SIMMONS FIRST NATIONAL CORP
Form 10-Q
May 06, 2010
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For Quarter Ended March 31, 2010 Commission File Number 0-6253

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

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

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

Not Applicable

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

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

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

o Large accelerated filer x Accelerated filer o Non-accelerated filer

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

The number of shares outstanding of the Registrant’s Common Stock as of April 22, 2010, was 17,186,263.

Simmons First National Corporation
Quarterly Report on Form 10-Q
March 31, 2010

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Part I: Financial Information
Item 1. Financial Statements

Simmons First National Corporation
Consolidated Balance Sheets
March 31, 2010 and December 31, 2009

(In thousands, except share data)	March 31, 2010 (Unaudited)	December 31, 2009
ASSETS		
Cash and non-interest bearing balances due from banks	$61,975	$71,575
Interest bearing balances due from banks	365,396	282,010
Cash and cash equivalents	427,371	353,585
Investment securities	588,100	646,915
Mortgage loans held for sale	6,930	8,397
Assets held in trading accounts	7,521	6,886
Loans	1,849,960	1,874,989
Allowance for loan losses	(25,047)	(25,016)
Net loans	1,824,913	1,849,973
Premises and equipment	77,408	78,126
Foreclosed assets held for sale, net	18,744	9,179
Interest receivable	16,421	17,881
Bank owned life insurance	47,667	40,920
Goodwill	60,605	60,605
Core deposit premiums	1,568	1,769
Other assets	20,251	19,086
Total assets	$3,097,499	$3,093,322
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing transaction accounts	$385,495	$363,154
Interest bearing transaction accounts and savings deposits	1,167,836	1,156,264
Time deposits	874,938	912,754
Total deposits	2,428,269	2,432,172
Federal funds purchased and securities sold under agreements to repurchase	131,750	105,910
Short-term debt	3,263	3,640
Long-term debt	139,183	159,823
Accrued interest and other liabilities	21,780	20,530
Total liabilities	2,724,245	2,722,075
Stockholders' equity:		
Preferred stock, $0.01 par value; 40,040,000 shares authorized and unissued at March 31, 2010 and December 31, 2009	--	--
Common stock, Class A, $0.01 par value; 60,000,000 shares authorized; 17,186,263 and 17,093,931 shares issued and outstanding at March 31, 2010, and December 31, 2009, respectively	172	171
Surplus	112,250	111,694

Undivided profits	260,310	258,620
Accumulated other comprehensive income		
Unrealized appreciation on available-for-sale securities,		
net of income taxes of $313 at 2010 and $457 at 2009	522	762
Total stockholders' equity	373,254	371,247
Total liabilities and stockholders' equity	$3,097,499	$3,093,322

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Income
Three Months Ended March 31, 2010 and 2009

(In thousands, except per share data)	Three Months Ended March 31, 2010 (Unaudited)	2009
INTEREST INCOME		
Loans	$26,788	$28,234
Federal funds sold	4	1
Investment securities	4,531	6,417
Mortgage loans held for sale	70	158
Assets held in trading accounts	2	5
Interest bearing balances due from banks	191	78
TOTAL INTEREST INCOME	31,586	34,893
INTEREST EXPENSE		
Deposits	5,437	9,503
Federal funds purchased and securities sold under agreements to repurchase	149	243
Short-term debt	15	6
Long-term debt	1,573	1,748
TOTAL INTEREST EXPENSE	7,174	11,500
NET INTEREST INCOME	24,412	23,393
Provision for loan losses	3,231	2,138
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	21,181	21,255
NON-INTEREST INCOME		
Trust income	1,250	1,326
Service charges on deposit accounts	4,301	3,727
Other service charges and fees	779	746
Income on sale of mortgage loans, net of commissions	603	1,039
Income on investment banking, net of commissions	605	411
Credit card fees	3,677	3,153
Bank owned life insurance income	290	378
Other income	695	679
TOTAL NON-INTEREST INCOME	12,200	11,459
NON-INTEREST EXPENSE		
Salaries and employee benefits	15,166	14,583
Occupancy expense, net	1,882	1,889
Furniture and equipment expense	1,495	1,543
Loss on foreclosed assets	58	70
Deposit insurance	955	533
Other operating expenses	7,240	7,040
TOTAL NON-INTEREST EXPENSE	26,796	25,658

INCOME BEFORE INCOME TAXES	6,585	7,056
Provision for income taxes	1,629	1,820
NET INCOME	$4,956	$5,236
BASIC EARNINGS PER SHARE	$0.29	$0.37
DILUTED EARNINGS PER SHARE	$0.29	$0.37

See Condensed Notes to Consolidated Financial Statements.

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Simmons First National Corporation
Consolidated Statements of Cash Flows
Three Months Ended March 31, 2010 and 2009

(In thousands)	March 31, 2010	March 31, 2009
	(Unaudited)	
OPERATING ACTIVITIES		
Net income	$4,956	$5,236
Items not requiring (providing) cash		
Depreciation and amortization	1,438	1,471
Provision for loan losses	3,231	2,138
Net amortization (accretion) of investment securities	36	(165)
Stock-based compensation expense	218	104
Deferred income taxes	239	774
Bank owned life insurance income	(290)	(378)
Changes in		
Interest receivable	1,460	1,859
Mortgage loans held for sale	1,467	641
Assets held in trading accounts	(635)	(1,756)
Other assets	(1,165)	38
Accrued interest and other liabilities	42	(3,255)
Income taxes payable	969	1,077
Net cash provided by operating activities	11,966	7,784
INVESTING ACTIVITIES		
Net collections of loans	11,579	10,456
Purchases of premises and equipment, net	(519)	(997)
Proceeds from sale of foreclosed assets	685	1,106
Net sales (purchases) of short-term investment securities	---	(94,450)
Proceeds from maturities of available-for-sale securities	524,964	565,163
Purchases of available-for-sale securities	(498,444)	(517,338)
Proceeds from maturities of held-to-maturity securities	629,080	38,993
Purchases of held-to-maturity securities	(597,061)	(69,150)
Purchases of bank owned life insurance	(6,457)	--
Net cash provided by (used in) investing activities	63,827	(66,217)
FINANCING ACTIVITIES		
Net change in deposits	(3,903)	33,169
Net change in short-term debt	(377)	344
Dividends paid	(3,266)	(2,663)
Proceeds from issuance of long-term debt	1,157	3,300
Repayment of long-term debt	(21,797)	(1,548)
Net change in federal funds purchased and securities sold under agreements to repurchase	25,840	(16,769)
Net shares issued under stock compensation plans	339	990
Net cash (used in) provided by financing activities	(2,007)	16,823
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	73,786	(41,610)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	353,585	139,536

CASH AND CASH EQUIVALENTS, END OF PERIOD	$427,371	$97,926

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Stockholders' Equity
Three Months Ended March 31, 2010 and 2009

(In thousands, except share data)	Common Stock	Surplus	Accumulated Other Comprehensive Income	Undivided Profits	Total
Balance, December 31, 2008	$140	$40,807	$ 3,190	$244,655	$288,792
Comprehensive income					
Net income	--	--	--	5,236	5,236
Change in unrealized appreciation on available-for-sale securities, net of income taxes of ($173)	--	--	(289)	--	(289)
Comprehensive income					4,947
Stock issued as bonus shares – 25,065 shares	--	633	--	--	633
Stock issued for employee stock purchase plan – 5,823 shares	--	141	--	--	141
Exercise of stock options – 22,300 shares	--	274	--	--	274
Stock granted under stock-based compensation plans	--	46	--	--	46
Dividends paid – $0.19 per share	--	--	--	(2,663)	(2,663)
Balance, March 31, 2009 (Unaudited)	140	41,901	2,901	247,228	292,170
Comprehensive income					
Net income	--	--	--	19,974	19,974
Change in unrealized appreciation on available-for-sale securities, net of income taxes of ($1,283)	--	--	(2,139)	--	(2,139)
Comprehensive income					17,835
Stock issued from public stock offering, net of offering costs of $4,178	30	70,456	--	--	70,486
Stock issued as bonus shares – 2,850 shares	--	69	--	--	69
Cancelled bonus shares – 1,113 shares	--	29	--	--	29
Non-vested bonus shares	--	(1,208)	--	--	(1,208)
Exercise of stock options – 34,400 shares	1	415	--	--	416
Stock granted under stock-based compensation plans	--	134	--	--	134
Securities exchanged under stock option plan	--	(102)	--	--	(102)
Dividends paid – $0.57 per share	--	--	--	(8,582)	(8,582)
Balance, December 31, 2009	171	111,694	762	258,620	371,247
Comprehensive income					
Net income	--	--	--	4,956	4,956
Change in unrealized appreciation on available-for-sale securities, net of					

income taxes of ($144)	--	--	(240)	--	(240)
Comprehensive income					4,716
Stock issued as bonus shares – 76,345 shares	1	98	--	--	99
Non-vested bonus shares	--	175	--	--	175
Stock issued for employee stock purchase plan – 4,947 shares	--	131	--	--	131
Exercise of stock options – 16,520 shares	--	257	--	--	257
Stock granted under stock-based compensation plans	--	43	--	--	43
Securities exchanged under stock option plan	--	(148)	--	--	(148)
Dividends paid – $0.19 per share	--	--	--	(3,266)	(3,266)
Balance, March 31, 2010 (Unaudited)	$172	$112,250	$ 522	$260,310	$373,254

See Condensed Notes to Consolidated Financial Statements.

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SIMMONS FIRST NATIONAL CORPORATION

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1: BASIS OF PRESENTATION

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

All adjustments made to the unaudited financial statements were of a normal recurring nature. In the opinion of management, all adjustments necessary for a fair presentation of the results of interim periods have been made. Certain prior year amounts are reclassified to conform to current year classification. The consolidated balance sheet of the Company as of December 31, 2009, has been derived from the audited consolidated balance sheet of the Company as of that date. The results of operations for the period are not necessarily indicative of the results to be expected for the full year.

Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-K Annual Report for 2009 filed with the U.S. Securities and Exchange Commission (the "SEC").

Recently Issued Accounting Pronouncements

In December 2009, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") ASU 2009-17, Consolidation (Topic 810) – Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. ASU 2009-17 amends the consolidation guidance applicable to variable interest entities. The amendments to the consolidation guidance affect all entities, as well as qualifying special-purpose entities that were previously excluded from previous consolidation guidance. ASU 2009-17 was effective as of the beginning of the first annual reporting period that begins after November 15, 2009. Adoption of the new guidance did not have a significant impact on the Company's ongoing financial position or results of operations.

In December 2009, the FASB issued ASU 2009-16, Transfers and Servicing (Topic 860) – Accounting for Transfers of Financial Assets. ASU 2009-16 amends the derecognition accounting and disclosure guidance. ASU 2009-16 eliminates the exemption from consolidation for QSPEs and also requires a transferor to evaluate all existing QSPEs to determine whether they must be consolidated. ASU 2009-16 was effective as of the beginning of the first annual reporting period that begins after November 15, 2009, and did not have a significant impact on the Company's ongoing financial position or results of operations.

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements. ASU 2010-06 revises two disclosure requirements concerning fair value measurements and clarifies two others. It requires separate presentation of significant transfers into and out of Levels 1 and 2 of the fair value hierarchy and disclosure of the reasons for such transfers. It will also require the presentation of purchases, sales, issuances and settlements within Level 3 on a gross basis rather than a net basis. The amendments also clarify that disclosures should be disaggregated by class of asset or liability and that disclosures about inputs and valuation techniques should be provided for both recurring and non-recurring fair value measurements. The Company's disclosures about fair value measurements are presented in Note 16 – Fair Value Measurements. These new disclosure requirements were adopted by the Company during the current period, with the exception of the requirement concerning gross presentation of Level 3 activity, which is effective for fiscal years beginning after December 15, 2010. With respect to the portions of this ASU that were adopted during the current period, the adoption of this standard did not have a significant impact on the Company's financial position, results of operations or disclosures. Management does not believe that the adoption of the remaining portion of this ASU will have a significant impact on the Company's ongoing financial position, results of operation or disclosures.

In February 2010, the FASB issued ASU 2010-09, Subsequent Events (Topic 855) – Amendments to Certain Recognition and Disclosure Requirements. The amendments remove the requirement for an SEC registrant to disclose the date through which subsequent events were evaluated as this requirement would have potentially conflicted with SEC reporting requirements. Removal of the disclosure requirement is not expected to affect the nature or timing of subsequent events evaluations performed by the Company. ASU 2010-09 became effective upon issuance.

There have been no other significant changes to the Company's accounting policies from the 2009 Form 10-K.

Earnings Per Share

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

Following is the computation of per share earnings for the three months ended March 31, 2010 and 2009:

(In thousands, except per share data)	2010	2009
Net Income	$4,956	$5,236
Average common shares outstanding	17,140	13,992
Average potential dilutive common shares	73	98
Average diluted common shares	17,213	14,090
Basic earnings per share	$0.29	$0.37
Diluted earnings per share	$0.29	$0.37

Stock options to purchase 100,290 and 161,990 shares for the three months ended March 31, 2010 and 2009, respectively, were not included in the earnings per share calculation because the exercise price exceeded the average market price.

NOTE 2: INVESTMENT SECURITIES

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

	March 31, 2010				December 31, 2009			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Held-to-Maturity								
U.S. Government agencies	$ 221,885	$ 1,449	$ (311)	$ 223,023	$ 254,229	$ 799	$ (1,348)	$ 253,680
Mortgage-backed securities	88	3	--	91	90	5	--	95
State and political subdivisions	209,101	3,141	(476)	211,766	208,812	2,728	(580)	210,960
Other securities	930	--	--	930	930	--	--	930
	$ 432,004	$ 4,593	$ (787)	$ 435,810	$ 464,061	$ 3,532	$ (1,928)	$ 465,665
Available-for-Sale								
U.S. Treasury	$ 3,999	$ 9	$ --	$ 4,008	$ 4,297	$ 32	$ --	$ 4,329
U.S. Government agencies	134,711	929	(602)	135,038	160,807	953	(236)	161,524
Mortgage-backed securities	2,892	105	(1)	2,996	2,896	78	(2)	2,972
Other securities	13,658	397	(1)	14,054	13,633	399	(3)	14,029
	$ 155,260	$ 1,440	$ (604)	$ 156,096	$ 181,633	$ 1,462	$ (241)	$ 182,854

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

As of March 31, 2010, securities with unrealized losses, segregated by length of impairment, were as follows:

	Less Than 12 Months		12 Months or More		Total	
(In thousands)	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Held-to-Maturity						
U.S. Government agencies	$93,189	$311	$--	$--	$93,189	$311
State and political subdivisions	19,534	243	4,895	233	24,429	476
Total	$112,723	$554	$4,895	$233	$117,618	$787
Available-for-Sale						
U.S. Government agencies	$90,339	$602	$--	$--	$90,339	$602
Mortgage-backed securities	--	--	124	1	124	1
Other securities	4	1	--	--	4	1
Total	$90,343	$603	$124	$1	$90,467	$604

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

Management has the ability and intent to hold the securities classified as held to maturity until they mature, at which time the Company expects to receive full value for the securities. Furthermore, as of March 31, 2010, management also had the ability and intent to hold the securities classified as available-for-sale for a period of time sufficient for a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of March 31, 2010, management believes the impairments detailed in the table above are temporary.

The carrying value, which approximates the fair value, of securities pledged as collateral, to secure public deposits and for other purposes, amounted to $431,977,000 at March 31, 2010, and $446,189,000 at December 31, 2009.

The book value of securities sold under agreements to repurchase amounted to $78,435,000 and $80,050,000 for March 31, 2010, and December 31, 2009, respectively.

Income earned on securities for the three months ended March 31, 2010 and 2009, is as follows:

(In thousands)	2010	2009
Taxable		
Held-to-maturity	$1,303	$281
Available-for-sale	1,144	4,381
Non-taxable		
Held-to-maturity	2,084	1,747
Available-for-sale	--	8
Total	$4,531	$6,417

Maturities of investment securities at March 31, 2010, are as follows:

	Held-to-Maturity		Available-for-Sale	
(In thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	$9,434	$9,538	$10,299	$10,308
After one through five years	184,489	185,792	37,863	37,757
After five through ten years	154,793	156,488	93,433	93,969
After ten years	83,288	83,992	7	8
Other securities	--	--	13,658	14,054
Total	$432,004	$435,810	$155,260	$156,096

There were no realized gains or losses on investment securities for the three months ended March 31, 2010 or 2009.

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

NOTE 3: LOANS AND ALLOWANCE FOR LOAN LOSSES

The various categories of loans are summarized as follows:

(In thousands)	March 31, 2010	December 31, 2009
Consumer		
Credit cards	$177,959	$189,154
Student loans	153,291	114,296
Other consumer	131,735	139,647
Total consumer	462,985	443,097
Real Estate		
Construction	173,080	180,759
Single family residential	389,257	392,208
Other commercial	592,728	596,517
Total real estate	1,155,065	1,169,484
Commercial		
Commercial	155,970	168,206
Agricultural	65,964	84,866
Financial institutions	4,093	3,885
Total commercial	226,027	256,957
Other	5,883	5,451
Total loans before allowance for loan losses	$1,849,960	$1,874,989

As of March 31, 2010, credit card loans, which are unsecured, were $177,959,000 or 9.6% of total loans, versus $189,154,000, or 10.1% of total loans at December 31, 2009. The credit card loans are diversified by geographic region to reduce credit risk and minimize any adverse impact on the portfolio. Credit card loans are regularly reviewed to facilitate the identification and monitoring of creditworthiness.

At March 31, 2010, and December 31, 2009, impaired loans, net of Government guarantees, totaled $58,518,000 and $46,859,000, respectively. Allocations of the allowance for loan losses relative to impaired loans were $7,178,000 at March 31, 2010, and $8,343,000 at December 31, 2009. During the second quarter of 2009, the Company made adjustments to its methodology in the evaluation of the collectability of loans, which added additional 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. Approximately $516,000 and $64,000 of interest income was recognized on average impaired loans of $56,532,000 and $20,518,000 as of March 31, 2010 and 2009, respectively. Interest recognized on impaired loans on a cash basis during the first three months of 2010 and 2009 was immaterial.

Transactions in the allowance for loan losses are as follows:

(In thousands)	2010	2009
Balance, beginning of year	$25,016	$25,841
Additions		
Provision charged to expense	3,231	2,138
	28,247	27,979
Deductions		
Losses charged to allowance, net of recoveries of $1,363 and $468 for the first three months of 2010 and 2009, respectively	3,200	3,471
Balance, March 31	$25,047	24,508
Additions		
Provision charged to expense		8,178
Deductions		
Losses charged to allowance, net of recoveries of $3,219 for the last nine months of 2009		7,670
Balance, end of year		$25,016

NOTE 4: GOODWILL AND CORE DEPOSIT PREMIUMS

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

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

The carrying basis and accumulated amortization of core deposit premiums (net of core deposit premiums that were fully amortized) at March 31, 2010, and December 31, 2009, were as follows:

(In thousands)	March 31, 2010	December 31, 2009
Gross carrying amount	$6,822	$6,822
Accumulated amortization	(5,254)	(5,053)
Net core deposit premiums	$1,568	$1,769

Core deposit premium amortization expense recorded for the three months ended March 31, 2010 and 2009, was $201,000 and $202,000, respectively. The Company’s estimated amortization expense for the remainder of 2010 is $497,000, and for each of the following four years is: 2011 – $451,000; 2012 – $321,000; 2013 – $268,000; and 2014 – $27,000.

NOTE 5: TIME DEPOSITS

Time deposits include approximately $392,757,000 and $420,537,000 of certificates of deposit of $100,000 or more at March 31, 2010, and December 31, 2009, respectively.

NOTE 6: INCOME TAXES

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

(In thousands)	March 31, 2010	March 31, 2009
Income taxes currently payable	$1,390	$1,046
Deferred income taxes	239	774
Provision for income taxes	$1,629	$1,820

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

(In thousands)	March 31, 2010	December 31, 2009
Deferred tax assets		
Allowance for loan losses	$8,935	$8,859
Valuation of foreclosed assets	99	99
Deferred compensation payable	1,626	1,603
FHLB advances	5	6
Vacation compensation	899	898
Loan interest	194	195
Other	409	385
Total deferred tax assets	12,167	12,045
Deferred tax liabilities		
Accumulated depreciation	(401)	(451)
Deferred loan fee income and expenses, net	(1,390)	(1,310)
FHLB stock dividends	(506)	(503)
Goodwill and core deposit premium amortization	(10,104)	(9,805)
Available-for-sale securities	(313)	(457)
Other	(1,685)	(1,657)
Total deferred tax liabilities	(14,399)	(14,183)
Net deferred tax liabilities included in other liabilities on balance sheets	$(2,232)	$(2,138)

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

(In thousands)	March 31, 2010	March 31, 2009
Computed at the statutory rate (35%)	$2,305	$2,469
Increase (decrease) in taxes resulting from:		
State income taxes, net of federal tax benefit	84	27
Tax exempt interest income	(738)	(647)
Tax exempt earnings on BOLI	(102)	(132)
Other differences, net	80	103
Actual tax provision	$1,629	$1,820

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

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

The Company files income tax returns in the U.S. federal jurisdiction. The Company’s U.S. federal income tax returns are open and subject to examinations from the 2006 tax year and forward. The Company’s various state income tax returns are generally open from the 2003 and later tax return years based on individual state statute of limitations.

NOTE 7: SHORT-TERM AND LONG-TERM DEBT

Long-term debt at March 31, 2010, and December 31, 2009, consisted of the following components:

(In thousands)	March 31, 2010	December 31, 2009
FHLB advances, due 2010 to 2033, 2.02% to 8.41% secured by residential real estate loans	$108,253	$128,893
Trust preferred securities, due 12/30/2033, fixed at 8.25%, callable without penalty	10,310	10,310
Trust preferred securities, due 12/30/2033, floating rate of 2.80% above the three month LIBOR reset quarterly, callable without penalty	10,310	10,310
Trust preferred securities, due 12/30/2033, fixed rate of 6.97% through 2010, thereafter, at a floating rate of 2.80% above the three month LIBOR rate, reset quarterly, callable in 2010 without penalty	10,310	10,310
	$139,183	$159,823

At March 31, 2010, the Company had Federal Home Loan Bank ("FHLB") advances with original maturities of one year or less of $2.0 million with a weighted average rate of 0.65% which are not included in the above table.

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

Aggregate annual maturities of long-term debt at March 31, 2010, are:

(In thousands)	Year	Annual Maturities
	2010	$4,340
	2011	43,855
	2012	6,782
	2013	16,748
	2014	5,078
	Thereafter	62,380
	Total	$139,183

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NOTE 8: CONTINGENT LIABILITIES

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

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

Plaintiffs subsequently filed their Notice of Appeal to the appellate court, lodged the transcript with the Arkansas Supreme Court Clerk, and filed their initial Brief. The Company and South Arkansas have timely filed their Brief in response. The Company seeks affirmance of the Court's dismissal of Plaintiffs' claims. At this time, no basis for any material liability has been identified.

NOTE 9: CAPITAL STOCK

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

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

As part of its strategic focus on building capital, management suspended the Company’s stock repurchase program in July 2008. The Company has made no purchases of its common stock since that time. Under the current stock repurchase plan, the Company can repurchase an additional 645,672 shares. However, because of the recently completed stock offering and based on management’s strategy to retain capital, the Company does not anticipate resuming its stock repurchases during 2010.

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

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

NOTE 10: UNDIVIDED PROFITS

The Company’s subsidiary banks are subject to a legal limitation on dividends that can be paid to the parent company without prior approval of the applicable regulatory agencies. The approval of the Comptroller of the Currency is required, if the total of all dividends declared by a national bank in any calendar year exceeds the total of its net profits, as defined, for that year combined with its retained net profits of the preceding two years. Arkansas bank regulators have specified that the maximum dividend limit state banks may pay to the parent company without prior approval is 75% of current year earnings plus 75% of the retained net earnings of the preceding year. At March 31, 2010, the bank subsidiaries had approximately $11.8 million available for payment of dividends to the Company, without prior approval of the regulatory agencies.

The Federal Reserve Board's risk-based capital guidelines include the definitions for (1) a well-capitalized institution, (2) an adequately-capitalized institution, and (3) an undercapitalized institution. The criteria for a well-capitalized institution are: a 5% "Tier l leverage capital" ratio, a 6% "Tier 1 risk-based capital" ratio, and a 10% "total risk-based capital" ratio. As of March 31, 2010, each of the eight subsidiary banks met the capital standards for a well-capitalized institution. The Company's “total risk-based capital” ratio was 19.96% at March 31, 2010.

NOTE 11: STOCK BASED COMPENSATION

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

The table below summarizes the transactions under the Company's active stock compensation plans for the three months ended March 31, 2010:

	Stock Options Outstanding		Non-Vested Stock Awards Outstanding	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Grant-Date Fair-Value
Balance, January 1, 2010	374,133	$21.78	48,506	$26.96
Granted	--	--	76,345	26.77
Stock Options Exercised	(16,520)	15.60	--	--
Stock Awards Vested	--	--	(4,880)	27.23
Forfeited/Expired	--	--	--	--
Balance, March 31, 2010	357,613	$22.06	119,971	$26.83
Exercisable, March 31, 2010	274,241	$20.03		

The following table summarizes information about stock options under the plans outstanding at March 31, 2010:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$12.13 - $12.13	109,880	1.1	$ 12.13	109,880	$ 12.13
15.35 - 16.32	5,753	2.0	16.12	5,753	16.12
23.78 - 24.50	87,290	4.6	24.05	87,290	24.05
26.19 - 27.67	54,900	6.0	26.20	35,000	26.21
28.42 - 28.42	51,800	6.9	28.42	26,720	28.42
30.31 - 30.31	47,990	8.2	30.31	9,598	30.31

Total stock-based compensation expense was $218,322 and $103,739 during the three months ended March 31, 2010 and 2009, respectively. Stock-based compensation expense is recognized ratably over the requisite service period for all stock-based awards. Unrecognized stock-based compensation expense related to stock options totaled $378,206 at March 31, 2010. At such date, the weighted-average period over which this unrecognized expense is expected to be recognized was 1.30 years. Unrecognized stock-based compensation expense related to non-vested stock awards was $2,921,030 at March 31, 2010. At such date, the weighted-average period over which this unrecognized expense is expected to be recognized was 2.80 years.

Aggregate intrinsic values of outstanding stock options and exercisable stock options at March 31, 2010, were $2.0 million and $2.1 million, respectively. Aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of the period, which was $27.57 as of March 31, 2010, and the exercise price multiplied by the number of options outstanding. The total intrinsic values of stock options exercised during the three months ended March 31, 2010 and 2009, were $197,751 and $288,141, respectively.

NOTE 12: ADDITIONAL CASH FLOW INFORMATION

(In thousands)	Three Months Ended March 31, 2010	2009
Interest paid	$ 7,602	$ 12,123
Income taxes paid	421	--
Transfers of loans to other real estate	10,250	1,815

NOTE 13: OTHER OPERATING EXPENSES

Other operating expenses consist of the following:

(In thousands)	Three Months Ended March 31, 2010	2009
Professional services	$ 1,126	$ 938
Postage	654	623
Telephone	627	528
Credit card expense	1,284	1,273
Operating supplies	321	396
Amortization of core deposit premiums	201	202
Other expense	3,027	3,080
Total other operating expenses	$ 7,240	$ 7,040

NOTE 14: CERTAIN TRANSACTIONS

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

NOTE 15: COMMITMENTS AND CREDIT RISK

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

At March 31, 2010, the Company had outstanding commitments to extend credit aggregating approximately $281,385,000 and $332,978,000 for credit card commitments and other loan commitments, respectively. At December 31, 2009, the Company had outstanding commitments to extend credit aggregating approximately $262,257,000 and $393,437,000 for credit card commitments and other loan commitments, respectively.

Standby letters of credit are conditional commitments issued by the Company, to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The Company had total outstanding letters of credit amounting to $10,376,000 and $10,391,000 at March 31, 2010, and December 31, 2009, respectively, with terms ranging from 90 days to three years. At March 31, 2010, and December 31, 2009, the Company's deferred revenue under standby letter of credit agreements is approximately $18,000 and $46,000, respectively.

NOTE 16: FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the Company adopted ASC Topic 820, Fair Value Measurements and Disclosures. ASC Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

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

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

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

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

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

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

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

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

The following table sets forth the Company's financial assets and liabilities by level within the fair value hierarchy that were measured at fair value on a recurring basis as of March 31, 2010 and December 31, 2009.

		Fair Value Measurements Using		
(In thousands)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2010				
Available-for-sale securities				
U.S. Treasury	$ 4,008	$ --	$ 4,008	$ --
U.S. Government agencies	135,038	--	135,038	--
Mortgage-backed securities	2,996	--	2,996	--
Other securities	14,054	1,503	12,551	--
Assets held in trading accounts	8,521	5,300	3,221	--
December 31, 2009				
Available-for-sale securities				
U.S. Treasury	$ 4,329	$ --	$ 4,329	$ --
U.S. Government agencies	161,524	--	161,524	--
Mortgage-backed securities	2,972	--	2,972	--
Other securities	14,029	1,503	12,526	--
Assets held in trading accounts	6,886	5,350	1,536	--

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

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

Mortgage loans held for sale – Mortgage loans held for sale are reported at fair value if, on an aggregate basis, the fair value of the loans is less than cost. In determining whether the fair value of loans held for sale is less than cost when quoted market prices are not available, the Company may consider outstanding investor commitments, discounted cash flow analyses with market assumptions or the fair value of the collateral if the loan is collateral dependent. Such loans are classified within either Level 2 or Level 3 of the fair value hierarchy. Where assumptions are made using significant unobservable inputs, such loans held for sale are classified as Level 3. At March 31, 2010, and December 31, 2009, the aggregate fair value of mortgage loans held for sale exceeded their cost. Accordingly, no mortgage loans held for sale were marked down and reported at fair value.

The following table sets forth the Company's financial assets and liabilities by level within the fair value hierarchy that were measured at fair value on a non-recurring basis as of March 31, 2010, and December 31, 2009.

		Fair Value Measurements Using		
(In thousands)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2010				
Impaired loans (collateral dependent)	$ 18,944	$ --	$ --	$ 18,944
December 31, 2009				
Impaired loans (collateral dependent)	40,445	--	--	40,445

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, 2010		December 31, 2009	
(In thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	$427,371	$427,371	$353,585	$353,585
Held-to-maturity securities	432,004	435,810	464,061	465,665
Mortgage loans held for sale	6,930	6,930	8,397	8,397
Interest receivable	16,421	16,421	17,881	17,881
Loans, net	1,824,913	1,821,232	1,849,973	1,844,509
Financial liabilities				
Non-interest bearing transaction accounts	385,495	385,495	363,154	363,154
Interest bearing transaction accounts and savings deposits	1,167,836	1,167,836	1,156,264	1,156,264
Time deposits	874,938	876,958	912,754	914,977
Federal funds purchased and securities sold under agreements to repurchase	131,750	131,750	105,910	105,910
Short-term debt	3,263	3,263	3,640	3,640
Long-term debt	139,183	152,822	159,823	173,847
Interest payable	2,285	2,285	2,712	2,712

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying condensed consolidated balance sheet of SIMMONS FIRST NATIONAL CORPORATION as of March 31, 2010, and the related condensed consolidated statements of income for the three month periods ended March 31, 2010 and 2009 and statements of stockholders' equity and cash flows for the three month periods ended March 31, 2010 and 2009. 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, 2009, 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 2, 2010, 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, 2009, 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 6, 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, 2010, was $5.0 million, a decrease of $280,000, or 5.4%, from the same period in 2009. As expected, primarily due to our equity offering completed in December 2009, our diluted earnings per share were $0.29 for the three months ended March 31, 2010, compared to $0.37 for the same period in 2009.

While the $70.5 million net proceeds from the secondary stock offering were dilutive to earnings per share by approximately $0.05 for the quarter ended March 31, 2010, we believe we are strategically positioned to leverage our strong capital position to grow through acquisitions. The disruptions in the financial markets continue to create opportunities for strong financial institutions to acquire selected assets and deposits of failed banks through FDIC-assisted transactions on attractive terms. While there have been few opportunities to date meeting our strategic guidelines, our near term acquisition strategy remains focused on such transactions. As is our history, we will be very deliberate and disciplined dealing with acquisition opportunities.

Although the general state of the national economy remains volatile, and despite the challenges in housing and commercial real estate markets, we continue to maintain relatively good asset quality. The allowance for loan losses as a percent of total loans was 1.35% as of March 31, 2010. Non-performing loans equaled 0.83% of total loans. Non-performing assets were 1.10% of total assets, down 2 basis points from year end. The allowance for loan losses was 164% of non-performing loans. Our annualized net charge-offs to total loans for the first quarter of 2010 was 0.70%. Excluding credit cards, the annualized net charge-offs to total loans for the first quarter was 0.48%. Annualized net credit card charge-offs to total credit card loans for the first quarter were 2.71%, compared to 2.61% during the full year 2009, yet more than 800 basis points below the most recently published credit card charge-off industry average. The Company does not own any securities backed by subprime mortgage assets, and offers no mortgage loan products that target subprime borrowers.

Total assets for the Company at March 31, 2010, were $3.097 billion, an increase of $4.2 million, or 0.14%, from December 31, 2009. Stockholders’ equity as of March 31, 2010 was $373.3 million, an increase of $2.0 million, or approximately 0.5%, from December 31, 2009.

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. The Company's eight banks conduct financial operations from 88 offices, of which 84 are financial centers, located in 47 communities.

Efficiency Initiatives

We previously reported that we hired a consultant to help us identify and implement revenue enhancements, process improvements and branch staff level adjustments. The project is nearing completion and we have begun to implement the recommendations. We currently estimate a total annual benefit from the efficiency initiative of approximately $5 million before tax. Approximately one-third of the benefit is projected from revenue enhancements with the remainder from non-interest expense savings. We have assured our associates that no one will lose their job as a result of this initiative, as all positions impacted will be eliminated through attrition. Therefore, we will not recognize the full annual benefit immediately. Instead, we expect to achieve these annual benefits in increments of approximately 20%, or $1 million, in 2010; 60%, or $3 million in 2011; and the full $5 million in 2012 and each year thereafter.

As part of our branch right sizing initiative, and after much deliberation and analysis, we announced in March the decision to close or consolidate nine financial centers in June, primarily smaller branches in rural areas. When complete, we will have 75 financial centers, still one of the best footprints in Arkansas. As a result of these closings, we estimate a one-time, nonrecurring charge of $0.02 to $0.03 to diluted earnings per share for the quarter ended June 30, 2010. Again staff reductions will be realized through attrition and associates at the affected branches will be reassigned to other locations. We project annual non-interest expense savings of approximately $900,000 before tax, and hope to achieve 40% of that benefit in 2010, beginning in the third quarter. Our branch right sizing initiative has been under way for some time. Over the last several years we have added numerous new financial centers, closed several and relocated others. We will continue our efforts to manage our product delivery system in the most efficient manner possible.

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) the valuation of goodwill and the useful lives applied to intangible assets, (c) the valuation of employee benefit plans and (d) 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.

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 11, 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 37.50%.

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. However, due to the extremely low interest rate environment, approximately 66% and 86% of our loans and time deposits, respectively, are scheduled to reprice within one year from as of March 31, 2010.

Net Interest Income

For the three month period ended March 31, 2010, net interest income on a fully taxable equivalent basis was $25.7 million, an increase of $1.2 million, or 4.7%, over the same period in 2009. The increase in net interest income was the result of a $4.3 million decrease in interest expense offset by a $3.2 million decrease in interest income.

The $4.3 million decrease in interest expense is the result of a 77 basis point decrease in cost of funds due to competitive repricing during a falling interest rate environment, coupled with a shift in our mix of interest bearing deposits. The lower interest rates accounted for a $3.9 million decrease in interest expense. The most significant component of this decrease was the $2.5 million decrease associated with the repricing of the Company's time deposits that resulted from time deposits that matured during the period or were tied to a rate that fluctuated with changes in market rates. As a result, the average rate paid on time deposits decreased 113 basis points from 2.89% to 1.76%. Lower rates on interest bearing transaction and savings accounts resulted in an additional $1.3 million decrease in interest expense, with the average rate decreasing by 46 basis points from 0.99% to 0.53%. Although the level of average total interest bearing liabilities increased slightly by $114,000, interest expense due to volume decreased by $400,000 as a result of a change in deposit mix (higher costing time deposits declined while lower costing transaction accounts increased).

The $3.3 million decrease in interest income primarily is the result of a 67 basis point decrease in yield on earning assets associated with the repricing to a lower interest rate environment, partially offset by a $109.4 million increase in average interest earning assets. The lower interest rates accounted for a $2.2 million decrease in interest income. The most significant component of this decrease was a $1.5 million decrease associated with the repricing of our investment securities portfolio. As a result, the average rate earned on the securities portfolio decreased 62 basis points from 4.28% to 3.66%. Although the level of average interest earning assets increased by $109 million, interest income due to volume decreased by $924,000 as a result of a change in asset mix (higher yielding loans and investments declined while lower yielding balances due from banks increased). The decrease in average loans accounted for $778,000 of this decrease, while the decline in investment securities resulted in $232,000 of the decrease. The increase in balances due from banks was due to our 2008 and 2009 initiative to increase liquidity, along with our secondary stock offering completed in December 2009 which provided approximately $70.5 million in net proceeds.

Net Interest Margin

Our net interest margin increased 3 basis points to 3.71% for the three month period ended March 31, 2010, when compared to 3.68% for the same period in 2009. Based on our current interest rate risk pricing model, we anticipate a relatively flat margin during 2010 in the current rate environment. However, we are positioned for margin improvement when interest rates begin to rise.

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, 2010 and 2009, respectively, as well as changes in fully taxable equivalent net interest margin for the three month periods ended March 31, 2010, versus March 31, 2009.

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

($ in thousands)	Period Ended March 31, 2010		Period Ended March 31, 2009	
Interest income	$31,586		$34,893	
FTE adjustment	1,266		1,126	
Interest income – FTE	32,852		36,019	
Interest expense	7,174		11,500	
Net interest income – FTE	$25,678		$24,519	
Yield on earning assets – FTE	4.74	%	5.41	%
Cost of interest bearing liabilities	1.25	%	2.02	%
Net interest spread – FTE	3.49	%	3.39	%
Net interest margin – FTE	3.71	%	3.68	%

Table 2: Changes in Fully Taxable Equivalent Net Interest Margin

(In thousands)		March 31, 2010 vs. 2009	
Decrease due to change in earning assets	$	(924	)
Decrease due to change in earning asset yields		(2,243	)
Increase due to change in interest bearing liabilities		400	
Increase due to change in interest rates paid on interest bearing liabilities		3,926	
Increase in net interest income	$	1,159	

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, 2010 and 2009. 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,					
	2010			2009		
($ in thousands)	Average Balance	Income/ Expense	Yield/ Rate(%)	Average Balance	Income/ Expense	Yield/ Rate(%)
ASSETS						
Earning Assets						
Interest bearing balances due from banks	$ 290,990	$ 191	0.27	$ 54,057	$ 78	0.59
Federal funds sold	1,015	4	1.60	486	1	0.83
Investment securities - taxable	432,736	2,447	2.29	537,030	4,662	3.52
Investment securities - non-taxable	207,507	3,334	6.52	172,718	2,824	6.63
Mortgage loans held for sale	5,815	70	4.88	13,731	158	4.67
Assets held in trading accounts	6,968	2	0.12	4,213	5	0.48
Loans	1,863,850	26,804	5.83	1,917,251	28,291	5.98
Total interest earning assets	2,808,881	32,852	4.74	2,699,486	36,019	5.41
Non-earning assets	276,220			249,877		
Total assets	$ 3,085,101			$ 2,949,363		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities						
Interest bearing liabilities						
Interest bearing transaction and savings accounts	$ 1,166,643	$ 1,518	0.53	$ 1,052,635	$ 2,569	0.99
Time deposits	900,740	3,919	1.76	973,387	6,934	2.89
Total interest bearing deposits	2,067,383	5,437	1.07	2,026,022	9,503	1.90
Federal funds purchased and securities sold under agreement to repurchase	114,376	149	0.53	119,846	243	0.82

Other borrowed funds						
Short-term debt	3,751	15	1.62	1,695	6	1.44
Long-term debt	145,387	1,573	4.39	160,692	1,748	4.41
Total interest bearing liabilities	2,330,897	7,174	1.25	2,308,255	11,500	2.02
Non-interest bearing liabilities						
Non-interest bearing deposits	357,483			327,250		
Other liabilities	21,386			21,000		
Total liabilities	2,709,766			2,656,505		
Stockholders' equity	375,335			292,758		
Total liabilities and stockholders' equity	$ 3,085,101			$ 2,949,263		
Net interest spread			3.49			3.39
Net interest margin		$ 25,678	3.71		$ 24,519	3.68

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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, 2010, as compared to the same period of the prior year. The changes in interest rate and volume have been allocated to changes in average volume and changes in average rates in proportion to the relationship of absolute dollar amounts of the changes in rates and volume.

Table 4: Volume/Rate Analysis

(In thousands, on a fully taxable equivalent basis)	Period Ended March 31 2010 over 2009 Volume	Yield/ Rate	Total
Increase (decrease) in			
Interest income			
Interest bearing balances due from banks	$177	$(64)	$113
Federal funds sold	1	2	3
Investment securities - taxable	(792)	(1,423)	(2,215)
Investment securities - non-taxable	560	(50)	510
Mortgage loans held for sale	(95)	7	(88)
Assets held in trading accounts	3	(6)	(3)
Loans	(778)	(709)	(1,487)
Total	(924)	(2,243)	(3,167)
Interest expense			
Interest bearing transaction and savings accounts	254	(1,305)	(1,051)
Time deposits	(485)	(2,530)	(3,015)
Federal funds purchased and securities sold under agreements to repurchase	(11)	(83)	(94)
Other borrowed funds			
Short-term debt	8	1	9
Long-term debt	(166)	(9)	(175)
Total	(400)	(3,926)	(4,326)
Increase (decrease) in net interest income	$(524)	$1,683	$1,159

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, 2010, was $3.2 million, compared to $2.1 million for the three month period ended March 31, 2009, an increase of $1.1 million. The provision increase was primarily due to an increase in net loan charge-offs, an increase in non-performing loans and a continued deterioration in the real estate market in the Northwest Arkansas region. See Allowance for Loan Losses section for additional information.

NON-INTEREST INCOME

Total non-interest income was $12.2 million for the three month period ended March 31, 2010, an increase of $741,000, or 6.5%, compared to $11.5 million for the same period in 2009. 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, 2010 and 2009, respectively, as well as changes in 2010 from 2009.

Table 5: Non-Interest Income

(In thousands)	Period Ended March 31 2010	2009	2010 Change from 2009	
Trust income	$1,250	$1,326	$(76)	-5.73 %
Service charges on deposit accounts	4,301	3,727	574	15.40
Other service charges and fees	779	746	33	4.42
Income on sale of mortgage loans, net of commissions	603	1,039	(436)	-41.96
Income on investment banking, net of commissions	605	411	194	47.20
Credit card fees	3,677	3,153	524	16.62
Premiums on sale of student loans	--	--	--	--
Bank owned life insurance income	290	378	(88)	-23.28
Other income	695	679	16	2.36
Total non-interest income	$12,200	$11,459	$741	6.47 %

Recurring fee income for the three month period ended March 31, 2010, was $10.0 million, an increase of $1.1 million from the three month period ended March 31, 2009. Service charges on deposit accounts increased by $574,000, or 15.4%, due primarily to changes in our fee structure, along with core deposit growth. Credit card fees increased $524,000, or 16.6%, primarily due to a higher volume of credit and debit card transactions. Trust income decreased by $76,000, or 5.7%, primarily due to the sharp decline seen in our money fund shareholder service fees in the corporate trust area as money market rates have gone to near zero.

Income on sale of mortgage loans decreased by $436,000, or 42.0%, for the three months ended March 31, 2010, compared to the same period in 2009. This decline was primarily due to a combination of higher interest rates and the recession in general, resulting in fewer refinancings.

Income on investment banking increased $194,000, or 47.2%, for the three months ended March 31, 2010, over the same periods in 2009, primarily due to a volume-driven revenue increase in dealer-bank operations.

We recorded no income from premiums on sale of student loans for the three months ended March 31, 2010 and 2009, 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. Later this year, we plan to sell our loans originated for this school year to the government, resulting in projected premiums of approximately $500,000 and $2.0 million during the quarters ended June 30 and September 30, 2010, respectively. See Loan Portfolio section for additional information.

There were no gains or losses on sale of securities during the three months ended March 31, 2010 or 2009.

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, 2010, was $26.8 million, an increase of $1.1 million, or 4.4% from the same period in 2009.

Deposit insurance expense increased by $422,000 in the first quarter of 2010, a 79% increase from the same quarter of 2009. The increase in deposit insurance expense was primarily due to increases in the fee assessment rates and the exhaustion of available credits to offset assessments during 2009.

Fees paid for professional services for the three months ended March 31, 2010, increased by $188,000, or 20%, from the same period in 2009. The increase in professional services, which consist of audit, accounting, legal and consulting fees, was primarily due to our ongoing efficiency initiatives. See the section titled Efficiency Initiatives in the Overview for additional information.

Table 6 below shows non-interest expense for the three month period ended March 31, 2010 and 2009, respectively, as well as changes in 2010 from 2009.

Table 6: Non-Interest Expense

(In thousands)	Period Ended March 31 2010	2009	2010 Change from 2009	
Salaries and employee benefits	$ 15,166	$ 14,583	$ 583	4.00 %
Occupancy expense, net	1,882	1,889	(7)	-0.37
Furniture and equipment expense	1,495	1,543	(48)	-3.11
Loss on foreclosed assets	58	70	(12)	-17.14
Deposit insurance	955	533	422	79.17
Other operating expenses:				
Professional services	1,126	938	188	20.04
Postage	654	623	31	4.98
Telephone	627	528	99	18.75
Credit card expenses	1,284	1,273	11	0.86
Operating supplies	321	396	(75)	-18.94
Amortization of core deposits	201	202	(1)	-0.50
Other expense	3,027	3,080	(53)	-1.72
Total non-interest expense	$ 26,796	$ 25,658	$ 1,138	4.44 %

LOAN PORTFOLIO

Our loan portfolio averaged $1.864 billion and $1.917 billion during the first three months of 2010 and 2009, respectively. As of March 31, 2010, total loans were $1.850 billion, a decrease of $25.0 million from December 31, 2009. 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.

Consumer loans consist of credit card loans, student loans and other consumer loans. Consumer loans were $463.0 million at March 31, 2010, or 25.0% of total loans, compared to $443.0 million, or 23.6% of total loans at December 31, 2009. The consumer loan increase from December 31, 2009, to March 31, 2010, is primarily due to the increase in the loans held in the student loan portfolio resulting from the current lack of a secondary market, offset somewhat by the seasonal decline in our credit card portfolio and a decline in indirect consumer loans.

The student loan portfolio balance at March 31, 2010, was $153.3 million, compared to $114.3 million at December 31, 2009, an increase of $39.0 million, or 34.1%. The significant increase was due to the lack of a secondary market for student loans.

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 finalized during the first quarter has eliminated the private sector from providing student loans after the 2009 - 2010 school year. Therefore, we will no longer be a provider of student loans after June 30, 2010.

As for our current student loan portfolio, we plan to sell the loans we originated during this school year under the program established in 2008 in which the government will purchase the loans at par plus a premium. Sales of these loans during the second and third quarter of 2010 will leave approximately $65 - $70 million of student loans in our portfolio that will not qualify for the government purchase program. We currently plan to continue servicing the remaining student loans.

Real estate loans consist of construction loans, single-family residential loans and commercial real estate loans. Real estate loans were $1.155 billion at March 31, 2010, or 62.4% of total loans, compared to the $1.169 billion, or 62.4% of total loans at December 31, 2009. Our construction and development ("C&D") loans decreased by $7.7 million, or 4.3%, 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 9.4% of our loan portfolio and, CRE loans (excluding C&D) represent 32.0% of our loan portfolio, both of which compare very favorably to our peers.

Commercial loans consist of commercial loans, agricultural loans and loans to financial institutions. Commercial loans were $226.0 million at March 31, 2010, or 12.2% of total loans, compared to $257.0 million, or 13.7% of total loans at December 31, 2010. The commercial loan decrease is primarily due to seasonality in the agricultural loan portfolio and to soft loan demand throughout Arkansas.

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

Table 7: Loan Portfolio

(In thousands)	March 31, 2010	December 31, 2009
Consumer		
Credit cards	$177,959	$189,154
Student loans	153,291	114,296
Other consumer	131,735	139,647
Total consumer	462,985	443,097
Real Estate		
Construction	173,080	180,759
Single family residential	389,257	392,208
Other commercial	592,728	596,517
Total real estate	1,155,065	1,169,484
Commercial		
Commercial	155,970	168,206
Agricultural	65,964	84,866
Financial institutions	4,093	3,885
Total commercial	226,027	256,957
Other	5,883	5,451
Total loans before allowance for loan losses	$1,849,960	$1,874,989

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, with the banking industry no longer able to access the secondary market, and because the temporary federal government program only purchases student loans originated in the current year, we are 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 $2.5 million of Government guaranteed student loans became over 90 days past due during the quarter ending March 31, 2010. 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.

Foreclosed assets held for sale increased by $9.6 million from December 31, 2009, to March 31, 2010, as we continue to aggressively manage our non-performing assets. The majority of the increase was attributable to our acceptance of a deed in lieu of foreclosure for an $8.1 million motel loan in the Northwest Arkansas region, previously in nonaccrual status. We recorded the property at $6.7 million, with the difference charged-off through our allowance for loan losses. This transaction is also the primary reason our nonaccrual loans decreased by $10.3 million from year end. Total non-performing assets declined slightly from December 31, 2009.

Table 8 presents information concerning non-performing assets, including nonaccrual and other real estate owned.

Table 8: Non-performing Assets

($ in thousands)	March 31, 2010		December 31, 2009	
Nonaccrual loans	$ 11,719		$ 21,994	
Loans past due 90 days or more (principal or interest payments):				
Government guaranteed student loans (1)	2,464		1,939	
Other loans	1,132		1,383	
Total loans past due 90 days or more	3,596		3,322	
Total non-performing loans	15,315		25,316	
Other non-performing assets:				
Foreclosed assets held for sale	18,744		9,179	
Other non-performing assets	15		20	
Total other non-performing assets	18,759		9,199	
Total non-performing assets	$ 34,074		$ 34,515	
Allowance for loan losses to non-performing loans	163.55	%	98.81	%
Non-performing loans to total loans	0.83	%	1.35	%
Non-performing loans to total loans (excluding Government guaranteed student loans) (1)	0.70	%		