SIMMONS FIRST NATIONAL CORP
Form 10-Q
August 10, 2015

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 June 30, 2015 Commission File Number 000-06253

SIMMONS FIRST NATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

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

870-541-1000

(Registrant's telephone number, including area code)

Not Applicable

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

S Yes £ No

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

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

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

The number of shares outstanding of the Registrant's Common Stock as of July 27, 2015, was 29,932,198.

Simmons First National Corporation

Quarterly Report on Form 10-Q

June 30, 2015

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Part I: Financial Information

Item 1. Financial Statements (Unaudited)

Simmons First National Corporation

Consolidated Balance Sheets

June 30, 2015 and December 31, 2014

(In thousands, except share data)	June 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Cash and non-interest bearing balances due from banks	$69,770	$54,347
Interest bearing balances due from banks	173,130	281,562
Federal funds sold	49,570	-
Cash and cash equivalents	292,470	335,909
Interest bearing balances due from banks - time	24,189	-
Investment securities:		
Held-to-maturity	861,596	777,587
Available-for-sale	747,701	305,283
Total investments	1,609,297	1,082,870
Mortgage loans held for sale	48,094	21,265
Assets held in trading accounts	6,481	6,987
Loans:		
Legacy loans	2,611,229	2,053,721
Allowance for loan losses	(30,567)	(29,028)
Loans acquired, not covered by FDIC loss share (net of discount)	2,108,306	575,980
Loans acquired, covered by FDIC loss share (net of discount and allowance)	93,121	106,933
Net loans	4,782,089	2,707,606
FDIC indemnification asset	13,020	22,663
Premises and equipment	191,335	122,246
Premises held for sale	6,587	6,846
Foreclosed assets not covered by FDIC loss share	42,666	44,856
Foreclosed assets covered by FDIC loss share	12,833	11,793
Interest receivable	24,129	16,774
Bank owned life insurance	118,073	77,592
Goodwill	314,282	108,095
Other intangible assets	46,605	22,526
Other assets	82,208	55,326
Total assets	$7,614,358	$4,643,354

LIABILITIES AND STOCKHOLDERS' EQUITY
Deposits:

Non-interest bearing transaction accounts	$1,141,285	$889,260
Interest bearing transaction accounts and savings deposits	3,581,049	2,006,271
Time deposits	1,447,688	965,187
Total deposits	6,170,022	3,860,718
Federal funds purchased and securities sold under agreements to repurchase	111,792	110,586
Other borrowings	171,321	114,682
Subordinated debentures	61,794	20,620
Accrued interest and other liabilities	74,324	42,429
Total liabilities	6,589,253	4,149,035
Stockholders' equity:		
Preferred stock, 40,040,000 shares authorized; Series A, $0.01 par value, $1,000 liquidation value per share; 30,852 shares issued and outstanding at June 30, 2015	30,852	-
Common stock, Class A, $0.01 par value; 60,000,000 shares authorized; 29,894,903 and 18,052,488 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	299	181
Surplus	640,895	156,568
Undivided profits	354,459	338,906
Accumulated other comprehensive loss	(1,400)	(1,336)
Total stockholders' equity	1,025,105	494,319
Total liabilities and stockholders' equity	$7,614,358	$4,643,354

See Condensed Notes to Consolidated Financial Statements.

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Simmons First National Corporation

Consolidated Statements of Income

Three and Six Months Ended June 30, 2015 and 2014

(In thousands, except per share data)	Three Months Ended June 30, 2015	2014	Six Months Ended June 30, 2015	2014
	(Unaudited)		(Unaudited)	
INTEREST INCOME				
Loans	$70,438	$38,622	$121,424	$78,753
Federal funds sold	73	2	102	3
Investment securities	8,050	4,766	13,929	9,315
Mortgage loans held for sale	375	168	522	237
Assets held in trading accounts	4	5	8	10
Interest bearing balances due from banks	229	279	439	558
TOTAL INTEREST INCOME	79,169	43,842	136,424	88,876
INTEREST EXPENSE				
Deposits	4,195	2,235	7,139	4,505
Federal funds purchased and securities sold under agreements to repurchase	57	31	121	84
Other borrowings	1,151	988	2,203	1,998
Subordinated debentures	559	160	793	317
TOTAL INTEREST EXPENSE	5,962	3,414	10,256	6,904
NET INTEREST INCOME	73,207	40,428	126,168	81,972
Provision for loan losses	3,006	1,602	4,177	2,510
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	70,201	38,826	121,991	79,462
NON-INTEREST INCOME				
Trust income	2,070	1,553	4,321	3,091
Service charges on deposit accounts	8,031	6,792	14,394	12,860
Other service charges and fees	3,130	859	4,955	1,684
Mortgage lending income	3,449	1,262	5,710	2,074
Investment banking income	593	154	1,487	336
Debit and credit card fees	6,486	5,801	12,134	11,444
Bank owned life insurance income	746	377	1,318	705
Gain (loss) on sale of securities	-	38	(38)	38
Net (loss) on assets covered by FDIC loss share agreements	(3,056)	(6,268)	(5,727)	(13,639)
Other income	3,863	4,820	5,253	5,984
TOTAL NON-INTEREST INCOME	25,312	15,388	43,807	24,577
NON-INTEREST EXPENSE				

Salaries and employee benefits	35,475	20,982	62,246	43,447
Occupancy expense, net	5,051	3,285	8,627	7,155
Furniture and equipment expense	3,241	2,215	6,420	4,229
Other real estate and foreclosure expense	1,017	375	1,398	1,248
Deposit insurance	1,096	1,085	1,966	1,753
Merger related costs	1,247	1,354	11,666	2,627
Other operating expenses	18,041	10,546	30,213	23,923
TOTAL NON-INTEREST EXPENSE	65,168	39,842	122,536	84,382
INCOME BEFORE INCOME TAXES	30,345	14,372	43,262	19,657
Provision for income taxes	10,250	4,464	14,432	5,396
NET INCOME	20,095	9,908	28,830	14,261
Preferred stock dividends	77	-	103	-
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	$20,018	$9,908	$28,727	$14,261
BASIC EARNINGS PER SHARE	$0.67	$0.61	$1.10	$0.88
DILUTED EARNINGS PER SHARE	$0.67	$0.60	$1.10	$0.87

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation

Consolidated Statements of Comprehensive Income

Three and Six Months Ended June 30, 2015 and 2014

(In thousands, except per share data)	Three Months Ended June 30, 2015	2014	Six Months Ended June 30, 2015	2014
	(Unaudited)		(Unaudited)	
NET INCOME	$20,095	$9,908	$28,830	$14,261
OTHER COMPREHENSIVE INCOME				
Unrealized holding (losses) gains arising during the period on available-for-sale securities	(5,356)	1,206	(143)	2,659
Less: Reclassification adjustment for realized gains (losses) included in net income	-	38	(38)	38
Other comprehensive (loss) gain, before tax effect	(5,356)	1,168	(105)	2,621
Less: Tax effect of other comprehensive (loss) gain	(2,101)	458	(41)	1,028
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME	(3,255)	710	(64)	1,593
COMPREHENSIVE INCOME	$16,840	$10,618	$28,766	$15,854

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation

Consolidated Statements of Cash Flows

Six Months Ended June 30, 2015 and 2014

(In thousands)	June 30, 2015	June 30, 2014
	(Unaudited)	
OPERATING ACTIVITIES		
Net income	$ 28,830	$ 14,261
Items not requiring (providing) cash:		
Depreciation and amortization	6,945	3,808
Provision for loan losses	4,177	2,510
Net (accretion) of investment securities and assets not covered by FDIC loss share	(9,829)	(1,994)
Net amortization on borrowings	150	-
Stock-based compensation expense	1,077	655
Net accretion on assets covered by FDIC loss share	(119)	(350)
Deferred income taxes	(1,772)	(3,143)
Loss (gain) on sale of available-for-sale securities	38	(38)
Gain on sale of premises and equipment	-	(2,296)
Loss on premises and equipment of closed branches	1,958	-
Bank owned life insurance income	(1,318)	(705)
Changes in:		
Interest receivable	2,377	1,400
Mortgage loans held for sale	(26,829)	(10,915)
Assets held in trading accounts	506	2,097
Other assets	(3,178)	(5,982)
Accrued interest and other liabilities	8,276	4,113
Income taxes payable	6,846	(2,892)
Net cash provided by operating activities	18,135	529
INVESTING ACTIVITIES		
Net originations of loans not covered by FDIC loss share	(176,400)	(34,126)
Net collections of loans covered by FDIC loss share	16,888	34,830
Proceeds from sale of student loans	-	22,136
Purchases (proceeds) from sale of premises and equipment, net	(7,784)	10,760
Proceeds from sale of foreclosed assets held for sale	15,131	13,575
Proceeds from sale of foreclosed assets held for sale, covered by FDIC loss share	1,859	7,677
Proceeds from sale of available-for-sale securities	1,662	2,552
Proceeds from maturities of available-for-sale securities	291,688	59,920
Purchases of available-for-sale securities	(210,344)	(118,954)
Proceeds from maturities of held-to-maturity securities	116,439	130,682
Purchases of held-to-maturity securities	(54,668)	(184,965)
Purchase of bank owned life insurance	(25)	(25)
Cash received on FDIC loss share	3,980	11,886
Cash received in business combinations, net of cash paid	201,029	-

Net cash provided by (used in) investing activities	199,455	(44,052)
FINANCING ACTIVITIES		
Net change in deposits	(101,472)	(55,842)
Dividends paid on preferred stock	(103)	-
Dividends paid on common stock	(13,174)	(7,467)
Net change in other borrowed funds	(134,106)	(1,488)
Net change in federal funds purchased and securities sold under agreements to repurchase	(15,024)	(9,661)
Net shares issued under stock compensation plans	2,850	1,261
Net cash used in financing activities	(261,029)	(73,197)
DECREASE IN CASH AND CASH EQUIVALENTS	(43,439)	(116,720)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	335,909	539,380
CASH AND CASH EQUIVALENTS, END OF PERIOD	$292,470	$422,660

See Condensed Notes to Consolidated Financial Statements.

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Simmons First National Corporation

Consolidated Statements of Stockholders' Equity

Six Months Ended June 30, 2015 and 2014

(In thousands, except share data)	Preferred Stock	Common Stock	Surplus	Accumulated Other Comprehensive Income (Loss)	Undivided Profits	Total
Balance, December 31, 2013	$-	$162	$88,095	$(3,002)	$318,577	$403,832
Comprehensive income:						
Net income	-	-	-	-	14,261	14,261
Change in unrealized depreciation on available-for-sale securities, net of income taxes of $1,028	-	-	-	1,593	-	1,593
Comprehensive income						15,854
Stock issued as bonus shares – 71,840 shares	-	1	441	-	-	442
Vesting bonus shares, net of forfeitures – (1,560 shares)	-	-	655	-	-	655
Stock issued for employee stock purchase plan – 4,897 shares	-	-	118	-	-	118
Exercise of stock options – 33,360 shares	-	-	843	-	-	843
Securities exchanged under stock option plan – (3,452 shares)	-	-	(142)	-	-	(142)
Cash dividends – $0.44 per share	-	-	-	-	(7,467)	(7,467)
Balance, June 30, 2014 (Unaudited)	-	163	90,010	(1,409)	325,371	414,135
Comprehensive income:						
Net income	-	-	-	-	21,427	21,427
Change in unrealized depreciation on available-for-sale securities, net of income taxes of $47	-	-	-	73	-	73
Comprehensive income	-	-	-	-	-	21,500
Stock issued as bonus shares – 62,040 shares	-	-	-	-	-	-
Vesting bonus shares, net of forfeitures – (1,560 shares)	-	-	768	-	-	768
Exercise of stock options – 31,360 shares	-	2	831	-	-	833
Securities exchanged under stock option plan – (1,768 shares)	-	-	(71)	-	-	(71)
Stock issued for Delta Trust & Bank acquisition – 1,629,515 shares	-	16	65,030	-	-	65,046
Cash dividends – $0.44 per share	-	-	-	-	(7,892)	(7,892)
Balance, December 31, 2014	-	181	156,568	(1,336)	338,906	494,319
Comprehensive income:						
Net income	-	-	-	-	28,830	28,830
Change in unrealized depreciation on available-for-sale securities, net of income taxes of ($41)	-	-	-	(64)	-	(64)
Comprehensive income						28,766
Stock issued as bonus shares – 56,600 shares	-	1	1,564	-	-	1,565
Vesting bonus shares, net of forfeitures – (9,500 shares)	-	-	803	-	-	803

Stock issued for employee stock purchase plan – 6,528 shares	-	-	226	-	-	226
Exercise of stock options – 52,929 shares	-	-	1,201	-	-	1,201
Stock granted under stock-based compensation plans	-	-	274	-	-	274
Securities exchanged under stock option plan – (3,290 shares)	-	-	(142)	-	-	(142)
Stock issued for Community First acquisition – 30,852 preferred shares; 6,552,916 common shares	30,852	65	268,277	-	-	299,194
Stock issued for Liberty Bank acquisition – 5,181,337 shares	-	52	212,124	-	-	212,176
Dividends on preferred stock	-	-	-	-	(103)	(103)
Dividends on common stock – $0.46 per share	-	-	-	-	(13,174)	(13,174)
Balance, June 30, 2015 (Unaudited)	$30,852	$299	$640,895	$(1,400)	$354,459	$1,025,105

See Condensed Notes to Consolidated Financial Statements.

SIMMONS FIRST NATIONAL CORPORATION

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1: BASIS OF PRESENTATION

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

All adjustments made to the unaudited financial statements were of a normal recurring nature. In the opinion of management, all adjustments necessary for a fair presentation of the results of interim periods have been made. Certain prior year amounts are reclassified to conform to current year classification. The consolidated balance sheet of the Company as of December 31, 2014, 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 2014 filed with the U.S. Securities and Exchange Commission (the "SEC").

Recently Issued Accounting Pronouncements

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

ASU 2014-17 – *Business Combinations: Pushdown Accounting* (“ASU 2014-17”). ASU 2014-17 amends existing guidance related to the accounting by an acquired entity upon a change-in-control event. The standard provides an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. An acquired entity may elect the option to apply pushdown accounting in the reporting period in which the change-in-control event occurs. If pushdown accounting is not applied in the reporting period in which the change-in-control event occurs, an acquired entity will have the option to elect to apply pushdown accounting in a subsequent reporting period to the acquired entity’s most recent change-in-control event. ASU 2014-17 was effective on November 18, 2014. The adoption of this standard has not had a material effect on the Company’s operating results or financial condition.

ASU 2014-14 – *Receivables – Troubled Debt Restructurings by Creditors: Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure* (“ASU 2014-14”). ASU 2014-14 amends existing guidance related to the classification of certain government-guaranteed mortgage loans, including those guaranteed by the FHA and the VA, upon foreclosure. It requires that a mortgage loan be derecognized and a separate other receivable be recognized upon foreclosure if three conditions are met. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. ASU 2014-14 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014, and early adoption is permitted. It can be applied using a prospective transition method or a modified retrospective transition using a cumulative-effect adjustment. The adoption of this standard has not had a material effect on the Company’s results of operations, financial position or disclosures.

ASU 2014-12 – *Compensation – Stock Compensation – Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period* (“ASU 2014-12”). ASU 2014-12 amends existing guidance related to the accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The standard requires that a performance target that affects vesting and that could be achieved after the requisite service period should be treated as a performance condition. ASU 2014-12 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015, and early adoption is permitted. It can be applied either prospectively to all awards granted or modified after the effective date or retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The adoption of this standard is not expected to have a material effect on the Company’s operating results or financial condition.

ASU 2014-11 – *Transfers and Servicing – Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures* (“ASU 2014-11”). ASU 2014-11 aligns the accounting for repurchase-to-maturity transactions and repurchase agreements executed as a repurchase financing with the accounting for other typical repurchase agreements. ASU 2014-11 requires that these transactions all be accounted for as secured borrowings. The standard requires a new disclosure for transactions economically similar to repurchase agreements in which the transferor retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction and requires expanded disclosures about the nature of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. ASU 2014-11 is effective for the first interim or annual period beginning after December 15, 2014. An entity is required to present changes in accounting for transactions outstanding on the effective date as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. Earlier application for a public business entity is prohibited. The adoption of this standard did not have a material effect on the Company’s results of operations, financial position or disclosures.

ASU 2014-09 – *Revenue from Contracts with Customers* (“ASU 2014-09”). ASU 2014-09 provides guidance that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective prospectively, for annual and interim periods, beginning after December 15, 2016. The Company is currently evaluating the impact this standard will have on the Company’s results of operations, financial position or disclosures.

ASU 2014-04 – *Receivables – Troubled Debt Restructurings by Creditors* (“ASU 2014-04”). ASU 2014-04 clarifies when a creditor should reclassify mortgage loans collateralized by residential real estate from loans to other real estate owned. It defines when an in-substance repossession or foreclosure has occurred and when a creditor is considered to have received physical possession of residential real estate collateralizing a mortgage loan. ASU 2014-04 is effective for fiscal years beginning after December 31, 2014, and early adoption is permitted. It can be applied either prospectively or using a modified retrospective transition method. The adoption of this standard has not had a material effect on the Company’s results of operations, financial position or disclosures.

There have been no other significant changes to the Company’s accounting policies from the 2014 Form 10-K. Presently, the Company is not aware of any other changes to the Accounting Standards Codification that will have a material impact on the Company’s present or future financial position or results of operations.

Acquisition Accounting, Acquired Loans

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

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

The Company evaluates all of the loans purchased in conjunction with its FDIC-assisted transactions in accordance with the provisions of ASC Topic 310-30. All loans acquired in the FDIC transactions, both covered and not covered, were deemed to be impaired loans. All loans acquired, whether or not covered by FDIC loss share agreements, are considered impaired if there is evidence of credit deterioration since origination and if it is probable that not all contractually required payments will be collected.

For impaired loans accounted for under ASC Topic 310-30, we continue to estimate cash flows expected to be collected on pools of loans sharing common risk characteristics, which are treated in the aggregate when applying various valuation techniques. We evaluate at each balance sheet date whether the present value of our pools of loans determined using the effective interest rates has decreased significantly and if so, recognize a provision for loan loss in our consolidated statement of income. For any significant increases in cash flows expected to be collected, we adjust the amount of accretable yield recognized on a prospective basis over the pool’s remaining life.

Covered Loans and Related Indemnification Asset

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

The shared-loss agreements continue to be measured on the same basis as the related indemnified loans, as prescribed by ASC Topic 805. Deterioration in the credit quality of the loans (immediately recorded as an adjustment to the allowance for loan losses) would immediately increase the basis of the shared-loss agreements, with the offset recorded through the consolidated statement of income. Increases in the credit quality or cash flows of loans (reflected as an adjustment to yield and accreted into income over the remaining life of the loans) decrease the basis of the shared-loss agreements, with such decrease being accreted into income over 1) the same period or 2) the life of the shared-loss agreements, whichever is shorter. Loss assumptions used in the basis of the indemnified loans are consistent with the loss assumptions used to measure the indemnification asset. Fair value accounting incorporates into the fair value of the indemnification asset an element of the time value of money, which is accreted back into income over the life of the shared-loss agreements.

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

Earnings Per Common Share (“EPS”)

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

Following is the computation of earnings per common share for the three and six months ended June 30, 2015 and 2014:

	Three Months Ended	Six Months Ended June 30,

	June 30,			
(In thousands, except per share data)	2015	2014	2015	2014
Net income available to common shareholders	$20,018	$9,908	$28,727	$14,261
Average common shares outstanding	29,867	16,318	26,084	16,294
Average potential dilutive common shares	120	43	120	43
Average diluted common shares	29,987	16,361	26,204	16,337
Basic earnings per share	$0.67	$0.61	$1.10	$0.88
Diluted earnings per share (1)	$0.67	$0.60	$1.10	$0.87

(1) EPS are computed independently for each quarter and therefore the sum of each quarterly EPS may not equal the year-to-date EPS. As a result of the large stock issuances during 2015 as part of the Company's acquisitions, the computed independent quarterly average common shares outstanding and the computed year-to-date average common shares differ significantly. For purposes of calculating a roll-forward amount for year-to-date EPS, diluted EPS for the second quarter would require a computed amount of $0.71, producing a difference of $.04 from actual second quarter diluted EPS of $0.67. This difference is based on the direct result of the varying denominator for each period presented.

NOTE 2: ACQUISITIONS

Liberty Bancshares, Inc.

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

Prior to the acquisition, Liberty conducted banking business from 23 branches located in southwest Missouri. Including the effects of the purchase accounting adjustments, the Company acquired approximately $1.1 billion in assets, approximately $780.7 million in loans including loan discounts and approximately $874.7 million in deposits. The Company completed the systems conversion and merged LB into Simmons Bank on April 24, 2015.

Goodwill of $95.6 million was recorded as a result of the transaction. The merger strengthened Simmons' position in the southwest Missouri market and Simmons believes that it will be able to achieve cost savings by integrating the two companies and combining accounting, data processing, and other administrative functions all of which gave rise to the goodwill recorded. The goodwill will not be deductible for tax purposes.

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

(In thousands)	Acquired from Liberty	Fair Value Adjustments	Fair Value
Assets Acquired			
Cash and due from banks, including time deposits	$102,637	$(14)	$102,623
Federal funds sold	7,060	-	7,060
Investment securities	99,123	(335)	98,788
Loans acquired, not covered by FDIC loss share	790,493	(9,835)	780,658
Allowance for loan losses	(10,422)	10,422	-
Premises and equipment	34,239	(3,215)	31,024
Bank owned life insurance	16,972	-	16,972
Core deposit intangible	699	13,857	14,556
Other intangibles	3,063	(3,063)	-
Other assets	17,703	(3,843)	13,860
Total assets acquired	$1,061,567	$3,974	$1,065,541
Liabilities Assumed			
Deposits:			
Non-interest bearing transaction accounts	$146,618	$-	$146,618
Interest bearing transaction accounts and savings deposits	543,183	-	543,183
Time deposits	184,913	-	184,913
Total deposits	874,714	-	874,714
FHLB borrowings	46,128	223	46,351
Subordinated debentures	20,620	(840)	19,780
Accrued interest and other liabilities	7,828	300	8,128
Total liabilities assumed	949,290	(317)	948,973
Equity	112,277	(112,277)	-
Total equity assumed	112,277	(112,277)	-
Total liabilities and equity assumed	$1,061,567	$(112,594)	$948,973
Net assets acquired			116,568
Purchase price			212,176
Goodwill			$95,608

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

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

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

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

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

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

Goodwill – The consideration paid as a result of the acquisition exceeded the fair value of the assets acquired, resulting in an intangible asset, goodwill, of $95.6 million.

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

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

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

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

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

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

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

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

Community First Bancshares, Inc.

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

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

Goodwill of $111.3 million was recorded as a result of the transaction. The merger allowed Simmons' entrance into the Tennessee market and will serve as a launching platform for possible expansion into adjacent areas. Simmons believes that it will be able to achieve cost savings by integrating the two companies and combining accounting, data processing, and other administrative functions. Further Simmons believes it can benefit from the addition of Community First's small-business lending platform while cross-selling its trust products in Community First's market. This combination of factors gave rise to the goodwill recorded. The goodwill will not be deductible for tax purposes.

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

(In thousands)	Acquired from Community First	Fair Value Adjustments	Fair Value
Assets Acquired			
Cash and due from banks	$39,848	$-	$39,848
Federal funds sold	76,508	-	76,508
Investment securities	570,199	(3,381)	566,818
Loans acquired, not covered by FDIC loss share	1,163,398	(26,855)	1,136,543
Allowance for loan losses	(14,635)	14,635	-
Foreclosed assets not covered by FDIC loss share	747	-	747
Premises and equipment	44,837	(2,794)	42,043
Bank owned life insurance	22,149	-	22,149
Goodwill	100	(100)	-
Core deposit intangible	-	11,273	11,273
Other intangibles	-	420	420
Deferred tax asset	3,700	3,667	7,367
Other assets	11,474	-	11,474
Total assets acquired	$1,918,325	$(3,135)	$1,915,190
Liabilities Assumed			
Deposits:			
Non-interest bearing transaction accounts	$103,825	$-	$103,825
Interest bearing transaction accounts and savings deposits	995,207	-	995,207
Time deposits	436,181	849	437,030
Total deposits	1,535,213	849	1,536,062
Federal funds purchased and securities sold under agreement to repurchase	16,230	-	16,230
FHLB borrowings	143,047	1,347	144,394

Subordinated debentures	21,754	(510)	21,244
Accrued interest and other liabilities	8,769	601	9,370
Total liabilities assumed	1,725,013	2,287	1,727,300
Equity	193,312	(193,312)	-
Total equity assumed	193,312	(193,312)	-
Total liabilities and equity assumed	$1,918,325	$(191,025)	$1,727,300
Net assets acquired			187,890
Purchase price			299,204
Goodwill			$111,314

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

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

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

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

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

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

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

Goodwill – The consideration paid as a result of the acquisition exceeded the fair value of the assets acquired, resulting in an intangible asset, goodwill, of $111.3 million. Goodwill established prior to the acquisition was written off.

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

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

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

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

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

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

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

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

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

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

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

Summary of Unaudited Pro forma Information

The unaudited pro forma information below for the three and six months ended June 30, 2015 and 2014 gives effect to the Liberty and Community First acquisitions as if the acquisitions had occurred on January 1, 2014. Pro forma earnings for the three months ended June 30, 2015 were adjusted to exclude $7.4 million of acquisition-related costs, net of tax, incurred by Simmons during 2015. Supplemental pro-forma earnings for the six months ended June 30, 2014 were also adjusted to include these charges. The pro forma financial information is not necessarily indicative of the results of operations if the acquisitions had been effective as of this date.

(In thousands)	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014
Revenue [1]	$96,942	$95,504
Net income	$30,043	$9,934
Earnings per share	$1.00	$0.35

(In thousands)	Six Months Ended	Six Months Ended

	June 30, 2015	June 30, 2014
Revenue [1]	$194,203	$185,977
Net income	$42,090	$26,191
Earnings per share	$1.40	$0.93

(1) Net interest income plus noninterest income.

Consolidated year-to-date 2015 results included approximately $18.8 million of revenue and $8.3 million of net income attributable to the Liberty acquisition and $32.5 million of revenue and $8.4 million of net income attributable to the Community First acquisition.

Ozark Trust & Investment Corporation (Pending Acquisition)

On April 28, 2015, the Company entered into a definitive agreement and plan of merger (the "Agreement") with Ozark Trust & Investment Corporation ("OTIC"), including its wholly-owned non-deposit trust company, Trust Company of the Ozarks ("TCO"). TCO is headquartered in Springfield, Missouri and has over $1 billion in assets under management. Under the terms of the Agreement, each outstanding share of common stock of OTIC held by banks or bank holding companies will be converted into the right to receive $701.9268 in cash and each share of common stock or common stock equivalents held by any other type of shareholder will be converted into the right to receive 16.7205 shares of the Company's common stock, all subject to certain conditions and potential adjustments. The Company owns 1,000 shares of OTIC's common stock, which it acquired through its acquisition of Liberty Bancshares, Inc. in February 2015. The transaction is valued at $20.7 million (based on the Company's April 27, 2015 closing price). The purchase price will be allocated among the net assets of OTIC acquired as appropriate, with the remaining balance being reported as goodwill. The transaction is subject to the routine regulatory review by the Missouri Department of Finance and other customary closing conditions. The transaction is expected to close during the third quarter of 2015. Upon closing, OTIC will merge into the Company.

NOTE 3: INVESTMENT SECURITIES

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

(In thousands)	June 30, 2015 Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value	December 31, 2014 Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Held-to-Maturity								
U.S. Government agencies	$361,744	$1,234	$(1,463)	$361,515	$418,914	$929	$(4,055)	$415,788
Mortgage-backed securities	27,146	130	(240)	27,036	29,743	56	(411)	29,388
State and political subdivisions	471,631	5,151	(3,059)	473,723	328,310	7,000	(573)	334,737
Other securities	1,075	-	-	1,075	620	-	-	620
Total HTM	$861,596	$6,515	$(4,762)	$863,349	$777,587	$7,985	$(5,039)	$780,533
Available-for-Sale								
U.S. Treasury	$4,000	$5	$-	$4,005	$4,000	$1	$(9)	$3,992
U.S. Government agencies	236,700	138	(835)	236,003	275,381	15	(2,580)	272,816
Mortgage-backed securities	466,060	889	(2,092)	464,857	1,579	-	(7)	1,572
State and political subdivisions	10,961	29	(19)	10,971	6,536	7	(3)	6,540
Other securities	32,284	422	(841)	31,865	19,985	386	(8)	20,363
Total AFS	$750,005	$1,483	$(3,787)	$747,701	$307,481	$409	$(2,607)	$305,283

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

Certain investment securities are valued at less than their historical cost. Total fair value of these investments at June 30, 2015, was $983.1 million, which is approximately 61.1% of the Company’s combined available-for-sale and held-to-maturity investment portfolios.

The following table shows the gross unrealized losses and fair value of the Company’s investments with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2015:

(In thousands)	Less Than 12 Months Estimated Fair Value	Less Than 12 Months Gross Unrealized Losses	12 Months or More Estimated Fair Value	12 Months or More Gross Unrealized Losses	Total Estimated Fair Value	Total Gross Unrealized Losses
Held-to-Maturity						
U.S. Government agencies	$177,586	$ (850)	$63,880	$ (613)	$241,466	$ (1,463)
Mortgage-backed securities	8,581	(46)	8,882	(194)	17,463	(240)
State and political subdivisions	191,420	(2,995)	3,805	(64)	195,225	(3,059)
Total HTM	$377,587	$ (3,891)	$76,567	$ (871)	$454,154	$ (4,762)
Available-for-Sale						
U.S. Government agencies	$138,848	$ (405)	$42,673	$ (430)	$181,521	$ (835)
Mortgage-backed securities	342,210	(2,092)	-	-	342,210	(2,092)
State and political subdivisions	3,473	(19)	-	-	3,473	(19)
Equity Securities	764	(5)	-	-	764	(5)
Other	1,000	(836)	-	-	1,000	(836)
Total AFS	$486,295	$ (3,357)	$42,673	$ (430)	$528,968	$ (3,787)

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

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

Management has the ability and intent to hold the securities classified as held to maturity until they mature, at which time the Company expects to receive full value for the securities. Furthermore, as of June 30, 2015, management also had the ability and intent to hold the securities classified as available-for-sale for a period of time sufficient for a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of June 30, 2015, management believes the impairments detailed in the table above are temporary. Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

The book value of securities sold under agreements to repurchase equaled $105.7 million and $100.8 million for June 30, 2015 and December 31, 2014, respectively.

Income earned on securities for the three and six months ended June 30, 2015 and 2014, is as follows:

(In thousands, except per share data)	Three Months Ended June 30, 2015	2014	Six Months Ended June 30, 2015	2014
Taxable:				
Held-to-maturity	$1,307	$1,378	$2,696	$2,727
Available-for-sale	3,172	729	4,755	1,279
Non-taxable:				
Held-to-maturity	2,732	2,633	5,334	5,252
Available-for-sale	839	26	1,144	57
Total	$8,050	$4,766	$13,929	$9,315

Maturities of investment securities at June 30, 2015, are as follows:

(In thousands, except per share data)	Held-to-Maturity Amortized Cost	Fair Value	Available-for-Sale Amortized Cost	Fair Value
One year or less	$52,552	$52,603	$21,853	$21,833
After one through five years	379,913	379,511	183,376	182,746
After five through ten years	177,863	179,113	116,360	116,088
After ten years	251,268	252,122	396,901	395,933
Other securities (no maturity)	-	-	31,515	31,101
Total	$861,596	$863,349	$750,005	$747,701

The carrying value, which approximates the fair value, of securities pledged as collateral, to secure public deposits and for other purposes, amounted to $819.6 million at June 30, 2015 and $520.4 million at December 31, 2014.

There were no realized gains and no realized losses for the three months ended June 30, 2015 and there were $2,000 of gross realized gains and $40,000 of realized losses from the sale of available for sale securities during the six months ended June 30, 2015. There were $38,000 of realized gains and no realized losses on investment securities for the three and six months ended June 30, 2014.

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

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NOTE 4: LOANS AND ALLOWANCE FOR LOAN LOSSES

At June 30, 2015, the Company's loan portfolio was $4.81 billion, compared to $2.74 billion at December 31, 2014. The various categories of loans are summarized as follows:

(In thousands)	June 30, 2015	December 31, 2014
Consumer:		
Credit cards	$174,074	$185,380
Other consumer	160,828	103,402
Total consumer	334,902	288,782
Real Estate:		
Construction	199,707	181,968
Single family residential	662,954	455,563
Other commercial	878,109	714,797
Total real estate	1,740,770	1,352,328
Commercial:		
Commercial	388,869	291,820
Agricultural	141,502	115,658
Total commercial	530,371	407,478
Other	5,186	5,133
Legacy loans	2,611,229	2,053,721
Loans acquired, not covered by FDIC loss share (net of discount) (1)	2,108,306	575,980
Loans acquired, covered by FDIC loss share (net of discount and allowance) (1)	93,121	106,933
Total loans	$4,812,656	$2,736,634

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

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

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

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

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

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

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

(In thousands)	June 30, 2015	December 31, 2014
Consumer:		
Credit cards	$321	$ 197
Other consumer	308	405
Total consumer	629	602
Real estate:		
Construction	5,058	4,863
Single family residential	4,672	4,010
Other commercial	3,266	1,522
Total real estate	12,996	10,395
Commercial:		
Commercial	1,844	585
Agricultural	96	456
Total commercial	1,940	1,041
Total	$15,565	$ 12,038

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

(In thousands)	Gross 30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days Past Due & Accruing
June 30, 2015						
Consumer:						
Credit cards	$539	$479	$1,018	$173,056	$174,074	$ 158
Other consumer	1,650	352	2,002	158,826	160,828	194
Total consumer	2,189	831	3,020	331,882	334,902	352
Real estate:						
Construction	475	2,544	3,019	196,688	199,707	357
Single family residential	3,963	3,487	7,450	655,504	662,954	273
Other commercial	1,903	2,193	4,096	874,013	878,109	96
Total real estate	6,341	8,224	14,565	1,726,205	1,740,770	726
Commercial:						
Commercial	994	425	1,419	387,450	388,869	203
Agricultural	187	163	350	141,152	141,502	94
Total commercial	1,181	588	1,769	528,602	530,371	297
Other	-	-	-	5,186	5,186	-
Total	$9,711	$9,643	$19,354	$2,591,875	$2,611,229	$ 1,375
December 31, 2014						
Consumer:						
Credit cards	$687	$457	$1,144	$184,236	$185,380	$ -
Other consumer	1,349	447	1,796	101,606	103,402	223
Total consumer	2,036	904	2,940	285,842	288,782	223
Real estate:						
Construction	760	570	1,330	180,638	181,968	177
Single family residential	4,913	2,213	7,126	448,437	455,563	248
Other commercial	1,987	847	2,834	711,963	714,797	-
Total real estate	7,660	3,630	11,290	1,341,038	1,352,328	425
Commercial:						
Commercial	381	354	735	291,085	291,820	-
Agricultural	119	109	228	115,430	115,658	40
Total commercial	500	463	963	406,515	407,478	40
Other	-	-	-	5,133	5,133	-
Total	$10,196	$4,997	$15,193	$2,038,528	$2,053,721	$ 688

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

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

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

(In thousands)	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Investment in Impaired Loans Three Months Ended June 30, 2015	Interest Income Recognized	Average Investment in Impaired Loans Six Months Ended June 30, 2015	Interest Income Recognized
June 30, 2015									
Consumer:									
Credit cards	$ 479	$ 479	$ -	$ 479	$ 14	$ 459	$ 7	$ 372	$ 12
Other consumer	519	502	21	523	89	538	11	565	19
Total consumer	998	981	21	1,002	103	997	18	937	31
Real estate:									
Construction	6,104	2,650	-	2,650	-	5,066	107	5,717	197
Single family residential	5,744	5,237	639	5,876	920	5,251	93	4,942	170
Other commercial	4,240	3,362	127	3,489	593	3,104	48	2,563	88
Total real estate	16,088	11,249	766	12,015	1,513	13,421	248	13,222	455
Commercial:									
Commercial	1,824	2,048	1,102	3,150	363	2,054	29	1,558	54
Agricultural	195	190	-	190	33	166	5	264	9
Total commercial	2,019	2,238	1,102	3,3407	396	2,220	34	1,822	63
Total	$ 19,105	$ 14,468	$ 1,889	$ 16,357	$ 2,012	$ 16,638	$ 300	$ 15,981	$ 549

December 31, 2014						Three Months Ended June 30, 2014		Six Months Ended June 30, 2014	
Consumer:									
Credit cards	$ 197	$ 197	$-	$ 197	$ 6	$ 446	$ 4	$ 470	$ 9
Other consumer	604	610	9	619	118	778	7	823	16
Total consumer	801	807	9	816	124	1,224	11	1,293	25
Real estate:									
Construction	7,400	7,020	-	7,020	599	2,840	24	2,962	58
Single family residential	4,442	3,948	377	4,325	899	4,254	36	4,153	81
Other commercial	1,955	1,446	36	1,482	268	9,562	80	9,437	185
Total real estate	13,797	12,414	413	12,827	1,766	16,656	140	16,552	324
Commercial:									
Commercial	1,227	566	-	566	102	765	6	664	13
Agricultural	501	460	-	466	83	98	1	92	2

Total commercial	1,728	1,026	-	1,026	185	863	7	756	15
Total	$16,326	$14,247	$422	$14,669	$2,075	$18,743	$158	$18,601	$364

At June 30, 2015, and December 31, 2014, impaired loans, net of government guarantees and excluding loans acquired, totaled $16.4 million and $14.7 million, respectively. Allocations of the allowance for loan losses relative to impaired loans were $2.0 million at June 30, 2015 and $2.1 million at December 31, 2014. Approximately $300,000 and $549,000 of interest income was recognized on average impaired loans of $16.6 million and $16.0 million for the three and six months ended June 30, 2015. Interest income recognized on impaired loans on a cash basis during the three and six months ended June 30, 2015 and 2014 was not material.

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

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

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

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

	Accruing TDR Loans		Nonaccrual TDR Loans		Total TDR Loans	
(Dollars in thousands)	Number	Balance	Number	Balance	Number	Balance
June 30, 2015						
Real estate:						
Construction	-	$-	1	$263	1	$263
Single-family residential	2	137	6	953	8	1,090
Other commercial	3	1,822	2	622	5	2,444
Total real estate	5	1,959	9	1,838	14	3,797
Total	5	$1,959	9	$1,838	14	$3,797
December 31, 2014						
Real estate:						
Construction	-	$-	1	$391	1	$391
Single-family residential	2	393	1	3	3	396
Other commercial	3	1,840	1	614	4	2,454
Total real estate	5	2,233	3	1,008	8	3,241
Total	5	$2,233	3	$1,008	8	$3,241

The following table presents loans that were restructured as TDRs during the three and six months ended June 30, 2015 and 2014, excluding loans acquired, segregated by class of loans.

(Dollars in thousands)	Number of Loans	Balance Prior to TDR	Balance at June 30	Modification Type Change in Maturity Date	Change in Rate	Financial Impact on Date of Restructure
Three Months Ended June 30, 2015						
Real Estate:						
Single-family residential	4	$361	$361	$361	$ -	$ -
Other commercial	1	19	19	19		
Total real estate	5	380	380	380	-	-
Total	5	$380	$380	$380	$ -	$ -
Three Months Ended June 30, 2014						
Commercial:						
Commercial	1	$599	$599	$599	$ -	$ -
Total commercial	1	599	599	599	-	-
Total	1	$599	$599	$599	$ -	$ -
Six Months Ended June 30, 2015						
Real estate:						
Single-family residential	6	$709	$701	$701	$ -	$ -
Other commercial	1	19	19	19		
Total real estate	7	728	720	720	-	-
Total	7	$728	$720	$720	$ -	$ -
Six Months Ended June 30, 2014						
Real estate:						
Single-family residential	1	$1,031	$1,031	$1,031	$ -	$ -
Total real estate	1	1,031	1,031	1,031	-	-
Commercial:						
Commercial	1	599	599	599	-	-
Total commercial	1	599	599	599	-	-
Total	2	$1,630	$1,630	$1,630	$ -	$ -

During the three months ended June 30, 2015, the Company modified five loans with a recorded investment of $380,000 prior to modification which were deemed troubled debt restructuring. The restructured loans were modified various terms, including changing the maturity date, deferring amortized principal payments and requiring interest only payments for a period of 12 months. Based on the fair value of the collateral, no specific reserve was determined necessary for these loans. Also, there was no immediate financial impact from the restructuring of these loans, as it was not considered necessary to charge-off interest or principal on the date of restructure.

During the six months ended June 30, 2015, the Company modified seven loans with a total recorded investment of $728,000 prior to modification which were deemed troubled debt restructuring. The restructured loans were modified by various terms, including changing the maturity date and deferring amortized principal payments. Based on the fair value of the collateral, no specific reserve was determined necessary for these loans. Also, there was no immediate financial impact from the restructuring of these loans, as it was not considered necessary to charge-off interest or principal on the date of restructure.

During the three months ended June 30, 2014, the Company modified one loan with a recorded investment of $599,000 and during the six months ended June 30, 2014, the Company modified two loans with a total recorded investment of $1,630,000 prior to modification which were deemed troubled debt restructuring. The restructured loans were modified by changing various terms, including changing the maturity date and deferring amortized principal payments. Based on the fair value of the collateral, no specific reserve was determined necessary for these loans. Also, there was no immediate financial impact from the restructuring of these loans, as it was not considered necessary to charge-off interest or principal on the date of restructure.

There were no loans for which a payment default occurred during the six months ended June 30, 2015 and 2014, and that had been modified as a TDR within 12 months or less of the payment default, excluding loans acquired. We define a payment default as a payment received more than 90 days after its due date.

In addition to the TDRs that occurred during the period provided in the preceding tables, the Company had TDRs with pre-modification loan balances of $4,756,500 and $9,268,321 at June 30, 2015 and 2014, respectively, for which other real estate owned ("OREO") was received in full or partial satisfaction of the loans. The majority of such TDRs were in commercial real estate and residential real estate. At June 30, 2015, the Company had $1,537,000 of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process. At June 30, 2015, the Company had $4,599,000 of OREO secured by residential real estate properties.

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

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

- *Risk Rate 1 – Pass (Excellent)* – This category includes loans which are virtually free of credit risk. Borrowers in this category represent the highest credit quality and greatest financial strength.

- *Risk Rate 2 – Pass (Good)* - Loans under this category possess a nominal risk of default. This category includes borrowers with strong financial strength and superior financial ratios and trends. These loans are generally fully secured by cash or equivalents (other than those rated "excellent").

- *Risk Rate 3 – Pass (Acceptable – Average)* - Loans in this category are considered to possess a normal level of risk. Borrowers in this category have satisfactory financial strength and adequate cash flow coverage to service debt requirements. If secured, the perfected collateral should be of acceptable quality and within established borrowing parameters.

- *Risk Rate 4 – Pass (Monitor)* - Loans in the Watch (Monitor) category exhibit an overall acceptable level of risk, but that risk may be increased by certain conditions, which represent "red flags". These "red flags" require a higher level of supervision or monitoring than the normal "Pass" rated credit. The borrower may be experiencing these conditions for the first time, or it may be recovering from weakness, which at one time justified a harsher rating. These conditions may include: weaknesses in financial trends; marginal cash flow; one-time negative operating results; non-compliance with policy or borrowing agreements; poor diversity in operations; lack of adequate monitoring information or lender supervision; questionable management ability/stability.

- *Risk Rate 5 – Special Mention* - A loan in this category has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special Mention loans are not adversely classified (although they are "criticized") and do not expose an institution to sufficient risk to warrant adverse classification. Borrowers may be experiencing adverse operating trends, or an ill-proportioned balance sheet. Non-financial characteristics of a Special Mention rating may include management problems, pending litigation, a non-existent, or ineffective loan agreement or other material structural weakness, and/or other significant deviation from prudent lending practices.

- *Risk Rate 6 – Substandard* - A Substandard loan is inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged, if any. Loans so classified must have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt. The loans are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. This does not imply ultimate loss of the principal, but may involve burdensome administrative expenses and the accompanying cost to carry the loan.

- *Risk Rate 7 – Doubtful* – A loan classified Doubtful has all the weaknesses inherent in a substandard loan except that the weaknesses make collection or liquidation in full (on the basis of currently existing facts, conditions, and values) highly questionable and improbable. Doubtful borrowers are usually in default, lack adequate liquidity, or capital, and lack the resources necessary to remain an operating entity. The possibility of loss is extremely high, but because of specific pending events that may strengthen the asset, its classification as loss is deferred. Pending factors include: proposed merger or acquisition; liquidation procedures; capital injection; perfection of liens on additional collateral; and refinancing plans. Loans classified as Doubtful are placed on nonaccrual status.

- *Risk Rate 8 – Loss* - Loans classified Loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the loans has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless loan, even though partial recovery may be affected in the future. Borrowers in the Loss category are often in bankruptcy, have formally suspended debt repayments, or have otherwise ceased normal business operations. Loans should be classified as Loss and charged-off in the period in which they become uncollectible.

Loans acquired, including loans covered by FDIC loss share agreements, are evaluated using this internal grading system. Loans acquired through FDIC-assisted transactions are accounted for in pools. All of the non-covered loan pools accounted for under ASC Topic 310-30 were considered satisfactory (Risk Ratings 1 – 4) at June 30, 2015 and December 31, 2014, respectively. Loans acquired in the Liberty, Community First, Metropolitan and Delta Trust acquisitions are evaluated individually and include purchased credit impaired loans of $32.9 million and $22.3 million that are accounted for under ASC Topic 310-30 and are classified as substandard (Risk Rating 6) as of June 30, 2015 and December 31, 2014, respectively. Of the remaining loans acquired in the Liberty, Community First, Metropolitan and Delta Trust transactions and accounted for under ASC Topic 310-20, $29.8 million and $16.6 million were classified (Risk Ratings 6, 7 and 8 – see classified loans discussion below) at June 30, 2015 and December 31, 2014, respectively. Loans acquired, covered by loss share agreements, have additional protection provided by the FDIC. During the 2014 quarterly impairment testing on the estimated cash flows of the credit impaired loans, the Company established that some of the pools covered by loss share from our FDIC-assisted transactions had experienced material projected credit deterioration. As a result, the Company established a $1.0 million allowance for loan losses on covered loans by recording a provision for loan losses of $0.4 million (net of FDIC-loss share adjustments) during the period ended December 31, 2014. There was no further projected credit deterioration and no addition to the allowance for covered loans during the period ended June 30, 2015. See Note 5, Loans Acquired, for further discussion of the acquired loans, loan pools and loss sharing agreements.

Purchased credit impaired loans are loans that showed evidence of deterioration of credit quality since origination and for which it is probable, at acquisition, that the Company will be unable to collect all amounts contractually owed. Their fair value was initially based on the estimate of cash flows, both principal and interest, expected to be collected or estimated collateral values if cash flows are not estimable, discounted at prevailing market rates of interest. The difference between the undiscounted cash flows expected at acquisition and the fair value at acquisition is recognized as interest income on a level-yield method over the life of the loan. Contractually required payments for interest and principal that exceed the undiscounted cash flows expected at acquisition are not recognized as a yield adjustment. Increases in expected cash flows subsequent to the initial investment are recognized prospectively through adjustment of the yield on the loan over its remaining life. Decreases in expected cash flows are recognized as impairment.

Classified loans for the Company include loans in Risk Ratings 6, 7 and 8. Loans may be classified, but not considered impaired, due to one of the following reasons: (1) The Company has established minimum dollar amount thresholds for loan impairment testing. Loans rated 6 – 8 that fall under the threshold amount are not tested for impairment and therefore are not included in impaired loans. (2) Of the loans that are above the threshold amount and tested for impairment, after testing, some are considered to not be impaired and are not included in impaired loans. Total classified loans, excluding covered and non-covered loans acquired in FDIC-assisted transactions, were $102.1 million and $82.1 million, as of June 30, 2015 and December 31, 2014, respectively.

The following table presents a summary of loans by credit risk rating as of June 30, 2015 and December 31, 2014, segregated by class of loans.

(In thousands)	Risk Rate 1-4	Risk Rate 5	Risk Rate 6	Risk Rate 7	Risk Rate 8	Total
June 30, 2015						
Consumer:						
Credit cards	$173,595	$-	$479	$-	$-	$174,074
Other consumer	160,243	-	577	8	-	160,828
Total consumer	333,838	-	1,056	8	-	334,902
Real estate:						
Construction	192,697	514	6,496	-	-	199,707
Single family residential	651,355	1,616	9,808	175	-	662,954
Other commercial	846,907	5,206	25,996	-	-	878,109
Total real estate	1,690,959	7,336	42,300	175	-	1,740,770
Commercial:						
Commercial	377,144	1,374	10,313	38	-	388,869
Agricultural	140,631	700	171	-	-	141,502
Total commercial	517,775	2,074	10,484	38	-	530,371
Other	5,148	-	38	-	-	5,186
Loans acquired, not covered by FDIC loss share	2,046,360	13,901	46,151	1,855	39	2,108,306
Loans acquired, covered by FDIC loss share	93,121	-	-	-	-	93,121
Total	$4,687,201	$23,311	$100,029	$2,076	$39	$4,812,656

(In thousands)	Risk Rate 1-4	Risk Rate 5	Risk Rate 6	Risk Rate 7	Risk Rate 8	Total
December 31, 2014						
Consumer:						
Credit cards	$184,923	$-	$457	$-	$ -	$185,380
Other consumer	102,515	5	839	43	-	103,402
Total consumer	287,438	5	1,296	43	-	288,782
Real estate:						
Construction	176,825	84	5,059	-	-	181,968
Single family residential	446,040	1,776	7,665	82	-	455,563
Other commercial	698,329	7,074	9,394	-	-	714,797
Total real estate	1,321,194	8,934	22,118	82	-	1,352,328
Commercial:						
Commercial	271,017	1,544	19,248	11	-	291,820
Agricultural	115,106	20	532	-	-	115,658
Total commercial	386,123	1,564	19,780	11	-	407,478
Other	5,133	-	-	-	-	5,133
Loans acquired, not covered by FDIC loss share	535,728	1,435	36,958	1,854	5	575,980

Loans acquired, covered by FDIC loss share	106,933	-	-	-	-	106,933
Total	$2,642,549	$11,938	$80,152	$1,990	$ 5	$2,736,634

Net (charge-offs)/recoveries for the three and six months ended June 30, 2015 and 2014, excluding loans acquired, segregated by class of loans, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2015	2014	2015	2014
Consumer:				
Credit cards	$(561)	$(510)	$(1,133)	$(1,055)
Student loans	-	(20)	-	(29)
Other consumer	(179)	(273)	(266)	(291)
Total consumer	(740)	(803)	(1,399)	(1,375)
Real estate:				
Construction	(29)	(24)	(29)	(444)
Single-family residential	(74)	(47)	(325)	(358)
Other commercial	(184)	(11)	(214)	(7)
Total real estate	(287)	(82)	(568)	(809)
Commercial:				
Commercial	-	(170)	(76)	(220)
Agriculture	9	-	9	(18)
Total commercial	9	(170)	(67)	(238)
Total	$(1,018)	$(1,055)	$(2,034)	$(2,422)

Allowance for Loan Losses

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

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

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

The general allocation is calculated monthly based on management's assessment of several factors such as (1) historical loss experience based on volumes and types, (2) volume and trends in delinquencies and nonaccruals, (3) lending policies and procedures including those for loan losses, collections and recoveries, (4) national, state and local economic trends and conditions, (5) concentrations of credit within the loan portfolio, (6) the experience, ability and depth of lending management and staff and (7) other factors and trends that will affect specific loans and categories of loans. The Company establishes general allocations for each major loan category. This category also includes allocations to loans which are collectively evaluated for loss such as credit cards, one-to-four family owner occupied residential real estate loans and other consumer loans.

The following table details activity in the allowance for loan losses, excluding loans acquired, by portfolio segment for the three and six months ended June 30, 2015. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

(In thousands)	Commercial	Real Estate	Credit Card	Other Consumer and Other	Total
Three Months Ended June 30, 2015					
Balance, beginning of period [2]	$ 6,870	$ 15,553	$ 5,527	$ 1,233	$ 29,183
Provision for loan losses [1]	(1,569)	3,311	352	308	2,402
Charge-offs	-	(333)	(802)	(366)	(1,501)
Recoveries	9	46	241	187	483
Net recoveries (charge-offs)	9	(287)	(561)	(179)	(1,018)
Balance, June 30, 2015 [2]	$ 5,310	$ 18,577	$ 5,318	$ 1,362	$ 30,567
Six Months Ended June 30, 2015					
Balance, beginning of period [2]	$ 6,962	$ 15,161	$ 5,445	$ 1,460	$ 29,028
Provision for loan losses [1]	(1,585)	3,984	1,006	168	3,573
Charge-offs	(245)	(626)	(1,587)	(586)	(3,044)
Recoveries	178	58	454	320	1,010
Net charge-offs	(67)	(568)	(1,133)	(266)	(2,034)
Balance, June 30, 2015 [2]	$ 5,310	$ 18,577	$ 5,318	$ 1,362	$ 30,567
Period-end amount allocated to:					
Loans individually evaluated for impairment	$ 396	$ 1,513	$ 14	$ 89	$ 2,012
Loans collectively evaluated for impairment	4,914	17,064	5,304	1,273	28,555
Balance, June 30, 2015 [2]	$ 5,310	$ 18,577	$ 5,318	$ 1,362	$ 30,567

(1) Provision for loan losses of $604,000 attributable to loans acquired, not covered by loss share, was excluded from this table for the three and six months ended June 30, 2015 (total provision for loan losses for the three and six months ended June 30, 2015 was $3,006,000 and $4,177,000). The $604,000 was subsequently charged-off, resulting in no ending balance in the allowance related to loans acquired, not covered by loss share.

(2) Allowance for loan losses at March 31, 2015, June 30, 2015 and December 31, 2014 includes $954,000 allowance for loans acquired, covered by loss share. The total allowance for loan losses at March 31, 2015, June 30, 2015 and December 31, 2014 was $30,137,000, $31,521,000 and $29,982,000, respectively.

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Activity in the allowance for loan losses, excluding loans acquired, for the three and six months ended June 30, 2014 was as follows:

(In thousands)	Commercial	Real Estate	Credit Card	Other Consumer and Other	Total
Three Months Ended June 30, 2014					
Balance, beginning of period	$ 3,508	$16,393	$5,444	$ 1,638	$26,983
Provision for loan losses	613	(142)	576	555	1,602
Charge-offs	(186)	(1,144)	(725)	(426)	(2,481)
Recoveries	16	1,062	215	133	1,426
Net charge-offs	(170)	(82)	(510)	(293)	(1,055)
Balance, June 30, 2014	$ 3,951	$16,169	$5,510	$ 1,900	$27,530
Six Months Ended June 30, 2014					
Balance, beginning of period	$ 3,205	$16,885	$5,430	$ 1,922	$27,442
Provision for loan losses	984	93	1,135	298	2,510
Charge-offs	(268)	(2,179)	(1,541)	(574)	(4,562)
Recoveries	30	1,370	486	254	2,140
Net charge-offs	(238)	(809)	(1,055)	(320)	(2,422)
Balance, June 30, 2014	$ 3,951	$16,169	$5,510	$ 1,900	$27,530
Period-end amount allocated to:					
Loans individually evaluated for impairment	$ 136	$1,697	$13	$ 166	$2,012
Loans collectively evaluated for impairment	3,815	14,472	5,497	1,734	25,518
Balance, June 30, 2014	$ 3,951	$16,169	$5,510	$ 1,900	$27,530
Period-end amount allocated to:					
Loans individually evaluated for impairment	$ 185	$1,756	$6	$ 118	$2,065
Loans collectively evaluated for impairment	6,777	13,405	5,439	1,342	26,963
Balance, December 31, 2014 (1)	$ 6,962	$15,161	$5,445	$ 1,460	$29,028

(1) Allowance for loan losses at December 31, 2014 includes $954,000 allowance for loans acquired, covered by loss share. The total allowance for loan losses at December 31, 2014 was $29,982,000.

The Company’s recorded investment in loans, excluding loans acquired, related to each balance in the allowance for loan losses by portfolio segment on the basis of the Company’s impairment methodology was as follows:

(In thousands)	Commercial	Real Estate	Credit Card	Other Consumer and Other	Total

June 30, 2015					
Loans individually evaluated for impairment	$ 3,340	$ 12,015	$ 479	$ 523	$ 16,357
Loans collectively evaluated for impairment	527,031	1,728,755	173,595	165,491	2,594,872
Balance, end of period	$ 530,371	$ 1,740,770	$ 174,074	$ 166,014	$ 2,611,229
December 31, 2014					
Loans individually evaluated for impairment	$ 1,026	$ 12,827	$ 197	$ 619	$ 14,669
Loans collectively evaluated for impairment	406,452	1,339,501	185,183	107,916	2,039,052
Balance, end of period	$ 407,478	$ 1,352,328	$ 185,380	$ 108,535	$ 2,053,721

NOTE 5: LOANS ACQUIRED

During the first quarter of 2015, the Company evaluated $769.9 million of net loans ($774.8 million gross loans less $4.9 million discount) purchased in conjunction with the acquisition of Liberty, described in Note 2, Acquisitions, in accordance with the provisions of ASC Topic 310-20, *Nonrefundable Fees and Other Costs*. The fair value discount is being accreted into interest income over the weighted average life of the loans using a constant yield method. These loans are not considered to be impaired loans. The Company evaluated the remaining $10.7 million of net loans ($15.7 million gross loans less $5.0 million discount) purchased in conjunction with the acquisition of Liberty for impairment in accordance with the provisions of ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*. Purchased loans are considered impaired if there is evidence of credit deterioration since origination and if it is probable that not all contractually required payments will be collected.

Also during the first quarter of 2015, the Company evaluated $1.13 billion of net loans ($1.15 billion gross loans less $23.7 million discount) purchased in conjunction with the acquisition of Community First, described in Note 2, Acquisitions, in accordance with the provisions of ASC Topic 310-20. The fair value discount is being accreted into interest income over the weighted average life of the loans using a constant yield method. These loans are not considered to be impaired loans. The Company evaluated the remaining $7.0 million of net loans ($10.1 million gross loans less $3.1 million discount) purchased in conjunction with the acquisition of Community First for impairment in accordance with the provisions of ASC Topic 310-30.

The Company evaluated all of the loans acquired during 2013 – 2014 using the same methodologies as in the 2015 acquisitions.

The Company evaluated all of the loans purchased in conjunction with its previous FDIC-assisted transactions in accordance with the provisions of ASC Topic 310-30. All loans acquired in the FDIC transactions, both covered and not covered, were deemed to be impaired loans. All loans acquired, whether or not covered by FDIC loss share agreements, are considered impaired if there is evidence of credit deterioration since origination and if it is probable that not all contractually required payments will be collected. See Note 2, Acquisitions, for further discussion of loans acquired.

The following table reflects the carrying value of all acquired loans as of June 30, 2015 and December 31, 2014:

(in thousands)	Loans Acquired June 30, 2015	December 31, 2014
Consumer:		

Other consumer	$107,149	$ 8,514
Total consumer	107,149	8,514
Real estate:		
Construction	119,530	46,911
Single family residential	629,113	175,970
Other commercial	1,057,280	390,877
Total real estate	1,805,923	613,758
Commercial:		
Commercial	239,355	56,134
Agricultural	15,797	4,507
Total commercial	155,152	60,641
Other	33,203	-
Total loans acquired [1]	$2,201,427	$ 682,913

(1) Loans acquired include $93.1 million and $106.9 million (each net of $1.0 million allowance) of loans covered by FDIC loss share agreements at June 30, 2015 and December 31, 2014, respectively.

Nonaccrual acquired loans, excluding loans covered by loss share accounted for under ASC Topic 310-30, segregated by class of loans, are as follows (see Note 4, Loans an Allowance for Loan Losses, for discussion of nonaccrual loans):

(In thousands)	June 30, 2015	December 31, 2014
Consumer:		
Other consumer	$ 83	$ 29
Total consumer	83	29
Real estate:		
Construction	151	105
Single family residential	4,796	2,018
Other commercial	2,905	271
Total real estate	7,852	2,394
Commercial:		
Commercial	884	291
Agricultural	18	3
Total commercial	902	294
Other	46	-
Total	$ 8,883	$ 2,717

An age analysis of past due acquired loans, excluding loans covered by loss share, segregated by class of loans, is as follows (see Note 4, Loans an Allowance for Loan Losses, for discussion of past due loans):

(In thousands)	Gross 30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days Past Due & Accruing
June 30, 2015						
Consumer:						
Other consumer	$434	$73	$507	$106,639	$107,146	$ 33
Total consumer	434	73	507	106,639	107,146	33
Real estate:						
Construction	2,298	105	2,403	111,532	113,935	-
Single family residential	12,492	5,926	18,418	583,432	601,850	2,377
Other commercial	6,406	5,748	12,154	990,074	1,002,228	333
Total real estate	21,196	11,779	32,975	1,685,038	1,718,013	2,710
Commercial:						
Commercial	3,668	3,776	7,444	226,737	234,181	51
Agricultural	99	6	105	15,658	15,763	6
Total commercial	3,767	3,782	7,549	242,395	249,944	57
Other	-	-	-	33,203	33,203	-
Total	$25,397	$15,634	$41,031	$2,067,275	$2,108,306	$ 2,800
December 31, 2014						
Consumer:						
Other consumer	$70	$34	$104	$8,407	$8,511	$ 5
Total consumer	70	34	104	8,407	8,511	5
Real estate:						
Construction	292	105	397	36,450	36,847	-
Single family residential	3,804	2,906	6,710	138,383	145,093	594
Other commercial	1,415	5,994	7,409	326,759	334,168	-
Total real estate	5,511	9,005	14,516	501,592	516,108	594
Commercial:						
Commercial	110	421	531	46,730	47,261	-
Agricultural	-	-	-	4,100	4,100	-
Total commercial	110	421	531	50,830	51,361	-
Total	$5,691	$9,460	$15,151	$560,829	$575,980	$ 599

The following table presents a summary of acquired loans, excluding loans covered by loss share, by credit risk rating, segregated by class of loans (see Note 4, Loans an Allowance for Loan Losses, for discussion of loan risk rating).

(In thousands)	Risk Rate 1-4	Risk Rate 5	Risk Rate 6	Risk Rate 7	Risk Rate 8	Total
June 30, 2015						
Consumer:						
Other consumer	$106,784	$-	$362	$-	$-	$107,146
Total consumer	106,784	-	362	-	-	107,146
Real estate:						
Construction	108,222	120	5,594	-	-	113,936
Single family residential	586,785	2,133	11,072	1,833	26	601,849
Other commercial	972,522	9,047	20,661	-	-	1,002,230
Total real estate	1,667,529	11,300	37,327	1,833	26	1,718,015
Commercial:						
Commercial	223,674	2,601	7,882	22	-	234,179
Agricultural	15,216	-	534	-	13	15,763
Total commercial	238,890	2,601	8,416	22	13	249,942
Other	33,157	-	46	-	-	33,203
Total	$2,046,360	$13,901	$46,151	$1,855	$39	$2,108,306
December 31, 2014						
Consumer:						
Other consumer	$8,479	$-	$32	$-	$-	$8,511
Total consumer	8,479	-	32	-	-	8,511
Real estate:						
Construction	27,430	78	9,339	-	-	36,847
Single family residential	135,240	683	7,311	1,854	5	145,093
Other commercial	317,965	605	15,598	-	-	334,168
Total real estate	480,635	1,366	32,248	1,854	5	516,108
Commercial:						
Commercial	43,585	69	3,607	-	-	47,261
Agricultural	3,030	-	1,070	-	-	4,100
Total commercial	46,615	69	4,677	-	-	51,361
Total	$535,729	$1,435	$36,957	$1,854	$5	$575,980

Loans acquired as a part of the Liberty, Community First, Metropolitan and Delta Trust transactions were individually evaluated and recorded at estimated fair value, including estimated credit losses, at the time of acquisition. The loans acquired in FDIC assisted transactions were grouped into pools based on common risk characteristics and the pools were recorded at their estimated fair values, which incorporated estimated credit losses at the acquisition date. These loans and loan pools are systematically reviewed by the Company to determine the risk of losses that may exceed those identified at the time of the acquisition. Techniques used in determining risk of loss are similar to the Company's legacy loan portfolio, with most focus being placed on those loans which include the larger loan relationships and those loans which exhibit higher risk characteristics.

The following is a summary of the non-covered loans acquired in the Liberty acquisition on February 27, 2015, as of the date of acquisition.

(in thousands)	Not Impaired	Impaired
Contractually required principal and interest at acquisition	$774,777	$15,716
Non-accretable difference (expected losses and foregone interest)	-	(4,978)
Cash flows expected to be collected at acquisition	774,777	10,738
Accretable yield	(4,869)	12
Basis in acquired loans at acquisition	$769,908	$10,750

The following is a summary of the non-covered loans acquired in the Community First acquisition on February 27, 2015, as of the date of acquisition.

(in thousands)	Not Impaired	Impaired
Contractually required principal and interest at acquisition	$1,153,255	$10,143
Non-accretable difference (expected losses and foregone interest)	-	(3,247)
Cash flows expected to be collected at acquisition	1,153,255	6,896
Accretable yield	(23,712)	104
Basis in acquired loans at acquisition	$1,129,543	$7,000

The amount of the estimated cash flows expected to be received from the acquired loan pools and purchased credit impaired loans in excess of the fair values recorded for the loan pools and the purchased credit impaired loans is referred to as the accretable yield. The accretable yield is recognized as interest income over the estimated lives of the loans. Each quarter, the Company estimates the cash flows expected to be collected from the acquired loan pools and purchased credit impaired loans, and adjustments may or may not be required. This has resulted in increased interest income that is spread on a level-yield basis over the remaining expected lives of the loans or loan pools. For those loan pools covered by FDIC loss share, the increases in expected cash flows also reduce the amount of expected reimbursements under the loss sharing agreements with the FDIC, which are recorded as indemnification assets. The estimated adjustments to the indemnification assets are amortized on a level-yield basis over the remainder of the loss sharing agreements or the remaining expected lives of the loan pools, whichever is shorter.

The impact of the adjustments on the Company’s financial results for the three and six months ended June 30, 2015 and 2014 is shown below:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2015	2014	2015	2014
Impact on net interest income	$3,223	$5,856	$9,325	$13,247
Non-interest income	(2,941)	(6,410)	(5,686)	(13,850)
Net impact to pre-tax income	282	(554)	3,639	(603)
Net impact, net of taxes	$171	$(337)	$2,212	$(366)

These adjustments will be recognized over the remaining lives of the loans for purchased credit impaired loans. For FDIC acquisition loans, the adjustments will be recognized over the remaining lives of the loan pools and, for covered loans, over the remainder of the loss sharing agreements, respectively. The current estimate of the remaining accretable yield adjustment that will positively impact interest income is $15.3 million and the remaining adjustment to the indemnification assets that will reduce non-interest income is $6.6 million. Of the remaining adjustments, the Company expects to recognize $5.8 million of interest income and a $5.4 million reduction of non-interest income, for a net increase to pre-tax income of approximately $0.4 million during the remainder of 2015. The accretable yield adjustments recorded in future periods will change as the Company continues to evaluate expected cash flows from the acquired loan pools and purchased credit impaired loans.

Changes in the carrying amount of the accretable yield for all purchased impaired loans were as follows for the three and six months ended June 30, 2015 and 2014.

(In thousands)	Three Months Ended June 30, 2015 Accretable Yield	Three Months Ended June 30, 2015 Carrying Amount of Loans	Six Months Ended June 30, 2015 Accretable Yield	Six Months Ended June 30, 2015 Carrying Amount of Loans
Beginning balance	$17,226	$177,691	$20,635	$169,098
Additions	-	-	(116)	17,750
Accretable yield adjustments	2,369	-	5,443	-
Accretion	(4,547)	4,547	(10,914)	10,914
Payments and other reductions, net	-	(22,144)	-	(37,668)
Balance, ending	$15,048	$160,094	$15,048	$160,094

(In thousands)	Three Months Ended June 30, 2014 Accretable Yield	Three Months Ended June 30, 2014 Carrying Amount of Loans	Six Months Ended June 30, 2014 Accretable Yield	Six Months Ended June 30, 2014 Carrying Amount of Loans
Beginning balance	$33,542	$218,532	$41,385	$234,785
Additions	-	-	-	-
Accretable yield adjustments	3,928	-	5,411	-
Accretion	(6,180)	6,180	(15,506)	15,506
Payments and other reductions, net	-	(32,619)		