

SIMMONS FIRST NATIONAL CORP
Form 10-Q
May 08, 2009

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, 2009

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. ☒ 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):

☐ Large accelerated filer

☒ Accelerated filer

☐ Non-accelerated

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 23, 2009, was 14,015,081.

Simmons First National Corporation
Quarterly Report on Form 10-Q
March 31, 2009

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Part I: Financial Information
Item 1. Financial Statements

Simmons First National Corporation
Consolidated Balance Sheets
March 31, 2009 and December 31, 2008

ASSETS

(In thousands, except share data)	March 31,		December	
	2009		31,	
	(Unaudited)		2008	
Cash and non-interest bearing balances due from banks	\$	53,707	\$	71,801
Interest bearing balances due from banks		43,219		61,085
Federal funds sold		1,000		6,650
Cash and cash equivalents		97,926		139,536
Investment securities		722,792		646,134
Mortgage loans held for sale		9,695		10,336
Assets held in trading accounts		7,510		5,754
Loans		1,917,332		1,933,074
Allowance for loan losses		(24,508)		(25,841)
Net loans		1,892,824		1,907,233
Premises and equipment		78,632		78,904
Foreclosed assets held for sale, net		3,704		2,995
Interest receivable		19,071		20,930
Bank owned life insurance		39,995		39,617
Goodwill		60,605		60,605
Core deposit premiums		2,373		2,575
Other assets		8,452		8,490
TOTAL ASSETS	\$	2,943,579	\$	2,923,109

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Balance Sheets
March 31, 2009 and December 31, 2008

LIABILITIES AND STOCKHOLDERS' EQUITY

(In thousands, except share data)	March 31, 2009 (Unaudited)	December 31, 2008
LIABILITIES		
Non-interest bearing transaction accounts	\$ 330,656	\$ 334,998
Interest bearing transaction accounts and savings deposits	1,078,324	1,026,824
Time deposits	960,522	974,511
Total deposits	2,369,502	2,336,333
Federal funds purchased and securities sold under agreements to repurchase	98,680	115,449
Short-term debt	1,456	1,112
Long-term debt	160,423	158,671
Accrued interest and other liabilities	21,348	22,752
Total liabilities	2,651,409	2,634,317
STOCKHOLDERS' EQUITY		
Preferred stock, \$0.01 par value; 40,040,000 shares authorized and unissued at 2009; no shares authorized at 2008	--	--
Common stock, Class A, \$0.01 par value; 60,000,000 shares authorized; 14,013,839 and 13,960,680 shares issued and outstanding at March 31, 2009, and December 31, 2008, respectively	140	140
Surplus	41,901	40,807
Undivided profits	247,228	244,655
Accumulated other comprehensive income		
Unrealized appreciation on available-for-sale securities, net of income taxes of \$1,740 at 2009 and \$1,913 at 2008	2,901	3,190
Total stockholders' equity	292,170	288,792
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,943,579	\$ 2,923,109

See Condensed Notes to Consolidated Financial Statements.

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Simmons First National Corporation

Consolidated Statements of Income
Three Months Ended March 31, 2009 and 2008

(In thousands, except per share data)	Three Months Ended March 31,	
	2009	2008 (Unaudited)
INTEREST INCOME		
Loans	\$ 28,234	\$ 33,106
Federal funds sold	1	256
Investment securities	6,417	6,569
Mortgage loans held for sale	158	112
Assets held in trading accounts	5	1
Interest bearing balances due from banks	78	388
TOTAL INTEREST INCOME	34,893	40,432
INTEREST EXPENSE		
Deposits	9,503	15,188
Federal funds purchased and securities sold under agreements to repurchase	243	921
Short-term debt	6	20
Long-term debt	1,748	1,511
TOTAL INTEREST EXPENSE	11,500	17,640
NET INTEREST INCOME	23,393	22,792
Provision for loan losses	2,138	1,467
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	21,255	21,325
NON-INTEREST INCOME		
Trust income	1,326	1,648
Service charges on deposit accounts	3,727	3,434
Other service charges and fees	746	753
Income on sale of mortgage loans, net of commissions	1,039	721
Income on investment banking, net of commissions	411	449
Credit card fees	3,153	3,173
Premiums on sale of student loans	--	624
Bank owned life insurance income	378	361
Gain on mandatory partial redemption of Visa shares	--	2,973
Other income	679	856
TOTAL NON-INTEREST INCOME	11,459	14,992
NON-INTEREST EXPENSE		
Salaries and employee benefits	14,583	14,208
Occupancy expense, net	1,889	1,810
Furniture and equipment expense	1,543	1,490
Loss on foreclosed assets	70	42
Deposit insurance	533	88
Other operating expenses	7,040	5,492

TOTAL NON-INTEREST EXPENSE	25,658	23,130
INCOME BEFORE INCOME TAXES	7,056	13,187
Provision for income taxes	1,820	4,371
NET INCOME	\$ 5,236	\$ 8,816
BASIC EARNINGS PER SHARE	\$ 0.37	\$ 0.63
DILUTED EARNINGS PER SHARE	\$ 0.37	\$ 0.63

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, 2009 and 2008

(In thousands)	March 31, 2009 (Unaudited)	March 31, 2008
OPERATING ACTIVITIES		
Net income	\$ 5,236	\$ 8,816
Items not requiring (providing) cash		
Depreciation and amortization	1,471	1,384
Provision for loan losses	2,138	1,467
Gain on mandatory partial redemption of Visa shares	--	(2,973)
Net accretion of investment securities	(165)	(150)
Stock-based compensation expense	104	60
Deferred income taxes	774	189
Bank owned life insurance income	(378)	(361)
Changes in		
Interest receivable	1,859	1,649
Mortgage loans held for sale	641	3,362
Assets held in trading accounts	(1,756)	(148)
Other assets	(20)	(1,464)
Accrued interest and other liabilities	(3,255)	37
Income taxes payable	1,077	4,182
Net cash provided by operating activities	7,726	16,050
INVESTING ACTIVITIES		
Net collections of loans	10,456	5,431
Purchases of premises and equipment, net	(997)	(2,990)
Proceeds from sale of foreclosed assets	1,106	580
Proceeds from mandatory partial redemption of Visa shares	--	2,973
Proceeds from maturities of available-for-sale securities	1,271,709	164,335
Purchases of available-for-sale securities	(1,318,334)	(208,994)
Proceeds from maturities of held-to-maturity securities	38,993	15,023
Purchases of held-to-maturity securities	(69,150)	(6,940)
Net cash used in investing activities	(66,217)	(30,582)
FINANCING ACTIVITIES		
Net increase in deposits	33,169	113,994
Net change in short-term debt	344	(1,187)
Dividends paid	(2,663)	(2,647)
Proceeds from issuance of long-term debt	3,300	63,662
Repayment of long-term debt	(1,548)	(6,208)
Net change in federal funds purchased and securities sold under agreements to repurchase	(16,769)	(14,915)
Shares issued (exchanged) under stock compensation plans, net	1,048	225

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Repurchase of common stock	--	(624)
Net cash provided by financing activities	16,881	152,300
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(41,610)	137,768
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	139,536	110,230
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 97,926	\$ 247,998

See Condensed Notes to Consolidated Financial Statements.

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Simmons First National Corporation
Consolidated Statements of Stockholders' Equity
Three Months Ended March 31, 2009 and 2008

(In thousands, except share data)	Common Stock	Surplus	Accumulated Other Comprehensive Income (loss)	Undivided Profits	Total
Balance, December 31, 2007	\$ 139	\$ 41,019	\$ 1,728	\$ 229,520	\$ 272,406
Cumulative effect of adoption of a new accounting principle on January 1, 2008 (Note 12)	--	--	--	(1,174)	(1,174)
Comprehensive income					
Net income	--	--	--	8,816	8,816
Change in unrealized appreciation on available-for-sale securities, net of income taxes of \$2,251	--	--	3,752	--	3,752
Comprehensive income					12,568
Stock issued for employee stock purchase plan – 5,359 shares	--	135	--	--	135
Exercise of stock options – 66,830 shares	1	827	--	--	828
Stock granted under stock-based compensation plans	--	35	--	--	35
Securities exchanged under stock option plan	(1)	(737)	--	--	(738)
Repurchase of common stock – 23,480 shares	--	(624)	--	--	(624)
Dividends paid – \$0.19 per share	--	--	--	(2,647)	(2,647)
Balance, March 31, 2008 (Unaudited)	139	40,655	5,480	234,515	280,789
Comprehensive income					
Net income	--	--	--	18,094	18,094
Change in unrealized appreciation on available-for-sale securities, net of income tax credits of \$1,374	--	--	(2,290)	--	(2,290)
Comprehensive income					15,804
Stock issued as bonus shares – 17,490 shares	--	530	--	--	530
Exercise of stock options – 30,667 shares	--	380	--	--	380
Stock granted under stock-based compensation plans	--	134	--	--	134
Securities exchanged under stock option plan	1	(236)	--	--	(235)
Repurchase of common stock – 21,700 shares	--	(656)	--	--	(656)
Dividends paid – \$0.57 per share	--	--	--	(7,954)	(7,954)
Balance, December 31, 2008	140	40,807	3,190	244,655	288,792
Comprehensive income					
Net income	--	--	--	5,236	5,236

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Change in unrealized appreciation on available-for-sale securities, net of income tax credits 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

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 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, 2008, 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 2008 filed with the Securities and Exchange Commission.

Recently Issued Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 160, Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB Statement No. 5. SFAS 160 amends Accounting Research Bulletin ("ARB") No. 51, Consolidated Financial Statements, to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 clarifies that a non-controlling interest in a subsidiary, which is sometimes referred to as minority interest, is an ownership interest in the consolidated entity that should be reported as a component of equity in the consolidated financial statements. Among other requirements, SFAS 160 requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. SFAS 160 was effective on January 1, 2009, and is not expected to have a material impact on the Company's ongoing financial position or results of operations.

In March 2008, FASB issued SFAS No. 161, Disclosures About Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133. SFAS 161 amends SFAS 133, Accounting for Derivative Instruments and Hedging Activities, to amend and enhance the disclosure requirements of SFAS 133 to provide greater transparency about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedge items are accounted for under SFAS 133 and its related interpretations and (iii) how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. To meet those objectives, SFAS 161 requires qualitative disclosures about objectives and strategies for using derivative instruments, quantitative disclosures about fair values of derivative instruments and their gains and losses and disclosures about credit-risk-related contingent features of the derivative instruments and their potential impact on an entity's liquidity. SFAS 161 was effective on January 1, 2009, and is not expected to have a material impact on the Company's ongoing financial position or results of operations.

In April 2009, the FASB finalized four FASB Staff Positions (“FSPs”) regarding the accounting treatment for investments, including mortgage-backed securities. These FSPs changed the method for determining if an Other-than-temporary impairment (“OTTI”) exists and the amount of OTTI to be recorded through an entity’s income statement. The changes brought about by the FSPs are intended to provide greater clarity and reflect a more accurate representation of the credit and noncredit components of an OTTI event. The four FSPs are as follows:

- FSP SFAS 157-3 Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active clarifies the application of SFAS 157, Fair Value Measurements, in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active.
- FSP SFAS 157-4 Determining Fair Value When the Volume and Level of Activity for the Assets or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly provides guidelines for making fair value measurements more consistent with the principles presented in SFAS 157.
- FSP SFAS 115-2 and SFAS 124-2, Recognition and Presentation of Other-than-temporary impairments, provides additional guidance designed to create greater clarity and consistency in accounting for and presenting impairment losses on securities.
- FSP SFAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments, enhances consistency in financial reporting by increasing the frequency of fair value disclosures.

These staff positions are effective for financial statements issued for periods ending after June 15, 2009, with early application possible for the first quarter of 2009. The Company elected not to adopt any of the above positions early. The Company does not expect these FSPs to have a material impact on the Company’s ongoing financial position or results of operations.

There have been no other significant changes to the Company’s accounting policies from the 2008 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.

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Following is the computation of per share earnings for the three months ended March 31, 2009 and 2008:

(In thousands, except per share data)	2009	2008
Net Income	\$ 5,236	\$ 8,816
Average common shares outstanding	13,992	13,930
Average potential dilutive common shares	98	139
Average diluted common shares	14,090	14,069
Basic earnings per share	\$ 0.37	\$ 0.63
Diluted earnings per share	\$ 0.37	\$ 0.63

Stock options to purchase 161,990 and 57,000 shares for the three months ended March 31, 2009 and 2008, 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, 2009				December 31, 2008			
(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	\$ 33,000	\$ 482	\$ (47)	\$ 33,435	\$ 18,000	\$ 629	\$ --	\$ 18,629
Mortgage-backed securities	105	3	--	108	109	2	--	111
State and political subdivisions	183,408	2,053	(1,222)	184,239	168,262	1,264	(1,876)	167,650
Other securities	930	1	(1)	930	930	--	--	930
	\$ 217,443	\$ 2,539	\$ (1,270)	\$ 218,712	\$ 187,301	\$ 1,895	\$ (1,876)	\$ 187,320
Available-for-Sale								
U.S. Treasury	\$ 7,483	\$ 80	\$ --	\$ 7,563	\$ 5,976	\$ 113	\$ --	\$ 6,089
U.S. Government agencies	297,740	4,130	(85)	301,785	346,585	5,444	(868)	351,161
Mortgage-backed securities	2,906	106	(4)	3,008	2,909	37	(67)	2,879
State and political	485	1	--	486	635	2	--	637

subdivisions

Other								
securities	192,094	448	(35)	192,507	97,625	448	(6)	98,067
	\$ 500,708	\$ 4,765	\$ (124)	\$ 505,349	\$ 453,730	\$ 6,044	\$ (941)	\$ 458,833

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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. It is management's intent to hold these securities to maturity or until recovery of the fair value. 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 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, 2009, and \$435,120,000 at December 31, 2008.

The book value of securities sold under agreements to repurchase amounted to \$78,590,000 and \$87,514,000 for March 31, 2009, and December 31, 2008, respectively.

Income earned on securities for the three months ended March 31, 2009 and 2008, is as follows:

(In thousands)	2009	2008
Taxable		
Held-to-maturity	\$ 281	\$ 436
Available-for-sale	4,381	4,607
Non-taxable		
Held-to-maturity	1,747	1,516
Available-for-sale	8	10
Total	\$ 6,417	\$ 6,569

Maturities of investment securities at March 31, 2009, are as follows:

(In thousands)	Held-to-Maturity		Available-for-Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	\$ 7,327	\$ 7,350	\$ 26,085	\$ 26,122
After one through five years	72,283	73,067	71,854	72,126
After five through ten years	81,854	82,633	210,666	214,584
After ten years	55,979	55,662	9	10
Other securities	--	--	192,094	192,507
Total	\$ 217,443	\$ 218,712	\$ 500,708	\$ 505,349

There were no realized gains or losses on investment securities for the three-months ended March 31, 2009 or 2008.

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, 2009	December 31, 2008
Consumer		
Credit cards	\$ 158,503	\$ 169,615
Student loans	143,130	111,584
Other consumer	139,502	138,145
Real Estate		
Construction	208,664	224,924
Single family residential	410,315	409,540
Other commercial	588,216	584,843
Commercial		
Commercial	187,645	192,496
Agricultural	68,731	88,233
Financial institutions	3,471	3,471
Other	9,155	10,223
Total loans before allowance for loan losses	\$ 1,917,332	\$ 1,933,074

As of March 31, 2009, credit card loans, which are unsecured, were \$158,503,000 or 8.3% of total loans, versus \$169,615,000, or 8.8% of total loans at December 31, 2008. 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, 2009, and December 31, 2008, impaired loans totaled \$23,806,000 and \$17,230,000, respectively. All impaired loans had either specific or general allocations within the allowance for loan losses. Allocations of the allowance for loan losses relative to impaired loans were \$3,521,000 at March 31, 2009, and \$4,238,000 at December 31, 2008. Approximately \$64,000 and \$198,000 of interest income was recognized on average impaired loans of \$20,518,000 and \$15,315,000 as of March 31, 2009 and 2008, respectively. Interest recognized on impaired loans on a cash basis during the first three months of 2009 and 2008 was immaterial.

Transactions in the allowance for loan losses are as follows:

(In thousands)	2009	2008
Balance, beginning of year	\$ 25,841	\$ 25,303
Additions		
Provision charged to expense	2,138	1,467
	27,979	26,770
Deductions		
Losses charged to allowance, net of recoveries of \$468 and \$437 for the first three months of 2009 and 2008, respectively	3,471	1,378
Balance, March 31	\$ 24,508	25,392
Additions		
Provision charged to expense		7,179
Deductions		
Losses charged to allowance, net of recoveries of \$1,701 for the last nine months of 2008		6,730
Balance, end of year		\$ 25,841

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, 2009, and December 31, 2008, were as follows:

(In thousands)	March 31, 2009	December 31, 2008
Gross carrying amount	\$ 6,822	\$ 6,822
Accumulated amortization	(4,449)	(4,247)
Net core deposit premiums	\$ 2,373	\$ 2,575

Core deposit premium amortization expense recorded for the three months ended March 31, 2009 and 2008, was \$202,000 and \$202,000, respectively. The Company's estimated amortization expense for the remainder of 2009 is \$600,000, and for each of the following four years is: 2010 – \$699,000; 2011 – \$451,000; 2012 – \$321,000; and 2013 – \$268,000.

NOTE 5: TIME DEPOSITS

Time deposits include approximately \$409,846,000 and \$418,394,000 of certificates of deposit of \$100,000 or more at March 31, 2009, and December 31, 2008, respectively.

NOTE 6: INCOME TAXES

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

(In thousands)	March 31, 2009	March 31, 2008
Income taxes currently payable	\$ 1,046	\$ 4,182
Deferred income taxes	774	189
Provision for income taxes	\$ 1,820	\$ 4,371

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

(In thousands)	March 31, 2009	December 31, 2008
Deferred tax assets		
Allowance for loan losses	\$ 8,594	\$ 9,057
Valuation of foreclosed assets	63	63
Deferred compensation payable	1,471	1,451
FHLB advances	12	14
Vacation compensation	874	866
Loan interest	88	88
Other	300	276
Total deferred tax assets	11,402	11,815
Deferred tax liabilities		
Accumulated depreciation	(377)	(406)
Deferred loan fee income and expenses, net	(1,315)	(1,229)
FHLB stock dividends	(590)	(586)
Goodwill and core deposit premium amortization	(8,943)	(8,643)
Available-for-sale securities	(1,740)	(1,913)
Other	(1,019)	(1,019)
Total deferred tax liabilities	(13,984)	(13,796)
Net deferred tax liabilities included in other liabilities on balance sheets	\$ (2,582)	\$ (1,981)

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, 2009	March 31, 2008
Computed at the statutory rate (35%)	\$ 2,469	\$ 4,615
Increase (decrease) in taxes resulting from:		
State income taxes, net of federal tax benefit	27	284
Tax exempt interest income	(647)	(570)
Tax exempt earnings on BOLI	(132)	(126)
Other differences, net	103	168
Actual tax provision	\$ 1,820	\$ 4,371

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement 109, effective January 1, 2007. Interpretation 48 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. Interpretation 48 also provides guidance on the accounting for and disclosure of unrecognized tax benefits, interest and penalties. Adoption of Interpretation 48 did not have a significant impact on the Company's financial position, operations or cash flows.

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 2005 tax year and forward. The Company's various state income tax returns are generally open from the 2005 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, 2009, and December 31, 2008, consisted of the following components:

(In thousands)	March 31, 2009	December 31, 2008
FHLB advances, due 2009 to 2033, 2.02% to 8.41% secured by residential real estate loans	\$ 129,493	\$ 127,741
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 rate, 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
	\$ 160,423	\$ 158,671

At March 31, 2009, the Company had no Federal Home Loan Bank ("FHLB") advances with original maturities of one year or less.

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, 2009, are:

(In thousands)	Year	Annual Maturities
	2009	\$ 5,759
	2010	28,767
	2011	42,508
	2012	6,072
	2013	11,422
	Thereafter	65,895
	Total	\$ 160,423

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 and Simmons First National Bank alleging wrongful conduct by the banks in the collection of certain loans. The Company was later added as a party defendant. The plaintiffs are seeking \$2,000,000 in compensatory damages and \$10,000,000 in punitive damages. The Company and the banks have filed Motions to Dismiss. The plaintiffs were granted additional time to discover any evidence for litigation, and have submitted such findings. At the hearing on the Motions for Summary Judgment, the Court dismissed Simmons First National Bank due to lack of venue. Venue has been changed to Jefferson County for the Company and Simmons First Bank of South Arkansas. Non-binding mediation failed on June 24, 2008. A pretrial was conducted on July 24, 2008. Several dispositive motions previously filed were heard on April 9, 2009. Jury trial is set for two weeks beginning on November 2, 2009. At this time, no basis for any material liability has been identified. The Company and the bank continue to vigorously defend the claims asserted in the suit.

NOTE 9: CAPITAL STOCK

At a special shareholders' meeting held on February 27, 2009, 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, of the Company. The shareholders also approved the issuance of common stock warrants for the purchase of up to 500,000 shares of the Company's Class A common stock with the exercise price and number of shares subject to final computation in accordance with the rules of the U.S. Department of the Treasury ("Treasury") Troubled Asset Relief Program – Capital Purchase Program ("CPP").

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.

Effective July 1, 2008, the Company made a strategic decision to temporarily suspend stock repurchases. This decision was made to preserve capital at the parent company due to the lack of liquidity in the credit markets and the uncertainties in the overall economy. If the Company participates in the CPP by issuing preferred stock to the Treasury, stock repurchases may be restricted and will require the Treasury's consent for three years. For further discussion on the CPP, see "Management's Discussion and Analysis of Financial Condition and Results of Operation – Overview – U.S. Treasury's Capital Purchase Program" included elsewhere in this report.

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, 2009, the bank subsidiaries had approximately \$9.3 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 1 leverage capital" ratio, a 6% "Tier 1 risk-based capital" ratio, and a 10% "total risk-based capital" ratio. As of March 31, 2009, each of the eight subsidiary banks met the capital standards for a well-capitalized institution. The Company's "total risk-based capital" ratio was 14.86% at March 31, 2009.

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, 2009:

	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, 2009	451,673	\$ 20.46	36,925	\$ 28.28
Granted	--	--	25,065	25.28
Stock Options Exercised	(22,300)	12.27	--	--
Stock Awards Vested	--	--	(900)	27.67
Forfeited/Expired	(400)	26.20	--	--
Balance, March 31, 2009	428,973	\$ 20.88	61,090	\$ 27.06
Exercisable, March 31, 2009	309,853	\$ 17.87		

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The following table summarizes information about stock options under the plans outstanding at March 31, 2009:

Range of Exercise Prices	Options Outstanding	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
\$10.56 to \$12.13	164,880	2.1 years	\$12.09	164,880	\$12.09
\$15.35 to \$16.32	7,553	2.6 years	\$15.97	7,553	\$15.97
\$23.78 to \$24.50	94,550	5.6 years	\$24.05	92,500	\$24.04
\$26.19 to \$27.67	58,200	7.0 years	\$26.20	27,040	\$26.21
\$28.42 to \$28.42	54,600	8.2 years	\$28.42	17,880	\$28.42
\$30.31 to \$30.31	49,190	9.2 years	\$30.31	--	--

Stock-based compensation expense totaled \$103,739 and \$59,766 during the three months ended March 31, 2009 and 2008, 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 \$555,230 at March 31, 2009. At such date, the weighted-average period over which this unrecognized expense is expected to be recognized was 1.74 years. Unrecognized stock-based compensation expense related to non-vested stock awards was \$1,568,448 at March 31, 2009. At such date, the weighted-average period over which this unrecognized expense is expected to be recognized was 2.68 years.

Aggregate intrinsic values of outstanding stock options and exercisable stock options at March 31, 2009, were \$1.8 million and \$2.3 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 \$25.19 as of March 31, 2009, 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, 2009 and 2008, were \$288,141 and \$1.2 million, respectively.

NOTE 12: ADDITIONAL CASH FLOW INFORMATION

(In thousands)	Three Months Ended March 31,	
	2009	2008
Interest paid	\$ 12,123	\$ 18,117
Income taxes paid	--	--
Transfers of loans to other real estate	1,815	1,507
Post-retirement benefit liability established upon adoption of EITF 06-4	--	1,174

NOTE 13: OTHER OPERATING EXPENSES

Other operating expenses consist of the following:

(In thousands)	Three Months Ended March 31,	
	2009	2008
Professional services	\$ 938	\$ 759
Postage	623	600
Telephone	528	450
Credit card expense	1,273	1,195
Operating supplies	396	460
Amortization of core deposit premiums	202	202
Visa litigation liability reversal	--	(1,220)
Other expense	3,080	3,046
Total other operating expenses	\$ 7,040	\$ 5,492

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, 2009, the Company had outstanding commitments to extend credit aggregating approximately \$205,905,000 and \$431,567,000 for credit card commitments and other loan commitments, respectively. At December 31, 2008, the Company had outstanding commitments to extend credit aggregating approximately \$247,969,000 and \$422,127,000 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 \$6,917,000 and \$10,186,000 at March 31, 2009, and December 31, 2008, respectively, with terms ranging from 90 days to three years. At March 31, 2009, and December 31, 2008, the

Company's deferred revenue under standby letter of credit agreements is approximately \$21,000 and \$52,000, respectively.

NOTE 16: FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

SFAS 157 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. SFAS 157 also establishes a fair value hierarchy that requires the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The standard 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.

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. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset backed and other securities. 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.

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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, 2009.

(In thousands)	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale securities	\$ 505,349	\$ 179,986	\$ 325,363	\$ --
Assets held in trading accounts	7,510	5,100	2,410	--

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

Impaired loans – Loan impairment is reported when full payment under the loan terms is not expected. Impaired loans are carried at the present value of estimated future cash flows using the loan's existing rate, or the fair value of collateral if the loan is collateral dependent. 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 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, net of specific allowance, were \$20,285,000 as of March 31, 2009. This valuation would be considered Level 3, consisting of appraisals of underlying collateral and discounted cash flow analysis.

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, 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, 2009.

(In thousands)	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	\$ 20,285	\$ --	\$ --	\$ 20,285

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, 2009, and the related condensed consolidated statements of income, stockholders' equity and cash flows for the three-month periods ended March 31, 2009 and 2008. 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, 2008, 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 February 23, 2009, 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, 2008, 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 5, 2009

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

OVERVIEW

Simmons First National Corporation recorded net income of \$5,236,000 for the three-months ended March 31, 2009, a \$3,580,000 decrease from the same period in 2008. Diluted earnings per share decreased \$0.26, or 41.27%, to \$0.37 for the three-months ended March 31, 2009. The decrease in earnings is primarily attributable to nonrecurring after-tax income of \$2.6 million in the first quarter of 2008 related to Visa (see below), an increase in the provision for loan losses, an increase in FDIC insurance and a decrease in the premiums from the sale of student loans.

Core earnings (non-GAAP) (net income excluding nonrecurring items {Visa litigation expense reversal and gain from the cash proceeds on mandatory Visa stock redemption}) for the three-months ended March 31, 2009 and 2008, were \$5,236,000 and \$6,258,000, respectively. Diluted operating earnings per share for these same periods were \$0.37 and \$0.45, respectively, a decrease of \$0.08 per share, or 17.78%.

During the first quarter of 2008, the Company recorded a nonrecurring \$0.05 increase in diluted earnings per share related to the reversal of a \$1.2 million pre-tax contingent liability established during the fourth quarter of 2007. That contingent liability represented the Company's pro-rata portion of Visa, Inc.'s, and its related subsidiary Visa U.S.A.'s (collectively "Visa"), litigation liabilities, which was satisfied in conjunction with Visa's initial public offering ("IPO"). Also as a result of Visa's IPO, the Company received cash proceeds from the mandatory partial redemption of its equity interest in Visa, resulting in a nonrecurring \$3.0 million pre-tax gain in the first quarter 2008, or \$0.13 per diluted common share.

The allowance for loan losses as a percent of total loans was 1.28% as of March 31, 2009. Non-performing loans equaled 1.03% of total loans. Non-performing assets were 0.80% of total assets, up 16 basis points from year end. The allowance for loan losses was 124% of non-performing loans. The Company's annualized net charge-offs to total loans for the first quarter of 2009 was 0.73%. Excluding credit cards, the annualized net charge-offs to total loans for the first quarter was 0.56%. Annualized net credit card charge-offs to total credit card loans for the first quarter were 2.64%, an increase of 62 basis points from the previous quarter, yet more than 600 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 has no mortgage loan products that target subprime borrowers.

Total assets for the Company at March 31, 2009, were \$2.944 billion, an increase of \$20.5 million, or 0.7%, from December 31, 2008. Stockholders' equity as of March 31, 2008 was \$292.2 million, an increase of \$3.4 million, or approximately 1.2%, from December 31, 2008.

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.

U.S. Treasury's Capital Purchase Program

On October 29, 2008, the U.S. Department of the Treasury ("Treasury") gave the Company approval to participate in the Troubled Asset Relief Program – Capital Purchase Program ("CPP"), designed to provide additional capital to healthy financial institutions, thereby increasing confidence in our banking industry and encouraging increased lending. On January 6, 2009, the Treasury amended its approval to allow the Company to participate in the CPP at a level up to \$59.7 million. At a Special Meeting of Shareholders held on February 27, 2009, our shareholders voted to amend the Articles of Incorporation to authorize the issuance of preferred shares and common stock warrants required for participation in the CPP.

The Company's original plans were to issue the shares under the CPP on March 27, 2009. However, due to the continued ambiguity resulting from changes being proposed by Congress, the Company requested an extension of 60 days. While the extension for a specific number of days was not approved, the Treasury has acknowledged that the request had merit because of the ambiguity and uncertainty regarding the ability to repay the funds at the time of our choosing. It is the ability to exit the program that gives the Company the protection it needs in case future changes are not in the best interest of our shareholders. We have been told that procedures are being drafted which would clarify the early payout process by participants, and we expect some clarity in the near future. However, it is possible that we will request further extensions for the Company.

Should the Company continue with the original plans to participate in the CPP at the approved level, the Company will pay the Treasury a 5% dividend, or \$3 million annually, for each of the first five years of the investment, and 9% thereafter unless the Company redeems the shares. The Treasury will also receive 10-year warrants for common stock. The issuance of the preferred stock and warrants is not expected to impact the regular dividend paid by the Company on its common stock, and will have a minimal dilutive impact on earnings per share.

CRITICAL ACCOUNTING POLICIES

Overview

The accounting and reporting policies followed by the Company 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 the Company bases estimates on historical experience, current information and other factors deemed to be relevant, actual results could differ from those estimates.

The Company considers 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 the Company's 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 the Company's ongoing risk management system.

A loan is considered impaired when it is probable that the Company will not receive all amounts due according to the contractual terms of the loan. 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 established using the classified asset approach, as defined by the Office of the Comptroller of the Currency. 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. The Company performs an annual goodwill impairment test, and more than annually if circumstances warrant, in accordance with Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 142, which requires that goodwill and intangible assets that have indefinite lives no longer be amortized but be reviewed for impairment annually, or more frequently if certain conditions occur. Prior to the adoption of SFAS 142, goodwill was being amortized using the straight-line method over a period of 15 years. Impairment losses on recorded goodwill, if any, will be recorded as operating expenses.

Employee Benefit Plans

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

In accordance with SFAS 123R, Share-Based Payment (Revised 2004), 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

The Company is subject to the federal income tax laws of the United States, and the tax laws of the states and other jurisdictions where it conducts 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 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, the Company's 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%.

The Company's 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 the Company's loan portfolio and approximately 80% of the Company's time deposits have repriced in one year or less. However, due to the extremely low interest rate environment, approximately 88% of the Company's time deposits as of March 31, 2009, are scheduled to reprice within one year.

Net Interest Income

For the three-month period ended March 31, 2009, net interest income on a fully taxable equivalent basis was \$24.5 million, an increase of \$750,000, or 3.2%, over the same period in 2008. The increase in net interest income was the result of a \$6.1 million decrease in interest expense offset by a \$5.4 million decrease in interest income.

The \$6.1 million decrease in interest expense is the result of a 127 basis point decrease in cost of funds due to competitive repricing during a falling interest rate environment, coupled with a \$153.4 million increase in average interest bearing liabilities. The growth in average interest bearing liabilities was primarily due to the Company's initiatives to enhance liquidity since early 2008 through (1) the introduction of a new high yield investment deposit account and (2) securing additional long-term FHLB advances. The lower interest rates accounted for a \$6.1 million decrease in interest expense. The most significant component of this decrease was the \$3.7 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. Historically, approximately 80% of the Company's time deposits reprice in one year or less. As a result, the average rate paid on time deposits decreased 147 basis points from 4.36% to 2.89%. Lower rates on federal funds purchased and other debt resulted in an additional \$831,000 decrease in interest expense, with the average rate paid on debt decreasing by 105 basis points from 3.92% to 2.87%. Although the level of average interest bearing liabilities increased by \$153.4 million, primarily due to \$122.6 million of internal deposit growth, interest expense due to volume decreased as a result of a change in deposit mix (higher costing time deposits declined while lower costing transaction accounts increased).

The \$5.4 million decrease in interest income primarily is the result of a 122 basis point decrease in yield on earning assets associated with the repricing to a lower interest rate environment, offset by a \$186 million increase in average interest earning assets due to internal growth. The lower interest rates accounted for an \$8.2 million decrease in interest income. The most significant component of this decrease was the \$6.2 million decrease associated with the repricing of the Company's loan portfolio that resulted from loans that matured during the period or were tied to a rate that fluctuated with changes in market rates. Historically, approximately 70% of the Company's loan portfolio reprices in one year or less. As a result, the average rate earned on the loan portfolio decreased 126 basis points from 7.24% to 5.98%. The growth in average interest earning assets resulted in a \$2.8 million improvement in interest income. The growth in average loans accounted for \$1.3 million of this increase, while the growth in investment securities resulted in \$1.3 million of the increase.

Net Interest Margin

The Company's net interest margin decreased 12 basis points to 3.68% for the three-month period ended March 31, 2009, when compared to 3.80% for the same period in 2008. This decrease in the net interest margin was primarily due to significant repricing of earning assets due to declining interest rates during the first half of 2008, along with the Company's concentrated effort to grow core deposits. Based on its current pricing model, considering investment portfolio call projections, the Company anticipates flat to slight margin compression for the remainder of 2009.

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, 2009 and 2008, respectively, as well as changes in fully taxable equivalent net interest margin for the three-month periods ended March 31, 2009, versus March 31, 2008.

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

(\$ in thousands)	Period Ended March 31,	
	2009	2008
Interest income	\$ 34,893	\$ 40,432
FTE adjustment	1,126	977
Interest income – FTE	36,019	41,409
Interest expense	11,500	17,640
Net interest income – FTE	\$ 24,519	\$ 23,769
Yield on earning assets – FTE	5.41%	6.63%
Cost of interest bearing liabilities	2.02%	3.29%
Net interest spread – FTE	3.39%	3.34%
Net interest margin – FTE	3.68%	3.80%

Table 2: Changes in Fully Taxable Equivalent Net Interest Margin

(In thousands)	March 31, 2009 vs. 2008
Increase due to change in earning assets	\$ 2,838
Decrease due to change in earning asset yields	(8,228)
Increase due to change in interest bearing liabilities	42
Increase due to change in interest rates paid on interest bearing liabilities	6,098
Increase in net interest income	\$ 750

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Table 3 shows, for each major category of earning assets and interest bearing liabilities, the average (computed on a daily basis) amount outstanding, the interest earned or expensed on such amount and the average rate earned or expensed for the three-month periods ended March 31, 2009 and 2008. 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

(\$ in thousands)	Three Months Ended March 31,					
	Average Balance	Income/Expense	2009 Yield/Rate(%)	2008 Average Balance	Income/Expense	Yield/Rate(%)
ASSETS						
Earning Assets						
Interest bearing balances						
due from banks	\$ 54,057	\$ 78	0.59	\$ 56,384	\$ 388	2.77
Federal funds sold	486	1	0.83	35,460	256	2.90
Investment securities - taxable	537,030	4,662	3.52	415,505	5,053	4.89
Investment securities - non-taxable	172,718	2,824	6.63	151,496	2,432	6.46
Mortgage loans held for sale	13,731	158	4.67	7,474	112	6.03
Assets held in trading accounts	4,213	5	0.48	5,731	1	0.07
Loans	1,917,251	28,291	5.98	1,841,762	33,167	7.24
Total interest earning assets	2,699,486	36,019	5.41	2,513,812	41,409	6.63
Non-earning assets	249,877			254,129		
Total assets	\$ 2,949,363			\$ 2,767,941		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities						
Interest bearing liabilities						
Interest bearing transaction and savings accounts	\$ 1,052,635	\$ 2,569	0.99	\$ 803,439	\$ 3,266	1.63
Time deposits	973,387	6,934	2.89	1,100,022	11,922	4.36
Total interest bearing deposits	2,026,022	9,503	1.90	1,903,461	15,188	3.21
Federal funds purchased and securities sold under agreement to repurchase	119,846	243	0.82	126,459	921	2.93
Other borrowed funds						
Short-term debt	1,695	6	1.44	1,715	20	4.69
Long-term debt	160,692	1,748	4.41	123,221	1,511	4.93

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Total interest bearing liabilities	2,308,255	11,500	2.02	2,154,856	17,640	3.29
Non-interest bearing liabilities						
Non-interest bearing deposits	327,250			308,715		
Other liabilities	21,000			26,484		
Total liabilities	2,656,505			2,490,055		
Stockholders' equity	292,758			277,886		
Total liabilities and stockholders' equity	\$ 2,949,263			\$ 2,767,941		
Net interest spread			3.39			3.34
Net interest margin		\$ 24,519	3.68		\$ 23,769	3.80

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, 2009, 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 2009 over 2008		
	Volume	Yield/ Rate	Total
Increase (decrease) in			
Interest income			
Interest bearing balances due from banks	\$ (15)	\$ (295)	\$ (310)
Federal funds sold	(148)	(107)	(255)
Investment securities - taxable	1,264	(1,655)	(391)
Investment securities - non-taxable	346	46	392
Mortgage loans held for sale	77	(31)	46
Assets held in trading accounts	--	4	4
Loans	1,314	(6,190)	(4,876)
Total	2,838	(8,228)	(5,390)
Interest expense			
Interest bearing transaction and savings accounts	836	(1,533)	(697)
Time deposits	(1,254)	(3,734)	(4,988)
Federal funds purchased and securities sold under agreements to repurchase	(46)	(632)	(678)
Other borrowed funds			
Short-term debt	--	(14)	(14)
Long-term debt	422	(185)	237
Total	(42)	(6,098)	(6,140)
Increase (decrease) in net interest income	\$ 2,880	\$ (2,130)	\$ 750

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, 2009, was \$2.1 million, compared to \$1.5 million for the three-month period ended March 31, 2008, an increase of \$600,000. 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 \$11.5 million for the three-month period ended March 31, 2009, a decrease of \$3.5 million, or 23.6%, compared to \$15.0 million for the same period in 2008. The decrease in non-interest income was primarily due to the nonrecurring \$3.0 million gain in the first quarter of 2008 from cash proceeds received on the mandatory partial redemption of the Company's equity interest in Visa. Excluding the gain on Visa shares, non-interest income decreased \$560,000, or 4.7%, in the first quarter of 2009 from the comparable period in 2008.

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, 2009 and 2008, respectively, as well as changes in 2009 from 2008.

Table 5: Non-Interest Income

(In thousands)	Period Ended March 31		2009 Change from 2008	
	2009	2008		
Trust income	\$ 1,326	\$ 1,648	\$ (322)	-19.54%
Service charges on deposit accounts	3,727	3,434	293	8.53
Other service charges and fees	746	753	(7)	-0.93
Income on sale of mortgage loans, net of commissions	1,039	721	318	44.11
Income on investment banking, net of commissions	411	449	(38)	-8.46
Credit card fees	3,153	3,173	(20)	-0.63
Premiums on sale of student loans	--	624	(624)	-100.00
Bank owned life insurance income	378	361	17	4.71
Gain on mandatory partial redemption of Visa shares	--	2,973	(2,973)	-100.00
Other income	679	856	(177)	-20.68
Total non-interest income	\$ 11,459	\$ 14,992	\$ (3,533)	-23.57%

Recurring fee income for the three-month period ended March 31, 2009, was \$9.0 million, unchanged from the three-month period ended March 31, 2008. Trust income decreased by \$322,000, or 19.5%, due primarily to depressed market values and declines in the overall stock market, since trust fees are generally based on the market value of customer accounts. Service charges on deposit accounts increased by \$293,000, or 8.5%, due primarily to improvements in fee structure and core deposit growth.

Income on sale of mortgage loans increased by \$318,000, or 44.1%, for the three months ended March 31, 2009, compared to the same period in 2008. This improvement was primarily due to lower mortgage rates leading to higher refinancing volume.

Premiums on sale of student loans decreased by \$624,000 for the three-months ended March 31, 2009, compared to the same period in 2008. The decrease was due to a lack of sales of student loans during the first quarter of 2009. The student loan industry is going through major challenges related to secondary market liquidity. The current liquidity of the secondary market has effectively disappeared; therefore, the Company is currently unable to sell student loans at a premium. For the immediate future, it is the Company's intention, and we have the liquidity, to continue to fund new loans and hold those loans that normally would be sold into the secondary market through the 2008-2009 school year. In July 2008, the United States Department of Education announced a one-year program to create temporary stability and liquidity in the student loan market. During the third quarter of 2009, the Company expects to sell into the government program all student loans originated and fully funded during the 2008-2009 school year. Under the terms of the government program, the loans will be sold at par plus reimbursement of the 1% lender fee and a premium of \$75 per loan. The Company expects to record its entire annual premium on sale of student loans, now estimated at \$2.0 million, during the third quarter of 2009 when the loans are sold.

There were no gains or losses on sale of securities during the three months ended March 31, 2009 or 2008.

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. The Company utilizes an extensive profit planning and reporting system involving all affiliates. 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. Management also regularly monitors staffing levels at each affiliate, to ensure productivity and overhead are in line with existing workload requirements.

Non-interest expense for the three-month period ended March 31, 2009, was \$25.7 million, an increase of \$2.5 million, or 10.9% from the same period in 2008. Included in non-interest expense for the first quarter of 2008 was a \$1.2 million nonrecurring item related to the reversal of the Company's portion of Visa's contingent litigation liabilities that was originally recorded in the fourth quarter of 2007. This liability represented the Company's share of legal judgments and settlements related to Visa's litigation, which was satisfied by the \$3 billion escrow account funded by the proceeds from Visa's IPO, which was completed during the quarter ended March 31, 2008. Also included in non-interest expense for the three-months ended March 31, 2009, are the incremental expenses of approximately \$140,000 associated with the operation of the two new financial centers opened in the first quarter of 2008. When normalized for both the nonrecurring Visa litigation liability reversal and the additional expenses from the expansion, non-interest expense for the three-month period ended March 31, 2009, increased by 4.8% over the same period in 2008.

Deposit insurance expense increased by \$445,000 in the first quarter of 2009, or five times the amount in the first quarter of 2008. During 2007, the FDIC issued credits based on historical deposit levels to be used in offsetting deposit insurance assessments; the Company received approximately \$1.8 million of these credits. The majority of the credits were exhausted by the third quarter of 2008, resulting in FDIC insurance expense increases. Based on current FDIC insurance assessment rates, we now estimate the Company's annual deposit insurance expense to increase by approximately \$2.1 million in 2009 over 2008. Additionally, the FDIC has announced a one-time special assessment for June 30, 2009, expected to range between 6 and 20 basis points. We estimate the non-interest expense impact from the special assessment alone will range from \$1.4 million to \$4.7 million, depending on the final special assessment rate.

In January 2009, the Company received notice from Visa and MasterCard of a large nationwide breach in security at Heartland Payment Systems, a major payment transaction processing center, in which approximately 57,000 of our debit and credit cards were potentially compromised. Included in other non-interest expense is approximately \$125,000 of fraud losses resulting from the compromised cards. In an abundance of caution, we initiated significant card replacements at an additional cost of approximately \$100,000. Some recovery from insurance is anticipated for the card replacements.

Table 6 below shows non-interest expense for the three-month period ended March 31, 2009 and 2008, respectively, as well as changes in 2009 from 2008.

Table 6: Non-Interest Expense

(In thousands)	Period Ended March 31		2009	
	2009	2008	Change from 2008	
Salaries and employee benefits	\$ 14,583	\$ 14,208	\$ 375	2.64%
Occupancy expense, net	1,889	1,810	79	4.36
Furniture and equipment expense	1,543	1,490	53	3.56
Loss on foreclosed assets	70	42	28	66.67
Deposit insurance	533	88	445	505.68
Other operating expenses:				
Professional services	938	759	179	23.58
Postage	623	600	23	3.83
Telephone	528	450	78	17.33
Credit card expenses	1,273	1,195	78	6.53
Operating supplies	396	460	(64)	-13.91
Amortization of core deposits	202	202	--	0.00
Visa litigation liability reversal	--	(1,220)	1,220	-100.00
Other expense	3,080	3,046	34	1.12
Total non-interest expense	\$ 25,658	\$ 23,130	\$ 2,528	10.93%

LOAN PORTFOLIO

The Company's loan portfolio averaged \$1.917 billion and \$1.842 billion during the first three months of 2009 and 2008, respectively. As of March 31, 2009, total loans were \$1.917 billion, a decrease of \$15.7 million from December 31, 2008. 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).

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 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. The Company seeks 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. The Company uses 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 \$441.1 million at March 31, 2009, or 23.0% of total loans, compared to \$419.3 million, or 21.7% of total loans at December 31, 2008. The consumer loan increase from December 31, 2008, to March 31, 2009, 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 the Company's credit card portfolio.

The student loan portfolio balance at March 31, 2009, was \$143.1 million, compared to \$111.6 million at December 31, 2008, an increase of \$31.5 million, or 28.3%, from December 31, 2008. The Company expects a continuing increase in student loan balances until the third quarter of 2009, at which time student loans made during the 2008-2009 school year are sold to the government. See Non-Interest Income section for additional information.

Real estate loans consist of construction loans, single-family residential loans and commercial real estate loans. Real estate loans were \$1.207 billion at March 31, 2009, or 63.0% of total loans, compared to the \$1.219 billion, or 63.1% of total loans at December 31, 2008. Commercial real estate loans increased by \$3.4 million, less than 1%, from December 31, 2008, to March 31, 2009, primarily due to a softening loan demand throughout Arkansas. Construction and development loans decreased by \$16.3 million, or 7.2%, primarily due to the permanent financing of completed projects previously included in the construction loan category. Construction and development loans represent only 10.9% of the total loan portfolio.

Commercial loans consist of commercial loans, agricultural loans and loans to financial institutions. Commercial loans were \$259.8 million at March 31, 2009, or 13.6% of total loans, compared to \$284.2 million, or 14.7% of total loans at December 31, 2008. The commercial loan decrease is primarily due to seasonality in the agricultural loan portfolio.

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, 2009	December 31, 2008
Consumer		
Credit cards	\$ 158,503	\$ 169,615
Student loans	143,130	111,584
Other consumer	139,502	138,145
Real Estate		
Construction	208,664	224,924
Single family residential	410,315	409,540
Other commercial	588,216	584,843
Commercial		
Commercial	187,645	192,496
Agricultural	68,731	88,233
Financial institutions	3,471	3,471
Other	9,155	10,223
Total loans before allowance for loan losses	\$ 1,917,332	\$ 1,933,074

ASSET QUALITY

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. 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, the Company has sold its 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 Government program only purchases current year production, we are required to service loans that have converted to a payout basis. Student loans are classified as impaired when payment of interest of principal is 90 days past due. Approximately \$2.7 million of Government guaranteed student loans became over 90 days past due during the quarter ending March 31, 2009. 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 Government guaranteed, because they are over 90 days past due they will impact the Company's non-performing asset ratios.

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

Table 8: Non-performing Assets

(\$ in thousands)	March 31, 2009	December 31, 2008
Nonaccrual loans	\$ 15,602	\$ 14,358
Loans past due 90 days or more (principal or interest payments):		
Government guaranteed student loans (1)	2,739	--
Other loans	1,482	1,292
Total loans past due 90 days or more	4,221	1,292
Total non-performing loans	19,823	15,650
Other non-performing assets:		
Foreclosed assets held for sale	3,704	2,995
Other non-performing assets	12	12
Total other non-performing assets	3,716	3,007
Total non-performing assets	\$ 23,539	\$ 18,657
Allowance for loan losses to non-performing loans	123.63%	165.12%
Non-performing loans to total loans	1.03%	0.81%
Non-performing loans to total loans (excluding Government guaranteed student loans)		
(1)	0.89%	0.81%
Non-performing assets to total assets	0.80%	0.64%
Non-performing assets to total assets (excluding Government guaranteed student loans)		
(1)	0.71%	0.64%

(1) Student loans past due 90 days or more are included in non-performing loans. Student loans are Government guaranteed and will be purchased at 97% of principal and accrued interest when they exceed 270 days past due; therefore, non-performing ratios have been calculated excluding these loans.

There was no interest income on the nonaccrual loans recorded for the three-month periods ended March 31, 2009 and 2008.

At March 31, 2009, impaired loans were \$23.8 million compared to \$17.2 million at December 31, 2008. Impaired loans at March 31, 2009, include \$2.7 million of Government guaranteed student loans. On an ongoing basis, management evaluates the underlying collateral on all impaired loans and allocates specific reserves, where appropriate, in order to absorb potential losses if the collateral were ultimately foreclosed.

ALLOWANCE FOR LOAN LOSSES

Overview

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

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

Specific Allocations

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

Allocations for Classified Assets with no Specific Allocation

The Company establishes allocations for loans rated "watch" through "doubtful" based upon analysis of historical loss experience by category. A percentage rate is applied to each category of these loan categories to determine the level of dollar allocation.

General Allocations

The Company establishes general allocations for each major loan category. This section also includes allocations to loans which are collectively evaluated for loss such as credit cards, one-to-four family owner occupied residential real estate loans and other consumer loans. The allocations in this section are based on a historical review of loan loss experience and past due accounts. The Company gives consideration to trends, changes in loan mix, delinquencies, prior losses, and other related information.

Unallocated Portion

Allowance allocations other than specific, classified and general for the Company are included in unallocated. While allocations are made for loans based upon historical loss analysis, the unallocated portion is designed to cover the uncertainty of how current economic conditions and other uncertainties may impact the existing loan portfolio. Factors to consider include national and state economic conditions such as increases in unemployment, the recent real estate lending crisis, the volatility in the stock market and the unknown impact of the Economic Stimulus package.

Reserve for Unfunded Commitments

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

An analysis of the allowance for loan losses is shown in Table 9.

Table 9: Allowance for Loan Losses

(In thousands)	2009	2008
Balance, beginning of year	\$ 25,841	\$ 25,303
Loans charged off		
Credit card	1,270	779
Other consumer	530	357
Real estate	1,697	477
Commercial	442	202
Total loans charged off	3,939	1,815
Recoveries of loans previously charged off		
Credit card	214	192
Other consumer	190	153
Real estate	4	79
Commercial	60	13
Total recoveries	468	437
Net loans charged off	3,471	1,378
Provision for loan losses	2,138	1,467
Balance, March 31	\$ 24,508	\$ 25,392
Loans charged off		
Credit card		2,981
Other consumer		1,748
Real estate		2,510
Commercial		1,192
Total loans charged off		8,431
Recoveries of loans previously charged off		
Credit card		691
Other consumer		366
Real estate		128
Commercial		516
Total recoveries		1,701
Net loans charged off		6,730
Provision for loan losses		7,179
Balance, end of year		\$ 25,841

Provision for Loan Losses

The amount of provision to the allowance during the three-month periods ended March 31, 2009 and 2008, and for the year ended December 31, 2008, was based on management's judgment, with consideration given to the composition of the portfolio, historical loan loss experience, assessment of current economic conditions, past due and non-performing loans and net loan loss experience. It is management's practice to review the allowance on at least a quarterly basis, but generally on a monthly basis, to determine the level of provision made to the allowance after considering the factors noted above.

Allocated Allowance for Loan Losses

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

Several factors in the national economy, including the increase of unemployment rates, the continuing credit crisis, the mortgage crisis, the uncertainty in the residential housing market and other loan sectors which may be exhibiting weaknesses and the unknown impact of the Economic Stimulus package further justify the need for unallocated reserves.

As of March 31, 2009, the allowance for loan losses reflects a decrease of approximately \$1.3 million from December 31, 2008. This decrease in the allowance is primarily related to decreases in specific allocations for loans secured by assets located in the Northwest Arkansas region, which is also reflected by the decrease in the allocation to real estate loans. In late 2006 the economy in Northwest Arkansas, particularly in the residential real estate market, started showing signs of deterioration, which caused concerns over the full recoverability of this portion of the Company's loan portfolio. The Company continued to monitor the Northwest Arkansas economy and, beginning in the third quarter of 2007, specific credit relationships deteriorated to a level requiring increased general and specific reserves. These credit relationships continued to deteriorate, and others were identified, prompting special loan loss provisions each quarter, beginning with the second quarter of 2008, consequently increasing the allowance allocation to real estate loans through December 31, 2008. During the first quarter of 2009, several of these non-performing loans with large specific allocations were charged off, resulting in the decrease in specific allocations to real estate loans as of March 31, 2009.

As of March 31, 2009, the allocation of the allowance for loan losses to credit card loans increased by approximately \$543,000 from December 31, 2008, although credit card loan balances decreased by approximately \$11.1 million during the period. Annualized net credit card charge-offs to credit card loans increased from 2.02% at December 31, 2008, to 2.64% at March 31, 2009. Due to this increase in charge-offs, along with an increase in past due levels, the Company increased the allocation to credit cards.

The unallocated allowance for loan losses is based on the Company's concerns over the uncertainty of the national economy and the economy in Arkansas. The impact of market pricing in the poultry, timber and catfish industries in Arkansas remains uncertain. The Company is also cautious regarding the continued softening of the real estate market in Arkansas, specifically in the Northwest Arkansas region. Although Arkansas's unemployment rate is lagging behind the national average, it has continued to rise. Management actively monitors the status of these industries and economic factors as they relate to the Company's loan portfolio and makes changes to the allowance for loan losses as necessary. Based on its analysis of loans and external uncertainties, the Company believes the allowance for loan losses is adequate for the period ended March 31, 2009.

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

Table 10: Allocation of Allowance for Loan Losses

(\$ in thousands)	March 31, 2009		December 31, 2008	
	Allowance Amount	% of loans (1)	Allowance Amount	% of loans (1)
Credit cards	\$ 4,500	8.3%	\$ 3,957	8.8%
Other consumer	1,461	14.7%	1,325	12.9%
Real estate	10,321	63.0%	11,695	63.1%
Commercial	1,997	13.5%	2,255	14.7%
Other	201	0.5%	209	0.5%
Unallocated	6,028		6,400	
Total	\$ 24,508	100.0%	\$ 25,841	100.0%

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

DEPOSITS

Deposits are the Company's primary source of funding for earning assets and are primarily developed through the Company's network of 84 financial centers as of March 31, 2009. The Company offers a variety of products designed to attract and retain customers with a continuing focus on developing core deposits. The Company's core deposits consist of all deposits excluding time deposits of \$100,000 or more and brokered deposits. As of March 31, 2009, core deposits comprised 81.4% of the Company's total deposits.

The Company continually monitors the funding requirements at each affiliate bank along with competitive interest rates in the markets it serves. Because the Company has a community banking philosophy, managers in the local markets establish the interest rates being offered on both core and non-core deposits. This approach ensures that the interest rates being paid are competitively priced for each particular deposit product and structured to meet each affiliate bank's respective funding requirements. The Company believes it is paying a competitive rate, when compared with pricing in those markets.

The Company manages its interest expense through deposit pricing and does not anticipate a significant change in total deposits. The Company believes that additional funds can be attracted and deposit growth can be accelerated through promotion and deposit pricing if it experiences accelerated loan demand or other liquidity needs beyond its current projections. The Company also utilizes brokered deposits as an additional source of funding to meet liquidity needs.

The Company introduced a new high yield investment deposit account during the first quarter of 2008 as part of its strategy to enhance liquidity. Since its inception, the new account has generated approximately \$156 million in new core deposits. Total internal deposit growth for the three-month period ending March 31, 2009, was \$33.2 million, or 1.4%. More specifically, total deposits as of March 31, 2009, were \$2.370 billion versus \$2.336 billion on December 31, 2008.

Non-interest bearing transaction accounts decreased \$4.3 million to \$330.7 million at March 31, 2009, compared to \$335 million at December 31, 2008. Interest bearing transaction and savings accounts were \$1.078 billion at March 31, 2009, a \$51.5 million increase compared to \$1.027 billion on December 31, 2008. Total time deposits decreased approximately \$14 million to \$961 million at March 31, 2009, from \$975 million at December 31, 2008. The Company had \$31.6 million and \$33.2 million of brokered deposits at March 31, 2009, and December 31, 2008, respectively.

LONG-TERM DEBT

The Company's long-term debt was \$160.4 million and \$158.7 million at March 31, 2009, and December 31, 2008, respectively. The outstanding balance for March 31, 2009, includes \$129.5 million in FHLB long-term advances and \$30.9 million of trust preferred securities.

CAPITAL

Overview

At March 31, 2009, total capital reached \$292.2 million. Capital represents shareholder ownership in the Company – the book value of assets in excess of liabilities. At March 31, 2009, the Company's equity to asset ratio was 9.93% compared to 9.89% at year-end 2008.

Capital Stock

At the Company's annual shareholder meeting held on April 10, 2007, the shareholders approved an amendment to the Articles of Incorporation increasing the number of authorized shares of Class A, \$0.01 par value, Common Stock from 30,000,000 to 60,000,000.

At a special shareholders' meeting held on February 27, 2009, 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, of the Company. The shareholders also approved the issuance of common stock warrants for the purchase of up to 500,000 shares of the Company's Class A common stock with the exercise price and number of shares subject to final computation in accordance with the rules of the Treasury's CPP.

Stock Repurchase

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.

Effective July 1, 2008, the Company made a strategic decision to temporarily suspend stock repurchases. This decision was made to preserve capital at the parent company due to the lack of liquidity in the credit markets and the uncertainties in the overall economy. If the Company participates in the CPP by issuing preferred stock to the Treasury, stock repurchases may be restricted and will require the Treasury's consent.

Cash Dividends

The Company declared cash dividends on its common stock of \$0.19 per share for the first three months of 2009 compared to \$0.19 per share for the first three months of 2008. In recent years the Company has increased dividends no less than annually, but was required to temporarily suspend dividend increases upon Treasury approval to participate in the CPP. If the Company participates in the CPP by issuing preferred stock to the Treasury, dividend increases may be restricted and will require the Treasury's consent.

Parent Company Liquidity

The primary sources for payment of dividends by the Company to its shareholders and the share repurchase plan are the current cash on hand at the parent company plus the future dividends received from the eight affiliate banks. Payment of dividends by the eight affiliate banks is subject to various regulatory limitations. Reference is made to the Liquidity and Market Risk Management discussions of Item 3 – Quantitative and Qualitative Disclosure About Market Risk for additional information regarding the parent company's liquidity.

Risk Based Capital

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

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). As of March 31, 2009, the Company meets all capital adequacy requirements to which it is subject.

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

The Company's risk-based capital ratios at March 31, 2009, and December 31, 2008, are presented in table 11.

Table 11: Risk-Based Capital

(\$ in thousands)	March 31, 2009	December 31, 2008
Tier 1 capital		
Stockholders' equity	\$ 292,170	\$ 288,792
Trust preferred securities	30,000	30,000
Intangible assets	(52,459)	(53,034)
Unrealized gain on available-for-sale securities, net of taxes	(2,901)	(3,190)
Total Tier 1 capital	266,810	262,568
Tier 2 capital		
Qualifying unrealized gain on available-for-sale equity securities	186	198
Qualifying allowance for loan losses	24,537	24,828
Total Tier 2 capital	24,723	25,026
Total risk-based capital	\$ 291,533	\$ 287,594
Risk weighted assets	\$ 1,961,482	\$ 1,983,654
Assets for leverage ratio	\$ 2,893,210	\$ 2,870,882
Ratios at end of period		
Tier 1 leverage ratio	9.22%	9.15%
Tier 1 risk-based capital ratio	13.60%	13.24%
Total risk-based capital ratio	14.86%	14.50%
Minimum guidelines		
Tier 1 leverage ratio	4.00%	4.00%
Tier 1 risk-based capital ratio	4.00%	4.00%
Total risk-based capital ratio	8.00%	8.00%

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

FORWARD-LOOKING STATEMENTS

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

We caution the reader not to place undue reliance on the forward-looking statements contained in this report in that actual results could differ materially from those indicated in such forward-looking statements, due to a variety of factors. These factors include, but are not limited to, changes in the Company's operating or expansion strategy, availability of and costs associated with obtaining adequate and timely sources of liquidity, the ability to maintain credit quality, possible adverse rulings, judgments, settlements and other outcomes of pending litigation, the ability of the Company to collect amounts due under loan agreements, changes in consumer preferences, effectiveness of the Company's interest rate risk management strategies, laws and regulations affecting financial institutions in general or relating to taxes, the effect of pending or future legislation, the ability of the Company to repurchase its common stock on favorable terms and other risk factors. Other relevant risk factors may be detailed from time to time in the Company's press releases and filings with the Securities and Exchange Commission. We undertake no obligation to update these forward-looking statements to reflect events or circumstances that occur after the date of this report.

RECONCILIATION OF NON-GAAP MEASURES

The table below presents computations of core earnings (net income excluding nonrecurring items { Visa litigation expense reversal and gain from the cash proceeds on mandatory Visa stock redemption }) and diluted core earnings per share (non-GAAP). Nonrecurring items are included in financial results presented in accordance with generally accepted accounting principles (GAAP).

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

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

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

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

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

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

See Table 12 below for the reconciliation of non-GAAP financial measures, which exclude nonrecurring items for the periods presented.

Table 12: Reconciliation of Core Earnings (non-GAAP)

(\$ in thousands)	March 31, 2009	March 31, 2008
Three months ended		
Net Income	\$ 5,236	\$ 8,816
Nonrecurring items		
Mandatory stock redemption gain (Visa)	--	(2,973)
Litigation liability reversal (Visa)	--	(1,220)
Tax effect (39%)	--	1,635
Net nonrecurring items	--	(2,558)
Core earnings (non-GAAP)	\$ 5,236	\$ 6,258
Diluted earnings per share	\$ 0.37	\$ 0.63
Nonrecurring items		
Mandatory stock redemption gain (Visa)	--	(0.21)
Litigation liability reversal (Visa)	--	(0.09)
Tax effect (39%)	--	0.12
Net nonrecurring items	--	(0.18)
Diluted core earnings per share (non-GAAP)	\$ 0.37	\$ 0.45

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Parent Company

The Company has leveraged its investment in subsidiary banks and depends upon the dividends paid to it, as the sole shareholder of the subsidiary banks, as a principal source of funds for dividends to shareholders, stock repurchase and debt service requirements. At March 31, 2009, undivided profits of the Company's subsidiaries were approximately \$157.5 million, of which approximately \$9.3 million was available for the payment of dividends to the Company without regulatory approval. In addition to dividends, other sources of liquidity for the Company are the sale of equity securities and the borrowing of funds.

Banking Subsidiaries

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

Liquidity represents an institution's ability to provide funds to satisfy demands from depositors and borrowers, by either converting assets into cash or accessing new or existing sources of incremental funds. A major responsibility of management is to maximize net interest income within prudent liquidity constraints. Internal corporate guidelines have been established to constantly measure liquid assets, as well as relevant ratios concerning earning asset levels and purchased funds. The management and board of directors of each bank subsidiary monitor these same indicators and make adjustments as needed. At March 31, 2009, each subsidiary bank was within established guidelines and total corporate liquidity remains strong. At March 31, 2009, cash and cash equivalents, trading and available-for-sale securities and mortgage loans held for sale were 21.1% of total assets, as compared to 21.0% at December 31, 2008.

Liquidity Management

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

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

The first source of liquidity available to the Company is Federal funds. Federal funds, primarily from downstream correspondent banks, are available on a daily basis and are used to meet the normal fluctuations of a dynamic balance sheet. In addition, the Company and its affiliates have approximately \$104 million in Federal funds lines of credit from upstream correspondent banks that can be accessed, when needed. In order to ensure availability of these upstream funds, the Company has a plan for rotating the usage of the funds among the upstream correspondent banks, thereby providing approximately \$40 million in funds on a given day. Historical monitoring of these funds has made it possible for the Company to project seasonal fluctuations and structure its funding requirements on a month-to-month basis.

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

Third, the Company's affiliate banks have lines of credits available with the FHLB. While the Company uses portions of those lines to match off longer-term mortgage loans, the Company also uses those lines to meet liquidity needs. Approximately \$445 million of these lines of credit are currently available, if needed.

Fourth, the Company uses a laddered investment portfolio that ensures there is a steady source of intermediate term liquidity. These funds can be used to meet seasonal loan patterns and other intermediate term balance sheet fluctuations. Approximately 70% of the investment portfolio is classified as available-for-sale. The Company also uses securities held in the securities portfolio to pledge when obtaining public funds.

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

The Company believes the various sources available are ample liquidity for short-term, intermediate-term and long-term liquidity.

Market Risk Management

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

Interest Rate Sensitivity

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

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

Table A below presents the Company's interest rate sensitivity position at March 31, 2009. This analysis is based on a point in time and may not be meaningful because assets and liabilities are categorized according to contractual maturities, repricing periods and expected cash flows rather than estimating more realistic behaviors, as is done in the simulation models. Also, this analysis does not consider subsequent changes in interest rate level or spreads between asset and liability categories.

Table A: Interest Rate Sensitivity

	Interest Rate Sensitivity Period							
	0-30	31-90	91-180	181-365	1-2	2-5	Over 5	
(In thousands, except ratios)	Days	Days	Days	Days	Years	Years	Years	Total
E a r n i n g								
assets								
Short-term investments	\$ 44,219	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 44,219
Assets held in trading accounts	7,510	--	--	--	--	--	--	7,510
Investment securities	299,731	52,675	44,116	136,709	54,294	76,133	59,134	722,792
Mortgage loans held for sale	9,695	--	--	--	--	--	--	9,695
Loans	597,342	260,536	155,259	321,548	252,470	287,787	42,390	1,917,332
Total earning assets	958,497	313,211	199,375	458,257	306,764	363,920	101,524	2,701,548
I n t e r e s t								
b e a r i n g								
liabilities								
I n t e r e s t								
b e a r i n g								
transaction and savings deposits	714,127	--	--	--	72,839	218,518	72,840	1,078,324
Time deposits	118,330	168,978	223,216	333,627	96,230	20,130	11	960,522
Short-term debt	100,136	--	--	--	--	--	--	100,136
	562	11,445	1,715	24,546	53,206	29,767	39,182	160,423

Long-term debt								
Total interest bearing liabilities	933,155	180,423	224,931	358,173	222,275	268,415	112,033	2,299,405
Interest rate sensitivity Gap	\$ 25,342	\$ 132,788	\$ (25,556)	\$ 100,084	\$ 84,489	\$ 95,505	\$ (10,509)	\$ 402,143
Cumulative interest rate sensitivity Gap	\$ 25,342	\$ 158,130	\$ 132,574	\$ 232,658	\$ 317,147	\$ 412,652	\$ 402,143	
Cumulative rate sensitive asset to rate sensitive liabilities	102.7%	114.2%	109.9%	113.7%	116.5%	118.9%	117.5%	
Cumulative Gap as a % of earning assets	0.9%	5.9%	4.9%	8.6%	11.7%	15.3%	14.9%	

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

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

Part II: Other Information

Item 1A. Risk Factors

There has been no material change in the risk factors disclosure from that contained in the Company's 2008 Form 10-K for the fiscal year ended December 31, 2008.

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

(c) Issuer Purchases of Equity Securities. The Company made no purchases of its common stock during the three months ended March 31, 2009.

Item 4. Submission of Matters to a Vote of Security Holders

(a) A special shareholders' meeting of the Company was held on February 27, 2009. The matters submitted to the security holders for approval included (1) amending the Articles of Incorporation to establish 40,040,000 authorized shares of preferred stock, \$0.01 par value, of the Company and (2) approving the issuance of common stock warrants for the purchase of up to 500,000 shares of SFNC Class A common stock with the exercise price and number of shares subject to final computation in accordance with the rules of the U.S. Department of the Treasury Troubled Asset Relief Program – Capital Purchase Program.

The following table summarizes the required analysis of the voting by security holders at the special meeting of shareholders held on February 27, 2009:

Voting of Shares

Action	For	Against	Abstain	Broker Non-Votes
Amend the Articles of Incorporation to authorize 40,040,000 shares of Preferred Stock	7,958,526	1,306,324	154,363	4,540,073
Approve the issuance of stock warrants for the purchase of up to 500,000 shares of Class A Common Stock for the U.S. Treasury TARP – Capital Purchase Program	8,497,043	748,750	173,420	4,540,073

Item 6. Exhibits

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

- 10.3 Junior Subordinated Indenture, dated as of December 16, 2003, among the Company and Deutsche Bank Trust Company Americas, as trustee, with respect to the junior subordinated note held by Simmons First Capital Trust II (incorporated by reference to Exhibit 10.3 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)).
- 10.4 Amended and Restated Trust Agreement, dated as of December 16, 2003, among the Company, Deutsche Bank Trust Company Americas, Deutsche Bank Trust Company Delaware and each of J. Thomas May, Barry L. Crow and Robert A. Fehlman as administrative trustees, with respect to Simmons First Capital Trust III (incorporated by reference to Exhibit 10.4 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)).
- 10.5 Guarantee Agreement, dated as of December 16, 2003, between the Company and Deutsche Bank Trust Company Americas, as guarantee trustee, with respect to Simmons First Capital Trust III (incorporated by reference to Exhibit 10.5 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)).
- 10.6 Junior Subordinated Indenture, dated as of December 16, 2003, among the Company and Deutsche Bank Trust Company Americas, as trustee, with respect to the junior subordinated note held by Simmons First Capital Trust III (incorporated by reference to Exhibit 10.6 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)).
- 10.7 Amended and Restated Trust Agreement, dated as of December 16, 2003, among the Company, Deutsche Bank Trust Company Americas, Deutsche Bank Trust Company Delaware and each of J. Thomas May, Barry L. Crow and Robert A. Fehlman as administrative trustees, with respect to Simmons First Capital Trust IV (incorporated by reference to Exhibit 10.7 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)).
- 10.8 Guarantee Agreement, dated as of December 16, 2003, between the Company and Deutsche Bank Trust Company Americas, as guarantee trustee, with respect to Simmons First Capital Trust IV (incorporated by reference to Exhibit 10.8 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)).
- 10.9 Junior Subordinated Indenture, dated as of December 16, 2003, among the Company and Deutsche Bank Trust Company Americas, as trustee, with respect to the junior subordinated note held by Simmons First Capital Trust IV (incorporated by reference to Exhibit 10.9 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)).

- 10.10.1 Simmons First National Corporation Long Term Incentive Plan, adopted March 24, 2008, and Notice of Grant of Long Term Incentive Award to J. Thomas May, David L. Bartlett, Marty Casteel, and Robert A. Fehlman (incorporated by reference to Exhibits 10.1 through 10.5 to Simmons First National Corporation's Current Report on Form 8-K for March 24, 2008 (File No. 0-6253)).
- 10.10.2 Termination of Simmons First National Corporation Long Term Incentive Plan, adopted March 24, 2008, terminated and cancelled February 25, 2009, and Termination of Grant Under Long Term Incentive Award to J. Thomas May, David L. Bartlett, Marty Casteel, and Robert A. Fehlman (incorporated by reference to exhibits 10.1 through 10.5 to Simmons First National Corporation's Current Report on Form 8-K for February 25, 2009 (File No. 0-6253)).
- 14 Code of Ethics, dated December 2003, for CEO, CFO, controller and other accounting officers (incorporated by reference to Exhibit 14 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 0-6253)).
- 31.1 Rule 13a-14(a)/15d-14(a) Certification – J. Thomas May, Chairman and Chief Executive Officer.*
- 31.2 Rule 13a-14(a)/15d-14(a) Certification – Robert A. Fehlman, Chief Financial Officer.*
- 32.1 Certification Pursuant to 18 U.S.C. Sections 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – J. Thomas May, Chairman and Chief Executive Officer.*
- 32.2 Certification Pursuant to 18 U.S.C. Sections 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Robert A. Fehlman, Chief Financial Officer.*

* Filed herewith.

SIGNATURES

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

SIMMONS FIRST NATIONAL CORPORATION
(Registrant)

Date: May 5, 2009

/s/ J. Thomas May
J. Thomas May
Chairman and Chief Executive Officer

Date: May 5, 2009

/s/ Robert A. Fehlman
Robert A. Fehlman
Executive Vice President and Chief
Financial Officer