 million at December 31, 2012. At such date, the weighted-average period over which this unrecognized expense is expected to be recognized was 2.3 years.

Aggregate intrinsic value of both the outstanding stock options and exercisable stock options was $99,000 at December 31, 2012. Aggregate intrinsic value represents the difference between the Company’s closing stock price on the last trading day of the period, which was $25.36 at December 31, 2012, and the exercise price multiplied by the number of options outstanding. There were no stock options exercised in 2012. The total intrinsic value of stock options exercised was $439,000 in 2011 and $1.6 million in 2010.

The fair value of the Company’s employee stock options granted is estimated on the date of grant using the Black-Scholes option-pricing model. There were no stock options granted in 2012, 2011 or 2010.

NOTE 13: ADDITIONAL CASH FLOW INFORMATION

The following table presents additional information on cash payments and non-cash items:

(In thousands)	2012	2011	2010
Interest paid	$15,959	$20,974	$27,703
Income taxes paid	11,548	17,638	9,177
Transfers of loans to foreclosed assets held for sale	5,173	20,195	61,938
Transfers of loans covered by FDIC loss share agreements to foreclosed assets covered by FDIC loss share agreements	12,268	11,168	8,933

In connection with the Truman, Excel, SWCB and SSB acquisitions, accounted for by using the purchase method, the Company acquired assets and assumed liabilities as follows:

(In thousands)	2012	2011	2010

Assets acquired	$433,710	$--	$559,629
Liabilities assumed	430,299	--	538,315
Bargain purchase gains	$3,411	$--	$21,314

NOTE 14: OTHER OPERATING EXPENSES

Other operating expenses consist of the following:

(In thousands)	2012	2011	2010
Professional services	$4,851	$4,574	$4,476
Postage	2,488	2,486	2,465
Telephone	2,391	2,480	2,328
Credit card expense	6,906	6,565	5,839
Operating supplies	1,419	1,653	1,403
Amortization of core deposit premiums	347	884	786
Other expense	11,873	12,452	11,936
Total	$30,275	$31,094	$29,233

The Company had aggregate annual equipment rental expense of approximately $1.3 million in 2012, $540,000 in 2011 and $311,000 in 2010. During 2012, the Company transitioned from purchasing to leasing its ATMs, accounting for approximated $785,000 of the 2012 rental expense. The Company had aggregate annual occupancy rental expense of approximately $1,617,000 in 2012, $1,412,000 in 2011 and $1,381,000 in 2010.

NOTE 15: DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

Available-for-sale securities – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds, mortgage products and exchange traded equities. Other securities classified as available-for-sale are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms and conditions, among other things. In order to ensure the fair values are consistent with ASC Topic 820, we periodically check the fair values by comparing them to another pricing source, such as Bloomberg. The availability of pricing confirms Level 2 classification in the fair value hierarchy. The third-party pricing service is subject to an annual review of internal controls (SSAE 16), which is made available to us for our review. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Company's investment in 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 December 31, 2012 and 2011.

		Fair Value Measurements		
(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)
December 31, 2012				
Available-for-sale securities				
U.S. Government agencies	$ 152,481	$--	$ 152,481	$ --
Mortgage-backed securities	20,634	--	20,634	--
States 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	--
December 31, 2011				
Available-for-sale securities				
U.S. Government agencies	$ 153,627	$--	$ 153,627	$ --
Mortgage-backed securities	2,557	--	2,557	--
Other securities	16,028	1,503	14,525	--

Assets held in trading accounts	7,541	1,800	5,741	--

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.

We update appraisals 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 December 31, 2012 and 2011, the fair value of foreclosed assets held for sale, excluding those covered by FDIC loss share agreements, less estimated costs to sell was $33.4 million and $22.9 million, respectively.

The significant unobservable inputs (Level 3) used in the fair value measurement of collateral for collateral-dependent impaired loans and foreclosed assets primarily relate to the specialized discounting criteria applied to the borrower's reported amount of collateral. The amount of the collateral discount depends upon the condition and marketability of the collateral, as well as other factors which may affect the collectability of the loan. Our 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 December 31, 2012 and 2011, 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 December 31, 2012 and 2011.

(In thousands)	Fair Value	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2012				
Impaired loans (1) (2) (collateral dependent)	$ 4,900	$--	$ --	$ 4,900
Foreclosed assets held for sale (1)	1,484	--	--	1,484
December 31, 2011				
Impaired loans (1) (2) (collateral dependent)	$ 10,173	$--	$ --	$ 10,173
Foreclosed assets held for sale (1)	2,664	--	--	2,664

(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 $219,000 and $41,000 were related to the impaired collateral dependent loans for which fair value re-measurements took place during the period.

ASC Topic 825, Financial Instruments, requires disclosure in annual 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 and short-term debt – The carrying amount for Federal funds purchased, securities sold under agreement to repurchase and short-term debt are a reasonable estimate of fair value (Level 2).

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

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

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

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

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

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

(In thousands)	Carrying Amount	Fair Value Measurements Level 1	Level 2	Level 3
December 31, 2012				
Financial assets:				
Cash and cash equivalents	$537,797	$537,797	$--	$--
Held-to-maturity securities	496,141	--	500,578	--
Mortgage loans held for sale	25,367	--	--	25,367
Interest receivable	14,530	--	14,530	--
Loans (net of allowance)	1,600,631	--	--	1,602,
Loans acquired, covered by FDIC loss share	210,842	--	--	208,68
Loans acquired, not covered by FDIC loss share	82,764	--	--	82,764
FDIC indemnification asset	75,286	--	--	75,286
Financial liabilities:				
Non-interest bearing transaction accounts	576,655	--	576,655	--
Interest bearing transaction accounts and savings deposits	1,421,137	--	1,421,137	--
Time deposits	876,371	--	--	880,20
Federal funds purchased and securities sold under agreements to repurchase	104,078	--	104,078	--
Other borrowings	89,441	--	94,472	--
Subordinated debentures	20,620	--	15,414	--
Interest payable	1,096	--	1,096	--
December 31, 2011		Fair Value		
Financial assets				
Cash and cash equivalents	$570,206	$570,206		
Held-to-maturity securities	525,444	532,206		
Mortgage loans held for sale	22,976	22,976		
Interest receivable	15,126	15,126		
Loans (net of allowance)	1,549,661	1,548,034		
Loans acquired, covered by FDIC loss share	158,075	157,424		
FDIC indemnification asset	47,683	47,683		
Financial liabilities:				
Non-interest bearing transaction accounts	532,259	532,259		
Interest bearing transaction accounts and savings deposits	1,239,504	1,239,504		
Time deposits	878,634	882,244		
Federal funds purchased and securities sold under agreements to repurchase	114,766	114,766		
Other borrowings	90,170	96,129		
Subordinated debentures	30,930	30,833		
Interest payable	1,437	1,437		

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.

NOTE 16: SIGNIFICANT ESTIMATES AND CONCENTRATIONS

The current economic environment presents financial institutions with continuing circumstances and challenges which in some cases have resulted in large declines in the fair values of investments and other assets, constraints on liquidity and significant credit quality problems, including severe volatility in the valuation of real estate and other collateral supporting loans. The financial statements have been prepared using values and information currently available to the Company.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the consolidated financial statements could change rapidly, resulting in material future adjustments in asset values, the allowance for loan losses and capital that could negatively impact the Company’s ability to meet regulatory capital requirements and maintain sufficient liquidity.

Estimates related to the allowance for loan losses, covered assets and certain concentrations of credit risk are reflected in Note 4, Loans and Allowance for Loan Losses, Note 5, Loans Acquired and Note 17, Commitments and Credit Risk.

NOTE 17: COMMITMENTS AND CREDIT RISK

The Company grants agri-business, credit card, commercial and residential loans to customers throughout Arkansas, Kansas and Missouri. 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 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, respectively. At December 31, 2011, the Company had outstanding commitments to extend credit aggregating approximately $343,400,000 and $285,487,000 for credit card commitments and other loan commitments, respectively.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The Company had total outstanding letters of credit amounting to $9,901,000 and $9,269,000 at December 31, 2012 and 2011, respectively, with terms ranging from 7 months to 5 years. The Company’s deferred revenue under standby letter of credit agreements was approximately $10,000 and $33,000 at December 31 2012, and 2011, respectively.

At December 31, 2012, the Company did not have concentrations of 5% or more of the investment portfolio in bonds issued by a single municipality.

NOTE 18: NEW ACCOUNTING STANDARDS

In April 2011, the FASB issued ASU 2011-03, Transfers and Servicing (Topic 860) – Reconsideration of Effective Control for Repurchase Agreements. ASU 2011-03 is intended to improve financial reporting of repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. ASU 2011-03 removes from the assessment of effective control (i) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (ii) the collateral maintenance guidance related to that criterion. ASU 2011-03 became effective for the Company on January 1, 2012, and did not have a significant impact on the Company's ongoing financial position or results of operations.

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, to converge the fair value of measurement guidance in U.S. generally accepted accounting principles and International Financial Reporting Standards. ASU 2011-04 clarifies the application of existing fair value measurement requirements, changes certain principles in Topic 820 and requires additional fair value disclosures. ASU 2011-04 became effective for the Company on January 1, 2012, and did not have a significant impact on the Company's ongoing financial position or results of operations.

In June 2011, the FASB issued ASU 2011-05, Comprehensive Income (Topic 220) – Presentation of Comprehensive Income, to require that all non-owner changes in stockholders' equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Additionally, ASU 2011-05 requires entities to present, on the face of the financial statements, reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement or statements where the components of net income and the components of other comprehensive income are presented. The option to present components of other comprehensive income as part of the statement of changes in stockholders' equity was eliminated. ASU 2011-05 became effective for the Company on January 1, 2012, and resulted in presentation changes to the Company's statements of income and the addition of a statement of comprehensive income. The adoption of ASU 2011-05 did not have a significant impact on the Company's ongoing financial position or results of operations.

In September 2011, the FASB issued ASU 2011-08, Intangibles – Goodwill and Other (Topic 350) –Testing Goodwill for Impairment. ASU 2011-08 amends Topic 350 to give entities the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. ASU 2011-08 became effective for the Company on January 1, 2012, and did not have a significant impact on the Company's ongoing financial position or results of operations.

In December, 2011, the FASB issued ASU 2011-11, Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities. ASU 2011-11 amends Topic 210 to require an entity to disclose both gross and net information about financial instruments, such as sales and repurchase agreements and reverse sale and repurchase agreements and securities borrowing/lending arrangements, and derivative instruments that are eligible for offset in the statement of financial position and/or subject to a master netting arrangement or similar agreement. ASU 2011-11 is effective for annual and interim periods beginning on January 1, 2013, and is not expected to have a significant impact on the Company's ongoing financial position or results of operations.

In December 2011, the FASB issued ASU 2011-12, Comprehensive Income (Topic 220) – Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. ASU 2011-12 defers changes in ASU 2011-05 that relate to the presentation of reclassification adjustments to allow the FASB time to redeliberate whether to require presentation of such adjustments on the face of the financial statements to show the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income. ASU 2011-12 allows entities to continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before ASU 2011-05. All other requirements in ASU 2011-05 are not affected by ASU 2011-12. ASU 2011-12 became effective for the Company on January 1, 2012, and did not have a significant impact on the Company's ongoing financial position or results of operations.

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 are effective January 1, 2013; however, early adoption is permitted. ASU 2012-02 is not expected to 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 is effective for annual and interim periods beginning on or after December 15, 2012, with early adoption permitted. 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 is effective prospectively for fiscal years and interim periods beginning after January 1, 2013, and is not expected to have a significant impact on the Company's financial position or results of operations.

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.

NOTE 19: 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. During the first quarter of 2012, the following lawsuit asserting claims against the Company was resolved.

On October 1, 2003, an action in Pulaski County Circuit Court was filed by Thomas F. Carter, Tena P. Carter and certain related entities against Simmons First Bank of South Arkansas and Simmons First National Bank alleging wrongful conduct by the banks in the collection of certain loans. The Company was later added as a party defendant. The plaintiffs were seeking $2,000,000 in compensatory damages and $10,000,000 in punitive damages. The Company and the banks filed Motions to Dismiss. The plaintiffs were granted additional time to discover any evidence for litigation, and submitted such findings. At the hearing on the Motions for Summary Judgment, the Court dismissed Simmons First National Bank due to lack of venue. Venue was changed to Jefferson County for the Company and Simmons First Bank of South Arkansas. Non-binding mediation failed on June 24, 2008. A pretrial was conducted on July 24, 2008. Several dispositive motions previously filed were heard on April 9, 2009, and arguments were presented on June 22, 2009. On July 10, 2009, the Court issued its Order dismissing five claims, leaving only a single claim for further pursuit in this matter. On August 18, 2009, plaintiffs took a nonsuit on their remaining claim of breach of good faith and fair dealing, thereby bringing all claims set forth in this action to a conclusion.

Plaintiffs subsequently filed their Notice of Appeal to the appellate court, lodged the transcript with the Arkansas Supreme Court Clerk, and filed their initial Brief. The Company and South Arkansas timely filed their Brief in response. On September 8, 2010, the Arkansas Court of Appeals dismissed the plaintiffs’ appeal without prejudice, finding that the Trial Court had not entered a final Order, which may allow the plaintiffs to re-file the appeal at a later date.

On September 14, 2011, plaintiffs filed a motion for requesting the circuit court enter a judgment on this matter. The Company and South Arkansas timely filed an objection to the plaintiffs' motion. On November 3, 2011, the circuit court denied the plaintiffs' motion. The plaintiffs filed a notice of appeal of the denial of the motion and had until late February, 2012 to lodge the record for appeal. On February 13, 2012, the Company and South Arkansas filed a motion to dismiss the appeal along with a brief and a partial transcript. On March 1, 2012, the Arkansas Supreme Court granted the motion of the Company and South Arkansas and dismissed the appeal. Following the dismissal, the plaintiff's counsel has advised counsel for the Company that the plaintiffs consider this matter concluded.

NOTE 20: STOCKHOLDERS' EQUITY

The Company's subsidiaries 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 Office of the Comptroller of the Currency is required if the total of all the 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 the current year earnings plus 75% of the retained net earnings of the preceding year. At December 31, 2012, the Company subsidiaries had approximately $14.3 million in undivided profits available for payment of dividends to the Company without prior approval of the regulatory agencies.

The Company's 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 the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Furthermore, the Company's regulators could require adjustments to regulatory capital not reflected in these financial statements.

Quantitative measures established by regulation to ensure capital adequacy require the Company 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 December 31, 2012, the Company meets all capital adequacy requirements to which it is 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.

The Company's actual capital amounts and ratios along with the Company's most significant subsidiaries are presented in the following table.

(In thousands)	Actual Amount	Ratio-%	Minimum For Capital Adequacy Purposes Amount	Ratio-%	To Be Well Capitalized Under Prompt Corrective Action Provision Amount	Ratio-%
As of December 31, 2012						
Total Risk-Based Capital Ratio						
Simmons First National Corporation	$401,601	20.3	$158,266	8.0	$N/A	
Simmons First National Bank	181,760	17.2	84,540	8.0	105,674	10.0
Simmons First Bank of Northeast Arkansas	36,084	13.7	21,071	8.0	26,339	10.0
Simmons First Bank of Russellville	18,602	15.6	9,539	8.0	11,924	10.0
Simmons First Bank of Northwest Arkansas	35,406	22.2	12,759	8.0	15,949	10.0
Simmons First Bank of El Dorado	19,534	19.0	8,225	8.0	10,281	10.0
Tier 1 Risk-Based Capital Ratio						
Simmons First National Corporation	376,839	19.1	78,919	4.0	N/A	
Simmons First National Bank	171,522	16.3	42,091	4.0	63,137	6.0
Simmons First Bank of Northeast Arkansas	33,053	12.6	10,493	4.0	15,740	6.0
Simmons First Bank of Russellville	17,102	14.3	4,784	4.0	7,176	6.0
Simmons First Bank of Northwest Arkansas	33,395	20.9	6,391	4.0	9,587	6.0
Simmons First Bank of El Dorado	18,409	17.9	4,114	4.0	6,171	6.0
Tier 1 Leverage Ratio						
Simmons First National Corporation	376,839	10.8	139,570	4.0	N/A	
Simmons First National Bank	171,522	8.3	82,661	4.0	103,327	5.0
Simmons First Bank of Northeast Arkansas	33,053	9.6	13,772	4.0	17,215	5.0
Simmons First Bank of Russellville	17,102	9.4	7,277	4.0	9,097	5.0
Simmons First Bank of Northwest Arkansas	33,395	13.9	9,610	4.0	12,013	5.0
Simmons First Bank of El Dorado	18,409	8.3	8,872	4.0	11,090	5.0
As of December 31, 2011						
Total Risk-Based Capital Ratio						
Simmons First National Corporation	$412,274	22.8	$144,658	8.0	$N/A	
Simmons First National Bank	176,929	19.4	72,960	8.0	91,201	10.0
Simmons First Bank of Northeast Arkansas	34,434	14.1	19,537	8.0	24,421	10.0
Simmons First Bank of Russellville	28,159	24.9	9,047	8.0	11,309	10.0
Simmons First Bank of Northwest Arkansas	35,357	21.5	13,156	8.0	16,445	10.0
Simmons First Bank of El Dorado	23,624	22.1	8,552	8.0	10,690	10.0
Tier 1 Risk-Based Capital Ratio						
Simmons First National Corporation	389,583	21.6	72,145	4.0	N/A	
Simmons First National Bank	168,382	18.5	36,407	4.0	54,610	6.0
Simmons First Bank of Northeast Arkansas	31,438	12.8	9,824	4.0	14,737	6.0
Simmons First Bank of Russellville	26,735	23.6	4,531	4.0	6,797	6.0
Simmons First Bank of Northwest Arkansas	33,281	20.2	6,590	4.0	9,885	6.0
Simmons First Bank of El Dorado	22,285	20.9	4,265	4.0	6,398	6.0
Tier 1 Leverage Ratio						
Simmons First National Corporation	389,583	11.9	130,952	4.0	N/A	
Simmons First National Bank	168,382	9.2	73,210	4.0	91,512	5.0

Simmons First Bank of Northeast Arkansas	31,438	9.5	13,237	4.0	16,546	5.0
Simmons First Bank of Russellville	26,735	15.2	7,036	4.0	8,794	5.0
Simmons First Bank of Northwest Arkansas	33,281	13.2	10,085	4.0	12,606	5.0
Simmons First Bank of El Dorado	22,285	9.8	9,096	4.0	11,370	5.0

NOTE 21: CONDENSED FINANCIAL INFORMATION (PARENT COMPANY ONLY)

CONDENSED BALANCE SHEETS
DECEMBER 31, 2012 and 2011

(In thousands)	2012	2011
ASSETS		
Cash and cash equivalents	$23,107	$43,431
Investment securities	3,928	3,251
Investments in wholly-owned subsidiaries	368,847	381,236
Intangible assets, net	133	133
Premises and equipment	604	687
Other assets	30,063	10,103
TOTAL ASSETS	$426,682	$438,841
LIABILITIES		
Long-term debt	$20,620	$30,930
Total liabilities	20,620	30,930
STOCKHOLDERS' EQUITY		
Common stock	165	172
Surplus	96,587	112,436
Undivided profits	309,053	294,864
Accumulated other comprehensive income		
Unrealized appreciation on available-for-sale securities, net of income taxes of $166 and $283 at December 31, 2012 and 2011 respectively	257	439
Total stockholders' equity	406,062	407,911
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$426,682	$438,841

CONDENSED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012, 2011 and 2010

(In thousands)	2012	2011	2010
INCOME			
Dividends from subsidiaries	$45,061	$19,291	$18,080
Other income	7,155	6,189	6,763
	52,216	25,480	24,843
EXPENSE	15,830	13,756	15,601
Income before income taxes and equity in undistributed net income of subsidiaries	36,386	11,724	9,242
Provision for income taxes	(3,195)	(2,743)	(3,278)
Income before equity in undistributed net income of subsidiaries	39,581	14,467	12,520
(Distribution in excess) equity in undistributed net income of subsidiaries	(11,897)	10,907	24,597
NET INCOME	$27,684	$25,374	$37,117

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2012, 2011 and 2010

(In thousands)	2012	2011	2010
NET INCOME	$27,684	$25,374	$37,117
OTHER COMPREHENSIVE INCOME			
Equity in other comprehensive income (loss) of subsidiaries	(182)	(73)	(250)
COMPREHENSIVE INCOME	$27,502	$25,301	$36,867

CONDENSED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012, 2011 and 2010

(In thousands)	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$27,684	$25,374	$37,117
Items not requiring (providing) cash			
Depreciation and amortization	167	187	204
Deferred income taxes	75	120	204
Distribution in excess (equity in undistributed) net income of bank subsidiaries	11,897	(10,907)	(24,597)
Changes in			
Other assets	(20,712)	(3,738)	183
Other liabilities	--	(2,493)	1,384
Net cash provided by operating activities	19,111	8,543	14,495
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchases of premises and equipment	(84)	(143)	(218)
Additional (return from) investment in subsidiary	310	--	(43,000)
Purchase of available-for-sale securities	--	--	(100,070)
Proceeds from sale or maturity of investment securities	--	--	159,890
Net cash provided by (used in) investing activities	226	(143)	16,602
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of subordinated debentures	(10,310)	--	--
Issuance of common stock, net	1,711	1,678	2,347
Payment to repurchase common stock	(17,567)	(3,283)	--
Dividends paid	(13,495)	(13,156)	(13,091)
Net cash used in financing activities	(39,661)	(14,761)	(10,744)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(20,324)	(6,361)	20,353
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	43,431	49,792	29,439

CASH AND CASH EQUIVALENTS, END OF YEAR	$23,107	$43,431	$49,792

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

No items are reportable.

ITEM 9A. CONTROLS AND PROCEDURES

(a) 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) and Rule 15d-15(e) under the Exchange Act) as of December 31, 2012. 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.

(b) Changes in Internal Controls. There were no changes in the Company’s internal controls over financial reporting during the quarter ended December 31, 2012, which materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

No items are reportable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated herein by reference from the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held April 16, 2013, to be filed pursuant to Regulation 14A on or about March 18, 2013.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference from the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held April 16, 2013, to be filed pursuant to Regulation 14A on or about March 18, 2013.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated herein by reference from the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held April 16, 2013, to be filed pursuant to Regulation 14A on or about March 18, 2013.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated herein by reference from the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held April 16, 2013, to be filed pursuant to Regulation 14A on or about March 18, 2013.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated herein by reference from the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held April 16, 2013, to be filed pursuant to Regulation 14A on or about March 18, 2013.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1 and 2. Financial Statements and any Financial Statement Schedules

The financial statements and financial statement schedules listed in the accompanying index to the consolidated financial statements and financial statement schedules are filed as part of this report.

(b) Listing of 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 Bob Fehlman as administrative trustees, with respect to Simmons First Capital Trust II (incorporated by reference to Exhibit 10.1 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).

10.2	Guarantee Agreement, dated as of December 16, 2003, between the Company and Deutsche Bank Trust Company Americas, as guarantee trustee, with respect to Simmons First Capital Trust II (incorporated by reference to Exhibit 10.2 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).
10.3	Junior Subordinated Indenture, dated as of December 16, 2003, among the Company and Deutsche Bank Trust Company Americas, as trustee, with respect to the junior subordinated note held by Simmons First Capital Trust II (incorporated by reference to Exhibit 10.3 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).
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 Bob Fehlman as administrative trustees, with respect to Simmons First Capital Trust III (incorporated by reference to Exhibit 10.4 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).
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 Bob Fehlman as administrative trustees, with respect to Simmons First Capital Trust IV (incorporated by reference to Exhibit 10.7 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 000-06253)).
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 Plan - 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.*
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)).
23	Consent of BKD, LLP.*
31.1	Rule 13a-15(e) and 15d-15(e) Certification – J. Thomas May, Chairman and Chief Executive Officer.*
31.2	Rule 13a-15(e) and 15d-15(e) Certification – Robert A. Fehlman, Senior Executive Vice President, Chief Financial Officer and Treasurer.*
32.1	Certification Pursuant to 18 U.S.C. Sections 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – J. Thomas May, Chairman and Chief Executive Officer.*
32.2	Certification Pursuant to 18 U.S.C. Sections 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Robert A. Fehlman, Senior Executive Vice President, Chief Financial Officer and Treasurer.*
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 Section 13 or 15 (d) 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.

	/s/ Marty D. Casteel Marty D. Casteel, Secretary	March 12, 2013

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on or about March 12, 2013.

Signature	Title
/s/ J. Thomas May J. Thomas May	Chairman and Chief Executive Officer and Director
/s/ Robert A. Fehlman Robert A. Fehlman	Senior Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)
/s/ David W. Garner David W. Garner	Senior Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)
/s/ George A. Makris, Jr. George A. Makris, Jr.	CEO - Elect and Director
/s/ David L. Bartlett David L. Bartlett	President and Chief Banking Officer and Director
/s/ William E. Clark II William E. Clark II	Director
/s/ Steven A. Cossé Steven A. Cossé	Director
/s/ Edward Drilling Edward Drilling	Director
/s/ Sharon L. Gaber Sharon L. Gaber	Director
/s/ Eugene Hunt Eugene Hunt	Director
/s/ W. Scott McGeorge W. Scott McGeorge	Director

/s/ Harry L. Ryburn Harry L. Ryburn	Director
/s/ Robert L. Shoptaw Robert L. Shoptaw	Director

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