

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2020

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.01 per share	SFNC	The Nasdaq Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). ☒ Yes ☐ No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Smaller reporting company	<input type="checkbox"/>	Emerging Growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares outstanding of the Registrant's Common Stock as of November 2, 2020, was 108,845,891.

**Simmons First National Corporation**  
**Quarterly Report on Form 10-Q**  
**September 30, 2020**

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\* No reportable information under this item.

**Part I: Financial Information**  
**Item 1. Financial Statements (Unaudited)**

**Simmons First National Corporation**  
**Consolidated Balance Sheets**  
**September 30, 2020 and December 31, 2019**

(In thousands, except share data)	September 30, 2020 (Unaudited)	December 31, 2019
<b>ASSETS</b>		
Cash and non-interest bearing balances due from banks	\$ 382,691	\$ 277,208
Interest bearing balances due from banks and federal funds sold	2,139,440	719,415
Cash and cash equivalents	2,522,131	996,623
Interest bearing balances due from banks - time	4,061	4,554
Investment securities:		
Held-to-maturity, net of allowance for credit losses of \$373 at September 30, 2020	47,102	40,927
Available-for-sale, net of allowance for credit losses of \$1,208 at September 30, 2020 (amortized cost of \$2,556,808 and \$3,263,151 at September 30, 2020 and December 31, 2019, respectively)	2,607,288	3,288,343
Total investments	2,654,390	3,329,270
Mortgage loans held for sale	192,729	58,102
Other assets held for sale	389	260,332
Loans	14,017,442	14,425,704
Allowance for credit losses on loans	(248,251)	(68,244)
Net loans	13,769,191	14,357,460
Premises and equipment	470,491	492,384
Premises held for sale	4,486	—
Foreclosed assets and other real estate owned	12,590	19,121
Interest receivable	77,352	62,707
Bank owned life insurance	257,718	254,152
Goodwill	1,075,305	1,055,520
Other intangible assets	114,460	127,340
Other assets	282,102	241,578
Total assets	<u>\$ 21,437,395</u>	<u>\$ 21,259,143</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deposits:		
Non-interest bearing transaction accounts	\$ 4,451,385	\$ 3,741,093
Interest bearing transaction accounts and savings deposits	8,993,255	9,090,878
Time deposits	2,802,007	3,276,969
Total deposits	16,246,647	16,108,940
Federal funds purchased and securities sold under agreements to repurchase	313,694	150,145
Other borrowings	1,342,769	1,297,599
Subordinated debentures	382,739	388,260
Other liabilities held for sale	—	159,853
Accrued interest and other liabilities	209,305	165,422
Total liabilities	<u>18,495,154</u>	<u>18,270,219</u>
Stockholders' equity:		
Preferred stock, 40,040,000 shares authorized; Series D, \$0.01 par value, \$1,000 liquidation value per share; 767 shares issued and outstanding at September 30, 2020 and December 31, 2019	767	767
Common stock, Class A, \$0.01 par value; 175,000,000 shares authorized at September 30, 2020 and December 31, 2019; 109,023,781 and 113,628,601 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively	1,090	1,136
Surplus	2,032,372	2,117,282
Undivided profits	866,503	848,848
Accumulated other comprehensive income	41,509	20,891
Total stockholders' equity	<u>2,942,241</u>	<u>2,988,924</u>
Total liabilities and stockholders' equity	<u>\$ 21,437,395</u>	<u>\$ 21,259,143</u>

See Condensed Notes to Consolidated Financial Statements.

**Simmons First National Corporation**  
**Consolidated Statements of Income**  
**Three and Nine Months Ended September 30, 2020 and 2019**

(In thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
<b>INTEREST INCOME</b>				
Loans	\$ 163,180	\$ 179,971	\$ 527,656	\$ 517,533
Interest bearing balances due from banks and federal funds sold	623	1,586	3,667	4,861
Investment securities	14,910	14,467	47,326	46,414
Mortgage loans held for sale	1,012	382	1,961	924
TOTAL INTEREST INCOME	179,725	196,406	580,610	569,732
<b>INTEREST EXPENSE</b>				
Deposits	16,206	36,936	65,489	102,482
Federal funds purchased and securities sold under agreements to repurchase	335	249	1,431	642
Other borrowings	4,943	5,381	14,783	18,393
Subordinated notes and debentures	4,631	4,576	14,133	13,528
TOTAL INTEREST EXPENSE	26,115	47,142	95,836	135,045
<b>NET INTEREST INCOME</b>				
Provision for credit losses	22,981	21,973	68,030	38,337
<b>NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES</b>				
	130,629	127,291	416,744	396,350
<b>NON-INTEREST INCOME</b>				
Trust income	6,744	6,108	21,148	17,610
Service charges on deposit accounts	10,385	10,825	32,283	31,450
Other service charges and fees	1,764	1,308	4,841	3,909
Mortgage lending income	13,971	4,509	31,476	10,988
SBA lending income	304	956	845	2,348
Investment banking income	557	513	2,005	1,491
Debit and credit card fees	8,850	7,059	24,760	20,369
Bank owned life insurance income	1,591	1,302	4,334	3,357
Gain on sale of securities, net	22,305	7,374	54,790	12,937
Other income	5,380	44,721	27,990	54,942
TOTAL NON-INTEREST INCOME	71,851	84,675	204,472	159,401
<b>NON-INTEREST EXPENSE</b>				
Salaries and employee benefits	61,144	52,065	186,712	164,560
Occupancy expense, net	9,647	8,342	28,374	22,736
Furniture and equipment expense	6,231	4,898	18,098	12,462
Other real estate and foreclosure expense	602	1,125	1,201	2,353
Deposit insurance	2,244	—	7,557	4,550
Merger related costs	902	2,556	3,800	11,548
Other operating expenses	38,179	37,879	119,618	100,808
TOTAL NON-INTEREST EXPENSE	118,949	106,865	365,360	319,017
<b>INCOME BEFORE INCOME TAXES</b>				
Provision for income taxes	17,633	23,275	53,920	51,289
<b>NET INCOME</b>				
Preferred stock dividends	13	—	39	326
<b>NET INCOME AVAILABLE TO COMMON STOCKHOLDERS</b>	\$ 65,885	\$ 81,826	\$ 201,897	\$ 185,119
<b>BASIC EARNINGS PER SHARE</b>	\$ 0.60	\$ 0.85	\$ 1.83	\$ 1.95
<b>DILUTED EARNINGS PER SHARE</b>	\$ 0.60	\$ 0.84	\$ 1.83	\$ 1.94

See Condensed Notes to Consolidated Financial Statements.

**Simmons First National Corporation**  
**Consolidated Statements of Comprehensive Income**  
**Three and Nine Months Ended September 30, 2020 and 2019**

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
<b>NET INCOME</b>	\$ 65,898	\$ 81,826	\$ 201,936	\$ 185,445
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>				
Unrealized holding gains arising during the period on available-for-sale securities	4,975	18,736	82,703	79,547
Unrealized holding gain on the transfer of held-to-maturity securities to available-for-sale per ASU 2017-12	—	—	—	2,547
Less: Reclassification adjustment for realized gains included in net income	22,305	7,374	54,790	12,937
<b>Other comprehensive (loss) income, before tax effect</b>	(17,330)	11,362	27,913	69,157
Less: Tax effect of other comprehensive (loss) income	(4,529)	2,969	7,295	18,074
<b>TOTAL OTHER COMPREHENSIVE (LOSS) INCOME</b>	(12,801)	8,393	20,618	51,083
<b>COMPREHENSIVE INCOME</b>	<u>\$ 53,097</u>	<u>\$ 90,219</u>	<u>\$ 222,554</u>	<u>\$ 236,528</u>

See Condensed Notes to Consolidated Financial Statements.

**Simmons First National Corporation**  
**Consolidated Statements of Cash Flows**  
**Nine Months Ended September 30, 2020 and 2019**

(In thousands)	September 30, 2020	September 30, 2019
	(Unaudited)	
OPERATING ACTIVITIES		
Net income	\$ 201,936	\$ 185,445
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	36,590	25,462
Provision for credit losses	68,030	38,337
Gain on sale of investments	(54,790)	(12,937)
Net accretion of investment securities and assets	(43,286)	(35,272)
Net amortization on borrowings	406	273
Stock-based compensation expense	10,750	9,316
Gain on sale of premises and equipment, net of impairment	(33)	—
Gain on sale of foreclosed assets held for sale	(475)	(16)
Gain on sale of mortgage loans held for sale	(28,994)	(14,196)
Loss on sale of loans	—	4,451
Gain on sale of Visa, Inc. class B common stock	—	(42,860)
Gain on sale of other intangibles	(301)	—
Gain on sale of branches	(8,094)	—
Fair value write-down of closed branches	1,465	—
Deferred income taxes	2,920	10,933
Income from bank owned life insurance	(4,983)	(3,438)
Originations of mortgage loans held for sale	(851,356)	(499,178)
Proceeds from sale of mortgage loans held for sale	745,723	490,674
Changes in assets and liabilities:		
Interest receivable	(15,601)	(679)
Lease right-of-use assets	8,147	(1,370)
Other assets	(7,009)	13,325
Accrued interest and other liabilities	35,549	10,881
Income taxes payable	(20,206)	18,722
Net cash provided by operating activities	76,388	197,873
INVESTING ACTIVITIES		
Net collections (originations) of loans	243,826	(299,013)
Proceeds from sale of loans	32,742	104,587
Decrease in due from banks - time	493	395
Purchases of premises and equipment, net	(22,697)	(37,523)
Proceeds from sale of premises and equipment	123	—
Proceeds from sale of foreclosed assets held for sale	9,705	16,139
Proceeds from sale of available-for-sale securities	1,717,364	543,400
Proceeds from maturities of available-for-sale securities	2,218,259	412,006
Purchases of available-for-sale securities	(3,169,534)	(592,165)
Proceeds from maturities of held-to-maturity securities	10,520	29,179
Purchases of held-to-maturity securities	(16,997)	—
Proceeds from bank owned life insurance death benefits	1,425	1,310
Disposition of assets and liabilities held for sale	181,271	1,245
Purchase of Reliance Bancshares, Inc.	—	(37,017)
Net cash provided by investing activities	1,206,500	142,543
FINANCING ACTIVITIES		
Net change in deposits	191,714	(156,010)
Repayments of subordinated debentures	(5,927)	—
Dividends paid on preferred stock	(39)	(326)
Dividends paid on common stock	(56,141)	(45,722)
Net change in other borrowed funds	45,170	(404,455)
Net change in federal funds purchased and securities sold under agreements to repurchase	163,549	6,598
Net shares cancelled under stock compensation plans	(3,355)	(3,301)
Shares issued under employee stock purchase plan	956	1,312
Retirement of preferred stock	—	(42,000)
Repurchases of common stock	(93,307)	—
Net cash provided by (used in) financing activities	242,620	(643,904)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,525,508	(303,488)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	996,623	833,458
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 2,522,131	\$ 529,970

See Condensed Notes to Consolidated Financial Statements.



**Simmons First National Corporation**  
**Consolidated Statements of Stockholders' Equity**  
**Three Months Ended September 30, 2020 and 2019**

(In thousands, except share data)	Preferred Stock	Common Stock	Surplus	Accumulated Other Comprehensive Income (Loss)	Undivided Profits	Total
<b>Three Months Ended September 30, 2020</b>						
Balance, June 30, 2020 (Unaudited)	\$ 767	\$ 1,090	\$ 2,029,383	\$ 54,310	\$ 819,153	\$ 2,904,703
Comprehensive income	—	—	—	(12,801)	65,898	53,097
Stock-based compensation plans, net – 29,392 shares	—	—	2,989	—	—	2,989
Dividends on preferred stock	—	—	—	—	(13)	(13)
Dividends on common stock – \$0.17 per share	—	—	—	—	(18,535)	(18,535)
Balance, September 30, 2020 (Unaudited)	<u>\$ 767</u>	<u>\$ 1,090</u>	<u>\$ 2,032,372</u>	<u>\$ 41,509</u>	<u>\$ 866,503</u>	<u>\$ 2,942,241</u>
<b>Three Months Ended September 30, 2019</b>						
Balance, June 30, 2019 (Unaudited)	\$ —	\$ 966	\$ 1,705,262	\$ 15,316	\$ 747,969	\$ 2,469,513
Comprehensive income	—	—	—	8,393	81,826	90,219
Stock-based compensation plans, net – 23,199 shares	—	—	2,796	—	—	2,796
Dividends on common stock – \$0.16 per share	—	—	—	—	(15,457)	(15,457)
Balance, September 30, 2019 (Unaudited)	<u>\$ —</u>	<u>\$ 966</u>	<u>\$ 1,708,058</u>	<u>\$ 23,709</u>	<u>\$ 814,338</u>	<u>\$ 2,547,071</u>

See Condensed Notes to Consolidated Financial Statements.



**Simmons First National Corporation**  
**Consolidated Statements of Stockholders' Equity**  
**Nine Months Ended September 30, 2020 and 2019**

(In thousands, except share data)	Preferred Stock	Common Stock	Surplus	Accumulated Other Comprehensive Income (Loss)	Undivided Profits	Total
<b><u>Nine Months Ended September 30, 2020</u></b>						
Balance, December 31, 2019	\$ 767	\$ 1,136	\$ 2,117,282	\$ 20,891	\$ 848,848	\$ 2,988,924
Impact of ASU 2016-13 adoption	—	—	—	—	(128,101)	(128,101)
Comprehensive income	—	—	—	20,618	201,936	222,554
Stock issued for employee stock purchase plan – 43,681 shares	—	1	955	—	—	956
Stock-based compensation plans, net – 273,835 shares	—	2	7,393	—	—	7,395
Stock repurchases – 4,922,336 shares	—	(49)	(93,258)	—	—	(93,307)
Dividends on preferred stock	—	—	—	—	(39)	(39)
Dividends on common stock – \$0.51 per share	—	—	—	—	(56,141)	(56,141)
Balance, September 30, 2020 (Unaudited)	<u>\$ 767</u>	<u>\$ 1,090</u>	<u>\$ 2,032,372</u>	<u>\$ 41,509</u>	<u>\$ 866,503</u>	<u>\$ 2,942,241</u>
<b><u>Nine Months Ended September 30, 2019</u></b>						
Balance, December 31, 2018	\$ —	\$ 923	\$ 1,597,944	\$ (27,374)	\$ 674,941	\$ 2,246,434
Comprehensive income	—	—	—	51,083	185,445	236,528
Stock issued for employee stock purchase plan – 60,413 shares	—	1	1,311	—	—	1,312
Stock-based compensation plans, net – 206,176 shares	—	2	6,013	—	—	6,015
Stock issued for Reliance acquisition – 3,999,623 shares	42,000	40	102,790	—	—	144,830
Preferred stock retirement	(42,000)	—	—	—	—	(42,000)
Dividends on preferred stock	—	—	—	—	(326)	(326)
Dividends on common stock – \$0.48 per share	—	—	—	—	(45,722)	(45,722)
Balance, September 30, 2019 (Unaudited)	<u>\$ —</u>	<u>\$ 966</u>	<u>\$ 1,708,058</u>	<u>\$ 23,709</u>	<u>\$ 814,338</u>	<u>\$ 2,547,071</u>

See Condensed Notes to Consolidated Financial Statements.

## SIMMONS FIRST NATIONAL CORPORATION

### CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

#### NOTE 1: PREPARATION OF INTERIM FINANCIAL STATEMENTS

##### Description of Business and Organizational Structure

Simmons First National Corporation (“Company”) is a financial holding company headquartered in Pine Bluff, Arkansas, and the parent company of Simmons Bank, an Arkansas state-chartered bank that has been in operation since 1903 (“Simmons Bank” or the “Bank”). Simmons First Insurance Services, Inc. and Simmons First Insurance Services of TN, LLC are wholly-owned subsidiaries of Simmons Bank and are insurance agencies that offer various lines of personal and corporate insurance coverage to individual and commercial customers. The Company, through its subsidiaries, offers, among other things, consumer, real estate and commercial loans; checking, savings and time deposits; and specialized products and services (such as credit cards, trust and fiduciary services, investments, agricultural finance lending, equipment lending, insurance and Small Business Administration (“SBA”) lending) from approximately 226 financial centers as of September 30, 2020, located throughout market areas in Arkansas, Illinois, Kansas, Missouri, Oklahoma, Tennessee and Texas.

##### Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared based upon Securities and Exchange Commission (“SEC”) rules that permit reduced disclosures for interim periods. Certain information and footnote disclosures have been condensed or omitted in accordance with those rules and regulations. The accompanying consolidated balance sheet as of December 31, 2019, was derived from audited financial statements. In the opinion of management, these financial statements reflect all adjustments that are necessary for a fair presentation of interim results of operations, including normal recurring accruals. Significant intercompany accounts and transactions have been eliminated in consolidation. The results for the interim periods are not necessarily indicative of results for the full year. For a more complete discussion of significant accounting policies and certain other information, this report should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019, which was filed with the SEC on February 27, 2020.

The preparation of financial statements, in accordance with accounting principles generally accepted in the United States (“US GAAP”), requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income items and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management’s evaluation of the relevant facts and circumstances as of the date of the consolidated financial statements and actual results may differ from these estimates. Such estimates include, but are not limited to, the Company’s allowance for credit losses.

Certain prior year amounts have been reclassified to conform to the current year financial statement presentation. These changes and reclassifications did not impact previously reported net income or comprehensive income.

##### Recently Adopted Accounting Standards

**Fair Value Measurement Disclosures** – In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”), that eliminates, amends and adds disclosure requirements for fair value measurements. These amendments are part of FASB’s disclosure review project and they are expected to reduce costs for preparers while providing more decision-useful information for financial statement users. The eliminated disclosure requirements include the 1) the amount of, and reasons for, transfers between Level 1 and Level 2 of the fair value hierarchy; 2) the policy of timing of transfers between levels of the fair value hierarchy; and 3) the valuation processes for Level 3 fair value measurements. Among other modifications, the amended disclosure requirements remove the term “at a minimum” from the phrase “an entity shall disclose at a minimum” to promote the appropriate exercise of discretion by entities and clarifies that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date. Under the new disclosure requirements, entities must disclose the changes in unrealized gains or losses included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU 2018-13 is

effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. ASU 2018-13 did not have a material impact on the Company's fair value disclosures.

**Credit Losses on Financial Instruments** – In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which requires earlier measurement of credit losses, expands the range of information considered in determining expected credit losses and enhances disclosures. The main objective of ASU 2016-13 is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments replace the incurred loss impairment methodology in current US GAAP with a methodology (the current expected credit losses, or "CECL", methodology) that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity debt securities and other receivables measured at amortized cost at the time the financial asset is originated or acquired. The allowance for credit losses is adjusted each period for changes in expected lifetime credit losses. This methodology replaces the multiple existing impairment methods in current guidance, which generally require that a loss be incurred before it is recognized. Within the life cycle of a loan or other financial asset, this new guidance will generally result in the earlier recognition of the provision for credit losses and the related allowance for credit losses than current practice. For available-for-sale debt securities that the Company intends to hold and where fair value is less than cost, credit-related impairment, if any, will be recognized through an allowance for credit losses and adjusted each period for changes in credit risk.

The effective date for these amendments is for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. In preparation for implementation of ASU 2016-13, the Company formed a cross functional team that assessed its data and system needs and evaluated the potential impact of adopting the new guidance. The Company anticipated a significant change in the processes and procedures to calculate the loan losses, including changes in assumptions and estimates to consider expected credit losses over the life of the loan versus the prior accounting practice that utilized the incurred loss model.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed in to law by the President of the United States and allows the option to temporarily defer or suspend the adoption of ASU 2016-13. During the deferral, a registrant would continue to use the incurred loss model for the allowance for loan and lease losses and would be in accordance with US GAAP. The Company has not elected to temporarily defer the adoption of ASU 2016-13 and adopted the new standard as of January 1, 2020. Upon adoption, the Company recorded an additional allowance for credit losses on loans of approximately \$151.4 million and an adjustment to the reserve for unfunded commitments recorded in other liabilities of \$24.0 million. The Company also recorded an additional allowance for credit losses on investment securities of \$742,000. The impact at adoption was reflected as an adjustment to beginning retained earnings, net of income taxes, in the amount of \$128.1 million.

The significant impact to the Company's allowance for credit losses at the date of adoption was driven by the substantial amount of loans acquired held by the Company. The Company had approximately one third of total loans categorized as acquired at the adoption date with very little reserve allocated to them due to the previous incurred loss impairment methodology. As such, the amount of the CECL adoption impact was greater on the Company when compared to a non-acquisitive bank.

In December 2018, the Federal Reserve, Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation ("FDIC") (collectively, the "agencies") issued a final rule revising regulatory capital rules in anticipation of the adoption of ASU 2016-13 that provided an option to phase in over a three year period on a straight line basis the day-one impact on earnings and Tier 1 capital (the "CECL Transition Provision").

In March 2020 and in response to the COVID-19 pandemic, the agencies issued a new regulatory capital rule revising the CECL Transition Provision to delay the estimated impact on regulatory capital stemming from the implementation of ASU 2016-13. The rule provides banking organizations that implement CECL before the end of 2020 the option to delay for two years an estimate of CECL's effect on regulatory capital, followed by a three-year transition period (the "2020 CECL Transition Provision"). The Company elected to apply the 2020 CECL Transition Provision.

In connection with the adoption of ASU 2016-13, the Company revised certain accounting policies and implemented certain accounting policy elections. The revised accounting policies are described below:

Allowance for Credit Losses - Held-to-Maturity (“HTM”) Securities - The Company measures expected credit losses on HTM securities on a collective basis by major security type with each type sharing similar risk characteristics. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. The Company has made the election to exclude accrued interest receivable on HTM securities from the estimate of credit losses and report accrued interest separately on the consolidated balance sheets. See Note 3, Investment Securities, for additional information related to the Company’s allowance for credit losses on HTM securities.

Allowance for Credit Losses - Available-for-Sale (“AFS”) Securities - For AFS securities in an unrealized loss position, the Company first evaluates whether it intends to sell, or whether it is more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either of these criteria regarding intent or requirement to sell is met, the AFS security amortized cost basis is written down to fair value through income. If the criteria is not met, the Company is required to assess whether the decline in fair value has resulted from credit losses or noncredit-related factors. If the assessment indicates a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists, and an allowance for credit loss is recorded through income as a component of provision for credit loss expense. If the assessment indicates that a credit loss does not exist, the Company records the decline in fair value through other comprehensive income, net of related income tax effects. The Company has made the election to exclude accrued interest receivable on AFS securities from the estimate of credit losses and report accrued interest separately on the consolidated balance sheets. Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of an AFS security is confirmed or when either of the criteria regarding intent or requirement to sell is met. See Note 3, Investment Securities, for additional information related to the Company’s allowance for credit losses on AFS securities.

Loans - Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their amortized cost basis, which is the unpaid principal balance outstanding, net of unearned income, deferred loan fees and costs, premiums and discounts associated with acquisition date fair value adjustments on acquired loans, and any direct principal charge-offs. The Company has made a policy election to exclude accrued interest from the amortized cost basis of loans and report accrued interest separately from the related loan balance on the consolidated balance sheets. Further information regarding accounting policies related to past due loans, non-accrual loans, and troubled-debt restructurings is presented in Note 5, Loans and Allowance for Credit Losses.

The Company used the prospective transition approach for financial assets purchased with credit deterioration (“PCD”) that were previously classified as purchased credit impaired (“PCI”) and accounted for under Accounting Standards Codification (“ASC”) 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*. The Company increased the allowance for credit losses by approximately \$5.4 million at adoption for the assets previously identified as PCI. In accordance with ASU 2016-13, the Company did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption.

Collateral Dependent Loans - Loans that do not share risk characteristics are evaluated on an individual basis. For collateral dependent financial assets where the Company has determined that foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and the Company expects repayment of the financial asset to be provided substantially through the operation or sale of the collateral, the allowance for credit loss is measured based on the difference between the fair value of the collateral and the amortized cost basis of the asset as of the measurement date. When repayment is expected to be from the operation of the collateral, expected credit losses are calculated as the amount by which the amortized cost basis of the financial asset exceeds the present value of expected cash flows from the operation of the collateral. When repayment is expected to be from the sale of the collateral, expected credit losses are calculated as the amount by which the amortized costs basis of the financial asset exceeds the fair value of the underlying collateral less estimated cost to sell. The allowance for credit losses may be zero if the fair value of the collateral at the measurement date exceeds the amortized cost basis of the financial asset.

Allowance For Credit Losses - Off-Balance-Sheet Credit Exposures - The allowance for credit losses on off-balance-sheet credit exposures is a liability account representing expected credit losses over the contractual period for which the Company is exposed to credit risk resulting from a contractual obligation to extend credit. No allowance for credit loss is recognized if the Company has the unconditional right to cancel the obligation. The allowance for credit loss is reported as a component of accrued interest and other liabilities in the consolidated balance sheets. Adjustments to the allowance are reported in the income statement as a component of other operating expenses.

## Recently Issued Accounting Standards

**Reference Rate Reform** – In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (“ASU 2020-04”), which provides relief for companies preparing for discontinuation of interest rates such as the London Interbank Offered Rate (“LIBOR”). LIBOR is a benchmark interest rate referenced in a variety of agreements that are used by numerous entities. After 2021, banks will no longer be required to report information that is used to determine LIBOR. As a result, LIBOR could be discontinued. Other interest rates used globally could also be discontinued for similar reasons. ASU 2020-04 provides optional expedients and exceptions to contracts, hedging relationships and other transactions affected by reference rate reform. The main provisions for contract modifications include optional relief by allowing the modification as a continuation of the existing contract without additional analysis and other optional expedients regarding embedded features. Optional expedients for hedge accounting permits changes to critical terms of hedging relationships and to the designated benchmark interest rate in a fair value hedge and also provides relief for assessing hedge effectiveness for cash flow hedges. Companies are able to apply ASU 2020-04 immediately; however, the guidance will only be available for a limited time (generally through December 31, 2022). As of September 30, 2020, the Company has not made any modifications to hedges or other instruments that reference an interest rate that is expected to be discontinued.

**Income Taxes** – In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (“ASU 2019-12”), that removes certain exceptions for investments, intraperiod allocations and interim calculations, and adds guidance to reduce complexity in accounting for income taxes. ASU 2019-12 introduces the following new guidance: i) guidance to evaluate whether a step-up in tax basis of goodwill relates to a business combination in which book goodwill was recognized or a separate transaction and ii) a policy election to not allocate consolidated income taxes when a member of a consolidated tax return is not subject to income tax. Additionally, ASU 2019-12 changes the following current guidance: i) making an intraperiod allocation, if there is a loss in continuing operations and gains outside of continuing operations, ii) determining when a deferred tax liability is recognized after an investor in a foreign entity transitions to or from the equity method of accounting, iii) accounting for tax law changes and year-to-date losses in interim periods, and iv) determining how to apply the income tax guidance to franchise taxes that are partially based on income. ASU 2019-12 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. ASU 2019-12 is not expected to have a material impact 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 2019 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 its present or future financial position or results of operations.

## NOTE 2: ACQUISITIONS

### The Landrum Company

On October 31, 2019, the Company completed its merger with The Landrum Company (“Landrum”), pursuant to the terms of the Agreement and Plan of Merger dated as of July 30, 2019 (“Landrum Agreement”), at which time Landrum was merged with and into the Company, with the Company continuing as the surviving corporation. Pursuant to the terms of the Landrum Agreement, the shares of Landrum Class A Common Voting Stock, par value \$0.01 per share, and Landrum Class B Common Nonvoting Stock, par value \$0.01 per share, were converted into the right to receive, in the aggregate, approximately 17,350,000 shares of the Company’s common stock, and each share of Landrum’s series E preferred stock was converted into the right to receive one share of the Company’s comparable series D preferred stock. The Company issued 17,349,722 shares of its common stock and 767 shares of its series D preferred stock, par value \$0.01 per share, in exchange for all outstanding shares of Landrum capital stock to effect the merger.

Prior to the acquisition, Landrum, headquartered in Columbia, Missouri, conducted banking business through its subsidiary bank, Landmark Bank, from 39 branches located in Missouri, Oklahoma and Texas. Including the effects of the acquisition method accounting adjustments, the Company acquired approximately \$3.4 billion in assets, including approximately \$2.0 billion in loans (inclusive of loan discounts), and approximately \$3.0 billion in deposits. The systems conversion occurred on February 14, 2020, at which time Landmark Bank merged into Simmons Bank, with Simmons Bank as the surviving institution.

Goodwill of \$151.1 million was recorded as a result of the transaction. The merger strengthened the Company’s market share and brought forth additional opportunities in the Company’s current footprint, 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 Landrum acquisition, as of the acquisition date, is as follows:

(In thousands)	Acquired from Landrum	Fair Value Adjustments	Fair Value
<b>Assets Acquired</b>			
Cash and due from banks	\$ 215,285	\$ —	\$ 215,285
Due from banks - time	248	—	248
Investment securities	1,021,755	4,228	1,025,983
Loans acquired	2,049,137	(43,651)	2,005,486
Allowance for loan losses	(22,736)	22,736	—
Foreclosed assets	373	(183)	190
Premises and equipment	63,878	18,781	82,659
Bank owned life insurance	19,206	—	19,206
Goodwill	407	(407)	—
Core deposit intangible	—	24,345	24,345
Other intangibles	412	4,704	5,116
Other assets	33,924	(13,290)	20,634
Total assets acquired	<u>\$ 3,381,889</u>	<u>\$ 17,263</u>	<u>\$ 3,399,152</u>
<b>Liabilities Assumed</b>			
Deposits:			
Non-interest bearing transaction accounts	\$ 716,675	\$ —	\$ 716,675
Interest bearing transaction accounts and savings deposits	1,465,429	—	1,465,429
Time deposits	867,197	299	867,496
Total deposits	3,049,301	299	3,049,600
Other borrowings	10,055	—	10,055
Subordinated debentures	34,794	(877)	33,917
Accrued interest and other liabilities	31,057	9,869	40,926
Total liabilities assumed	3,125,207	9,291	3,134,498
Equity	256,682	(256,682)	—
Total equity assumed	256,682	(256,682)	—
Total liabilities and equity assumed	<u>\$ 3,381,889</u>	<u>\$ (247,391)</u>	<u>\$ 3,134,498</u>
Net assets acquired			264,654
Purchase price			415,779
Goodwill			<u>\$ 151,125</u>

During 2020, the Company finalized its analysis of the loans acquired along with other acquired assets and assumed liabilities.

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

## Reliance Bancshares, Inc.

On April 12, 2019, the Company completed its merger with Reliance Bancshares, Inc. (“Reliance”), headquartered in the St. Louis, Missouri, metropolitan area, pursuant to the terms of the Agreement and Plan of Merger (“Reliance Agreement”), dated November 13, 2018, as amended February 11, 2019. In the merger, each outstanding share of Reliance common stock, as well as each Reliance common stock equivalent was canceled and converted into the right to receive shares of the Company’s common stock and/or cash in accordance with the terms of the Reliance Agreement. In addition, each share of Reliance’s Series A Preferred Stock and Series B Preferred Stock was converted into the right to receive one share of Simmons’ comparable Series A Preferred Stock or Series B Preferred Stock, respectively, and each share of Reliance’s Series C Preferred Stock was converted into the right to receive one share of Simmons’ comparable Series C Preferred Stock (unless the holder of such Series C Preferred Stock elected to receive alternate consideration in accordance with the Reliance Agreement). The Company issued 3,999,623 shares of its common stock and paid \$62.7 million in cash to effect the merger. The Company also issued \$42.0 million of its Series A Preferred Stock and Series B Preferred Stock. On May 13, 2019, the Company redeemed all of the preferred stock issued in connection with the merger, and paid all accrued and unpaid dividends up to the date of redemption. On October 29, 2019, the Company amended its Amended and Restated Articles of Incorporation to cancel the Series C Preferred Stock, having 140 authorized shares, of which no shares were ever issued or outstanding.

Prior to the acquisition, Reliance conducted banking business through its subsidiary bank, Reliance Bank, from 22 branches located in Missouri and Illinois. Including the effects of the acquisition method accounting adjustments, the Company acquired approximately \$1.5 billion in assets, including approximately \$1.1 billion in loans (inclusive of loan discounts), and approximately \$1.2 billion in deposits. Contemporaneously with the completion of the Reliance merger, Reliance Bank was merged into Simmons Bank, with Simmons Bank as the surviving institution.

Goodwill of \$78.5 million was recorded as a result of the transaction. The merger strengthened the Company’s market share and brought forth additional opportunities in the Company’s St. Louis metropolitan area footprint, 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 Reliance acquisition, as of the acquisition date, is as follows:

(In thousands)	Acquired from Reliance	Fair Value Adjustments	Fair Value
<b>Assets Acquired</b>			
Cash and due from banks	\$ 25,693	\$ —	\$ 25,693
Due from banks - time	502	—	502
Investment securities	287,983	(1,873)	286,110
Loans acquired	1,138,527	(41,657)	1,096,870
Allowance for loan losses	(10,808)	10,808	—
Foreclosed assets	11,092	(5,180)	5,912
Premises and equipment	32,452	(3,001)	29,451
Bank owned life insurance	39,348	—	39,348
Core deposit intangible	—	18,350	18,350
Other assets	25,165	6,911	32,076
Total assets acquired	\$ 1,549,954	\$ (15,642)	\$ 1,534,312

(In thousands)	Acquired from Reliance	Fair Value Adjustments	Fair Value
<b>Liabilities Assumed</b>			
Deposits:			
Non-interest bearing transaction accounts	\$ 108,845	\$ (33)	\$ 108,812
Interest bearing transaction accounts and savings deposits	639,798	—	639,798
Time deposits	478,415	(1,758)	476,657
Total deposits	1,227,058	(1,791)	1,225,267
Securities sold under agreement to repurchase	14,146	—	14,146
Other borrowings	162,900	(5,500)	157,400
Accrued interest and other liabilities	8,185	268	8,453
Total liabilities assumed	1,412,289	(7,023)	1,405,266
Equity	137,665	(137,665)	—
Total equity assumed	137,665	(137,665)	—
Total liabilities and equity assumed	\$ 1,549,954	\$ (144,688)	\$ 1,405,266
Net assets acquired			129,046
Purchase price			207,539
Goodwill			\$ 78,493

During 2020, the Company finalized its analysis of the loans acquired along with other acquired assets and assumed liabilities.

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

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

*Cash and due from banks and time deposits due from banks* – 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 if material. Otherwise, the carrying amount of these assets was deemed to be a reasonable estimate of fair value.

*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* – 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. Goodwill established prior to the acquisitions, if applicable, was written off.

*Core deposit intangible* – This intangible asset represents the value of the relationships that the acquired banks had with their 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. Any core deposit intangible established prior to the acquisitions, if applicable, was written off.

*Other intangibles* – These intangible assets represent the value of the relationship that Landrum had with their trust and wealth management customers. The fair value of these intangible assets was estimated based on a combination of discounted cash flow methodology and a market valuation approach. Intangible assets for Landrum also included mortgage servicing rights. Other intangibles established prior to the acquisitions, if applicable, were written off.

*Other assets* – The fair value adjustment results from certain assets whose value was estimated to be more or less than book value, such as certain prepaid assets, receivables and other miscellaneous assets. Otherwise, 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 the certificates of deposits compared to the current market rates and recorded a fair value adjustment for the difference when material.

*Securities sold under agreement to repurchase* – The carrying amount of securities sold under agreement to repurchase is a reasonable estimate of fair value based on the short-term nature of these liabilities.

*Other borrowings* – The fair value of other 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 carrying amount of accrued interest and the remainder of other liabilities was deemed to be a reasonable estimate of fair value.

### NOTE 3: INVESTMENT SECURITIES

Held-to-maturity securities, which include any security for which the Company has the positive intent and ability to hold until maturity, are carried at historical cost adjusted for amortization of premiums and accretion of discounts. Premiums and discounts are amortized and accreted, respectively, to interest income using the constant yield method over the period to maturity.

Available-for-sale securities, which include any security for which the Company has no immediate plan to sell but which may be sold in the future, are carried at fair value. Realized gains and losses, based on specifically identified amortized cost of the individual security, are included in other income. Unrealized gains and losses are recorded, net of related income tax effects, in stockholders' equity, further discussed below. Premiums and discounts are amortized and accreted, respectively, to interest income using the constant yield method over the period to maturity.

The amortized cost, fair value and allowance for credit losses of investment securities that are classified as HTM are as follows:

(In thousands)	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
<u>Held-to-Maturity</u>						
<u>September 30, 2020</u>						
Mortgage-backed securities	\$ 24,297	\$ —	\$ 24,297	\$ 701	\$ (1)	\$ 24,997
State and political subdivisions	22,003	(73)	21,930	1,155	(1)	23,084
Other securities	1,175	(300)	875	108		983
Total HTM	<u>\$ 47,475</u>	<u>\$ (373)</u>	<u>\$ 47,102</u>	<u>\$ 1,964</u>	<u>\$ (2)</u>	<u>\$ 49,064</u>
<u>December 31, 2019</u>						
Mortgage-backed securities	\$ 10,796	\$ —	\$ 10,796	\$ 71	\$ (59)	\$ 10,808
State and political subdivisions	27,082	—	27,082	849	—	27,931
Other securities	3,049	—	3,049	67	—	3,116
Total HTM	<u>\$ 40,927</u>	<u>\$ —</u>	<u>\$ 40,927</u>	<u>\$ 987</u>	<u>\$ (59)</u>	<u>\$ 41,855</u>

The amortized cost, fair value and allowance for credit losses of investment securities that are classified as AFS are as follows:

(In thousands)	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
<u>Available-for-sale</u>					
<u>September 30, 2020</u>					
U.S. Government agencies	\$ 472,078	\$ —	\$ 1,257	\$ (1,362)	\$ 471,973
Mortgage-backed securities	882,076	—	22,050	(439)	903,687
State and political subdivisions	1,105,341	(1,148)	32,001	(3,188)	1,133,006
Other securities	97,313	(60)	1,429	(60)	98,622
Total AFS	<u>\$ 2,556,808</u>	<u>\$ (1,208)</u>	<u>\$ 56,737</u>	<u>\$ (5,049)</u>	<u>\$ 2,607,288</u>
<u>December 31, 2019</u>					
U.S. Treasury	\$ 449,729	\$ —	\$ 112	\$ (112)	\$ 449,729
U.S. Government agencies	194,207	—	1,313	(1,271)	194,249
Mortgage-backed securities	1,738,584	—	8,510	(4,149)	1,742,945
State and political subdivisions	860,539	—	20,983	(998)	880,524
Other securities	20,092	—	822	(18)	20,896
Total AFS	<u>\$ 3,263,151</u>	<u>\$ —</u>	<u>\$ 31,740</u>	<u>\$ (6,548)</u>	<u>\$ 3,288,343</u>

Accrued interest receivable on HTM and AFS securities at September 30, 2020 was \$291,000 and \$12.1 million, respectively, and is included in interest receivable on the consolidated balance sheets. The Company has made the election to exclude all accrued interest receivable from securities from the estimate of credit losses.

The following table summarizes the Company's AFS investments in an unrealized loss position for which an allowance for credit loss has not been recorded as of September 30, 2020, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

(In thousands)	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
<u>Available-for-sale</u>						
U.S. Government agencies	\$ 213,014	\$ (440)	\$ 54,329	\$ (922)	\$ 267,343	\$ (1,362)
Mortgage-backed securities	95,213	(433)	4,038	(6)	99,251	(439)
State and political subdivisions	108,153	(2,039)	386	(1)	108,539	(2,040)
Total AFS	<u>\$ 416,380</u>	<u>\$ (2,912)</u>	<u>\$ 58,753</u>	<u>\$ (929)</u>	<u>\$ 475,133</u>	<u>\$ (3,841)</u>

As of September 30, 2020, the Company's investment portfolio included \$2.6 billion of AFS securities, of which \$475.1 million, or 18.2%, were in an unrealized loss position that are not deemed to have credit losses. A portion of the unrealized losses were related to the Company's mortgage-backed securities, which are issued and guaranteed by U.S. government-sponsored entities and agencies, and the Company's state and political securities, specifically investments in insured fixed rate municipal bonds meaning issuers continue to make timely principal and interest payments under the contractual terms of the securities.

Furthermore, the decline in fair value for each of the above AFS securities is attributable to the rates for those investments yielding less than current market rates. Management does not believe any of the securities are impaired due to reasons of credit quality. Management believes the declines in fair value for the securities are temporary. Management does not have the intent to sell the securities, and management believes it is more likely than not the Company will not have to sell the securities before recovery of their amortized cost basis.

#### Allowance for Credit Losses

All of the mortgage-backed securities held by the Company are issued by U.S. government-sponsored entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. Accordingly, no allowance for credit losses has been recorded for these securities.

Regarding securities issued by state and political subdivisions and other HTM securities, management considers (i) issuer bond ratings, (ii) historical loss rates for given bond ratings, (iii) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities, (iv) internal forecasts, (v) whether or not such securities provide insurance or other credit enhancement or pre-refunded by the issuers.

The following table details activity in the allowance for credit losses by investment security type for the three and nine months ended September 30, 2020 on the Company's HTM and AFS securities held.

(In thousands)	State and Political Subdivisions	Other Securities	Total
<b>Three Months Ended September 30, 2020</b>			
<u>Held-to-Maturity</u>			
Beginning balance, July 1, 2020	\$ 95	\$ 212	\$ 307
Provision for credit loss expense	(22)	88	66
Ending balance, September 30, 2020	<u>\$ 73</u>	<u>\$ 300</u>	<u>\$ 373</u>
<u>Available-for-sale</u>			
Beginning balance, July 1, 2020	\$ 371	\$ 238	\$ 609
Credit losses on securities not previously recorded	1,137	23	1,160
Reduction due to sales	(294)	—	(294)
Net decrease in allowance on previously impaired securities	(66)	(201)	(267)
Ending balance, September 30, 2020	<u>\$ 1,148</u>	<u>\$ 60</u>	<u>\$ 1,208</u>
<b>Nine Months Ended September 30, 2020</b>			
<u>Held-to-Maturity</u>			
Beginning balance, January 1, 2020	\$ —	\$ —	\$ —
Impact of ASU 2016-13 adoption	58	311	369
Provision for credit loss expense	15	(11)	4
Ending balance, September 30, 2020	<u>\$ 73</u>	<u>\$ 300</u>	<u>\$ 373</u>
<u>Available-for-sale</u>			
Beginning balance, January 1, 2020	\$ —	\$ —	\$ —
Impact of ASU 2016-13 adoption	373	—	373
Credit losses on securities not previously recorded	1,130	78	1,208
Reduction due to sales	(244)	—	(244)
Net decrease in allowance on previously impaired securities	(111)	(18)	(129)
Ending balance, September 30, 2020	<u>\$ 1,148</u>	<u>\$ 60</u>	<u>\$ 1,208</u>

During the three and nine months ended September 30, 2020, the provision for credit losses was \$599,000 and \$835,000, respectively, related to AFS securities.

The following table summarizes bond ratings for the Company's HTM portfolio issued by state and political subdivisions and other securities as of September 30, 2020:

(In thousands)	State and Political Subdivisions			Total	Other Securities
	Not Guaranteed or Pre- Refunded	Other Credit Enhancement or Insurance	Pre-Refunded		
Aaa/AAA	\$ 865	\$ —	\$ —	\$ 865	\$ —
Aa/AA	11,270	5,445	—	16,715	—
A	960	1,058	—	2,018	—
Baa	—	426	—	426	—
Not Rated	1,611	368	—	1,979	1,175
Total	<u>\$ 14,706</u>	<u>\$ 7,297</u>	<u>\$ —</u>	<u>\$ 22,003</u>	<u>\$ 1,175</u>

Historical loss rates associated with securities having similar grades as those in the Company's portfolio have generally not been significant. Pre-refunded securities, if any, have been defeased by the issuer and are fully secured by cash and/or U.S. Treasury securities held in escrow for payment to holders when the underlying call dates of the securities are reached. Securities with other credit enhancement or insurance continue to make timely principal and interest payments under the contractual terms of the securities. Accordingly, no allowance for credit losses has been recorded for these securities as there is no current expectation of credit losses related to these securities.

Income earned on securities for the three and nine months ended September 30, 2020 and 2019, is as follows:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Taxable:				
Held-to-maturity	\$ 256	\$ 248	\$ 715	\$ 975
Available-for-sale	6,937	9,266	26,604	31,563
Non-taxable:				
Held-to-maturity	65	83	205	1,334
Available-for-sale	7,652	4,870	19,802	12,542
Total	<u>\$ 14,910</u>	<u>\$ 14,467</u>	<u>\$ 47,326</u>	<u>\$ 46,414</u>

The amortized cost and estimated fair value by maturity of securities are shown in the following table. Securities are classified according to their contractual maturities without consideration of principal amortization, potential prepayments or call options. Accordingly, actual maturities may differ from contractual maturities.

(In thousands)	Held-to-Maturity		Available-for-Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	\$ 4,205	\$ 4,243	\$ 15,432	\$ 15,538
After one through five years	13,117	13,698	33,170	33,657
After five through ten years	5,856	6,126	192,972	195,045
After ten years	—	—	1,432,064	1,458,119
Securities not due on a single maturity date	24,297	24,997	882,076	903,687
Other securities (no maturity)	—	—	1,094	1,242
Total	<u>\$ 47,475</u>	<u>\$ 49,064</u>	<u>\$ 2,556,808</u>	<u>\$ 2,607,288</u>

The carrying value, which approximates the fair value, of securities pledged as collateral, to secure public deposits and for other purposes, amounted to \$1.41 billion at September 30, 2020 and \$1.73 billion at December 31, 2019.

There were approximately \$22.3 million of gross realized gains and \$1,700 of gross realized losses from the sale of securities during the three months ended September 30, 2020, and approximately \$54.8 million of gross realized gains and \$4,400 of gross realized losses from the sale of securities during the nine months ended September 30, 2020. During the first nine months of 2020, the Company sold approximately \$1.7 billion of investment securities to create additional liquidity. There were approximately \$7.6 million of gross realized gains and \$3,000 of gross realized losses from the sale of securities during the three months ended September 30, 2019, and approximately \$12.9 million of gross realized gains and \$3,000 of gross realized losses from the sale of securities during the nine months ended September 30, 2019. The income tax expense/benefit related to security gains/losses was 26.135% of the gross amounts in 2020 and 2019.

#### NOTE 4: OTHER ASSETS AND OTHER LIABILITIES HELD FOR SALE

##### Colorado Branch Sale

On February 10, 2020, the Company's subsidiary bank, Simmons Bank, entered into a Branch Purchase and Assumption Agreement (the "First Western Agreement") with First Western Trust Bank ("First Western"), a wholly-owned subsidiary of First Western Financial, Inc.

On May 18, 2020, First Western completed its purchase of certain assets and assumption of certain liabilities ("Colorado Branch Sale") associated with four Simmons Bank locations in Denver, Englewood, Highlands Ranch, and Lone Tree, Colorado (collectively, the "Colorado Branches"). Pursuant to the terms of the First Western Agreement, First Western assumed certain deposit liabilities and acquired certain loans, as well as cash, personal property and other fixed assets associated with the Colorado Branches.

##### Texas Branch Sale

On December 20, 2019, the Company's subsidiary bank, Simmons Bank, entered into a Branch Purchase and Assumption Agreement (the "Spirit Agreement") with Spirit of Texas Bank, SSB ("Spirit"), a wholly-owned subsidiary of Spirit of Texas Bancshares, Inc.

On February 28, 2020, Spirit completed its purchase of certain assets and assumption of certain liabilities ("Texas Branch Sale") associated with five Simmons Bank locations in Austin, San Antonio, and Tilden, Texas (collectively, the "Texas Branches"). Pursuant to the terms of the Spirit Agreement, Spirit assumed certain deposit liabilities and acquired certain loans, as well as cash, real property, personal property and other fixed assets associated with the Texas Branches.

The Company recognized a combined gain on sale of \$8.1 million related to the Texas Branches and Colorado Branches in the nine month period ended September 30, 2020.

#### NOTE 5: LOANS AND ALLOWANCE FOR CREDIT LOSSES

At September 30, 2020, the Company's loan portfolio was \$14.02 billion, compared to \$14.43 billion at December 31, 2019. The various categories of loans are summarized as follows:

(In thousands)	September 30, 2020	December 31, 2019
Consumer:		
Credit cards	\$ 172,880	\$ 204,802
Other consumer	190,736	249,195
Total consumer	363,616	453,997
Real Estate:		
Construction and development	1,853,360	2,248,673
Single family residential	1,997,070	2,414,753
Other commercial	6,132,823	6,358,514
Total real estate	9,983,253	11,021,940
Commercial:		
Commercial	2,907,798	2,451,119
Agricultural	241,687	191,525
Total commercial	3,149,485	2,642,644
Other	521,088	307,123
Total loans	\$ 14,017,442	\$ 14,425,704

The above table presents total loans at amortized cost. The difference between amortized cost and unpaid principal balance is primarily premiums and discounts associated with acquisition date fair value adjustments on acquired loans as well as net deferred origination fees totaling \$69.9 million and \$91.6 million at September 30, 2020 and December 31, 2019, respectively.

Accrued interest on loans, which is excluded from the amortized cost of loans held for investment, totaled \$65.0 million and \$48.9 million at September 30, 2020 and December 31, 2019, respectively, and is included in interest receivable on the consolidated balance sheets.

*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 credit 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.

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

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

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

The amortized cost basis of nonaccrual loans segregated by class of loans are as follows:

(In thousands)	September 30, 2020	December 31, 2019
Consumer:		
Credit cards	\$ 253	\$ 382
Other consumer	1,371	1,705
Total consumer	1,624	2,087
Real estate:		
Construction and development	3,806	5,289
Single family residential	31,080	27,695
Other commercial	80,427	16,582
Total real estate	115,313	49,566
Commercial:		
Commercial	50,239	40,924
Agricultural	537	753
Total commercial	50,776	41,677
Total	\$ 167,713	\$ 93,330

Nonaccrual loans for which there is no related allowance for credit losses as of September 30, 2020 had an amortized cost of \$17.8 million. These loans are individually assessed and do not hold an allowance due to being adequately collateralized under the collateral-dependent valuation method.

An age analysis of the amortized cost basis of past due loans, including nonaccrual loans, 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
<u>September 30, 2020</u>						
Consumer:						
Credit cards	\$ 672	\$ 262	\$ 934	\$ 171,946	\$ 172,880	\$ 95
Other consumer	2,302	391	2,693	188,043	190,736	6
Total consumer	2,974	653	3,627	359,989	363,616	101
Real estate:						
Construction and development	1,168	2,526	3,694	1,849,666	1,853,360	—
Single family residential	12,170	14,522	26,692	1,970,378	1,997,070	64
Other commercial	5,115	11,885	17,000	6,115,823	6,132,823	2
Total real estate	18,453	28,933	47,386	9,935,867	9,983,253	66
Commercial:						
Commercial	6,984	5,824	12,808	2,894,990	2,907,798	7
Agricultural	290	328	618	241,069	241,687	—
Total commercial	7,274	6,152	13,426	3,136,059	3,149,485	7
Other	—	—	—	521,088	521,088	—
Total	\$ 28,701	\$ 35,738	\$ 64,439	\$ 13,953,003	\$ 14,017,442	\$ 174



(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
<u>December 31, 2019</u>						
Consumer:						
Credit cards	\$ 848	\$ 641	\$ 1,489	\$ 203,313	\$ 204,802	\$ 259
Other consumer	4,884	735	5,619	243,576	249,195	—
Total consumer	5,732	1,376	7,108	446,889	453,997	259
Real estate:						
Construction and development	5,792	1,078	6,870	2,241,803	2,248,673	—
Single family residential	26,318	13,789	40,107	2,374,646	2,414,753	597
Other commercial	7,645	6,450	14,095	6,344,419	6,358,514	—
Total real estate	39,755	21,317	61,072	10,960,868	11,021,940	597
Commercial:						
Commercial	10,579	13,551	24,130	2,426,989	2,451,119	—
Agricultural	1,223	456	1,679	189,846	191,525	—
Total commercial	11,802	14,007	25,809	2,616,835	2,642,644	—
Other	—	—	—	307,123	307,123	—
Total	\$ 57,289	\$ 36,700	\$ 93,989	\$ 14,331,715	\$ 14,425,704	\$ 856

The following table presents information pertaining to impaired loans as of December 31, 2019, in accordance with previous US GAAP prior to the adoption of ASU 2016-13.

(In thousands)	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Investment in Impaired Loans	Interest Income Recognized	Average Investment in Impaired Loans	Interest Income Recognized
<u>December 31, 2019</u>						Three Months Ended September 30, 2019		Nine Months Ended September 30, 2019	
Consumer:									
Credit cards	\$ 382	\$ 382	\$ —	\$ 382	\$ —	\$ 423	\$ 40	\$ 370	\$ 110
Other consumer	1,537	1,378	—	1,378	—	1,603	9	1,730	33
Total consumer	1,919	1,760	—	1,760	—	2,026	49	2,100	143
Real estate:									
Construction and development	4,648	4,466	72	4,538	4	1,972	10	1,946	38
Single family residential	19,466	15,139	2,963	18,102	42	15,920	85	14,812	287
Other commercial	10,645	4,713	3,740	8,453	694	11,739	77	10,365	201
Total real estate	34,759	24,318	6,775	31,093	740	29,631	172	27,123	526
Commercial:									
Commercial	53,436	6,582	28,998	35,580	5,007	32,020	176	26,379	511
Agricultural	525	383	116	499	—	873	3	1,010	20
Total commercial	53,961	6,965	29,114	36,079	5,007	32,893	179	27,389	531
Total	\$ 90,639	\$ 33,043	\$ 35,889	\$ 68,932	\$ 5,747	\$ 64,550	\$ 400	\$ 56,612	\$ 1,200

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” (“TDR”) 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.

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 provisions in the CARES Act included an election to not apply the guidance on accounting for TDRs to loan modifications, such as extensions or deferrals, related to COVID-19 made between March 1, 2020 and the earlier of (i) December 31, 2020 or (ii) 60 days after the President terminates the COVID-19 national emergency declaration. The relief can only be applied to modifications for borrowers that were not more than 30 days past due as of December 31, 2019. The Company elected to adopt these provisions of the CARES Act. As of September 30, 2020, the Company has modified 3,956 loans totaling approximately \$3.21 billion to loan customers affected by COVID-19. The following table summarizes these modified loans due to COVID-19 by industry.

(Dollars in thousands)	Number	Balance
Real Estate Rental and Leasing	1,162	\$ 1,263,884
Accommodation and Food Services	386	845,803
Health Care and Social Assistance	226	278,200
Construction	186	190,337
Retail Trade	145	130,498
Other Services (Except Public Administration)	131	58,169
Other	1,720	444,053
Total	3,956	\$ 3,210,944

Deferred interest on the above loans totaled \$27.6 million as of September 30, 2020. The interest will be collected at the end of the note or once regular payments are resumed. As of September 30, 2020, over 2,900 loans totaling \$1.9 billion that had previously been modified under the CARES Act had returned to regular payment terms in addition to those that have paid off.

TDRs are individually evaluated for expected credit losses. The Company assesses the exposure for each modification, either by the fair value of the underlying collateral or the present value of expected cash flows, and determines if a specific allowance for credit losses is needed.

The following table presents a summary of TDRs segregated by class of loans.

(Dollars in thousands)	Accruing TDR Loans		Nonaccrual TDR Loans		Total TDR Loans	
	Number	Balance	Number	Balance	Number	Balance
<u>September 30, 2020</u>						
Real estate:						
Single-family residential	31	\$ 2,700	18	\$ 3,008	49	\$ 5,708
Other commercial	1	49	1	15	2	64
Total real estate	32	2,749	19	3,023	51	5,772
Commercial:						
Commercial	3	630	3	2,154	6	2,784
Total commercial	3	630	3	2,154	6	2,784
Total	35	\$ 3,379	22	\$ 5,177	57	\$ 8,556

(Dollars in thousands)	Accruing TDR Loans		Nonaccrual TDR Loans		Total TDR Loans	
	Number	Balance	Number	Balance	Number	Balance
<b>December 31, 2019</b>						
Real estate:						
Construction and development	—	\$ —	1	\$ 72	1	\$ 72
Single-family residential	25	2,627	20	1,330	45	3,957
Other commercial	1	476	2	80	3	556
Total real estate	26	3,103	23	1,482	49	4,585
Commercial:						
Commercial	4	2,784	3	79	7	2,863
Total commercial	4	2,784	3	79	7	2,863
Total	30	\$ 5,887	26	\$ 1,561	56	\$ 7,448

The following table presents loans that were restructured as TDRs during the nine months ended September 30, 2020 and the three and nine months ended September 30, 2019 segregated by class of loans. There were no loans restructured as TDRs during the three months ended September 30, 2020.

(Dollars in thousands)	Number of loans	Balance Prior to TDR	Balance at September 30,	Change in Maturity Date	Change in Rate	Financial Impact on Date of Restructure
<b>Nine Months Ended September 30, 2020</b>						
Real estate:						
Single-family residential	5	\$ 1,948	\$ 1,896	\$ 1,896	\$ —	\$ —
Total real estate	5	\$ 1,948	\$ 1,896	\$ 1,896	\$ —	\$ —
<b>Three and Nine Months Ended September 30, 2019</b>						
Real estate:						
Single-family residential	1	\$ 330	\$ 330	\$ 330	\$ —	\$ —
Total real estate	1	\$ 330	\$ 330	\$ 330	\$ —	\$ —

During the nine months ended September 30, 2020, the Company modified five loans with a recorded investment of \$1.9 million prior to modification which was deemed troubled debt restructuring. The restructured loans were modified by deferring amortized principal payments, changing the maturity dates and requiring interest only payments for a period of up to 12 months. A specific reserve of \$16,600 was determined necessary for these loans as of September 30, 2020. Additionally, 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 and nine months ended September 30, 2019, the Company modified one loan with a recorded investment of \$330,000 prior to modification which was deemed troubled debt restructuring. The restructured loan was modified by deferring amortized principal payments, changing the maturity date and requiring interest only payments for a period of up to 12 months. A specific reserve was not considered necessary for this loan and there was no immediate financial impact from the restructuring of this loan, as it was not considered necessary to charge-off interest or principal on the date of restructure.

There was one commercial loan considered a TDR for which a payment default occurred during the nine months ended September 30, 2020. There were four loans consisting of commercial and real estate construction loans, considered TDRs for which a payment default occurred during the nine months ended September 30, 2019. The Company charged-off approximately \$552,000 for these loans. The Company defines a payment default as a payment received more than 90 days after its due date.

There were no TDRs with pre-modification loan balances for which OREO was received in full or partial satisfaction of the loans during the three or nine month periods ended September 30, 2020 or 2019. At September 30, 2020 and December 31, 2019, the Company had \$6,876,000 and \$5,789,000, respectively, of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process. At September 30, 2020 and December 31, 2019, the Company had \$3,184,000 and \$4,458,000, respectively, 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 of the Company’s local markets.

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. Risk ratings are updated on an ongoing basis and are subject to change by continuous loan monitoring processes including lending management monitoring, executive management and board committee oversight, and independent credit review. 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 higher 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.

The Company monitors credit quality in the consumer portfolio by delinquency status. The delinquency status of loans is updated daily. A description of the delinquency credit quality indicators is as follows:

- *Current* - Loans in this category are either current in payments or are under 30 days past due. These loans are considered to have a normal level of risk.
- *30-89 Days Past Due* - Loans in this category are between 30 and 89 days past due and are subject to the Company's loss mitigation process. These loans are considered to have a moderate level of risk.
- *90+ Days Past Due* - Loans in this category are over 90 days past due and are placed on nonaccrual status. These loans have been subject to the Company's loss mitigation process and foreclosure and/or charge-off proceedings have commenced.

The following table presents a summary of loans by credit quality indicator, other than pass or current, as of September 30, 2020 segregated by class of loans.

	Term Loans Amortized Cost Basis by Origination Year						Lines of Credit ("LOC") Amortized Cost Basis	LOC Converted to Term Loans Amortized Cost Basis	Total
(In thousands)	2020 (YTD)	2019	2018	2017	2016	2015 and Prior			
Consumer - credit cards									
Delinquency:									
30-89 days past due	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 672	\$ —	\$ 672
90+ days past due	—	—	—	—	—	—	262	—	262
<i>Total consumer - credit cards</i>	—	—	—	—	—	—	934	—	934
Consumer - other									
Delinquency:									
30-89 days past due	213	404	344	634	505	124	78	—	2,302
90+ days past due	4	55	72	94	48	8	110	—	391
<i>Total consumer - other</i>	217	459	416	728	553	132	188	—	2,693
Real estate - C&D									
Risk rating:									
5 internal grade	504	357	173	2,171	19	238	4,707	—	8,169
6 internal grade	244	2,127	447	539	366	570	579	—	4,872
7 internal grade	—	—	—	—	—	—	—	—	—
<i>Total real estate - C&amp;D</i>	748	2,484	620	2,710	385	808	5,286	—	13,041
Real estate - SF residential									
Delinquency:									
30-89 days past due	1,080	1,417	1,602	1,686	1,395	3,365	1,625	—	12,170
90+ days past due	26	2,308	2,873	2,438	918	3,743	2,217	—	14,523
<i>Total real estate - SF residential</i>	1,106	3,725	4,475	4,124	2,313	7,108	3,842	—	26,693
Real estate - other commercial									
Risk rating:									
5 internal grade	17,230	4,973	24,463	14,997	1,744	10,844	61,045	16,005	151,301
6 internal grade	29,267	9,544	13,940	5,751	15,069	10,114	54,571	48,444	186,700
7 internal grade	—	—	—	—	—	—	—	—	—
<i>Total real estate - other commercial</i>	46,497	14,517	38,403	20,748	16,813	20,958	115,616	64,449	338,001
Commercial									
Risk rating:									
5 internal grade	914	1,255	1,662	896	332	14	45,106	569	50,748
6 internal grade	7,062	3,434	19,418	2,407	1,232	1,077	51,387	522	86,539
7 internal grade	—	—	—	—	—	—	—	—	—
<i>Total commercial</i>	7,976	4,689	21,080	3,303	1,564	1,091	96,493	1,091	137,287
Commercial - agriculture									
Risk rating:									
5 internal grade	35	83	14	325	—	—	34	—	491
6 internal grade	72	140	166	53	42	10	83	—	566
7 internal grade	—	—	—	—	—	—	—	—	—
<i>Total commercial - agriculture</i>	107	223	180	378	42	10	117	—	1,057
Total	\$ 56,651	\$ 26,097	\$ 65,174	\$ 31,991	\$ 21,670	\$ 30,107	\$ 222,476	\$ 65,540	\$ 519,706

The following table presents a summary of loans by credit risk rating as of December 31, 2019 segregated by class of loans.

(In thousands)	Risk Rate 1-4	Risk Rate 5	Risk Rate 6	Risk Rate 7	Risk Rate 8	Total
<b>December 31, 2019</b>						
<b>Consumer:</b>						
Credit cards	\$ 204,161	\$ —	\$ 641	\$ —	\$ —	\$ 204,802
Other consumer	247,668	—	2,026	—	—	249,694
Total consumer	451,829	—	2,667	—	—	454,496
<b>Real estate:</b>						
Construction and development	2,229,019	70	7,735	—	37	2,236,861
Single family residential	2,394,284	6,049	41,601	130	—	2,442,064
Other commercial	6,068,425	69,745	67,429	—	—	6,205,599
Total real estate	10,691,728	75,864	116,765	130	37	10,884,524
<b>Commercial:</b>						
Commercial	2,384,263	26,713	84,317	43	180	2,495,516
Agricultural	309,741	41	5,672	—	—	315,454
Total commercial	2,694,004	26,754	89,989	43	180	2,810,970
<b>Other</b>	<b>275,714</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>275,714</b>
<b>Total</b>	<b>\$ 14,113,275</b>	<b>\$ 102,618</b>	<b>\$ 209,421</b>	<b>\$ 173</b>	<b>\$ 217</b>	<b>\$ 14,425,704</b>

#### Allowance for Credit Losses

*Allowance for Credit Losses* – The allowance for credit losses is a reserve established through a provision for credit losses charged to expense, which represents management’s best estimate of lifetime expected losses based on reasonable and supportable forecasts, historical loss experience, and other qualitative considerations. The allowance, in the judgment of management, is necessary to reserve for expected loan losses and risks inherent in the loan portfolio. The Company’s allowance for credit loss methodology includes reserve factors calculated to estimate current expected credit losses to amortized cost balances over the remaining contractual life of the portfolio, adjusted for the effective interest rate used to discount prepayments, in accordance with ASC Topic 326-20, *Financial Instruments - Credit Losses*. Accordingly, the methodology is based on the Company’s reasonable and supportable economic forecasts, historical loss experience, and other qualitative adjustments.

Loans with similar risk characteristics such as loan type, collateral type, and internal risk ratings are aggregated into homogeneous segments for assessment. Reserve factors are based on estimated probability of default and loss given default for each segment. The estimates are determined based on economic forecasts over the reasonable and supportable forecast period based on projected performance of economic variables that have a statistical relationship with the historical loss experience of the segments. For contractual periods that extend beyond the one-year forecast period, the estimates revert to average historical loss experiences over a one-year period on a straight-line basis.

The Company also includes qualitative adjustments to the allowance based on factors and considerations that have not otherwise been fully accounted for. Qualitative adjustments include, but are not limited to:

- *Changes in asset quality* - Adjustments related to trending credit quality metrics including delinquency, nonperforming loans, charge-offs, and risk ratings that may not be fully accounted for in the reserve factor.
- *Changes in the nature and volume of the portfolio* - Adjustments related to current changes in the loan portfolio that are not fully represented or accounted for in the reserve factors.
- *Changes in lending and loan monitoring policies and procedures* - Adjustments related to current changes in lending and loan monitoring procedures as well as review of specific internal policy compliance metrics.
- *Changes in the experience, ability, and depth of lending management and other relevant staff* - Adjustments to measure increasing or decreasing credit risk related to lending and loan monitoring management.
- *Changes in the value of underlying collateral of collateralized loans* - Adjustments related to improving or deterioration of the value of underlying collateral that are not fully captured in the reserve factors.

- *Changes in and the existence and effect of any concentrations of credit* - Adjustments related to credit risk of specific industries that are not fully captured in the reserve factors.
- *Changes in regional and local economic and business conditions and developments* - Adjustments related to expected and current economic conditions at a regional or local-level that are not fully captured within the Company's reasonable and supportable forecast.
- *Data imprecisions due to limited historical loss data* - Adjustments related to limited historical loss data that is representative of the collective loan portfolio.

Loans that do not share similar risk characteristics are evaluated on an individual basis. These evaluations are typically performed on loans with a deteriorated internal risk rating or are classified as a troubled debt restructuring. The allowance for credit loss is determined based on several methods including estimating the fair value of the underlying collateral or the present value of expected cash flows.

For a collateral dependent loan, the Company's evaluation process includes a valuation by appraisal or other collateral analysis adjusted for selling costs, when appropriate. 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 credit 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.

Loans for which the repayment is expected to be provided substantially through the operation or sale of collateral and where the borrower is experiencing financial difficulty had an amortized cost of \$71.7 million as of September 30, 2020, as further detailed in the table below. The collateral securing these loans consist of commercial real estate properties, residential properties, other business assets, and secured energy production assets.

(In thousands)	Real Estate Collateral	Energy	Other Collateral	Total
Construction and development	\$ 1,538	\$ —	\$ —	\$ 1,538
Single family residential	6,722	—	—	6,722
Other commercial real estate	40,358	—	—	40,358
Commercial	—	19,100	4,009	23,109
Total	<u>\$ 48,618</u>	<u>\$ 19,100</u>	<u>\$ 4,009</u>	<u>\$ 71,727</u>

The following table details activity in the allowance for credit losses by portfolio segment for loans for the three and nine months ended September 30, 2020. 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
<b>Allowance for credit losses:</b>					
<u>Three Months Ended September 30, 2020</u>					
Beginning balance, July 1, 2020	\$ 59,138	\$ 149,471	\$ 10,979	\$ 12,055	\$ 231,643
Provision for credit loss expense	(6,499)	33,479	(1,823)	(2,844)	22,313
Charge-offs	(4,327)	(1,153)	(832)	(1,091)	(7,403)
Recoveries	936	120	276	366	1,698
Net charge-offs	<u>(3,391)</u>	<u>(1,033)</u>	<u>(556)</u>	<u>(725)</u>	<u>(5,705)</u>
Ending balance, September 30, 2020	<u>\$ 49,248</u>	<u>\$ 181,917</u>	<u>\$ 8,600</u>	<u>\$ 8,486</u>	<u>\$ 248,251</u>

(In thousands)	Commercial	Real Estate	Credit Card	Other Consumer and Other	Total
<b>Nine Months Ended September 30, 2020</b>					
Beginning balance, January 1, 2020 - prior to adoption of CECL	\$ 22,863	\$ 39,161	\$ 4,051	\$ 2,169	\$ 68,244
Impact of CECL adoption	22,733	114,314	2,232	12,098	151,377
Provision for credit loss expense	42,808	31,341	4,870	(3,829)	75,190
Charge-offs	(40,537)	(3,373)	(3,326)	(3,062)	(50,298)
Recoveries	1,381	474	773	1,110	3,738
Net charge-offs	(39,156)	(2,899)	(2,553)	(1,952)	(46,560)
Ending balance, September 30, 2020	<u>\$ 49,248</u>	<u>\$ 181,917</u>	<u>\$ 8,600</u>	<u>\$ 8,486</u>	<u>\$ 248,251</u>

Activity in the allowance for credit losses for the three and nine months ended September 30, 2019 was as follows:

(In thousands)	Commercial	Real Estate	Credit Card	Other Consumer and Other	Total
<b>Allowance for credit losses:</b>					
<b>Three Months Ended September 30, 2019</b>					
Beginning balance, July 1, 2019	\$ 21,354	\$ 36,493	\$ 3,951	\$ 2,381	\$ 64,179
Provision for credit losses	19,150	2,405	946	(528)	21,973
Charge-offs	(17,778)	(1,367)	(1,117)	(1,065)	(21,327)
Recoveries	65	55	223	1,422	1,765
Net (charge-offs) recoveries	(17,713)	(1,312)	(894)	357	(19,562)
Ending balance, September 30, 2019	<u>\$ 22,791</u>	<u>\$ 37,586</u>	<u>\$ 4,003</u>	<u>\$ 2,210</u>	<u>\$ 66,590</u>
<b>Nine Months Ended September 30, 2019</b>					
Beginning balance, January 1, 2019	\$ 20,514	\$ 29,838	\$ 3,923	\$ 2,419	\$ 56,694
Provision for credit losses	23,980	10,393	2,644	1,320	38,337
Charge-offs	(22,893)	(3,000)	(3,298)	(3,582)	(32,773)
Recoveries	1,190	355	734	2,053	4,332
Net charge-offs	(21,703)	(2,645)	(2,564)	(1,529)	(28,441)
Ending balance, September 30, 2019	<u>\$ 22,791</u>	<u>\$ 37,586</u>	<u>\$ 4,003</u>	<u>\$ 2,210</u>	<u>\$ 66,590</u>

The primary driver for the provision for credit losses for the quarter ended September 30, 2020 was the continued uncertainty of a more prolonged recovery than initially anticipated to the economies that affect the loan portfolio as certain industries are being more adversely impacted by the COVID-19 pandemic, such as the restaurant, retail and hotel industries. The provision for credit losses was partially offset due to a reduction in loan growth. The Company updated credit loss forecasts using multiple Moody's economic scenarios published in September 2020. The baseline economic forecast was weighted 66% by the Company, while the downside scenario of S-2 was weighted 18% and the upside scenario of S-1 was weighted 16%. The weighting of the forecasts is characterized by, among others, market rates remaining low, the substantial decline of CRE prices, and the current national unemployment rate.

The provision for credit losses for the nine months ended September 30, 2020 was primarily related to concern over the economic stresses related to COVID-19 as well as specific provisions for two energy credits that were previously identified as problem loans that were impacted by the sharp decline in commodity pricing. Four energy credits within the Commercial segment were charged off during the second quarter of 2020 for a total of \$32.6 million.



### Reserve for Unfunded Commitments

In addition to the allowance for credit losses, the Company has established a reserve for unfunded commitments, classified in other liabilities. This reserve is maintained at a level management believes to be sufficient to absorb losses arising from unfunded loan commitments. The reserve for unfunded commitments as of September 30, 2020 and December 31, 2019 was \$24.4 million and \$8.4 million, respectively. The increase from year end was due to the adoption of CECL. The adequacy of the reserve for unfunded commitments is determined quarterly based on methodology similar to the methodology for determining the allowance for credit losses. For the nine months ended September 30, 2020, net adjustments to the reserve for unfunded commitments resulted in a benefit of \$8.0 million and was included in provision for credit losses in the statement of income.

### NOTE 6: RIGHT-OF-USE LEASE ASSETS AND LEASE LIABILITIES

As of the first quarter 2019, the Company accounts for its leases in accordance with ASC Topic 842, *Leases*, which requires recognition of most leases, including operating leases, with a term greater than 12 months on the balance sheet. At lease commencement, the lease contract is reviewed to determine whether the contract is a finance lease or an operating lease; a lease liability is recognized on a discounted basis, related to the Company's obligation to make lease payments; and a right-of-use asset is also recognized related to the Company's right to use, or control the use of, a specified asset for the lease term. The Company accounts for lease and non-lease components (such as taxes, insurance and common area maintenance costs) separately as such amounts are generally readily determinable under the lease contracts. Lease payments over the expected term are discounted using the Company's FHLB advance rates for borrowings of similar term. If it is reasonably certain that a renewal or termination option will be exercised, the effects of such options are included in the determination of the expected lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term.

The Company's leases are classified as operating leases with a term, including expected renewal or termination options, greater than one year, and are related to certain office facilities and office equipment. The following table presents information related to the Company's right-of-use lease assets, included in premises and equipment, and lease liabilities, included in other liabilities.

(Dollars in thousands)	September 30, 2020	December 31, 2019
Right-of-use lease assets	\$ 32,528	\$ 40,675
Lease liabilities	\$ 32,804	\$ 40,854
Weighted average remaining lease term	8.60 years	8.37 years
Weighted average discount rate	3.26 %	3.27 %

Operating lease cost for the three and nine month periods ended September 30, 2020 was \$3,453,600 and \$10,097,200, respectively, as compared to \$3,736,000 and \$9,784,500 for the same periods in 2019.

### NOTE 7: PREMISES AND EQUIPMENT

Premises and equipment are stated at cost less accumulated depreciation and amortization. Total premises and equipment, net at September 30, 2020 and December 31, 2019 were as follows:

(In thousands)	September 30, 2020	December 31, 2019
Right-of-use lease assets	\$ 32,528	\$ 40,675
Premises and equipment:		
Land	96,661	99,931
Buildings and improvements	306,995	309,290
Furniture, fixtures and equipment	100,821	99,343
Software	66,417	56,012
Construction in progress	3,787	6,998
Accumulated depreciation and amortization	(136,718)	(119,865)
Total premises and equipment, net	\$ 470,491	\$ 492,384

## NOTE 8: GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill is tested annually, or more often than annually, if circumstances warrant, 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. Goodwill totaled \$1.075 billion at September 30, 2020 and \$1.056 billion at December 31, 2019.

During 2019, the Company recorded \$131.3 million and \$78.5 million of goodwill as a result of its acquisitions of Landrum and Reliance, respectively. During the first nine months of 2020, goodwill increased \$19.8 million related to the continued assessment of the fair value and assumed tax position of the Landrum acquisition which was finalized during the third quarter.

Goodwill impairment was neither indicated nor recorded during the nine months ended September 30, 2020 or the year ended December 31, 2019. During the first quarter of 2020, the Company's share price began to decline as the markets in the United States responded to the global COVID-19 pandemic. As a result of that economic decline, the effect on share price and other factors, the Company performed an interim goodwill impairment qualitative assessment during the first quarter and concluded no impairment existed. During the second quarter of 2020, the Company performed the annual goodwill impairment analysis and concluded that it is more likely-than-not that the fair value of goodwill continues to exceed its carrying value and therefore, goodwill is not impaired. During the third quarter of 2020, the Company once again performed an interim goodwill impairment assessment and concluded no impairment existed. While the goodwill impairment analysis indicated no impairment at September 30, 2020, the Company's assessment depends on several assumptions which are dependent on market and economic conditions, and future changes in those conditions could impact the Company's assessment in the future.

Core deposit premiums represent the value of the relationships that acquired banks had with their deposit customers and are amortized over periods ranging from 10 years to 15 years and are periodically evaluated, at least annually, as to the recoverability of their carrying value. Other intangible assets represent the value of other acquired relationships, including relationships with trust and wealth management customers, and are being amortized over various periods ranging from 10 years to 15 years.

Changes in the carrying amount and accumulated amortization of the Company's core deposit premiums and other intangible assets at September 30, 2020 and December 31, 2019 were as follows:

(In thousands)	September 30, 2020	December 31, 2019
Core deposit premiums:		
Balance, beginning of year	\$ 111,808	\$ 79,807
Acquisitions <sup>(1)</sup>	—	42,695
Disposition of intangible asset <sup>(2)</sup>	(2,324)	—
Amortization	(9,114)	(10,694)
Balance, end of period	100,370	111,808
Books of business and other intangibles:		
Balance, beginning of year	15,532	11,527
Acquisitions <sup>(3)</sup>	—	5,116
Disposition of intangible asset	(413)	—
Amortization	(1,029)	(1,111)
Balance, end of period	14,090	15,532
Total other intangible assets, net	\$ 114,460	\$ 127,340

(1) Core deposit premiums of \$24.3 million and \$18.4 million were recorded during 2019 as part of the Landrum and Reliance acquisitions, respectively. See Note 2, Acquisitions, for additional information on acquisitions completed in 2019.

(2) Adjustments recorded for the premiums on certain deposit liabilities associated with the sale of the Texas Branches and Colorado Branches.

(3) The Company recorded \$5.1 million during 2019 primarily related to the wealth management operations acquired from Landrum. See Note 2, Acquisitions, for additional information on acquisitions completed in 2019.

The carrying basis and accumulated amortization of the Company's other intangible assets at September 30, 2020 and December 31, 2019 were as follows:

(In thousands)	September 30, 2020	December 31, 2019
Core deposit premiums:		
Gross carrying amount	\$ 146,355	\$ 148,679
Accumulated amortization	(45,985)	(36,871)
Core deposit premiums, net	100,370	111,808
Books of business and other intangibles:		
Gross carrying amount	19,938	20,350
Accumulated amortization	(5,848)	(4,818)
Books of business and other intangibles, net	14,090	15,532
Total other intangible assets, net	<u>\$ 114,460</u>	<u>\$ 127,340</u>

The Company's estimated remaining amortization expense on other intangible assets as of September 30, 2020 is as follows:

(In thousands)	Year	Amortization Expense
	Remainder of 2020	\$ 3,351
	2021	13,379
	2022	13,327
	2023	13,044
	2024	12,141
	Thereafter	59,218
	Total	<u>\$ 114,460</u>

#### NOTE 9: TIME DEPOSITS

Time deposits included approximately \$1.93 billion and \$2.15 billion of certificates of deposit of \$100,000 or more, at September 30, 2020, and December 31, 2019, respectively. Of this total approximately \$849.1 million and \$837.3 million of certificates of deposit were over \$250,000 at September 30, 2020 and December 31, 2019, respectively.

#### NOTE 10: INCOME TAXES

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

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Income taxes currently payable	\$ 19,329	\$ 17,282	\$ 51,000	\$ 40,356
Deferred income taxes	(1,696)	5,993	2,920	10,933
Provision for income taxes	<u>\$ 17,633</u>	<u>\$ 23,275</u>	<u>\$ 53,920</u>	<u>\$ 51,289</u>

The tax effects of temporary differences between the tax basis of assets and liabilities and their financial reporting amounts that give rise to deferred income tax assets and liabilities, and their approximate tax effects, are as follows:

(In thousands)	September 30, 2020	December 31, 2019
Deferred tax assets:		
Loans acquired	\$ 11,933	\$ 20,783
Allowance for credit losses	59,918	16,732
Valuation of foreclosed assets	2,636	2,626
Tax NOLs from acquisition	16,165	18,118
Deferred compensation payable	3,009	2,750
Accrued equity and other compensation	7,179	6,677
Acquired securities	—	3,393
Right-of-use lease liability	8,230	10,221
Allowance for unfunded commitments	6,122	—
Other	6,004	7,886
Gross deferred tax assets	121,196	89,186
Deferred tax liabilities:		
Goodwill and other intangible amortization	(39,495)	(41,221)
Accumulated depreciation	(36,731)	(36,554)
Right-of-use lease asset	(8,161)	(10,176)
Unrealized gain on available-for-sale securities	(12,321)	(3,720)
Deferred loan fees and costs	(2,696)	(3,018)
Acquired securities	(870)	—
Other	(4,972)	(4,633)
Gross deferred tax liabilities	(105,246)	(99,322)
Net deferred tax asset (liability)	\$ 15,950	\$ (10,136)

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

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Computed at the statutory rate (21%)	\$ 17,539	\$ 22,071	\$ 53,719	\$ 49,646
Increase (decrease) in taxes resulting from:				
State income taxes, net of federal tax benefit	1,143	2,956	5,502	5,721
Tax exempt interest income	(1,752)	(1,105)	(4,594)	(3,090)
Tax exempt earnings on BOLI	(308)	(225)	(839)	(619)
Federal tax credits	(434)	(344)	(1,252)	(1,029)
Other differences, net	1,445	(78)	1,384	660
Actual tax provision	\$ 17,633	\$ 23,275	\$ 53,920	\$ 51,289

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

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.

Section 382 of the Internal Revenue Code imposes an annual limit on the ability of a corporation that undergoes an "ownership change" to use its U.S. net operating losses to reduce its tax liability. The Company has engaged in two tax-free reorganization transactions in which acquired net operating losses are limited pursuant to Section 382. In total, approximately \$74.7 million of federal net operating losses subject to the IRC Section 382 annual limitation are expected to be utilized by the Company, of which \$44.2 million is related to the Reliance acquisition that closed during the second quarter of 2019. All of the acquired Reliance net operating losses are expected to be fully utilized by 2027, with the remaining acquired net operating loss carryforwards expected to be fully utilized by 2036.

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 2016 tax year and forward. The Company's various state income tax returns are generally open from the 2016 and later tax return years based on individual state statute of limitations.

#### NOTE 11: SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

The Company utilizes securities sold under agreements to repurchase to facilitate the needs of its customers and to facilitate secured short-term funding needs. Securities sold under agreements to repurchase are stated at the amount of cash received in connection with the transaction. The Company monitors collateral levels on a continuous basis. The Company may be required to provide additional collateral based on the fair value of the underlying securities. Securities pledged as collateral under repurchase agreements are maintained with the Company's safekeeping agents.

The gross amount of recognized liabilities for repurchase agreements was \$263.4 million and \$133.2 million at September 30, 2020 and December 31, 2019, respectively. The remaining contractual maturity of the securities sold under agreements to repurchase in the consolidated balance sheets as of September 30, 2020 and December 31, 2019 is presented in the following tables.

(In thousands)	Remaining Contractual Maturity of the Agreements				Total
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	
September 30, 2020					
Repurchase agreements:					
U.S. Government agencies	\$ 263,444	\$ —	\$ —	\$ —	\$ 263,444
December 31, 2019					
Repurchase agreements:					
U.S. Government agencies	\$ 133,220	\$ —	\$ —	\$ —	\$ 133,220

**NOTE 12: OTHER BORROWINGS AND SUBORDINATED NOTES AND DEBENTURES**

Debt at September 30, 2020 and December 31, 2019 consisted of the following components:

(In thousands)	September 30, 2020	December 31, 2019
<b>Other Borrowings</b>		
FHLB advances, net of discount, due 2020 to 2035, 0.23% to 7.37% secured by real estate loans	\$ 1,308,994	\$ 1,262,691
Other long-term debt	33,775	34,908
Total other borrowings	1,342,769	1,297,599
<b>Subordinated Notes and Debentures</b>		
Subordinated notes payable, due 4/1/2028, fixed-to-floating rate (fixed rate of 5.00% through 3/31/2023, floating rate of 2.15% above the three month LIBOR rate, reset quarterly)	330,000	330,000
Trust preferred securities, net of discount, due 9/15/2037, floating rate of 1.37% above the three month LIBOR rate, reset quarterly	10,310	10,310
Trust preferred securities, net of discount, due 6/6/2037, floating rate of 1.57% above the three month LIBOR rate, reset quarterly, callable without penalty	10,310	10,310
Trust preferred securities, due 12/15/2035, floating rate of 1.45% above the three month LIBOR rate, reset quarterly, callable without penalty	6,702	6,702
Trust preferred securities, net of discount, due 6/15/2037, floating rate of 1.85% above the three month LIBOR rate, reset quarterly, callable without penalty	25,133	25,015
Trust preferred securities, net of discount, due 12/15/2036, floating rate of 1.85% above the three month LIBOR rate, reset quarterly, callable without penalty	3,018	3,004
Other subordinated debentures, due 12/31/2036, floating rate of prime rate minus 1.1%, reset quarterly	—	5,927
Unamortized debt issuance costs	(2,734)	(3,008)
Total subordinated notes and debentures	382,739	388,260
Total other borrowings and subordinated debt	\$ 1,725,508	\$ 1,685,859

In March 2018, the Company issued \$330.0 million in aggregate principal amount, of 5.00% Fixed-to-Floating Rate Subordinated Notes (“Notes”) at a public offering price equal to 100% of the aggregate principal amount of the Notes. The Company incurred \$3.6 million in debt issuance costs related to the offering during March 2018. The Notes will mature on April 1, 2028 and will bear interest at an initial fixed rate of 5.00% per annum, payable semi-annually in arrears. From and including April 1, 2023 to, but excluding, the maturity date or the date of earlier redemption, the interest rate will reset quarterly to an annual interest rate equal to the then-current three month LIBOR rate plus 215 basis points, payable quarterly in arrears. The Notes will be subordinated in right of payment to the payment of the Company’s other existing and future senior indebtedness, including all of its general creditors. The Notes are obligations of the Company only and are not obligations of, and are not guaranteed by, any of its subsidiaries. The Company used a portion of the net proceeds from the sale of the Notes to repay certain outstanding indebtedness. The Notes qualify for Tier 2 capital treatment.

The Company assumed subordinated debt of \$33.9 million in connection with the Landrum acquisition in October 2019, of which \$5.9 million was repaid during the second quarter of 2020.

At September 30, 2020, the Company had \$1.30 billion of FHLB advances outstanding with original or expected maturities of one year or less, all of which are FHLB Owns the Option (“FOTO”) advances. FOTO advances are a low cost, fixed-rate source of funding in return for granting to FHLB the flexibility to choose a termination date earlier than the maturity date. Typically, FOTO exercise dates follow a specified lockout period at the beginning of the term when FHLB cannot terminate the FOTO advance. If FHLB exercises its option to terminate the FOTO advance at one of the specified option exercise dates, there is no termination or prepayment fee, and replacement funding will be available at then-prevailing market rates, subject to FHLB’s credit and collateral requirements. The Company’s FOTO advances outstanding at September 30, 2020 have maturity dates of ten years to fifteen years with lockout periods that have expired and, as a result, are considered and monitored by the Company as short-term advances. The possibility of the FHLB exercising the options is analyzed by the Company along with the market expected rate outcome.

The Company had total FHLB advances outstanding of \$1.31 billion at September 30, 2020, with approximately \$2.5 billion of additional advances available from the FHLB. The FHLB advances are secured by mortgage loans and investment securities totaling approximately \$5.9 billion at September 30, 2020.

The trust preferred securities are tax-advantaged issues that qualified for Tier 1 capital treatment until December 31, 2017, when the Company reached \$15 billion in assets. They still qualify for inclusion as Tier 2 capital at September 30, 2020. 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 payments on the related junior subordinated debentures. The Company's obligations under the junior subordinated securities and other relevant trust agreements, in the 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.

The Company's long-term debt primarily includes subordinated debt and long-term FHLB advances with an original maturity of greater than one year. Aggregate annual maturities of long-term debt at September 30, 2020, are as follows:

Year	(In thousands)
Remainder of 2020	\$ 589
2021	2,772
2022	1,936
2023	1,758
2024	2,399
Thereafter	416,054
Total	<u>\$ 425,508</u>

#### NOTE 13: CONTINGENT LIABILITIES

In the ordinary course of its operations, the Company and its subsidiaries are parties to various legal proceedings. Based on information presently available, and after consultation with legal counsel, management believes that the ultimate outcome in such proceedings, in the aggregate, will not have a material adverse effect on the financial position or results of the operations of the Company and its subsidiaries.

#### NOTE 14: CAPITAL STOCK

On February 27, 2009, at a special meeting, the Company's shareholders approved an amendment to the Articles of Incorporation to establish 40,040,000 authorized shares of preferred stock, \$0.01 par value. The aggregate liquidation preference of all shares of preferred stock cannot exceed \$80,000,000.

On February 12, 2019, the Company filed its Amended and Restated Articles of Incorporation ("February Amended Articles") with the Arkansas Secretary of State. The February Amended Articles classified and designated three series of preferred stock out of the Corporation's authorized preferred stock: Series A Preferred Stock, Par Value \$0.01 Per Share (having 40,000 authorized shares); Series B Preferred Stock, Par Value \$0.01 Per Share (having 2,000.02 authorized shares); and 7% Perpetual Convertible Preferred Stock, Par Value \$0.01 Per Share, Series C (having 140 authorized shares).

On October 29, 2019, the Company filed its Amended and Restated Articles of Incorporation ("October Amended Articles") with the Arkansas Secretary of State. The October Amended Articles classified and designated Series D Preferred Stock, Par Value \$0.01 Per Share, out of the Company's authorized preferred stock. The October Amended Articles also canceled the Company's 7% Perpetual Convertible Preferred Stock, Par Value \$0.01 Per Share, Series C Preferred Stock, of which no shares were ever issued or outstanding.

On July 23, 2012, the Company approved a stock repurchase program which authorized the repurchase of up to 1,700,000 shares of common stock. On October 22, 2019, the Company announced a new stock repurchase program ("Program") that replaced the stock repurchase program approved on July 23, 2012, under which the Company may repurchase up to \$60,000,000 of its Class A common stock currently issued and outstanding. On March 5, 2020, the Company announced an amendment to the Program that increased the maximum amount that may be repurchased under the Program from \$60,000,000 to \$180,000,000. The Program will terminate on October 31, 2021 (unless terminated sooner).

Under the Program, the Company may repurchase shares of its common stock through open market and privately negotiated transactions or otherwise. The timing, pricing, and amount of any repurchases under the Program will be determined by the Company's management at its discretion based on a variety of factors, including, but not limited to, trading volume and market price of the Company's common stock, corporate considerations, the Company's working capital and investment requirements, general market and economic conditions, and legal requirements. The Program does not obligate the Company to repurchase any common stock and may be modified, discontinued, or suspended at any time without prior notice. The Company anticipates funding for this Program to come from available sources of liquidity, including cash on hand and future cash flow.

During the three months ended March 31, 2020, the Company repurchased 4,922,336 shares at an average price of \$18.96 under the Program. Subsequent to March 31, 2020, the Company did not repurchase any additional shares under the Program in the nine months ended September 30, 2020. Market conditions and the Company's capital needs will drive decisions regarding additional, future stock repurchases. The Company had no repurchases of its common stock during the three and nine month periods ended September 30, 2019. On October 22, 2020, the Company announced the resumption of stock repurchases under the Program.

#### **NOTE 15: UNDIVIDED PROFITS**

Simmons Bank, the Company's subsidiary bank, is subject to legal limitations on dividends that can be paid to the parent company without prior approval of the applicable regulatory agencies. The approval of the Commissioner of the Arkansas State Bank Department is required if the total of all dividends declared by an Arkansas state bank in any calendar year exceeds seventy-five percent (75%) of the total of its net profits, as defined, for that year combined with seventy-five percent (75%) of its retained net profits of the preceding year. At September 30, 2020, Simmons Bank had approximately \$105.0 million available for payment of dividends to the Company, without prior regulatory approval.

The risk-based capital guidelines of the Federal Reserve Board and the Arkansas State Bank Department include the definitions for (1) a well-capitalized institution, (2) an adequately-capitalized institution, and (3) an undercapitalized institution. Under the Basel III Rules effective January 1, 2015, the criteria for a well-capitalized institution are: a 5% "Tier 1 leverage capital" ratio, an 8% "Tier 1 risk-based capital" ratio, 10% "total risk-based capital" ratio; and a 6.5% "common equity Tier 1 (CET1)" ratio.

The Company and Simmons Bank, must hold a capital conservation buffer composed of CET1 capital above its minimum risk-based capital requirements. The implementation of the capital conservation buffer began on January 1, 2016, at the 0.625% level and was phased in over a four year period (increasing by that amount on each subsequent January 1 until it reached 2.5% on January 1, 2019). Failure to meet this capital conservation buffer would result in additional limits on dividends, other distributions and discretionary bonuses. As of September 30, 2020, the Company and Simmons Bank met all capital adequacy requirements, including the capital conservation buffer, under the Basel III Capital Rules. The Company's CET1 ratio was 12.55% at September 30, 2020.



## NOTE 16: STOCK-BASED COMPENSATION

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

The table below summarizes the transactions under the Company's active stock-based compensation plans for the nine months ended September 30, 2020:

(Shares in thousands)	Stock Options Outstanding		Non-vested Stock Awards Outstanding		Non-vested Stock Units Outstanding	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Grant-Date Fair Value	Number of Shares	Weighted Average Grant-Date Fair Value
Balance, January 1, 2020	692	\$ 22.46	21	\$ 23.19	1,152	\$ 26.79
Granted	—	—	—	—	518	21.94
Stock options exercised	(1)	10.71	—	—	—	—
Stock awards/units vested (earned)	—	—	(11)	22.57	(426)	25.95
Forfeited/expired	(33)	22.49	—	—	(116)	26.49
Balance, September 30, 2020	<u>658</u>	\$ 22.48	<u>10</u>	\$ 23.87	<u>1,128</u>	\$ 24.90
Exercisable, September 30, 2020	<u>658</u>	\$ 22.48				

The following table summarizes information about stock options under the plans outstanding at September 30, 2020:

Options Outstanding					Options Exercisable		
Range of Exercise Prices		Number of Shares (In thousands)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares (In thousands)	Weighted Average Exercise Price	
\$ 9.46	—	\$ 9.46	1	1.30	\$9.46	1	\$9.46
10.65	—	10.65	3	2.33	10.65	3	10.65
20.29	—	20.29	66	3.45	20.29	66	20.29
20.36	—	20.36	2	4.13	20.36	2	20.36
22.20	—	22.20	74	3.38	22.20	74	22.20
22.75	—	22.75	412	4.14	22.75	412	22.75
23.51	—	23.51	93	4.54	23.51	93	23.51
24.07	—	24.07	7	4.96	24.07	7	24.07
\$ 9.46	—	\$ 24.07	<u>658</u>	<u>4.03</u>	<u>\$22.48</u>	<u>658</u>	<u>\$22.48</u>

The table below summarizes the Company's performance stock unit activity for the nine months ended September 30, 2020:

(In thousands)	Performance Stock Units
Non-vested, January 1, 2020	199
Granted	122
Vested (earned)	(80)
Forfeited	(19)
Non-vested, September 30, 2020	222

Stock-based compensation expense was \$10,750,000 and \$9,316,000 during the nine months ended September 30, 2020 and 2019, respectively. Stock-based compensation expense is recognized ratably over the requisite service period for all stock-based awards. There was no unrecognized stock-based compensation expense related to stock options at September 30, 2020. Unrecognized stock-based compensation expense related to non-vested stock awards and stock units was \$18,142,000 at September 30, 2020. At such date, the weighted-average period over which this unrecognized expense is expected to be recognized was 1.7 years.

The intrinsic value of stock options outstanding and stock options exercisable at September 30, 2020 was \$23,000. Aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of the period, which was \$15.86 as of September 30, 2020, and the exercise price multiplied by the number of options outstanding. The total intrinsic value of stock options exercised during the nine months ended September 30, 2020 and September 30, 2019, was \$5,000 and \$6,000, respectively.

The fair value of the Company's employee stock options granted is estimated on the date of grant using the Black-Scholes option-pricing model. This model requires the input of highly subjective assumptions, changes to which can materially affect the fair value estimate. There were no stock options granted during the nine months ended September 30, 2020 and 2019.

#### NOTE 17: EARNINGS PER SHARE ("EPS")

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

The computation of earnings per share is as follows:

(In thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income available to common stockholders	\$ 65,885	\$ 81,826	\$ 201,897	\$ 185,119
Average common shares outstanding	109,019	96,608	110,292	95,090
Average potential dilutive common shares	189	360	189	360
Average diluted common shares	109,208	96,968	110,481	95,450
Basic earnings per share	\$ 0.60	\$ 0.85	\$ 1.83	\$ 1.95
Diluted earnings per share	\$ 0.60	\$ 0.84	\$ 1.83	\$ 1.94

There were approximately 653,718 stock options excluded from the three and nine months ended September 30, 2020 earnings per share calculations due to the related stock option exercise price exceeding the average market price. There were no stock options excluded from earnings per share calculations due to the related stock option exercise price exceeding the average market price for the three and nine months ended September 30, 2019.

**NOTE 18: ADDITIONAL CASH FLOW INFORMATION**

The following is a summary of the Company's additional cash flow information:

(In thousands)	Nine Months Ended September 30,	
	2020	2019
Interest paid	\$ 95,040	\$ 130,904
Income taxes paid	30,708	34,028
Transfers of loans to foreclosed assets held for sale	3,083	3,666
Transfers of premises to foreclosed assets and other real estate owned	3,120	556
Transfers of premises to premises held for sale	1,072	—
Transfers of other real estate owned to premises held for sale	3,504	—
Right-of-use lease assets obtained in exchange for lessee operating lease liabilities (adoption of ASU 2016-02)	—	32,757
Transfers of loans to other assets held for sale	114,925	—
Transfers of deposits to other liabilities held for sale	58,405	—

**NOTE 19: OTHER INCOME AND OTHER OPERATING EXPENSES**

Other income for the three and nine months ended September 30, 2020 was \$5.4 million and \$28.0 million, respectively. The nine month period included the gains on sale related to the Texas Branch Sale and Colorado Branch Sale of \$8.1 million. Other income for the three and nine months ended September 30, 2019 was \$44.7 million and \$54.9 million, respectively, and primarily consisted of the gain on sale of Visa Inc. class B common stock of \$42.9 million.

Other operating expenses consisted of the following:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Professional services	\$ 3,779	\$ 4,310	\$ 13,529	\$ 12,125
Postage	1,932	1,471	5,937	4,642
Telephone	2,103	2,506	6,738	5,605
Credit card expense	5,190	4,200	14,154	11,822
Marketing	3,517	7,021	11,430	12,514
Software and technology	9,552	6,531	29,021	16,607
Operating supplies	824	493	2,588	1,671
Amortization of intangibles	3,362	2,947	10,144	8,535
Branch right sizing expense	442	160	2,401	3,092
Other expense	7,478	8,240	23,676	24,195
Total other operating expenses	<u>\$ 38,179</u>	<u>\$ 37,879</u>	<u>\$ 119,618</u>	<u>\$ 100,808</u>

**NOTE 20: CERTAIN TRANSACTIONS**

From time to time, the Company and its subsidiaries have made loans, other extensions of credit, and vendor contracts to directors, officers, their associates and members of their immediate families. Additionally, some directors, officers and their associates and members of their immediate families have placed deposits with the Company's subsidiary bank, Simmons Bank. Such loans and other extensions of credit, deposits and vendor contracts (which were not material) were made in the ordinary course of business, on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with unrelated persons or through a competitive bid process. Further, in management's opinion, these extensions of credit did not involve more than normal risk of collectability or present other unfavorable features.

## NOTE 21: COMMITMENTS AND CREDIT RISK

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

At September 30, 2020, the Company had outstanding commitments to extend credit aggregating approximately \$676,028,000 and \$2,674,548,000 for credit card commitments and other loan commitments, respectively. At December 31, 2019, the Company had outstanding commitments to extend credit aggregating approximately \$634,788,000 and \$3,991,931,000 for credit card commitments and other loan commitments, respectively.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The Company had total outstanding letters of credit amounting to \$63,604,000 and \$71,074,000 at September 30, 2020, and December 31, 2019, respectively, with terms ranging from 9 months to 15 years. At September 30, 2020 and December 31, 2019, the Company had no deferred revenue under standby letter of credit agreements.

## NOTE 22: FAIR VALUE MEASUREMENTS

ASC Topic 820, *Fair Value Measurements* defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

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

- *Level 1 Inputs* – Quoted prices in active markets for identical assets or liabilities.
- *Level 2 Inputs* – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices for similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- *Level 3 Inputs* – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

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

*Available-for-sale securities* – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds, mortgage products and exchange traded equities. Other securities classified as available-for-sale are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms and conditions, among other things. In order to ensure the fair values are consistent with ASC Topic 820, the Company periodically checks the fair values by comparing them to another pricing source, such as Bloomberg. The availability of pricing confirms Level 2 classification in the fair value hierarchy. The third-party pricing service is subject to an annual review of internal controls (SSAE 16), which is made available for the Company's review. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Company's investment in U.S. Treasury securities, if any, is reported at fair value utilizing Level 1 inputs. The remainder of the Company's available-for-sale securities are reported at fair value utilizing Level 2 inputs.

*Derivative instruments* – The Company's derivative instruments are reported at fair value utilizing Level 2 inputs. The Company obtains fair value measurements from dealer quotes.

*Other assets and other liabilities held for sale* – The Company's other assets and other liabilities held for sale are reported at fair value utilizing Level 3 inputs. See Note 4, Other Assets and Other Liabilities Held for Sale.

The following table sets forth the Company's financial assets by level within the fair value hierarchy that were measured at fair value on a recurring basis as of September 30, 2020 and December 31, 2019.

		Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
(In thousands)	Fair Value				
<u>September 30, 2020</u>					
Available-for-sale securities					
U.S. Government agencies	\$ 471,973	\$ —	\$ 471,973	\$ —	
Mortgage-backed securities	903,687	—	903,687	—	
State and political subdivisions	1,133,006	—	1,133,006	—	
Other securities	98,622	—	98,622	—	
Other assets held for sale	389	—	—	389	
Derivative asset	42,021	—	42,021	—	
Derivative liability	(42,356)	—	(42,356)	—	
<u>December 31, 2019</u>					
Available-for-sale securities					
U.S. Treasury	\$ 449,729	\$ 449,729	\$ —	\$ —	
U.S. Government agencies	194,249	—	194,249	—	
Mortgage-backed securities	1,742,945	—	1,742,945	—	
States and political subdivisions	880,524	—	880,524	—	
Other securities	20,896	—	20,896	—	
Other assets held for sale	260,332	—	—	260,332	
Derivative asset	14,903	—	14,903	—	
Other liabilities held for sale	(159,853)	—	—	(159,853)	
Derivative liability	(12,650)	—	(12,650)	—	

Certain financial assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances. Financial assets and liabilities measured at fair value on a nonrecurring basis include the following:

*Individually assessed loans (collateral-dependent)* – When the Company has a specific expectation to initiate, or has initiated, foreclosure proceedings, and when the repayment of a loan is expected to be substantially dependent on the liquidation of underlying collateral, the relationship is deemed collateral-dependent. Fair value of the loan is determined by establishing an allowance for credit loss for any exposure based on the valuation of the underlying collateral. The valuation of the collateral is determined by either an independent third-party appraisal or other collateral analysis. Discounts can be made by the Company based upon the overall evaluation of the independent appraisal. Collateral-dependent loans are classified within Level 3 of the fair value hierarchy. Collateral values supporting the individually assessed loans are evaluated quarterly for updates to appraised values or adjustments due to non-current valuations.

*Foreclosed assets and other real estate owned* – Foreclosed assets and other real estate owned are reported at fair value, less estimated costs to sell. At foreclosure, if the fair value, less estimated costs to sell, of the real estate acquired is less than the Company's recorded investment in the related loan, a write-down is recognized through a charge to the allowance for credit losses. Additionally, valuations are periodically performed by management and any subsequent reduction in value is recognized by a charge to income. The fair value of foreclosed assets and other real estate owned is estimated using Level 3 inputs based on unobservable market data.

The significant unobservable inputs (Level 3) used in the fair value measurement of collateral for collateral-dependent loans and foreclosed assets primarily relate to the specialized discounting criteria applied to the borrower's reported amount of collateral. The amount of the collateral discount depends upon the condition and marketability of the collateral, as well as other factors which may affect the collectability of the loan. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset. It is reasonably possible that a change in the estimated fair value for instruments measured using Level 3 inputs could occur in the future. As the Company's primary objective in the event of default would be to liquidate the collateral to settle the outstanding balance of the loan, collateral that is less marketable would receive a larger discount.

*Mortgage loans held for sale* – Mortgage loans held for sale are reported at fair value if, on an aggregate basis, the fair value of the loans is less than cost. In determining whether the fair value of loans held for sale is less than cost when quoted market prices are not available, the Company may consider outstanding investor commitments, discounted cash flow analyses with market assumptions or the fair value of the collateral if the loan is collateral dependent. Such loans are classified within either Level 2 or Level 3 of the fair value hierarchy. Where assumptions are made using significant unobservable inputs, such loans held for sale are classified as Level 3. At September 30, 2020 and December 31, 2019, the aggregate fair value of mortgage loans held for sale exceeded their cost. Accordingly, no mortgage loans held for sale were marked down and reported at fair value.

The following table sets forth the Company's financial assets by level within the fair value hierarchy that were measured at fair value on a nonrecurring basis as of September 30, 2020 and December 31, 2019.

(In thousands)	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>September 30, 2020</u>				
Individually assessed loans <sup>(1)(2)</sup> (collateral-dependent)	\$ 67,316	\$ —	\$ —	\$ 67,316
Foreclosed assets and other real estate owned <sup>(1)</sup>	3,581	—	—	3,581
<u>December 31, 2019</u>				
Individually assessed loans <sup>(1)(2)</sup> (collateral-dependent)	\$ 49,190	\$ —	\$ —	\$ 49,190
Foreclosed assets and other real estate owned <sup>(1)</sup>	18,798	—	—	18,798

(1) These amounts represent the resulting carrying amounts on the consolidated balance sheets for collateral-dependent loans and foreclosed assets and other real estate owned for which fair value re-measurements took place during the period.

(2) Identified reserves of \$12,586,000 and \$1,297,000 were related to collateral-dependent loans for which fair value re-measurements took place during the periods ended September 30, 2020 and December 31, 2019, respectively.

ASC Topic 825, *Financial Instruments*, requires disclosure in annual and interim financial statements of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or nonrecurring basis. The following methods and assumptions were used to estimate the fair value of each class of financial instruments not previously disclosed.

*Cash and cash equivalents* – The carrying amount for cash and cash equivalents approximates fair value (Level 1).

*Interest bearing balances due from banks* – The fair value of interest bearing balances due from banks – time is estimated using a discounted cash flow calculation that applies the rates currently offered on deposits of similar remaining maturities (Level 2).

*Held-to-maturity securities* – Fair values for held-to-maturity securities equal quoted market prices, if available, such as for highly liquid government bonds (Level 1). If quoted market prices are not available, fair values are estimated based on quoted market prices of similar securities. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms and conditions, among other things (Level 2). In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

*Loans* – The fair value of loans is estimated by discounting the future cash flows, using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Additional factors considered include the type of loan and related collateral, variable or fixed rate, classification status, remaining term, interest rate, historical delinquencies, loan to value ratios, current market rates and remaining loan balance. The loans were grouped together according to similar characteristics and were treated in the aggregate when applying various valuation techniques. The discount rates used for loans were based on current market rates for new originations of similar loans. Estimated credit losses were also factored into the projected cash flows of the loans. The fair value of loans is estimated on an exit price basis incorporating the above factors (Level 3).

*Deposits* – The fair value of demand deposits, savings accounts and money market deposits is the amount payable on demand at the reporting date (i.e., their carrying amount) (Level 2). The fair value of fixed-maturity time deposits is estimated using a discounted cash flow calculation that applies the rates currently offered for deposits of similar remaining maturities (Level 3).

*Federal Funds purchased, securities sold under agreement to repurchase and short-term debt* – The carrying amount for Federal funds purchased, securities sold under agreement to repurchase and short-term debt are a reasonable estimate of fair value (Level 2).

*Other borrowings* – For short-term instruments, the carrying amount is a reasonable estimate of fair value. For long-term debt, rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value (Level 2).

*Subordinated debentures* – The fair value of subordinated debentures is estimated using the rates that would be charged for subordinated debentures of similar remaining maturities (Level 2).

*Accrued interest receivable/payable* – The carrying amounts of accrued interest approximated fair value (Level 2).

*Commitments to extend credit, letters of credit and lines of credit* – The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair values of letters of credit and lines of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate or otherwise settle the obligations with the counterparties at the reporting date.

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The estimated fair values, and related carrying amounts, of the Company's financial instruments are as follows:

(In thousands)	Carrying	Fair Value Measurements			
	Amount	Level 1	Level 2	Level 3	Total
<u>September 30, 2020</u>					
Financial assets:					
Cash and cash equivalents	\$ 2,522,131	\$ 2,522,131	\$ —	\$ —	\$ 2,522,131
Interest bearing balances due from banks - time	4,061	—	4,061	—	4,061
Held-to-maturity securities	47,102	—	49,064	—	49,064
Mortgage loans held for sale	192,729	—	—	192,729	192,729
Interest receivable	77,352	—	77,352	—	77,352
Loans, net	13,769,191	—	—	13,864,914	13,864,914
Financial liabilities:					
Non-interest bearing transaction accounts	4,451,385	—	4,451,385	—	4,451,385
Interest bearing transaction accounts and savings deposits	8,993,255	—	8,993,255	—	8,993,255
Time deposits	2,802,007	—	—	2,820,224	2,820,224
Federal funds purchased and securities sold under agreements to repurchase	313,694	—	313,694	—	313,694
Other borrowings	1,342,769	—	1,459,468	—	1,459,468
Subordinated notes and debentures	382,739	—	400,421	—	400,421
Interest payable	13,694	—	13,694	—	13,694
<u>December 31, 2019</u>					
Financial assets:					
Cash and cash equivalents	\$ 996,623	\$ 996,623	\$ —	\$ —	\$ 996,623
Interest bearing balances due from banks - time	4,554	—	4,554	—	4,554
Held-to-maturity securities	40,927	—	41,855	—	41,855
Mortgage loans held for sale	58,102	—	—	58,102	58,102
Interest receivable	62,707	—	62,707	—	62,707
Loans, net	14,357,460	—	—	14,290,188	14,290,188
Financial liabilities:					
Non-interest bearing transaction accounts	3,741,093	—	3,741,093	—	3,741,093
Interest bearing transaction accounts and savings deposits	9,090,878	—	9,090,878	—	9,090,878
Time deposits	3,276,969	—	—	3,270,333	3,270,333
Federal funds purchased and securities sold under agreements to repurchase	150,145	—	150,145	—	150,145
Other borrowings	1,297,599	—	1,298,011	—	1,298,011
Subordinated debentures	388,260	—	397,088	—	397,088
Interest payable	12,898	—	12,898	—	12,898

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



## NOTE 23: DERIVATIVE INSTRUMENTS

The Company utilizes derivative instruments to manage exposure to various types of interest rate risk for itself and its customers within policy guidelines. Transactions should only be entered into with an associated underlying exposure. All derivative instruments are carried at fair value.

Derivative contracts involve the risk of dealing with institutional derivative counterparties and their ability to meet contractual terms. Institutional counterparties must have an investment grade credit rating and be approved by the Company's asset/liability management committee. In arranging these products for its customers, the Company assumes additional credit risk from the customer and from the dealer counterparty with whom the transaction is undertaken. Credit risk exists due to the default credit risk created in the exchange of the payments over a period of time. Credit exposure on interest rate swaps is limited to the net favorable value and interest payments of all swaps with each counterparty. Access to collateral in the event of default is reasonably assured. Therefore, credit exposure may be reduced by the amount of collateral pledged by the counterparty.

### *Hedge Structures*

The Company will seek to enter derivative structures that most effectively address the risk exposure and structural terms of the underlying position being hedged. The term and notional principal amount of a hedge transaction will not exceed the term or principal amount of the underlying exposure. In addition, the Company will use hedge indices which are the same as, or highly correlated to, the index or rate on the underlying exposure. Derivative credit exposure is monitored on an ongoing basis for each customer transaction and aggregate exposure to each counterparty is tracked. The Company has set a maximum outstanding notional contract amount at 10% of the Company's assets.

### *Customer Risk Management Interest Rate Swaps*

The Company's qualified loan customers have the opportunity to participate in its interest rate swap program for the purpose of managing interest rate risk on their variable rate loans with the Company. The Company enters into such agreements with customers, then offsetting agreements are executed between the Company and an approved dealer counterparty to minimize market risk from changes in interest rates. The counterparty contracts are identical to customer contracts in terms of notional amounts, interest rates, and maturity dates, except for a fixed pricing spread or fee paid to the Company by the dealer counterparty. These interest rate swaps carry varying degrees of credit, interest rate and market or liquidity risks. The fair value of these derivative instruments is recognized as either derivative assets or liabilities in the accompanying consolidated balance sheets. The Company has a limited number of swaps that are standalone without a similar agreement with the loan customer.

The following table summarizes the fair values of loan derivative contracts recorded in the accompanying consolidated balance sheets.

(In thousands)	September 30, 2020		December 31, 2019	
	Notional	Fair Value	Notional	Fair Value
Derivative assets	\$ 426,796	\$ 42,021	\$ 401,969	\$ 14,903
Derivative liabilities	436,001	42,356	387,075	12,650

### *Risk Participation Agreements*

The Company has a limited number of Risk Participation Agreement swaps, that are associated with loan participations, where the Company is not the counterparty to the interest rate swaps that are associated with the risk participation sold. The interest rate swap mark to market only impacts the Company if the swap is in a liability position to the counterparty and the customer defaults on payments to the counterparty. The notional amount of these contingent agreements is \$51.7 million as of September 30, 2020.

### *Energy Hedging*

During 2019, the Company began providing energy derivative services to qualifying, high quality oil and gas borrowers for hedging purposes. The Company serves as an intermediary on energy derivative products between the Company's borrowers and dealers. The Company will only enter into back-to-back trades, thus maintaining a balanced book between the dealer and the borrower.

Energy hedging risk exposure to the Company's customer increases as energy prices for crude oil and natural gas rise. As prices decrease, exposure to the exchange increases. These risks are mitigated by customer credit underwriting policies and establishing a predetermined hedge line for each borrower and by monitoring the exchange margin.

The outstanding notional value as of September 30, 2020 for energy hedging Customer Sell to Company swaps were \$17.8 million and the corresponding Company Sell to Dealer swaps were \$17.8 million and the corresponding net fair value of the derivative asset and derivative liability was \$792,085.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

### ***Results of Review of Interim Financial Statements***

We have reviewed the consolidated balance sheet of Simmons First National Corporation (“the Company”) as of September 30, 2020, and the related consolidated statements of income, comprehensive income and stockholders’ equity for the three-month and nine-month periods ended September 30, 2020 and 2019, and cash flows for the nine-month periods ended September 30, 2020 and 2019, and the related notes (collectively referred to as the “interim financial information or statements”). Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated balance sheet of the Company as of December 31, 2019, and the related consolidated statements of income, comprehensive income, stockholders’ equity and cash flows for the year then ended (not presented herein), and in our report dated February 27, 2020, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2019, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

### ***Basis for Review Results***

These financial statements are the responsibility of the Company’s management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with the standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### ***Emphasis of Matter***

As discussed in Note 1 to the condensed consolidated financial statements, the Company has changed its method of accounting for the allowance for credit losses in 2020 due to the adoption of Topic 326.

/s/ BKD, LLP

Little Rock, Arkansas  
November 6, 2020

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

### OVERVIEW

Our net income for the three months ended September 30, 2020 was \$65.9 million, or \$0.60 diluted earnings per share, a decrease of \$15.9 million and of \$0.24, respectively, compared to the third quarter of 2019. Included in both third quarter 2020 and 2019 results were non-core items related to our acquisitions, early retirement programs and branch right sizing initiatives. Excluding all non-core items, core earnings for the three months ended September 30, 2020 were \$68.3 million, or \$0.63 core diluted earnings per share, compared to \$84.0 million, or \$0.87 core diluted earnings per share for the three months ended September 30, 2019.

Net income for the first nine months of 2020 was \$201.9 million, or \$1.83 diluted earnings per share, compared to \$185.1 million, or \$1.94 diluted earnings per share, for the same period in 2019. In addition to the non-core items related to acquisitions, early retirement programs and branch right sizing initiatives, gains associated with the Texas Branch Sale and the Colorado Branch Sale were included in the results for the first nine months of 2020. Excluding the non-core items, year-to-date core earnings were \$202.3 million, an increase of \$3.8 million compared to the same period in prior year. Core diluted earnings per share for the first nine months of 2020 were \$1.83 compared to \$2.08 for the same period in 2019.

We completed the acquisition of The Landrum Company, including its wholly-owned bank subsidiary, Landmark Bank, in October 2019. The systems conversion of Landmark Bank was completed during February 2020. See Note 2, Acquisitions, in the accompanying Condensed Notes to Consolidated Financial Statements for additional information related to this acquisition.

On February 28, 2020, we completed the Texas Branch Sale of five Simmons Bank locations in Austin, San Antonio and Tilden, Texas. Additionally, on May 18, 2020 we completed the Colorado Branch Sale of four Simmons Bank locations in Denver, Englewood, Highlands Ranch and Lone Tree, Colorado. We recognized a combined gain on sale of \$8.1 million on the Texas Branches and Colorado Branches.

Early in 2020, we offered qualifying associates an early retirement option resulting in \$2.8 million of non-core expense during the first nine months of 2020. We expect ongoing net annualized savings of approximately \$2.9 million from this program.

We continuously evaluate our branch network as part of our analysis of our profitability of our operations and the efficiency with which we deliver banking services to our markets, including, among other things, changes in customer traffic and preferences. As a result of this ongoing evaluation, we closed 11 branch locations during June 2020, with estimated net annual cost savings of approximately \$2.4 million related to these locations. We closed an additional 23 branch locations on October 9, 2020, with an expected net annual cost savings of approximately \$6.7 million.

We added over 38,000 new digital banking users since the end of February 2020 through June 30, 2020. Digital users continue to grow in the third quarter of 2020, adding over 15,000 additional users, a 7% increase. In March 2020, for the first time, we had more weekly transactions using digital channels than at the branches, and our mobile deposit usage has seen an increase of 75% since the end of February. During May 2020, we completed the conversion of all consumer customers to our new online platform. All consumer customers are now on the same online and mobile platforms, including acquired institutions. In September 2020, we completed the development of new credit card functionality which allows mobile and online banking to display credit card balances, line of credit utilization, recent transactions and minimum payment details, all with real-time information.

Stockholders' equity as of September 30, 2020 was \$2.9 billion, book value per share was \$26.98 and tangible book value per share was \$16.07. Our ratio of common stockholders' equity to total assets was 13.72% and the ratio of tangible common stockholders' equity to tangible assets was 8.65% at September 30, 2020. The Company's Tier 1 leverage ratio of 9.05%, as well as our other regulatory capital ratios, remain significantly above the "well capitalized" levels (see Table 13 in the Capital section of this Item).

Total loans were \$14.02 billion at September 30, 2020, compared to \$14.61 billion at June 30, 2020 and \$13.00 billion at September 30, 2019. The increase from prior year is primarily due to the Landrum acquisition. Sequentially, total loans decreased \$589.5 million from the second quarter of 2020. During 2020, we had \$970.5 million in loan originations under the Paycheck Protection Program ("PPP") of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). See the *COVID-19 Impact* section below for additional information.

At September 30, 2020, the allowance for credit losses on loans was \$248.3 million. We adopted the new credit loss methodology, CECL, on January 1, 2020. Upon adoption, we recorded an additional allowance for credit losses of approximately \$151.4 million, an adjustment to the reserve for unfunded commitments of \$24.0 million, and a related \$128.1 million adjustment to retained earnings net of taxes.

In our discussion and analysis of our financial condition and results of operation in this Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” we provide certain financial information determined by methods other than in accordance with US GAAP. We believe the presentation of non-GAAP financial measures provides a meaningful basis for period-to-period and company-to-company comparisons, which we believe will assist investors and analysts in analyzing the core financial measures of the Company and predicting future performance. See the *GAAP Reconciliation of Non-GAAP Measures* section below for additional discussion and reconciliations of non-GAAP measures.

Simmons First National Corporation is an Arkansas-based financial holding company that, as of September 30, 2020, has approximately \$21.4 billion in consolidated assets and, through its subsidiaries, conducts financial operations in Arkansas, Illinois, Kansas, Missouri, Oklahoma, Tennessee and Texas.

### COVID-19 Impact

The coronavirus (COVID-19) pandemic has placed significant health, economic and other major pressure on the communities we serve, the United States and the entire world. In March 2020, Congress passed the CARES Act, which was designed to provide comprehensive relief to individuals and businesses following the unprecedented impact of the COVID-19 pandemic. Additionally, we have been actively managing our response to the continuing COVID-19 pandemic and have implemented a number of procedures in response to the pandemic to support the safety and well being of our employees, customers and shareholders. Some of the implemented procedures include:

- Addressing the safety of the Company’s branch network, following local, state, and federal guidelines;
- Holding regular executive and pandemic task force meetings to address issues that change rapidly;
- Implementing business continuity plans to help ensure that customers have adequate access to banking services;
- Providing extensions and deferrals to loan customers affected by COVID-19 provided such customers were not 30 days or more past due at December 31, 2019. See further discussion in the *Asset Quality* section below;
- Participating in both appropriations of the CARES Act PPP that provides 100% federally guaranteed loans for small businesses to cover up to 24 weeks of payroll costs and assist with mortgage interest, rent and utilities. Notably, these small business loans may be forgiven by the SBA if borrowers maintain their payrolls and satisfy certain other conditions during this crisis.

We have experienced meaningful shifts in consumer habits which we believe will impact our delivery of products and services as well as the retail delivery of everyday amenities. We believe that our investment in digital channels will continue to position our company for these changes.

During the first quarter of 2020, we sold approximately \$1.1 billion in securities to increase liquidity in response to potential customer withdrawals of deposits as well as for anticipated funding of PPP loans. As of September 30, 2020, the Company has approximately \$2.5 billion in cash and cash equivalents and is well capitalized, which management believes has allowed us to continue to approach the crisis from a position of strength.

Through August 8, 2020, when the PPP program ended to new applicants, we had originated 8,199 PPP loans with an average balance of \$118,000 per loan. Approximately 93% of our PPP loans had a balance of less than \$350,000 at the end of the quarter. The following table categorizes our PPP loans by outstanding balance as of September 30, 2020:

PPP Loans (Dollars in thousands)	Number of Loans	% of Loans	Balance September 30, 2020	% of Balance
Less than \$50,000	5,216	63 %	\$ 94,401	10 %
\$50,000 to \$350,000	2,441	30 %	304,815	31 %
More than \$350,000 to less than \$2 million	481	6 %	357,943	37 %
\$2 million to \$10 million	61	1 %	213,329	22 %
Total	8,199	100 %	\$ 970,488	100 %

PPP loans are 100% federally guaranteed and have a zero percent risk-weight for regulatory capital ratios. As a result, excluding PPP loans from total assets, common equity to total assets was 14.4% and tangible common equity to tangible assets was 9.1% as of September 30, 2020.

We are dedicated to supporting our customers and communities throughout this period of uncertainty. As a show of this support, since March 2020, we have:

- Donated masks, gloves and hand sanitizers to healthcare facilities, police and a community group delivering meals.
- Sponsored a live streaming concert from Simmons Bank Arena to benefit the Feeding America food banks and the Hunger Relief Alliance, raising over \$30,000.
- Donated over \$100,000 to various community support groups throughout our footprint to be used for COVID-19 response.
- Delivered food and care packages to support police, firefighters, emergency responders and healthcare workers.

We believe our associates have done a commendable job of adapting to the changes that have occurred over the past eight months. We continue to operate in an uncertain environment, and we expect to continue to adjust as necessary. We have consolidated various operations to provide capacity for continued service to our customers and communities.

We continue to closely monitor this pandemic and expect to make future changes to respond as this situation continues to evolve. Further economic downturns accompanying this pandemic, or a delayed economic recovery from this pandemic, could result in increased deterioration in credit quality, past due loans, loans charge offs and collateral value declines, which could cause our results of operations and financial condition to be negatively impacted.

## **CRITICAL ACCOUNTING POLICIES**

### **Overview**

We follow accounting and reporting policies that conform, in all material respects, to US GAAP and to general practices within the financial services industry. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. While we base estimates on historical experience, current information and other factors deemed to be relevant, actual results could differ from those estimates.

We consider accounting estimates to be critical to reported financial results if (i) the accounting estimate requires management to make assumptions about matters that are highly uncertain and (ii) different estimates that management reasonably could have used for the accounting estimate in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, could have a material impact on our financial statements.

The accounting policies that we view as critical to us are those relating to estimates and judgments regarding (a) the determination of the adequacy of the allowance for credit losses, (b) acquisition accounting and valuation of loans, (c) the valuation of goodwill and the useful lives applied to intangible assets, (d) the valuation of stock-based compensation plans and (e) income taxes.

### **Allowance for Credit Losses**

The allowance for credit losses is a reserve established through a provision for credit losses charged to expense, which represents management's best estimate of lifetime expected losses based on reasonable and supportable forecasts, historical loss experience, and other qualitative considerations. The allowance, in the judgment of management, is necessary to reserve for expected loan losses and risks inherent in the loan portfolio. Our allowance for credit loss methodology includes reserve factors calculated to estimate current expected credit losses to amortized cost balances over the remaining contractual life of the portfolio, adjusted for prepayments, in accordance with ASC Topic 326-20, *Financial Instruments - Credit Losses*. Accordingly, the methodology is based on our reasonable and supportable economic forecasts, historical loss experience, and other qualitative adjustments. For further information see the section *Allowance for Credit Losses* below.

Our evaluation of the allowance for credit losses is inherently subjective as it requires material estimates. The actual amounts of credit losses realized in the near term could differ from the amounts estimated in arriving at the allowance for credit losses reported in the financial statements. On January 1, 2020, the Company adopted the new CECL methodology. See Note 1, Preparation of Interim Financial Statements, in the accompanying Condensed Notes to Consolidated Financial Statements for additional information.

## Acquisition Accounting, Loans

We account for our acquisitions under ASC Topic 805, *Business Combinations*, which requires the use of the acquisition method of accounting. All identifiable assets acquired, including loans, are recorded at fair value. Our historical acquisitions all occurred under previous US GAAP prior to our adoption of CECL. No allowance for loan losses related to the acquired loans was 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. The fair value estimates associated with the loans included estimates related to expected prepayments and the amount and timing of undiscounted expected principal, interest and other cash flows.

We evaluate 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.

## Goodwill and Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Other intangible assets represent purchased assets that also lack physical substance but can be separately distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset or liability. We perform an annual goodwill impairment test, and more than annually if circumstances warrant, in accordance with ASC Topic 350, Intangibles – Goodwill and Other, as amended by ASU 2011-08 – Testing Goodwill for Impairment and ASU 2017-04 - Intangibles – Goodwill and Other. ASC Topic 350 requires that goodwill and intangible assets that have indefinite lives be reviewed for impairment annually or more frequently if certain conditions occur. Impairment losses on recorded goodwill, if any, will be recorded as operating expenses.

During the first quarter of 2020, our share price began to decline as the markets in the United States responded to the global COVID-19 pandemic. As a result of that economic decline, the effect on our share price and other factors, we performed an interim goodwill impairment qualitative assessment during the first quarter and concluded no impairment existed. During the second quarter of 2020, we performed our annual goodwill impairment test and concluded that it is more likely-than-not that the fair value of our goodwill continues to exceed its carrying value and therefore, goodwill is not impaired. Once more, we performed an interim goodwill impairment assessment during the third quarter of 2020 and concluded no impairment existed. While our goodwill impairment analysis indicated no impairment at September 30, 2020, our assessment depends on several assumptions which are dependent on market and economic conditions, and future changes in those conditions could impact our assessment in the future.

## Stock-Based Compensation Plans

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

In accordance with ASC Topic 718, *Compensation – Stock Compensation*, the fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model that uses various assumptions. This model requires the input of highly subjective assumptions, changes to which can materially affect the fair value estimate. For additional information, see Note 16, Stock-Based Compensation, in the accompanying Condensed Notes to Consolidated Financial Statements included elsewhere in this report.

## Income Taxes

We are subject to the federal income tax laws of the United States, and the tax laws of the states and other jurisdictions where we conduct business. Due to the complexity of these laws, taxpayers and the taxing authorities may subject these laws to different interpretations. Management must make conclusions and estimates about the application of these innately intricate laws, related regulations, and case law. When preparing the Company's income tax returns, management attempts to make reasonable interpretations of the tax laws. Taxing authorities have the ability to challenge management's analysis of the tax law or any reinterpretation management makes in its ongoing assessment of facts and the developing case law. Management assesses the reasonableness of its effective tax rate quarterly based on its current estimate of net income and the applicable taxes expected for the full year. On a quarterly basis, management also reviews circumstances and developments in tax law affecting the reasonableness of deferred tax assets and liabilities and reserves for contingent tax liabilities.

## **NET INTEREST INCOME**

### **Overview**

Net interest income, our principal source of earnings, is the difference between the interest income generated by earning assets and the total interest cost of the deposits and borrowings obtained to fund those assets. Factors that determine the level of net interest income include the volume of earning assets and interest bearing liabilities, yields earned and rates paid, the level of non-performing loans and the amount of non-interest bearing liabilities supporting earning assets. Net interest income is analyzed in the discussion and tables below on a fully taxable equivalent basis. The adjustment to convert certain income to a fully taxable equivalent basis consists of dividing tax-exempt income by one minus the combined federal and state income tax rate of 26.135%.

Our practice is to limit exposure to interest rate movements by maintaining a significant portion of earning assets and interest bearing liabilities in short-term repricing. In the last several years, on average, approximately 40% of our loan portfolio and approximately 80% of our time deposits have repriced in one year or less. Our current interest rate sensitivity shows that approximately 51% of our loans and 85% of our time deposits will reprice in the next year.

### **Net Interest Income Quarter-to-Date Analysis**

For the three month period ended September 30, 2020, net interest income on a fully taxable equivalent basis was \$156.5 million, an increase of \$5.4 million, or 3.6%, over the same period in 2019. The increase in net interest income was primarily the result of a \$21.0 million decrease in interest expense partially offset by a reduction in interest income of \$15.7 million.

The reduction in interest income primarily resulted from a decrease of \$16.7 million in interest income on loans partially offset by an increase of \$1.4 million in interest income on investment securities. During the third quarter of 2020, we generated \$16.3 million of additional interest income due to an increase in loan volume, primarily from our Landrum acquisition completed during the fourth quarter of 2019, while a 93 basis point decline in yield resulted in a \$33.0 million decrease in interest income. The loan yield for the third quarter of 2020 was 4.54% compared to 5.47% for the same period in 2019. The PPP loan yield was approximately 2.37% (including accretion of net fees), which decreased the loan yield by 16 basis points. Excluding the PPP loans, loan yield for the third quarter of 2020 was 4.70%.

Included in interest income is the additional yield accretion recognized as a result of updated estimates of the cash flows of our loans acquired. Each quarter, we estimate the cash flows expected to be collected from the loans acquired, and adjustments may or may not be required. The cash flows estimate may increase or decrease based on payment histories and loss expectations of the loans. The resulting adjustment to interest income is spread on a level-yield basis over the remaining expected lives of the loans. For the three months ended September 30, 2020 and 2019, interest income included \$8.9 million and \$9.3 million, respectively, for the yield accretion recognized on loans acquired.

The \$21.0 million decrease in interest expense is mostly due to the decline in our deposit account rates and our FHLB borrowing rates. Interest expense decreased \$24.1 million due to the decrease in yield of 86 basis points on interest-bearing deposit accounts and \$1.4 million due to the decrease in yield of 44 basis points on FHLB borrowings. These decreases were partially offset by an increase of \$3.4 million related to deposit growth primarily due to the Landrum acquisition.

### **Net Interest Income Year-to-Date Analysis**

For the nine month period ended September 30, 2020, net interest income on a fully taxable equivalent basis was \$492.3 million, an increase of \$52.5 million, or 11.9%, over the same period in 2019. The increase in net interest income was the result of a \$13.2 million increase in interest income coupled with a \$39.2 million decrease in interest expense.

The increase in interest income primarily resulted from a \$10.5 million increase in interest income on loans and an increase of \$2.9 million in interest income on investment securities. The increase in loan volume during the first nine months of 2020 generated \$77.0 million of additional interest income, primarily from our Landrum and Reliance acquisitions completed during 2019, while a 66 basis point decline in yield resulted in a \$66.5 million decrease in interest income.

For the nine months ended September 30, 2020 and 2019, interest income included \$32.5 million and \$26.1 million, respectively, for the yield accretion recognized on loans acquired.

The \$39.2 million decrease in interest expense is mostly due to the decrease in our deposit account rates and our FHLB borrowing rates. Interest expense decreased \$51.6 million due to the decrease in yield of 64 basis points on interest-bearing deposit accounts



and \$5.7 million due to the decrease in yield of 58 basis points on FHLB borrowings. These decreases were partially offset by an increase of \$14.6 million related to deposit growth primarily due to the Landrum and Reliance acquisitions completed in 2019.

### Net Interest Margin

Our net interest margin on a fully tax equivalent basis decreased 61 basis points to 3.21% for the three month period ended September 30, 2020, when compared to 3.82% for the same period in 2019. Normalized for all accretion, our core net interest margin for the three months ended September 30, 2020 and 2019 was 3.02% and 3.59%, respectively. For the nine month period ended September 30, 2020, our net interest margin on a fully tax equivalent basis decreased 45 basis points to 3.43% when compared to 3.88% for the same period in 2019.

The decreases in the net interest margin during the three and nine months ended September 30, 2020 were primarily driven by the lower interest rate environment, additional liquidity created in response to the COVID-19 pandemic, and the lower yielding PPP loans originated during the second and third quarters of 2020. The impact of these items on net interest margin for the third quarter 2020 was 30 basis points, bringing the net interest margin adjusted for PPP loans and excess liquidity to 3.51%.

During March 2020, the Federal Open Market Committee, or FOMC, of the Federal Reserve substantially reduced interest rates in response to the economic crisis brought on by the COVID-19 pandemic and rates have continued to remain low through the third quarter of 2020. As such, our variable rate loan portfolio has repriced to a lower yield and we have worked to lower the cost of deposits. In addition, our decreased net interest margin is being driven by the decrease in our non-PPP loan portfolio and we expect continued pressure on the net interest margin for the remainder of 2020.

### Net Interest Income Tables

Tables 1 and 2 reflect an analysis of net interest income on a fully taxable equivalent basis for the three and nine months ended September 30, 2020 and 2019, respectively, as well as changes in fully taxable equivalent net interest margin for the three and nine months ended September 30, 2020 versus September 30, 2019.

**Table 1: Analysis of Net Interest Margin**

(FTE = Fully Taxable Equivalent using an effective tax rate of 26.135%)

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Interest income	\$ 179,725	\$ 196,406	\$ 580,610	\$ 569,732
FTE adjustment	2,864	1,843	7,519	5,150
Interest income – FTE	182,589	198,249	588,129	574,882
Interest expense	26,115	47,142	95,836	135,045
Net interest income – FTE	<u>\$ 156,474</u>	<u>\$ 151,107</u>	<u>\$ 492,293</u>	<u>\$ 439,837</u>
Yield on earning assets – FTE	3.74 %	5.02 %	4.10 %	5.07 %
Cost of interest bearing liabilities	0.74 %	1.55 %	0.90 %	1.54 %
Net interest spread – FTE	3.00 %	3.47 %	3.20 %	3.53 %
Net interest margin – FTE	3.21 %	3.82 %	3.43 %	3.88 %

**Table 2: Changes in Fully Taxable Equivalent Net Interest Margin**

(In thousands)	Three Months Ended September 30, 2020 vs. 2019	Nine Months Ended September 30, 2020 vs. 2019
Increase due to change in earning assets	\$ 22,956	\$ 97,238
Decrease due to change in earning asset yields	(38,616)	(83,991)
Decrease due to change in interest bearing liabilities	(5,016)	(18,835)
Increase due to change in interest rates paid on interest bearing liabilities	26,043	58,044
Increase in net interest income	<u>\$ 5,367</u>	<u>\$ 52,456</u>

Table 3 shows, for each major category of earning assets and interest bearing liabilities, the average (computed on a daily basis) amount outstanding, the interest earned or expensed on such amount and the average rate earned or expensed for the three and nine months ended September 30, 2020 and 2019. The table also shows the average rate earned on all earning assets, the average rate expensed on all interest bearing liabilities, the net interest spread and the net interest margin for the same periods. The analysis is presented on a fully taxable equivalent basis. Nonaccrual loans were included in average loans for the purpose of calculating the rate earned on total loans.

**Table 3: Average Balance Sheets and Net Interest Income Analysis**  
(FTE = Fully Taxable Equivalent using an effective tax rate of 26.135%)

(In thousands)	Three Months Ended September 30,					
	2020			2019		
	Average Balance	Income/ Expense	Yield/ Rate (%)	Average Balance	Income/ Expense	Yield/ Rate (%)
<b>ASSETS</b>						
Earning assets:						
Interest bearing balances due from banks and federal funds sold	\$ 2,265,233	\$ 623	0.11	\$ 344,761	\$ 1,586	1.83
Investment securities - taxable	1,534,742	7,193	1.86	1,561,308	9,514	2.42
Investment securities - non-taxable	1,155,099	10,382	3.58	681,505	6,687	3.89
Mortgage loans held for sale	145,226	1,012	2.77	39,551	382	3.83
Loans	14,315,014	163,379	4.54	13,053,540	180,080	5.47
Total interest earning assets	19,415,314	182,589	3.74	15,680,665	198,249	5.02
Non-earning assets	2,350,007			2,039,933		
Total assets	<u>\$ 21,765,321</u>			<u>\$ 17,720,598</u>		
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Liabilities:						
Interest bearing liabilities:						
Interest bearing transaction and savings deposits	\$ 8,977,886	\$ 6,769	0.30	\$ 7,322,395	\$ 21,363	1.16
Time deposits	2,998,091	9,437	1.25	3,122,422	15,573	1.98
Total interest bearing deposits	11,975,977	16,206	0.54	10,444,817	36,936	1.40
Federal funds purchased and securities sold under agreements to repurchase	386,631	335	0.34	123,883	249	0.80
Other borrowings	1,357,278	4,943	1.45	1,127,886	5,381	1.89
Subordinated debt and debentures	382,672	4,631	4.81	354,178	4,576	5.13
Total interest bearing liabilities	14,102,558	26,115	0.74	12,050,764	47,142	1.55
Non-interest bearing liabilities:						
Non-interest bearing deposits	4,529,782			3,012,544		
Other liabilities	190,169			288,517		
Total liabilities	18,822,509			15,351,825		
Stockholders' equity	2,942,812			2,368,773		
Total liabilities and stockholders' equity	<u>\$ 21,765,321</u>			<u>\$ 17,720,598</u>		
Net interest spread			3.00			3.47
Net interest margin		<u>\$ 156,474</u>	3.21		<u>\$ 151,107</u>	3.82

Nine Months Ended September 30,						
(In thousands)	2020			2019		
	Average Balance	Income/ Expense	Yield/ Rate (%)	Average Balance	Income/ Expense	Yield/ Rate (%)
<b><u>ASSETS</u></b>						
Earning assets:						
Interest bearing balances due from banks and federal funds sold	\$ 1,742,166	\$ 3,667	0.28	\$ 338,349	\$ 4,861	1.92
Investment securities - taxable	1,832,577	27,319	1.99	1,642,335	32,538	2.65
Investment securities - non-taxable	974,748	26,888	3.68	632,780	18,730	3.96
Mortgage loans held for sale	91,889	1,961	2.85	29,852	924	4.14
Loans	14,530,938	528,294	4.86	12,531,355	517,829	5.52
Total interest earning assets	19,172,318	588,129	4.10	15,174,671	574,882	5.07
Non-earning assets	2,331,246			1,965,748		
Total assets	<u>\$ 21,503,564</u>			<u>\$ 17,140,419</u>		
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>						
Liabilities:						
Interest bearing liabilities:						
Interest bearing transaction and savings deposits	\$ 9,040,053	\$ 31,926	0.47	\$ 7,072,363	\$ 59,983	1.13
Time deposits	3,068,459	33,563	1.46	2,993,336	42,499	1.90
Total interest bearing deposits	12,108,512	65,489	0.72	10,065,699	102,482	1.36
Federal funds purchased and securities sold under agreements to repurchase	370,116	1,431	0.52	122,195	642	0.70
Other borrowings	1,357,543	14,783	1.45	1,209,511	18,393	2.03
Subordinated debt and debentures	386,129	14,133	4.89	354,088	13,528	5.11
Total interest bearing liabilities	14,222,300	95,836	0.90	11,751,493	135,045	1.54
Non-interest bearing liabilities:						
Non-interest bearing deposits	4,164,189			2,852,687		
Other liabilities	205,942			208,397		
Total liabilities	18,592,431			14,812,577		
Stockholders' equity	2,911,133			2,327,842		
Total liabilities and stockholders' equity	<u>\$ 21,503,564</u>			<u>\$ 17,140,419</u>		
Net interest spread			3.20			3.53
Net interest margin		<u>\$ 492,293</u>	3.43		<u>\$ 439,837</u>	3.88

Table 4 shows changes in interest income and interest expense resulting from changes in volume and changes in interest rates for the three and nine month periods ended September 30, 2020, as compared to the same periods of the prior year. The changes in interest rate and volume have been allocated to changes in average volume and changes in average rates in proportion to the relationship of absolute dollar amounts of the changes in rates and volume.

**Table 4: Volume/Rate Analysis**

(In thousands, on a fully taxable equivalent basis)	Three Months Ended September 30, 2020 vs. 2019			Nine Months Ended September 30, 2020 vs. 2019		
	Volume	Yield/ Rate	Total	Volume	Yield/ Rate	Total
Increase (decrease) in:						
Interest income:						
Interest bearing balances due from banks and federal funds sold	\$ 1,727	\$ (2,690)	\$ (963)	\$ 5,890	\$ (7,084)	\$ (1,194)
Investment securities - taxable	(159)	(2,162)	(2,321)	3,472	(8,691)	(5,219)
Investment securities - non-taxable	4,299	(604)	3,695	9,510	(1,352)	8,158
Mortgage loans held for sale	764	(134)	630	1,402	(365)	1,037
Loans	16,325	(33,026)	(16,701)	76,964	(66,499)	10,465
Total	22,956	(38,616)	(15,660)	97,238	(83,991)	13,247
Interest expense:						
Interest bearing transaction and savings accounts	3,993	(18,587)	(14,594)	13,545	(41,602)	(28,057)
Time deposits	(598)	(5,538)	(6,136)	1,043	(9,979)	(8,936)
Federal funds purchased and securities sold under agreements to repurchase	292	(206)	86	999	(210)	789
Other borrowings	974	(1,412)	(438)	2,059	(5,669)	(3,610)
Subordinated notes and debentures	355	(300)	55	1,189	(584)	605
Total	5,016	(26,043)	(21,027)	18,835	(58,044)	(39,209)
Increase (decrease) in net interest income	\$ 17,940	\$ (12,573)	\$ 5,367	\$ 78,403	\$ (25,947)	\$ 52,456

## **PROVISION FOR CREDIT LOSSES**

The provision for credit losses represents management's determination of the amount necessary to be charged against the current period's earnings in order to maintain the allowance for credit losses at a level considered appropriate in relation to the estimated lifetime risk inherent in the loan portfolio. The level of provision to the allowance is based on management's judgment, with consideration given to the composition, maturity and other qualitative characteristics of the portfolio, assessment of current economic conditions, past due and non-performing loans and historical net credit loss experience. It is management's practice to review the allowance on a monthly basis and, after considering the factors previously noted, to determine the level of provision made to the allowance.

The provision for credit losses for the three and nine month periods ended September 30, 2020, was \$23.0 million and \$68.0 million, respectively, compared to \$22.0 million and \$38.3 million for the same periods ended September 30, 2019, increases of \$1.0 million and \$29.7 million. The increase during the quarter ended September 30, 2020 was primarily based on additional qualitative adjustments specific to industries that are more adversely impacted by the current and expected economic scenarios, such as the restaurant, retail, and hotel industries. These adjustments are intended to account for potential problem credits that have not materialized into any identifiable metrics or delinquencies. We additionally updated the credit loss forecast models using multiple Moody's economic scenarios. The updates to the credit loss forecast models capture the possibility of a more prolonged recovery to the economies than originally expected that affect our loan portfolio. The increase during the nine month period ended September 30, 2020 also included an additional provision related to problem energy credits, ultimately charged-off during the second quarter of 2020 for a total of \$32.6 million, that experienced further deterioration beginning in first quarter of 2020 and were negatively impacted by the sharp decline in commodity pricing. The remainder of the increase was related to the economic impact of the COVID-19 pandemic that is incorporated in the Company's allowance for credit losses.

## **NON-INTEREST INCOME**

Non-interest income is principally derived from recurring fee income, which includes service charges, trust fees and debit and credit card fees. Non-interest income also includes income on the sale of mortgage and SBA loans, investment banking income, income from the increase in cash surrender values of bank owned life insurance and gains (losses) from sales of securities.

Total non-interest income was \$71.9 million for the three month period ended September 30, 2020, a decrease of approximately \$12.8 million, or 15.1%, compared to the same period in 2019, primarily due to the gain on sale of Visa Inc. class B common stock of \$42.9 million that was recognized during the third quarter of 2019. We benefited from additional gains on the sale of securities and incremental mortgage lending income, collectively \$24.4 million, during the third quarter of 2020. During the third quarter of 2020, we evaluated our security portfolio and projected calls that we expected to occur over the next year and a half with large gains. As a result, we sold approximately \$515.6 million of investment securities resulting in a net gain of \$22.3 million during the third quarter of 2020.

For the nine month period ended September 30, 2020, total non-interest income was \$204.5 million, an increase of approximately \$45.1 million, or 28.3%, compared to the same period in 2019. During the first nine months of 2020, we sold approximately \$1.7 billion of investment securities resulting in a net gain of \$54.8 million. The majority of the investment securities were sold in March 2020, in response to the unfolding events of the COVID-19 pandemic, as we focused on the creation of additional liquidity and strengthening our balance sheet. We used a portion of the liquidity generated by these investment security sales to fund PPP loans originated during the second and third quarters of 2020. We plan to reinvest back into our investment portfolio when the PPP loans are repaid, subject to economic conditions and other concerns at such time. Additionally, the gains on sale from the Texas Branch Sale and Colorado Branch Sales of \$8.1 million, which we consider a non-core item, contributed to the increase during 2020.

The increases of \$9.5 million and \$20.5 million in mortgage lending income in the three and nine month periods ended September 30, 2020, respectively, was a result of the current low mortgage interest rate environment as well as increased business related to our Landrum and Reliance acquisitions.

Table 5 shows non-interest income for the three and nine month periods ended September 30, 2020 and 2019, respectively, as well as changes in 2020 from 2019.

**Table 5: Non-Interest Income**

(Dollars in thousands)	Three Months Ended September 30,		2020 Change from		Nine Months Ended September 30,		2020 Change from	
	2020	2019	2019		2020	2019	2019	
Trust income	\$ 6,744	\$ 6,108	\$ 636	10.4%	\$ 21,148	\$ 17,610	\$ 3,538	20.1%
Service charges on deposit accounts	10,385	10,825	(440)	(4.1)	32,283	31,450	833	2.7
Other service charges and fees	1,764	1,308	456	34.9	4,841	3,909	932	23.8
Mortgage lending income	13,971	4,509	9,462	*	31,476	10,988	20,488	186.5
SBA lending income	304	956	(652)	(68.2)	845	2,348	(1,503)	(64.0)
Investment banking income	557	513	44	8.6	2,005	1,491	514	34.5
Debit and credit card fees	8,850	7,059	1,791	25.4	24,760	20,369	4,391	21.6
Bank owned life insurance income	1,591	1,302	289	22.2	4,334	3,357	977	29.1
Gain on sale of securities, net	22,305	7,374	14,931	*	54,790	12,937	41,853	*
Gain on sale of Visa, Inc. class B common stock	—	42,860	(42,860)	*	—	42,860	(42,860)	(100.0)
Gain on sale of banking operations, net	—	—	—	—	8,093	—	8,093	*
Other income	5,380	1,861	3,519	189.1	19,897	12,082	7,815	64.7
Total non-interest income	<u>\$ 71,851</u>	<u>\$ 84,675</u>	<u>\$ (12,824)</u>	<u>(15.1)%</u>	<u>\$ 204,472</u>	<u>\$ 159,401</u>	<u>\$ 45,071</u>	<u>28.3%</u>

\* Not meaningful

Recurring fee income (total service charges, trust fees, debit and credit card fees) for the three month period ended September 30, 2020 was \$27.7 million, an increase of \$2.4 million from the same period in 2019. Recurring fee income for the nine month period ended September 30, 2020, was \$83.0 million, an increase of \$9.7 million from the nine month period ended September 30, 2019, primarily the result of the Landrum and Reliance acquisitions completed during 2019.

## NON-INTEREST EXPENSE

Non-interest expense consists of salaries and employee benefits, occupancy, equipment, foreclosure losses and other expenses necessary for our operations. Management remains committed to controlling the level of non-interest expense through the continued use of expense control measures. We utilize an extensive profit planning and reporting system involving all subsidiaries. Based on a needs assessment of the business plan for the upcoming year, monthly and annual profit plans are developed, including manpower and capital expenditure budgets. These profit plans are subject to extensive initial reviews and monitored by management monthly. Variances from the plan are reviewed monthly and, when required, management takes corrective action intended to ensure financial goals are met. We also regularly monitor staffing levels at each subsidiary to ensure productivity and overhead are in line with existing workload requirements.

Non-interest expense for the three months ended September 30, 2020 was \$118.9 million, an increase of \$12.1 million, or 11.3%, from the same period in 2019. Non-interest expense during the third quarter of 2020 included \$3.7 million of pre-tax non-core items: \$902,000 of merger-related costs, \$2.3 million of early retirement program expenses, and \$442,000 of net branch right sizing costs. Normalizing for these non-core costs, core non-interest expense for the three months ended September 30, 2020 increased \$11.3 million, or 10.9%, from the same period in 2019.

Non-interest expense for the nine months ended September 30, 2020 was \$365.4 million, an increase of \$46.3 million, or 14.5%, from the same period in 2019. Normalizing for the non-core costs, core non-interest expense for the nine months ended September 30, 2020 increased \$55.4 million, or 18.4%, from the same period in 2019.

The increases during both periods were primarily due to the incremental operating expenses from the Landrum and Reliance acquisitions completed during 2019. Also, our Next Generation Banking (“NGB”) technology initiative has made substantial progress and the incremental software and technology expenditures of \$12.4 million during the first nine months of 2020 were primarily related to this initiative.

Table 6 below shows non-interest expense for the three and nine month periods ended September 30, 2020 and 2019, respectively, as well as changes in 2020 from 2019.

**Table 6: Non-Interest Expense**

(Dollars in thousands)	Three Months Ended September 30,		2020 Change from		Nine Months Ended September 30,		2020 Change from	
	2020	2019	2019		2020	2019	2019	
Salaries and employee benefits	\$ 58,798	\$ 51,888	\$ 6,910	13.3%	\$ 183,873	\$ 161,096	\$ 22,777	14.1%
Early retirement program	2,346	177	2,169	*	2,839	3,464	(625)	(18.0)
Occupancy expense, net	9,647	8,342	1,305	15.6	28,374	22,736	5,638	24.8
Furniture and equipment expense	6,231	4,898	1,333	27.2	18,098	12,462	5,636	45.2
Other real estate and foreclosure expense	602	1,125	(523)	(46.5)	1,201	2,353	(1,152)	(49.0)
Deposit insurance	2,244	—	2,244	*	7,557	4,550	3,007	66.1
Merger related costs	902	2,556	(1,654)	(64.7)	3,800	11,548	(7,748)	(67.1)
Other operating expenses:								
Professional services	3,779	4,310	(531)	(12.3)	13,529	12,125	1,404	11.6
Postage	1,932	1,471	461	31.3	5,937	4,642	1,295	27.9
Telephone	2,103	2,506	(403)	(16.1)	6,738	5,605	1,133	20.2
Credit card expenses	5,190	4,200	990	23.6	14,154	11,822	2,332	19.7
Marketing	3,517	7,021	(3,504)	(49.9)	11,430	12,514	(1,084)	(8.7)
Software and technology	9,552	6,531	3,021	46.3	29,021	16,607	12,414	74.8
Operating supplies	824	493	331	67.1	2,588	1,671	917	54.9
Amortization of intangibles	3,362	2,947	415	14.1	10,144	8,535	1,609	18.9
Branch right sizing expense	442	160	282	176.3	2,401	3,092	(691)	(22.4)
Other expense	7,478	8,240	(762)	(9.3)	23,676	24,195	(519)	(2.2)
Total non-interest expense	<u>\$ 118,949</u>	<u>\$ 106,865</u>	<u>\$ 12,084</u>	11.3%	<u>\$ 365,360</u>	<u>\$ 319,017</u>	<u>\$ 46,343</u>	14.5%

\* Not meaningful

## LOAN PORTFOLIO

Our loan portfolio averaged \$14.53 billion and \$12.53 billion during the first nine months of 2020 and 2019, respectively. As of September 30, 2020, total loans were \$14.02 billion, a decrease of \$408.3 million from December 31, 2019. The most significant components of the loan portfolio were loans to businesses (commercial loans, commercial real estate loans and agricultural loans) and individuals (consumer loans, credit card loans and single-family residential real estate loans).

We seek to manage our credit risk by diversifying our loan portfolio, determining that borrowers have adequate sources of cash flow for loan repayment without liquidation of collateral, obtaining and monitoring collateral, providing an appropriate allowance for credit losses and regularly reviewing loans through the internal loan review process. The loan portfolio is diversified by borrower, purpose, industry and geographic region. We seek to use diversification within the loan portfolio to reduce credit risk, thereby minimizing the adverse impact on the portfolio, if weaknesses develop in either the economy or a particular segment of borrowers. Collateral requirements are based on credit assessments of borrowers and may be used to recover the debt in case of default. We use the allowance for credit losses as a method to value the loan portfolio at its estimated collectible amount. Loans are regularly reviewed to facilitate the identification and monitoring of deteriorating credits.

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

**Table 7: Loan Portfolio**

(In thousands)	September 30, 2020	December 31, 2019
Consumer:		
Credit cards	\$ 172,880	\$ 204,802
Other consumer	190,736	249,195
Total consumer	363,616	453,997
Real estate:		
Construction and development	1,853,360	2,248,673
Single family residential	1,997,070	2,414,753
Other commercial	6,132,823	6,358,514
Total real estate	9,983,253	11,021,940
Commercial:		
Commercial	2,907,798	2,451,119
Agricultural	241,687	191,525
Total commercial	3,149,485	2,642,644
Other	521,088	307,123
Total loans before allowance for credit losses	\$ 14,017,442	\$ 14,425,704

Consumer loans consist of credit card loans and other consumer loans. Consumer loans were \$363.6 million at September 30, 2020, or 2.6% of total loans, compared to \$454.0 million, or 3.1% of total loans at December 31, 2019. The decrease in consumer loans from December 31, 2019, to September 30, 2020, was primarily due to the expected seasonal decline in our credit card portfolio.

Real estate loans consist of construction and development (“C&D”) loans, single-family residential loans and commercial real estate (“CRE”) loans. Real estate loans were \$9.98 billion at September 30, 2020, or 71.2% of total loans, compared to \$11.02 billion, or 76.4%, of total loans at December 31, 2019, a decrease of \$1.0 billion, or 9.4%. Our C&D loans decreased by \$395.3 million, or 17.6%, single family residential loans decreased by \$417.7 million, or 17.3%, and CRE loans decreased by \$225.7 million, or 3.5%. Real estate loans declined approximately \$104.6 million due to the Colorado Branch Sale. The remaining decrease was due to less activity as a result of the pandemic and our effort to manage our real estate portfolio concentration. In the near term, we expect to continue to manage our C&D and CRE portfolio concentration by developing deeper relationships with our customers.

Commercial loans consist of non-real estate loans related to business and agricultural loans. Total commercial loans were \$3.15 billion at September 30, 2020, or 22.5% of total loans, compared to \$2.64 billion, or 18.3% of total loans at December 31, 2019, an increase of \$506.8 million, or 19.2%, that is mostly in our non-agricultural commercial loan portfolio. The \$970.5 million in PPP loan originations drove the increase in commercial loans during the first nine months of 2020.

Management believes that loan demand is very weak in almost every aspect of our commercial economy, which we believe we see through our lower loan pipeline. Our customers appear to be deleveraging and not taking on new risks due to the economic uncertainty stemming from the COVID-19 pandemic. We believe that trend will continue until our customers are more confident in the economy.

Other loans mainly consists of mortgage warehouse lending. Mortgage volume surged during the second and third quarters of 2020 due to the low interest rate environment leading to an increase of \$214.0 million in other loans primarily from mortgage warehouse lines of credit.

## **ASSET QUALITY**

Non-performing loans are comprised of (a) nonaccrual loans, (b) loans that are contractually past due 90 days and (c) other loans for which terms have been restructured to provide a reduction or deferral of interest or principal, because of deterioration in the financial position of the borrower. The subsidiary bank recognizes income principally on the accrual basis of accounting. When loans are classified as nonaccrual, generally, the accrued interest is charged off and no further interest is accrued. Loans, excluding credit card loans, are placed on a nonaccrual basis either: (1) when there are serious doubts regarding the collectability of principal or interest, or (2) when payment of interest or principal is 90 days or more past due and either (i) not fully secured or (ii) not in the process of collection. If a loan is determined by management to be uncollectible, the portion of the loan determined to be uncollectible is then charged to the allowance for credit losses.

When credit card loans reach 90 days past due and there are attachable assets, the accounts are considered for litigation. Credit card loans are generally charged off when payment of interest or principal exceeds 150 days past due. The credit card recovery group pursues account holders until it is determined, on a case-by-case basis, to be uncollectible.

Total non-performing assets increased \$67.2 million from December 31, 2019 to September 30, 2020. Nonaccrual loans increased by \$74.4 million during the period and foreclosed assets held for sale and other real estate owned decreased by \$6.5 million. The increase in nonaccrual loans during 2020 is primarily in our CRE loan portfolio. Approximately \$31.1 million and \$18.2 million related to hotel real estate and student housing accommodations, respectively, moved to nonaccrual during the first nine months of the year. The remaining increase was related to various other CRE loans and commercial loan relationships. We continue to actively pursue an exit of our energy lending portfolio, except for our customers who have a diversified relationship with us.

Non-performing assets, including troubled debt restructurings (“TDRs”) and acquired foreclosed assets, as a percent of total assets were 0.87% at September 30, 2020, compared to 0.57% at December 31, 2019. From time to time, certain borrowers are experiencing declines in income and cash flow. As a result, these borrowers are seeking to reduce contractual cash outlays, the most prominent being debt payments. In an effort to preserve our net interest margin and earning assets, we are open to working with existing customers in order to maximize the collectability of the debt.

When we restructure a loan to a borrower that is experiencing financial difficulty and grant a concession that we 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.

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. Our TDR balance increased to \$8.6 million at September 30, 2020 from \$7.4 million at December 31, 2019.

TDRs are individually evaluated for expected credit losses. We assess the exposure for each modification, either by the fair value of the underlying collateral or the present value of expected cash flows, and determine if a specific allowance for credit losses is needed.

We return 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 provisions in the CARES Act included an election to not apply the guidance on accounting for TDRs to loan modifications, such as extensions or deferrals, related to COVID-19 made between March 1, 2020 and the earlier of (i) December 31, 2020 or (ii) 60 days after the President terminates the COVID-19 national emergency declaration. The relief can only be applied to modifications for borrowers that were not more than 30 days past due as of December 31, 2019. The Company elected to adopt these provisions of the CARES Act and is following the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised) issued by regulatory agencies.

We have more than 3,900 loans totaling approximately \$3.2 billion which have received a COVID-19 modification. See Note 5, Loans and Allowance for Credit Losses, in the accompanying Condensed Notes to Consolidated Financial Statements for additional information related to these loans. Of these COVID-19 loan modifications, approximately \$550.8 million, or 17.4%, are commercial loan modifications that are in an internal COVID-19 status category of 4-7 as of mid-October 2020, further discussed below, comprised of the following industries:

**Table 8: Commercial COVID-19 Loan Modifications Status Category 4-7 by Industry**

(Dollars in thousands)	Loan Balance	%
Hotels	\$ 319,991	58.1 %
Restaurants - Real Estate	7,209	1.3
Restaurants - Non-Real Estate	1,897	0.4
Retail	15,836	2.9
Nursing/Extended Care	42,674	7.7
Multifamily	62,320	11.3
All Other	100,905	18.3
Total	<u>\$ 550,832</u>	<u>100.0 %</u>

**Table 9: Commercial COVID-19 Loan Modifications Status Category 4-7**

(Dollars in thousands)	Loan Balance	Number of Loans
Internal Status Category 4	\$ 335,798	105
Internal Status Category 5	195,312	71
Internal Status Category 6	17,242	44
Internal Status Category 7	2,480	8
Total	<u>\$ 550,832</u>	<u>228</u>

As previously discussed, the COVID-19 pandemic has had an unprecedented impact on the hotel, restaurant and retail industries, causing our borrowers in those industries to require loan modifications. We expect most of the commercial COVID-19 loan modifications listed above, as illustrated in Table 9, to return to regular payments with no credit downgrade or long-term restructure.

Internal COVID-19 status categories are internal status categories that we use in connection with our COVID-19 loan modification program. A description of the general characteristics of the internal COVID-19 status categories 4-7 is as follows:

- *Category 4* – Borrower is still in the modification period and expected to need an additional modification. Financial projections show return to original terms, but not at the end of six months. The loan remains collateralized and fully supported by the guarantor.
- *Category 5* – Financial projections do not support return to regular payments OR collateral deterioration is likely, which would not fully support the loan. The guarantors remain engaged and cooperative.
- *Category 6* – Financial projections do not support return to regular payments AND collateral deterioration is likely, which would not fully support the loan. The guarantors remain engaged and cooperative.
- *Category 7* – Financial projections do not support return to regular payments OR collateral deterioration is likely, which would not fully support the loan. The guarantors lack the capacity and are unwilling or unable to develop a new operating strategy.

We developed these status categories for internal purposes only and they are not a substitute or a replacement for loan risk ratings used by us under US GAAP.

We continue to maintain good asset quality, compared to the industry. Strong asset quality remains a primary focus of our strategy. The allowance for credit losses as a percent of total loans was 1.77% as of September 30, 2020. Non-performing loans equaled 1.20% of total loans. Non-performing assets were 0.85% of total assets, a 31 basis point increase from December 31, 2019. The allowance for credit losses was 148% of non-performing loans. Our annualized net charge-offs to total loans for the first nine months of 2020 was 0.43%. Excluding credit cards, the annualized net charge-offs to total loans for the same period was 0.41%. Annualized net credit card charge-offs to total credit card loans were 1.75%, compared to 1.86% during the full year 2019, and 229 basis points better than the most recently published industry average charge-off ratio as reported by the Federal Reserve for all banks.

Table 10 presents information concerning non-performing assets, including nonaccrual loans at amortized cost and foreclosed assets held for sale.

**Table 10: Non-performing Assets**

(Dollars in thousands)	September 30, 2020	December 31, 2019
Nonaccrual loans <sup>(1)</sup>	\$ 167,713	\$ 93,330
Loans past due 90 days or more (principal or interest payments)	174	856
Total non-performing loans	167,887	94,186
Other non-performing assets:		
Foreclosed assets held for sale and other real estate owned	12,590	19,121
Other non-performing assets	1,983	1,964
Total other non-performing assets	14,573	21,085
Total non-performing assets	\$ 182,460	\$ 115,271
Performing TDRs	\$ 3,379	\$ 5,887
Allowance for credit losses to non-performing loans	148 %	72 %
Non-performing loans to total loans	1.20 %	0.65 %
Non-performing assets (including performing TDRs) to total assets	0.87 %	0.57 %
Non-performing assets to total assets	0.85 %	0.54 %

(1) Includes nonaccrual TDRs of approximately \$5,177,000 at September 30, 2020 and \$1,561,000 at December 31, 2019.

There was no interest income on nonaccrual loans recorded for the three and nine month periods ended September 30, 2020 and 2019.

## **ALLOWANCE FOR CREDIT LOSSES**

The allowance for credit losses is a reserve established through a provision for credit losses charged to expense which represents management's best estimate of lifetime expected losses based on reasonable and supportable forecasts, historical loss experience, and other qualitative considerations.

Loans with similar risk characteristics such as loan type, collateral type, and internal risk ratings are aggregated into homogeneous segments for assessment. Reserve factors are based on estimated probability of default and loss given default for each segment. The estimates are determined based on economic forecasts over the reasonable and supportable forecast period based on projected performance of economic variables that have a statistical correlation with the historical loss experience of the segments. For contractual periods that extend beyond the one-year forecast period, the estimates revert to average historical loss experiences over a one-year period on a straight-line basis.

We also include qualitative adjustments to the allowance based on factors and considerations that have not otherwise been fully accounted for. Qualitative adjustments include, but are not limited to:

- *Changes in asset quality* - Adjustments related to trending credit quality metrics including delinquency, nonperforming loans, charge-offs, and risk ratings that may not be fully accounted for in the reserve factor.
- *Changes in the nature and volume of the portfolio* - Adjustments related to current changes in the loan portfolio that are not fully represented or accounted for in the reserve factors.
- *Changes in lending and loan monitoring policies and procedures* - Adjustments related to current changes in lending and loan monitoring procedures as well as review of specific internal policy compliance metrics.
- *Changes in the experience, ability, and depth of lending management and other relevant staff* - Adjustments to measure increasing or decreasing credit risk related to lending and loan monitoring management.
- *Changes in the value of underlying collateral of collateralized loans* - Adjustments related to improving or deterioration of the value of underlying collateral that are not fully captured in the reserve factors.
- *Changes in and the existence and effect of any concentrations of credit* - Adjustments related to credit risk of specific industries that are not fully captured in the reserve factors.
- *Changes in regional and local economic and business conditions and developments* - Adjustments related to expected and current economic conditions at a regional or local-level that are not fully captured within our reasonable and supportable forecast.
- *Data imprecisions due to limited historical loss data* - Adjustments related to limited historical loss data that is representative of the collective loan portfolio.

Loans that do not share similar risk characteristics are evaluated on an individual basis. These evaluations are typically performed on loans with a deteriorated internal risk rating or that are classified as a TDR. The allowance for credit loss is determined based on several methods including estimating the fair value of the underlying collateral or the present value of expected cash flows.

An analysis of the allowance for credit losses for loans is shown in Table 11.

**Table 11: Allowance for Credit Losses**

(In thousands)	2020	2019
Balance, beginning of year	\$ 68,244	\$ 56,694
Impact of CECL adoption	151,377	—
Loans charged off:		
Credit card	3,326	3,298
Other consumer	3,062	3,582
Real estate	3,373	3,000
Commercial	40,537	22,893
Total loans charged off	50,298	32,773
Recoveries of loans previously charged off:		
Credit card	773	734
Other consumer	1,110	2,053
Real estate	474	355
Commercial	1,381	1,190
Total recoveries	3,738	4,332
Net loans charged off	46,560	28,441
Provision for credit losses	75,190	38,337
Balance, September 30	\$ 248,251	\$ 66,590
Loans charged off:		
Credit card		1,287
Other consumer		1,425
Real estate		892
Commercial		459
Total loans charged off		4,063
Recoveries of loans previously charged off:		
Credit card		287
Other consumer		304
Real estate		146
Commercial		77
Total recoveries		814
Net loans charged off		3,249
Provision for credit losses		4,903
Balance, end of year		\$ 68,244

#### Provision for Credit Losses

The amount of provision added to the allowance during the three and nine months ended September 30, 2020 and 2019, and for the year ended December 31, 2019, was based on management's judgment, with consideration given to the composition of the portfolio, historical loan loss experience, assessment of current economic forecasts and conditions, past due and non-performing loans and net loss experience. It is management's practice to review the allowance on a monthly basis, and after considering the factors previously noted, to determine the level of provision made to the allowance.

## Allowance for Credit Losses Allocation

As of September 30, 2020, the allowance for credit losses reflected an increase of approximately \$180.0 million from December 31, 2019 while loans decreased \$408.3 million over the same nine month period. The allocation in each category within the allowance generally reflects the overall changes in the loan portfolio mix. During the first quarter of 2020, we recorded an additional allowance for credit losses for loans of approximately \$151.4 million due to the adoption of CECL.

The significant impact to the allowance for credit losses at the date of adoption was driven by the substantial amount of loans acquired held by the Company. We had approximately one third of total loans categorized as acquired at the adoption date with very little reserve allocated to them due to the previous incurred loss impairment methodology. As such, the amount of the CECL adoption impact was greater on the Company when compared to a non-acquisitive bank.

The remaining increase in the allowance for credit losses during the first nine months of 2020 was predominately related to updated credit loss forecast models using multiple Moody's economic scenarios previously discussed in *Provision for Credit Losses* as well as continued economic uncertainty due to the COVID-19 pandemic. Certain industries are being more adversely impacted than others by this pandemic, such as the restaurant, retail and hotel industries, and there remains substantial uncertainty regarding how borrowers in these industries will recover. Our allowance for credit losses at September 30, 2020 was at the high-end of our calculated range, although it was considered appropriate given the considerable amount of uncertainty as to the structure and timing of potential economic recovery, future of government assistance/election, and other related factors.

The following table sets forth the sum of the amounts of the allowance for credit losses attributable to individual loans within each category, or loan categories in general. The table also reflects the percentage of loans in each category to the total loan portfolio for each of the periods indicated. The allowance for credit losses by loan category is determined by i) our estimated reserve factors by category including applicable qualitative adjustments and ii) any specific allowance allocations that are identified on individually evaluated loans. The amounts shown are not necessarily indicative of the actual future losses that may occur within individual categories.

**Table 12: Allocation of Allowance for Credit Losses**

(Dollars in thousands)	September 30, 2020		December 31, 2019	
	Allowance Amount	% of loans <sup>(1)</sup>	Allowance Amount	% of loans <sup>(1)</sup>
Credit cards	\$ 8,600	1.2 %	\$ 4,051	1.4 %
Other consumer	7,175	1.4 %	1,998	1.7 %
Real estate	181,917	71.2 %	39,161	76.5 %
Commercial	49,248	22.5 %	22,863	18.3 %
Other	1,311	3.7 %	171	2.1 %
Total	<u>\$ 248,251</u>	100.0 %	<u>\$ 68,244</u>	100.0 %

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

## DEPOSITS

Deposits are our primary source of funding for earning assets and are primarily developed through our network of approximately 226 financial centers as of September 30, 2020. We offer a variety of products designed to attract and retain customers with a continuing focus on developing core deposits. Our core deposits consist of all deposits excluding time deposits of \$100,000 or more and brokered deposits. As of September 30, 2020, core deposits comprised 84.9% of our total deposits.

We continually monitor the funding requirements along with competitive interest rates in the markets we serve. Because of our community banking philosophy, our executives in the local markets, with oversight by the Asset Liability Committee and the Bank's Treasury Department, establish the interest rates offered on both core and non-core deposits. This approach ensures that the interest rates being paid are competitively priced for each particular deposit product and structured to meet the funding requirements. We believe we are paying a competitive rate when compared with pricing in those markets.

We manage our interest expense through deposit pricing. We believe that additional funds can be attracted and deposit growth can be accelerated through deposit pricing if we experience increased loan demand or other liquidity needs. We can also utilize brokered deposits as an additional source of funding to meet liquidity needs. We are continually monitoring and looking for opportunities to fairly reprice our deposits while remaining competitive in this current challenging rate environment.

Our total deposits as of September 30, 2020, were \$16.25 billion, an increase of \$137.7 million from December 31, 2019. Non-interest bearing transaction accounts, interest bearing transaction accounts and savings accounts totaled \$13.4 billion at September 30, 2020, compared to \$12.8 billion at December 31, 2019, an increase of \$612.7 million. Total time deposits decreased \$475.0 million to \$2.8 billion at September 30, 2020, from \$3.3 billion at December 31, 2019. We had \$513.4 million and \$1.1 billion of brokered deposits at September 30, 2020, and December 31, 2019, respectively. We are managing our balance sheet and our net interest margin by continuing to eliminate several high-cost deposits related to public funds and brokered deposits.

## **OTHER BORROWINGS AND SUBORDINATED NOTES AND DEBENTURES**

Our total debt was \$1.73 billion and \$1.69 billion at September 30, 2020 and December 31, 2019, respectively. The outstanding balance for September 30, 2020 includes \$1.3 billion in FHLB short-term advances; \$9.0 million in FHLB long-term advances; \$330.0 million in subordinated notes; \$52.7 million of trust preferred securities and unamortized debt issuance costs; and \$33.8 million of other long-term debt.

The FHLB short-term advances outstanding at the end of the third quarter 2020 are FHLB Owns the Option (“FOTO”) advances which are a low cost, fixed-rate source of funding in return for granting to FHLB the flexibility to choose a termination date earlier than the maturity date. Our FOTO advances outstanding at September 30, 2020 have 10 to 15 year maturity dates with lockout periods that have expired and, as a result, are considered and monitored as short-term advances. We analyze the possibility of the FHLB exercising the options along with the market expected rate outcome.

We assumed trust preferred securities and other subordinated debt in an aggregate principal amount, net of discounts, of \$33.9 million related to the Landrum acquisition during 2019. During the second quarter of 2020, we repaid \$5.9 million of other subordinated debt acquired from Landrum.

In March 2018, we issued \$330 million in aggregate principal amount of 5.00% Fixed-to-Floating Rate Subordinated Notes (“Notes”) at a public offering price equal to 100% of the aggregate principal amount of the Notes. The Company incurred \$3.6 million in debt issuance costs related to the offering. The Notes will mature on April 1, 2028 and are subordinated in right of payment to the payment of our other existing and future senior indebtedness, including all our general creditors. The Notes are obligations of the Company only and are not obligations of, and are not guaranteed by, any of its subsidiaries.

## **CAPITAL**

### **Overview**

At September 30, 2020, total capital was \$2.94 billion. Capital represents shareholder ownership in the Company – the book value of assets in excess of liabilities. At September 30, 2020, our common equity to asset ratio was 13.72% compared to 14.06% at year-end 2019.

### **Capital Stock**

On February 27, 2009, at a special meeting, our shareholders approved an amendment to the Articles of Incorporation to establish 40,040,000 authorized shares of preferred stock, \$0.01 par value. The aggregate liquidation preference of all shares of preferred stock cannot exceed \$80,000,000.

On February 12, 2019, we filed Amended and Restated Articles of Incorporation (“February Amended Articles”) with the Arkansas Secretary of State. The February Amended Articles classified and designated three series of preferred stock out of our authorized preferred stock: Series A Preferred Stock, Par Value \$0.01 Per Share (having 40,000 authorized shares); Series B Preferred Stock, Par Value \$0.01 Per Share (having 2,000.02 authorized shares); and 7% Perpetual Convertible Preferred Stock, Par Value \$0.01 Per Share, Series C (having 140 authorized shares).

On October 29, 2019, we filed our Amended and Restated Articles of Incorporation (“October Amended Articles”) with the Arkansas Secretary of State. The October Amended Articles classified and designated Series D Preferred Stock, Par Value \$0.01 Per Share, out of our authorized preferred stock. The October Amended Articles also canceled our 7% Perpetual Convertible Preferred Stock, Par Value \$0.01 Per Share, Series C Preferred Stock, of which no shares were ever issued or outstanding.

### **Stock Repurchase**

On July 23, 2012, our Board of Directors approved a stock repurchase program which authorized the repurchase of up to 1,700,000 shares of common stock (“2012 Program”). On October 22, 2019, we announced a new stock repurchase program (“Program”) that replaced the 2012 Program, under which we may repurchase up to \$60,000,000 of our Class A common stock currently issued and outstanding. On March 5, 2020, we announced an amendment to the Program that increased the maximum amount that may be repurchased under the Program from \$60,000,000 to \$180,000,000. The Program will terminate on October 31, 2021 (unless terminated sooner).

Under the Program, we may repurchase shares of our common stock through open market and privately negotiated transactions or otherwise. The timing, pricing, and amount of any repurchases under the Program will be determined by management at its discretion based on a variety of factors, including, but not limited to, trading volume and market price of our common stock, corporate considerations, our working capital and investment requirements, general market and economic conditions, and legal requirements. The Program does not obligate us to repurchase any common stock and may be modified, discontinued, or suspended at any time without prior notice. We anticipate funding for this Program to come from available sources of liquidity, including cash on hand and future cash flow.

During the nine month period ended September 30, 2020, we repurchased 4,922,336 shares at an average price of \$18.96 under the Program. No shares have been repurchased since March 31, 2020. We had no stock repurchases during the first nine months of 2019. On October 22, 2020, we announced the resumption of stock repurchases under the Program.

### **Cash Dividends**

We declared cash dividends on our common stock of \$0.51 per share for the first nine months of 2020 compared to \$0.48 per share for the first nine months of 2019, an increase of \$0.03, or 6%. The timing and amount of future dividends are at the discretion of our Board of Directors and will depend upon our consolidated earnings, financial condition, liquidity and capital requirements, the amount of cash dividends paid to us by our subsidiaries, applicable government regulations and policies and other factors considered relevant by our Board of Directors. Our Board of Directors anticipates that we will continue to pay quarterly dividends in amounts determined based on the factors discussed above. However, there can be no assurance that we will continue to pay dividends on our common stock at the current levels or at all.

### **Parent Company Liquidity**

The primary liquidity needs of the Parent Company are the payment of dividends to shareholders and the funding of debt obligations and cash needs for acquisitions. The primary sources for meeting these liquidity needs are the current cash on hand at the parent company and the future dividends received from Simmons Bank. Payment of dividends by Simmons Bank is subject to various regulatory limitations. See the Liquidity and Market Risk Management discussions of Item 3 – Quantitative and Qualitative Disclosures About Market Risk for additional information regarding the parent company’s liquidity. The Company continually assesses its capital and liquidity needs and the best way to meet them, including, without limitation, through capital raising via, among other things, equity or debt offerings.

### **Risk Based Capital**

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

Quantitative measures established by regulation to ensure capital adequacy require us to maintain minimum amounts and ratios (set forth in the table below) of total, Tier 1 and common equity Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes that, as of September 30, 2020, we meet all capital adequacy requirements to which we are subject.

As of the most recent notification from regulatory agencies, the bank subsidiary was well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company and the Bank must maintain minimum total risk-based, Tier 1 risk-based, common equity Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's categories.

Our risk-based capital ratios at September 30, 2020 and December 31, 2019 are presented in Table 13 below:

**Table 13: Risk-Based Capital**

(Dollars in thousands)	September 30, 2020	December 31, 2019
Tier 1 capital:		
Stockholders' equity	\$ 2,942,241	\$ 2,988,924
CECL transition provision	134,798	—
Goodwill and other intangible assets	(1,167,357)	(1,160,079)
Unrealized gain on available-for-sale securities, net of income taxes	(41,509)	(20,891)
Total Tier 1 capital	1,868,173	1,807,954
Tier 2 capital:		
Trust preferred securities and subordinated debt	382,739	388,260
Qualifying allowance for credit losses and reserve for unfunded commitments	96,734	76,644
Total Tier 2 capital	479,473	464,904
Total risk-based capital	\$ 2,347,646	\$ 2,272,858
Risk weighted assets	\$ 14,878,932	\$ 16,554,081
Assets for leverage ratio	\$ 20,652,454	\$ 18,852,798
Ratios at end of period:		
Common equity Tier 1 ratio (CET1)	12.55 %	10.92 %
Tier 1 leverage ratio	9.05 %	9.59 %
Tier 1 leverage ratio, excluding average PPP loans (non-GAAP) <sup>(1)</sup>	9.49 %	N/A
Tier 1 risk-based capital ratio	12.56 %	10.92 %
Total risk-based capital ratio	15.78 %	13.73 %
Minimum guidelines:		
Common equity Tier 1 ratio (CET1)	4.50 %	4.50 %
Tier 1 leverage ratio	4.00 %	4.00 %
Tier 1 risk-based capital ratio	6.00 %	6.00 %
Total risk-based capital ratio	8.00 %	8.00 %

(1) PPP loans are 100% federally guaranteed and have a zero percent risk-weight for regulatory capital ratios. Tier 1 leverage ratio, excluding average PPP loans is a non-GAAP measurement.



## **Regulatory Capital Changes**

In December 2018, the Federal Reserve, Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation (“FDIC”) (collectively, the “agencies”) issued a final rule revising regulatory capital rules in anticipation of the adoption of ASU 2016-13 that provided an option to phase in over a three year period on a straight line basis the day-one impact of the adoption on earnings and Tier 1 capital (the “CECL Transition Provision”).

In March 2020 and in response to the COVID-19 pandemic, the agencies issued a new regulatory capital rule revising the CECL Transition Provision to delay the estimated impact on regulatory capital stemming from the implementation of ASU 2016-13. The rule provides banking organizations that implement CECL before the end of 2020 the option to delay for two years an estimate of CECL’s effect on regulatory capital, followed by a three-year transition period (the “2020 CECL Transition Provision”). The Company elected to apply the 2020 CECL Transition Provision.

In July 2013, the Company’s primary federal regulator, the Federal Reserve, published final rules (the “Basel III Capital Rules”) establishing a new comprehensive capital framework for U.S. banks. The rules implement the Basel Committee’s December 2010 framework known as “Basel III” for strengthening international capital standards. The Basel III Capital Rules introduced substantial revisions to the risk-based capital requirements applicable to bank holding companies and depository institutions.

The Basel III Capital Rules define the components of capital and address other issues affecting the numerator in banking institutions’ regulatory capital ratios. The rules also address risk weights and other issues affecting the denominator in banking institutions’ regulatory capital ratios and replace the existing risk-weighting approach with a more risk-sensitive approach.

The Basel III Capital Rules expanded the risk-weighting categories from four Basel I-derived categories (0%, 20%, 50% and 100%) to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset categories, including many residential mortgages and certain commercial real estate.

The final rules included a new common equity Tier 1 capital to risk-weighted assets ratio of 4.5% and a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets. The rules also raised the minimum ratio of Tier 1 capital to risk-weighted assets from 4.0% to 6.0% and require a minimum leverage ratio of 4.0%. The Basel III Capital Rules became effective for the Company and its subsidiary bank on January 1, 2015, with full compliance with all of the final rule’s requirements on January 1, 2019.

Prior to December 31, 2017, Tier 1 capital included common equity Tier 1 capital and certain additional Tier 1 items as provided under the Basel III Capital Rules. The Tier 1 capital for the Company consisted of common equity Tier 1 capital and trust preferred securities. The Basel III Capital Rules include certain provisions that require trust preferred securities to be phased out of qualifying Tier 1 capital when assets surpass \$15 billion. As of December 31, 2017, the Company exceeded \$15 billion in total assets and the grandfather provisions applicable to its trust preferred securities no longer apply and trust preferred securities are no longer included as Tier 1 capital. Trust preferred securities and qualifying subordinated debt of \$382.7 million is included as Tier 2 and total capital as of September 30, 2020.

## **RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

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

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this quarterly report may not be based on historical facts and should be considered “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by reference to a future period(s) or by the use of forward-looking terminology, such as “believe,” “budget,” “expect,” “foresee,” “anticipate,” “intend,” “indicate,” “target,” “estimate,” “plan,” “project,” “continue,” “contemplate,” “positions,” “prospects,” “predict,” or “potential,” by future conditional verbs such as “will,” “would,” “should,” “could,” “might” or “may,” or by variations of such words or by similar expressions. These forward-looking statements include, without limitation, those relating to the Company’s future growth, revenue, assets, asset quality, profitability and customer service, critical accounting policies, net interest margin, non-interest revenue, market conditions related to the Company’s stock repurchase program, acquisition strategy, balance sheet and liquidity management, NGB and other digital banking initiatives, the Company’s ability to recruit and retain key employees, the benefits associated with the Company’s early retirement program and branch closures, the adequacy of the allowance for credit losses, the ability of the Company to manage the impact of the COVID-19 pandemic, the effect of certain new accounting standards on the Company’s financial statements (including, without limitation, the CECL methodology and its anticipated effect on the provision and allowance for credit losses), income tax deductions, credit quality, the level of credit losses from lending commitments, net interest revenue, interest rate sensitivity, loan loss experience, liquidity, capital resources, market risk, earnings, effect of future litigation, legal and regulatory limitations and compliance and competition.

These forward-looking statements involve risks and uncertainties, and may not be realized due to a variety of factors, including, without limitation: changes in the Company’s operating, acquisition, or expansion strategy; the effects of future economic conditions (including unemployment levels and slowdowns in economic growth), governmental monetary and fiscal policies, as well as legislative and regulatory changes; changes in real estate values; the risks of changes in interest rates and their effects on the level and composition of deposits, loan demand and the values of loan collateral, securities and interest sensitive assets and liabilities; changes in the securities markets generally or the price of the Company’s common stock specifically; the effect of the steps the Company takes in response to COVID-19, the severity and duration of the pandemic, including whether there is a widespread resurgence in COVID-19 infections and whether the impact of the COVID-19 pandemic is exacerbated by the seasonal flu, the pace of recovery when the pandemic subsides and the heightened impact it has on many of the risks described herein; the effects of the COVID-19 pandemic on, among other things, the Company’s operations, liquidity, and credit quality; developments in information technology affecting the financial industry; cyber threats, attacks or events; reliance on third parties for key services; changes in the assumptions, forecasts, models, and methodology used to calculate the impact of CECL on the Company’s financial statements; possible adverse rulings, judgements, settlements and other outcomes of pending or future litigation or government actions (including litigation or actions arising from the Company’s participation in and administration of programs related to the COVID-19 pandemic (including, among other things, the PPP loan program authorized by the CARES Act)); the costs of evaluating possible acquisitions and the risks inherent in integrating acquisitions; the effects of competition from other commercial banks, thrifts, mortgage banking firms, consumer finance companies, credit unions, securities brokerage firms, insurance companies, money market and other mutual funds and other financial institutions operating in our market area and elsewhere, including institutions operating regionally, nationally and internationally, together with such competitors offering banking products and services by mail, telephone, computer and the internet; the failure of assumptions underlying the establishment of reserves for possible credit losses, fair value for loans, other real estate owned, and other cautionary statements set forth elsewhere in this report. Please also refer to the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of this quarterly report and the Company’s annual report on Form 10-K for the year ended December 31, 2019, and related disclosures in other filings, which have been filed with the SEC and are available on the SEC’s website at [www.sec.gov](http://www.sec.gov). Many of these factors are beyond our ability to predict or control, and actual results could differ materially from those in the forward-looking statements due to these factors and others. In addition, as a result of these and other factors, our past financial performance should not be relied upon as an indication of future performance.

We believe the expectations reflected in our forward-looking statements are reasonable, based on information available to us on the date hereof. However, given the described uncertainties and risks, we cannot guarantee our future performance or results of operations and you should not place undue reliance on these forward-looking statements. Any forward-looking statement speaks only as of the date hereof, and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, and all written or oral forward-looking statements attributable to us are expressly qualified in their entirety by this section.

## **GAAP RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**

The tables below present computations of core earnings (net income excluding non-core items {gain on sale of branches, merger related costs, early retirement program costs and the net one-time costs of branch right sizing}) (non-GAAP) and core diluted earnings per share (non-GAAP) as well as a computation of tangible book value per share (non-GAAP), tangible common equity to tangible assets (non-GAAP) and the core net interest margin (non-GAAP). Non-core items are included in financial results presented in accordance with generally accepted accounting principles (US GAAP). The tables below also present computations of certain figures that are exclusive of the impact of PPP loans: the ratios of common equity to total assets and tangible common equity to tangible assets, each adjusted for PPP loans (each non-GAAP), Tier 1 leverage ratio excluding average PPP loans (non-GAAP), net interest income and net interest margin, each adjusted for PPP loans and excess liquidity (each non-GAAP), and loan yield excluding PPP loans (non-GAAP).

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

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

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

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

We have \$1.190 billion and \$1.183 billion total goodwill and other intangible assets for the periods ended September 30, 2020 and December 31, 2019, respectively. Because our acquisition strategy has resulted in a high level of intangible assets, management believes useful calculations include tangible book value per share (non-GAAP) and tangible common equity to tangible assets (non-GAAP).

We believe the exclusion of PPP loans or their impact, as applicable, in expressing earnings and certain other financial measures provides a meaningful basis for period-to-period and company-to-company comparisons because PPP loans are 100% federally guaranteed and have very low interest rates. The Company’s non-GAAP financial measures that exclude PPP loans or their impact include the ratios of “common equity to total assets” and “tangible common equity to tangible assets,” each adjusted for PPP loans (each non-GAAP), “Tier 1 leverage ratio excluding average PPP loans” (non-GAAP), “core net interest income” and “net interest margin,” each adjusted for PPP loans and excess liquidity (each non-GAAP), and “loan yield excluding PPP loans” (non-GAAP). Management believes these non-GAAP presentations will assist investors and analysts in analyzing the core financial measures of the Company, including the performance of the Company’s loan portfolio and the Company’s regulatory capital position, and predicting future performance. Management and the Board of Directors utilize these non-GAAP financial measures for financial performance reporting and investor presentations of Company performance.

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

Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied and are not audited. To mitigate these limitations, we have procedures in place to identify and approve each item that qualifies as non-core to ensure that the Company's "core" results are properly reflected for period-to-period comparisons. Although these non-GAAP financial measures are frequently used by stakeholders in the evaluation of a company, they have limitations as analytical tools and should not be considered in isolation or as a substitute for analyses of results as reported under GAAP. In particular, a measure of earnings that excludes non-core items does not represent the amount that effectively accrues directly to stockholders (i.e., non-core items are included in earnings and stockholders' equity). Additionally, similarly titled non-GAAP financial measures used by other companies may not be computed in the same or similar fashion.

See Table 14 below for the reconciliation of non-GAAP financial measures, which exclude non-core items for the periods presented.

**Table 14: Reconciliation of Core Earnings (non-GAAP)**

(In thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income available to common stockholders	\$ 65,885	\$ 81,826	\$ 201,897	\$ 185,119
Non-core items:				
Gain on sale of branches	—	—	(8,093)	—
Merger related costs	902	2,556	3,800	11,548
Early retirement program	2,346	177	2,839	3,464
Branch right sizing	72	160	2,031	3,092
Tax effect <sup>(1)</sup>	(867)	(756)	(151)	(4,731)
Net non-core items	2,453	2,137	426	13,373
Core earnings (non-GAAP)	<u>\$ 68,338</u>	<u>\$ 83,963</u>	<u>\$ 202,323</u>	<u>\$ 198,492</u>
Diluted earnings per share <sup>(2)</sup>	\$ 0.60	\$ 0.84	\$ 1.83	\$ 1.94
Non-core items:				
Gain on sale of branches	—	—	(0.07)	—
Merger related costs	0.01	0.04	0.03	0.12
Early retirement program	0.02	—	0.02	0.04
Branch right sizing	—	—	0.02	0.03
Tax effect <sup>(1)</sup>	—	(0.01)	—	(0.05)
Net non-core items	0.03	0.03	—	0.14
Core diluted earnings per share (non-GAAP)	<u>\$ 0.63</u>	<u>\$ 0.87</u>	<u>\$ 1.83</u>	<u>\$ 2.08</u>

(1) Effective tax rate of 26.135%.

(2) See Note 17, Earnings Per Share, for number of shares used to determine EPS.

See Table 15 below for the reconciliation of core other income and core non-interest expense for the periods presented.

**Table 15: Reconciliation of Core Other Income and Core Non-Interest Expense (non-GAAP)**

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Other income	\$ 5,380	\$ 44,721	\$ 27,990	\$ 54,942
Gain on sale of banking operations	—	—	(8,093)	—
Branch right sizing	(370)	—	(370)	—
Core other income (non-GAAP)	<u>\$ 5,010</u>	<u>\$ 44,721</u>	<u>\$ 19,527</u>	<u>\$ 54,942</u>
Non-interest expense	\$ 118,949	\$ 106,865	\$ 365,360	\$ 319,017
Non-core items:				
Merger related costs	(902)	(2,556)	(3,800)	(11,548)
Early retirement program	(2,346)	(177)	(2,839)	(3,464)
Branch right sizing	(442)	(160)	(2,401)	(3,092)
Total non-core items	<u>(3,690)</u>	<u>(2,893)</u>	<u>(9,040)</u>	<u>(18,104)</u>
Core non-interest expense (non-GAAP)	<u>\$ 115,259</u>	<u>\$ 103,972</u>	<u>\$ 356,320</u>	<u>\$ 300,913</u>

See Table 16 below for the reconciliation of tangible book value per common share.

**Table 16: Reconciliation of Tangible Book Value per Common Share (non-GAAP)**

(In thousands, except per share data)	September 30, 2020	December 31, 2019
Total stockholders' equity	\$ 2,942,241	\$ 2,988,924
Preferred stock	(767)	(767)
Total common stockholders' equity	<u>2,941,474</u>	<u>2,988,157</u>
Intangible assets:		
Goodwill	(1,075,305)	(1,055,520)
Other intangible assets	(114,460)	(127,340)
Total intangibles	<u>(1,189,765)</u>	<u>(1,182,860)</u>
Tangible common stockholders' equity	<u>\$ 1,751,709</u>	<u>\$ 1,805,297</u>
Shares of common stock outstanding	<u>109,023,781</u>	<u>113,628,601</u>
Book value per common share	<u>\$ 26.98</u>	<u>\$ 26.30</u>
Tangible book value per common share (non-GAAP)	<u>\$ 16.07</u>	<u>\$ 15.89</u>

See Table 17 below for the calculation of tangible common equity and the reconciliation of tangible common equity to tangible assets.

**Table 17: Reconciliation of Tangible Common Equity and the Ratio of Tangible Common Equity to Tangible Assets (non-GAAP)**

(Dollars in thousands)	September 30, 2020	December 31, 2019
Total common stockholders' equity	\$ 2,941,474	\$ 2,988,157
Intangible assets:		
Goodwill	(1,075,305)	(1,055,520)
Other intangible assets	(114,460)	(127,340)
Total intangibles	(1,189,765)	(1,182,860)
Tangible common stockholders' equity	\$ 1,751,709	\$ 1,805,297
Total assets	\$ 21,437,395	\$ 21,259,143
Intangible assets:		
Goodwill	(1,075,305)	(1,055,520)
Other intangible assets	(114,460)	(127,340)
Total intangibles	(1,189,765)	(1,182,860)
Tangible assets	\$ 20,247,630	\$ 20,076,283
Paycheck Protection Program ("PPP") loans	(970,488)	
Total assets excluding PPP loans	\$ 20,466,907	
Tangible assets excluding PPP loans	\$ 19,277,142	
Ratio of common equity to assets	13.72 %	14.06 %
Ratio of tangible common equity to tangible assets (non-GAAP)	8.65 %	8.99 %
Ratio of common equity to assets excluding PPP loans (non-GAAP)	14.37 %	
Ratio of tangible common equity to tangible assets excluding PPP loans (non-GAAP)	9.09 %	

See Table 18 below for the calculation of Tier 1 leverage ratio excluding average PPP loans for the period presented.

**Table 18: Reconciliation of Tier 1 Leverage Ratio Excluding Average PPP Loans (non-GAAP)**

(Dollars in thousands)	Three Months Ended September 30, 2020
Total Tier 1 capital	\$ 1,868,173
Adjusted average assets for leverage ratio	\$ 20,652,454
Average PPP loans	(967,152)
Adjusted average assets excluding average PPP loans	\$ 19,685,302
Tier 1 leverage ratio	9.05 %
Tier 1 leverage ratio excluding average PPP loans (non-GAAP)	9.49 %

See Table 19 below for the calculation of core net interest margin and net interest margin adjusted for PPP loans and excess liquidity for the periods presented.

**Table 19: Reconciliation of Core Net Interest Margin (non-GAAP)**

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net interest income	\$ 153,610	\$ 149,264	\$ 484,774	\$ 434,687
FTE adjustment	2,864	1,843	7,519	5,150
Fully tax equivalent net interest income	156,474	151,107	492,293	439,837
Total accretable yield	(8,948)	(9,322)	(32,508)	(26,144)
Core net interest income	<u>\$ 147,526</u>	<u>\$ 141,785</u>	<u>\$ 459,785</u>	<u>\$ 413,693</u>
PPP loan and excess liquidity interest income	(6,131)			
Net interest income adjusted for PPP loans and excess liquidity	<u>\$ 150,343</u>			
Average earning assets – quarter-to-date	<u>\$ 19,415,314</u>	<u>\$ 15,680,665</u>	<u>\$ 19,172,318</u>	<u>\$ 15,174,671</u>
Average PPP loan balance and excess liquidity	<u>(2,359,928)</u>			
Average earning assets adjusted for PPP loans and excess liquidity	<u>\$ 17,055,386</u>			
Net interest margin	<u>3.21 %</u>	<u>3.82 %</u>	<u>3.43 %</u>	<u>3.88 %</u>
Core net interest margin (non-GAAP)	<u>3.02 %</u>	<u>3.59 %</u>	<u>3.20 %</u>	<u>3.64 %</u>
Net interest margin adjusted for PPP loans and excess liquidity (non-GAAP)	<u>3.51 %</u>			

See Table 20 below for the calculation of loan yield excluding PPP loans for the period presented.

**Table 20: Reconciliation of Loan Yield Excluding PPP Loans (non-GAAP)**

(Dollars in thousands)	Three Months Ended September 30, 2020
Loan interest income	\$ 163,379
PPP loan interest income	(5,782)
Loan interest income excluding PPP loans	<u>\$ 157,597</u>
Average loan balance	<u>\$ 14,315,014</u>
Average PPP loan balance	<u>(967,152)</u>
Average loan balance excluding PPP loans	<u>\$ 13,347,862</u>
Loan yield	4.54 %
Loan yield excluding PPP loans (non-GAAP)	4.70 %

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The Company has leveraged its investment in its subsidiary bank and depends upon the dividends paid to it, as the sole shareholder of the subsidiary bank, as a principal source of funds for dividends to shareholders, stock repurchases and debt service requirements. At September 30, 2020, undivided profits of Simmons Bank were approximately \$512.1 million, of which approximately \$105.0 million was available for the payment of dividends to the Company without regulatory approval. In addition to dividends, other sources of liquidity for the Company are the sale of equity securities and the borrowing of funds.

#### **Subsidiary Bank**

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

Liquidity represents an institution's ability to provide funds to satisfy demands from depositors and borrowers by either converting assets into cash or accessing new or existing sources of incremental funds. A major responsibility of management is to maximize net interest income within prudent liquidity constraints. Internal corporate guidelines have been established to constantly measure liquid assets as well as relevant ratios concerning earning asset levels and purchased funds. The management and Board of Directors of the subsidiary bank monitors these same indicators and makes adjustments as needed.

#### **Liquidity Management**

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

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

The first source of liquidity available to the Company is federal funds. Federal funds are available on a daily basis and are used to meet the normal fluctuations of a dynamic balance sheet. The Bank has approximately \$415 million in federal funds lines of credit from upstream correspondent banks that can be accessed, when needed. In order to ensure availability of these upstream funds we test these borrowing lines at least annually. Historical monitoring of these funds has made it possible for us to project seasonal fluctuations and structure our funding requirements on a month-to-month basis.

Second, Simmons Bank has lines of credit available with the Federal Home Loan Bank. While we use portions of those lines to match off longer-term mortgage loans, we also use those lines to meet liquidity needs. Approximately \$2.5 billion of these lines of credit are currently available, if needed, for liquidity.

A third source of liquidity is that we have the ability to access large wholesale deposits from both the public and private sector to fund short-term liquidity needs.

A fourth source of liquidity is the retail deposits available through our network of financial centers throughout Arkansas, Illinois, Kansas, Missouri, Oklahoma, Tennessee and Texas. Although this method can be a somewhat more expensive alternative to supplying liquidity, this source can be used to meet intermediate term liquidity needs.

Fifth, we use a laddered investment portfolio that ensures there is a steady source of intermediate term liquidity. These funds can be used to meet seasonal loan patterns and other intermediate term balance sheet fluctuations. Approximately 98.2% of the investment portfolio is classified as available-for-sale. We also use securities held in the securities portfolio to pledge when obtaining public funds.

Sixth, we have a network of downstream correspondent banks from which we can access debt to meet liquidity needs.

Finally, we have the ability to access funds through the Federal Reserve Bank Discount Window.



We believe the various sources available are ample liquidity for short-term, intermediate-term and long-term liquidity.

## Market Risk Management

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

## Interest Rate Sensitivity

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

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

As of September 30, 2020, the model simulations projected that 100 and 200 basis point increases in interest rates would result in a positive variance in net interest income of 4.58% and 9.48%, respectively, relative to the base case over the next 12 months, while decreases in interest rates of 25 basis points would result in a negative variance in net interest income of (0.52)% relative to the base case over the next 12 months. The likelihood of a decrease in interest rates in excess of 25 basis points as of September 30, 2020, is considered remote given current interest rate levels. These are good faith estimates and assume that the composition of our interest sensitive assets and liabilities existing at each period-end will remain constant over the relevant twelve month measurement period and that changes in market interest rates are instantaneous and sustained across the yield curve regardless of duration of pricing characteristics of specific assets or liabilities. Also, this analysis does not contemplate any actions that we might undertake in response to changes in market interest rates. We believe these estimates are not necessarily indicative of what actually could occur in the event of immediate interest rate increases or decreases of this magnitude. As interest-bearing assets and liabilities reprice in different time frames and proportions to market interest rate movements, various assumptions must be made based on historical relationships of these variables in reaching any conclusion. Since these correlations are based on competitive and market conditions, we anticipate that our future results will likely be different from the foregoing estimates, and such differences could be material.

The table below presents our sensitivity to net interest income at September 30, 2020:

**Table 21: Net Interest Income Sensitivity**

Interest Rate Scenario	% Change from Base
Up 200 basis points	9.48%
Up 100 basis points	4.58%
Down 25 basis points	(0.52)%

#### **Item 4. Controls and Procedures**

Management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act")) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's current disclosure controls and procedures were effective as of the end of the period covered by this report to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that the Company's disclosure controls and procedures will detect or uncover every situation involving the failure of persons within the Company or its subsidiary to disclose material information required to be set forth in the Company's periodic reports.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in the Company's internal controls over financial reporting during the quarter ended September 30, 2020, which materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### **Part II: Other Information**

##### **Item 1. Legal Proceedings**

In the ordinary course of its operations, the Company and its subsidiaries are parties to various legal proceedings. Based on the information presently available, and after consultation with legal counsel, management believes that the ultimate outcome in such proceedings, in the aggregate, will not have a material adverse effect on the business or the financial condition or results of operations of the Company.

##### **Item 1A. Risk Factors**

There have been no material changes in the risk factors faced by the Company from those disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 ("2019 Form 10-K"), as supplemented by the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020.

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

On October 22, 2019, we announced that our Board of Directors authorized a new stock repurchase program (“Program”) under which we may repurchase up to \$60,000,000 of our Class A common stock currently issued and outstanding. On March 5, 2020, we announced an amendment to the Program that increased the maximum amount that may be repurchased under the Program from \$60,000,000 to \$180,000,000. The Program will terminate on October 31, 2021 (unless terminated sooner) and replaced the previous stock repurchase program, which was announced on July 23, 2012, that authorized us to repurchase up to 1,700,000 shares of common stock. No shares have been repurchased under the Program since March 31, 2020. On October 22, 2020, we announced the resumption of stock repurchases under the Program. Market conditions and our capital needs will drive decisions regarding future, additional stock repurchases.

During the quarter ended September 30, 2020, we repurchased restricted stock in connection with employee tax withholding obligations under employee compensation plans. Information concerning our purchases of common stock is as follows:

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2020 - July 31, 2020	1,224	\$ 17.28	—	\$ 76,560,000
August 1, 2020 - August 31, 2020	—	—	—	\$ 76,560,000
September 1, 2020 - September 30, 2020	689	16.80	—	\$ 76,560,000
Total	1,913	\$ 17.10	—	

- (1) Total number of shares purchased consists of 1,913 shares of restricted stock repurchased in connection with employee tax withholding obligations under employee compensation plans, which are not purchases under any publicly announced plan.

## Item 6. Exhibits

Exhibit No.	Description
<a href="#">2.1</a>	Agreement and Plan of Merger, dated as of November 13, 2018, by and between Simmons First National Corporation and Reliance Bancshares, Inc., as amended on February 11, 2019 (incorporated by reference to Annex A to the Proxy Statement/Prospectus filed pursuant to Rule 424(b)(3) by Simmons First National Corporation for March 4, 2019 (File No. 333-229378)).
<a href="#">2.2</a>	Agreement and Plan of Merger, dated as of July 30, 2019, by and between Simmons First National Corporation and The Landrum Company (incorporated by reference to Exhibit 2.1 to Simmons First National Corporation’s Current Report on Form 8-K for July 30, 2019 (File No. 000-06253)).
<a href="#">3.1</a>	Amended and Restated Articles of Incorporation of Simmons First National Corporation, as amended on October 29, 2019 (incorporated by reference to Exhibit 3.1 to Simmons First National Corporation’s Current Report on Form 8-K filed November 1, 2019 (File No. 000-06253)).
<a href="#">3.2</a>	As Amended By-Laws of Simmons First National Corporation, as amended on October 21, 2020.*
<a href="#">4.1</a>	Instruments defining the rights of security holders, including indentures. Simmons First National Corporation hereby agrees to furnish copies of instruments defining the rights of holders of long-term debt of the Corporation and its consolidated subsidiaries to the U.S. Securities and Exchange Commission upon request. No issuance of debt exceeds ten percent of the total assets of the Corporation and its subsidiaries on a consolidated basis.
<a href="#">10.1</a>	Executive Severance Agreement for George Makris III dated July 28, 2020.*
<a href="#">10.2</a>	Executive Severance Agreement for John Barber dated July 24, 2020.*
<a href="#">14.1</a>	Amended and Restated Simmons First National Corporation Code of Ethics (as amended and restated on July 23, 2020) (incorporated by reference to Exhibit 14.1 to Simmons First National Corporation’s Current Report on Form 8-K filed July 28, 2020 (File No. 000-06253)).
<a href="#">15.1</a>	Awareness Letter of BKD, LLP.*
<a href="#">31.1</a>	Rule 13a-15(e) and 15d-15(e) Certification – George A. Makris, Jr., Chairman and Chief Executive Officer.*

<b>Exhibit No.</b>	<b>Description</b>
<a href="#"><u>31.2</u></a>	Rule 13a-15(e) and 15d-15(e) Certification – Robert A. Fehlman, Senior Executive Vice President, Chief Financial Officer, Chief Operating Officer and Treasurer.*
<a href="#"><u>31.3</u></a>	Rule 13a-15(e) and 15d-15(e) Certification – David W. Garner, Executive Vice President, Executive Director of Finance and Accounting and Chief Accounting Officer.*
<a href="#"><u>32.1</u></a>	Certification Pursuant to 18 U.S.C. Sections 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – George A. Makris, Jr., Chairman and Chief Executive Officer.*
<a href="#"><u>32.2</u></a>	Certification Pursuant to 18 U.S.C. Sections 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Robert A. Fehlman, Senior Executive Vice President, Chief Financial Officer, Chief Operating Officer and Treasurer.*
<a href="#"><u>32.3</u></a>	Certification Pursuant to 18 U.S.C. Sections 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – David W. Garner, Executive Vice President, Executive Director of Finance and Accounting and Chief Accounting Officer.*
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. **
101.SCH	Inline XBRL Taxonomy Extension Schema.**
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.**
101.DEF	InlineXBRL Taxonomy Extension Definition Linkbase.**
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase.**
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.**
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).**

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\* Filed herewith

\*\* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

## SIGNATURES

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

### SIMMONS FIRST NATIONAL CORPORATION

(Registrant)

Date: November 6, 2020

/s/ George A. Makris, Jr.

George A. Makris, Jr.

Chairman and Chief Executive Officer

Date: November 6, 2020

/s/ Robert A. Fehlman

Robert A. Fehlman

Senior Executive Vice President, Chief Financial Officer,

Chief Operating Officer and Treasurer

Date: November 6, 2020

/s/ David W. Garner

David W. Garner

Executive Vice President, Executive Director of Finance and

Accounting and Chief Accounting Officer

**BY-LAWS  
OF  
SIMMONS FIRST NATIONAL CORPORATION**

**ARTICLE I. OFFICES**

The principal office of the Corporation in the State of Arkansas shall be located at 501 Main Street in the City of Pine Bluff, County of Jefferson. The Corporation may have such other offices, either within or without the State of Arkansas, as the Board of Directors (herein, "Board") may designate or as the business of the Corporation may require from time to time.

The registered office of the Corporation required by The Arkansas Business Corporation Act of 1987, as amended, to be maintained in the State of Arkansas may be, but need not be, identical with the principal office in the State of Arkansas, and the address of the registered office may be changed from time to time by the Board.

**ARTICLE II. SHAREHOLDERS**

**Section 1. Annual Meeting.** The annual meeting of the shareholders, for the purpose of electing directors and such other business as may properly come before the meeting, shall be held on such date and at such place as the Board shall from time to time determine by resolution adopted at a regular meeting. If the day fixed for the annual meeting shall be a legal holiday in the State of Arkansas, such meeting shall be held on the next succeeding business day. If the election of directors shall not be held on the day designated for the annual meeting of the shareholders, or at any adjournment thereof, the Board shall cause the election to be held at a special meeting of the shareholders as soon thereafter as conveniently may be held.

**Section 2. Special Meetings.** Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the Chairman of the Board, Chief Executive Officer, President or by the Board, and shall be called by the Chairman of the Board or the President at the request of the holders of not less than one-tenth of all the outstanding shares of the Corporation entitled to vote at a meeting.

**Section 3. Place of Meeting.** The Board may designate any place, either within or without the State of Arkansas, as the place of meeting for any annual meeting or for any special meeting called by the Board. If no designation is made, the place of meeting shall be the principal office of the Corporation in the State of Arkansas.

**Section 4. Notice of Meeting.** Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting, unless one of the purposes of the meeting is to increase the authorized capital stock or bond indebtedness of the Corporation, in which case the notice shall be delivered not less than sixty (60) nor more than seventy-five (75) days prior to the date of the meeting, either personally or by mail, at the direction of the Chairman of the Board, the Chief Executive Officer, the President, or the Secretary, or the officer or persons calling the meeting of each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at the address as it appears on the stock transfer books of the Corporation, with postage thereon prepaid.

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**Section 5. Fixing of Record Date.** For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of the Corporation may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than seventy (70) days prior to the date of the meeting or action requiring a determination of shareholders. If no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board declaring such dividend is adopted, as the case may be, shall be the record date for such action. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply, in the absence of further Board action, to any adjournment of such meeting to a date not more than one hundred-twenty (120) days after the date of the original meeting. In the event of any adjournment of a meeting, the Board may set a new record date for such adjourned meeting and, in all events, shall establish a new record date if the meeting is adjourned to a date more than one hundred-twenty (120) days after the date of the original meeting.

**Section 6. Voting Lists.** The officer or agent having charge of stock transfer books for shares of the Corporation shall make a list of the shareholders who are entitled to notice of the meeting, or any adjournment thereof, arranged in alphabetical order, with the address and number of shares held by each shareholder. This list, shall be kept on file at the principal office of the Corporation, commencing not later than two (2) business days after the mailing of the notice of the meeting, and shall be subject to inspection and, subject to the provisions of A.C.A. 4-27-1602(c), copying by any shareholder, at the expense of the shareholder, at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder at any time during the meeting. The original stock transfer book shall be prima facie evidence as to who are the shareholders entitled to examine such lists or transfer books or to vote at any meeting of shareholders.

**Section 7. Quorum.** A majority of the votes entitled to be cast, represented in person or by proxy, shall constitute a quorum at a meeting of the shareholders. If less than a majority of the votes entitled to be cast are represented at a meeting, a majority of the votes so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The shareholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough votes to leave less than a quorum.

**Section 8. Proxies.** At all meetings of shareholders, a shareholder may vote by proxy executed in writing by the shareholder or by a duly authorized attorney in fact. Such proxy shall be filed with the Secretary of the Corporation before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

**Section 9. Voting of Shares.** Each outstanding share of Class A common stock shall be entitled to one vote upon each matter submitted to vote at a meeting of shareholders.

**Section 10. Voting of Shares by Certain Holders.** Shares standing in the name of another corporation may be voted by such officer, agent or proxy as the by-laws of such corporation may prescribe, or in the absence of such provision, as the Board of such corporation may determine.

Shares held by an administrator, executor, guardian or conservator may be voted by the fiduciary either in person or by proxy, without a transfer of such shares into such fiduciary's name. Shares standing in the name of a trustee may be voted by the trustee, either in person or by proxy, but no trustee shall be entitled to vote shares held as trustee without a transfer of such shares into the trustee's name.

Shares standing in the name of a receiver (including a trustee in bankruptcy) may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into the receiver's name, if authority to do so is contained in an appropriate order of the court by which such receiver was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

Shares of its stock held by its subsidiaries in a fiduciary capacity may be voted only by a co-fiduciary or by a person or persons designated in the instrument creating the fiduciary relationship. Shares of its own stock belonging to the Corporation or held by it or its subsidiaries in a fiduciary capacity shall not be voted, directly or indirectly, at any meeting, other than as specified above, and unless such shares may be voted by a co-fiduciary or designated as specified above, shall not be counted in determining the total number of outstanding shares at any given time.

**Section 11. Election of Directors.** (a) In an uncontested election, each nominee for director shall be elected by a majority of the votes cast by the shares present in person or represented by proxy at the meeting and entitled to vote thereon.

(b) In a contested election, each nominee for director shall be elected by a plurality of the votes cast by the shares present in person or represented by proxy at the meeting and entitled to vote thereon.

(c) If an incumbent director is a nominee in an uncontested election but is not thereby elected, the director shall immediately tender his or her resignation to the Board of Directors. The Board of Directors, through a process managed by the Nominating and Corporate Governance Committee, shall decide whether to accept such resignation no later than its next regularly scheduled Board meeting. Absent a compelling reason to do otherwise, the Board of Directors shall accept the resignation. The Board of Directors' decision and, if the resignation is not accepted, an explanation thereof shall be disclosed promptly in a current report filed on Form 8-K with the United States Securities and Exchange Commission.

(d) An "uncontested election" means an election in which the number of nominees for director is less than or equal to the number of directors to be elected. A "contested election" means an election in which the number of nominees for director is greater than the number of directors to be elected.

(e) Shareholders shall not be allowed to vote cumulatively for the election of Directors.

**Section 12. Business at Meetings of the Shareholders.** (a) *Annual Meetings.* (i) At an annual meeting of the shareholders, only business (including, without limitation, the nomination of persons to serve as directors) that is properly brought before the meeting shall be conducted. Business is properly brought before a meeting only if it is (A) specified in the Corporation's notice of meeting (or any supplements thereto), (B) brought before the meeting by or at the direction of the Board, or (C) brought by any Noticing Shareholder who (I) at the time of giving of the notice provided for in paragraph (a)(ii) of this Section 12, qualified as a Noticing Shareholder, (II) with respect to such business, is entitled to vote thereon, and (III) complies with all applicable notice procedures and other requirements set forth in this Section 12.

(ii) In order for a Noticing Shareholder to properly bring business (including, without limitation, the nomination of persons to serve as directors) before an annual meeting of the shareholders pursuant to clause (C) of paragraph (a)(i) of this Section 12, the Noticing Shareholder must have provided timely notice thereof in writing to the Secretary of the Corporation and the subject matter of such business (other than the nominations of persons to serve as directors) must constitute a proper matter for shareholder action at the meeting. A Noticing Shareholder's notice is timely only if it is delivered to the Secretary of the Corporation at the principal office of the Corporation in the State of Arkansas not later than the close of business on the 90<sup>th</sup> day nor earlier than the close of business on the 120<sup>th</sup> day prior to the first anniversary of the prior year's annual meeting of the shareholders. Notwithstanding the foregoing,



if the Corporation did not hold an annual meeting of the shareholders in the prior year or if the first anniversary of the prior year's annual meeting of the shareholders is more than 30 days before or after the date of the current year's annual meeting of the shareholders, a Noticing Shareholder's notice is timely only if it is delivered to the Secretary of the Corporation at the principal office of the Corporation in the State of Arkansas no later than the close of business on either the 10<sup>th</sup> day after the Corporation publicly announces the date of the current year's annual meeting of the shareholders or the 90<sup>th</sup> day before the date of the current year's annual meeting of the shareholders, whichever is later. In no event shall the adjournment or postponement of any meeting, or any announcement thereof, commence a new time period (or extend any time period) for the giving of a Noticing Shareholder's notice as described above.

(iii) A Noticing Shareholder's notice to the Secretary of the Corporation shall set forth:

- (A) with respect to each person whom the Noticing Shareholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (together with the rules and regulations promulgated thereunder, the "Exchange Act"), including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected;
- (B) with respect to business other than the nomination of persons to serve as directors, a brief description of the business proposed to be brought before the annual meeting of the shareholders, the text of the proposal or business (including the text of any resolutions and, if applicable, amendments to these By-Laws proposed for consideration), the reasons for conducting such business, and any material interest in such business of the Noticing Shareholder and the beneficial owner, if any, on whose behalf the proposal is made; and
- (C) with respect to the Noticing Shareholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made:
  - (a) the name and address of such shareholder (as they are listed in the Corporation's books) and any such beneficial owner;
  - (b) for each class or series, the number of shares of the Corporation's capital stock that are held of record or are beneficially owned by such shareholder and by any such beneficial owner;
  - (c) a description of any agreement, arrangement, or understanding between or among such shareholder and any such beneficial owner, any of their respective affiliates or associates, and any other persons (identifying their names) in connection with the business specified in the notice;
  - (d) a representation that such shareholder is a Noticing Shareholder entitled to vote at the annual meeting of the shareholders and intends to appear in person or by proxy at the meeting in order to present the business specified in the notice;
  - (e) a representation concerning whether such shareholder or any such beneficial owner is or intends to be a part of a group that intends to (1) deliver a proxy statement and/or form of proxy to holders of at least the percentage of the voting power of the Corporation's outstanding capital stock required to approve, adopt, elect, or otherwise take action with respect to the business specified in the notice and/or (2) otherwise solicit proxies from shareholders in support of such business; and
  - (f) any additional information concerning such shareholder, beneficial owner, director nominee, or the business specified in the notice that would be required to be disclosed in a proxy statement or other filing required to be made in connection with the solicitation of proxies in support of such nominee or business pursuant to Section 14 of the Exchange Act.

(iv) The Corporation may require the Noticing Shareholder giving notice under this Section 12(a) and the beneficial owner, if any, on whose behalf the proposal is made to provide any such other information as the Corporation may reasonably require to determine whether each item of business specified in the notice constitutes a proper matter for shareholder action at the annual meeting of the shareholders.

(b) *Special Meetings.* At a special meeting of the shareholders, only business that is specified in the Corporation's notice of meeting shall be conducted. If the Corporation's notice of a special meeting of the shareholders includes the election of directors as business to be conducted, then nominations of persons to serve as directors may only be made (i) by or at the direction of the Board or (ii) by any Noticing Shareholder who (A) qualified as a Noticing Shareholder at the time of giving of the notice provided for in this Section 12(b), (B) at the time of the special meeting of the shareholders, shall be entitled to vote at the meeting, and (C) complies with all notice procedures set forth in this Section 12(b). For a nomination to be properly made by a Noticing Shareholder under this Section 12(b), such shareholder must have delivered a written notice thereof that complies with the notice requirements of Section 12(a)(iii) to the Secretary of the Corporation at the principal office of the Corporation in the State of Arkansas not later than the close of business on the 10<sup>th</sup> day after the Corporation publicly announces the date of the date of the special meeting of the shareholders. In no event shall the adjournment or postponement of any meeting, or any announcement thereof, commence a new time period (or extend any time period) for the giving of a shareholder's notice as described above.

(c) *General.* (i) No business shall be conducted and no nominations for directors shall be made at an annual or special meeting of the shareholders except in accordance with the procedures set forth in this Section 12. Except as otherwise provided by law, the chairman of the meeting shall have the power to determine and declare to the meeting that a nomination or other matter of business was not properly brought in accordance with the procedures set forth in this Section 12. If the chairman makes such a determination and declaration, such nomination or other business shall be disregarded and not conducted.

(ii) Notwithstanding the foregoing provisions of this Section 12, unless otherwise required by law, if the Noticing Shareholder (or a qualified representative of such shareholder) does not appear at the annual or special meeting of the shareholders to present a nomination or other proposed business, such nomination shall be disregarded or such other proposed business shall not be conducted, notwithstanding that proxies in respect of such vote may have been received by the Corporation and counted for purposes of determining a quorum. For purposes of this paragraph (ii), to be considered a qualified representative of the Noticing Shareholder, a person must be a duly authorized officer, manager or partner of such shareholder or must be authorized by a writing executed by such shareholder or an electronic transmission delivered by such shareholder to act for such shareholder as proxy at the annual or special meeting of the shareholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the annual or special meeting of the shareholders.

(iii) Without limiting the foregoing provisions of this Section 12, a Noticing Shareholder shall also comply with all applicable requirements of the Exchange Act with respect to the matters set forth in this Section 12; provided, however, that any references in these By-Laws to the Exchange Act are not intended to and shall not limit any requirements applicable to nominations or proposals as to any other business to be considered pursuant to this Section 12, and compliance with paragraphs (a)(i)(C) and (b) of this Section 12 shall be the exclusive means for a Noticing Shareholder to make nominations or bring other business (other than as provided in Section 12(c)(iv)).

(iv) Notwithstanding anything to the contrary, the notice requirements in this Section 12 shall be deemed satisfied by a Noticing Shareholder with respect to business proposed by such shareholder to the Corporation if such proposal is submitted in compliance with Rule 14a-8 under the Exchange Act, and if the Corporation has included such shareholder's proposal in a proxy statement prepared by the Corporation to solicit proxies for an annual or special meeting of the shareholders.

(v) For purposes of this Section 12, a “Noticing Shareholder” means either a Record Holder or a Nominee Holder. A “Record Holder” means a shareholder of the Corporation who is a shareholder of record. A “Nominee Holder” means a person who holds shares of stock of the Corporation through a nominee or “street name” holder of record and can demonstrate to the Corporation such indirect ownership of such stock and such person’s authority to vote such stock.

### **ARTICLE III. BOARD OF DIRECTORS**

**Section 1. General Powers.** The business and affairs of the Corporation shall be managed by the Board.

**Section 2. Number, Tenure and Qualifications.** The number of directors with which this Corporation shall commence business shall be one, but the number of directors to be elected at the annual shareholders’ meeting shall be prescribed at said meeting, and shall be not less than five (5) nor more than twenty-five (25), the exact number within such minimum and maximum limits to be prescribed and determined from time to time by resolution of the shareholders at any meeting thereof, or by resolution of a majority of the Board. However, between shareholders’ meetings a majority of the Board may increase the number of directors by two (2) more than the number of directors last set by the shareholders, where such number was fifteen (15) or less, and by four (4) more than the number of directors last set by the shareholders, where such number was sixteen (16) or more, but in no event shall the number of directors exceed twenty-five (25). Each director shall hold office until the next annual meeting of the shareholders following the date of election and until a successor shall have been elected and qualified. Directors need not be residents of the State of Arkansas.

**Section 3. Advisory Directors.** The Board of this Corporation may elect individuals to serve as Advisory Directors, and they may attend meetings of the Board and may receive compensation for attendance. The Advisory Directors shall serve at the pleasure of the Board of this Corporation for such terms as the Board by resolution may establish. The function of such Advisory Directors shall be to advise and consult with the regular Board with respect to the affairs of the Corporation. Advisory Directors shall not be entitled to vote on matters which come before the Board or any committee thereof.

**Section 4. Regular Meetings.** The regular meetings of the Board shall be held, without notice, on the dates designated by resolution of the Board at the principal business office. When any regular meeting of the Board falls upon a holiday, the meeting shall be held the next business day unless the Board shall designate some other day.

**Section 5. Special Meetings.** Special meetings of the Board may be called by or at the request of the Chairman of the Board, the Chief Executive Officer, the President or any three (3) or more directors. The person or persons authorized to call special meetings of the Board may fix any place, either within or without the State of Arkansas, as the place for holding any special meeting of the Board called by them.

**Section 6. Notice.** Notice of any special meeting shall be given, when practicable in light of the circumstances, at least one day previously thereto by written notice delivered personally, deposited into the United States mail, or sent by telefacsimile, e-mail or electronic process. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, with postage thereon prepaid. If notice is given by telefacsimile, e-mail or electronic process such notice shall be deemed to be delivered upon transmission. Any director may waive notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at nor the purpose of any regular meeting of the Board need be specified in the notice or waiver of notice of such meeting.

**Section 7. Quorum and Voting.** A majority of the number of directors prescribed pursuant to Section 2 of this Article III shall constitute a quorum for the transaction of business at any meeting of the Board, but if less than such majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice. A vote of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board.

**Section 8. Manner of Meeting.** Any regular or special meeting may be conducted, in person or through the use of any means of electronic communication by which all directors participating may simultaneously hear each other during the meeting. If any meeting is held in which some or all of the directors participate therein through the use of electronic communication such director or directors shall be deemed to be present in person at the meeting.

**Section 9. Vacancies.** Any vacancy occurring in the Board may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board. A director elected to fill a vacancy shall be elected for the unexpired term of the predecessor in office. Any directorship to be filled by reason of an increase in the number of directors shall be filled by an election at an annual meeting or at a special meeting of shareholders called for that purpose, or by the directors at a regular or special meeting as authorized in Article III.

**Section 10. Compensation.** By resolution of the Board, the directors may be paid their expenses, if any, of attendance at each meeting of the Board or Board Committee, and may be paid a retainer plus a fixed sum for attendance at each meeting of the Board or Board Committee or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

**Section 11. Presumption of Assent.** A director of the Corporation who is present at a meeting of the Board at which action on any corporate matter is taken shall be presumed to have assented to the action taken, unless (1) the Director objects to holding the meeting or transacting business at the meeting, or (2) a dissent or abstention shall be entered in the minutes of the meeting, or (3) the director shall deliver a written notice of dissent or abstention to such action to the presiding officer of the meeting before adjournment or to the Corporation immediately after adjournment. Such right to dissent shall not apply to a director who voted in favor of such action.

**Section 12. Informal Action by Directors.** Any action required to be taken at a meeting of the directors, or any other action which may be taken at a meeting of the directors, may be taken without a meeting if a consent in writing, setting for the action so taken, shall be signed by all of the directors entitled to vote with respect to the subject matter thereof.

**Section 13. Lead Director.** There may be one independent director selected by the Board to be named Lead Director. Any director so elected shall preside at executive sessions of the directors, communicate with the Chief Executive Officer on any matters discussed by the directors in executive session, maintain the minutes of any executive session, and such other matters as directed by the directors. The Lead Director shall be elected annually at the first meeting of the directors after the annual meeting.

#### **ARTICLE IV. COMMITTEES**

**Section 1. Standing Committees.** The Corporation shall have five (5) standing committees, Executive Committee, Audit Committee, Compensation Committee, Nominating & Corporate Governance Committee and Risk Committee. Each standing committee shall consist of such number of directors as the Board may determine, provided that no committee shall have fewer than three (3) directors. All standing committees, except the Executive Committee and Risk Committee, shall consist of independent directors. The Board shall apply the independence criteria set forth in the applicable NASDAQ listing requirements and S.E.C. rules and regulations, noting the differing standards of independence that may be applicable to different committees or positions, as well any additional criteria that the Board may determine to be appropriate in assessing the independence of a director.

The size of each standing committee and the selection of the directors serving on each of the standing committees shall be determined by the Board annually. Each standing committee shall select a chairman and a secretary. The chairman shall preside over the meetings of the committee and the secretary shall record minutes of each meeting as a formal record of the deliberations and recommendations of the committee. Each standing committee shall meet in scheduled meetings as determined by the Board and upon call of the chairman or upon written request of two (2) or more members of the committee. Except for any executive sessions conducted by the committees, the Chairman of the Board and the Chief Executive Officer of the Corporation shall be authorized to attend all meetings of the standing committees.

The Board may delegate to any standing committee any of the powers and authority of the Board regarding management of the business and affairs of the Corporation, except those powers not subject to delegation as set forth in A.C.A. 4-27-825(e). Any decision made or action taken by any standing committee, based under such delegation, shall be reported to the Board at its next regular meeting.

**Section 2. Executive Committee.** The duties and responsibilities of the Executive Committee shall include, but shall not be limited to, the following:

- (1) Consult with the executive management regarding matters related to the policies and management decisions of the Corporation and its subsidiaries,
- (2) Monitor and assist, where desirable, in acquisition and merger matters,
- (3) Review and assist in the formulation of policies, and
- (4) Such other matters as may be delegated to the committee by the Board from time to time.

**Section 3. Audit Committee.** The Audit Committee shall assist the Board in fulfilling its responsibility to the Corporation's shareholders with respect to its oversight of:

- (1) The integrity and accuracy of the Corporation's financial statements;
- (2) The Corporation's process for monitoring compliance with financial reporting laws and regulations;
- (3) The Corporation's internal system of accounting and financial controls;
- (4) The Corporation's internal audit function and financial audit process;
- (5) The appointment, compensation, retention and evaluation of the Corporation's independent auditor and Chief Audit Executive; and
- (6) Such other matters as may be delegated to the committee by the Board from time to time.

The authority, duties and responsibilities of the committee shall be set forth in a Committee Charter adopted by the committee and approved by the Board.

**Section 4. Compensation Committee.** The Compensation Committee shall assist the Board in fulfilling its responsibility to the Corporation's shareholders with respect to its oversight of:

- (1) The Corporation's Human Resources Group in developing and implementing appropriate organizational plans and compensation philosophy for the Corporation and its subsidiaries;
- (2) The Corporation's Human Resources Group in developing and administering personnel-related policies, procedures, plans, agreements and programs for the Corporation and its subsidiaries;
- (3) The Corporation's overall compliance with applicable laws, rules and regulations in the area of human resources;
- (4) The recruitment, appointment and evaluation of the Chief Executive Officer and other senior executive officers comprising Management of the Corporation;

- (5) The compensation and benefit plans of the Chief Executive Officer and other senior executive officers comprising Management of the Corporation;
- (6) The Chief Executive Officer and Management succession planning process;
- (7) The form and amount of director compensation; and
- (8) Such other matters as may be delegated to the committee by the Board from time to time.

The authority, duties and responsibilities of the committee shall be set forth in a Committee Charter adopted by the committee and approved by the Board.

**Section 5. Nominating and Corporate Governance Committee.** The Nominating and Corporate Governance Committee shall assist the Board in fulfilling its responsibility to the Corporation's shareholders with respect to its oversight of:

- (1) The identification, evaluation and recommendation of prospective directors and advisory directors of the Corporation and its subsidiaries;
- (2) The evaluation of the existing directors and advisory directors of the Corporation and its subsidiaries;
- (3) The assignment of the existing directors and advisory directors of the Corporation and its subsidiaries to the various committees of the Board and the boards of the Corporation's subsidiaries;
- (4) The evaluation of the charters of the various committees of the Board and the boards of the Corporation's subsidiaries;
- (5) The development and continued review of a set of Corporate Governance Principles applicable to the Corporation and its subsidiaries;
- (6) The By-Laws of the Corporation and its subsidiaries; and
- (7) Such other matters as may be delegated to the committee by the Board from time to time.

The authority, duties and responsibilities of the committee shall be set forth in a Committee Charter adopted by the committee and approved by the Board.

**Section 6. Risk Committee.** The Risk Committee shall assist the Board in fulfilling its responsibility to the Corporation's shareholders with respect to its oversight of the Corporation's enterprise-wide risk management function (including, among other things, the identification, assessment, measurement, monitoring, and management of key risks to the Corporation and its subsidiaries), as well as such other matters as may be delegated to the committee by the Board from time to time.

The authority, duties and responsibilities of the committee shall be set forth in a Committee Charter adopted by the committee and approved by the Board.

**Section 7. Other Committees.** The Board may also appoint from among its own members such other committees as the Board may determine, which shall in each case consist of not less than three (3) directors, and which shall have such powers and duties as shall from time to time be prescribed by the Board. The Secretary shall maintain a list of the committees of the Corporation, as same exist from time to time, and attach a copy hereto as an Appendix.

**Section 8. Procedure.** A majority of the members of any committee may fix its rules of procedure. Upon the request of the Board, all actions by any committee shall be reported to the Board which actions shall be subject to revision, alteration and approval by the Board; provided that no rights or acts of third parties shall be affected by any such revision or alteration.

## **ARTICLE V. OFFICERS**

**Section 1. Number.** The officers of the Corporation shall be appointed or elected by the Board. The officers shall be a Chairman of the Board, a Chief Executive Officer, President, such number of Vice Chairman, Vice Presidents or other officers as the Board may from time to time determine, a Secretary, a Chief Financial Officer, a Treasurer, and a Controller. The Chairman of the Board shall preside at all meetings of the Board and stockholders and shall perform such other duties as may be assigned from time to time by the Board. In the absence of the Chairman or if such office shall be vacant, the lead director shall preside at all meetings of the Board and the Chief Executive Officer shall preside at all meetings of the stockholders. In the absence of a lead director, the Chief Executive Officer shall preside at all meetings of the Board, and in the absence of any of them, any other Board member designated by the Board may preside at all meetings of the stockholders and of the Board. The Board may appoint or elect a person as a Vice Chairman without regard to whether such person is a member of the Board. Any two or more offices may be held by the same person. The Secretary, or such officer as the Board may designate, shall maintain a list of the officers of the Corporation, as same exist from time to time and attach a copy hereto as an Appendix.

**Section 2. Election and Term of Office.** The officers of the Corporation to be elected by the Board shall be elected annually by the Board at the first meeting of the Board held after each annual meeting of the shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as is convenient. Each officer shall hold office until a successor shall have been duly elected and qualified or until such officer's death, resignation or removal in the manner hereinafter provided.

**Section 3. Removal.** Any officer or agent elected or appointed by the Board may be removed by the Board whenever, in its judgment, the best interests of the Corporation would be served thereby, but such removal shall be without prejudice as to any contract rights of the person so removed.

**Section 4. Vacancies.** A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board for the unexpired portion of the term.

**Section 5. Duties.** The officers, agents, and employees shall perform the duties and exercise the powers usually incident to the offices or positions held by them respectively, and such other duties and powers as may be assigned to them from time to time by the Board or the Chief Executive Officer.

**Section 6. Salaries.** The salaries of the Chairman of the Board and the Chief Executive Officer shall be fixed from time to time by the Board upon recommendation from the Compensation Committee. The salaries of the officers (other than the Chairman of the Board and the Chief Executive Officer) shall be presented from time to time by the Chief Executive Officer to the Compensation Committee and the Board for review and approval. No officer shall be prevented from receiving a salary due to service as a director of the Corporation.

## **ARTICLE VI. CONTRACTS, LOANS, CHECK AND DEPOSITS**

**Section 1. Contracts.** The Board may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of an on behalf of the Corporation, and such authority may be general or confined to specific instances.

**Section 2. Loans.** No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name, unless authorized by a resolution of the Board. Such authority may be general or confined to specific instances.

**Section 3. Checks, Drafts, etc.** All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall be determined by resolution of the Board.

**Section 4. Deposits.** All funds of the Corporation not otherwise employed shall be deposited to the credit of the Corporation in such banks, trust companies or other depositories as the Board may select.

## **ARTICLE VII. SHARES AND THEIR TRANSFER**

**Section 1. Shares.** The shares of the Corporation may be represented by certificates or may be uncertificated. The shares of stock of the Corporation shall be eligible for a Direct Registration Program operated by a clearing agency registered under Section 17A for the Securities Exchange Act of 1934, as amended.

**Section 2. Certificates of Shares.** Certificates representing shares of the Corporation shall be in such form as shall be determined by the Board. Such certificates shall be signed by the Chairman of the Board, Chief Executive Officer, President or a Vice-President and by the Secretary or an Assistant Secretary. All Certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except that in case of a lost, destroyed or mutilated certificate, a new one may be issued therefore upon such terms and indemnity to the Corporation as the Board may prescribe.

**Section 3. Uncertificated Shares.** The Corporation may issue shares of stock in the form of uncertificated shares. Any such uncertificated shares of stock shall be credited to a book entry account maintained by the Corporation (or its designee) on behalf of the shareholder. No shares for which certificates are outstanding shall be issued as uncertificated shares until and unless said certificates are surrendered to the Corporation, transfer agent or registrar on behalf of the Corporation. Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send the shareholder a written statement showing:

- (1) The name of the Corporation;
- (2) The state of its organization;
- (3) The name of the person or persons to whom the shares are issued;
- (4) The number and class of shares and the designation of the series, if any;
- (5) The par value of the shares, or if the shares have no par value, a statement of such fact;
- (6) If the Corporation is authorized to issue different classes of shares or different series within a class, a summary of the designations, relative rights, preferences, and limitations applicable to each class and the variations in rights, preferences, and limitations determined for each series (and the authority of the Board to determine variations for future series) or alternatively, a statement that the Corporation will furnish the shareholder this information, without charge, upon a request in writing;
- (7) Any restriction on the transfer or registration of transfer of the shares; and
- (8) Any other matters required by law.

**Section 4. Transfer of Shares.** The Board shall have power to appoint one or more transfer agents and registrars for the transfer and registration of shares of the Corporation's stock, to elect to participate in one or more Direct Registration Programs for uncertificated shares and may require that any certificates for stock or debentures shall be countersigned and registered by one or more of such transfer agents and registrars. Transfer of shares of the Corporation shall be made only on the stock records of the Corporation. Any transfer of certificated shares shall be accomplished by the holder of record thereof or by a legal representative thereof, who shall furnish proper evidence of authority to transfer, or by an attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation, and on surrender for cancellation of the certificate for such shares. Any transfer of uncertificated shares shall be accomplished in accordance with the applicable rules and regulations of a Direct Registration Program applicable to the shares of the Corporation. The person in whose name shares stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes.



## **ARTICLE VIII. MISCELLANEOUS PROVISIONS**

**Section 1. Fiscal Year.** The fiscal year of the Corporation shall be the calendar year; provided, however, that the Board shall have the power to fix and change the fiscal year of the Corporation.

**Section 2. Execution of Instruments.** All agreements, indentures, mortgages, deeds, conveyances, transfers, certificates, declaration, receipts, discharges, releases, satisfactions, settlements, petitions, schedules, accounts, affidavits, bonds, undertaking, proxies and other instruments or documents may be signed, executed, acknowledged, verified, delivered or accepted in behalf of the Corporation by the Chairman of the Board, Chief Executive Officer, President, any Vice President, or the Secretary. Any such instruments may also be executed, acknowledged, verified, delivered or accepted in behalf of the Corporation in such other manner and by such other officers as the Board may from time to time direct. The provisions of this Section are supplementary to any other provisions of these By-Laws.

**Section 3. Records.** The Articles of Incorporation, the By-Laws and proceedings of all meetings of the shareholders, the Board, standing committees of the Board, shall be recorded in appropriate minute books provided for that purpose. The minutes of each meeting shall be signed by the Secretary or other officers appointed to act as secretary of the meeting.

## **ARTICLE IX. INDEMNIFICATION OF DIRECTORS AND OFFICERS**

**Section 1. General.** This Corporation shall have the power to indemnify its directors, officers, employees and agents, and the directors, officers, employees and agents of the Corporation shall have the right to indemnity, to the extent and in the manner provided in the Arkansas Business Corporation Act, as amended.

**Section 2. Mandatory Indemnification.** Every person who was or is a party or is threatened to be made a party to or is involved in administrative or investigative, by reason of the fact that such person is or was a director or officer of the Corporation (or is or was serving at the request of the Corporation as a director or officer of another corporation, or as its representative in a partnership, joint venture, trust or other enterprise) shall be indemnified and held harmless to the fullest extent legally permissible under and pursuant to any procedure specified in the Arkansas Business Corporation Act, as amended and as the same may be amended hereafter, against all expenses, liabilities and losses (including attorney's fees, judgments, fines and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith. Such right of indemnification shall be a contract right that may be enforced in any lawful manner by such person, and the Corporation may in the discretion of the Board enter into indemnification agreements with its directors and officers. Such right of indemnification shall not be exclusive of any other right which such director or officer may have, or hereafter acquire, and, without limiting the generality of such statement, such director or officer shall be entitled to all rights of indemnification under any agreement, vote of shareholders, provision of law, or otherwise, as well as all rights under this section.

**Section 3. Insurance.** The Board may cause the Corporation to purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation (or is or was serving at the request of the Corporation as a director or officer of another corporation or as its representative in a partnership, joint venture, trust or other enterprise) against any liability asserted against such person and incurred in any such capacity or arising out of such status, whether or not the Corporation would have power to indemnify such person.

**Section 4. Indemnification for Expenses.** Expenses incurred by a director or officer of the Corporation in defending a civil or criminal action, suit or proceeding by reason of the fact that such person is, or was, a director or officer of the Corporation (or is or was serving at the Corporation's request as a director or officer of another corporation or as its representative in a partnership, joint venture, trust or other enterprise) shall be paid by the Corporation in advance of the final disposition such action, suit or proceeding (1) upon authorization (i) by the Board by a majority vote of a quorum consisting of directors who are not parties to the action, suit or proceeding, (ii) if such a quorum is not obtainable, or even if obtainable if a quorum of disinterested directors so directs, then by

independent legal counsel in a written opinion, or (iii) by the shareholders; and (2) upon receipt of an undertaking by, or on behalf of, such person to repay such amount, if it shall ultimately be determined that such officer or director is not entitled to be indemnified by the Corporation as authorized by relevant provisions of the Arkansas Business Corporation Act, as the same now exists or may hereafter be amended.

#### **ARTICLE X. DIVIDENDS**

The Board may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and its Articles of Incorporation.

#### **ARTICLE XI. SEAL**

The Board may provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the Corporation and the state of incorporation and the words "Corporate Seal."

#### **ARTICLE XII. WAIVER OF NOTICE**

Whenever any notice is required to be given to any shareholder or director of the Corporation under the provisions of the By-Laws, under the provisions of the Articles of Incorporation or under the provisions of any applicable law, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

#### **ARTICLE XIII. BY-LAWS**

**Section 1. Inspection.** A copy of the By-Laws, with all amendments thereto, shall at all times be kept in a convenient place at the principal business office of the Corporation, and shall be open for inspection to all shareholders, during business hours.

**Section 2. Amendments.** The By-Laws may be amended, altered or repealed, at any meeting of the Board, by a majority vote.

## EXECUTIVE SEVERANCE AGREEMENT

**THIS EXECUTIVE SEVERANCE AGREEMENT ("Agreement")** made and entered into on the 28<sup>th</sup> day of July, 2020, by and between Simmons First National Corporation (the "**Company**"), an Arkansas corporation, and George Makris III ("**Executive**").

### RECITALS:

The Company acknowledges that the Executive is to significantly contribute to the growth and success of the Company. As a publicly held corporation, a Change in Control of the Company may occur with or without the approval of the Board of Directors of the Company ("**Board**"). The Board also recognizes that the possibility of such a Change in Control may contribute to uncertainty on the part of senior management resulting in distraction from their operating responsibilities or in the departure of senior management.

The Board believes that outstanding management is critical to advancing the best interests of the Company and its shareholders. It is essential that the management of the Company's business be continued with a minimum of disruption during any proposed bid to acquire the Company or to engage in a business combination with the Company. The Company believes that the objective of securing and retaining outstanding management will be achieved if certain of the Company's senior management employees are given assurances of employment security so they will not be distracted by personal uncertainties and risks created by such circumstances.

NOW, THEREFORE, in consideration of the mutual covenants and obligations herein and the compensation the Company agrees herein to pay the Executive, and of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Executive agree as follows:

### ARTICLE 1 TERM OF AGREEMENT

**1.1 Term.** This Agreement shall become effective as of the date on which it is executed by the Company ("**Effective Date**"). The Agreement shall be effective for thirtysix months (36) and will automatically be extended for twelve (12) months as of each anniversary date of the Effective Date ("**Agreement Term**") unless the Agreement Term is terminated by the Company upon written notification to the Executive, within thirty (30) days before an anniversary date of the Effective Date, that the Agreement will terminate as of last day of the Agreement Term as in effect immediately prior to such anniversary date.

Unless the Company has effectively terminated this Agreement as prescribed above in this Section 1.1, in the event of a Change in Control, the Agreement Term shall be amended to twenty-four (24) months commencing upon the Change in Control Date and shall then expire at the end of such twenty-four (24) month period.

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**1.2 Change in Control.** Change in Control shall mean a change in ownership or control of the Company as defined in Treasury Regulation Section 1.409A-3(i)(5) or any subsequently applicable Treasury Regulation.

**1.3 Control Change Date.** Control Change Date means the date on which an event described in Section 1.2 occurs. If a Change in Control occurs on account of a series of transactions, the Control Change Date is the date of the last of such transactions.

## **ARTICLE 2**

### **TERMINATION OF EMPLOYMENT**

**2.1 General.** Executive shall be entitled to receive Termination Compensation, as defined in Section 2.5, according to this Article if:

- (a) the Executive's employment is involuntarily terminated as specified in Section 2.2, or
- (b) the Executive voluntarily terminates employment as specified in Section 2.3.

**2.2 Termination by the Company.** (a) Executive shall be entitled to receive Termination Compensation (as described in Section 2.5) if during an Agreement Term, Executive's employment is terminated by the Company without Cause on or after a Control Change Date.

(b) Executive shall be entitled to receive Termination Compensation (as described in Section 2.5) if during an Agreement Term, Executive's employment is terminated by the Company without Cause within the 180 days immediately preceding a Control Change Date.

(c) Cause, means, for purposes of this Agreement, (i) willful and continued failure by the Executive to perform his duties as established by the Board of Directors of the Company; (ii) a material breach by the Executive of his fiduciary duties of loyalty or care to the Company; (iii) conviction of a felony; or (iv) willful, flagrant, deliberate and repeated infractions of material published policies and procedures of the Company of which the Executive has actual knowledge ("**Cause Exception**"). If the Company desires to discharge the Executive under the Cause Exception, it shall give notice to the Executive as provided in Section 2.7 and the Executive shall have thirty (30) days after notice has been given to him in which to cure the reason for the Company's exercise of the Cause Exception. If the reason for the Company's exercise of the Cause Exception is timely cured by the Executive (as determined by a committee appointed by the Board of Directors), the Company's notice shall become null and void.

**2.3 Voluntary Termination.** Executive shall be entitled to receive Termination Compensation (as defined in Section 2.5) if a Change in Control occurs during an Agreement Term, and the Executive voluntarily terminates employment during an Agreement Term and within six (6) months following the occurrence of a Trigger Event.

**2.4 Trigger Event.** A Trigger Event means, for purposes of this Agreement, the occurrence of any one of the following events:

- (a) the failure by the Board to reelect or appoint the Executive to a position with duties, functions and responsibilities substantially equivalent to the position held by the Executive on the Control Change Date;
- (b) a material modification by the Board of the duties, functions responsibilities of the Executive without his consent;
- (c) the failure of the Company to permit the Executive to exercise such responsibilities as are consistent with the Executive's position and are of such a nature as are usually associated with such office of a corporation engaged in substantially the same business as the Company;
- (d) the Company requires the Executive to relocate his employment more than fifty (50) miles from his place of employment, without the consent of the Executive, excluding reasonably required business travel or temporary assignments for a reasonable period of time;
- (e) a reduction in Executive's compensation or benefits; or
- (f) the Company shall fail to make a payment when due to the Executive.

**2.5 Termination Compensation.** Termination Compensation equal to two times Executive's Base Period Income shall be paid in a single sum payment in cash. If at the time of the Executive's termination of employment the Executive is not a Specified Employee, then payment of the Termination Compensation to Executive shall be made on the later of the thirtieth (30<sup>th</sup>) business day after Executive's employment termination or the first day of the month following Executive's employment termination. If at the time of the Executive's termination of employment the Executive is a Specified Employee, then payment of the Termination Compensation to Executive shall be made on the first day of the seventh (7<sup>th</sup>) month following the Executive's employment termination.

**2.6 Base Period Income.** Executive's Base Period Income equals the sum of (i) his annual base salary as of Executive's termination date, and (ii) the greater of the average of any cash incentive bonus payable to Executive for the Company's last two completed fiscal years or the Executive's target bonus opportunity for the then current year under the Company's annual incentive plan.

**2.7 Notice of Termination.** Any termination by the Company under the Cause Exception or by the Executive after a Trigger Event shall be communicated by Notice of Termination to the other party hereto. A "**Notice of Termination**" shall be a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the termination date is other than the date of receipt of such notice, specifies the effective date of termination.

**2.8 Specified Employee.** Specified Employee is a key employee (as defined in section 416(i) of the Internal Revenue Code without regard to section 416(i)(5)) of the Employer (and all persons with whom the Employer would be considered a single employer under section 414(b) or 414(c) of the Internal Revenue Code) any stock of which is publicly traded on an established securities market or otherwise. For this purpose, an employee is a key employee if he or she meets the requirements of section 416(i) at any time during the calendar year. If a person is a key employee as of December 31 of any year, the person is treated as a specified employee for the 12-month period beginning on the first day of April of the next calendar year. The determination as to whether the stock is publicly traded on an established securities market or otherwise must be determined as of the date of the Employee's termination of employment.

### **ARTICLE 3 ATTORNEY'S FEES**

In the event that the Executive incurs any attorney's fees in protecting or enforcing his rights under this Agreement, the Company shall reimburse the Executive for such reasonable attorneys' fees and for any other reasonable expenses related thereto. Such reimbursement shall be made within thirty (30) days following final resolution of the dispute or occurrence giving rise to such fees and expenses.

### **ARTICLE 4 CONTINUATION OF COVERAGE OF INSURANCE PLANS**

At the termination of any period of coverage provided above, the Executive shall have the option to have assigned to him, at no cost and no apportionment of prepaid premiums, any assignable insurance owned by the Company and relating specifically to the Executive. The Company shall not be obligated to continue the Executive's participation in the Simmons First Endorsement Split-Dollar Life Insurance Program or provide any alternative benefits to such program after termination of the Executive's employment, except as specifically provided pursuant to the terms of the program documents governing such program.

**ARTICLE 5**  
**MITIGATION OF PAYMENT**

The Company and the Executive agree that, following the termination of employment by the Executive with Company, the Executive has no obligation to take any steps whatsoever to secure other employment and such failure by the Executive to search for or to find other employment upon termination from Company shall in no way impact the Executive's right to receive payment under any of the provisions of this Agreement.

**ARTICLE 6**  
**DECISIONS BY COMPANY; FACILITY OF PAYMENT**

Any powers granted to the Board hereunder may be exercised by a committee, appointed by the Board, and such committee, if appointed, shall have general responsibility for the administration and interpretation of this Agreement. If the Board or the committee shall find that any person to whom any amount is or was payable hereunder is unable to care for his affairs because of illness or accident, or has died, then the Board or the committee, if it so elects, may direct that any payment due him or his estate (unless a prior claim therefore has been made by a duly appointed legal representative) or any part thereof be paid or applied for the benefit of such person or to or for the benefit of his spouse, children or other dependents, an institution maintaining or having custody of such person, any other person deemed by the Board or committee to be a proper recipient on behalf of such person otherwise entitled to payment, or any of them, in such manner and proportion as the Board or committee may deem proper. Any such payment shall be in complete discharge of the liability of the Company therefor.

**ARTICLE 7**  
**INDEMNIFICATION**

The Company shall indemnify the Executive during his employment and thereafter to the maximum extent permitted by applicable law for any and all liability of the Executive arising out of, or in connection with, his employment by the Company or membership on the Board; provided, that in no event shall such indemnity of the Executive at any time during the period of his employment by the Company be less than the maximum indemnity provided by the Company at any time during such period to any other officer or director under an indemnification insurance policy or the bylaws or charter of the Company or by agreement.

**ARTICLE 8**  
**SOURCE OF PAYMENTS; NO TRUST**

The obligations of the Company to make payments hereunder shall constitute an unsecured liability of the Company to the Executive. Such payments shall be from the general funds of the Company, and the Company shall not be required to establish or maintain any special or separate fund, or otherwise to segregate assets to assure that such payments shall be made, and neither the Executive nor his designated beneficiary shall have any interest in any particular asset of the Company by reason of its obligations hereunder. Nothing contained in this Agreement shall create or be construed as creating a trust of any kind or any other fiduciary relationship between the Company and the Executive or any other person. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

**ARTICLE 9**  
**REDUCTION IN BENEFITS, EXCISE TAX**

In the event that the severance and other benefits provided for in this Agreement or otherwise payable to Executive (i) constitute "parachute payments" within the meaning of Section 280G of the Code and (ii) but for this Article 9, would be subject to the excise tax imposed by Section 4999 of the Code, then Executive's payments and benefits will be either:

(a) delivered in full, or

(b) delivered as to such lesser extent which would result in no portion of such severance benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by Executive on an after-tax basis, of the greatest amount of severance benefits, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code.

If a reduction in severance and other payments and benefits constituting "parachute payments" is necessary so that benefits are delivered to a lesser extent, reduction will occur in the following order: (i) reduction of cash payments; (ii) cancellation of awards granted "contingent on a change in ownership or control" (within the meaning of Code Section 280G), (iii) cancellation of accelerated vesting of equity awards, and (iv) reduction of employee benefits. In the event that acceleration of vesting of equity award compensation is to be reduced, such acceleration of vesting will be cancelled in the reverse order of the date of grant of Executive's equity awards.

Any determination required under this Article 9 will be made in writing by the Company's independent tax accountants engaged by the Company for general tax purposes immediately prior to the Change in Control (the "**Accountants**"), whose good faith determination will be conclusive and binding upon Executive and the Company for all purposes. If the tax accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, or if such firm otherwise cannot perform the calculations, the Company shall appoint a nationally recognized independent registered public accounting firm to make the determinations required hereunder. For purposes of



making the calculations, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Executive will furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Company will bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Article 9.

#### **ARTICLE 10 SEVERABILITY**

All agreements and covenants contained herein are severable, and in the event any of them shall be held to be invalid by any competent court, this Agreement shall be interpreted as if such invalid agreements or covenants were not contained herein.

#### **ARTICLE 11 ASSIGNMENT PROHIBITED**

This Agreement is personal to each of the parties hereto, and neither party may assign nor delegate any of his or its rights or obligations hereunder except as specified in Article 16. Any attempt to assign any rights or delegate any obligations under this Agreement shall be void.

#### **ARTICLE 12 NO ATTACHMENT**

Except as otherwise provided in this Agreement or required by applicable law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy, or similar process or assignment by operation of law and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect.

#### **ARTICLE 13 HEADINGS**

The headings of articles, paragraphs and sections herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

**ARTICLE 14**  
**GOVERNING LAW**

The parties intend that this Agreement and the performance hereunder and all suits and special proceedings hereunder shall be construed in accordance with and under and pursuant to the laws of the State of Arkansas, and that in any action, special proceeding or other proceeding that may be brought arising out of, in connection with, or by reason of this Agreement, the laws of the State of Arkansas, shall be applicable and shall govern to the exclusion of the law of any other forum, without regard to the jurisdiction in which any action or special proceeding may be instituted.

**ARTICLE 15**  
**BINDING EFFECT**

This Agreement shall be binding upon, and inure to the benefit of, the Executive and his heirs, executors, administrators and legal representatives and the Company and its permitted successors and assigns.

**ARTICLE 16**  
**MERGER OR CONSOLIDATION**

The Company will not consolidate or merge into or with another corporation, or transfer all or substantially all of its assets to another corporation (the "Successor Corporation") unless the Successor Corporation shall assume this Agreement, and upon such assumption, the Executive and the Successor Corporation shall become obligated to perform the terms and conditions of this Agreement.

**ARTICLE 17**  
**ENTIRE AGREEMENT**

This Agreement expresses the whole and entire agreement between the parties with reference to Executive's severance and, as of the effective date hereof, supersedes and replaces any prior employment agreement, understanding or arrangement (whether written or oral) between the Company and the Executive on this subject. Each of the parties hereto has relied on his or its own judgment in entering into this Agreement.

## **ARTICLE 18**

### **NOTICES**

All notices, requests and other communications to any party under this Agreement shall be in writing and shall be given to such party at its address set forth below or such other address as such party may hereafter specify for the purpose by notice to the other party:

- (a) If to the Executive:

George Makris III  
601 E 3rd Street  
Little Rock, AR 72201
  
- (b) If to the Company:

Simmons First National Corporation  
Attention: Chairman  
501 Main Street  
P.O. Box 7009  
Pine Bluff, Arkansas 71611

Each such notice, request or other communication shall be effective (i) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (ii) if given by any other means, when delivered at the address specified in this Article 18.

## **ARTICLE 19**

### **MODIFICATION OF AGREEMENT**

No waiver or modification of this Agreement or of any covenant, condition, or limitation herein contained shall be valid unless in writing and duly executed by the party to be charged therewith. No evidence of any waiver of modification shall be offered or received in evidence at any proceeding, arbitration, or litigation between the parties hereto arising out of or affecting this Agreement, or the rights or obligations of the parties hereunder, unless such waiver or modification is in writing, duly executed as aforesaid. The parties further agree that the provisions of this Article 19 may not be waived except as herein set forth.

## **ARTICLE 20**

### **TAXES**

To the extent required by applicable law, the Company shall deduct and withhold all necessary Social Security taxes and all necessary federal and state withholding taxes and any other similar sums required by laws to be withheld from any payments made pursuant to the terms of this Agreement. This term shall be construed in conjunction with Article 9 and shall not supersede or modify it in any way.

**ARTICLE 21  
RECITALS**

The Recitals to this Agreement are incorporated herein and shall constitute an integral part of this Agreement  
IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

**EXECUTIVE:**

/s/ George A. Makris III

\_\_\_\_\_  
George A. Makris III

**COMPANY:**

**SIMMONS FIRST NATIONAL CORPORATION**

By: /s/ Jena Compton

\_\_\_\_\_  
Title: EVP Chief People and Strategy Officer

## EXECUTIVE SEVERANCE AGREEMENT

**THIS EXECUTIVE SEVERANCE AGREEMENT ("Agreement")** made and entered into on the 24<sup>th</sup> day of July, 2020, by and between Simmons First National Corporation (the "**Company**"), an Arkansas corporation, and John Barber ("**Executive**").

### RECITALS:

The Company acknowledges that the Executive is to significantly contribute to the growth and success of the Company. As a publicly held corporation, a Change in Control of the Company may occur with or without the approval of the Board of Directors of the Company ("**Board**"). The Board also recognizes that the possibility of such a Change in Control may contribute to uncertainty on the part of senior management resulting in distraction from their operating responsibilities or in the departure of senior management.

The Board believes that outstanding management is critical to advancing the best interests of the Company and its shareholders. It is essential that the management of the Company's business be continued with a minimum of disruption during any proposed bid to acquire the Company or to engage in a business combination with the Company. The Company believes that the objective of securing and retaining outstanding management will be achieved if certain of the Company's senior management employees are given assurances of employment security so they will not be distracted by personal uncertainties and risks created by such circumstances.

NOW, THEREFORE, in consideration of the mutual covenants and obligations herein and the compensation the Company agrees herein to pay the Executive, and of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Executive agree as follows:

### ARTICLE 1 TERM OF AGREEMENT

**1.1 Term.** This Agreement shall become effective as of the date on which it is executed by the Company ("**Effective Date**"). The Agreement shall be effective for thirtysix months (36) and will automatically be extended for twelve (12) months as of each anniversary date of the Effective Date ("**Agreement Term**") unless the Agreement Term is terminated by the Company upon written notification to the Executive, within thirty (30) days before an anniversary date of the Effective Date, that the Agreement will terminate as of last day of the Agreement Term as in effect immediately prior to such anniversary date.

Unless the Company has effectively terminated this Agreement as prescribed above in this Section 1.1, in the event of a Change in Control, the Agreement Term shall be amended to twenty-four (24) months commencing upon the Change in Control Date and shall then expire at the end of such twenty-four (24) month period.

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**1.2 Change in Control.** Change in Control shall mean a change in ownership or control of the Company as defined in Treasury Regulation Section 1.409A-3(i)(5) or any subsequently applicable Treasury Regulation.

**1.3 Control Change Date.** Control Change Date means the date on which an event described in Section 1.2 occurs. If a Change in Control occurs on account of a series of transactions, the Control Change Date is the date of the last of such transactions.

## **ARTICLE 2 TERMINATION OF EMPLOYMENT**

**2.1 General.** Executive shall be entitled to receive Termination Compensation, as defined in Section 2.5, according to this Article if:

- (a) the Executive's employment is involuntarily terminated as specified in Section 2.2, or
- (b) the Executive voluntarily terminates employment as specified in Section 2.3.

**2.2 Termination by the Company.** (a) Executive shall be entitled to receive Termination Compensation (as described in Section 2.5) if during an Agreement Term, Executive's employment is terminated by the Company without Cause on or after a Control Change Date.

(b) Executive shall be entitled to receive Termination Compensation (as described in Section 2.5) if during an Agreement Term, Executive's employment is terminated by the Company without Cause within the 180 days immediately preceding a Control Change Date.

(c) Cause, means, for purposes of this Agreement, (i) willful and continued failure by the Executive to perform his duties as established by the Board of Directors of the Company; (ii) a material breach by the Executive of his fiduciary duties of loyalty or care to the Company; (iii) conviction of a felony; or (iv) willful, flagrant, deliberate and repeated infractions of material published policies and procedures of the Company of which the Executive has actual knowledge ("**Cause Exception**"). If the Company desires to discharge the Executive under the Cause Exception, it shall give notice to the Executive as provided in Section 2.7 and the Executive shall have thirty (30) days after notice has been given to him in which to cure the reason for the Company's exercise of the Cause Exception. If the reason for the Company's exercise of the Cause Exception is timely cured by the Executive (as determined by a committee appointed by the Board of Directors), the Company's notice shall become null and void.

**2.3 Voluntary Termination.** Executive shall be entitled to receive Termination Compensation (as defined in Section 2.5) if a Change in Control occurs during an Agreement Term, and the Executive voluntarily terminates employment during an Agreement Term and within six (6) months following the occurrence of a Trigger Event.

**2.4 Trigger Event.** A Trigger Event means, for purposes of this Agreement, the occurrence of any one of the following events:

- (a) the failure by the Board to reelect or appoint the Executive to a position with duties, functions and responsibilities substantially equivalent to the position held by the Executive on the Control Change Date;
- (b) a material modification by the Board of the duties, functions responsibilities of the Executive without his consent;
- (c) the failure of the Company to permit the Executive to exercise such responsibilities as are consistent with the Executive's position and are of such a nature as are usually associated with such office of a corporation engaged in substantially the same business as the Company;
- (d) the Company requires the Executive to relocate his employment more than fifty (50) miles from his place of employment, without the consent of the Executive, excluding reasonably required business travel or temporary assignments for a reasonable period of time;
- (e) a reduction in Executive's compensation or benefits; or
- (f) the Company shall fail to make a payment when due to the Executive.

**2.5 Termination Compensation.** Termination Compensation equal to two times Executive's Base Period Income shall be paid in a single sum payment in cash. If at the time of the Executive's termination of employment the Executive is not a Specified Employee, then payment of the Termination Compensation to Executive shall be made on the later of the thirtieth (30<sup>th</sup>) business day after Executive's employment termination or the first day of the month following Executive's employment termination. If at the time of the Executive's termination of employment the Executive is a Specified Employee, then payment of the Termination Compensation to Executive shall be made on the first day of the seventh (7<sup>th</sup>) month following the Executive's employment termination.

**2.6 Base Period Income.** Executive's Base Period Income equals the sum of (i) his annual base salary as of Executive's termination date, and (ii) the greater of the average of any cash incentive bonus payable to Executive for the Company's last two completed fiscal years or the Executive's target bonus opportunity for the then current year under the Company's annual incentive plan.

**2.7 Notice of Termination.** Any termination by the Company under the Cause Exception or by the Executive after a Trigger Event shall be communicated by Notice of Termination to the other party hereto. A "**Notice of Termination**" shall be a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the termination date is other than the date of receipt of such notice, specifies the effective date of termination.

**2.8 Specified Employee.** Specified Employee is a key employee (as defined in section 416(i) of the Internal Revenue Code without regard to section 416(i)(5)) of the Employer (and all persons with whom the Employer would be considered a single employer under section 414(b) or 414(c) of the Internal Revenue Code) any stock of which is publicly traded on an established securities market or otherwise. For this purpose, an employee is a key employee if he or she meets the requirements of section 416(i) at any time during the calendar year. If a person is a key employee as of December 31 of any year, the person is treated as a specified employee for the 12-month period beginning on the first day of April of the next calendar year. The determination as to whether the stock is publicly traded on an established securities market or otherwise must be determined as of the date of the Employee's termination of employment.

### **ARTICLE 3 ATTORNEY'S FEES**

In the event that the Executive incurs any attorney's fees in protecting or enforcing his rights under this Agreement, the Company shall reimburse the Executive for such reasonable attorneys' fees and for any other reasonable expenses related thereto. Such reimbursement shall be made within thirty (30) days following final resolution of the dispute or occurrence giving rise to such fees and expenses.

### **ARTICLE 4 CONTINUATION OF COVERAGE OF INSURANCE PLANS**

At the termination of any period of coverage provided above, the Executive shall have the option to have assigned to him, at no cost and no apportionment of prepaid premiums, any assignable insurance owned by the Company and relating specifically to the Executive. The Company shall not be obligated to continue the Executive's participation in the Simmons First Endorsement Split-Dollar Life Insurance Program or provide any alternative benefits to such program after termination of the Executive's employment, except as specifically provided pursuant to the terms of the program documents governing such program.



**ARTICLE 5**  
**MITIGATION OF PAYMENT**

The Company and the Executive agree that, following the termination of employment by the Executive with Company, the Executive has no obligation to take any steps whatsoever to secure other employment and such failure by the Executive to search for or to find other employment upon termination from Company shall in no way impact the Executive's right to receive payment under any of the provisions of this Agreement.

**ARTICLE 6**  
**DECISIONS BY COMPANY; FACILITY OF PAYMENT**

Any powers granted to the Board hereunder may be exercised by a committee, appointed by the Board, and such committee, if appointed, shall have general responsibility for the administration and interpretation of this Agreement. If the Board or the committee shall find that any person to whom any amount is or was payable hereunder is unable to care for his affairs because of illness or accident, or has died, then the Board or the committee, if it so elects, may direct that any payment due him or his estate (unless a prior claim therefore has been made by a duly appointed legal representative) or any part thereof be paid or applied for the benefit of such person or to or for the benefit of his spouse, children or other dependents, an institution maintaining or having custody of such person, any other person deemed by the Board or committee to be a proper recipient on behalf of such person otherwise entitled to payment, or any of them, in such manner and proportion as the Board or committee may deem proper. Any such payment shall be in complete discharge of the liability of the Company therefor.

**ARTICLE 7**  
**INDEMNIFICATION**

The Company shall indemnify the Executive during his employment and thereafter to the maximum extent permitted by applicable law for any and all liability of the Executive arising out of, or in connection with, his employment by the Company or membership on the Board; provided, that in no event shall such indemnity of the Executive at any time during the period of his employment by the Company be less than the maximum indemnity provided by the Company at any time during such period to any other officer or director under an indemnification insurance policy or the bylaws or charter of the Company or by agreement.

**ARTICLE 8**  
**SOURCE OF PAYMENTS; NO TRUST**

The obligations of the Company to make payments hereunder shall constitute an unsecured liability of the Company to the Executive. Such payments shall be from the general funds of the Company, and the Company shall not be required to establish or maintain any special or separate fund, or otherwise to segregate assets to assure that such payments shall be made, and neither the Executive nor his designated beneficiary shall have any interest in any particular asset of the Company by reason of its obligations hereunder. Nothing contained in this Agreement shall create or be construed as creating a trust of any kind or any other fiduciary relationship between the Company and the Executive or any other person. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

**ARTICLE 9**  
**REDUCTION IN BENEFITS, EXCISE TAX**

In the event that the severance and other benefits provided for in this Agreement or otherwise payable to Executive (i) constitute "parachute payments" within the meaning of Section 280G of the Code and (ii) but for this Article 9, would be subject to the excise tax imposed by Section 4999 of the Code, then Executive's payments and benefits will be either:

(a) delivered in full, or

(b) delivered as to such lesser extent which would result in no portion of such severance benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by Executive on an after-tax basis, of the greatest amount of severance benefits, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code.

If a reduction in severance and other payments and benefits constituting "parachute payments" is necessary so that benefits are delivered to a lesser extent, reduction will occur in the following order: (i) reduction of cash payments; (ii) cancellation of awards granted "contingent on a change in ownership or control" (within the meaning of Code Section 280G), (iii) cancellation of accelerated vesting of equity awards, and (iv) reduction of employee benefits. In the event that acceleration of vesting of equity award compensation is to be reduced, such acceleration of vesting will be cancelled in the reverse order of the date of grant of Executive's equity awards.

Any determination required under this Article 9 will be made in writing by the Company's independent tax accountants engaged by the Company for general tax purposes immediately prior to the Change in Control (the "**Accountants**"), whose good faith determination will be conclusive and binding upon Executive and the Company for all purposes. If the tax accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, or if such firm otherwise cannot perform the calculations, the Company shall appoint a nationally recognized independent registered public accounting firm to make the determinations required hereunder. For purposes of

making the calculations, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Executive will furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Company will bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Article 9.

#### **ARTICLE 10 SEVERABILITY**

All agreements and covenants contained herein are severable, and in the event any of them shall be held to be invalid by any competent court, this Agreement shall be interpreted as if such invalid agreements or covenants were not contained herein.

#### **ARTICLE 11 ASSIGNMENT PROHIBITED**

This Agreement is personal to each of the parties hereto, and neither party may assign nor delegate any of his or its rights or obligations hereunder except as specified in Article 16. Any attempt to assign any rights or delegate any obligations under this Agreement shall be void.

#### **ARTICLE 12 NO ATTACHMENT**

Except as otherwise provided in this Agreement or required by applicable law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy, or similar process or assignment by operation of law and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect.

#### **ARTICLE 13 HEADINGS**

The headings of articles, paragraphs and sections herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

**ARTICLE 14**  
**GOVERNING LAW**

The parties intend that this Agreement and the performance hereunder and all suits and special proceedings hereunder shall be construed in accordance with and under and pursuant to the laws of the State of Arkansas, and that in any action, special proceeding or other proceeding that may be brought arising out of, in connection with, or by reason of this Agreement, the laws of the State of Arkansas, shall be applicable and shall govern to the exclusion of the law of any other forum, without regard to the jurisdiction in which any action or special proceeding may be instituted.

**ARTICLE 15**  
**BINDING EFFECT**

This Agreement shall be binding upon, and inure to the benefit of, the Executive and his heirs, executors, administrators and legal representatives and the Company and its permitted successors and assigns.

**ARTICLE 16**  
**MERGER OR CONSOLIDATION**

The Company will not consolidate or merge into or with another corporation, or transfer all or substantially all of its assets to another corporation (the "Successor Corporation") unless the Successor Corporation shall assume this Agreement, and upon such assumption, the Executive and the Successor Corporation shall become obligated to perform the terms and conditions of this Agreement.

**ARTICLE 17**  
**ENTIRE AGREEMENT**

This Agreement expresses the whole and entire agreement between the parties with reference to Executive's severance and, as of the effective date hereof, supersedes and replaces any prior employment agreement, understanding or arrangement (whether written or oral) between the Company and the Executive on this subject. Each of the parties hereto has relied on his or its own judgment in entering into this Agreement.

## **ARTICLE 18**

### **NOTICES**

All notices, requests and other communications to any party under this Agreement shall be in writing and shall be given to such party at its address set forth below or such other address as such party may hereafter specify for the purpose by notice to the other party:

- (a) If to the Executive: George Makris III  
601 E 3rd Street  
Little Rock, AR 72201
- (b) If to the Company: Simmons First National Corporation  
Attention: Chairman  
501 Main Street  
P.O. Box 7009  
Pine Bluff, Arkansas 71611

Each such notice, request or other communication shall be effective (i) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (ii) if given by any other means, when delivered at the address specified in this Article 18.

## **ARTICLE 19**

### **MODIFICATION OF AGREEMENT**

No waiver or modification of this Agreement or of any covenant, condition, or limitation herein contained shall be valid unless in writing and duly executed by the party to be charged therewith. No evidence of any waiver of modification shall be offered or received in evidence at any proceeding, arbitration, or litigation between the parties hereto arising out of or affecting this Agreement, or the rights or obligations of the parties hereunder, unless such waiver or modification is in writing, duly executed as aforesaid. The parties further agree that the provisions of this Article 19 may not be waived except as herein set forth.

## **ARTICLE 20**

### **TAXES**

To the extent required by applicable law, the Company shall deduct and withhold all necessary Social Security taxes and all necessary federal and state withholding taxes and any other similar sums required by laws to be withheld from any payments made pursuant to the terms of this Agreement. This term shall be construed in conjunction with Article 9 and shall not supersede or modify it in any way.

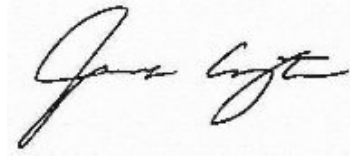
**ARTICLE 21  
RECITALS**

The Recitals to this Agreement are incorporated herein and shall constitute an integral part of this Agreement  
IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

**EXECUTIVE:**

A handwritten signature in black ink, appearing to read "John Baker", written over a horizontal line.

**COMPANY:           SIMMONS FIRST NATIONAL CORPORATION**

A handwritten signature in black ink, appearing to read "Jane Gyle", written over a horizontal line.

By:  
Title: EVP, Chief People and Strategy Officer

**Awareness of Independent Registered  
Public Accounting Firm**

We acknowledge the incorporation by reference on Form S-3ASR (Registration No. 333-223764) and the Registration Statements on Form S-8 (Registration Nos. 333-134240, 333-134241, 333-134276, 333-134301, 333-134356, 333-138629, 333-186253, 333-186254, 333-197708, 333-206160 and 333-234166) of Simmons First National Corporation (the Company) of our report dated November 6, 2020, included with the Quarterly Reports on Form 10-Q for the quarter ended September 30, 2020. Pursuant to Rule 436(c) under the *Securities Act of 1933* (the Act), this report should not be considered part of the registration statement prepared or certified by us within the meaning of Sections 7 and 11 of the Act.

**BKD, LLP**

/s/ BKD, LLP

Little Rock, Arkansas  
November 6, 2020

## CERTIFICATION

I, George A. Makris, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Simmons First National Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2020

/s/ George A. Makris, Jr.

George A. Makris, Jr.  
Chairman and Chief Executive Officer



## CERTIFICATION

I, Robert A. Fehlman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Simmons First National Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2020

/s/ Robert A. Fehlman

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Robert A. Fehlman  
 Senior Executive Vice President,  
 Chief Financial Officer, Chief Operating Officer  
 and Treasurer

## CERTIFICATION

I, David W. Garner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Simmons First National Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2020

/s/ David W. Garner

David W. Garner

Executive Vice President, Executive Director of Finance  
and Accounting and Chief Accounting Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Simmons First National Corporation (the “Company”), on Form 10-Q for the period ending September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, George A. Makris, Jr., Chairman and Chief Executive Officer of the Company, hereby certifies that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2020

/s/ George A. Makris, Jr.

George A. Makris, Jr.

Chairman and Chief Executive Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Simmons First National Corporation (the “Company”), on Form 10-Q for the period ending September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, Robert A. Fehlman, Senior Executive Vice President, Chief Financial Officer, Chief Operating Officer and Treasurer of the Company, hereby certifies that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2020

/s/ Robert A. Fehlman

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Robert A. Fehlman

Senior Executive Vice President, Chief Financial Officer

Chief Operating Officer and Treasurer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Simmons First National Corporation (the “Company”), on Form 10-Q for the period ending September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, David W. Garner, Executive Vice President, Executive Director of Finance and Accounting and Chief Accounting Officer of the Company, hereby certifies that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2020

/s/ David W. Garner

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David W. Garner

Executive Vice President, Executive Director of Finance  
and Accounting and Chief Accounting Officer