SIMMONS FIRST NATIONAL CORP
Form 10-Q
November 09, 2007

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 September 30, 2007 Commission File Number 0-6253

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

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

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

Not Applicable
Former name, former address and former fiscal year, if changed since last report

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

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

£ Large accelerated filer S Accelerated filer £ Non-accelerated filer

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

The number of shares outstanding of the Registrant’s Common Stock as of October 25, 2007 was 13,928,262.

Simmons First National Corporation
Quarterly Report on Form 10-Q
September 30, 2007

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Part I: Financial Information
Item 1. Financial Statements

Simmons First National Corporation
Consolidated Balance Sheets
September 30, 2007 and December 31, 2006

ASSETS

(In thousands, except share data)	September 30, 2007 (Unaudited)	December 31, 2006
Cash and non-interest bearing balances due from banks	$ 85,370	$ 83,452
Interest bearing balances due from banks	6,557	45,829
Federal funds sold	25,655	21,870
Cash and cash equivalents	117,582	151,151
Investment securities	529,488	527,126
Mortgage loans held for sale	8,244	7,091
Assets held in trading accounts	5,482	4,487
Loans	1,875,235	1,783,495
Allowance for loan losses	(25,107)	(25,385)
Net loans	1,850,128	1,758,110
Premises and equipment	73,088	67,926
Foreclosed assets held for sale, net	1,629	1,940
Interest receivable	25,699	21,974
Bank owned life insurance	37,632	36,133
Goodwill	60,605	60,605
Core deposit premiums	3,583	4,199
Other assets	8,527	10,671
TOTAL ASSETS	$ 2,721,687	$ 2,651,413

See Condensed Notes to Consolidated Financial Statements.
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Simmons First National Corporation
Consolidated Balance Sheets
September 30, 2007 and December 31, 2006

LIABILITIES AND STOCKHOLDERS' EQUITY

(In thousands, except share data)	September 30, 2007 (Unaudited)	December 31, 2006
LIABILITIES		
Non-interest bearing transaction accounts	$ 319,792	$ 305,327
Interest bearing transaction accounts and savings deposits	730,533	738,763
Time deposits	1,122,994	1,131,441
Total deposits	2,173,319	2,175,531
Federal funds purchased and securities sold under agreements to repurchase	106,984	105,036
Short-term debt	67,595	6,114
Long-term debt	79,655	83,311
Accrued interest and other liabilities	26,533	22,405
Total liabilities	2,454,086	2,392,397
STOCKHOLDERS' EQUITY		
Capital stock		
Class A, common, par value $0.01 a share, authorized 60,000,000 shares at 2007 and 30,000,000 shares at 2006, 13,934,509 issued and outstanding at 2007 and 14,196,855 at 2006	139	142
Surplus	41,470	48,678
Undivided profits	225,972	212,394
Accumulated other comprehensive income (loss)		
Unrealized appreciation (depreciation) on available-for-sale securities, net of income taxes of $12 at 2007 and income tax credits of $1,319 at 2006	20	(2,198)
Total stockholders' equity	267,601	259,016
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,721,687	$ 2,651,413

See Condensed Notes to Consolidated Financial Statements.

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Simmons First National Corporation
Consolidated Statements of Income
Three and Nine Months Ended September 30, 2007 and 2006

(In thousands, except per share data)	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
	(Unaudited)		(Unaudited)	
INTEREST INCOME				
Loans	$ 36,604	$ 33,924	$ 105,751	$ 95,705
Federal funds sold	302	325	1,303	692
Investment securities	6,046	5,183	17,656	14,991
Mortgage loans held for sale	147	141	383	369
Assets held in trading accounts	71	14	124	58
Interest bearing balances due from banks	131	229	938	785
TOTAL INTEREST INCOME	43,301	39,816	126,155	112,600
INTEREST EXPENSE				
Deposits	16,635	14,404	49,299	38,313
Federal funds purchased and securities sold under agreements to repurchase	1,404	1,152	4,057	3,320
Short-term debt	519	761	637	1,082
Long-term debt	1,173	1,122	3,568	3,364
TOTAL INTEREST EXPENSE	19,731	17,439	57,561	46,079
NET INTEREST INCOME	23,570	22,377	68,594	66,521
Provision for loan losses	850	602	2,432	3,099
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	22,720	21,775	66,162	63,422
NON-INTEREST INCOME				
Trust income	1,528	1,435	4,639	4,095
Service charges on deposit accounts	3,759	3,973	10,912	11,945
Other service charges and fees	698	596	2,198	1,846
Income on sale of mortgage loans, net of commissions	715	763	2,121	2,194
Income on investment banking, net of commissions	90	55	393	252
Credit card fees	3,115	2,755	8,789	7,912
Premiums on sale of student loans	419	413	2,042	1,808
Bank owned life insurance income	367	382	1,090	1,098
Other income	682	654	1,980	2,004
TOTAL NON-INTEREST INCOME	11,373	11,026	34,164	33,154
NON-INTEREST EXPENSE				
Salaries and employee benefits	13,778	13,298	41,406	40,269
Occupancy expense, net	1,671	1,612	4,945	4,673
Furniture and equipment expense	1,455	1,407	4,428	4,281
Loss on foreclosed assets	77	32	137	105
Deposit insurance	85	64	220	204
Other operating expenses	6,157	5,722	18,312	17,029

TOTAL NON-INTEREST EXPENSE		23,223		22,135		69,448		66,561
INCOME BEFORE INCOME TAXES		10,870		10,666		30,878		30,015
Provision for income taxes		3,370		3,219		9,710		9,284
NET INCOME	$	7,500	$	7,447	$	21,168	$	20,731
BASIC EARNINGS PER SHARE	$	0.53	$	0.53	$	1.50	$	1.46
DILUTED EARNINGS PER SHARE	$	0.53	$	0.51	$	1.48	$	1.43

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2007 and 2006

(In thousands)	September 30, 2007	September 30, 2006 (Unaudited)
OPERATING ACTIVITIES		
Net income	$ 21,168	$ 20,731
Items not requiring (providing) cash		
Depreciation and amortization	4,161	4,104
Provision for loan losses	2,432	3,099
Net amortization of investment securities	119	185
Deferred income taxes	725	864
Bank owned life insurance income	(1,090)	(1,098)
Changes in		
Interest receivable	(3,725)	(3,199)
Mortgage loans held for sale	(1,153)	1,266
Assets held in trading accounts	(995)	56
Other assets	2,140	61
Accrued interest and other liabilities	3,278	7,445
Income taxes payable	123	(1,444)
Net cash provided by operating activities	27,183	32,070
INVESTING ACTIVITIES		
Net originations of loans	(96,521)	(75,408)
Purchases of premises and equipment, net	(8,706)	(6,890)
Proceeds from sale of foreclosed assets	2,382	982
Proceeds from sale of securities	--	1,542
Proceeds from maturities of available-for-sale securities	72,601	78,503
Purchases of available-for-sale securities	(72,614)	(65,625)
Proceeds from maturities of held-to-maturity securities	20,224	18,841
Purchases of held-to-maturity securities	(20,512)	(41,620)
Purchases of bank owned life insurance	(405)	(1,341)
Net cash used in investing activities	(103,551)	(91,016)
FINANCING ACTIVITIES		
Net change in deposits	(2,174)	88,518
Net change in short-term debt	61,481	53,819
Dividends paid	(7,590)	(7,110)
Proceeds from issuance of long-term debt	6,135	6,785
Repayment of long-term debt	(9,791)	(11,632)
Net change in Federal funds purchased and securities sold under agreements to repurchase	1,948	(21,688)
Repurchase of common stock, net	(7,210)	(4,656)
Net cash provided by financing activities	42,799	104,036
	(33,569)	45,090

(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS				
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		151,151		101,573
CASH AND CASH EQUIVALENTS, END OF PERIOD	$	117,582	$	146,663

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Stockholders' Equity
Nine Months Ended September 30, 2007 and 2006

(In thousands, except share data)	Common Stock	Surplus	Accumulated Other Comprehensive Income (Loss)	Undivided Profits	Total
Balance, December 31, 2005	$ 143	$ 53,723	$ (4,360)	$ 194,579	$ 244,085
Comprehensive income					
Net income	--	--	--	20,731	20,731
Change in unrealized depreciation on					
available-for-sale securities, net of income tax credits of $924	--	--	1,542	--	1,542
Comprehensive income					22,273
Stock issued as bonus shares – 10,200 shares	--	275	--	--	275
Exercise of stock options – 67,580 shares	1	992	--	--	993
Securities exchanged under stock option plan	--	(799)	--	--	(799)
Stock granted under				--	
Stock-based compensation plans	--	69	--		69
Repurchase of common stock – 188,900 shares	(2)	(5,192)	--	--	(5,194)
Dividends paid – $0.50 per share	--	--	--	(7,110)	(7,110)
Balance, September 30, 2006 (Unaudited)	142	49,068	(2,818)	208,200	254,592
Comprehensive income					
Net income	--	--	--	6,750	6,750
Change in unrealized depreciation on					
available-for-sale securities, net of income taxes of $372	--	--	620	--	620
Comprehensive income					7,370
Exercise of stock options – 39,300 shares	1	524	--	--	525
Stock granted under					
Stock-based compensation plans	--	19	--	--	19
Securities exchanged under stock option plan	--	(492)	--	--	(492)
Repurchase of common stock – 14,200 shares	(1)	(441)	--	--	(442)
Dividends paid – $0.18 per share	--	--	--	(2,556)	(2,556)
Balance, December 31, 2006	142	48,678	(2,198)	212,394	259,016

Comprehensive income					
Net income	--	--	--	21,168	21,168
Change in unrealized depreciation on					
available-for-sale securities, net of income tax credits of $1,331	--	--	2,218	--	2,218
Comprehensive income					23,386
Stock issued as bonus shares – 8,800 shares	--	250	--	--	250
Exercise of stock options – 30,200 shares	--	466	--	--	466
Stock granted under					
Stock-based compensation plans	--	143	--	--	143
Securities exchanged under stock option plan	--	(187)	--	--	(187)
Repurchase of common stock – 294,831 shares	(3)	(7,880)	--	--	(7,883)
Dividends paid – $0.54 per share	--	--	--	(7,590)	(7,590)
Balance, September 30, 2007 (Unaudited)	$ 139	$ 41,470	$ 20	$ 225,972	$ 267,601

See Condensed Notes to Consolidated Financial Statements.

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SIMMONS FIRST NATIONAL CORPORATION

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1: BASIS OF PRESENTATION

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

All adjustments made to the unaudited financial statements were of a normal recurring nature. In the opinion of management, all adjustments necessary for a fair presentation of the results of interim periods have been made. Certain prior year amounts are reclassified to conform to current year classification. The consolidated balance sheet of the Company as of December 31, 2006 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 2006 filed with the Securities and Exchange Commission.

The Company adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109, on January 1, 2007. See Note 6 – Income Taxes for additional information. There have been no other significant changes to the Company's accounting policies from the 2006 Form 10-K.

Recently Issued Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements. Statement No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The Statement is effective for the Company on January 1, 2008 and is not expected to have a significant impact on the Company's financial position, operations or cash flows.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115. Statement No. 159 permits entities to choose to measure eligible items at fair value at specified election dates. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. The fair value option (i) may be applied instrument by instrument, with certain exceptions, (ii) is irrevocable (unless a new election date occurs) and (iii) is applied only to entire instruments and not to portions of instruments. Statement No. 159 is effective for the Company on January 1, 2008 and is not expected to have a significant impact on the Company's financial position, operations or cash flows.

In September 2006, the FASB ratified the consensus reached by the FASB's Emerging Issues Task Force (EITF) relating to EITF 06-4, Accounting for the Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements. EITF 06-4 requires employers accounting for endorsement split-dollar life insurance arrangements that provide a benefit to an employee that extends to postretirement periods to recognize a liability for future benefits in accordance with FASB Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, or Accounting Principles Board (APB) Opinion No. 12, Omnibus Opinion – 1967. Entities should recognize the effects of applying this issue through either (a) a change in accounting principle through a cumulative-effect adjustment to retained earnings or to other components of equity or net assets in the statement of financial position as of the beginning of the year of adoption or (b) a change in accounting principle through retrospective application to all prior periods. EITF 06-4 is effective for the Company on January 1, 2008. The Company is currently evaluating the effect the implementation of EITF 06-4 will have on its financial position, operations and cash flows.

Earnings Per Share

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

Following is the computation of per share earnings for the three and nine months ended September 30, 2007 and 2006.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except per share data)	2007	2006	2007	2006
Net income	$ 7,500	$ 7,447	$ 21,168	$ 20,731
Average common shares outstanding	13,977	14,196	14,084	14,236
Average potential dilutive common shares	200	255	200	255
Average diluted common shares	14,177	14,451	14,284	14,491
Basic earnings per share	$ 0.53	$ 0.53	$ 1.50	$ 1.46
Diluted earnings per share	$ 0.53	$ 0.51	$ 1.48	$ 1.43

NOTE 2: INVESTMENT SECURITIES

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

(In thousands)	September 30, 2007 Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value	December 31, 2006 Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Held-to-Maturity								
U.S. Treasury	$ 1,500	$ 10	$ --	$ 1,510	$ --	$ --	$ --	$ --
U.S. Government agencies	43,000	352	(58)	43,294	54,998	367	(272)	55,093
Mortgage-backed securities	136	3	--	139	155	3	(1)	157
State and political subdivisions	133,196	409	(1,237)	132,368	122,472	667	(892)	122,247
Other securities	2,374	--	--	2,374	2,319	--	--	2,319
	$ 180,206	$ 774	$ (1,295)	$ 179,685	$ 179,944	$ 1,037	$ (1,165)	$ 179,816
Available-for-Sale								
U.S. Treasury	$ 7,492	$ 25	$ --	$ 7,517	$ 6,970	$ --	$ (30)	$ 6,940
U.S. Government agencies	325,603	700	(889)	325,414	326,301	287	(4,177)	322,411
Mortgage-backed securities	2,928	36	(195)	2,769	3,032	--	(76)	2,956
State and political subdivisions	980	59	(55)	984	1,360	10	--	1,370
Other securities	12,248	350	--	12,598	13,035	470	--	13,505
	$ 349,251	$ 1,170	$ (1,139)	$ 349,282	$ 350,698	$ 767	$ (4,283)	$ 347,182

The carrying value, which approximates the fair value, of securities pledged as collateral, to secure public deposits and for other purposes, amounted to $401,545,000 at September 30, 2007 and $400,668,000 at December 31, 2006.

The book value of securities sold under agreements to repurchase amounted to $79,994,000 and $80,566,000 for September 30, 2007 and December 31, 2006, respectively.

Income earned on securities for the nine months ended September 30, 2007 and 2006 is as follows:

(In thousands)	2007	2006
Taxable		
Held-to-maturity	$ 1,991	$ 1,321
Available-for-sale	11,785	10,136
Non-taxable		
Held-to-maturity	3,837	3,454
Available-for-sale	43	80
Total	$ 17,656	$ 14,991

Maturities of investment securities at September 30, 2007 are as follows:

(In thousands)	Held-to-Maturity Amortized Cost	Held-to-Maturity Fair Value	Available-for-Sale Amortized Cost	Available-for-Sale Fair Value
One year or less	$ 22,914	$ 22,845	$ 96,125	$ 95,815
After one through five years	48,995	48,906	76,077	75,663
After five through ten years	84,072	84,031	162,727	163,262
After ten years	22,781	22,459	2,074	1,944
Other securities	1,444	1,444	12,248	12,598
Total	$ 180,206	$ 179,685	$ 349,251	$ 349,282

There were no realized gains or losses for the nine-months ended September 30, 2007 or 2006.

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

NOTE 3: LOANS AND ALLOWANCE FOR LOAN LOSSES

The various categories of loans are summarized as follows:

(In thousands)	September 30, 2007	December 31, 2006
Consumer		
Credit cards	$ 149,185	$ 143,359
Student loans	78,377	84,831
Other consumer	140,771	142,596
Real Estate		
Construction	259,705	277,411
Single family residential	377,153	364,450
Other commercial	538,924	512,404
Commercial		
Commercial	201,903	178,028
Agricultural	111,984	62,293
Financial institutions	5,905	4,766
Other	11,328	13,357
Total loans before allowance for loan losses	$ 1,875,235	$ 1,783,495

As of September 30, 2007, credit card loans, which are unsecured, were $149,185,000, or 8.0% of total loans, versus $143,359,000, or 8.0% of total loans at December 31, 2006. The credit card loans are diversified by geographic region to reduce credit risk and minimize any adverse impact on the portfolio. Credit card loans are regularly reviewed to facilitate the identification and monitoring of creditworthiness.

At September 30, 2007 and December 31, 2006, impaired loans totaled $11,686,000 and $12,829,000, respectively. All impaired loans had either specific or general allocations within the allowance for loan losses. Allocations of the allowance for loan losses relative to impaired loans were $3,597,000 at September 30, 2007 and $3,418,000 at December 31, 2006. Approximately $161,000 and $297,000 of interest income was recognized on average impaired loans of $11,525,000 and $13,133,000 as of September 30, 2007 and 2006, respectively. Interest recognized on impaired loans on a cash basis during the first nine months of 2007 and 2006 was immaterial.

Transactions in the allowance for loan losses are as follows:

(In thousands)		2007		2006
Balance, beginning of year	$	25,385	$	26,923
Additions				
Provision charged to expense		2,432		3,099
		27,817		30,022
Deductions				
Losses charged to allowance, net of recoveries				
of $2,160 and $2,266 for the first nine months of				
2007 and 2006, respectively		2,710		2,618
Reclassification of reserve related to unfunded commitments(1)		--		1,525
Balance, September 30	$	25,107		25,879
Additions				
Provision charged to expense				663
Deductions				
Losses charged to allowance, net of recoveries				
of $840 for the last three months of 2006				1,157
Balance, end of year			$	25,385

(1) On March 31, 2006, the reserve for unfunded commitments was reclassified from the allowance for loan losses to other liabilities.

NOTE 4: GOODWILL AND CORE DEPOSIT PREMIUMS

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

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

The carrying basis and accumulated amortization of core deposit premiums (net of core deposit premiums that were fully amortized) at September 30, 2007 and December 31, 2006, were as follows:

(In thousands)	September 30, 2007	December 31, 2006
Gross carrying amount	$ 6,822	$ 6,822
Accumulated amortization	(3,239)	(2,623)
Net core deposit premiums	$ 3,583	$ 4,199

Core deposit premium amortization expense recorded for the nine months ended September 30, 2007 and 2006, was $616,000 and $623,000, respectively. The Company's estimated amortization expense for the remainder of 2007 is $202,000, and for each of the following four years is:
2008 – $807,000; 2009 – $802,000; 2010 – $699,000; and 2011 – $451,000.

NOTE 5: TIME DEPOSITS

Time deposits include approximately $442,706,000 and $450,310,000 of certificates of deposit of $100,000 or more at September 30, 2007 and December 31, 2006 respectively.

NOTE 6: INCOME TAXES

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

(In thousands)	September 30, 2007	September 30, 2006
Income taxes currently payable	$ 8,985	$ 8,420
Deferred income taxes	725	864
Provision for income taxes	$ 9,710	$ 9,284

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

(In thousands)	September 30, 2007	December 31, 2006
Deferred tax assets		
Allowance for loan losses	$ 8,548	$ 8,543
Valuation of foreclosed assets	63	63
Deferred compensation payable	1,397	1,275
FHLB advances	34	58
Vacation compensation	800	740
Loan interest	140	140
Available-for-sale securities	--	1,319
Other	334	174
Total deferred tax assets	11,316	12,312
Deferred tax liabilities		
Accumulated depreciation	(592)	(852)
Deferred loan fee income and expenses, net	(921)	(787)
FHLB stock dividends	(956)	(887)
Goodwill and core deposit premium amortization	(6,991)	(6,051)
Available-for-sale securities	(12)	--
Other	(1,044)	(880)
Total deferred tax liabilities	(10,516)	(9,457)
Net deferred tax assets included in other assets on balance sheets	$ 800	$ 2,855

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

(In thousands)	September 30, 2007	September 30, 2006
Computed at the statutory rate (35%)	$ 10,807	$ 10,505
Increase (decrease) resulting from:		
Tax exempt income	(1,490)	(1,389)
Other differences, net	393	168
Actual tax provision	$ 9,710	$ 9,284

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement 109, effective January 1, 2007. Interpretation 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. Interpretation 48 also provides guidance on the accounting for and disclosure of unrecognized tax benefits, interest and penalties. Adoption of Interpretation 48 did not have a significant impact on the Company's financial position, operations or cash flows.

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

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

NOTE 7: SHORT-TERM AND LONG-TERM DEBT

Long-term debt at September 30, 2007 and December 31, 2006, consisted of the following components:

(In thousands)	September 30, 2007	December 31, 2006
Note Payable, due July 2007, at a floating rate of 0.90% above the one-month LIBOR rate, reset monthly, unsecured	$ --	$ 2,000
FHLB advances, due 2007 to 2024, 2.58% to 8.41% secured by residential real estate loans	48,725	50,381
Trust preferred securities, due 2033, fixed at 8.25%, callable in 2008 without penalty	10,310	10,310
Trust preferred securities, due 2033, floating rate of 2.80% above the three-month LIBOR rate reset quarterly, callable in 2008 without penalty	10,310	10,310
Trust preferred securities, due 2033, fixed rate of 6.97% through 2010, thereafter, at a floating rate of 2.80% above the three-month LIBOR rate, reset quarterly, callable in 2010 without penalty	10,310	10,310
	$ 79,655	$ 83,311

At September 30, 2007, the Company had Federal Home Loan Bank ("FHLB") advances with original maturities of one year or less of $66.5 million with a weighted average rate of 5.21% which are not included in the above table.

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

Aggregate annual maturities of long-term debt at September 30, 2007 are:

(In thousands)	Year		Annual Maturities
	2007	$	2,005
	2008		12,891
	2009		5,509
	2010		5,442
	2011		4,254
	Thereafter		49,554
	Total	$	79,655

NOTE 8: CONTINGENT LIABILITIES

The Company and/or its subsidiaries have various unrelated legal proceedings, most of which involve loan foreclosure activity pending, which, in the aggregate, are not expected to have a material adverse effect on the financial position of the Company and its subsidiaries. The Company or its subsidiaries remain the subject of one (1) lawsuit asserting claims against the Company or its subsidiaries.

On October 1, 2003, an action in Pulaski County Circuit Court was filed by Thomas F. Carter, Tena P. Carter and certain related entities against Simmons First Bank of South Arkansas and Simmons First National Bank alleging wrongful conduct by the banks in the collection of certain loans. The Company was later added as a party defendant. The plaintiffs are seeking $2,000,000 in compensatory damages and $10,000,000 in punitive damages. The Company and the banks have filed Motions to Dismiss. The plaintiffs were granted additional time to discover any evidence for litigation, and have submitted such findings. At the hearing on the Motions for Summary Judgment, the Court dismissed Simmons First National Bank due to lack of venue. Venue has been changed to Jefferson County for the Company and Simmons First Bank of South Arkansas. At this time, no basis for any material liability has been identified. The Company and the bank continue to vigorously defend the claims asserted in the suit.

NOTE 9: CAPITAL STOCK

On May 25, 2004, the Company announced the adoption by the Board of Directors of a stock repurchase program. The program authorizes the repurchase of up to 5% of the then outstanding Common Stock, or 733,485 shares. Under the repurchase program, there is no time limit for the stock repurchases, nor is there a minimum number of shares the Company intends to repurchase. The Company may discontinue purchases at any time that management determines additional purchases are not warranted. The shares are to be purchased from time to time at prevailing market prices, through open market or unsolicited negotiated transactions, depending upon market conditions. The Company intends to use the repurchased shares to satisfy stock option exercises, payment of future stock dividends and general corporate purposes.

During the nine-month period ended September 30, 2007, the Company repurchased 294,831 shares of stock under the repurchase plan with a weighted average repurchase price of $26.79 per share. Under the current stock repurchase plan, the Company can repurchase an additional 46,136 shares.

NOTE 10: UNDIVIDED PROFITS

The Company's subsidiary banks are subject to a legal limitation on dividends that can be paid to the parent company without prior approval of the applicable regulatory agencies. The approval of the Comptroller of the Currency is required, if the total of all dividends declared by a national bank in any calendar year exceeds the total of its net profits, as defined, for that year combined with its retained net profits of the preceding two years. Arkansas bank regulators have specified that the maximum dividend limit state banks may pay to the parent company without prior approval is 75% of current year earnings plus 75% of the retained net earnings of the preceding year. At September 30, 2007, the bank subsidiaries had approximately $10 million available for payment of dividends to the Company, without prior approval of the regulatory agencies.

The Federal Reserve Board's risk-based capital guidelines include the definitions for (1) a well-capitalized institution, (2) an adequately-capitalized institution, and (3) an undercapitalized institution. The criteria for a well-capitalized institution are: a 5% "Tier l leverage capital" ratio, a 6% "Tier 1 risk-based capital" ratio, and a 10% "total risk-based capital" ratio. As of September 30, 2007, each of the eight subsidiary banks met the capital standards for a well-capitalized institution. The Company's "total risk-based capital" ratio was 13.35% at September 30, 2007.

NOTE 11: STOCK BASED COMPENSATION

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

The table below summarizes the transactions under the Company's active stock compensation plans for the nine months ended September 30, 2007:

Stock Options Outstanding		Non-Vested Stock Awards Outstanding	
Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Grant-Date Fair-Value