SIMMONS FIRST NATIONAL CORP
Form 10-Q
May 09, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 2016 Commission File Number 000-06253

SIMMONS FIRST NATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

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

870-541-1000

(Registrant's telephone number, including area code)

Not Applicable

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

The number of shares outstanding of the Registrant's Common Stock as of April 27, 2016, was 30,324,621.

Simmons First National Corporation

Quarterly Report on Form 10-Q

March 31, 2016

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Part I: Financial Information

Item 1. Financial Statements (Unaudited)

Simmons First National Corporation

Consolidated Balance Sheets

March 31, 2016 and December 31, 2015

(In thousands, except share data)	March 31, 2016 (Unaudited)	December 31, 2015
ASSETS		
Cash and non-interest bearing balances due from banks	$118,468	$97,656
Interest bearing balances due from banks	100,593	154,606
Federal funds sold	4,000	--
Cash and cash equivalents	223,061	252,262
Interest bearing balances due from banks - time	11,188	14,107
Investment securities		
Held-to-maturity	674,502	705,373
Available-for-sale	857,673	821,407
Total investments	1,532,175	1,526,780
Mortgage loans held for sale	24,563	30,265
Assets held in trading accounts	7,074	4,422
Loans:		
Legacy loans	3,472,691	3,246,454
Allowance for loan losses	(32,681)	(31,351)
Loans acquired, net of discount and allowance	1,457,370	1,672,901
Net loans	4,897,380	4,888,004
Premises and equipment	192,327	193,618
Premises held for sale	2,364	923
Foreclosed assets	41,126	44,820
Interest receivable	23,545	25,793
Bank owned life insurance	130,092	131,536
Goodwill	327,686	327,686
Other intangible assets	51,783	53,237
Other assets	72,589	66,205
Total assets	$7,536,953	$7,559,658
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing transaction accounts	$1,274,816	$1,280,234
Interest bearing transaction accounts and savings deposits	3,524,808	3,485,845
Time deposits	1,280,151	1,320,017

Total deposits	6,079,775	6,086,096
Federal funds purchased and securities sold under agreements to repurchase	97,429	99,398
Other borrowings	176,829	162,289
Subordinated debentures	60,077	60,570
Accrued interest and other liabilities	50,859	74,450
Total liabilities	6,464,969	6,482,803
Stockholders' equity:		
Preferred stock, 40,040,000 shares authorized; Series A, $0.01 par value, $1,000 liquidation value per share; 30,852 shares issued and outstanding at December 31, 2015	--	30,852
Common stock, Class A, $0.01 par value; 120,000,000 shares authorized; 30,324,499 and 30,278,432 shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively	303	303
Surplus	665,850	662,378
Undivided profits	402,265	385,987
Accumulated other comprehensive income (loss)	3,566	(2,665)
Total stockholders' equity	1,071,984	1,076,855
Total liabilities and stockholders' equity	$7,536,953	$7,559,658

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation

Consolidated Statements of Income

Three Months Ended March 31, 2016 and 2015

(In thousands, except per share data)	Three Months Ended March 31, 2016	2015
	(Unaudited)	
INTEREST INCOME		
Loans	$66,678	$50,986
Federal funds sold	10	29
Investment securities	8,506	5,879
Mortgage loans held for sale	278	148
Assets held in trading accounts	6	3
Interest bearing balances due from banks	144	210
TOTAL INTEREST INCOME	75,622	57,255
INTEREST EXPENSE		
Deposits	3,654	2,944
Federal funds purchased and securities sold under agreements to repurchase	65	64
Other borrowings	1,128	1,051
Subordinated debentures	543	234
TOTAL INTEREST EXPENSE	5,390	4,293
NET INTEREST INCOME	70,232	52,962
Provision for loan losses	2,823	1,171
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	67,409	51,791
NON-INTEREST INCOME		
Trust income	3,631	2,251
Service charges on deposit accounts	7,316	6,363
Other service charges and fees	1,909	1,666
Mortgage lending income	3,792	2,262
Investment banking income	687	894
Debit and credit card fees	7,200	5,648
Bank owned life insurance income	997	572
Gain (loss) on sale of securities	329	(38)
Net loss on assets covered by FDIC loss share agreements	--	(2,671)
Other income	3,642	1,390
TOTAL NON-INTEREST INCOME	29,503	18,337
NON-INTEREST EXPENSE		
Salaries and employee benefits	34,773	26,610
Occupancy expense, net	4,471	3,557

Furniture and equipment expense	3,947	3,268
Other real estate and foreclosure expense	966	381
Deposit insurance	1,148	870
Merger related costs	93	10,419
Other operating expenses	16,391	12,106
TOTAL NON-INTEREST EXPENSE	61,789	57,211
INCOME BEFORE INCOME TAXES	35,123	12,917
Provision for income taxes	11,618	4,182
NET INCOME	23,505	8,735
Preferred stock dividends	24	26
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	$23,481	$8,709
BASIC EARNINGS PER SHARE	$0.77	$0.39
DILUTED EARNINGS PER SHARE	$0.77	$0.39

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation

Consolidated Statements of Comprehensive Income

Three Months Ended March 31, 2016 and 2015

(In thousands)	Three Months Ended March 31, 2016	2015
	(Unaudited)	
NET INCOME	$23,505	$8,735
OTHER COMPREHENSIVE INCOME		
Unrealized holding gains arising during the period on available-for-sale securities	10,582	5,213
Less: Reclassification adjustment for realized gains (losses) included in net income	329	(38)
Other comprehensive gain, before tax effect	10,253	5,251
Less: Tax effect of other comprehensive gain	4,022	2,060
TOTAL OTHER COMPREHENSIVE INCOME	6,231	3,191
COMPREHENSIVE INCOME	$29,736	$11,926

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation

Consolidated Statements of Cash Flows

Three Months Ended March 31, 2016 and 2015

(In thousands)	March 31, 2016 (Unaudited)	March 31, 2015
OPERATING ACTIVITIES		
Net income	$23,505	$8,735
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,087	3,001
Provision for loan losses	2,823	1,171
(Gain) loss on sale of available-for-sale securities	(329)	38
Net (accretion) of investment securities and assets not covered by FDIC loss share	(10,991)	(5,960)
Net amortization on borrowings	101	--
Stock-based compensation expense	706	485
Net accretion on assets covered by FDIC loss share	--	(184)
Deferred income taxes	108	(1,578)
Increase in cash surrender value of bank owned life insurance	(997)	(572)
Originations of mortgage loans held for sale	(122.123)	(122,329)
Proceeds from sale of mortgage loans held for sale	127,825	118,081
Changes in assets and liabilities:		
Interest receivable	2,248	1,787
Assets held in trading accounts	(2,652)	459
Other assets	(6,399)	3,444
Accrued interest and other liabilities	(24,666)	2,599
Income taxes payable	1,546	7,912
Net cash (used in) provided by operating activities	(5,208)	17,089
INVESTING ACTIVITIES		
Net (originations) collections of loans not covered by FDIC loss share	(6,196)	13,522
Net collections of loans covered by FDIC loss share	--	6,440
Decrease in due from banks - time	2,919	--
Purchases of premises and equipment, net	(2,782)	(3,454)
Proceeds from sale of foreclosed assets held for sale	5,768	3,916
Proceeds from sale of foreclosed assets held for sale, covered by FDIC loss share	--	829
Proceeds from sale of available-for-sale securities	47,191	162
Proceeds from maturities of available-for-sale securities	18,681	32,489
Purchases of available-for-sale securities	(92,592)	(52,591)
Proceeds from maturities of held-to-maturity securities	36,961	168,621
Purchases of held-to-maturity securities	(6,162)	(5,265)
Proceeds from bank owned life insurance death benefits	1,876	--
Cash received on FDIC loss share	--	3,980
Cash received in business combinations, net of cash paid	--	201,029
Net cash (used in) provided by operating activities	5,664	369,678

FINANCING ACTIVITIES		
Net change in deposits	(6,321)	3,214
Repayments of subordinated debentures	(594)	--
Dividends paid on preferred stock	(24)	(26)
Dividends paid on common stock	(7,203)	(6,377)
Net change in other borrowed funds	14,540	(20,367)
Net change in federal funds purchased and securities sold under agreements to repurchase	(1,969)	(15,332)
Net shares issued under stock compensation plans	2,766	2,040
Redemption of preferred stock	(30,852)	--
Net cash used in financing activities	(29,657)	(36,848)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(29,201)	349,919
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	252,262	335,909
CASH AND CASH EQUIVALENTS, END OF PERIOD	$223,061	$685,828

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation

Consolidated Statements of Stockholders' Equity

Three Months Ended March 31, 2016 and 2015

(In thousands, except share data)	Preferred Stock	Common Stock	Surplus	Accumulated Other Comprehensive Income (Loss)	Undivided Profits	Total
Balance, December 31, 2014	$--	$ 181	$156,568	$ (1,336)	$338,906	$494,319
Comprehensive income:						
Net income	--	--	--	--	8,735	8,735
Change in unrealized depreciation on available-for-sale securities, net of income taxes of $2,060	--	--	--	3,191	--	3,191
Comprehensive income						11,926
Stock issued as bonus shares – 56,600 shares	--	1	1,564	--	--	1,565
Vesting bonus shares, net of forfeitures – (9,500 shares)	--	--	384	--	--	384
Stock issued for employee stock purchase plan – 6,528 shares	--	--	226	--	--	226
Exercise of stock options – 10,410 shares	--	--	280	--	--	280
Stock granted under stock-based compensation plans	--	--	101	--	--	101
Securities exchanged under stock option plan – (745 shares)	--	--	(31)	--	--	(31)
Stock issued for Community First acquisition – 30,852 preferred shares: 6,552,915 common shares	30,852	65	268,277	--	--	299,194
Stock issued for Liberty Bank acquisition – 5,181,337 common shares	--	52	212,124	--	--	212,176
Dividends on preferred stock	--	--	--	--	(26)	(26)
Dividends on common stock – $0.23 per share	--	--	--	--	(6,377)	(6,377)
Balance, March 31, 2015 (Unaudited)	30,852	299	639,493	1,855	341,238	1,013,737
Comprehensive income:						
Net income	--	--	--	--	65,629	65,629
Change in unrealized depreciation on available-for-sale securities, net of income taxes of ($2,917)	--	--	--	(4,520)	--	(4,520)
Comprehensive income	--	--	--	--	--	61,109
Stock issued as bonus shares – 38,920 shares	--	--	268	--	--	268
Vesting bonus shares, net of forfeitures – (7,164 shares)	--	--	2,168	--	--	2,168
Exercise of stock options – 60,958 shares	--	1	1,331	--	--	1,332

Stock granted under stock-based compensation plans	--	--	1,365	--	--	1,365
Securities exchanged under stock option plan – (3,605 shares)	--	--	(111)	--	--	(111)
Stock issued for Ozark Trust acquisition – 339,290 common shares	--	3	17,864	--	--	17,867
Dividends on preferred stock					(231)	(231)
Cash dividends – $0.69 per share	--	--	--	--	(20,649)	(20,649)
Balance, December 31, 2015	30,852	303	662,378	(2,665)	385,987	1,076,855
Comprehensive income:						
Net income	--	--	--	--	23,505	23,505
Change in unrealized depreciation on available-for-sale securities, net of income taxes of $4,022	--	--	--	6,231	--	6,231
Comprehensive income						29,736
Stock issued as bonus shares – 76,255 shares	--	1	3,619	--	--	3,620
Vesting bonus shares, net of forfeitures – (46,495 shares)	--	(1)	(941)	--	--	(942)
Stock issued for employee stock purchase plan – 6,002 shares	--	--	231	--	--	231
Exercise of stock options – 10,305 shares	--	--	244	--	--	244
Stock granted under stock-based compensation plans	--	--	319	--	--	319
Preferred stock redeemed	(30,852)	--	--	--	--	(30,852)
Dividends on preferred stock	--	--	--	--	(24)	(24)
Dividends on common stock – $0.24 per share	--	--	--	--	(7,203)	(7,203)
Balance, March 31, 2016 (Unaudited)	$--	$ 303	$665,850	$ 3,566	$402,265	$1,071,984

See Condensed Notes to Consolidated Financial Statements.

SIMMONS FIRST NATIONAL CORPORATION

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1: BASIS OF PRESENTATION

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

All adjustments made to the unaudited financial statements were of a normal recurring nature. In the opinion of management, all adjustments necessary for a fair presentation of the results of interim periods have been made. Certain prior year amounts are reclassified to conform to current year classification. The consolidated balance sheet of the Company as of December 31, 2015, has been derived from the audited consolidated balance sheet of the Company as of that date. The results of operations for the period are not necessarily indicative of the results to be expected for the full year.

Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-K Annual Report for 2015 filed with the U.S. Securities and Exchange Commission (the "SEC").

Recently Issued Accounting Pronouncements

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

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

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

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

ASU 2015-14 – *Revenue from Contracts with Customers: Deferral of the Effective Date* (“ASU 2015-14”). ASU 2015-14 is an update to the effective date in ASU 2014-09 – Revenue from Contracts with Customers (“ASU 2014-09”). ASU2014-09 provides guidance that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2015-14 is effective prospectively, for annual and interim periods, beginning after December 15, 2017. The Company is currently evaluating the impact this standard will have on the Company’s results of operations, financial position or disclosures.

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

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

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

Acquisition Accounting, Acquired Loans

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

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

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

Covered Loans and Related Indemnification Asset

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

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

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

Earnings Per Common Share ("EPS")

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

Following is the computation of earnings per common share for the three months ended March 31, 2016 and 2015:

(In thousands, except per share data)	2016	2015
Net income available to common shareholders	$23,481	$8,709
Average common shares outstanding	30,326	22,258
Average potential dilutive common shares	156	92
Average diluted common shares	30,482	22,350
Basic earnings per common share	$0.77	$0.39
Diluted earnings per common share	$0.77	$0.39

NOTE 2: ACQUISITIONS

Liberty Bancshares, Inc.

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

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

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

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

(In thousands)	Acquired from Liberty	Fair Value Adjustments	Fair Value
Assets Acquired			
Cash and due from banks, including time deposits	$102,637	$(14)	$102,623
Federal funds sold	7,060	--	7,060
Investment securities	99,123	(335)	98,788
Loans acquired, not covered by FDIC loss share	790,493	(9,835)	780,658
Allowance for loan losses	(10,422)	10,422	--
Premises and equipment	34,239	(3,215)	31,024
Bank owned life insurance	16,972	--	16,972
Core deposit intangible	699	13,857	14,556
Other intangibles	3,063	(3,063)	--
Other assets	17,703	(3,112)	14,591
Total assets acquired	$1,061,567	$4,705	$1,066,272
Liabilities Assumed			
Deposits:			
Non-interest bearing transaction accounts	$146,618	$--	$146,618
Interest bearing transaction accounts and savings deposits	543,183	--	543,183
Time deposits	184,913	--	184,913
Total deposits	874,714	--	874,714
FHLB borrowings	46,128	223	46,351
Subordinated debentures	20,620	(510)	20,110
Accrued interest and other liabilities	7,828	300	8,128
Total liabilities assumed	949,290	13	949,303
Equity	112,277	(112,277)	--
Total equity assumed	112,277	(112,277)	--
Total liabilities and equity assumed	$1,061,567	$(112,264)	$949,303
Net assets acquired			116,969
Purchase price			212,176
Goodwill			$95,207

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

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

Investment securities – Investment securities were acquired with an adjustment to fair value based upon quoted market prices.

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

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

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

Goodwill – The consideration paid as a result of the acquisition exceeded the fair value of the assets acquired, resulting in an intangible asset, goodwill, of $95.2 million.

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

Other assets – The fair value adjustment results from certain assets whose value was estimated to be less than book value, such as certain prepaid assets, receivables and other miscellaneous assets. The deferred tax asset, included in other assets, is based on 39.225% of fair value adjustments related to the acquired assets and assumed liabilities and on a calculation of future tax benefits. The Company also recorded Liberty's remaining deferred tax assets and liabilities as of the acquisition date.

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

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

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

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

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

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

Community First Bancshares, Inc.

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

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

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

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

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

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

Cash and due from banks and federal funds sold – The carrying amount of these assets is a reasonable estimate of fair value based on the short-term nature of these assets.

Investment securities – Investment securities were acquired with an adjustment to fair value based upon quoted market prices.

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

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

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

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

Goodwill – The consideration paid as a result of the acquisition exceeded the fair value of the assets acquired, resulting in an intangible asset, goodwill, of $110.4 million. Goodwill established prior to the acquisition was written off.

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

Other intangibles – This intangible asset represents the value of the relationships that Community First's insurance subsidiary had with their customers. The fair value of this intangible asset was estimated based on a combination of discounted cash flow methodology and a market valuation approach.

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

Other assets – The carrying amount of these assets was deemed to be a reasonable estimate of fair value.

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

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

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

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

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

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

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

Ozark Trust & Investment Corporation

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

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

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

(In thousands)	Acquired from Ozark Trust	Fair Value Adjustments	Fair Value
Assets Acquired			
Cash	$ 1,756	$ --	$ 1,756
Investment securities	241	--	241
Premises and equipment	1,126	418	1,544
Other intangibles	--	9,733	9,733
Other assets	752	--	752
Total assets acquired	$ 3,875	$ 10,151	$ 14,026
Liabilities Assumed			
Deferred tax liability	63	3,982	4,045
Accrued and other liabilities	302	--	302
Total liabilities assumed	365	3,982	4,347
Equity	3,510	(3,510)	--
Total equity assumed	3,510	(3,510)	--
Total liabilities and equity assumed	$ 3,875	$ 472	$ 4,347
Net assets acquired			9,679

Purchase price	23,623
Goodwill	$13,944

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

Cash– The carrying amount of these assets is a reasonable estimate of fair value based on the short-term nature of these assets.

Investment securities –. The carrying amount of these assets was deemed to be a reasonable estimate of fair value.

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

Goodwill – The consideration paid as a result of the acquisition exceeded the fair value of the assets acquired, resulting in an intangible asset, goodwill, of $13.9 million.

Other intangibles – These intangible assets represent the value of the relationships that Ozark Trust had with their customers. The fair value of these intangible assets was estimated based on a combination of discounted cash flow methodology and a market valuation approach.

Other assets – The carrying amount of these assets was deemed to be a reasonable estimate of fair value.

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

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

The Company's operating results for 2015 include the operating results of the acquired assets and assumed liabilities of Ozark Trust subsequent to the acquisition date. This acquisition is not considered significant to the Company's financial statements, and thus no proforma information is presented.

NOTE 3: INVESTMENT SECURITIES

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

	March 31, 2016				December 31, 2015			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Held-to-Maturity								
U.S. Government agencies	$223,484	$ 732	$ (89)	$224,127	$237,139	$ 582	$ (1,395)	$236,326

Mortgage-backed securities	23,734	328	(39)	24,023	24,774	86	(290)	24,570
State and political subdivisions	424,586	11,416	(15)	435,987	440,676	9,138	(123)	449,691
Other securities	2,698	--	--	2,698	2,784	--	--	2,784
Total HTM	$674,502	$12,476	$(143)	$686,835	$705,373	$9,806	$(1,808)	$713,371
Available-for-Sale								
U.S. Treasury	$4,300	$2	$--	$4,302	$4,000	$--	$(6)	$3,994
U.S. Government agencies	78,195	154	(41)	78,308	121,017	118	(898)	120,237
Mortgage-backed securities	715,097	7,988	(103)	722,982	650,619	937	(4,130)	647,426
State and political subdivisions	11,090	181	(11)	11,260	9,762	112	--	9,874
Other securities	40,232	610	(21)	40,821	39,594	420	(138)	39,876
Total AFS	$848,914	$8,935	$(176)	$857,673	$824,992	$1,587	$(5,172)	$821,407

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

Certain investment securities are valued at less than their historical cost. Total fair value of these investments at March 31, 2016, was $273.7 million, which is approximately 17.9% of the Company’s combined available-for-sale and held-to-maturity investment portfolios.

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2016:

(In thousands)	Less Than 12 Months		12 Months or More		Total	
	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	$73,941	$ (46)	$53,958	$ (43)	$127,899	$ (89)
Mortgage-backed securities	1,375	(3)	9,184	(36)	10,559	(39)
State and political subdivisions	6,143	(10)	1,873	(5)	8,016	(15)
Total HTM	$81,459	$ (59)	$65,015	$ (84)	$146,474	$ (143)
Available-for-Sale						
U.S. Government agencies	$31,469	$ (25)	$20,284	$ (16)	$51,753	$ (41)
Mortgage-backed securities	57,467	(98)	15,891	(5)	73,358	(103)
State and political subdivisions	2,084	(11)	--	--	2,084	(11)
Other securities	60	(21)	--	--	60	(21)
Total AFS	$91,080	$ (155)	$36,175	$ (21)	$127,255	$ (176)

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

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

Management has the ability and intent to hold the securities classified as held to maturity until they mature, at which time the Company expects to receive full value for the securities. Furthermore, as of March 31, 2016, management also had the ability and intent to hold the securities classified as available-for-sale for a period of time sufficient for a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of March 31, 2016, management believes the impairments detailed in the table above are temporary. Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

The book value of securities sold under agreements to repurchase equaled $86.9 million and $96.8 million for March 31, 2016 and December 31, 2015, respectively.

Income earned on securities for the three months ended March 31, 2016 and 2015, is as follows:

(In thousands)	2016	2015
Taxable:		
Held-to-maturity	$876	$1,389
Available-for-sale	4,434	1,583
Non-taxable:		
Held-to-maturity	3,146	2,602
Available-for-sale	50	305
Total	$8,506	$5,879

Maturities of investment securities at March 31, 2016, are as follows:

(In thousands)	Held-to-Maturity Amortized Cost	Held-to-Maturity Fair Value	Available-for-Sale Amortized Cost	Available-for-Sale Fair Value
One year or less	$39,343	$39,400	$19,592	$19,589
After one through five years	291,884	293,315	60,426	60,411
After five through ten years	119,343	122,356	7,754	7,983
After ten years	200,198	207,741	7,578	7,659
Securities not due on a single maturity date	23,734	24,023	715,097	722,982
Other securities (no maturity)	--	--	38,467	39,049
Total	$674,502	$686,835	$848,914	$857,673

The carrying value, which approximates the fair value, of securities pledged as collateral, to secure public deposits and for other purposes, amounted to $963.4 million at March 31, 2016 and $840.4 million at December 31, 2015.

There were $329,000 of gross realized gains and no realized losses from the sale of available for sale securities during the three months ended March 31, 2016. There were $2,000 of gross realized gains and $40,000 of realized losses from the sale of available for sale securities during the three months ended March 31, 2015.

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

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NOTE 4: LOANS AND ALLOWANCE FOR LOAN LOSSES

At March 31, 2016, the Company's loan portfolio was $4.930 billion, compared to $4.919 billion at December 31, 2015. The various categories of loans are summarized as follows:

(In thousands)	March 31, 2016	December 31, 2015
Consumer:		
Credit cards	$167,803	$177,288
Other consumer	227,480	208,380
Total consumer	395,283	385,668
Real Estate:		
Construction	300,042	279,740
Single family residential	746,754	696,180
Other commercial	1,327,372	1,229,072
Total real estate	2,374,168	2,204,992
Commercial:		
Commercial	551,695	500,116
Agricultural	143,033	148,563
Total commercial	694,728	648,679
Other	8,512	7,115
Loans	3,472,691	3,246,454
Loans acquired, net of discount and allowance (1)	1,457,370	1,672,901
Total loans	$4,930,061	$4,919,355

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

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

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

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

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

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

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

(In thousands)	March 31, 2016	December 31, 2015
Consumer:		
Credit cards	$234	$212
Other consumer	439	442
Total consumer	673	654
Real estate:		
Construction	4,866	4,955
Single family residential	7,744	5,453
Other commercial	18,082	4,420
Total real estate	30,692	14,828
Commercial:		
Commercial	2,337	1,968
Agricultural	542	264
Total commercial	2,879	2,232
Total	$34,244	$17,714

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

(In thousands)	Gross 30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days Past Due & Accruing
March 31, 2016						
Consumer:						
Credit cards	$570	$356	$926	$166,877	$167,803	$ 122
Other consumer	1,500	573	2,073	225,407	227,480	313
Total consumer	2,070	929	2,999	392,284	395,283	435
Real estate:						
Construction	681	4,403	5,084	294,958	300,042	243
Single family residential	5,249	3,403	8,652	738,102	746,754	91
Other commercial	1,511	3,336	4,847	1,322,525	1,327,372	--
Total real estate	7,441	11,142	18,583	2,355,585	2,374,168	334
Commercial:						
Commercial	1,433	789	2,222	549,473	551,695	112
Agricultural	466	467	933	142,100	143,033	--
Total commercial	1,899	1,256	3,155	691,573	694,728	112
Other	--	--	--	8,512	8,512	--
Total	$11,410	$13,327	$24,737	$3,447,954	$3,472,691	$ 881
December 31, 2015						
Consumer:						
Credit cards	$639	$479	$1,118	$176,170	$177,288	$ 267
Other consumer	1,879	648	2,527	205,853	208,380	374
Total consumer	2,518	1,127	3,645	382,023	385,668	641
Real estate:						
Construction	1,328	4,511	5,839	273,901	279,740	--
Single family residential	4,856	3,342	8,198	687,982	696,180	364
Other commercial	869	3,302	4,171	1,224,901	1,229,072	25
Total real estate	7,053	11,155	18,208	2,186,784	2,204,992	389
Commercial:						
Commercial	3,427	637	4,064	496,052	500,116	90
Agricultural	285	243	528	148,035	148,563	56
Total commercial	3,712	880	4,592	644,087	648,679	146
Other	108	93	--	7,115	7,115	15
Total	$13,391	$13,255	$26,445	$3,220,009	$3,246,454	$ 1,191

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

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

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

(In thousands)	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Investment in Impaired Loans	Interest Income Recognized
March 31, 2016						Three Months Ended March 31, 2016	
Consumer:							
Credit cards	$ 234	$ --	$ --	$ --	$ --	$ 240	$ 10
Other consumer	443	421	18	439	11	441	6
Total consumer	677	421	18	439	11	681	16
Real estate:							
Construction	5,665	1,999	2,867	4,866	160	4,910	65
Single family residential	8,140	6,937	671	7,608	210	6,628	88
Other commercial	19,174	4,813	13,261	18,074	2,441	11,245	149
Total real estate	32,979	13,749	16,799	30,548	2,811	22,783	302
Commercial:							
Commercial	3,324	1,928	304	2,232	101	2,110	28
Agricultural	543	542	--	542	--	403	5
Total commercial	3,867	2,470	304	2,774	101	2,513	33
Total	$ 37,523	$ 16,640	$ 17,121	$ 33,761	$ 2,923	$ 25,977	$ 351
December 31, 2015						Three Months Ended March 31, 2015	
Consumer:							
Credit cards	$ 479	$ 479	$ --	$ 479	$ 7	$ 318	$ 5
Other consumer	459	423	19	442	85	586	9
Total consumer	938	902	19	921	92	904	14
Real estate:							
Construction	5,678	1,636	3,318	4,954	441	7,251	115
Single family residential	5,938	4,702	945	5,647	1,034	4,475	71
Other commercial	5,688	4,328	88	4,416	832	2,100	33
Total real estate	17,304	10,666	4,351	15,017	2,307	13,826	219
Commercial:							
Commercial	2,656	1,654	334	1,988	387	762	12
Agricultural	264	264	--	264	45	301	5
Total commercial	2,920	1,918	334	2,252	432	1,063	17
Total	$ 21,162	$ 13,486	$ 4,704	$ 18,190	$ 2,831	$ 15,793	$ 250

At March 31, 2016, and December 31, 2015, impaired loans, net of government guarantees and excluding loans acquired, totaled $33.8 million and $18.2 million, respectively. Allocations of the allowance for loan losses relative to impaired loans were $2.9 million and $2.8 million at March 31, 2016 and December 31, 2015, respectively.

Approximately $351,000 of interest income was recognized on average impaired loans of $26.0 million for the three months ended March 31, 2016. Interest income recognized on impaired loans on a cash basis during the three months ended March 31, 2016 and 2015 was not material.

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

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

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

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

	Accruing TDR Loans		Nonaccrual TDR Loans		Total TDR Loans	
(Dollars in thousands)	Number	Balance	Number	Balance	Number	Balance
March 31, 2016						
Consumer:						
Other consumer	--	$--	1	$13	1	$13
Total consumer	--	--	1	13	1	13
Real estate:						
Construction	--	--	1	190	1	190
Single-family residential	4	314	11	1,279	15	1,593
Other commercial	27	10,273	2	1,770	29	12,043
Total real estate	31	10,587	14	3,239	45	13,826
Commercial:						
Commercial	2	172	5	321	7	493
Total commercial	2	172	5	321	7	493
Total	33	$10,759	20	$3,573	53	$14,332
December 31, 2015						
Consumer:						
Other consumer	--	$--	1	$13	1	$13
Total consumer	--	--	1	13	1	13
Real estate:						
Construction	--	--	1	253	1	253
Single-family residential	2	137	11	1,335	13	1,472
Other commercial	4	2,894	1	597	5	3,491
Total real estate	6	3,031	13	2,185	19	5,216
Commercial:						
Commercial	--	--				