PORTUGAL TELECOM SGPS SA
Form 6-K
October 17, 2014

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of the

Securities Exchange Act of 1934

For the month of October 2014

Commission File Number 1-13758

PORTUGAL TELECOM, SGPS, S.A.

(Exact name of registrant as specified in its charter)

Av. Fontes Pereira de Melo, 40
1069 - 300 Lisboa, Portugal

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x Form 40-F o

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No x

Announcement | Lisbon | 17 October 2014

Changes regarding the composition of the Board of Directors

Pursuant to the terms of article 248 of the Portuguese Securities Code and article 3, paragraph a) of Portuguese Securities Commission Regulation no. 5/2008, Portugal Telecom, SGPS S.A. (PT) announces that its Board of Directors has approved to appoint by co-optation, as members of the Board of Directors, to complete the current term of office (2012-2014), Marco Norci Schroeder and Eurico de Jesus Teles Neto, to replace Otávio Marques de Azevedo and Fernando Magalhães Portella, both of whom had submitted their resignation. Such co-optation will be submitted to ratification at the next General Meeting of Shareholders of PT.

Portugal Telecom, SGPS, SA

Avenida Fontes Pereira de Melo, 40

1069-300 Lisbon

Portugal

Public company

Share capital Euro 26,895,375

Registered in the Commercial Registry Office of Lisbon

and Corporation no. 503 215 058

Portugal Telecom is listed on the NYSE Euronext Lisbon and New York Stock Exchange. Information may be accessed on the Reuters under the symbols PTC.LS and PT and on Bloomberg under the symbol PTC PL.

Nuno Vieira

Investor Relations Director

nuno.t.vieira@telecom.pt

Tel.: +351 21 500 1701

Fax: +351 21 500 0800

www.telecom.pt

SIGNATURE

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

Date: October 17, 2014

PORTUGAL TELECOM, SGPS, S.A.

By: /s/ Nuno Vieira
Nuno Vieira
Investor Relations Director

FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management s current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words anticipates , believes , estimates , expects , plans and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.

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December 31, 2010

ASSETS

Impaired loans
45,380 -- -- 45,380
(collateral dependent)

Covered assets:

Loans
231,600 -- -- 231,600
Other real estate owned

8,717	--	--	8,717
FDIC indemnification asset			
60,235	--	--	60,235
LIABILITIES			
FDIC true-up liability			
3,246	--	--	3,246

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

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

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

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

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

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

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

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

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

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

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

Foreclosed assets held for sale are the only material non-financial assets valued on a nonrecurring basis which are held by the Company at fair value, less estimated costs to sell. At foreclosure, if the fair value, less estimated costs to sell, of the real estate acquired is less than the Company's recorded investment in the related loan, a write-down is recognized through a charge to the allowance for loan losses. Additionally, valuations are periodically performed by management and any subsequent reduction in value is recognized by a charge to income. The fair value of foreclosed assets held for sale is estimated using Level 2 inputs based on observable market data. As of March 31, 2011 and December 31, 2010, the fair value of foreclosed assets held for sale, excluding those covered by FDIC loss share agreements, less estimated costs to sell was $23.7 million and $23.2 million, respectively.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying condensed consolidated balance sheet of SIMMONS FIRST NATIONAL CORPORATION as of March 31, 2011, and the related condensed consolidated statements of income for the three month periods ended March 31, 2011 and 2010 and statements of stockholders' equity and cash flows for the three month periods ended March 31, 2011 and 2010. These interim financial statements are the responsibility of the Company's management.

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

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

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

BKD, LLP

/s/ BKD, LLP

Pine Bluff, Arkansas
May 10, 2010

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

OVERVIEW

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

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

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

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

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

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

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

CRITICAL ACCOUNTING POLICIES

Overview

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

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

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

Allowance for Loan Losses

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

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

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

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Acquisition Accounting, Covered Loans and Related Indemnification Asset

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

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

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

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

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

Goodwill and Intangible Assets

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

Employee Benefit Plans

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

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

Income Taxes

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

NET INTEREST INCOME

Overview

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

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

Net Interest Income

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

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

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

Net Interest Margin

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

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Net Interest Income Tables

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

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

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

Table 2: Changes in Fully Taxable Equivalent Net Interest Margin

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

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

Table 3: Average Balance Sheets and Net Interest Income Analysis

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

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

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

Table 4: Volume/Rate Analysis

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

PROVISION FOR LOAN LOSSES

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

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

NON-INTEREST INCOME

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

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

Table 5: Non-Interest Income

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

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

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

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

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

NON-INTEREST EXPENSE

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

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

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

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

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

Table 6: Non-Interest Expense

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

LOAN PORTFOLIO

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

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

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

Table 7: Loan Portfolio

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

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

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

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

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

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

COVERED ASSETS

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

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

Table 8: Covered Assets

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

ASSET QUALITY

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

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

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

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

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

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

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

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

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

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

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

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

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

Table 9: Non-performing Assets

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

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

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

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

ALLOWANCE FOR LOAN LOSSES

Overview

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

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

Specific Allocations

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

Allocations for Classified Assets with no Specific Allocation

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

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

General Allocations

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

Unallocated Portion

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

Reserve for Unfunded Commitments

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

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

Table 10: Allowance for Loan Losses

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

Provision for Loan Losses

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

Allocated Allowance for Loan Losses

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

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

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

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

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

Table 10: Allocation of Allowance for Loan Losses

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

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

DEPOSITS

Deposits are our primary source of funding for earning assets and are primarily developed through our network of 85 financial centers. We offer a variety of products designed to attract and retain customers with a continuing focus on developing core deposits. Our core deposits consist of all deposits excluding time deposits of $100,000 or more and brokered deposits. As of March 31, 2011, core deposits comprised 84.3% of our total deposits.

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

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

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

LONG-TERM DEBT

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

CAPITAL

Overview

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

Capital Stock

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

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

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

Stock Repurchase

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

Cash Dividends

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

Parent Company Liquidity

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

Risk Based Capital

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

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

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

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

Table 12: Risk-Based Capital

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

FORWARD-LOOKING STATEMENTS

Certain statements contained in this quarterly report may not be based on historical facts and are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements may be identified by reference to a future period(s) or by the use of forward-looking terminology, such as "anticipate," "estimate," "expect," "foresee," "believe," "may," "might," "will," "would," "could" or "intend," future or conditional verb tenses, and variations or negatives of such terms. These forward-looking statements include, without limitation, those relating to the Company's future growth, revenue, assets, asset quality, profitability and customer service, critical accounting policies, net interest margin, non-interest revenue, market conditions related to the Company's stock repurchase program, allowance for loan losses, the effect of certain new accounting standards on the Company's financial statements, income tax deductions, credit quality, the level of credit losses from lending commitments, net interest revenue, interest rate sensitivity, loan loss experience, liquidity, capital resources, market risk, earnings, effect of pending litigation, acquisition strategy, efficiency initiatives, legal and regulatory limitations and compliance and competition.

These forward-looking statements involve risks and uncertainties, and may not be realized due to a variety of factors, including, without limitation: the effects of future economic conditions, governmental monetary and fiscal policies, as well as legislative and regulatory changes; the risks of changes in interest rates and their effects on the level and composition of deposits, loan demand and the values of loan collateral, securities and interest sensitive assets and liabilities; the costs of evaluating possible acquisitions and the risks inherent in integrating acquisitions; the effects of competition from other commercial banks, thrifts, mortgage banking firms, consumer finance companies, credit unions, securities brokerage firms, insurance companies, money market and other mutual funds and other financial institutions operating in our market area and elsewhere, including institutions operating regionally, nationally and internationally, together with such competitors offering banking products and services by mail, telephone, computer and the Internet; the failure of assumptions underlying the establishment of reserves for possible loan losses; and those factors set forth under Item 1A. Risk-Factors of this report and other cautionary statements set forth elsewhere in this report. Many of these factors are beyond our ability to predict or control. In addition, as a result of these and other factors, our past financial performance should not be relied upon as an indication of future performance.

We believe the expectations reflected in our forward-looking statements are reasonable, based on information available to us on the date hereof. However, given the described uncertainties and risks, we cannot guarantee our future performance or results of operations and you should not place undue reliance on these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, and all written or oral forward-looking statements attributable to us are expressly qualified in their entirety by this section.

RECONCILIATION OF NON-GAAP MEASURES

The table below presents computations of core earnings (net income excluding nonrecurring items {merger related costs }) and diluted core earnings per share (non-GAAP). Nonrecurring items are included in financial results presented in accordance with generally accepted accounting principles ("GAAP").

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

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

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

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

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

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

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

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

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

(1) Effective tax rate of 39.225%.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Parent Company

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

Subsidiary Banks

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

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

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

Liquidity Management

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

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

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

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

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

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

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

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

Market Risk Management

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

Interest Rate Sensitivity

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

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

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

Table 14: Interest Rate Sensitivity

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

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

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

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

Part II: Other Information

Item 1A. Risk Factors

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

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

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

Item 6. Exhibits

Exhibit No.	Description
3.1	Restated Articles of Incorporation of Simmons First National Corporation (incorporated by reference to Exhibit 3.1 to Simmons First National Corporation’s Quarterly Report on Form 10-Q for the Quarter ended March 31, 2009 (File No. 0-6253)).
3.2	Amended By-Laws of Simmons First National Corporation (incorporated by reference to Exhibit 3.2 to Simmons First National Corporation’s Annual Report on Form 10-K for the Year ended December 31, 2007 (File No. 0-6253)).
10.1	Amended and Restated Trust Agreement, dated as of December 16, 2003, among the Company, Deutsche Bank Trust Company Americas, Deutsche Bank Trust Company Delaware and each of J. Thomas May, Barry L. Crow and Robert A. Fehlman as administrative trustees, with respect to Simmons First Capital Trust II (incorporated by reference to Exhibit 10.1 to Simmons First National Corporation’s Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)).
10.2	Guarantee Agreement, dated as of December 16, 2003, between the Company and Deutsche Bank Trust Company Americas, as guarantee trustee, with respect to Simmons First Capital Trust II (incorporated by reference to Exhibit 10.2 to Simmons First National Corporation’s Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)).
10.3	Junior Subordinated Indenture, dated as of December 16, 2003, among the Company and Deutsche Bank Trust Company Americas, as trustee, with respect to the junior subordinated note held by Simmons First Capital Trust II (incorporated by reference to Exhibit 10.3 to Simmons First National Corporation’s Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)).
10.4	Amended and Restated Trust Agreement, dated as of December 16, 2003, among the Company, Deutsche Bank Trust Company Americas, Deutsche Bank Trust Company Delaware and each of J. Thomas May, Barry L. Crow and Robert A. Fehlman as administrative trustees, with respect to Simmons First Capital Trust III (incorporated by reference to Exhibit 10.4 to Simmons First National Corporation’s Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)).
10.5	Guarantee Agreement, dated as of December 16, 2003, between the Company and Deutsche Bank Trust Company Americas, as guarantee trustee, with respect to Simmons First Capital Trust III (incorporated by reference to Exhibit 10.5 to Simmons First National Corporation’s Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)).

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

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

* Filed herewith.

SIGNATURES

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

SIMMONS FIRST NATIONAL CORPORATION
(Registrant)

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

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