

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 June 30, 2023

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)

501 Main Street

Pine Bluff

Arkansas

(Address of principal executive offices)

71-0407808

(I.R.S. Employer
Identification No.)

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 Accelerated filer Non-accelerated filer
Smaller reporting company Emerging Growth company

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 August 2, 2023, was 126,261,587.

Simmons First National Corporation
Quarterly Report on Form 10-Q
June 30, 2023

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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
June 30, 2023 and December 31, 2022

(In thousands, except share data)	June 30, 2023	December 31, 2022
	(Unaudited)	
ASSETS		
Cash and noninterest bearing balances due from banks	\$ 181,268	\$ 200,616
Interest bearing balances due from banks and federal funds sold	564,644	481,506
Cash and cash equivalents	745,912	682,122
Interest bearing balances due from banks - time	545	795
Investment securities:		
Held-to-maturity, net of allowance for credit losses of \$3,214 and \$1,388 at June 30, 2023 and December 31, 2022, respectively	3,756,754	3,759,706
Available-for-sale, net of allowance for credit losses of \$2,396 at June 30, 2023 (amortized cost of \$4,012,265 and \$4,331,413 at June 30, 2023 and December 31, 2022, respectively)	3,579,758	3,852,854
Total investments	7,336,512	7,612,560
Mortgage loans held for sale	10,342	3,486
Loans	16,833,653	16,142,124
Allowance for credit losses on loans	(209,966)	(196,955)
Net loans	16,623,687	15,945,169
Premises and equipment	562,025	548,741
Foreclosed assets and other real estate owned	3,909	2,887
Interest receivable	103,431	102,892
Bank owned life insurance	494,370	491,340
Goodwill	1,320,799	1,319,598
Other intangible assets	120,758	128,951
Other assets	636,833	622,520
Total assets	\$ 27,959,123	\$ 27,461,061
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest bearing transaction accounts	\$ 5,264,962	\$ 6,016,651
Interest bearing transaction accounts and savings deposits	10,866,078	11,762,885
Time deposits	6,357,682	4,768,558
Total deposits	22,488,722	22,548,094
Federal funds purchased and securities sold under agreements to repurchase	102,586	160,403
Other borrowings	1,373,339	859,296
Subordinated notes and debentures	366,065	365,989
Accrued interest and other liabilities	272,085	257,917
Total liabilities	24,602,797	24,191,699
Stockholders' equity:		
Common stock, Class A, \$0.01 par value; 350,000,000 shares authorized at June 30, 2023 and December 31, 2022; 126,224,707 and 127,046,654 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	1,262	1,270
Surplus	2,516,398	2,530,066
Undivided profits	1,308,654	1,255,586
Accumulated other comprehensive loss	(469,988)	(517,560)
Total stockholders' equity	3,356,326	3,269,362
Total liabilities and stockholders' equity	\$ 27,959,123	\$ 27,461,061

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Income
Three and Six Months Ended June 30, 2023 and 2022

(In thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Unaudited)		(Unaudited)	
INTEREST INCOME				
Loans, including fees	\$ 244,292	\$ 163,578	\$ 471,790	\$ 290,754
Interest bearing balances due from banks and federal funds sold	4,023	1,117	6,806	1,766
Investment securities	48,751	37,848	97,525	71,560
Mortgage loans held for sale	154	200	236	390
Other loans held for sale	—	2,063	—	2,063
TOTAL INTEREST INCOME	297,220	204,806	576,357	366,533
INTEREST EXPENSE				
Deposits	108,364	9,754	195,892	16,571
Federal funds purchased and securities sold under agreements to repurchase	318	119	641	187
Other borrowings	18,612	4,844	27,460	9,623
Subordinated notes and debentures	6,696	4,990	11,299	9,447
TOTAL INTEREST EXPENSE	133,990	19,707	235,292	35,828
NET INTEREST INCOME	163,230	185,099	341,065	330,705
Provision for credit losses	61	33,859	24,277	13,945
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	163,169	151,240	316,788	316,760
NONINTEREST INCOME				
Service charges on deposit accounts	12,882	11,379	25,319	22,075
Debit and credit card fees	7,986	8,224	15,938	15,673
Wealth management fees	7,440	7,214	14,805	15,182
Mortgage lending income	2,403	2,240	3,973	6,790
Bank owned life insurance income	2,555	2,563	5,528	5,269
Other service charges and fees	2,262	1,871	4,544	3,508
Loss on sale of securities, net	(391)	(150)	(391)	(204)
Other income	9,843	6,837	21,099	14,103
TOTAL NONINTEREST INCOME	44,980	40,178	90,815	82,396
NONINTEREST EXPENSE				
Salaries and employee benefits	74,723	74,135	151,761	142,041
Occupancy expense, net	11,410	11,004	22,988	21,027
Furniture and equipment expense	5,128	5,104	10,179	9,879
Other real estate and foreclosure expense	289	142	475	485
Deposit insurance	5,201	2,812	10,094	4,650
Merger related costs	19	19,133	1,415	21,019
Other operating expenses	42,926	44,483	86,012	86,129
TOTAL NONINTEREST EXPENSE	139,696	156,813	282,924	285,230
INCOME BEFORE INCOME TAXES	68,453	34,605	124,679	113,926
Provision for income taxes	10,139	7,151	20,776	21,377
NET INCOME	\$ 58,314	\$ 27,454	\$ 103,903	\$ 92,549
BASIC EARNINGS PER SHARE	\$ 0.46	\$ 0.21	\$ 0.82	\$ 0.77
DILUTED EARNINGS PER SHARE	\$ 0.46	\$ 0.21	\$ 0.82	\$ 0.77

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Comprehensive Income (Loss)
Three and Six Months Ended June 30, 2023 and 2022

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Unaudited)		(Unaudited)	
NET INCOME	\$ 58,314	\$ 27,454	\$ 103,903	\$ 92,549
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized holding (losses) gains arising during the period on available-for-sale securities	(34,464)	11,763	35,499	(453,777)
Less: Reclassification adjustment for realized losses included in net income	(391)	(150)	(391)	(204)
Less: Realized losses on available-for-sale securities interest rate hedges	(28,506)	(22,832)	(14,961)	(60,031)
Net unrealized losses on securities transferred from available-for-sale to held-to-maturity during the period	—	(206,682)	—	(206,682)
Less: Amortization of net unrealized losses on securities transferred from available-for-sale to held-to-maturity	(6,505)	(4,785)	(13,553)	(4,701)
Other comprehensive income (loss), before tax effect	938	(167,152)	64,404	(595,523)
Less: Tax effect of other comprehensive income (loss)	245	(43,685)	16,832	(155,640)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	693	(123,467)	47,572	(439,883)
COMPREHENSIVE INCOME (LOSS)	<u>\$ 59,007</u>	<u>\$ (96,013)</u>	<u>\$ 151,475</u>	<u>\$ (347,334)</u>

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Cash Flows
Six Months Ended June 30, 2023 and 2022

(In thousands)

June 30, 2023

June 30, 2022

(Unaudited)

OPERATING ACTIVITIES

Net income	\$ 103,903	\$ 92,549
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	23,954	24,230
Provision for credit losses	24,277	13,945
Loss on sale of investments	391	204
Net amortization (accretion) of investment securities and assets	6,295	(24,494)
Net amortization on borrowings	76	192
Stock-based compensation expense	8,018	8,164
Gain on sale of foreclosed assets and other real estate owned	(225)	(290)
Gain on sale of mortgage loans held for sale	(3,683)	(4,333)
Gain on sale of loans	—	(228)
Deferred income taxes	(335)	917
Income from bank owned life insurance	(6,716)	(5,269)
Originations of mortgage loans held for sale	(133,076)	(329,833)
Proceeds from sale of mortgage loans held for sale	129,903	356,085
Changes in assets and liabilities:		
Interest receivable	(539)	(1,547)
Other assets	(1,548)	(10,064)
Accrued interest and other liabilities	27,658	57,874
Income taxes payable	(19,421)	(245)
Net cash provided by operating activities	<u>158,932</u>	<u>177,857</u>

INVESTING ACTIVITIES

Net change in loans	(698,580)	(835,002)
Proceeds from sale of loans	6,657	15,556
Net change in due from banks - time	250	347
Purchases of premises and equipment, net	(18,718)	(17,000)
Proceeds from sale of foreclosed assets and other real estate owned	1,477	2,819
Proceeds from maturities of available-for-sale securities	296,256	762,094
Purchases of available-for-sale securities	(1,526)	(259,586)
Proceeds from maturities of held-to-maturity securities	36,583	30,848
Purchases of held-to-maturity securities	(45,921)	(329,660)
Proceeds from bank owned life insurance death benefits	3,686	—
Purchase of Spirit of Texas Bancshares, Inc.	—	276,396
Net cash used in investing activities	<u>(419,836)</u>	<u>(353,188)</u>

FINANCING ACTIVITIES

Net change in deposits	(59,003)	(49,701)
Dividends paid on common stock	(50,835)	(45,844)
Net change in other borrowed funds	514,043	(315,778)
Net change in federal funds purchased and securities sold under agreements to repurchase	(57,817)	(30,302)
Net shares cancelled under stock compensation plans	(2,505)	(3,905)
Shares issued under employee stock purchase plan	833	1,151
Repurchases of common stock	(20,022)	(66,096)
Net cash provided by (used in) financing activities	<u>324,694</u>	<u>(510,475)</u>

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	63,790	(685,806)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>682,122</u>	<u>1,650,653</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 745,912</u>	<u>\$ 964,847</u>

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Stockholders' Equity
Three Months Ended June 30, 2023 and 2022

(In thousands, except share data)	Common Stock	Surplus	Accumulated Other Comprehensive (Loss) Income	Undivided Profits	Total
Three Months Ended June 30, 2023					
Balance, March 31, 2023 (Unaudited)	\$ 1,273	\$ 2,533,589	\$ (470,681)	\$ 1,275,720	\$ 3,339,901
Comprehensive income	—	—	693	58,314	59,007
Stock-based compensation plans, net – 70,602 shares	—	2,820	—	—	2,820
Stock repurchases – 1,128,087 shares	(11)	(20,011)	—	—	(20,022)
Dividends on common stock – \$0.20 per share	—	—	—	(25,380)	(25,380)
Balance, June 30, 2023 (Unaudited)	<u>\$ 1,262</u>	<u>\$ 2,516,398</u>	<u>\$ (469,988)</u>	<u>\$ 1,308,654</u>	<u>\$ 3,356,326</u>
Three Months Ended June 30, 2022					
Balance, March 31, 2022 (Unaudited)	\$ 1,125	\$ 2,150,453	\$ (326,961)	\$ 1,136,990	\$ 2,961,607
Comprehensive (loss) income	—	—	(123,467)	27,454	(96,013)
Stock-based compensation plans, net – 42,459 shares	—	3,893	—	—	3,893
Stock issued for Spirit acquisition – 18,275,074 shares	183	464,735	—	—	464,918
Stock repurchases – 2,035,324 shares	(20)	(50,021)	—	—	(50,041)
Dividends on common stock – \$0.19 per share	—	—	—	(24,469)	(24,469)
Balance, June 30, 2022 (Unaudited)	<u>\$ 1,288</u>	<u>\$ 2,569,060</u>	<u>\$ (450,428)</u>	<u>\$ 1,139,975</u>	<u>\$ 3,259,895</u>

See Condensed Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Stockholders' Equity
Six Months Ended June 30, 2023 and 2022

(In thousands, except share data)	Common Stock	Surplus	Accumulated Other Comprehensive (Loss) Income	Undivided Profits	Total
Six Months Ended June 30, 2023					
Balance, December 31, 2022	\$ 1,270	\$ 2,530,066	\$ (517,560)	\$ 1,255,586	\$ 3,269,362
Comprehensive income	—	—	47,572	103,903	151,475
Stock issued for employee stock purchase plan – 42,510 shares	—	833	—	—	833
Stock-based compensation plans, net – 263,630 shares	3	5,510	—	—	5,513
Stock repurchases – 1,128,087 shares	(11)	(20,011)	—	—	(20,022)
Dividends on common stock – \$0.40 per share	—	—	—	(50,835)	(50,835)
Balance, June 30, 2023 (Unaudited)	<u>\$ 1,262</u>	<u>\$ 2,516,398</u>	<u>\$ (469,988)</u>	<u>\$ 1,308,654</u>	<u>\$ 3,356,326</u>
Six Months Ended June 30, 2022					
Balance, December 31, 2021	\$ 1,127	\$ 2,164,989	\$ (10,545)	\$ 1,093,270	\$ 3,248,841
Comprehensive (loss) income	—	—	(439,883)	92,549	(347,334)
Stock issued for employee stock purchase plan – 59,475 shares	1	1,150	—	—	1,151
Stock-based compensation plans, net – 286,820 shares	2	4,257	—	—	4,259
Stock issued for Spirit acquisition – 18,275,074 shares	183	464,735	—	—	464,918
Stock repurchases – 2,549,049 shares	(25)	(66,071)	—	—	(66,096)
Dividends on common stock – \$0.38 per share	—	—	—	(45,844)	(45,844)
Balance, June 30, 2022 (Unaudited)	<u>\$ 1,288</u>	<u>\$ 2,569,060</u>	<u>\$ (450,428)</u>	<u>\$ 1,139,975</u>	<u>\$ 3,259,895</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 Mid-South 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 231 financial centers as of June 30, 2023, located throughout market areas in Arkansas, 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, 2022, 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, 2022, which was filed with the SEC on February 27, 2023.

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.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses, the valuation of acquired loans, valuation of goodwill and subsequent impairment analysis, stock-based compensation plans and income taxes. Management obtains third party valuations to assist in valuing certain aspects of these material estimates, as appropriate, including independent appraisals for significant properties in connection with the determination of the allowance for credit losses and the fair value of acquired loans. Assumptions used in the goodwill impairment analysis involve internally projected forecasts, coupled with market and third-party data. These material estimates could change as a result of the uncertainty in current macroeconomic conditions and other factors that are beyond the Company’s control and could cause actual results to differ materially from those projected.

Recently Adopted Accounting Standards

Investment-Income Taxes - In March 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2023-02, *Investments-Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method* (“ASU 2023-02”), that introduced the option to apply the proportional amortization method to account for investments made primarily for the purpose of receiving income tax credits and other income tax benefits when certain requirements are met. The proportional amortization method results in the cost of the investment being amortized in proportion to the income tax credits and other income tax benefits received, with the amortization of the investment and the income tax credits being presented net in the income statement as a component of income tax expense (benefit). ASU 2023-02 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 31, 2023, with early adoption permitted. The Company elected to early adopt ASU 2023-02 and apply the proportional amortization method for all income tax credits during the first quarter 2023 by utilizing the modified retrospective method. The adoption of ASU 2023-02 did not have a material impact on the Company’s results of operations, financial position or disclosures.

Credit Losses on Financial Instruments - In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures* (“ASU 2022-02”), which eliminates the accounting guidance on troubled debt restructurings (“TDRs”) for creditors in ASC 310-40 and amends the guidance on “vintage disclosures” to require disclosure of current-period gross write-offs by year of origination. The ASU also updates the requirements related to accounting for credit losses under ASC 326 and adds enhanced disclosures for creditors with respect to loan refinancings and restructurings made to borrowers experiencing financial difficulty. ASU 2022-02 was effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022, with early adoption permitted. The Company adopted ASU 2022-02 effective January 1, 2023 on a prospective basis. As a result, comparative disclosures to prior periods will not be available until such time as both periods disclosed are subject to the new guidance. The adoption of ASU 2022-02 did not have a material impact on the Company’s results of operations or financial position. See Note 5, Loans and Allowance for Credit Losses, for additional information.

Fair Value Hedging - In March 2022, the FASB issued ASU No. 2022-01, *Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method* (“ASU 2022-01”), which clarifies the guidance on fair value hedge accounting of interest rate risk for portfolios of financial assets. This ASU amends the guidance in ASU 2017-12 that, among other things, established the “last-of-layer” method for making the fair value hedge accounting for these portfolios more accessible. ASU 2022-01 renames that method the “portfolio layer” method and expands the scope of this guidance to allow entities to apply the portfolio layer method to portfolios of all financial assets, including both prepayable and nonprepayable financial assets. This scope expansion is consistent with the FASB’s efforts to simplify hedge accounting and allows entities to apply the same method to similar hedging strategies. ASU 2022-01 was effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022, with early adoption permitted. The adoption of 2022-01 did not have a material impact on the Company’s results of operations, financial position or disclosures.

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 LIBOR. LIBOR is a benchmark interest rate referenced in a variety of agreements that are used by numerous entities. On March 5, 2021, the U.K. Financial Conduct Authority (“FCA”) announced that the majority of LIBOR rates will no longer be published after December 31, 2021. Effective January 1, 2022, the ICE Benchmark Administration Limited, the administrator of the LIBOR, ceased the publication of one-week and two-month USD LIBOR and will cease the publications of the remaining tenors of USD LIBOR (one, three, six and 12-month) immediately after June 30, 2023.

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). The Company formed a LIBOR Transition Team in 2020, has created standard LIBOR replacement language for new and modified loan notes, and is monitoring the remaining loans with LIBOR rates monthly to ensure progress in updating these loans with acceptable LIBOR replacement language or converting them to other interest rates. During 2021, the Company did not offer LIBOR-indexed rates on loans which it originated, although it did participate in some shared credit agreements originated by other banks subject to the Company’s determination that the LIBOR replacement language in the loan documents met the Company’s standards. Pursuant to the Joint Regulatory Statement on LIBOR transition issued in October 2021, the Company’s policy, as of January 1, 2022, is not

to enter into any new LIBOR-based credit agreements and not extend, renew, or modify prior LIBOR credit agreements without requiring conversion of the agreements to other interest rates. The adoption of ASU 2020-04 has not had a material impact on the Company's financial position or results of operations.

In January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848): Scope* ("ASU 2021-01"), which clarifies that certain optional expedients and exceptions in ASC 848 for contract modifications and hedge accounting apply to derivatives that are affected by the changes in the interest rates used for margining, discounting, or contract price alignment for derivative instruments that are being implemented as part of the market-wide transition to new reference rates (commonly referred to as the "discounting transition"). ASU 2021-01 also amends the expedients and exceptions in ASC 848 to capture the incremental consequences of the scope clarification and to tailor the existing guidance to derivative instruments affected by the discounting transition. ASU 2021-01 was effective upon issuance and generally can be applied through December 31, 2022. ASU 2021-01 did not have a material impact on the Company's financial position or results of operations.

In December 2022, the FASB issued ASU No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848* ("ASU 2022-06"). ASU 2022-06 defers the sunset date of Topic 848 from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848.

Leases - In July 2021, the FASB issued ASU No. 2021-05, *Leases (Topic 842): Lessors-Certain Leases with Variable Lease Payments* ("ASU 2021-05"), that amends lease classification requirements for lessors. In accordance with ASU 2021-05, lessors should classify and account for a lease that have variable lease payments that do not depend on a reference index rate as an operating lease if both of the following criteria are met: i) the lease would have been classified as a sales-type lease or a direct financing lease under the previous lease classification criteria and ii) sales-type or direct financing lease classification would result in a Day 1 loss. ASU 2021-05 was effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021, with early adoption permitted. The adoption of ASU 2021-05 did not have a material impact on the Company's results of operations, financial position or disclosures.

In the first quarter of 2023, the Company refined the current expected credit losses calculation process by improving systems, models, processes, methodology, and assumptions used within the calculation. After multiple parallel runs during the first quarter 2023 with the former process, it was determined that the changes did not and are not expected to result in material differences of results.

There have been no other significant changes to the Company's accounting policies disclosed in Note 1, Summary of Significant Accounting Policies, of the Company's Annual Report on Form 10-K for the year ended December 31, 2022. 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

Spirit of Texas Bancshares, Inc.

On April 8, 2022, the Company completed its merger with Spirit of Texas Bancshares, Inc. ("Spirit") pursuant to the terms of the Agreement and Plan of Merger dated as of November 18, 2021 ("Spirit Agreement"), at which time Spirit merged with and into the Company, with the Company continuing as the surviving corporation. The Company issued 18,275,074 shares of its common stock valued at approximately \$464.9 million as of April 8, 2022, plus \$1,393,508.90 in cash, in exchange for all outstanding shares of Spirit capital stock (and common stock equivalents) to effect the merger.

Prior to the acquisition, Spirit, headquartered in Conroe, Texas, conducted banking business through its subsidiary bank, Spirit of Texas Bank SSB, from 35 branches located primarily in the Texas Triangle - consisting of Dallas-Fort Worth, Houston, San Antonio and Austin metropolitan areas - with additional locations in the Bryan-College Station, Corpus Christi and Tyler metropolitan areas, along with offices in North Central and South Texas. Including the effects of the acquisition method accounting adjustments, the Company acquired approximately \$3.11 billion in assets, including approximately \$2.29 billion in loans (inclusive of loan discounts), and approximately \$2.72 billion in deposits.

Goodwill of \$174.1 million was recorded as a result of the transaction. The merger strengthened the Company's position in the Texas market 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 Spirit acquisition, as of the acquisition date, is as follows:

(In thousands)	Acquired from Spirit	Fair Value Adjustments	Fair Value
Assets Acquired			
Cash and due from banks	\$ 277,790	\$ —	\$ 277,790
Investment securities	362,088	(13,401)	348,687
Loans acquired	2,314,085	(19,925)	2,294,160
Allowance for credit losses on loans	(17,005)	7,382	(9,623)
Premises and equipment	84,135	(19,074)	65,061
Bank owned life insurance	36,890	—	36,890
Goodwill	77,681	(77,681)	—
Core deposit and other intangible assets	6,245	32,386	38,631
Other assets	58,403	(3,411)	54,992
Total assets acquired	\$ 3,200,312	\$ (93,724)	\$ 3,106,588
Liabilities Assumed			
Deposits:			
Noninterest bearing transaction accounts	\$ 825,228	\$ (534)	\$ 824,694
Interest bearing transaction accounts and savings deposits	1,383,663	—	1,383,663
Time deposits	509,209	1,081	510,290
Total deposits	2,718,100	547	2,718,647
Other borrowings	37,547	503	38,050
Subordinated debentures	36,491	879	37,370
Accrued interest and other liabilities	23,667	(3,311)	20,356
Total liabilities assumed	2,815,805	(1,382)	2,814,423
Equity	384,507	(384,507)	—
Total equity assumed	384,507	(384,507)	—
Total liabilities and equity assumed	\$ 3,200,312	\$ (385,889)	\$ 2,814,423
Net assets acquired			292,165
Purchase price			466,311
Goodwill			\$ 174,146

During 2023, the Company finalized its analysis of the loans acquired along with other acquired assets and assumed liabilities related to the Spirit acquisition.

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

Summary of Unaudited Pro forma Information

The unaudited pro forma information below for the years ended December 31, 2022 and 2021 gives effect to the Spirit acquisition as if the acquisition had occurred on January 1, 2021. Pro forma earnings for the year ended December 31, 2022 were adjusted to exclude \$18.7 million of acquisition-related costs, net of tax, incurred by the Company during 2022. The pro forma financial information is not necessarily indicative of the results of operations if the acquisition had been effective as of this date.

(In thousands, except per share data)	2022	2021
Revenue ⁽¹⁾	\$ 912,631	\$ 927,061
Net income	\$ 264,522	\$ 307,752
Diluted earnings per share	\$ 2.04	\$ 2.40

(1) Net interest income plus non-interest income.

As previously discussed, the Company's acquisition of Spirit was completed on April 8, 2022, at which time Spirit was fully integrated into the Company's operations. As a result, it is impracticable for the Company to provide certain post-closing information, such as revenue and earnings, as it relates to the Spirit acquisition.

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

Cash and 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. See Note 5, Loans and Allowance for Credit Losses, in the accompanying Notes to Consolidated Financial Statements for additional information related to purchased financial assets with credit deterioration.

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 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.

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 fair value adjustment results from certain liabilities whose value was estimated to be more or less than book value, such as certain accounts payable and other miscellaneous liabilities. The adjustment also 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 (“HTM”), which include any security for which the Company has both 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 effective yield method over the security’s estimated life. Prepayments are anticipated for mortgage-backed and SBA securities. Premiums on callable securities are amortized to their earliest call date.

Available-for-sale securities (“AFS”), 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 effective yield method over the estimated life of the security. Prepayments are anticipated for mortgage-backed and SBA securities. Premiums on callable securities are amortized to their earliest call date.

During the quarters ended June 30, 2022 and September 30, 2021, the Company transferred, at fair value, \$1.99 billion and \$500.8 million, respectively, of securities from the available-for-sale portfolio to the held-to-maturity portfolio. As of June 30, 2023, the related remaining combined net unrealized losses of \$136.0 million in accumulated other comprehensive income (loss) will be amortized over the remaining life of the securities. No gains or losses on these securities were recognized at the time of transfer.

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>June 30, 2023</u>						
U.S. Government agencies	\$ 451,737	\$ —	\$ 451,737	\$ —	\$ (94,515)	\$ 357,222
Mortgage-backed securities	1,193,118	—	1,193,118	—	(118,728)	1,074,390
State and political subdivisions	1,859,956	(934)	1,859,022	67	(415,230)	1,443,859
Other securities	255,157	(2,280)	252,877	—	(33,490)	219,387
Total HTM	<u>\$ 3,759,968</u>	<u>\$ (3,214)</u>	<u>\$ 3,756,754</u>	<u>\$ 67</u>	<u>\$ (661,963)</u>	<u>\$ 3,094,858</u>
<u>December 31, 2022</u>						
U.S. Government agencies	\$ 448,012	\$ —	\$ 448,012	\$ —	\$ (102,558)	\$ 345,454
Mortgage-backed securities	1,190,781	—	1,190,781	227	(118,960)	1,072,048
State and political subdivisions	1,861,102	(110)	1,860,992	56	(446,198)	1,414,850
Other securities	261,199	(1,278)	259,921	—	(29,040)	230,881
Total HTM	<u>\$ 3,761,094</u>	<u>\$ (1,388)</u>	<u>\$ 3,759,706</u>	<u>\$ 283</u>	<u>\$ (696,756)</u>	<u>\$ 3,063,233</u>

Mortgage-backed securities (“MBS”) are commercial MBS, secured by commercial properties, and residential MBS, generally secured by single-family residential properties. All mortgage-backed securities included in the table above were issued by U.S. government agencies or corporations. As of June 30, 2023, HTM MBS consists of \$144.9 million and \$1.05 billion of commercial MBS and residential MBS, respectively. As of December 31, 2022, HTM MBS consists of \$149.2 million and \$1.04 billion of commercial MBS and residential MBS, respectively.

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>June 30, 2023</u>					
U.S. Treasury	\$ 2,271	\$ —	\$ —	\$ (62)	\$ 2,209
U.S. Government agencies	183,735	—	51	(7,222)	176,564
Mortgage-backed securities	2,532,234	—	4	(249,910)	2,282,328
State and political subdivisions	1,029,164	—	184	(143,843)	885,505
Other securities	264,861	(2,396)	—	(29,313)	233,152
Total AFS	<u>\$ 4,012,265</u>	<u>\$ (2,396)</u>	<u>\$ 239</u>	<u>\$ (430,350)</u>	<u>\$ 3,579,758</u>
<u>December 31, 2022</u>					
U.S. Treasury	\$ 2,257	\$ —	\$ —	\$ (60)	\$ 2,197
U.S. Government agencies	191,498	—	103	(7,322)	184,279
Mortgage-backed securities	2,809,319	—	20	(266,437)	2,542,902
State and political subdivisions	1,056,124	—	250	(185,300)	871,074
Other securities	272,215	—	—	(19,813)	252,402
Total AFS	<u>\$ 4,331,413</u>	<u>\$ —</u>	<u>\$ 373</u>	<u>\$ (478,932)</u>	<u>\$ 3,852,854</u>

As of June 30, 2023, AFS MBS consists of \$898.2 million and \$1.38 billion of commercial MBS and residential MBS, respectively. As of December 31, 2022, AFS MBS consists of \$1.07 billion and \$1.47 billion of commercial MBS and residential MBS, respectively.

Accrued interest receivable on HTM and AFS securities at June 30, 2023 was \$20.7 million and \$16.6 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 June 30, 2023, 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. Treasury	\$ 776	\$ (21)	\$ 1,433	\$ (41)	\$ 2,209	\$ (62)
U.S. Government agencies	22,246	(95)	149,445	(7,127)	171,691	(7,222)
Mortgage-backed securities	2,707	(85)	2,270,299	(249,825)	2,273,006	(249,910)
State and political subdivisions	17,045	(379)	846,298	(143,464)	863,343	(143,843)
Other securities	48,806	(7,261)	173,215	(19,656)	222,021	(26,917)
Total AFS	<u>\$ 91,580</u>	<u>\$ (7,841)</u>	<u>\$ 3,440,690</u>	<u>\$ (420,113)</u>	<u>\$ 3,532,270</u>	<u>\$ (427,954)</u>

As of June 30, 2023, the Company's investment portfolio included \$3.58 billion of AFS securities, of which \$3.53 billion, or 98.7%, were in an unrealized loss position that were not deemed to have credit losses. A portion of the unrealized losses were related to the Company's MBS, which are issued and guaranteed by U.S. government-sponsored entities and agencies, and the Company's state and political subdivision securities, specifically investments in insured fixed rate municipal bonds for which the 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 MBS 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, 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, the adequacy of the reserve for credit loss is determined quarterly based on methodology similar to the methodology for determining the allowance for credit losses on loans. The methodology considers, but is not limited to: (i) issuer bond ratings, (ii) issuer geography, (iii) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities, (iv) probability-weighted multiple scenario forecasts, and (v) the issuers' size.

The following table details activity in the allowance for credit losses by investment security type for the three and six months ended June 30, 2023 on the Company's HTM and AFS securities portfolios.

(In thousands)	State and Political Subdivisions	Other Securities	Total
Three Months Ended June 30, 2023			
<u>Held-to-maturity</u>			
Beginning balance, April 1, 2023	\$ 362	\$ 1,526	\$ 1,888
Provision for credit loss expense	572	754	1,326
Ending balance, June 30, 2023	<u>\$ 934</u>	<u>\$ 2,280</u>	<u>\$ 3,214</u>
<u>Available-for-sale</u>			
Beginning balance, April 1, 2023	\$ —	\$ 5,800	\$ 5,800
Provision for credit loss expense	—	—	—
Reduction due to sales	—	(2,078)	(2,078)
Net increase (decrease) in allowance on previously impaired securities	—	(1,326)	(1,326)
Securities charged-off	—	—	—
Ending balance, June 30, 2023	<u>\$ —</u>	<u>\$ 2,396</u>	<u>\$ 2,396</u>
Six Months Ended June 30, 2023			
<u>Held-to-maturity</u>			
Beginning balance, January 1, 2023	\$ 110	\$ 1,278	\$ 1,388
Provision for credit loss expense	824	1,002	1,826
Ending balance, June 30, 2023	<u>\$ 934</u>	<u>\$ 2,280</u>	<u>\$ 3,214</u>
<u>Available-for-sale</u>			
Beginning balance, January 1, 2023	\$ —	\$ —	\$ —
Provision for credit loss expense	—	12,800	12,800
Reduction due to sales	—	(2,078)	(2,078)
Net increase (decrease) in allowance on previously impaired securities	—	(1,326)	(1,326)
Securities charged-off	—	(7,000)	(7,000)
Ending balance, June 30, 2023	<u>\$ —</u>	<u>\$ 2,396</u>	<u>\$ 2,396</u>

Activity in the allowance for credit losses by investment security type for the three and six months ended June 30, 2022 on the Company's HTM securities portfolio was as follows:

(In thousands)	State and Political Subdivisions	Other Securities	Total
Three Months Ended June 30, 2022			
<u>Held-to-maturity</u>			
Beginning balance, April 1, 2022	\$ 1,285	\$ 92	\$ 1,377
Provision for credit loss expense	—	—	—
Net increase (decrease) in allowance on previously impaired securities	(1,183)	1,183	—
Recoveries	1	3	4
Ending balance, June 30, 2022	<u>\$ 103</u>	<u>\$ 1,278</u>	<u>\$ 1,381</u>
Six Months Ended June 30, 2022			
<u>Held-to-maturity</u>			
Beginning balance, January 1, 2022	\$ 1,197	\$ 82	\$ 1,279
Provision for credit loss expense	—	—	—
Net increase (decrease) in allowance on previously impaired securities	(1,183)	1,183	—
Recoveries	89	13	102
Ending balance, June 30, 2022	<u>\$ 103</u>	<u>\$ 1,278</u>	<u>\$ 1,381</u>

Based upon the Company's analysis of the underlying risk characteristics of its AFS portfolio, including credit ratings and other qualitative factors, as previously discussed, the provision for credit losses related to AFS securities recorded for the six months ended June 30, 2023 was \$11.5 million, while the provision for credit losses related to AFS securities was reduced by \$1.3 million during the three months ended June 30, 2023. During the six months ended June 30, 2023, the Company charged-off \$7.0 million directly related to one corporate bond which was deemed uncollectible in the period. The remaining allowance for credit loss on the AFS portfolio of \$2.4 million at June 30, 2023 is related to outstanding exposure for two nonperforming corporate bonds.

The following table summarizes bond ratings for the Company's HTM portfolio, based upon amortized cost, issued by state and political subdivisions and other securities as of June 30, 2023:

(In thousands)	State and Political Subdivisions			Total	Other Securities
	Not Guaranteed or Pre- Refunded	Other Credit Enhancement or Insurance	Pre-Refunded		
Aaa/AAA	\$ 178,809	\$ 299,834	\$ —	\$ 478,643	\$ —
Aa/AA	638,308	522,367	—	1,160,675	—
A	47,154	161,399	—	208,553	101,965
Baa/BBB	—	4,371	—	4,371	153,192
Not Rated	7,714	—	—	7,714	—
Total	<u>\$ 871,985</u>	<u>\$ 987,971</u>	<u>\$ —</u>	<u>\$ 1,859,956</u>	<u>\$ 255,157</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.

Income earned on securities for the three and six months ended June 30, 2023 and 2022, is as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Taxable:				
Held-to-maturity	\$ 11,058	\$ 10,578	\$ 22,071	\$ 12,490
Available-for-sale	21,687	11,217	43,478	27,453
Non-taxable:				
Held-to-maturity	10,225	10,088	20,351	16,190
Available-for-sale	5,781	5,965	11,625	15,427
Total	<u>\$ 48,751</u>	<u>\$ 37,848</u>	<u>\$ 97,525</u>	<u>\$ 71,560</u>

The amortized cost and estimated fair value by maturity of securities as of June 30, 2023 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	\$ 1,915	\$ 1,909	\$ 64,701	\$ 63,160
After one through five years	10,313	9,857	166,086	160,826
After five through ten years	363,981	315,452	218,164	187,975
After ten years	2,190,641	1,693,250	1,030,810	885,199
Securities not due on a single maturity date	1,193,118	1,074,390	2,532,234	2,282,328
Other securities (no maturity)	—	—	270	270
Total	<u>\$ 3,759,968</u>	<u>\$ 3,094,858</u>	<u>\$ 4,012,265</u>	<u>\$ 3,579,758</u>

The carrying value, which approximates the fair value, of securities pledged as collateral, to secure public deposits and for other purposes, amounted to \$3.75 billion at June 30, 2023 and \$3.96 billion at December 31, 2022.

There were no gross realized gains and \$391,000 gross realized losses recorded from the sale of securities during both the three and six months ended June 30, 2023. There were no gross realized gains and approximately \$150,000 of gross realized losses from the sale and calls of securities during the three months ended June 30, 2022, and approximately \$37,000 of gross realized gains and \$240,000 of gross realized losses from the sale and call of securities during the six months ended June 30, 2022. The income tax expense/benefit related to security gains/losses was 26.135% of the gross amounts in 2023 and 2022.

The Company has entered into various fair value hedging transactions to mitigate the impact of changing interest rates on the fair value of AFS securities. See Note 23, Derivative Instruments, for disclosure of the gains and losses recognized on derivative instruments and the cumulative fair value hedging adjustments to the carrying amount of the hedged securities.

NOTE 4: OTHER ASSETS AND OTHER LIABILITIES HELD FOR SALE

Spirit Acquisition

In connection with the acquisition of Spirit, the Company acquired a portfolio of loans which were identified as held for sale by the acquired bank prior to the completion of the acquisition. These loans were valued at \$35.2 million, net of fair value discounts, at the date of acquisition with no remaining balance as of June 30, 2023.

As of June 30, 2023, there were no outstanding other liabilities held for sale.

NOTE 5: LOANS AND ALLOWANCE FOR CREDIT LOSSES

At June 30, 2023, the Company's loan portfolio was \$16.83 billion, compared to \$16.14 billion at December 31, 2022. The various categories of loans are summarized as follows:

(In thousands)	June 30, 2023	December 31, 2022
Consumer:		
Credit cards	\$ 209,452	\$ 196,928
Other consumer	148,333	152,882
Total consumer	357,785	349,810
Real Estate:		
Construction and development	2,930,586	2,566,649
Single family residential	2,633,365	2,546,115
Other commercial	7,546,130	7,468,498
Total real estate	13,110,081	12,581,262
Commercial:		
Commercial	2,569,330	2,632,290
Agricultural	280,541	205,623
Total commercial	2,849,871	2,837,913
Other	515,916	373,139
Total loans	\$ 16,833,653	\$ 16,142,124

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 deferred origination costs and fees totaling \$13.6 million and \$26.4 million at June 30, 2023 and December 31, 2022, respectively.

Accrued interest on loans, which is excluded from the amortized cost of loans held for investment, totaled \$66.2 million and \$65.4 million at June 30, 2023 and December 31, 2022, 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; and 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 economic downturns that result in increased unemployment. Other consumer loans include direct and indirect installment loans and account 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 (“C&D”), single family residential loans and commercial loans. C&D and commercial real estate (“CRE”) loans can be particularly sensitive to valuation of real estate. CRE 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 CRE – 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 duration. 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. Paycheck Protection Program (“PPP”) loans are also included in the commercial loan portfolio. 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.

Paycheck Protection Program Loans – The Company originated loans pursuant to multiple PPP appropriations of the Coronavirus Aid, Relief and Economic Security Act which provided 100% federally guaranteed loans for small businesses to cover up to 24 weeks of payroll costs and assistance 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. PPP loans have a zero percent risk-weight for regulatory capital ratios. As of June 30, 2023 and December 31, 2022, the total outstanding balance of PPP loans was \$6.8 million and \$8.9 million, respectively.

Other – The other loan portfolio includes mortgage warehouse loans, representing warehouse lines of credit to mortgage originators for the disbursement of newly originated 1-4 family residential loans. Also included in the other loan portfolio are loans to public sector customers, including state and local governments.

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 category of loans are as follows:

(In thousands)	June 30, 2023	December 31, 2022
Consumer:		
Credit cards	\$ 268	\$ 349
Other consumer	629	433
Total consumer	897	782
Real estate:		
Construction and development	3,400	2,799
Single family residential	21,427	22,319
Other commercial	14,142	14,998
Total real estate	38,969	40,116
Commercial:		
Commercial	29,162	17,356
Agricultural	2,248	177
Total commercial	31,410	17,533
Other	3	3
Total	\$ 71,279	\$ 58,434

As of June 30, 2023 and December 31, 2022, nonaccrual loans for which there was no related allowance for credit losses had an amortized cost of \$13.0 million and \$16.9 million, respectively. 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>June 30, 2023</u>						
Consumer:						
Credit cards	\$ 1,666	\$ 495	\$ 2,161	\$ 207,291	\$ 209,452	\$ 426
Other consumer	1,217	245	1,462	146,871	148,333	—
Total consumer	2,883	740	3,623	354,162	357,785	426
Real estate:						
Construction and development	1,273	3,233	4,506	2,926,080	2,930,586	—
Single family residential	11,035	8,022	19,057	2,614,308	2,633,365	28
Other commercial	4,762	7,433	12,195	7,533,935	7,546,130	—
Total real estate	17,070	18,688	35,758	13,074,323	13,110,081	28
Commercial:						
Commercial	4,990	18,776	23,766	2,545,564	2,569,330	284
Agricultural	247	1,978	2,225	278,316	280,541	—
Total commercial	5,237	20,754	25,991	2,823,880	2,849,871	284
Other	—	3	3	515,913	515,916	—
Total	\$ 25,190	\$ 40,185	\$ 65,375	\$ 16,768,278	\$ 16,833,653	\$ 738

December 31, 2022

Consumer:						
Credit cards	\$ 1,297	\$ 409	\$ 1,706	\$ 195,222	\$ 196,928	\$ 225
Other consumer	852	214	1,066	151,816	152,882	—
Total consumer	2,149	623	2,772	347,038	349,810	225
Real estate:						
Construction and development	4,677	443	5,120	2,561,529	2,566,649	—
Single family residential	23,625	11,075	34,700	2,511,415	2,546,115	106
Other commercial	2,759	7,100	9,859	7,458,639	7,468,498	—
Total real estate	31,061	18,618	49,679	12,531,583	12,581,262	106
Commercial:						
Commercial	5,034	7,575	12,609	2,619,681	2,632,290	176
Agricultural	111	67	178	205,445	205,623	—
Total commercial	5,145	7,642	12,787	2,825,126	2,837,913	176
Other	61	3	64	373,075	373,139	—
Total	\$ 38,416	\$ 26,886	\$ 65,302	\$ 16,076,822	\$ 16,142,124	\$ 507

Loan Modifications to Borrowers Experiencing Financial Difficulty

The Company has internal loan modification programs for borrowers experiencing financial difficulties. Modifications to borrowers experiencing financial difficulties may include interest rate reductions, principal or interest forgiveness and/or term extensions. The Company primarily uses interest rate reduction and/or payment modifications or extensions, with an occasional forgiveness of principal.

The following table presents the period-end balance of loan modifications, segregated by type of modification, to borrowers experiencing financial difficulty during the three and six months ended June 30, 2023.

(Dollars in thousands)	Combination: Interest Rate Modification and Term Extension	Percent of Total Class of Loans
Commercial:		
Commercial	\$ 655	0.03 %
Total commercial	<u>\$ 655</u>	<u>0.03 %</u>

The financial effects of the loan modification made to a borrower experiencing financial difficulty was not significant during the three and six month periods ended June 30, 2023. The loan modification reported in the table above did not significantly impact the Company's determination of the allowance for credit losses on loans during the three and six months ended June 30, 2023. During the three and six months ended June 30, 2023, the Company modified one loan, whereby the borrower was experiencing financial difficulty at the time of modification, that was current as of June 30, 2023 with a recorded investment of \$655,000. Additionally, there were no modified loans for which a payment default occurred during the three and six month periods ended June 30, 2023 and were modified in the 12 months prior to default.

At June 30, 2023 and December 31, 2022, the Company had \$1.3 million and \$3.0 million, respectively, of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process. At June 30, 2023 and December 31, 2022, the Company had \$423,000 and \$853,000, respectively, of Other Real Estate Owned ("OREO") secured by residential real estate properties.

Troubled Debt Restructurings (Prior to the adoption of ASU 2022-02)

When the Company restructured a loan to a borrower that was experiencing financial difficulty and granted a concession that it would not otherwise consider, a "troubled debt restructuring" ("TDR") resulted, and the Company classified the loan as a TDR. The Company granted various types of concessions, primarily interest rate reduction and/or payment modifications or extensions, with an occasional forgiveness of principal.

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

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

The following table presents a summary of TDRs segregated by class of loans as of December 31, 2022.

(Dollars in thousands)	Accruing TDR Loans		Nonaccrual TDR Loans		Total TDR Loans	
	Number	Balance	Number	Balance	Number	Balance
Real estate:						
Single-family residential	24	\$ 1,849	12	\$ 1,589	36	\$ 3,438
Other commercial	—	—	—	—	—	—
Total real estate	<u>24</u>	<u>1,849</u>	<u>12</u>	<u>1,589</u>	<u>36</u>	<u>3,438</u>
Commercial:						
Commercial	—	—	1	33	1	33
Total commercial	—	—	1	33	1	33
Total	<u>24</u>	<u>\$ 1,849</u>	<u>13</u>	<u>\$ 1,622</u>	<u>37</u>	<u>\$ 3,471</u>

The following table presents loans that were restructured as TDRs during the three and six month periods ended June 30, 2022.

(Dollars in thousands)	Number of loans	Balance Prior to TDR	Balance at June 30,	Change in Maturity Date	Change in Rate	Financial Impact on Date of Restructure
<u>Three and Six Months Ended June 30, 2022</u>						
Real estate:						
Other commercial	1	\$ 13	\$ 13	\$ —	\$ 13	\$ —
Total real estate	1	\$ 13	\$ 13	\$ —	\$ 13	\$ —

During the three and six months ended June 30, 2022, the Company modified one loan with a recorded investment of \$13,000 prior to modification, which was deemed a TDR. The restructured loan was modified by reducing the interest rate on the loan. No specific reserve was recorded with respect to this TDR. Also, 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.

Additionally, there were no loans considered TDRs for which a payment default occurred during the six months ended June 30, 2022.

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 and six month period ended June 30, 2022.

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. 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 risk ratings is as follows:

- *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.
- *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”).
- *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.
- *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.
- *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.

- *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.
- *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.
- *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 90 days or more 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 Company uses a dual risk rating scale that utilizes quantitative models and qualitative factors ("score cards") to assist in determining the appropriate risk rating for its commercial loans. This dual risk rating methodology incorporates a "probability of default" analysis which utilizes quantified metrics such as loan terms and financial performance, as well as a "loss given default" analysis which utilizes collateral values and economics of the market, among other attributes. Model outputs are reviewed and analyzed to ensure the projected risk levels are commensurate with underwriting and credit leader expectations. The risk rating scale includes Probability of Default levels of 1 – 16 and Loss Given Default levels of A – I. The scale allows for more granular recognition of risk and diversification of grading among traditional Pass grades.

The following is a reconciliation between the expanded risk rating scale and the Company's traditional risk rating segments utilized within the commercial loan classes presented in the credit quality indicator tables.

- *Pass* - Includes loans with an expanded risk rating of 1 through 11. Loans with a risk rating of 10 and 11 equate to loans included on management's "watch list" and is intended to be utilized on a temporary basis for pass grade borrowers where a significant risk-modifying action is anticipated in the near term.
- *Special Mention* - Includes loans with an expanded risk rating of 12.
- *Substandard* - Includes loans with an expanded risk rating of 13 and 14.
- *Doubtful and loss* - Includes loans with an expanded risk rating of 15 and 16.

The following table presents a summary of loans by credit quality indicator, as of June 30, 2023, segregated by class of loans.

(In thousands)	Term Loans Amortized Cost Basis by Origination Year						Lines of Credit ("LOC") Amortized Cost Basis	LOC Converted to Term Loans Amortized Cost Basis	Total
	2023 (YTD)	2022	2021	2020	2019	2018 and Prior			
Consumer - credit cards									
Delinquency:									
Current	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 207,291	\$ —	\$ 207,291
30-89 days past due	—	—	—	—	—	—	1,666	—	1,666
90+ days past due	—	—	—	—	—	—	495	—	495
Total consumer - credit cards	—	—	—	—	—	—	209,452	—	209,452
<i>Current-period consumer - credit cards gross charge-offs</i>	—	—	—	—	—	—	2,486	—	2,486
Consumer - other									
Delinquency:									
Current	51,542	49,740	18,189	6,047	2,469	2,595	16,289	—	146,871
30-89 days past due	145	476	185	195	6	37	173	—	1,217
90+ days past due	—	65	153	—	9	17	1	—	245
Total consumer - other	51,687	50,281	18,527	6,242	2,484	2,649	16,463	—	148,333
<i>Current-period consumer - other gross charge-offs</i>	18	513	214	55	28	97	143	—	1,068
Real estate - C&D									
Risk rating:									
Pass	63,331	185,255	65,189	41,966	12,798	26,591	2,522,794	—	2,917,924
Special mention	—	—	—	—	—	406	3,342	—	3,748
Substandard	—	565	103	2	11	196	8,037	—	8,914
Doubtful and loss	—	—	—	—	—	—	—	—	—
Total real estate - C&D	63,331	185,820	65,292	41,968	12,809	27,193	2,534,173	—	2,930,586
<i>Current-period real estate - C&D gross charge-offs</i>	—	1,148	—	—	—	8	—	—	1,156
Real estate - SF residential									
Delinquency:									
Current	230,962	656,365	373,639	237,589	122,329	637,891	354,957	576	2,614,308
30-89 days past due	13	1,838	1,609	478	54	5,639	1,404	—	11,035
90+ days past due	—	451	985	497	597	5,140	352	—	8,022
Total real estate - SF residential	230,975	658,654	376,233	238,564	122,980	648,670	356,713	576	2,633,365
<i>Current-period real estate - SF residential gross charge-offs</i>	—	1	—	—	—	109	200	—	310
Real estate - other commercial									
Risk rating:									
Pass	256,143	1,747,880	1,280,524	585,377	219,471	866,189	2,282,403	—	7,237,987
Special mention	16,810	1,279	27,790	10,642	2,686	46,041	97,843	—	203,091
Substandard	438	9,361	17,719	9,226	3,456	28,954	35,898	—	105,052
Doubtful and loss	—	—	—	—	—	—	—	—	—
Total real estate - other commercial	273,391	1,758,520	1,326,033	605,245	225,613	941,184	2,416,144	—	7,546,130
<i>Current-period real estate - other commercial gross charge-offs</i>	—	—	—	7	—	35	131	—	173

Term Loans Amortized Cost Basis by Origination Year

(In thousands)	2023 (YTD)	2022	2021	2020	2019	2018 and Prior	Lines of Credit ("LOC") Amortized Cost Basis	LOC Converted to Term Loans Amortized Cost Basis	Total
Commercial									
Risk rating:									
Pass	222,995	466,055	248,760	114,917	55,019	75,495	1,325,382	348	2,508,971
Special mention	18	12,032	1,061	24	14	947	11,578	—	25,674
Substandard	28	7,723	3,561	1,066	1,325	5,649	15,270	—	34,622
Doubtful and loss	—	61	—	—	—	2	—	—	63
Total commercial	223,041	485,871	253,382	116,007	56,358	82,093	1,352,230	348	2,569,330
<i>Current-period commercial - gross charge-offs</i>	—	332	205	140	158	180	619	—	1,634
Commercial - agriculture									
Risk rating:									
Pass	26,529	37,597	18,044	7,414	2,218	2,056	183,682	17	277,557
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	635	488	256	40	28	1,537	—	2,984
Doubtful and loss	—	—	—	—	—	—	—	—	—
Total commercial - agriculture	26,529	38,232	18,532	7,670	2,258	2,084	185,219	17	280,541
<i>Current-period commercial - agriculture gross charge-offs</i>	—	—	—	—	—	3	—	—	3
Other									
Delinquency:									
Current	25,701	147,955	29,128	7,408	3,724	43,391	258,606	—	515,913
30-89 days past due	—	—	—	—	—	—	—	—	—
90+ days past due	—	—	—	—	—	3	—	—	3
Total other	25,701	147,955	29,128	7,408	3,724	43,394	258,606	—	515,916
<i>Current-period other - gross charge-offs</i>	—	—	—	—	—	—	54	—	54
Total	\$ 894,655	\$ 3,325,333	\$ 2,087,127	\$ 1,023,104	\$ 426,226	\$ 1,747,267	\$ 7,329,000	\$ 941	\$ 16,833,653

The following table presents a summary of loans by credit quality indicator, as of December 31, 2022, segregated by class of loans.

(In thousands)	Term Loans Amortized Cost Basis by Origination Year						Lines of Credit ("LOC") Amortized Cost Basis	LOC Converted to Term Loans Amortized Cost Basis	Total
	2022	2021	2020	2019	2018	2017 and Prior			
Consumer - credit cards									
Delinquency:									
Current	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 195,222	\$ —	\$ 195,222
30-89 days past due	—	—	—	—	—	—	1,297	—	1,297
90+ days past due	—	—	—	—	—	—	409	—	409
<i>Total consumer - credit cards</i>	—	—	—	—	—	—	196,928	—	196,928
Consumer - other									
Delinquency:									
Current	86,303	26,339	10,071	3,804	2,671	2,275	20,350	3	151,816
30-89 days past due	298	241	135	13	34	119	12	—	852
90+ days past due	121	47	2	1	2	41	—	—	214
<i>Total consumer - other</i>	86,722	26,627	10,208	3,818	2,707	2,435	20,362	3	152,882
Real estate - C&D									
Risk rating:									
Pass	237,304	68,916	50,912	16,920	13,625	9,611	2,163,776	334	2,561,398
Special mention	—	—	—	—	—	41	1,342	—	1,383
Substandard	1,091	116	36	13	31	103	2,478	—	3,868
Doubtful and loss	—	—	—	—	—	—	—	—	—
<i>Total real estate - C&D</i>	238,395	69,032	50,948	16,933	13,656	9,755	2,167,596	334	2,566,649
Real estate - SF residential									
Delinquency:									
Current	700,976	411,885	295,365	141,608	192,176	440,931	324,282	4,192	2,511,415
30-89 days past due	3,105	3,415	1,290	2,018	3,129	8,626	2,042	—	23,625
90+ days past due	586	871	885	968	1,017	6,312	436	—	11,075
<i>Total real estate - SF residential</i>	704,667	416,171	297,540	144,594	196,322	455,869	326,760	4,192	2,546,115
Real estate - other commercial									
Risk rating:									
Pass	1,917,352	1,482,049	768,630	254,986	179,729	428,027	2,093,379	19,469	7,143,621
Special mention	19,538	32,831	38,821	206	2,261	20,741	104,431	—	218,829
Substandard	24,639	3,399	27,399	2,544	2,026	15,217	30,824	—	106,048
Doubtful and loss	—	—	—	—	—	—	—	—	—
<i>Total real estate - other commercial</i>	1,961,529	1,518,279	834,850	257,736	184,016	463,985	2,228,634	19,469	7,468,498
Commercial									
Risk rating:									
Pass	595,256	300,650	168,539	41,924	31,329	35,447	1,401,402	24,940	2,599,487
Special mention	199	1,700	11	32	—	927	2,708	80	5,657
Substandard	5,257	2,435	3,328	802	891	1,290	11,337	1,805	27,145
Doubtful and loss	—	—	—	—	—	—	—	1	1
<i>Total commercial</i>	600,712	304,785	171,878	42,758	32,220	37,664	1,415,447	26,826	2,632,290
Commercial - agriculture									
Risk rating:									
Pass	44,377	22,901	12,044	4,483	1,029	369	119,342	310	204,855
Special mention	8	—	—	—	—	—	—	—	8
Substandard	55	8	78	49	10	—	560	—	760
Doubtful and loss	—	—	—	—	—	—	—	—	—
<i>Total commercial - agriculture</i>	44,440	22,909	12,122	4,532	1,039	369	119,902	310	205,623
Other									
Delinquency:									
Current	152,086	29,362	8,181	4,742	20,018	25,349	132,384	953	373,075
30-89 days past due	—	—	—	—	—	61	—	—	61
90+ days past due	—	—	—	—	—	3	—	—	3
<i>Total other</i>	152,086	29,362	8,181	4,742	20,018	25,413	132,384	953	373,139
Total	\$ 3,788,551	\$ 2,387,165	\$ 1,385,727	\$ 475,113	\$ 449,978	\$ 995,490	\$ 6,608,013	\$ 52,087	\$ 16,142,124

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, quantitative factors, 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 prepayments, in accordance with ASC Topic 326-20, *Financial Instruments - Credit Losses*. Accordingly, the methodology is comprised of two components: individual assessments on loans with unique risk characteristics and collective assessments for loans that share similar risk characteristics. Loans with similar risk characteristics such as loan type, collateral type, and internal risk ratings are aggregated for collective assessment. The Company uses statistically-based models that leverage assumptions about current and future economic conditions throughout the contractual life of the loan. Expected credit losses are estimated by either lifetime loss rates or expected loss cash flows based on three key parameters: probability-of-default (“PD”), exposure-at-default (“EAD”), and loss-given-default (“LGD”). Future economic conditions are incorporated to the extent that they are reasonable and supportable. Beyond the reasonable and supportable periods, the economic variables revert to a historical equilibrium at a pace dependent on the state of the economy reflected within the economic scenarios. To determine the best estimate of credit losses as of June 30, 2023, the Company utilized a probability-weighted, multiple-scenario approach consisting of Baseline, Upside (S1), and Downside (S3) scenarios published by Moody’s Analytics in June 2023 that was updated to reflect the U.S. economic outlook. The Company also includes qualitative adjustments to the allowance based on factors and considerations that have not otherwise been fully accounted for. These factors may include but are not limited to portfolio trends and considerations, other economic considerations, policy actions, concentration risk, or imprecision risk.

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.

Loans that have unique risk characteristics are evaluated on an individual basis. These evaluations are typically performed on loans with a deteriorated internal risk rating. 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.

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 \$99.7 million and \$70.9 million as of June 30, 2023 and December 31, 2022, respectively, as further detailed in the table below. The collateral securing these loans consist of commercial real estate properties, residential properties, and other business assets.

(In thousands)	Real Estate Collateral	Other Collateral	Total
June 30, 2023			
Construction and development	\$ 7,517	\$ —	\$ 7,517
Single family residential	1,446	—	1,446
Other commercial real estate	75,017	—	75,017
Commercial	—	15,741	15,741
Total	<u>\$ 83,980</u>	<u>\$ 15,741</u>	<u>\$ 99,721</u>
December 31, 2022			
Construction and development	\$ 2,156	\$ —	\$ 2,156
Single family residential	—	—	—
Other commercial real estate	65,450	—	65,450
Commercial	—	3,320	3,320
Total	<u>\$ 67,606</u>	<u>\$ 3,320</u>	<u>\$ 70,926</u>

The following table details activity in the allowance for credit losses by portfolio segment for the three and six months ended June 30, 2023. 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
Allowance for credit losses:					
Three Months Ended June 30, 2023					
Beginning balance, April 1, 2023	\$ 30,256	\$ 163,906	\$ 6,446	\$ 5,949	\$ 206,557
Provision for credit loss expense	1,483	1,464	995	1,119	5,061
Charge-offs	(1,225)	(435)	(1,409)	(666)	(3,735)
Recoveries	471	878	298	436	2,083
Net (charge-offs) recoveries	(754)	443	(1,111)	(230)	(1,652)
Ending balance, June 30, 2023	<u>\$ 30,985</u>	<u>\$ 165,813</u>	<u>\$ 6,330</u>	<u>\$ 6,838</u>	<u>\$ 209,966</u>
Six Months Ended June 30, 2023					
Beginning balance, January 1, 2023	\$ 34,406	\$ 150,795	\$ 5,140	\$ 6,614	\$ 196,955
Provision for credit loss expense	(3,322)	15,485	3,144	670	15,977
Charge-offs	(1,637)	(1,639)	(2,486)	(1,122)	(6,884)
Recoveries	1,538	1,172	532	676	3,918
Net charge-offs	(99)	(467)	(1,954)	(446)	(2,966)
Ending balance, June 30, 2023	<u>\$ 30,985</u>	<u>\$ 165,813</u>	<u>\$ 6,330</u>	<u>\$ 6,838</u>	<u>\$ 209,966</u>

Activity in the allowance for credit losses for the three and six months ended June 30, 2022 was as follows:

(In thousands)	Commercial	Real Estate	Credit Card	Other Consumer and Other	Total
Allowance for credit losses:					
<u>Three Months Ended June 30, 2022</u>					
Beginning balance, April 1, 2022	\$ 9,177	\$ 161,389	\$ 2,894	\$ 5,464	\$ 178,924
Acquisition adjustment for PCD loans	854	3,187	—	2	4,043
Provision for credit loss expense	22,853	1,629	4,470	1,454	30,406
Charge-offs	(688)	(124)	(1,004)	(518)	(2,334)
Recoveries	621	400	249	302	1,572
Net (charge-offs) recoveries	(67)	276	(755)	(216)	(762)
Ending balance, June 30, 2022	<u>\$ 32,817</u>	<u>\$ 166,481</u>	<u>\$ 6,609</u>	<u>\$ 6,704</u>	<u>\$ 212,611</u>
<u>Six Months Ended June 30, 2022</u>					
Beginning balance, January 1, 2022	\$ 17,458	\$ 179,270	\$ 3,987	\$ 4,617	\$ 205,332
Acquisition adjustment for PCD loans	854	3,187	—	2	4,043
Provision for credit loss expense	20,334	(16,193)	4,023	2,328	10,492
Charge-offs	(7,007)	(600)	(1,924)	(932)	(10,463)
Recoveries	1,178	817	523	689	3,207
Net (charge-offs) recoveries	(5,829)	217	(1,401)	(243)	(7,256)
Ending balance, June 30, 2022	<u>\$ 32,817</u>	<u>\$ 166,481</u>	<u>\$ 6,609</u>	<u>\$ 6,704</u>	<u>\$ 212,611</u>

As of June 30, 2023, the Company's allowance for credit losses was considered sufficient based upon expected losses that were supported by scenario-weighted economic forecasts. The provision expense for the three and six months ended June 30, 2023 was primarily due to the loan growth experienced during the periods, as well as the impact of updated economic assumptions.

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 was \$36.9 million and \$41.9 million as of June 30, 2023 and December 31, 2022, respectively. 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. During the three and six month periods ended June 30, 2023, \$5.0 million was released from the reserve for unfunded commitments primarily due to a decline in unfunded commitments resulting from customers utilizing lines of credit during the period. For the three and six month periods ended June 30, 2022, an adjustment to the reserve for unfunded commitments resulted in an expense of \$3.5 million associated with the Day 2 CECL provision related to the Spirit acquisition and was included in the provision for credit losses in the statement of income.

Provision for Credit Losses

Provision for credit losses is determined by the Company as the amount to be added to the allowance for credit loss accounts for various types of financial instruments including loans, securities and off-balance-sheet credit exposure after net charge-offs have been deducted to bring the allowance to a level which, in management's best estimate, is necessary to absorb expected credit losses over the lives of the respective financial instruments.

The components of the provision for credit losses for the three and six month periods ended June 30, 2023 and 2022 were as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Provision for credit losses related to:				
Loans	\$ 5,061	\$ 30,406	\$ 15,977	\$ 10,492
Unfunded commitments	(5,000)	3,453	(5,000)	3,453
Securities - HTM	1,326	—	1,826	—
Securities - AFS	(1,326)	—	11,474	—
Total	<u>\$ 61</u>	<u>\$ 33,859</u>	<u>\$ 24,277</u>	<u>\$ 13,945</u>

Purchased Credit Deteriorated ("PCD") Loans

Purchased loans that reflect a more-than-insignificant deterioration of credit from origination are considered PCD. For PCD loans, the initial estimate of expected credit losses is recognized in the allowance for credit loss on the date of acquisition using the same methodology as discussed in the *Allowance for Credit Losses* section included above.

The following table provides a summary of loans purchased as part of the Spirit acquisition with credit deterioration at acquisition:

(In thousands)	Commercial	Real Estate	Credit Card	Other Consumer and Other	Total
Unpaid principal balance	\$ 8,258	\$ 66,534	\$ —	\$ 59	\$ 74,851
PCD allowance for credit loss at acquisition	(6,433)	(3,187)	—	(2)	(9,622)
Non-credit related discount	(378)	(998)	—	(1)	(1,377)
Fair value of PCD loans	<u>\$ 1,447</u>	<u>\$ 62,349</u>	<u>\$ —</u>	<u>\$ 56</u>	<u>\$ 63,852</u>

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

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 Federal Home Loan Bank ("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 as of June 30, 2023 and December 31, 2022 related to the Company's right-of-use lease assets, included in premises and equipment, and lease liabilities, included in accrued interest and other liabilities.

(Dollars in thousands)	June 30, 2023	December 31, 2022
Right-of-use lease assets	\$ 57,171	\$ 46,845
Lease liabilities	58,379	47,850
Weighted average remaining lease term	8.26 years	6.69 years
Weighted average discount rate	3.33 %	2.41 %

Operating lease cost for the three and six month periods ended June 30, 2023 was \$3.7 million and \$7.6 million, respectively, as compared to \$3.7 million and \$6.9 million for the same periods in 2022.

NOTE 7: PREMISES AND EQUIPMENT

Premises and equipment are stated at cost less accumulated depreciation and amortization. Total premises and equipment, net at June 30, 2023 and December 31, 2022 were as follows:

(In thousands)	June 30, 2023	December 31, 2022
Right-of-use lease assets	\$ 57,171	\$ 46,845
Premises and equipment:		
Land	124,491	122,841
Buildings and improvements	377,108	370,530
Furniture, fixtures and equipment	108,106	122,029
Software	59,841	70,984
Construction in progress	16,023	15,488
Accumulated depreciation and amortization	(180,715)	(199,976)
Total premises and equipment, net	<u>\$ 562,025</u>	<u>\$ 548,741</u>

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 \$1.32 billion at June 30, 2023 and December 31, 2022.

Goodwill impairment was neither indicated nor recorded during the six months ended June 30, 2023 or the year ended December 31, 2022. During March of 2023, the Company's share price began to decline as markets in the United States ("US") responded to the sudden collapse of two US banks. As a result of the decrease in the Company's market capitalization, the Company performed an interim goodwill impairment qualitative assessment during the first quarter of 2023 and concluded that it was more likely-than-not that the fair value of goodwill continued to exceed its carrying value and therefore, goodwill was not impaired. During the second quarter of 2023, 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.

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 8 years to 15 years.

Changes in the carrying amount and accumulated amortization of the Company's core deposit premiums and other intangible assets at June 30, 2023 and December 31, 2022 were as follows:

(In thousands)	June 30, 2023	December 31, 2022
Core deposit premiums:		
Balance, beginning of year	\$ 116,016	\$ 93,862
Acquisitions ⁽¹⁾	—	36,500
Amortization	(7,377)	(14,346)
Balance, end of period	108,639	116,016
Books of business and other intangibles:		
Balance, beginning of year	12,935	12,373
Acquisitions ⁽²⁾	—	2,131
Amortization	(816)	(1,569)
Balance, end of period	12,119	12,935
Total other intangible assets, net	<u>\$ 120,758</u>	<u>\$ 128,951</u>

(1) A core deposit premium of \$36.5 million was recorded during 2022 as part of the Spirit acquisition. See Note 2, Acquisitions, for additional information on acquisitions.

(2) The Company recorded \$2.1 million during 2022 related to servicing assets acquired as part of the Spirit acquisition. See Note 2, Acquisitions, for additional information on acquisitions.

The carrying basis and accumulated amortization of the Company's other intangible assets at June 30, 2023 and December 31, 2022 were as follows:

(In thousands)	June 30, 2023	December 31, 2022
Core deposit premiums:		
Gross carrying amount	\$ 187,467	\$ 189,996
Accumulated amortization	(78,828)	(73,980)
Core deposit premiums, net	108,639	116,016
Books of business and other intangibles:		
Gross carrying amount	22,068	22,068
Accumulated amortization	(9,949)	(9,133)
Books of business and other intangibles, net	12,119	12,935
Total other intangible assets, net	<u>\$ 120,758</u>	<u>\$ 128,951</u>

The Company's estimated remaining amortization expense on other intangible assets as of June 30, 2023 is as follows:

(In thousands)	Year	Amortization Expense
	Remainder of 2023	\$ 8,113
	2024	15,403
	2025	12,819
	2026	12,346
	2027	12,218
	Thereafter	59,859
	Total	<u>\$ 120,758</u>

NOTE 9: TIME DEPOSITS

Time deposits included approximately \$1.60 billion and \$1.08 billion of certificates of deposit over \$250,000 at June 30, 2023 and December 31, 2022, respectively. Brokered time deposits were \$3.24 billion and \$2.75 billion at June 30, 2023 and December 31, 2022, 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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Income taxes currently payable	\$ 10,295	\$ 15,341	\$ 21,111	\$ 20,460
Deferred income taxes	(156)	(8,190)	(335)	917
Provision for income taxes	<u>\$ 10,139</u>	<u>\$ 7,151</u>	<u>\$ 20,776</u>	<u>\$ 21,377</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)	June 30, 2023	December 31, 2022
Deferred tax assets:		
Loans acquired	\$ 4,681	\$ 5,846
Allowance for credit losses	50,236	47,145
Valuation of foreclosed assets	523	523
Tax NOLs from acquisition	9,964	10,962
Deferred compensation payable	3,796	3,867
Accrued equity and other compensation	6,131	8,153
Acquired securities	7,641	7,651
Right-of-use lease liability	14,202	11,641
Unrealized loss on AFS securities	167,244	177,839
Allowance for unfunded commitments	8,984	10,200
Other	5,922	4,173
Gross deferred tax assets	<u>279,324</u>	<u>288,000</u>
Deferred tax liabilities:		
Goodwill and other intangible amortization	(43,138)	(44,539)
Accumulated depreciation	(23,429)	(24,288)
Right-of-use lease asset	(13,908)	(11,396)
Unrealized gain on swaps	(29,383)	(25,836)
Other	(10,207)	(8,875)
Gross deferred tax liabilities	<u>(120,065)</u>	<u>(114,934)</u>
Net deferred tax asset	<u>\$ 159,259</u>	<u>\$ 173,066</u>

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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Computed at the statutory rate (21%)	\$ 14,375	\$ 7,267	\$ 26,183	\$ 23,924
Increase (decrease) in taxes resulting from:				
State income taxes, net of federal tax benefit	454	(560)	697	565
Stock-based compensation	129	97	441	(105)
Tax exempt interest income	(3,871)	(3,619)	(7,675)	(7,022)
Tax exempt earnings on BOLI	(776)	(465)	(1,337)	(890)
Federal tax credits	(495)	(949)	(934)	(1,537)
Other differences, net	323	5,380	3,401	6,442
Actual tax provision	<u>\$ 10,139</u>	<u>\$ 7,151</u>	<u>\$ 20,776</u>	<u>\$ 21,377</u>

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 four tax-free reorganization transactions in which acquired net operating losses are limited pursuant to Section 382. In total, approximately \$44.4 million of federal net operating losses subject to the IRC Section 382 annual limitation are expected to be utilized by the Company. All of the acquired net operating loss carryforwards are 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 2019 tax year and forward. The Company’s various state income tax returns are generally open from the 2019 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 \$102.2 million and \$152.4 million at June 30, 2023 and December 31, 2022, respectively. The remaining contractual maturity of the securities sold under agreements to repurchase in the consolidated balance sheets as of June 30, 2023 and December 31, 2022 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	
June 30, 2023					
Repurchase agreements:					
U.S. Government agencies	\$ 102,186	\$ —	\$ —	\$ —	\$ 102,186
December 31, 2022					
Repurchase agreements:					
U.S. Government agencies	\$ 152,403	\$ —	\$ —	\$ —	\$ 152,403

NOTE 12: OTHER BORROWINGS AND SUBORDINATED NOTES AND DEBENTURES

Debt at June 30, 2023 and December 31, 2022 consisted of the following components:

(In thousands)	June 30, 2023	December 31, 2022
Other Borrowings		
FHLB advances, net of discount, due 2023 to 2033, 4.56% to 5.53% secured by real estate loans	\$ 1,353,356	\$ 838,487
Other long-term debt	19,983	20,809
Total other borrowings	1,373,339	859,296
Subordinated Notes and Debentures		
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) ⁽¹⁾	330,000	330,000
Subordinated notes payable, net of premium adjustments, due 7/31/2030, fixed-to-floating rate (fixed rate of 6.00% through 7/30/2025, floating rate of 5.92% above the three month SOFR rate, reset quarterly)	37,227	37,285
Unamortized debt issuance costs	(1,162)	(1,296)
Total subordinated notes and debentures	366,065	365,989
Total other borrowings and subordinated debt	\$ 1,739,404	\$ 1,225,285

(1) The Company will transition from the three month LIBOR rate to the three month Secured Overnight Financing Rate (“SOFR”), plus a comparable spread adjustment of 26.161 basis points, beginning with interest accrued on the notes from and after October 1, 2023.

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 (provided that the Company will transition from the “then-current three month LIBOR rate” to the “three month SOFR, plus a comparable spread adjustment of 26.161 basis points,” beginning with interest accrued on the Notes from and after October 1, 2023). 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 in an aggregate principal amount, net of premium adjustments, of \$37.4 million in connection with the Spirit acquisition in April 2022 (the “Spirit Notes”). The Spirit Notes will mature on July 31, 2030, and initially bear interest at a fixed annual rate of 6.00%, payable quarterly, in arrears, to, but excluding, July 31, 2025. From and including July 31, 2025, to, but excluding, the maturity date or earlier redemption date, the interest rate will reset quarterly to an interest rate per annum equal to a benchmark rate, which is expected to be the then-current three-month SOFR rate, as published by the Federal Reserve Bank of New York (provided, that in the event the benchmark rate is less than zero, the benchmark rate will be deemed to be zero) plus 592 basis points, payable quarterly, in arrears.

The Company had total FHLB advances of \$1.35 billion and \$838.5 million at June 30, 2023 and December 31, 2022, respectively, which are primarily fixed rate, fixed term advances, which are due less than one year from origination and therefore are classified as short-term advances by the Company. At June 30, 2023, the FHLB advances outstanding were secured by mortgage loans and investment securities totaling approximately \$6.95 billion and the Company had approximately \$5.35 billion of additional advances available from the FHLB.

The Company's long-term debt primarily includes subordinated debt and other notes payable. Aggregate annual maturities of long-term debt at June 30, 2023, are as follows:

Year	(In thousands)	
Remainder of 2023	\$	889
2024		1,822
2025		1,822
2026		1,824
2027		1,920
Thereafter		381,128
Total	\$	389,405

NOTE 13: CONTINGENT LIABILITIES

In the ordinary course of its operations, the Company and its subsidiaries are parties to various legal proceedings incidental to the conduct of its business, including proceedings based on breach of contract claims, lender liability claims, and other ordinary-course claims, some of which seek substantial relief or damages.

On June 29, 2020, Shunda Wilkins, Diann Graham, and David Watson filed a putative class action complaint against Simmons Bank in the United States District Court for the Eastern District of Arkansas. The complaint alleged that Simmons Bank improperly charges multiple insufficient funds or overdraft fees when a merchant resubmits a rejected payment request. The complaint asserted claims for breach of contract and unjust enrichment. Plaintiffs sought to represent a proposed class of all Simmons Bank checking account customers who were charged multiple insufficient funds or overdraft fees on resubmitted payment requests. Plaintiffs sought unspecified damages, costs, attorney's fees, pre-judgment interest, an injunction, and other relief as the Court deems proper for themselves and the purported class. Simmons Bank denied the allegations and has vigorously defended the matter. On February 9, 2023, the district court denied plaintiffs' motion for class certification, granted Simmons Bank's motion for summary judgment in part, and granted Simmons Bank's motion to exclude testimony of plaintiffs' expert. On July 14, 2023, the district court denied plaintiffs' motion to reconsider the court's February 9, 2023 ruling, and ruled in favor of Simmons Bank on the outstanding issues.

The Company establishes reserves for legal proceedings when potential losses become probable and can be reasonably estimated. While the ultimate resolution (including amounts thereof) of any legal proceedings, including the matter described above, cannot be determined at this time, based on information presently available and after consultation with legal counsel, management believes that the ultimate outcome in such proceedings, either individually or in the aggregate, will not have a material adverse effect on the Company's business, consolidated results of operations, financial condition, or cash flows. It is possible, however, that future developments could result in an unfavorable outcome for or resolution of any of these proceedings, which may be material to the Company's results of operations for a given fiscal period.

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. On April 27, 2022, the Company's shareholders approved amendments to the Company's Articles of Incorporation to remove an \$80.0 million cap on the aggregate liquidation preference associated with the preferred stock and increase the number of authorized shares of the Company's Class A common stock from 175,000,000 to 350,000,000.

On October 29, 2019, the Company filed 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 ("Series D Preferred Stock"), out of the Company's authorized preferred stock. On April 27, 2022, the Company's shareholders approved an amendment to the Company's Articles of Incorporation to remove the classification and designation for the Series D Preferred Stock. As of June 30, 2023, there were no shares of preferred stock issued or outstanding.

Effective July 23, 2021, the Company's Board of Directors approved an amendment to the Company's stock repurchase program originally established in October 2019 ("2019 Program") that increased the amount of the Company's Class A common stock that may be repurchased under the 2019 Program from a maximum of \$180.0 million to a maximum of \$276.5 million and extended the term of the 2019 Program from October 31, 2021, to October 31, 2022.

During January 2022, the Company substantially exhausted the repurchase capacity under the 2019 Program. As a result, the Company's Board of Directors authorized a new stock repurchase program in January 2022 (the "2022 Program") under which the Company may repurchase up to \$175.0 million of its Class A common stock currently issued and outstanding. The 2022 Program will terminate on January 31, 2024 (unless terminated sooner).

During the three and six month periods ended June 30, 2023, the Company repurchased 1,128,087 shares at an average price of \$17.75 per share under the 2022 Program. Market conditions and the Company's capital needs will drive decisions regarding additional, future stock repurchases. During the six month period ended June 30, 2022, the Company repurchased 513,725 shares at an average price of \$31.25 per share under the 2019 Program and 2,035,324 shares at an average price of \$24.59 per share under the 2022 Program. The 2022 Program repurchases during the six months ended June 30, 2022 were all completed during the second quarter of 2022.

Under the 2022 Program, which replaced the 2019 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 2022 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 2022 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 2022 Program to come from available sources of liquidity, including cash on hand and future cash flow.

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 June 30, 2023, Simmons Bank had approximately \$285.9 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. 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 of 2.5% composed of CET1 capital above its minimum risk-based capital requirements. Failure to meet this capital conservation buffer would result in additional limits on dividends, other distributions and discretionary bonuses. As of June 30, 2023, 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 11.92% at June 30, 2023.

NOTE 16: STOCK-BASED COMPENSATION

The Company's Board of Directors has adopted various stock-based compensation plans, including the 2023 Stock and Incentive Plan that was approved by shareholders and became effective April 18, 2023. The plans provide for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance stock units and stock awards. Pursuant to the plans, shares are reserved for future issuance by the Company upon exercise of stock options or awards of restricted stock, restricted stock units, performance stock units or stock awards 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 six months ended June 30, 2023:

(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
Beginning balance, January 1, 2023	470	\$ 22.56	—	\$ —	1,197	\$ 26.63
Granted	—	—	—	—	730	21.52
Stock options exercised	(1)	10.65	—	—	—	—
Stock awards/units vested (earned)	—	—	—	—	(381)	25.64
Forfeited/expired	—	—	—	—	(138)	24.78
Balance, June 30, 2023	<u>469</u>	<u>\$ 22.58</u>	<u>—</u>	<u>\$ —</u>	<u>1,408</u>	<u>\$ 24.41</u>
Exercisable, June 30, 2023	<u>469</u>	<u>\$ 22.58</u>				

The following table summarizes information about stock options under the plans outstanding at June 30, 2023:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number of Shares (In thousands)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares (In thousands)	Weighted Average Exercise Price	
\$ 20.29 — \$ 20.29	47	1.39	\$20.29	47	\$20.29	
22.20 — 22.20	51	1.73	22.20	51	22.20	
22.75 — 22.75	293	1.97	22.75	293	22.75	
23.51 — 23.51	71	2.40	23.51	71	23.51	
24.07 — 24.07	7	2.21	24.07	7	24.07	
<u>\$ 20.29 — \$ 24.07</u>	<u>469</u>	<u>1.95</u>	<u>\$22.58</u>	<u>469</u>	<u>\$22.58</u>	

The table below summarizes the Company's performance stock unit activity for the six months ended June 30, 2023:

(In thousands)	Performance Stock Units
Non-vested, January 1, 2023	352
Granted	302
Vested (earned)	(72)
Forfeited	(53)
Non-vested, June 30, 2023	<u>529</u>

Stock-based compensation expense was \$8.0 million and \$8.2 million during the six month periods ended June 30, 2023 and 2022, 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 June 30, 2023. Unrecognized stock-based compensation expense related to non-vested stock awards and stock units was \$21.3 million at June 30, 2023. At such date, the weighted-average period over which this unrecognized expense is expected to be recognized was 1.7 years.

There was no intrinsic value of stock options outstanding and stock options exercisable at June 30, 2023. Aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of the period, which was \$17.25 as of June 30, 2023, and the exercise price multiplied by the number of options outstanding. Total intrinsic value of stock options exercised during the six months ended June 30, 2023 was \$6,000, while there was no intrinsic value of stock options exercised during the six months ended June 30, 2022.

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 six months ended June 30, 2023 and 2022.

NOTE 17: EARNINGS PER SHARE ("EPS")

Basic EPS is computed by dividing reported net income available to common stockholders by the 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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income available to common stockholders	\$ 58,314	\$ 27,454	\$ 103,903	\$ 92,549
Average common shares outstanding	127,104	128,313	127,145	120,420
Average potential dilutive common shares	276	407	276	407
Average diluted common shares	127,380	128,720	127,421	120,827
Basic earnings per share	\$ 0.46	\$ 0.21	\$ 0.82	\$ 0.77
Diluted earnings per share	\$ 0.46	\$ 0.21	\$ 0.82	\$ 0.77

There were 469,280 stock options excluded from the three and six months ended June 30, 2023 earnings per share calculation due to the related stock option exercise price exceeding the average market price of the Company's stock during the periods. There were 6,610 stock options excluded from the earnings per share calculation for the three months ended June 30, 2022 due to the related stock option exercise price exceeding the average market price of the Company's stock during the period. There were no stock options excluded from the earnings per share calculation for the six months ended June 30, 2022 due to the average market price of the Company's stock exceeding the related stock option exercise price during the period.

NOTE 18: ADDITIONAL CASH FLOW INFORMATION

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

(In thousands)	Six Months Ended June 30,	
	2023	2022
Interest paid	\$ 224,345	\$ 36,049
Income taxes paid	1,425	4,881
Transfers of loans to foreclosed assets held for sale	2,274	581
Transfers of assets held for sale to other assets	—	100

NOTE 19: OTHER INCOME AND OTHER OPERATING EXPENSES

Other income for the three and six months ended June 30, 2023 was \$9.8 million and \$21.1 million, respectively. Other income for the same periods in 2022 was \$6.8 million and \$14.1 million, respectively. Included in other income during the six month period ended June 30, 2023 was a \$4.0 million legal reserve recapture associated with previously disclosed legal matters. Additionally, other income increased on a year-over-year basis, primarily as a result of fair value adjustments associated with certain equity investments and death benefits from bank owned life insurance.

Other operating expenses consisted of the following:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Professional services	\$ 5,233	\$ 4,202	\$ 9,642	\$ 9,648
Postage	2,366	2,217	4,690	4,343
Telephone	1,701	1,695	3,432	3,253
Credit card expense	3,444	3,037	6,633	5,743
Marketing	6,044	8,754	12,254	14,894
Software and technology	10,236	10,078	20,592	20,225
Operating supplies	683	713	1,288	1,411
Amortization of intangibles	4,098	4,096	8,194	7,582
Branch right sizing expense	95	292	1,074	1,201
Other expense	9,026	9,399	18,213	17,829
Total other operating expenses	\$ 42,926	\$ 44,483	\$ 86,012	\$ 86,129

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 agribusiness, commercial and residential loans to customers primarily throughout Arkansas, 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 June 30, 2023, the Company had outstanding commitments to extend credit aggregating approximately \$717.1 million and \$4.71 billion for credit card commitments and other loan commitments, respectively. At December 31, 2022, the Company had outstanding commitments to extend credit aggregating approximately \$696.7 million and \$5.64 billion for credit card commitments and other loan commitments, respectively.

As of June 30, 2023, the Company had outstanding commitments to originate fixed-rate mortgage loans of approximately \$30.4 million. At December 31, 2022, the Company had outstanding commitments to originate fixed-rate mortgage loans of approximately \$21.1 million. The commitments extend over varying periods of time with the majority being disbursed within a thirty-day period.

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 \$52.0 million and \$44.4 million at June 30, 2023, and December 31, 2022, respectively, with terms ranging from 9 months to 15 years. At June 30, 2023 and December 31, 2022, the Company had no deferred revenue under standby letter of credit agreements.

The Company has purchased letters of credit from the FHLB as security for certain public deposits. The amount of the letters of credit was \$245.2 million and \$265.7 million at June 30, 2023 and December 31, 2022, respectively, and they expire in less than one year from issuance.

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 certain other financial products. 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. 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.

Mortgage loans held for sale – Mortgage loans held for sale are reported at fair value on an aggregate basis. Adjustments to fair value are recognized monthly and reflected in earnings. In determining the fair value of loans held for sale, 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 June 30, 2023 and December 31, 2022, the aggregate fair value of mortgage loans held for sale exceeded their cost.

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.

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 June 30, 2023 and December 31, 2022.

(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>June 30, 2023</u>				
Available-for-sale securities				
U.S. Treasury	\$ 2,209	\$ 2,209	\$ —	\$ —
U.S. Government agencies	176,564	—	176,564	—
Mortgage-backed securities	2,282,328	—	2,282,328	—
State and political subdivisions	885,505	—	885,505	—
Other securities	233,152	—	233,152	—
Mortgage loans held for sale	10,342	—	—	10,342
Derivative asset	152,697	—	152,697	—
Derivative liability	(33,543)	—	(33,543)	—
<u>December 31, 2022</u>				
Available-for-sale securities				
U.S. Treasury	\$ 2,197	\$ 2,197	\$ —	\$ —
U.S. Government agencies	184,279	—	184,279	—
Mortgage-backed securities	2,542,902	—	2,542,902	—
States and political subdivisions	871,074	—	871,074	—
Other securities	252,402	—	252,402	—
Mortgage loans held for sale	3,486	—	—	3,486
Derivative asset	139,323	—	139,323	—
Derivative liability	(34,440)	—	(34,440)	—

Certain 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. 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 due to the unobservable inputs used in determining their fair value such as collateral values and the borrower’s underlying financial condition. 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.

The following table sets forth the Company’s assets by level within the fair value hierarchy that were measured at fair value on a nonrecurring basis as of June 30, 2023 and December 31, 2022.

(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)
June 30, 2023				
Individually assessed loans ⁽¹⁾⁽²⁾ (collateral-dependent)	\$ 99,721	\$ —	\$ —	\$ 99,721
Foreclosed assets and other real estate owned ⁽¹⁾	3,052	—	—	3,052
December 31, 2022				
Individually assessed loans ⁽¹⁾⁽²⁾ (collateral-dependent)	\$ 70,926	\$ —	\$ —	\$ 70,926
Foreclosed assets and other real estate owned ⁽¹⁾	2,418	—	—	2,418

(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 \$12.8 million and \$5.2 million were related to collateral-dependent loans for which fair value re-measurements took place during the periods ended June 30, 2023 and December 31, 2022, 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 Amount	Fair Value Measurements			Total
		Level 1	Level 2	Level 3	
June 30, 2023					
Financial assets:					
Cash and cash equivalents	\$ 745,912	\$ 745,912	\$ —	\$ —	\$ 745,912
Interest bearing balances due from banks - time	545	—	545	—	545
Held-to-maturity securities, net	3,756,754	—	3,094,858	—	3,094,858
Interest receivable	103,431	—	103,431	—	103,431
Loans, net	16,623,687	—	—	15,928,195	15,928,195
Financial liabilities:					
Noninterest bearing transaction accounts	5,264,962	—	5,264,962	—	5,264,962
Interest bearing transaction accounts and savings deposits	10,866,078	—	10,866,078	—	10,866,078
Time deposits	6,357,682	—	—	6,293,911	6,293,911
Federal funds purchased and securities sold under agreements to repurchase	102,586	—	102,586	—	102,586
Other borrowings	1,373,339	—	1,370,261	—	1,370,261
Subordinated notes and debentures	366,065	—	359,801	—	359,801
Interest payable	27,346	—	27,346	—	27,346
December 31, 2022					
Financial assets:					
Cash and cash equivalents	\$ 682,122	\$ 682,122	\$ —	\$ —	\$ 682,122
Interest bearing balances due from banks - time	795	—	795	—	795
Held-to-maturity securities, net	3,759,706	—	3,063,233	—	3,063,233
Interest receivable	102,892	—	102,892	—	102,892
Loans, net	15,945,169	—	—	15,573,555	15,573,555
Financial liabilities:					
Noninterest bearing transaction accounts	6,016,651	—	6,016,651	—	6,016,651
Interest bearing transaction accounts and savings deposits	11,762,885	—	11,762,885	—	11,762,885
Time deposits	4,768,558	—	—	4,696,473	4,696,473
Federal funds purchased and securities sold under agreements to repurchase	160,403	—	160,403	—	160,403
Other borrowings	859,296	—	857,257	—	857,257
Subordinated notes and debentures	365,989	—	363,578	—	363,578
Interest payable	16,399	—	16,399	—	16,399

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.

Fair Value Hedges

For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged asset or liability attributable to the hedged risk are recognized in current earnings. The gain or loss on the derivative instrument is presented on the same income statement line item as the earnings effect of the hedged item. During the third quarter of 2021, the Company began utilizing interest rate swaps designated as fair value hedges to mitigate the effect of changing interest rates on the fair values of fixed rate callable AFS securities. The hedging strategy converts the fixed interest rates to variable interest rates based on federal funds rates. The two year forward start date for these swaps occurs during the third quarter of 2023 and involve the payment of fixed interest rates with a weighted average of 1.21% in exchange for variable interest rates based on federal funds rates.

The following table summarizes the fair value hedges recorded in the accompanying consolidated balance sheets.

(In thousands)	Balance Sheet Location	Weighted Average Pay Rate	Receive Rate	June 30, 2023		December 31, 2022	
				Notional	Fair Value	Notional	Fair Value
Derivative assets	Other assets	1.21%	Federal Funds	\$ 1,001,715	\$ 119,105	\$ 1,001,715	\$ 104,833

The following amounts were recorded on the balance sheet related to carrying amounts and cumulative basis adjustments for fair value hedges.

Line Item on the Balance Sheet (In thousands)	Carrying Amount of Hedged Assets		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of Hedged Assets	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Investment securities - Available-for-sale	\$ 926,745	\$ 944,115	\$ 120,919	\$ 106,321

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)	June 30, 2023		December 31, 2022	
	Notional	Fair Value	Notional	Fair Value
Derivative assets	\$ 486,439	\$ 33,592	\$ 413,968	\$ 34,490
Derivative liabilities	547,212	33,543	414,955	34,440

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 \$20.1 million as of June 30, 2023.

Energy Hedging

The Company, from time-to-time, provides 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.

During the second quarter of 2023, the Company's remaining energy hedge swap contracts expired and there were no outstanding notional values related to these contracts as of June 30, 2023. Currently, the Company generally does not intend to offer hedging services to any remaining energy related customers.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders, Board of Directors and Audit Committee
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 and subsidiaries (“the Company”) as of June 30, 2023, and the related consolidated statements of income, comprehensive income (loss) and stockholders’ equity for the three and six month periods ended June 30, 2023 and 2022, and cash flows for the six month periods ended June 30, 2023 and 2022, 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 condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated balance sheet of the Company and subsidiaries as of December 31, 2022, 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, 2023, 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, 2022, 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 interim 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 review in accordance with the standards of the PCAOB. A review of interim financial information (statements) 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.

/s/ FORVIS, LLP

Little Rock, Arkansas
August 4, 2023

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

As permitted by SEC rules, management presents a sequential quarterly analysis of the Company’s performance as we believe that comparing current quarter results to those of the immediately preceding fiscal quarter is more useful in identifying current business trends and provides a more relevant analysis of our business results. Accordingly, we have compared our results of operations for the three months ended June 30, 2023 to our results of operations for the three months ended March 31, 2023, as applicable, throughout this Management’s Discussion and Analysis of Financial Condition and Results of Operations. For additional information regarding the Company’s results for the three months ended March 31, 2023, please refer to our first quarter Form 10-Q filed with the SEC on May 5, 2023.

OVERVIEW

During the first half of 2023, significant turmoil within the financial services industry, which was fueled by the failure of certain regional banks that utilized specialized business models, and continued inflationary pressures and recessionary fears, resulted in industry concerns around the level of uninsured deposits, liquidity, capital and operations. Despite these challenges, which have seemed to abate slightly late in the second quarter of 2023, our focus remained on the fundamentals that have served us well during our 120-year history. We believe that our liquidity is solid and that our capital is strong:

- Deposits were relatively stable during the quarter, which highlights the granularity of our deposit base, as well as the long-term relationships we have with many of our customers. Total deposits as of June 30, 2023 were \$22.49 billion, compared to \$22.55 billion as of December 31, 2022. Uninsured deposits (excluding collateralized deposits and intercompany deposits) as of June 30, 2023 were approximately \$4.82 billion, or 21% of total deposits.
- Capital levels were steady during the quarter, with all regulatory capital ratios remaining significantly above “well-capitalized” guidelines as of June 30, 2023 (see Table 11 in the *Risk Based Capital* section below). As of June 30, 2023, our ratio of common equity to total assets was 12.00%, the ratio of tangible common equity to tangible assets was 7.22% and our Tier 1 leverage ratio was 9.23%.
- Key credit quality metrics as of June 30, 2023 also remained solid, with our nonperforming loan coverage ratio at 292% and our allowance for credit losses as a percent of total loans ratio was 1.25%.
- Significant liquidity position with a loan to deposit ratio of 75% as of June 30, 2023, compared to 72% as of December 31, 2022. Additional liquidity sources available to us as of June 30, 2023 totaled \$11.10 billion and our uninsured deposit coverage ratio was 2.3x.

Our net income for the three months ended June 30, 2023 was \$58.3 million, or \$0.46 diluted earnings per share, compared to net income of \$45.6 million, or \$0.36 diluted earnings per share, for the three months ended March 31, 2023. Included in each comparative period end results were certain items related to our acquisitions and branch right sizing initiatives, while the results for the three months ended June 30, 2023 also included adjustments for early retirement program costs. Excluding these certain items and the tax effect, adjusted earnings for the three months ended June 30, 2023 were \$61.1 million, or \$0.48 adjusted diluted earnings per share, compared to \$47.3 million, or \$0.37 adjusted diluted earnings per share, for the three months ended March 31, 2023.

Net income for the six months ended June 30, 2023 was \$103.9 million, or \$0.82 diluted earnings per share, compared to net income of \$92.5 million, or \$0.77 diluted earnings per share for the six months ended June 30, 2022. Included in each comparative period end results were certain items related to our acquisitions and branch right sizing initiatives, while the results for the six months ended June 30, 2023 also include adjustments for early retirement program costs and the results for the six months ended June 30, 2022 also include the Day 2 CECL provision required for loans and unfunded commitments acquired in connection with the Spirit acquisition and a donation to Simmons First Foundation. Excluding these certain items and the tax effect, adjusted earnings for the six months ended June 30, 2023 were \$108.4 million, or \$0.85 adjusted diluted earnings per share, compared to \$135.3 million, or \$1.12 adjusted diluted earnings per share for the six months ended June 30, 2022.

Simmons Bank was named to *Forbes* magazine’s 2023 list of “World’s Best Banks” for the fourth consecutive year and recognized by *Forbes*’ as one of “America’s Best Midsize Employers” for 2023. We continue to work to expand our suite of digital solutions to provide an enhanced customer experience to “bank when you want, where you want.”

Our Better Bank Initiative, which is focused on programs designed to optimize operational processes and increase capacity to capitalize on organic growth opportunities, achieved continued success across multiple fronts. During the second quarter of 2023, we substantially completed our early retirement program, which is expected to result in approximately \$5.1 million in annual cost savings. Extensive progress was also completed on other identified opportunities related to process improvements and streamlining or upgrading systems. As a result, we are on track to meet or exceed the estimated \$15 million in annual cost savings we have identified to date by the end of 2023.

Asset quality metrics remain at historically low-levels and reflect our conservative credit culture, as well as the impact of our strategic decision in 2019 designed to de-risk certain elements of loan portfolios that were acquired in connection with our geographic diversification and expansion. Total nonperforming loans as of June 30, 2023, December 31, 2022, and June 30, 2022 were \$72.0 million, \$58.9 million, and \$63.6 million, respectively. Non-performing assets as a percent of total assets were 0.28% at June 30, 2023, compared to 0.23% at December 31, 2022 and 0.26% at June 30, 2022.

Stockholders' equity as of June 30, 2023 was \$3.36 billion, book value per share was \$26.59 and tangible book value per share was \$15.17. We repurchased 1,128,087 shares of our common stock under the 2022 Program during the second quarter of 2023.

Total loans were \$16.83 billion at June 30, 2023, compared to \$16.14 billion at December 31, 2022. The increase in total loans during the period was supported by diverse growth in terms of type and geographic market. Our unfunded commitments were \$4.71 billion and \$5.64 billion as of June 30, 2023 and December 31, 2022, respectively. While unfunded commitments are considered a key indicator of future loan growth, the rapid increase in interest rates, coupled with softer economic conditions, have resulted in lower activity in our commercial loan pipeline, which was \$689.1 million as of June 30, 2023, compared to \$1.12 billion at December 31, 2022.

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 adjusted financial measures of the Company and predicting future performance. See the *GAAP Reconciliation of Non-GAAP Financial Measures* section below for additional discussion and reconciliations of non-GAAP measures.

Simmons First National Corporation is a Mid-South based financial holding company that, as of June 30, 2023, has approximately \$28.0 billion in consolidated assets and, through its subsidiaries, conducts financial operations in Arkansas, Kansas, Missouri, Oklahoma, Tennessee and Texas.

CRITICAL ACCOUNTING ESTIMATES

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 US GAAP 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, quantitative factors, and other qualitative considerations. The allowance, in the judgment of management, is necessary to reserve for expected credit 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*. 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.

In the first quarter of 2023, we refined the estimation process by improving systems, models, processes, methodology, and assumptions used within the calculation. After multiple parallel runs with the former process, it was determined that the changes did not and are not expected to result in material differences of results.

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. The fair value for acquired loans at the time of acquisition is based on a variety of factors including discounted expected cash flows, adjusted for estimated prepayments and credit losses. In accordance with ASC 326, the fair value adjustment is recorded as a premium or discount to the unpaid principal balance of each acquired loan. Loans that have been identified as having experienced a more-than-insignificant deterioration in credit quality since origination are purchased credit deteriorated ("PCD") loans. The net premium or discount on PCD loans is adjusted by our allowance for credit losses recorded at the time of acquisition. The remaining net premium or discount is accreted or amortized into interest income over the remaining life of the loan using a constant yield method. The net premium or discount on loans that are not classified as PCD ("non-PCD"), that includes credit and non-credit components, is accreted or amortized into interest income over the remaining life of the loan using a constant yield method. We then record the necessary allowance for credit losses on the non-PCD loans through provision for credit losses expense.

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.

To quantitatively test goodwill for impairment, a present value of discounted cash flows calculation is completed and relies on several assumptions that have a level of subjectivity and judgement. These assumptions are dependent on market and economic conditions. Key inputs to estimate terminal fair value of the Company include projected forecasts, noninterest expense savings and a pricing multiple based on a group of peer banks with similar characteristics. These inputs are discounted by the cost of equity, which includes assumptions involving our beta; equity risk, size and company premiums; and the 20-year treasury rate. Assumptions used in calculating the cost of equity are obtained from market and third-party data. Results are compared to book value and no impairment was indicated as of June 30, 2023. Judgement is inherent in assessing goodwill for impairment. The various assumptions used in assessing goodwill for impairment involve uncertainties that are beyond our control and could cause actual results to differ materially from those projected.

Impairment losses on recorded goodwill, if any, will be recorded as operating expenses.

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, performance stock units and stock awards. Pursuant to the plans, shares are reserved for future issuance by the Company upon exercise of stock options or awarding of restricted stock, restricted stock units, performance stock units or stock awards 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 noninterest 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 42% of our loan portfolio and approximately 80% of our time deposits have repriced in one year or less. As of June 30, 2023, our interest rate sensitivity shows that approximately 39% of our loans and 93% of our time deposits will reprice in the next year.

Net Interest Income - Sequential Quarter Analysis

For the three month period ended June 30, 2023, net interest income on a fully taxable equivalent basis was \$169.3 million, a decrease of \$14.8 million, or 8.0%, compared to the three months ended March 31, 2023. The decrease in net interest income was primarily the result of a \$17.9 million increase in fully tax equivalent interest income, more than offset by a \$32.7 million increase in interest expense.

The increase in interest income primarily resulted from a \$16.9 million increase in interest income on loans, due to both volume and yield increases. The increase in loan volume resulted in an increase of \$5.3 million in interest income, while a 22 basis point increase in loan yield resulted in an incremental \$11.6 million of interest income. The loan yield for the second quarter of 2023 was 5.89% compared to 5.67% from the preceding sequential quarter and was due to the continued rising rate environment. The additional loan volume was due to solid organic loan growth which was widespread across our geographic markets.

The \$32.7 million increase in interest expense is mostly due to the increase in deposit account rates and change in deposit mix as consumers migrate toward higher rate deposits, principally certificates of deposits, in the current higher rate environment. Interest expense increased \$17.6 million due to the increase in rate of 47 basis points on interest-bearing deposit accounts as pricing measures were implemented to defend the core deposit base. Interest expense increased \$3.2 million due to the increase in deposit volume over the period. During the second quarter of 2023, we made a strategic decision to utilize short-term borrowings to elevate our liquidity position given the macroeconomic environment and the debt ceiling debate, which led to a \$9.8 million increase in interest expense. On April 1, 2023, approximately \$330.0 million of our outstanding subordinated debt converted from fixed rate to floating rate, further contributing to a \$2.1 million increase in interest expense during the quarter.

Net Interest Income - Year-over-Year Analysis

Net interest income on a fully taxable equivalent basis for the six month period ended June 30, 2023 increased \$11.1 million, or 3.2%, over the same period in 2022. The increase in net interest income was the result of a \$210.5 million increase in fully tax equivalent interest income, partially offset by a \$199.5 million increase in interest expense.

The increase in interest income during the six month period ended June 30, 2023 resulted from increases in interest income on loans and investments as a result of rising market interest rates. The increase in interest income on loans of \$182.0 million reflects an increase in loan volume of \$83.4 million coupled with a 133 basis point rise in loan yield that resulted in a \$98.6 million increase. The increase in our loan volume during the first six months of 2023 was due to the Spirit acquisition in the second quarter of 2022, combined with solid organic loan growth over the comparative period. The increase of \$25.7 million in interest income on investment securities reflects an increase of \$34.6 million in interest income on investment securities due to yield increases over the period of 129 basis points and 19 basis points for our taxable and non-taxable investment security portfolios, respectively. The increase in interest income on investment securities due to yield increases was mitigated by an \$8.9 million decrease due to the decline in our investment portfolio average balances which decreased by \$964.5 million or 11.4%, as our portfolio experienced pay downs and maturities over the period, which was reinvested into our loan portfolio.

The \$199.5 million increase in interest expense is mainly due to the increase in our deposit account rates over the period, combined with the additional deposit base from the Spirit acquisition and change in deposit mix as the market experiences a shift in consumer sentiment given the attractiveness of higher yielding time deposits in the current higher interest rate environment. Interest expense increased \$165.9 million due to the increase in rate of 212 basis points on interest-bearing deposit accounts and increased \$13.4 million due to the increase in deposit volume over the period. Further, an increase of \$17.8 million to interest expense was related to an increase in other borrowings during the same period. The rate increase of 343 basis points in other borrowings resulted in an increase of \$19.3 million, that was partially offset by a \$1.4 million decrease in volume over the period. We continually monitor and look for opportunities to fairly reprice our deposits while remaining competitive in this current challenging rate environment.

Net Interest Margin

Our net interest margin on a fully tax equivalent basis was 2.76% and 2.92% for the three and six month periods ended June 30, 2023, as compared to 3.09% and 3.01% for the three months ended March 31, 2023 and the six months ended June 30, 2022, respectively. The decrease of 33 basis points in the net interest margin during the three months ended June 30, 2023 compared to the three months ended March 31, 2023 was primarily due to the rising deposit rate pressure from increased market competition and consumer migration toward higher rate deposits. The decrease of 9 basis points in the net interest margin during the six months ended June 30, 2023 compared to the six months ended June 30, 2022 was due to the rising deposit rate pressure and change in deposit mix previously discussed, mitigated by the overall increase in our earning assets average balances over the comparative periods which has improved interest income in the rising rate environment.

Net Interest Income Tables

Tables 1 and 2 reflect an analysis of net interest income on a fully taxable equivalent basis for the three months ended June 30, 2023 and March 31, 2023 and the six months ended June 30, 2023 and 2022, respectively.

Table 1: Analysis of Net Interest Margin

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

(In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2023	March 31, 2023	June 30, 2023	June 30, 2022
Interest income	\$ 297,220	\$ 279,137	\$ 576,357	\$ 366,533
FTE adjustment	6,106	6,311	12,417	11,698
Interest income – FTE	303,326	285,448	588,774	378,231
Interest expense	133,990	101,302	235,292	35,828
Net interest income – FTE	\$ 169,336	\$ 184,146	\$ 353,482	\$ 342,403
Yield on earning assets – FTE	4.95 %	4.78 %	4.87 %	3.32 %
Cost of interest bearing liabilities	2.85 %	2.26 %	2.56 %	0.43 %
Net interest spread – FTE	2.10 %	2.52 %	2.31 %	2.89 %
Net interest margin – FTE	2.76 %	3.09 %	2.92 %	3.01 %

Table 2: Changes in Fully Taxable Equivalent Net Interest Margin

(In thousands)	Three Months Ended	Six Months Ended
	June 30, 2023 compared to March 31, 2023	June 30, 2023 compared to June 30, 2022
Increase due to change in earning assets	\$ 5,497	\$ 71,778
Increase due to change in earning asset yields	12,381	138,765
Decrease due to change in interest bearing liabilities	(11,502)	(10,998)
Decrease due to change in interest rates paid on interest bearing liabilities	(21,186)	(188,466)
(Decrease) increase in net interest income	\$ (14,810)	\$ 11,079

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 months ended June 30, 2023 and March 31, 2023 and the six months ended June 30, 2023 and 2022, respectively. 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					
	June 30, 2023			March 31, 2023		
	Average Balance	Income/Expense	Yield/Rate (%)	Average Balance	Income/Expense	Yield/Rate (%)
ASSETS						
Earning assets:						
Interest bearing balances due from banks and federal funds sold	\$ 404,639	\$ 4,023	3.99	\$ 315,307	\$ 2,783	3.58
Investment securities - taxable	4,821,231	32,745	2.72	4,930,945	32,804	2.70
Investment securities - non-taxable	2,627,192	21,253	3.24	2,624,642	21,522	3.33
Mortgage loans held for sale	9,560	154	6.46	5,470	82	6.08
Loans - including fees	16,702,403	245,151	5.89	16,329,761	228,257	5.67
Total interest earning assets	24,565,025	303,326	4.95	24,206,125	285,448	4.78
Non-earning assets	3,201,114			3,282,607		
Total assets	\$ 27,766,139			\$ 27,488,732		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities:						
Interest bearing liabilities:						
Interest bearing transaction and savings deposits	\$ 11,011,746	\$ 54,485	1.98	\$ 11,722,591	\$ 47,990	1.66
Time deposits	5,911,139	53,879	3.66	5,155,055	39,538	3.11
Total interest bearing deposits	16,922,885	108,364	2.57	16,877,646	87,528	2.10
Federal funds purchased and securities sold under agreements to repurchase	119,985	318	1.06	148,673	323	0.88
Other borrowings	1,449,403	18,612	5.15	787,783	8,848	4.56
Subordinated debt and debentures	366,047	6,696	7.34	366,009	4,603	5.10
Total interest bearing liabilities	18,858,320	133,990	2.85	18,180,111	101,302	2.26
Noninterest bearing liabilities:						
Noninterest bearing deposits	5,276,267			5,642,779		
Other liabilities	272,628			295,191		
Total liabilities	24,407,215			24,118,081		
Stockholders' equity	3,358,924			3,370,651		
Total liabilities and stockholders' equity	\$ 27,766,139			\$ 27,488,732		
Net interest spread – FTE			2.10			2.52
Net interest margin – FTE		\$ 169,336	2.76		\$ 184,146	3.09

Six Months Ended

(In thousands)	June 30, 2023			June 30, 2022		
	Average Balance	Income/Expense	Yield/Rate (%)	Average Balance	Income/Expense	Yield/Rate (%)
ASSETS						
Earning assets:						
Interest bearing balances due from banks and federal funds sold	\$ 360,221	\$ 6,806	3.81	\$ 1,250,266	\$ 1,766	0.28
Investment securities - taxable	4,875,784	65,549	2.71	5,681,352	39,943	1.42
Investment securities - non-taxable	2,625,923	42,775	3.28	2,784,863	42,669	3.09
Mortgage loans held for sale	7,526	236	6.32	22,375	390	3.51
Other loans held for sale	—	—	—	11,118	2,063	37.42
Loans - including fees	16,517,110	473,408	5.78	13,194,144	291,400	4.45
Total interest earning assets	24,386,564	588,774	4.87	22,944,118	378,231	3.32
Non-earning assets	3,241,638			2,858,864		
Total assets	\$ 27,628,202			\$ 25,802,982		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities:						
Interest bearing liabilities:						
Interest bearing transaction and savings deposits	\$ 11,365,205	\$ 102,475	1.82	\$ 12,447,510	\$ 11,193	0.18
Time deposits	5,535,186	93,417	3.40	2,414,798	5,378	0.45
Total interest bearing deposits	16,900,391	195,892	2.34	14,862,308	16,571	0.22
Federal funds purchased and securities sold under agreements to repurchase	134,249	641	0.96	214,211	187	0.18
Other borrowings	1,120,421	27,460	4.94	1,289,311	9,623	1.51
Subordinated debt and debentures	366,028	11,299	6.23	401,351	9,447	4.75
Total interest bearing liabilities	18,521,089	235,292	2.56	16,767,181	35,828	0.43
Noninterest bearing liabilities:						
Noninterest bearing deposits	5,458,509			5,557,611		
Other liabilities	283,849			212,255		
Total liabilities	24,263,447			22,537,047		
Stockholders' equity	3,364,755			3,265,935		
Total liabilities and stockholders' equity	\$ 27,628,202			\$ 25,802,982		
Net interest spread – FTE			2.31			2.89
Net interest margin – FTE		\$ 353,482	2.92		\$ 342,403	3.01

Table 4 shows changes in interest income and interest expense resulting from changes in both volume and interest rates for the three months ended June 30, 2023 as compared to the three months ended March 31, 2023 and the six months ended June 30, 2023 and 2022, respectively. 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			Six Months Ended		
	June 30, 2023 compared to March 31, 2023			June 30, 2023 compared to June 30, 2022		
	Volume	Yield/ Rate	Total	Volume	Yield/ Rate	Total
Increase (decrease) in:						
Interest income:						
Interest bearing balances due from banks and federal funds sold	\$ 857	\$ 383	\$ 1,240	\$ (2,103)	\$ 7,143	\$ 5,040
Investment securities - taxable	(738)	679	(59)	(6,359)	31,965	25,606
Investment securities - non-taxable	21	(290)	(269)	(2,508)	2,614	106
Mortgage loans held for sale	66	6	72	(353)	199	(154)
Other loans held for sale	—	—	—	(302)	(1,761)	(2,063)
Loans - including fees	5,291	11,603	16,894	83,403	98,605	182,008
Total	5,497	12,381	17,878	71,778	138,765	210,543
Interest expense:						
Interest bearing transaction and savings accounts	(3,047)	9,542	6,495	(1,057)	92,339	91,282
Time deposits	6,277	8,064	14,341	14,454	73,585	88,039
Federal funds purchased and securities sold under agreements to repurchase	(69)	64	(5)	(94)	548	454
Other borrowings	8,341	1,423	9,764	(1,417)	19,254	17,837
Subordinated notes and debentures	—	2,093	2,093	(888)	2,740	1,852
Total	11,502	21,186	32,688	10,998	188,466	199,464
(Decrease) increase in net interest income	\$ (6,005)	\$ (8,805)	\$ (14,810)	\$ 60,780	\$ (49,701)	\$ 11,079

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, reasonable and supportable forecasts, 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 months ended June 30, 2023 was \$61,000 as compared to \$24.2 million for the three months ended March 31, 2023. The change for the three month period ended June 30, 2023 as compared to the preceding quarter is primarily due to a \$10.9 million expense related to loans and reflected loan growth, as well as the impact of updated economic assumptions, combined with a \$13.3 million expense related to securities and was due to decreases in the value of select corporate bonds in the investment securities portfolio, all during the three months ended March 31, 2023 and that did not meaningfully impact the three months ended June 30, 2023.

For the six months ended June 30, 2023, our provision for credit losses was \$24.3 million as compared to \$13.9 million for the same period ended June 30, 2022. The change for the six months ended June 30, 2023 as compared to the same period ended June 30, 2022 is primarily due to the impacts described above, compared to the Spirit acquisition and the related Day 2 CECL provision expense for the acquired loans in the six months ended June 30, 2022 and additional unfunded commitments added to our portfolio during the same period, partially offset by a recapture of credit losses during the six months ended June 30, 2022 driven by improved credit quality metrics and improved macroeconomic factors.

NONINTEREST INCOME

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

For the three month period ended June 30, 2023, total noninterest income was \$45.0 million, a decrease of approximately \$855,000 or 1.9%, compared to the three month period ended March 31, 2023. The sequential decrease was primarily driven by the recapture of a \$4.0 million legal reserve during the period ended March 31, 2023, related to legal matters previously disclosed, and was partially offset by fair value adjustments related to Small Business Investment Company (“SBIC”) investments and death benefits from bank owned life insurance totaling \$3.5 million recognized during the three month period ended June 30, 2023.

Noninterest income for the six months ended June 30, 2023 increased by approximately \$8.4 million or 10.2% as compared to the six months ended June 30, 2022. The increase as compared to the same period in 2022 was primarily due to the Spirit acquisition and attributable increased consumer base, coupled with the legal reserve recapture of \$4.0 million and the fair value adjustments related to SBIC investments and death benefits from bank owned life insurance totaling \$3.5 million discussed above. The increase was partially offset by a \$2.8 million decrease in mortgage lending income due to the rising interest rate environment and softening market conditions over the period, which slowed the demand for mortgage loans compared to the demand associated with the previous lower interest rate environment.

Table 5 shows noninterest income for the three month periods ended June 30, 2023 and March 31, 2023 and the six months ended June 30, 2023 and 2022, respectively, as well as changes between periods.

Table 5: Noninterest Income

(Dollars in thousands)	Three Months Ended				Six Months Ended June 30,			
	June 30, 2023	March 31, 2023	Change		June 30, 2023	June 30, 2022	Change	
			\$	%			\$	%
Service charges on deposit accounts	\$ 12,882	\$ 12,437	\$ 445	3.6%	\$ 25,319	\$ 22,075	\$ 3,244	14.7%
Debit and credit card fees	7,986	7,952	34	0.4	15,938	15,673	265	1.7
Wealth management fees	7,440	7,365	75	1.0	14,805	15,182	(377)	(2.5)
Mortgage lending income	2,403	1,570	833	53.1	3,973	6,790	(2,817)	(41.5)
Bank owned life insurance income	2,555	2,973	(418)	(14.1)	5,528	5,269	259	4.9
Other service charges and fees	2,262	2,282	(20)	(0.9)	4,544	3,508	1,036	29.5
(Loss) gain on sale of securities, net	(391)	—	(391)	*	(391)	(204)	(187)	91.7
Loss on sale of branches	—	—	—	—	—	(88)	88	(100.0)
Other income	9,843	11,256	(1,413)	(12.6)	21,099	14,191	6,908	48.7
Total noninterest income	<u>\$ 44,980</u>	<u>\$ 45,835</u>	<u>\$ (855)</u>	(1.9)%	<u>\$ 90,815</u>	<u>\$ 82,396</u>	<u>\$ 8,419</u>	10.2%

* Not meaningful

Recurring fee income (total service charges, wealth management fees, debit and credit card fees) for the three month period ended June 30, 2023 was \$30.6 million, an increase of \$534,000 as compared to the three month period ended March 31, 2023. Recurring fee income for the six month period ended June 30, 2023 was \$60.6 million, an increase of \$4.2 million from the six month period ended June 30, 2022. While recurring fee income was relatively flat as compared to the three month period ended March 31, 2023, the increase as compared to the six month period ended June 30, 2022 was primarily due to the increased consumer base provided by the Spirit acquisition. We expect service charges to moderate during the last half of 2023 due to the elimination of returned item fees for consumer deposit accounts with insufficient funds beginning in the third quarter of 2023.

NONINTEREST EXPENSE

Noninterest 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 noninterest 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.

Noninterest expense was \$139.7 million for the three month period ended June 30, 2023, as compared to noninterest expense of \$143.2 million for the three month period ended March 31, 2023, representing a decrease of \$3.5 million, or 2.5%, as compared to the preceding quarter. Adjusted noninterest expense, which excludes branch right sizing and merger related costs for all periods, in addition to early retirement program costs for the three months ended June 30, 2023, decreased \$4.9 million, or 3.5%, as compared to the three months ended March 31, 2023.

Noninterest expense for the six months ended June 30, 2023 decreased by approximately \$2.3 million or 0.8% as compared to the six months ended June 30, 2022. Adjusted noninterest expense, which excludes branch right sizing, merger related costs, donation to Simmons First Foundation, and early retirement program costs, for the six months ended June 30, 2023, increased \$15.6 million, or 6.0%, as compared to the six months ended June 30, 2022.

The \$2.3 million decrease in salaries and employee benefits expense during the three month period ended June 30, 2023 as compared to the preceding sequential quarter is primarily due to a \$3.0 million incentive accrual adjustment during the current period, coupled with seasonal payroll expenses, such as payroll taxes, 401(k) profit sharing contribution and equity awards compensation experienced during the preceding sequential quarter. The decrease in salaries and employee benefits expense was offset by a \$3.6 million expense related to early retirement program costs during the three month period ended June 30, 2023, which is related to our ongoing Better Bank Initiative. Adjusted salaries and employee benefits expense, which excludes early retirement program costs, for the three months ended June 30, 2023, decreased \$5.9 million, or 7.7%, as compared to the three months ended March 31, 2023. Salaries and employee benefits expense increased \$9.7 million during the six month period ended June 30, 2023 when compared to the same period in the prior year, primarily due to the impact from the Spirit acquisition.

Deposit insurance expense for the three and six months ended June 30, 2023 as compared to the three months ended March 31, 2023 and six months ended June 30, 2022 increased by \$308,000 and \$5.4 million, respectively. The year-over-year increase was largely due to an increased base rate related to changes in the mix of deposits, coupled with the increase in deposits from the Spirit acquisition.

Table 6 below shows noninterest expense for the three month periods ended June 30, 2023 and March 31, 2023 and the six months ended June 30, 2023 and 2022, respectively, as well as changes between periods.

Table 6: Noninterest Expense

(Dollars in thousands)	Three Months Ended				Six Months Ended June 30,			
	June 30, 2023	March 31, 2023	Change		June 30, 2023	June 30, 2022	Change	
			\$	%			\$	%
Salaries and employee benefits	\$ 74,723	\$ 77,038	\$ (2,315)	(3.0)%	\$ 151,761	\$ 142,041	\$ 9,720	6.8%
Occupancy expense, net	11,410	11,578	(168)	(1.5)	22,988	21,027	1,961	9.3
Furniture and equipment expense	5,128	5,051	77	1.5	10,179	9,879	300	3.0
Other real estate and foreclosure expense	289	186	103	55.4	475	485	(10)	(2.1)
Deposit insurance	5,201	4,893	308	6.3	10,094	4,650	5,444	117.1
Merger related costs	19	1,396	(1,377)	*	1,415	21,019	(19,604)	*
Other operating expenses:								
Professional services	5,233	4,409	824	18.7	9,642	9,648	(6)	(0.1)
Postage	2,366	2,324	42	1.8	4,690	4,343	347	8.0
Telephone	1,701	1,731	(30)	(1.7)	3,432	3,253	179	5.5
Debit and credit card	3,444	3,189	255	8.0	6,633	5,743	890	15.5
Marketing	6,044	6,210	(166)	(2.7)	12,254	14,894	(2,640)	(17.7)
Software and technology	10,236	10,356	(120)	(1.2)	20,592	20,225	367	1.8
Operating supplies	683	605	78	12.9	1,288	1,411	(123)	(8.7)
Amortization of intangibles	4,098	4,096	2	0.1	8,194	7,582	612	8.1
Branch right sizing	95	979	(884)	(90.3)	1,074	1,201	(127)	(10.6)
Other	9,026	9,187	(161)	(1.8)	18,213	17,829	384	2.2
Total noninterest expense	\$ 139,696	\$ 143,228	\$ (3,532)	(2.5)%	\$ 282,924	\$ 285,230	\$ (2,306)	(0.8)%

* Not meaningful

INVESTMENTS AND SECURITIES

Our securities portfolio is the second largest component of earning assets and provides a significant source of revenue. Securities within the portfolio are classified as either HTM or AFS. Our philosophy regarding investments is conservative based on investment type and maturity. Investments in the portfolio primarily include U.S. Treasury securities, U.S. Government agencies, MBS and municipal securities. Our general policy is not to invest in derivative type investments or high-risk securities, except for collateralized MBS for which collection of principal and interest is not subordinated to significant superior rights held by others.

HTM and AFS investment securities were \$3.76 billion and \$3.58 billion, respectively, at June 30, 2023, compared to the HTM amount of \$3.76 billion and AFS amount of \$3.85 billion at December 31, 2022. We will continue to look for opportunities to maximize the value of the investment portfolio.

During the quarters ended June 30, 2022 and September 30, 2021, we transferred, at fair value, \$1.99 billion and \$500.8 million, respectively, of securities from the AFS portfolio to the HTM portfolio. The related remaining combined net unrealized losses of \$136.0 million in accumulated other comprehensive income (loss) as of June 30, 2023 will be amortized over the remaining life of the securities. No gains or losses on these securities were recognized at the time of transfer.

Management has the ability and intent to hold the securities classified as HTM until they mature, at which time we expect to receive full value for the securities. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. We expect the cash flows from principal maturities of securities to provide flexibility to fund future loan growth or reduce wholesale funding.

Furthermore, as of June 30, 2023, we also had the ability and intent to hold the securities classified as AFS for a period of time sufficient for a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity date or repricing date or if market yields for such investments decline. During the second quarter of 2023, management reduced the allowance for credit loss related to isolated corporate bonds within the AFS investment securities portfolio by \$1.3 million due to price recovery on the impaired bonds. As of June 30, 2023, two nonperforming corporate bonds remained in the portfolio, and with the exception of these two bonds, management does not believe any of the securities are impaired due to reasons of credit quality.

During the third quarter of 2021, we began utilizing interest rate swaps designated as fair value hedges to mitigate the effect of changing interest rates on the fair values of \$1.0 billion of fixed rate callable municipal securities held in the AFS portfolio. These swap agreements consist of a two year forward start date and involve the payment of fixed interest rates with a weighted average of 1.21% in exchange for variable interest rates based on federal funds rates beginning in the third quarter of 2023. Securities within these swap agreements have maturity dates varying between 2028 and 2029.

LOAN PORTFOLIO

Our loan portfolio averaged \$16.52 billion and \$13.19 billion during the first six months of 2023 and 2022, respectively. As of June 30, 2023, total loans were \$16.83 billion, an increase of \$691.5 million from December 31, 2022. The increase in the average loan balance during the first six months of 2023 when compared to the same period in 2022 is primarily due to the acquisition of Spirit which provided \$2.29 billion in total loans after purchase accounting discounts, coupled with continued widespread organic loan growth throughout our geographic markets over the comparative period. 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)	June 30, 2023	December 31, 2022
Consumer:		
Credit cards	\$ 209,452	\$ 196,928
Other consumer	148,333	152,882
Total consumer	<u>357,785</u>	<u>349,810</u>
Real estate:		
Construction and development	2,930,586	2,566,649
Single family residential	2,633,365	2,546,115
Other commercial	7,546,130	7,468,498
Total real estate	<u>13,110,081</u>	<u>12,581,262</u>
Commercial:		
Commercial	2,569,330	2,632,290
Agricultural	280,541	205,623
Total commercial	<u>2,849,871</u>	<u>2,837,913</u>
Other	<u>515,916</u>	<u>373,139</u>
Total loans before allowance for credit losses	<u>\$ 16,833,653</u>	<u>\$ 16,142,124</u>

Consumer loans consist of credit card loans and other consumer loans. Consumer loans were \$357.8 million at June 30, 2023, or 2.1% of total loans, compared to \$349.8 million, or 2.2% of total loans at December 31, 2022. The increase in consumer loans from December 31, 2022, to June 30, 2023, was primarily due to an increase in consumer reliance on credit card loans during the period.

Real estate loans consist of construction and development loans (“C&D”) loans, single-family residential loans and commercial real estate (“CRE”) loans. Real estate loans were \$13.11 billion at June 30, 2023, or 77.9% of total loans, compared to \$12.58 billion, or 77.9%, of total loans at December 31, 2022, an increase of \$528.8 million, or 4.2%. Our C&D loans increased by \$363.9 million, or 14.2%, single family residential loans increased by \$87.3 million, or 3.4%, and CRE loans increased by \$77.6 million, or 1.0%. The increases were due to diversified organic growth by type and geographic market during the quarter. 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 \$2.85 billion at June 30, 2023, or 16.9% of total loans, compared to \$2.84 billion, or 17.6% of total loans at December 31, 2022, an increase of \$12.0 million, or 0.4%. The incremental decrease in non-real estate loans related to business of \$63.0 million, or 2.4%, was more than offset by the increase in agricultural loans of \$74.9 million, or 36.4%, primarily due to seasonality of the portfolio, which normally peaks in the third quarter.

Other loans mainly consist of mortgage warehouse lending and municipal loans. Mortgage volume experienced an increase in demand during the first six months of 2023 as compared to December 31, 2022, and was coupled with continued organic growth in our municipal loans during the quarter, leading to an increase of \$142.8 million in other loans.

Loan growth was widespread throughout our geographic markets and was generally broad-based by loan type. We are seeing loan growth in our metro, community and corporate banking groups. Our commercial loan pipeline consisting of all commercial loan opportunities was \$689.1 million at June 30, 2023 compared to \$1.12 billion at December 31, 2022. Loans approved and ready to close at the end of the quarter totaled \$274.2 million.

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. Simmons 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 \$14.5 million from December 31, 2022 to June 30, 2023. Nonaccrual loans increased by \$12.8 million during the period and foreclosed assets held for sale and other real estate owned increased \$1.0 million as compared to December 31, 2022. The increase in nonaccrual assets during the period was primarily due to a single, commercial relationship totaling \$9.6 million. Shortly after the end of the second quarter, a \$2.9 million payment was received on this commercial relationship.

Non-performing assets, including modifications to borrowers experiencing financial difficulty (“FDMs”, formerly known as troubled debt restructurings, or TDRs) and acquired foreclosed assets, as a percent of total assets were 0.29% at June 30, 2023, compared to 0.23% at December 31, 2022. From time to time, certain borrowers experience declines in income and cash flow. As a result, these borrowers seek 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.

We have internal loan modification programs for borrowers experiencing financial difficulties. Modifications to borrowers experiencing financial difficulties may include interest rate reductions, principal or interest forgiveness and/or term extensions. We primarily use interest rate reduction and/or payment modifications or extensions, with an occasional forgiveness of principal. There was one commercial loan modified for a borrower experiencing financial difficulties, with a period-ending balance of \$655,000, during the three and six month periods ending June 30, 2023.

We continue to maintain good asset quality compared to the industry and strong asset quality remains a primary focus of our strategy. The allowance for credit losses as a percent of total loans was 1.25% as of June 30, 2023. Non-performing loans equaled 0.43% of total loans. Non-performing assets were 0.28% of total assets, a 5 basis point increase from December 31, 2022. The allowance for credit losses was 292% of non-performing loans. Our annualized net charge-offs to average total loans ratio for the first six months of 2023 was 0.04%. Annualized net credit card charge-offs to average total credit card loans were 1.97% for the first six months of 2023, compared to 1.49% during the full year 2022, and 105 basis points better than the most recently published industry average charge-off ratio as reported by the Federal Reserve for all banks.

Table 8 presents information concerning non-performing assets, including nonaccrual loans at amortized cost and foreclosed assets held for sale.

Table 8: Non-performing Assets

(Dollars in thousands)	June 30, 2023	December 31, 2022	June 30, 2022
Nonaccrual loans ⁽¹⁾	\$ 71,279	\$ 58,434	\$ 62,670
Loans past due 90 days or more (principal or interest payments)	738	507	904
Total non-performing loans	72,017	58,941	63,574
Other non-performing assets:			
Foreclosed assets held for sale and other real estate owned	3,909	2,887	4,084
Other non-performing assets	1,013	644	2,314
Total other non-performing assets	4,922	3,531	6,398
Total non-performing assets	\$ 76,939	\$ 62,472	\$ 69,972
Performing FDMs (formerly TDRs)	\$ 2,996	\$ 1,849	\$ 2,655
Allowance for credit losses to non-performing loans	292 %	334 %	334 %
Non-performing loans to total loans	0.43 %	0.37 %	0.42 %
Non-performing assets (including performing FDMs (formerly TDRs)) to total assets	0.29 %	0.23 %	0.27 %
Non-performing assets to total assets	0.28 %	0.23 %	0.26 %

(1) Includes nonaccrual FDMs (formerly known as TDRs) of approximately \$273,000 at June 30, 2023 and \$1,622,000 at December 31, 2022. For additional information about our implementation of accounting for FDMs, which replaced the accounting for TDRs, see Note 5, Loans and Allowance for Credit Losses.

The interest income on nonaccrual loans is not considered material for the three and six month periods ended June 30, 2023 and 2022.

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, quantitative factors, and other qualitative considerations.

Loans with similar risk characteristics such as loan type, collateral type, and internal risk ratings are aggregated for collective assessment. We use statistically-based models that leverage assumptions about current and future economic conditions throughout the contractual life of the loan. Expected credit losses are estimated by either lifetime loss rates or expected loss cash flows based on three key parameters: probability-of-default ("PD"), exposure-at-default ("EAD"), and loss-given-default ("LGD"). Future economic conditions are incorporated to the extent that they are reasonable and supportable. Beyond the reasonable and supportable periods, the economic variables revert to a historical equilibrium at a pace dependent on the state of the economy reflected within the economic scenarios. We also include qualitative adjustments to the allowance based on factors and considerations that have not otherwise been fully accounted for.

Loans that have unique risk characteristics are evaluated on an individual basis. These evaluations are typically performed on loans with a deteriorated internal risk rating. For a collateral-dependent loan, our 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.

An analysis of the allowance for credit losses on loans is shown in Table 9.

Table 9: Allowance for Credit Losses

(In thousands)	2023	2022
Balance, beginning of year	\$ 196,955	\$ 205,332
Loans charged off:		
Credit card	2,486	1,924
Other consumer	1,122	932
Real estate	1,639	600
Commercial	1,637	7,007
Total loans charged off	6,884	10,463
Recoveries of loans previously charged off:		
Credit card	532	523
Other consumer	676	689
Real estate	1,172	817
Commercial	1,538	1,178
Total recoveries	3,918	3,207
Net loans charged off	2,966	7,256
Provision for credit losses	15,977	10,492
Acquisition adjustment for PCD loans	—	4,043
Balance, June 30,	\$ 209,966	\$ 212,611
Loans charged off:		
Credit card		1,938
Other consumer		944
Real estate		3,522
Commercial		7,263
Total loans charged off		13,667
Recoveries of loans previously charged off:		
Credit card		501
Other consumer		508
Real estate		6,099
Commercial		1,195
Total recoveries		8,303
Net loans charged off		5,364
Provision for credit losses		(15,871)
Acquisition adjustment for PCD loans		5,579
Balance, end of year		\$ 196,955

Provision for Credit Losses

The amount of provision added to or released from the allowance during the three and six months ended June 30, 2023 and 2022, and for the year ended December 31, 2022, was based on management's judgment, with consideration given to the composition and asset quality of the portfolio, historical loan loss experience, and assessment of current and expected economic forecasts and conditions. 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 June 30, 2023, the allowance for credit losses reflected an increase of approximately \$13.0 million from December 31, 2022 while total loans increased by \$691.5 million over the same six month period. The allocation in each category within the allowance generally reflects the overall changes in the loan portfolio mix.

The increase in the allowance for credit losses during the first six months of 2023 was primarily due to the loan growth experienced during the first half of the year, as well as refreshed economic forecasts. Our allowance for credit losses at June 30, 2023 was considered appropriate given the current economic environment 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 10: Allocation of Allowance for Credit Losses

(Dollars in thousands)	June 30, 2023		December 31, 2022	
	Allowance Amount	% of loans ⁽¹⁾	Allowance Amount	% of loans ⁽¹⁾
Credit cards	\$ 6,330	1.2 %	\$ 5,140	1.2 %
Other consumer	6,838	3.9 %	6,614	3.2 %
Real estate	165,813	77.9 %	150,795	78.0 %
Commercial	30,985	17.0 %	34,406	17.6 %
Total	<u>\$ 209,966</u>	<u>100.0 %</u>	<u>\$ 196,955</u>	<u>100.0 %</u>
Allowance for credit losses to period-end loans		1.25 %		1.22 %

(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 231 financial centers as of June 30, 2023. 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 \$250,000 or more and brokered deposits. As of June 30, 2023, core deposits comprised 78.5% 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 Chief Deposit Officer, 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 June 30, 2023, were \$22.49 billion, compared to \$22.55 billion as of December 31, 2022. Noninterest bearing transaction accounts, interest bearing transaction accounts and savings accounts totaled \$16.13 billion at June 30, 2023, compared to \$17.78 billion at December 31, 2022, a decrease of \$1.65 billion. Total time deposits increased \$1.59 billion to \$6.36 billion at June 30, 2023, from \$4.77 billion at December 31, 2022. We had \$3.24 billion and \$2.75 billion of brokered deposits at June 30, 2023, and December 31, 2022, respectively. The change in the mix of deposits at June 30, 2023 as compared to December 31, 2022 reflects increased market competition and consumer migration toward higher rate deposits, principally certificates of deposits, given the rapid increase in interest rates that has occurred over the past year.

We made the strategic decision during the fourth quarter of 2022 to extend the duration of select wholesale deposits to complement our core deposit base and, due to advantageous rates, added brokered certificates of deposit with maturities of 6-12 months. Additionally, we are continuing to hone our product offerings to give customers flexibility of choice while maintaining the ability to adjust interest rates timely in the current rate environment.

OTHER BORROWINGS AND SUBORDINATED NOTES AND DEBENTURES

Our total debt was \$1.74 billion and \$1.23 billion at June 30, 2023 and December 31, 2022, respectively. The outstanding balance for June 30, 2023 includes \$1.35 billion in FHLB advances; \$366.1 million in subordinated notes and unamortized debt issuance costs; and \$20.0 million of other long-term debt. FHLB advances outstanding at June 30, 2023, which increased as compared to December 31, 2022 due to a strategic decision to utilize short-term borrowings to elevate our liquidity position given the macroeconomic environment and the debt ceiling debate during the period, are primarily fixed rate, fixed term advances, which are due less than one year from origination and therefore are classified as short-term advances.

In March 2018, we 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. We 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.

We assumed Fixed-to-Floating Rate Subordinated Notes in an aggregate principal amount, net of premium adjustments, of \$37.4 million in connection with the Spirit acquisition in April 2022 (the “Spirit Notes”). The Spirit Notes will mature on July 31, 2030, and initially bear interest at a fixed annual rate of 6.00%, payable quarterly, in arrears, to, but excluding, July 31, 2025. From and including July 31, 2025, to, but excluding, the maturity date or earlier redemption date, the interest rate will reset quarterly to an interest rate per annum equal to a benchmark rate, which is expected to be the then-current three-month Secured Overnight Financing Rate, as published by the Federal Reserve Bank of New York (provided, that in the event the benchmark rate is less than zero, the benchmark rate will be deemed to be zero) plus 592 basis points, payable quarterly, in arrears.

CAPITAL

Overview

At June 30, 2023, total capital was \$3.36 billion. Capital represents shareholder ownership in the Company – the book value of assets in excess of liabilities. At June 30, 2023, our common equity to asset ratio was 12.00% compared to 11.91% at year-end 2022.

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. On April 27, 2022, our shareholders approved amendments to our Articles of Incorporation to remove an \$80.0 million cap on the aggregate liquidation preference associated with the preferred stock and increase the number of authorized shares of our Class A common stock from 175,000,000 to 350,000,000.

On October 29, 2019, we filed 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 (“Series D Preferred Stock”), out of our authorized preferred stock. On April 27, 2022, our shareholders approved an amendment to our Articles of Incorporation to remove the classification and designation for the Series D Preferred Stock. As of June 30, 2023, there were no shares of preferred stock issued or outstanding.

Stock Repurchase Program

Effective July 23, 2021, our Board of Directors approved an amendment to our stock repurchase program originally approved in October 2019 (“2019 Program”) that increased the amount of our common stock that could be repurchased under the 2019 Program from a maximum of \$180.0 million to a maximum of \$276.5 million and extended the term of the 2019 Program from October 31, 2021, to October 31, 2022.

During January 2022, we substantially exhausted the remaining capacity under the 2019 Program, and our Board of Directors authorized a new stock repurchase program (the “2022 Program”) under which we may repurchase up to \$175.0 million of our Class A common stock currently issued and outstanding. The 2022 Program replaced the 2019 Program and will terminate on January 31, 2024 (unless terminated sooner).

During the three and six month periods ended June 30, 2023, we repurchased 1,128,087 shares at an average price per share of \$17.75 under the 2022 Program. During the six month period ended June 30, 2022, we repurchased 513,725 shares at an average price per share of \$31.25 under the 2019 Program and 2,035,324 shares at an average price per share of \$24.59 under the 2022 Program.

Under the 2022 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 2022 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 2022 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 2022 Program to come from available sources of liquidity, including cash on hand and future cash flow.

Cash Dividends

We declared cash dividends on our common stock of \$0.40 per share for the first six months of 2023 compared to \$0.38 per share for the first six months of 2022, an increase of \$0.02, or 5%. 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, 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. For additional information regarding the parent company’s liquidity, see “*Liquidity*” and “*Market Risk Management*” in Item 3 – Quantitative and Qualitative Disclosures About Market Risk of this Quarterly Report on Form 10Q. We continually assess our capital and liquidity needs and the best way to meet them, including, without limitation, through capital raising in the market via stock or debt offerings.

Risk Based Capital

The Company and Simmons Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on 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. The Company and Simmons Bank must hold a capital conservation buffer composed of common equity Tier 1 capital above its minimum risk-based capital requirements. Failure to meet this capital conservation buffer would result in additional limits on dividends, other distributions and discretionary bonuses.

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 June 30, 2023, we meet all capital adequacy requirements to which we are subject. As of the most recent notification from regulatory agencies, Simmons Bank was well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company and Simmons 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 June 30, 2023 and December 31, 2022 are presented in Table 11 below:

Table 11: Risk-Based Capital

(Dollars in thousands)	June 30, 2023	December 31, 2022
Tier 1 capital:		
Stockholders' equity	\$ 3,356,326	\$ 3,269,362
CECL transition provision	61,746	92,619
Goodwill and other intangible assets	(1,406,500)	(1,412,667)
Unrealized loss on available-for-sale securities, net of income taxes	469,988	517,560
Total Tier 1 capital	2,481,560	2,466,874
Tier 2 capital:		
Subordinated notes and debentures	366,065	365,989
Subordinated debt phase out	(66,000)	—
Qualifying allowance for credit losses and reserve for unfunded commitments	169,409	115,627
Total Tier 2 capital	469,474	481,616
Total risk-based capital	\$ 2,951,034	\$ 2,948,490
Risk weighted assets	\$ 20,821,075	\$ 20,738,727
Assets for leverage ratio	\$ 26,896,289	\$ 26,407,061
Ratios at end of period:		
Common equity Tier 1 ratio (CET1)	11.92 %	11.90 %
Tier 1 leverage ratio	9.23 %	9.34 %
Tier 1 risk-based capital ratio	11.92 %	11.90 %
Total risk-based capital ratio	14.17 %	14.22 %
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 %

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.

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 with a more risk-sensitive approach. The Basel III Capital Rules established risk-weighting 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.

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 to 6.0% and require a minimum leverage ratio of 4.0%.

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 were no longer included as Tier 1 capital. All of the Company’s trust preferred securities were redeemed during the third quarter 2022. Qualifying subordinated debt of \$300.1 million is included as Tier 2 and total capital as of June 30, 2023.

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 “anticipate,” “believe,” “budget,” “contemplate,” “continue,” “estimate,” “expect,” “foresee,” “intend,” “indicate,” “target,” “plan,” “positions,” “prospects,” “project,” “predict,” or “potential,” by future conditional verbs such as “could,” “may,” “might,” “should,” “will,” or “would,” 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, completed acquisitions, revenue, expenses, assets, asset quality, profitability, earnings, accretion, dividends, customer service, lending capacity and lending activity, investment in digital channels, critical accounting policies and estimates, net interest margin, noninterest revenue, noninterest expense, market conditions related to and the impact of the Company’s stock repurchase program, consumer behavior and liquidity, the adequacy of the allowance for credit losses, income tax deductions, credit quality, the level of credit losses from lending commitments, net interest revenue, interest rate sensitivity, repricing of loans and time deposits, loan loss experience, liquidity, the Company’s expectations regarding actions by the FHLB including with respect to the FHLB’s option to terminate FHLB Owns the Option advances, capital resources, market risk, plans for investments in securities, effect of pending and future litigation, including the results of the overdraft fee litigation against the Company that is described in this quarterly report, staffing initiatives, estimated cost savings associated with the Company’s early retirement program and Better Bank Initiative, acquisition strategy and activity, legal and regulatory limitations and compliance and competition.

These forward-looking statements are based on various assumptions and involve inherent 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, including policies of the Federal Reserve, as well as legislative and regulatory changes; changes in real estate values; changes in interest rates and related governmental policies; inflation; changes in the level and composition of deposits, loan demand, deposit flows, credit quality 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; developments in information technology affecting the financial industry; changes in customer behaviors, including consumer spending, borrowing and saving habits; cyber threats, attacks or events, including at third-parties with which we rely on for key services; reliance on third parties for the provision of key services; further changes in accounting principles relating to loan loss recognition; uncertainty and disruption following the sunset of the London Inter-Bank Offered Rate in June 2023; the costs of evaluating possible acquisitions and the risks inherent in integrating acquisitions; possible adverse rulings, judgements, settlements, fines and other outcomes of pending or future litigation or government actions; market disruptions, including pandemics or significant health hazards, severe weather conditions, natural disasters, terrorist activities, financial crises, political crises, war and other military conflicts (including the ongoing military conflict between Russia and Ukraine) or other major events, or the prospect of these events; soundness of other financial institutions and indirect exposure related to the closings of Silicon Valley Bank (SVB), Signature Bank, First Republic Bank and Silvergate Bank in the first quarter of 2023 and their impact on the broader market through other customers, suppliers and partners (or that the conditions which resulted in the liquidity concerns with SVB, First Republic Bank, Signature Bank and Silvergate Bank may also adversely impact, directly or indirectly, other financial institutions and market participants with which the Company has commercial or deposit relationships); the loss of key employees; increased unemployment; labor shortages; changes in accounting principles relating to loan loss recognition (current expected credit losses); the Company's ability to manage and successfully integrate its mergers and acquisitions and to fully realize cost savings and other benefits associated with those transactions; the effects of government legislation; 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, cell phone/tablet, telephone, computer and the Internet; the failure of assumptions underlying the establishment of reserves for possible credit losses, fair value for loans, OREO, and other cautionary statements set forth elsewhere in this report. Additional information on factors that might affect the Company's financial results is included in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of this quarterly report, the Company's annual report on Form 10-K for the year ended December 31, 2022, and the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2023, 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. 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 assumptions and expectations that underlie or are 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 or whether our future performance will differ materially from the performance reflected in or implied by our forward-looking statements, 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 adjusted earnings (net income excluding certain items {net branch right sizing costs, merger related costs, donation to Simmons First Foundation, and early retirement program costs}) (non-GAAP), and adjusted 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), adjusted noninterest income (non-GAAP), adjusted noninterest expense (non-GAAP) and adjusted salaries and employee benefits expense (non-GAAP). Adjusted items are included in financial results presented in accordance with generally accepted accounting principles (US GAAP).

We believe the exclusion of these certain items in expressing earnings and certain other financial measures, including “adjusted 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 adjusted 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 certain items to be relevant to ongoing financial performance. Management and the Board of Directors utilize “adjusted 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 “adjusted earnings” on a diluted per share basis (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 adjusted 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 certain items to be relevant to ongoing financial performance on a per share basis. Management and the Board of Directors utilize “adjusted 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 \$1.442 billion and \$1.449 billion total goodwill and other intangible assets for the periods ended June 30, 2023 and December 31, 2022, 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 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 adjusted to ensure that the Company’s “adjusted” 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 certain items does not represent the amount that effectively accrues directly to stockholders (i.e., certain 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 12 below for the reconciliation of non-GAAP financial measures, which exclude certain items for the periods presented.

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

(In thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	June 30, 2023	March 31, 2023	June 30, 2023	June 30, 2022
Net income available to common stockholders	\$ 58,314	\$ 45,589	\$ 103,903	\$ 92,549
Certain items:				
Donation to Simmons First Foundation	—	—	—	1,738
Merger related costs	19	1,396	1,415	21,019
Early retirement program	3,609	—	3,609	—
Branch right sizing (net)	95	979	1,074	1,289
Day 2 CECL Provision	—	—	—	33,779
Tax effect ⁽¹⁾	(972)	(621)	(1,593)	(15,113)
Certain items, net of tax	2,751	1,754	4,505	42,712
Adjusted earnings (non-GAAP)	\$ 61,065	\$ 47,343	\$ 108,408	\$ 135,261
Diluted earnings per share ⁽²⁾	\$ 0.46	\$ 0.36	\$ 0.82	\$ 0.77
Certain items:				
Donation to Simmons First Foundation	—	—	—	0.01
Merger related costs	—	0.01	0.01	0.17
Early retirement program	0.03	—	0.03	—
Branch right sizing (net)	—	0.01	0.01	0.01
Day 2 CECL Provision	—	—	—	0.28
Tax effect ⁽¹⁾	(0.01)	(0.01)	(0.02)	(0.12)
Certain items, net of tax	0.02	0.01	0.03	0.35
Adjusted diluted earnings per share (non-GAAP)	\$ 0.48	\$ 0.37	\$ 0.85	\$ 1.12

(1) Effective tax rate of 26.135%.

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

See Table 13 below for the reconciliation of adjusted noninterest income, adjusted noninterest expense and adjusted salaries and employee benefits expense for the periods presented.

Table 13: Reconciliation of Adjusted Noninterest Income (non-GAAP), Adjusted Noninterest Expense (non-GAAP) and Adjusted Salaries and Employee Benefits Expense (non-GAAP)

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	June 30, 2023	March 31, 2023	June 30, 2023	June 30, 2022
Noninterest income	\$ 44,980	\$ 45,835	\$ 90,815	\$ 82,396
Certain items:				
Branch right sizing	—	—	—	88
Total certain items	—	—	—	88
Adjusted noninterest income (non-GAAP)	\$ 44,980	\$ 45,835	\$ 90,815	\$ 82,484
Noninterest expense	\$ 139,696	\$ 143,228	\$ 282,924	\$ 285,230
Certain items:				
Merger related costs	(19)	(1,396)	(1,415)	(21,019)
Early retirement program	(3,609)	—	(3,609)	—
Donation to Simmons First Foundation	—	—	—	(1,738)
Branch right sizing	(95)	(979)	(1,074)	(1,201)
Total certain items	(3,723)	(2,375)	(6,098)	(23,958)
Adjusted noninterest expense (non-GAAP)	\$ 135,973	\$ 140,853	\$ 276,826	\$ 261,272
Salaries and employee benefits expense	\$ 74,723	\$ 77,038	\$ 151,761	\$ 142,041
Early retirement program costs	(3,609)	—	(3,609)	—
Adjusted salaries and employee benefits expense (non-GAAP)	\$ 71,114	\$ 77,038	\$ 148,152	\$ 142,041

See Table 14 below for the reconciliation of tangible book value per common share.

Table 14: Reconciliation of Tangible Book Value per Common Share (non-GAAP)

(In thousands, except per share data)	June 30, 2023	December 31, 2022
Total common stockholders' equity	\$ 3,356,326	\$ 3,269,362
Intangible assets:		
Goodwill	(1,320,799)	(1,319,598)
Other intangible assets	(120,758)	(128,951)
Total intangibles	(1,441,557)	(1,448,549)
Tangible common stockholders' equity	\$ 1,914,769	\$ 1,820,813
Shares of common stock outstanding	126,224,707	127,046,654
Book value per common share	\$ 26.59	\$ 25.73
Tangible book value per common share (non-GAAP)	\$ 15.17	\$ 14.33

See Table 15 below for the calculation of tangible common equity and the reconciliation of tangible common equity to tangible assets.

Table 15: Reconciliation of Tangible Common Equity and the Ratio of Tangible Common Equity to Tangible Assets (non-GAAP)

(Dollars in thousands)	June 30, 2023	December 31, 2022
Total common stockholders' equity	\$ 3,356,326	\$ 3,269,362
Intangible assets:		
Goodwill	(1,320,799)	(1,319,598)
Other intangible assets	(120,758)	(128,951)
Total intangibles	(1,441,557)	(1,448,549)
Tangible common stockholders' equity	<u>\$ 1,914,769</u>	<u>\$ 1,820,813</u>
Total assets	\$ 27,959,123	\$ 27,461,061
Intangible assets:		
Goodwill	(1,320,799)	(1,319,598)
Other intangible assets	(120,758)	(128,951)
Total intangibles	(1,441,557)	(1,448,549)
Tangible assets	<u>\$ 26,517,566</u>	<u>\$ 26,012,512</u>
Ratio of common equity to assets	<u>12.00 %</u>	<u>11.91 %</u>
Ratio of tangible common equity to tangible assets (non-GAAP)	<u>7.22 %</u>	<u>7.00 %</u>

See Table 16 below for the calculation of uninsured deposit coverage ratio.

Table 16: Calculation of Uninsured Deposit Coverage Ratio (non-GAAP)

(In thousands)	June 30, 2023	December 31, 2022
Uninsured deposits at Simmons Bank	\$ 5,491,062	\$ 7,267,220
Less: Intercompany eliminations	674,552	527,542
Total uninsured deposits	<u>\$ 4,816,510</u>	<u>\$ 6,739,678</u>
FHLB borrowing availability	\$ 5,345,000	\$ 5,442,000
Unpledged securities	3,877,000	3,180,000
Fed funds lines, Fed discount window and Bank Term Funding Program	1,874,000	1,982,000
Additional liquidity sources	<u>\$ 11,096,000</u>	<u>\$ 10,604,000</u>
Uninsured deposit coverage ratio	2.3	1.6

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 June 30, 2023, undivided profits of Simmons Bank were approximately \$652.1 million, of which approximately \$285.9 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. As of June 30, 2023, the Bank had approximately \$540 million in federal funds lines of credit from upstream correspondent banks that can be accessed, if and 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 \$5.35 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, 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 48.8% 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, or enter into derivative contracts such as interest rate swaps.

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 June 30, 2023, the model simulations projected that 100 and 200 basis point increases in interest rates would result in a negative variance in net interest income of 0.29% and 1.05%, respectively, relative to the base case over the next 12 months due to our current liability sensitive balance sheet driven by the change in deposit mix in exposure to higher rate scenarios and increase in FHLB short-term advances, while decreases in interest rates of 100 basis points would result in a positive variance in net interest income of 1.34% relative to the base case over the next 12 months. 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 June 30, 2023:

Table 17: Net Interest Income Sensitivity

Interest Rate Scenario	% Change from Base
Up 200 basis points	(1.05)%
Up 100 basis points	(0.29)%
Down 100 basis points	1.34%
Down 200 basis points	1.89%

Item 4. Controls and Procedures

Management, under the supervision and with the participation of the Company's Chief Executive Officer, Chief Financial Officer and Chief Accounting 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, Chief Financial Officer and Chief Accounting Officer have concluded that the Company's current disclosure controls and procedures were effective at the reasonable assurance levels 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, Chief Financial Officer and Chief Accounting 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 June 30, 2023, 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

The information contained in Note 13, Contingent Liabilities, of the Condensed Notes to Consolidated Financial Statements in Part I, Item 1 of this report is incorporated herein by reference.

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, 2022, as supplemented by the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023.

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

Effective July 23, 2021, the Company's Board of Directors approved an amendment to the 2019 Program that increased the amount of the Company's Class A common stock that may be repurchased under the 2019 Program from a maximum of \$180 million to a maximum of \$276.5 million and extended the term of the 2019 Program from October 31, 2021, to October 31, 2022 (unless terminated sooner). The 2019 Program was originally approved on October 17, 2019 and first amended in March 2020. During January 2022, the Company substantially exhausted the remaining capacity under the 2019 Program, and as a result, the Company's Board of Directors authorized a new stock repurchase program (the "2022 Program"), which replaced the 2019 Program and under which the Company may repurchase up to \$175.0 million of its Class A common stock currently issued and outstanding. The timing, pricing, and amount of any repurchases under the 2022 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.

Information concerning our purchases of common stock during the quarter ended June 30, 2023 is as follows:

Period	Total Number of Shares Purchased ⁽¹⁾	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
April 1, 2023 - April 30, 2023	—	\$ —	—	\$ 79,922,000
May 1, 2023 - May 31, 2023	200,000	16.66	200,000	\$ 76,589,000
June 1, 2023 - June 30, 2023	928,087	17.98	928,087	\$ 59,899,000
Total	1,128,087	\$ 17.75	1,128,087	

(1) No shares of restricted stock were purchased in connection with employee tax withholding obligations under employee compensation plans, which are not purchases under any publicly announced plan.

Item 5. Other Information

During the three months ended June 30, 2023, none of our directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended) adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933).

Item 6. Exhibits

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of November 18, 2021, by and among Simmons First National Corporation and Spirit of Texas Bancshares, Inc. (incorporated by reference to Annex A to the Registration Statement on Form S-4 filed under the Securities Act of 1933 by Simmons First National Corporation on January 18, 2022 (File No. 333-261842)).
3.1	Amended and Restated Articles of Incorporation of Simmons First National Corporation, as amended on July 14, 2021 (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-4 filed under the Securities Act of 1933 by Simmons First National Corporation on July 21, 2021 (File No. 333-258059)).
3.2	Articles of Amendment to the Amended and Restated Articles of Incorporation of Simmons First National Corporation, dated August 3, 2022 (incorporated by reference to Exhibit 3.2 to Simmons First National Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 (File No. 000-06253)).
3.3	Amended and Restated By-Laws of Simmons First National Corporation (incorporated by reference to Exhibit 3.1 to Simmons First National Corporation's Current Report on Form 8-K filed February 18, 2022 (File No. 000-06253)).
4.1	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.
10.1	Simmons First National Corporation 2023 Stock and Incentive Plan (incorporated by reference to Exhibit 10.1 to Simmons First National Corporation's Current Report on Form 8-K filed on April 19, 2023).
10.2	Form of Non-Employee Director Restricted Stock Unit Award Agreement (2023 Plan – for awards on or after April 18, 2023).*
10.3	Form of Associate Restricted Stock Unit Award Agreement (2023 Plan – for awards on or after May 23, 2023).*
10.4	Separation Agreement and Release among Simmons First National Corporation, Simmons Bank, and Matthew Reddin dated July 26, 2023 (incorporated by reference to Exhibit 10.1 to Simmons First National Corporation's Current Report on Form 8-K filed on July 28, 2023).
10.5	Indemnification Agreement for Dean Bass dated July 27, 2023.*
14.1	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)).
15.1	Awareness Letter of FORVIS, LLP.*
31.1	Rule 13a-15(e) and 15d-15(e) Certification – Robert A. Fehlman, Chief Executive Officer.*
31.2	Rule 13a-15(e) and 15d-15(e) Certification – James M. Brogdon, President and Chief Financial Officer.*
31.3	Rule 13a-15(e) and 15d-15(e) Certification – David W. Garner, Executive Vice President and Chief Accounting Officer.*
32.1	Certification Pursuant to 18 U.S.C. Sections 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Robert A. Fehlman, Chief Executive Officer.*
32.2	Certification Pursuant to 18 U.S.C. Sections 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – James M. Brogdon, President and Chief Financial Officer.*
32.3	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 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	Inline XBRL 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).

* Filed herewith

SIGNATURES

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

SIMMONS FIRST NATIONAL CORPORATION
(Registrant)

Date: August 4, 2023

/s/ Robert A. Fehlman
Robert A. Fehlman
Chief Executive Officer
(Principal Executive Officer)

Date: August 4, 2023

/s/ James M. Brogdon
James M. Brogdon
President and Chief Financial Officer
(Principal Financial Officer)

Date: August 4, 2023

/s/ David W. Garner
David W. Garner
Executive Vice President and Chief Accounting Officer
(Principal Accounting Officer)

**FORM OF
SIMMONS FIRST NATIONAL CORPORATION
2023 STOCK AND INCENTIVE PLAN
RESTRICTED STOCK UNIT AGREEMENT
NON-EMPLOYEE DIRECTOR**

This Restricted Stock Unit Agreement (this "RSU Agreement") is effective on May 3, 2023 (the "Award Date"), and is entered into between Simmons First National Corporation, an Arkansas corporation (the "Company"), and [●] (the "Director").

WHEREAS, the Board of Directors of the Company (the "Board") is authorized to make grants of Restricted Stock Units to Non-Employee Directors under the Simmons First National Corporation 2023 Stock and Incentive Plan (the "Plan"); and

WHEREAS, the Board approved the grant of Restricted Stock Units pursuant to the Plan to the Director, effective as of the Award Date, provided that the Director is (i) reelected to the Board at the 2023 Annual Meeting of Shareholders of the Company (the "Annual Meeting") and (ii) a Non-Employee Director on the Award Date.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises set forth below, the parties hereto agree as follows:

1. **Grant of Restricted Stock Units.** The Company hereby grants to the Director [●] Restricted Stock Units (the "RSUs"), subject to the terms of this RSU Agreement. Upon the completion of the Period of Restriction, each vested RSU shall entitle the Director to receive one Share of the Company. The RSUs are granted pursuant to the Plan and are subject to the provisions of the Plan, which is hereby incorporated herein and is made a part hereof, as well as the provisions of this RSU Agreement. The Director agrees to be bound by all of the terms, provisions, conditions and limitations of the Plan and this RSU Agreement. To the extent the terms of the Plan and this RSU Agreement are in conflict, the terms of the Plan shall govern. All capitalized terms have the meanings set forth in the Plan unless otherwise specifically provided in this RSU Agreement. All references to specified paragraphs pertain to paragraphs of this RSU Agreement unless otherwise specifically provided.
2. **No Transfer of RSUs.** During the Period of Restriction, the Director shall have no rights to or with respect to the RSUs or the Stock underlying such RSUs except as specifically set forth in this RSU Agreement. During the Period of Restriction, such RSUs shall not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, other than, upon the Director's death, by will, the laws of descent and distribution or as otherwise provided under the Plan. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities, or torts of the Director.
3. **Risk of Forfeiture.** Subject to Section 4(b), should the Director's service as a director of the Company terminate prior to the end of the Period of Restriction, the Director shall forfeit the RSUs that would otherwise have vested at the end of the Period of Restriction.
4. **Period of Restriction; Vesting in the RSUs.**
 - a. Subject to earlier vesting or forfeiture as provided below and the Director not rejecting this RSU Agreement, and subject to the Director remaining a director with the Company through the relevant vesting dates, the RSUs subject hereto will become vested as follows:
 - i. 25% of the RSUs will immediately vest on the Award Date;
 - ii. An additional 25% of the RSUs will become vested on July 3, 2023;
 - iii. An additional 25% of the RSUs will become vested on October 2, 2023; and
 - iv. The remaining 25% of the RSUs will become vested on January 2, 2024.
 - b. Notwithstanding any other provision of this Agreement to the contrary (but subject to Section 8), upon the occurrence of the Director's death or disability prior to the end of the Period of Restriction, then all nonvested RSUs (if any) shall fully vest, all restrictions (other than those described in Section 8) applicable to such RSUs shall terminate and the Company shall issue and deliver electronically to the Director or the Director's personal representative, if applicable, or in the case of death, to the Director's Beneficiary (or as otherwise provided in Article XVII of the Plan in the event there is no Beneficiary), the Shares underlying the RSUs as provided in Section 5

within thirty (30) days after the date of the Director's death or disability. The Board's determination in good faith regarding whether a disability has occurred shall be conclusive and determinative.

5. **Issuance and Delivery of Shares; Ownership Rights.**

a. **Issuance and Delivery of Shares.** With respect to Stock issuable on the applicable dates set forth in Section 4, the Shares will be issued on such dates in the name of and delivered to the Director via electronic delivery to the Director's account with the Company's stock plan administrator and will be freely transferable by the Director. The Board may change the above procedure for issuance and delivery of Shares at any time, provided that such procedure complies with Section 409A of the Code, to the extent applicable. Notwithstanding any other provision of this RSU Agreement, the issuance and delivery of the Shares under this Section 5 shall be subject to the requirements of Section 8, including restrictions on transfer as provided therein to the extent applicable.

b. **Ownership Rights.** The Director is not entitled to any voting and ownership rights applicable to the Stock underlying the RSUs, including the right to receive any dividends that may be paid on the Stock underlying the RSUs, prior to the issuance of the Shares. Following the issuance and delivery of the Shares, the Director shall have all voting and ownership rights as provided to other shareholders.

6. **Reorganization of Company and Subsidiaries.** The existence of this RSU Agreement shall not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the RSUs or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

7. **Adjustment of Shares.** In the event of stock dividends, stock splits, reverse stock splits, recapitalizations, mergers, consolidations, reorganizations, reclassifications, combinations, exchange of shares or similar event or change in the Company's capital stock (including the creation or issuance to shareholders generally of rights, options or warrants for the purchase of common stock or preferred stock of the Company), then for all purposes references herein to Stock or to RSUs shall mean and include all securities or other property (other than cash) that holders of Stock of the Company are entitled to receive in respect of Stock by reason of each successive event, which securities or other property (other than cash) shall be treated in the same manner and shall be subject to the same restrictions as the underlying RSUs.

8. **Certain Restrictions.** By accepting the RSUs, the Director agrees that if, at the time of delivery of the Shares underlying the RSUs issued hereunder, any sale of such Shares is not covered by an effective registration statement filed under the Securities Act of 1933 (the "Act"), the Director will acquire such Shares for the Director's own account and without a view to resale or distribution in violation of the Act or any other securities law, and upon any such acquisition the Director will enter into such written representations, warranties and agreements as the Company may reasonably request in order to comply with the Act or any other securities law or with this RSU Agreement.

9. **Amendment and Termination.** No amendment or termination of this RSU Agreement which would impair the rights of the Director shall be made by the Board or the Committee at any time without the written consent of the Director. No amendment or termination of the Plan will adversely affect the right, title and interest of the Director under this RSU Agreement or to RSUs granted hereunder without the written consent of the Director.

10. **No Guarantee of Continued Service as a Director.** This RSU Agreement shall not confer upon the Director any right with respect to continuance of the Director's service as a director of the Company or other service with the Company or any subsidiary, nor shall it interfere in any way with any right the Company or any subsidiary would otherwise have to terminate such Director's service as a director of the Company or other service at any time.

11. **No Guarantee of Tax Consequences.** This Agreement is intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, neither the Company nor any subsidiary nor the Board or the Committee or any designee shall be liable to any person eligible for benefits under this RSU Agreement in the event this RSU Agreement or the payments hereunder fail to comply with the requirements under Section 409A of the Code. Neither the Company nor any Subsidiary makes any commitment or guarantee that any federal or state tax treatment will apply or be available to any person eligible for benefits under this RSU Agreement.

12. **Banking Regulatory Provision.** The RSUs and this RSU Agreement shall be subject to any condition, limitation or prohibition under any financial institution regulatory policy or rule to which the Company or any subsidiary hereof is subject.
13. **Entire Agreement.** This RSU Agreement constitutes and contains the entire agreement between the parties with respect to the subject matter hereof and supersedes any prior or contemporaneous oral or written agreements.
14. **Severability.** In the event that any provision of this RSU Agreement shall be held illegal, invalid, or unenforceable for any reason, such provision shall be fully severable, but shall not affect the remaining provisions of this RSU Agreement and this RSU Agreement shall be construed and enforced as if the illegal, invalid, or unenforceable provision had never been included herein.
15. **Governing Law.** This RSU Agreement shall be construed in accordance with the laws of the State of Arkansas to the extent federal law does not supersede and preempt Arkansas law.
16. **Electronic Delivery and Signatures.** The Director hereby consents and agrees to electronic delivery of Share(s), Plan documents, proxy materials, annual reports and other related documents. If the Company establishes procedures for an electronic signature system for delivery and acceptance of Plan documents (including documents relating to any programs adopted under the Plan), the Director hereby consents to such procedures and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature. The Director consents and agrees that any such procedures and delivery may be effected by a third party engaged by the Company to provide administrative services related to the Plan, including any program adopted under the Plan.
17. **Plan and Prospectus.** A copy of the Plan, as well as a prospectus for the Plan, has been provided to the Director, and the Director acknowledges receipt thereof.

[Signature Page Follows]

The Director shall be deemed to have accepted and agreed to this RSU Agreement (and the underlying RSUs) on the Award Date unless written notice is provided of the rejection of this RSU Agreement to the Company's HR administrator, Greg Gough - greg.gough@simmonsbank.com, no later than three (3) business days following the Award Date. If timely rejected, then this RSU Agreement and all RSUs hereunder shall be cancelled and forfeited ab initio.

By accepting and agreeing to this RSU Agreement, the Director acknowledges that he or she: (a) has read this RSU Agreement and the Plan; (b) has had the opportunity to be represented by legal counsel in connection with his or her acceptance of this RSU Agreement; (c) understands and agrees to the terms, conditions, and consequences set forth in this RSU Agreement and the Plan; and (d) is fully aware of the legal and binding effect of this RSU Agreement and the Plan.

SIMMONS FIRST NATIONAL CORPORATION

James M. Brogdon, Chief Financial Officer

**FORM OF
SIMMONS FIRST NATIONAL CORPORATION
2023 STOCK AND INCENTIVE PLAN
RESTRICTED STOCK UNIT AGREEMENT
ASSOCIATE**

Grant Details

Participant Name: _____

Award Type: _____ Restricted Stock Units

Award Date: _____

Total Number of Restricted Stock Units Awarded: _____

Period of Restriction:

Vesting Date

Vest Quantity

**SIMMONS FIRST NATIONAL CORPORATION
2023 STOCK AND INCENTIVE PLAN
RESTRICTED STOCK UNIT AGREEMENT
ASSOCIATE**

This Restricted Stock Unit Agreement (this “Agreement”), dated as of the award date indicated (the “Award Date”) on the Grant Details page (as defined below), is made between Simmons First National Corporation, an Arkansas corporation (the “Company”), and the individual whose name is indicated on the Grant Details page (the “Participant”).

WHEREAS, the Simmons First National Corporation 2023 Stock and Incentive Plan (the “Plan”) permits the grant of Restricted Stock Units in accordance with the terms and provisions of the Plan; and

WHEREAS, in consideration of the services to be rendered by the Participant to the Company and/or its Affiliates, the Company desires to grant Restricted Stock Units (the “RSUs”) to the Participant, and the Participant desires to accept such RSUs, on the terms and conditions set forth herein and in the Plan.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises set forth below, the parties hereto agree as follows:

1. **Grant of RSUs.** The Company hereby grants to the Participant the number of RSUs set forth on the Grant Details page, subject to the terms and conditions of this Agreement. Upon the completion of the applicable Period of Restriction provided in the Grant Details page (each a “Vesting Date”), each vested RSU shall entitle the Participant to receive one Share. The RSUs are granted pursuant to the Plan and are subject to the provisions of the Plan, which is hereby incorporated herein and made a part hereof, as well as the provisions of this Agreement. The Participant agrees to be bound by all of the terms and conditions of the Plan and this Agreement. To the extent the terms of the Plan and this Agreement are in conflict, the terms of the Plan shall govern. All capitalized terms have the meanings set forth in the Plan unless otherwise specifically provided in this Agreement. All references to specified sections pertain to sections of this Agreement unless otherwise specifically provided.

For purposes of this Agreement, “Grant Details page” shall mean the Grant Details page attached to the front of this Agreement that indicates, among other things, the Award Date, the name of the Participant, and the aggregate number of RSUs awarded, all of which information is hereby incorporated herein by reference and made a part of this Agreement.

2. **No Transfer of RSUs.** Before the RSUs become vested, the Participant shall have no rights to or with respect to the RSUs or the Shares underlying such RSUs except as specifically set forth in this Agreement. Such RSUs shall not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, other than as provided under the Plan. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities, or torts of the Participant.
3. **Risk of Forfeiture.** Subject to Section 4, should the Participant’s employment with the Company and its Affiliates terminate, the Participant shall forfeit any RSUs that are unvested as of the effective time of such termination.
4. **Vesting in the RSUs.**
 - a. **Vesting.** Subject to earlier vesting or forfeiture as provided herein, and subject to the Participant remaining in continuous employment with the Company and/or its Affiliates (as applicable) through the applicable Vesting Date, the RSUs subject hereto will vest on the applicable Vesting Date, as provided in the Grant Details page. If necessary to avoid the vesting of a fractional RSU, total RSUs that vest on a Vesting Date shall be rounded down to the nearest whole number of RSUs, except for vesting on the final Vesting Date, which vesting shall be for the remainder of the unvested RSUs.
 - b. **Violation of Restrictive Covenants.** All vesting of the RSUs shall cease immediately upon the Participant’s breach, in the Committee’s determination, of any confidentiality, non-disclosure, non-competition, or non-solicitation obligation, commitment or agreement with the Company or its Affiliates and all unvested RSUs shall be cancelled immediately and shall not be payable.
 - c. **Involuntary Termination without Cause, Voluntary Termination, or Termination for Cause.** If the Participant is involuntarily terminated without Cause (as defined below), quits, is terminated for

Cause, or otherwise experiences a termination of employment before the applicable Vesting Date, and under circumstances not described in Subsections (d), (e) and (f) below, all unvested RSUs shall be cancelled immediately and shall not be payable, except to the extent the Committee decides otherwise prior to the date of such termination. To the extent the Committee decides to vest any RSUs that would otherwise be cancelled, the Committee shall issue and deliver electronically the Shares underlying the RSUs within sixty (60) days after the date of the Participant's employment termination.

- d. **Retirement.** If the Participant Retires (as defined below) prior to the applicable Vesting Date, then all unvested RSUs (if any) shall fully vest, and the Company shall issue and deliver electronically the Shares underlying the RSUs within sixty (60) days after the date of the Participant's Retirement.
- e. **Termination by Reason of Death or Disability.** Upon the occurrence of the Participant's death or termination of employment due to disability prior to the applicable Vesting Date, then all unvested RSUs (if any) shall fully vest, and the Company shall issue and deliver electronically the Shares underlying the RSUs within sixty (60) days after the date of the Participant's death or termination of employment due to disability. For the avoidance of doubt, the Committee's determination in good faith regarding whether a disability has occurred shall be conclusive and determinative.
- f. **Change in Control.** If a Change in Control occurs prior to the applicable Vesting Date and the Participant is involuntarily terminated without Cause in connection with (or within the one-year period immediately following) the Change in Control, all unvested RSUs (if any) shall fully vest on the date of the Participant's termination. The Company shall issue and deliver electronically the Shares underlying the RSUs within sixty (60) days after the date of the Participant's termination.
- g. **Definitions.** For purposes of this Agreement:
 - i. "Cause" shall have the meaning assigned such term in the employment, severance or similar agreement, if any, between such Participant and the Company or an Affiliate; provided, however, that if there is no such employment, severance or similar agreement in which such term is defined, "Cause" shall mean any of the following acts by the Participant, as determined by the Committee: gross neglect of duty, prolonged absence from duty without the consent of the Company or its Affiliates, material breach by the Participant of any published Company code of conduct or code of ethics; or willful misconduct, misfeasance or malfeasance of duty which is reasonably determined to be detrimental to the Company or its Affiliates. The determination of the Committee as to the existence of "Cause" shall be conclusive on the Participant and the Company.
 - ii. "Retire" or "Retirement" means a voluntary termination of employment on or after the earlier of (i) age 65 or (ii) age 62 and 10 years of service. The Committee has the discretion to determine whether years of service shall include service with a predecessor employer.

5. **Issuance and Delivery of Shares; Ownership Rights.**

- a. **Issuance and Delivery of Shares.** With respect to Shares issuable on the applicable dates set forth in Section 4, the Shares will be issued on such dates in the name of and delivered to the Participant via electronic delivery to the Participant's account with the Company's stock plan administrator and will be freely transferable by the Participant. The Committee may change the above procedure for issuance and delivery of Shares at any time, provided that such procedure complies with Section 409A (as defined in Section 12 below) to the extent applicable. Notwithstanding any other provision of this Agreement, the issuance and delivery of the Shares under this Section 5 shall be subject to the requirements of Section 8, including restrictions on transfer as provided therein to the extent applicable. Notwithstanding anything contained herein to the contrary, if Section 409A applies to the RSUs, to the extent required to avoid accelerated taxation and/or tax penalties under Section 409A, amounts that would otherwise be payable pursuant to this Agreement during the six (6) month period immediately following the Participant's separation from service shall instead be paid on the first business day after the date that is six (6) months following the Participant's separation from service (or, if earlier, Participant's date of death).
- b. **Ownership Rights.** The Participant is not entitled to any voting and ownership rights applicable to the Shares underlying the RSUs, including the right to receive any dividends that may be paid on the Shares underlying the RSUs, prior to the issuance of the Shares. Following the issuance and

delivery of the Shares, the Participant shall have all voting and ownership rights as provided to other holders of Shares.

- c. **Limits on Obligations.** No interest shall accrue or otherwise be due in the event the Company delays the payment of the RSUs beyond the applicable payment date for administrative reasons. Any delay shall be in accordance with the requirements of Section 12. However, the Company shall not be liable to the Participant or any successor in interest for damages relating to any delays in issuing and delivering the Shares to the Employee or any successor in interest, or any mistakes or errors in the issuance or delivery of the Shares or in payment or delivery of Shares or cash amounts payable under this Agreement.
6. **Reorganization of Company and Subsidiaries.** The existence of this Agreement shall not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the RSUs or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.
7. **Withholding of Taxes.** The Participant may owe federal, state, and local taxes in connection with the Award (the "Taxes"). Subject to Section 12, the Company shall withhold at the statutory minimum rates unless the Participant has elected prior to the payment date to have a higher amount (up to the maximum allowed by law) withheld. Unless the Participant elects prior to the payment date to satisfy the withholding requirement for any such Taxes to be withheld by the Company by check or direct debit (including, for the avoidance of doubt, cash transfer), the withholding of Taxes shall be mandatorily satisfied by withholding from the payment of the RSUs a number of Shares having a Fair Market Value equal to the amount required to be withheld for the Taxes. The Participant's acceptance of the Award constitutes the Participant's acknowledgment that the Company will (unless otherwise properly elected by the Participant pursuant to the terms of this Section 7) withhold on the Participant's behalf a number of Shares sufficient to satisfy the Taxes. The obligations of the Company under this Agreement will be conditional on such payment of the Taxes by the Participant. Notwithstanding anything to the contrary contained in this Section 7, Section 12, or otherwise, the Company (i) makes no representations or undertakings regarding the treatment of Taxes in connection with any aspect of this Award, and (ii) does not commit to structure the terms of the Award to reduce or eliminate the Participant's liability for Taxes.
8. **Certain Restrictions.** By accepting the RSUs, the Participant agrees that if, at the time of delivery of the Shares underlying the RSUs issued hereunder, any sale of such Shares is not covered by an effective registration statement filed under the Securities Act of 1933, as amended (the "Act"), the Participant will acquire such Shares for the Participant's own account and without a view to resale or distribution in violation of the Act or any other securities law, and upon any such acquisition the Participant will enter into such written representations, warranties and agreements as the Company may reasonably request in order to comply with the Act or any other securities law or with this Agreement.
9. **Non-Solicitation; Non-Interference.** [*For Associates Not in Oklahoma:* In exchange for the RSUs provided hereunder, the Participant agrees that he or she will not, upon separation of employment, for whatever reason, directly or indirectly through others, solicit or accept business from Established Customers (as defined below) for one year after separation of employment from the Company and/or its Affiliates (as applicable). For the same period, the Participant agrees that he or she will not interfere with, or attempt to interfere with, the Company's and its Affiliate's relationships with any of their Established Customers. The acceptance of traditional teller line business by the Participant operating in a retail branch is excluded from the non-solicitation and non-interference obligations set forth in this Section 9.][*For Associates in Oklahoma:* In exchange for the RSUs provided hereunder, the Participant agrees that he or she will not, upon separation of employment, for whatever reason, directly solicit existing Company business (or that of its Affiliates) from Established Customers (as defined below) for one year after separation of employment from the Company and/or its Affiliates (as applicable). For the same period, the Participant agrees that he or she will not interfere with, or attempt to interfere with, the Company's and its Affiliates' relationships with any of their Established Customers.]

For purposes of this Agreement, “Established Customers” shall be defined to mean any customer for whom the Participant provided services, held Confidential Information (as defined below), or had contact as a representative of the Company and/or its Affiliates (as applicable) while employed by the Company and/or its Affiliates (as applicable).

The Participant also agrees not to use or disclose Confidential Information. “Confidential Information” shall include any information as to the Company’s or its Affiliates’ strategy, business plans, methods or policies, systems, documentation, research or development projects, acquisitions, trade secrets, names and addresses of customers, customer lists, or any other data relating to past, present or prospective customers, or any other information relating to the business operations of Company, its Affiliates or their customers.

The Participant also agrees for one year after separation of employment from the Company and/or its Affiliates (as applicable) not to solicit, directly or indirectly through others, any Company or Affiliate associates for employment or to otherwise terminate employment with Company and/or its Affiliates (as applicable). The Participant agrees these provisions are reasonable and necessary to protect the Company’s legitimate business interests.

Notwithstanding anything in this Agreement to the contrary, this Section 9 shall survive and remain in effect following the Participant’s separation of employment regardless of the status of the RSUs at such time.

10. **Clawback.** The RSUs and all Shares delivered and other compensation paid pursuant to the Award (whether before or after the RSUs have been converted to Shares) shall be subject to clawback by the Company as may be required by applicable law, government regulations, or stock exchange listing requirement, clawback provision set forth in the Plan and/or any other clawback procedure of the Company, as amended from time to time, and whether approved before or after the Award Date, and on such basis as the Committee determines.
11. **No Guarantee of Continued Employment.** Nothing in this Agreement or in the Plan shall confer upon the Participant any right to continue in the employ of the Company or any Subsidiary or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which are hereby expressly reserved, to terminate the employment of the Participant at any time and for any reason whatsoever, with or without Cause, subject to the applicable provisions of, if any, the Participant’s employment agreement with the Company or any Subsidiary that employs the Participant or agreement provided by the Company or any Subsidiary to the Participant that employs the Participant.
12. **No Guarantee of Tax Consequences.** If the Participant is eligible to Retire on the Award Date or will become eligible to Retire at any time prior to any applicable Vesting Date, the RSUs are subject to Section 409A of the Code and the applicable regulations and guidance issued thereunder (“Section 409A”) as of the Award Date, except in certain limited circumstances. To the extent the RSUs are exempt from Section 409A, nothing in this Section 12 shall require the RSUs to meet the requirements of Section 409A. To the extent the RSUs are subject to Section 409A, the Plan and this Agreement are intended to avoid the adverse tax consequences of Section 409A and shall be interpreted and administered accordingly. The provisions of Article XXII of the Plan, including the definitions provided thereunder and the six-month delay, are hereby incorporated by reference into this Agreement. For purposes of the timing of any payments under this Agreement which are subject to Section 409A, all references to “termination of employment,” “Retire,” “Retirement” or similar terms shall mean “separation from service” under Section 409A. A separation from service shall occur at the time required under Section 409A. Each payment hereunder shall be treated as a separate payment under Section 409A. When, if ever, a payment specifies a payment period with reference to a number of days (e.g., “payment shall be made within thirty (30) days following the date of termination”), the actual date of payment within the specified period shall be within the sole discretion of the Company or, if within the control of the Participant and payable over two calendar years, shall always be paid in the later calendar year. To the extent any provision of the Plan or Agreement is subject to and does not comply with Section 409A, such provision shall be interpreted and/or amended to comply with Section 409A, to the extent allowed under Section 409A. The Company makes no representation or warranty regarding, and shall not be responsible for, any excise tax imposed under Section 409A.

13. **Banking Regulatory Provision.** The RSUs and this Agreement shall be subject to any condition, limitation or prohibition under any financial institution regulatory policy or rule to which the Company or any Subsidiary thereof is subject.
14. **Entire Agreement.** This Agreement, together with the Grant Details page and the Plan, constitutes and contains the entire agreement between the parties with respect to the subject matter hereof and supersedes any prior or contemporaneous oral or written agreements; provided however, that nothing in Section 9 is intended to supersede any other non-competition, non-solicitation, non-interference, confidentiality or similar obligations that the Participant may already have to the Company or its Affiliates. Rather, Section 9 shall be read in conjunction with and considered supplemental to such other obligations and shall at all times only enhance but never limit such other obligations.
15. **Severability.** In the event that any provision of this Agreement shall be held illegal, invalid, or unenforceable for any reason, such provision shall be fully severable, but shall not affect the remaining provisions of this Agreement, and this Agreement shall be construed and enforced as if the illegal, invalid, or unenforceable provision had never been included herein.
16. **Governing Law.** This Agreement shall be construed in accordance with the laws of the State of Arkansas to the extent federal law does not supersede and preempt Arkansas law.
17. **Electronic Delivery and Signatures.** The Participant hereby consents and agrees to electronic delivery of Share(s), Plan documents (including, without limitation and for the avoidance of doubt, this Agreement), proxy materials, annual reports and other related documents and hereby further consents and agrees to participate in the Plan through the current stock plan administrator's on-line system, or any other on-line system or electronic means that the Company may decide, in its sole discretion, to use in the future. If the Company has established or at any time establishes procedures for an electronic signature system for delivery and acceptance of Plan documents (including, without limitation and for the avoidance of doubt, this Agreement), the Participant hereby consents to such procedures and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature. The Participant consents and agrees that any such procedures and delivery may be effected by, among other things, a third party engaged by the Company to provide administrative services related to the Plan, including any program adopted under the Plan. For the avoidance of doubt, the Participant's indication via the current stock plan administrator's on-line system that the Participant has accepted this Award is considered the Participant's electronic signature and the Participant's express consent and agreement to this Agreement, the Grant Details page and the Plan.
18. **Plan and Prospectus.** A copy of the Plan, as well as a prospectus for the Plan, has been provided to the Participant, and the Participant acknowledges receipt thereof.

[Signature Page Follows.]

To evidence its grant of the Award, the Company has signed this Agreement as of the Award Date. This Agreement and the Award shall become legally binding, effective as of the Award Date, if the Participant indicates his or her acceptance of this Award on the on-line system of Etrade, the Company's current stock plan administrator, within sixty (60) days of the Award Date. If the Participant fails to timely accept the Award, the Award shall be cancelled and forfeited ab initio.

By accepting this Award, the Participant acknowledges that he or she: (a) has read this Agreement, the Grant Details page and the Plan; (b) has had the opportunity to be represented by legal counsel in connection with his or her acceptance of this Award; (c) understands and agrees to the terms, conditions, and consequences set forth in this Agreement, the Grant Details page and the Plan; and (d) is fully aware of the legal and binding effect of this Agreement, the Grant Details page and the Plan.

SIMMONS FIRST NATIONAL CORPORATION

By:

Title: Chief Financial Officer

INDEMNIFICATION AGREEMENT

This INDEMNIFICATION AGREEMENT (“Agreement”), dated as of July 27, 2023 (the “Effective Date”), is made by and between Simmons First National Corporation, an Arkansas corporation (“Company”), and the undersigned indemnitee (“Indemnitee”).

RECITALS

- A. The Company recognizes that competent and experienced persons are increasingly reluctant to serve or to continue to serve as directors or officers of corporations unless they are protected by comprehensive liability insurance or indemnification, or both, due to increased exposure to litigation costs and risks resulting from their service to such corporations, and due to the fact that the exposure frequently bears no reasonable relationship to the compensation of such directors and officers;
- B. The statutes and judicial decisions regarding the duties of directors and officers are often difficult to apply, ambiguous, or conflicting, and therefore fail to provide such directors and officers with adequate, reliable knowledge of legal risks to which they are exposed or information regarding the proper course of action to take;
- C. The Company believes that it is unfair for its directors and officers to assume the risk of large judgments and other expenses which may occur in cases in which the director or officer received no personal profit and in cases where the director or officer was not culpable;
- D. The Company, after reasonable investigation, has determined that the liability insurance coverage presently available to the Company may be inadequate in certain circumstances to cover all possible exposure for which Indemnitee should be protected. The Company believes that the interests of the Company and its shareholders would best be served by a combination of such insurance and the indemnification by the Company of the directors and officers of the Company;
- E. The indemnification provisions applicable to directors and officers contained in the Company’s Amended and Restated Articles of Incorporation (“Articles”) and the Company’s By-laws (“By-laws”) expressly provide that such right of indemnification is not exclusive, and contemplate that agreements may be entered into between the Company and its directors and officers with respect to indemnification;
- F. Section 850 of the Arkansas Business Corporation Act of 1987 (“Act”) (Arkansas Code Section 4-27-850) (“Section 850”) empowers the Company to indemnify its officers, directors, employees and agents by agreement and to indemnify persons who serve, at the request of the Company, as the directors, officers, employees or agents of other corporations or enterprises, and expressly provides that the indemnification provided by Section 850 is not exclusive;
- G. The Board of Directors of the Company (“Board”) has determined that contractual indemnification as set forth herein is not only reasonable and prudent but also promotes the best interests of the Company and its shareholders;
- H. The Company desires and has requested Indemnitee to serve or continue to serve as a director and/or officer of the Company, or an affiliate or subsidiary thereof, free from undue concern for unwarranted claims for damages arising out of or related to such services to the Company, or an affiliate or subsidiary thereof; and
- I. Indemnitee is willing to serve, continue to serve or to provide additional service for or on behalf of the Company, or an affiliate or subsidiary thereof, on the condition that Indemnitee is furnished the indemnity provided for herein.

AGREEMENT

NOW, THEREFORE, in consideration of Indemnitee's service or continued service as a director, officer, and/or other key employee of the Company or an affiliate or subsidiary thereof, the mutual covenants and agreements set forth below, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Generally. To the fullest extent permitted by the laws of the State of Arkansas:
 - a. The Company shall indemnify Indemnitee if Indemnitee was or is a party or is threatened to be made a party to, or is involved in, any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company (or is or was serving at the request of the Company as a director, officer, employee or agent (which, for purposes of this Agreement, shall include, without limitation, a trustee, partner or manager or similar capacity) of another corporation, partnership, joint venture, trust, employee benefit plan, limited liability company or other enterprise). For the avoidance of doubt, the foregoing indemnification obligation includes, without limitation, claims for monetary damages against Indemnitee in respect of an alleged breach of fiduciary duties, to the fullest extent permitted under Section 202(b)(3) of the Act as in existence on the date hereof.
 - b. The indemnification provided by this Section 1 shall be from and against all expenses, liabilities and losses (including, without limitation, attorneys' fees, judgments, fines and amounts paid or to be paid in settlement) reasonably incurred or suffered by Indemnitee or on Indemnitee's behalf in connection with such action, suit or proceeding, but shall only be provided if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action, suit or proceeding, had no reasonable cause to believe Indemnitee's conduct was unlawful.
 - c. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that Indemnitee's conduct was unlawful.
2. Partial Indemnification. If Indemnitee is entitled under any provision of the Agreement to indemnification by the Company for some or a portion of the expenses, liabilities and losses (including, without limitation, attorneys' fees, judgments, fines and amounts paid or to be paid in settlement) reasonably incurred or suffered by Indemnitee or on Indemnitee's behalf in connection with any action, suit or proceeding, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such expenses, liabilities and losses (including, without limitation, attorneys' fees, judgments, fines and amounts paid or to be paid in settlement) to which Indemnitee is entitled.
3. Advance Payment of Expenses; Notification and Defense of Claim.
 - a. Expenses incurred by Indemnitee or on Indemnitee's behalf in defending any action, suit or proceeding by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company (or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan, limited liability company or other enterprise) or in connection with an enforcement action pursuant to Section 4(b) shall be paid by the Company in advance of the final disposition of such action, suit or proceeding within ten (10) days after receipt by the Company of (i) a statement or statements from Indemnitee requesting such advance or advances from time to time, and (ii) an undertaking by or on behalf of Indemnitee to repay such amount if it shall ultimately be determined that Indemnitee is not entitled to be indemnified by the Company as authorized by the Act, the Agreement or otherwise. Such undertaking shall be accepted without reference to the financial ability of Indemnitee to make such repayment. Advances shall be unsecured and interest-free. For

the avoidance of doubt, advances shall include, without limitation, any and all expenses incurred pursuing an action to enforce this right of advancement.

- b. Promptly after receipt by Indemnitee of notice of the commencement of any action, suit or proceeding, Indemnitee shall, if a claim thereof is to be made against the Company hereunder, notify the Company of the commencement thereof. The failure to promptly notify the Company of the commencement of the action, suit or proceeding, or of Indemnitee's request for indemnification, will not relieve the Company from any liability that it may have to Indemnitee hereunder or otherwise.
- c. In the event the Company shall be obligated to pay the expenses of Indemnitee with respect to an action, suit or proceeding as provided in the Agreement, the Company, if appropriate, shall be entitled to assume the defense of such action, suit or proceeding with counsel reasonably acceptable to Indemnitee, upon the delivery to Indemnitee of written notice of its election to do so. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under the Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same action, suit or proceeding, provided that (1) Indemnitee shall have the right to employ Indemnitee's own counsel in such action, suit or proceeding at Indemnitee's expense and (2) if (i) the employment of counsel by Indemnitee has been previously authorized in writing by the Company, (ii) counsel to the Company or Indemnitee shall have reasonably concluded that there may be a conflict of interest or position, or reasonably believes that a conflict is likely to arise, on any significant issue between the Company and Indemnitee in the conduct of any such defense or (iii) the Company shall not, in fact, have employed counsel to assume the defense of such action, suit or proceeding, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company, except as otherwise expressly provided by the Agreement. The Company shall not be entitled, without the consent of Indemnitee, to assume the defense of any claim brought by or in the right of the Company or as to which counsel for the Company or Indemnitee shall have reasonably made the conclusion provided for in clause (ii) above.
- d. Notwithstanding any other provision of the Agreement to the contrary, to the extent that Indemnitee is, by reason of Indemnitee's corporate status with respect to the Company or any corporation, partnership, joint venture, trust, employee benefit plan, limited liability company or other enterprise which Indemnitee is or was serving or has agreed to serve at the request of the Company, a witness or otherwise participates in any action, suit or proceeding at a time when Indemnitee is not a party in the action, suit or proceeding, the Company shall indemnify Indemnitee against all expenses (including, without limitation, attorneys' fees) actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith.

4. Procedure for Indemnification.

- a. To obtain indemnification, Indemnitee shall promptly submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.
- b. The Company shall determine whether to grant Indemnitee's indemnification request promptly, and in any event within sixty (60) days following receipt of a request for indemnification pursuant to Section 4(a), and in accordance with applicable law. The right to indemnification as granted by the Agreement shall be enforceable by Indemnitee in any court of competent jurisdiction if the Company denies such request, in whole or in part, or fails to respond within such 60-day period. Any such action shall be conducted as a de novo trial, on the merits. It shall be a defense to any such action (other than an action brought to enforce a claim for the advancement of expenses under Section 3 hereof where the required undertaking, if any, has been received by the Company) that Indemnitee has not met the standard of conduct set forth in Section 1 hereof, but the burden of proving such defense by clear and convincing evidence shall be on the Company. Neither the failure of the Company (including its Board, its independent legal counsel, and its shareholders) to have made a determination prior to the commencement of such action that indemnification of

Indemnitee is proper in the circumstances because Indemnitee has met the applicable standard of conduct set forth in Section 1 hereof, nor the fact that there has been an actual determination by the Company (including its Board, its independent legal counsel, or its shareholders) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has or has not met the applicable standard of conduct or otherwise prejudice Indemnitee. The Company shall also indemnify the Indemnitee from and against the Indemnitee's expenses (including, without limitation, attorneys' fees) incurred in connection with (1) successfully establishing Indemnitee's right to indemnification, in whole or in part, in any such proceeding or otherwise, and (2) successfully establishing Indemnitee's right to advancement of expenses, in whole or in part, in any proceeding or otherwise.

- c. The Indemnitee shall be presumed to be entitled to indemnification under the Agreement upon submission of a request for indemnification pursuant to this Section 4, and the Company shall have the burden of proof in overcoming that presumption in reaching a determination contrary to that presumption. Such presumption shall be used as a basis for a determination of entitlement to indemnification unless the Company overcomes such presumption by clear and convincing evidence. If a determination that Indemnitee is entitled to indemnification has been made pursuant this Section 4 or otherwise pursuant to the terms of this Agreement, the Company shall be bound by such determination in the absence of (i) misrepresentation of a material fact by Indemnitee or (ii) a specific finding (which has become final) by an appropriate court that all or any part of such indemnification is expressly prohibited by law.

5. Insurance and Subrogation.

- a. The Company may purchase and maintain insurance on behalf of Indemnitee who is or was a director or officer of the Company (or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan, limited liability company or other enterprise) against any liability asserted against Indemnitee and incurred by Indemnitee or on Indemnitee's behalf in any such capacity or arising out of such status, whether or not the Company would have the power to indemnify Indemnitee against such liability. To the extent that the Company maintains liability insurance for directors and officers of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan, limited liability company or other enterprise on which any such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for such director or officer under such policy or policies. If the Company has such insurance in effect at the time the Company receives from Indemnitee any notice of the commencement of an action, suit or proceeding, the Company shall give prompt notice of the commencement of such action, suit or proceeding to the insurers in accordance with the procedures set forth in the policy. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such action, suit or proceeding in accordance with the terms of such policy.
- b. In the event of any payment by the Company under the Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee with respect to any insurance policy, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights in accordance with the terms of such insurance policy. The Company shall pay or reimburse all expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such subrogation.
- c. The Company shall not be liable under the Agreement to make any payment of amounts otherwise indemnifiable hereunder (including, without limitation, ERISA excise taxes or penalties, judgments, fines and amounts paid or to be paid in settlement) if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

6. Certain Definitions. For purposes of the Agreement:

- a. The term "action, suit or proceeding" shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed claim, action, suit or

proceeding, whether civil, criminal, administrative or investigative, and whether instituted by, in the right of, or on behalf of the Company or any other party or parties.

- b. The term “by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company (or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan, limited liability company or other enterprise)” shall be broadly construed and shall include, without limitation, any actual or alleged act or omission to act by Indemnitee in such capacity.
- c. The term “expenses” shall be broadly and reasonably construed and shall include, without limitation, all direct and indirect costs of any type or nature whatsoever (including, without limitation, all attorneys’ fees and related disbursements, appeal bonds, other out-of-pocket costs and reasonable compensation for time spent by Indemnitee for which Indemnitee is not otherwise compensated by the Company or any third party, provided that the rate of compensation and estimated time involved is approved by the Board, which approval shall not be unreasonably withheld) actually and reasonably incurred by Indemnitee in connection with the investigation, preparation, prosecution, defense, settlement, arbitration or appeal of (or the giving of testimony in) an action, suit or proceeding or establishing or enforcing a right to indemnification or advancement under the Agreement, Section 850 or otherwise.
- d. The term “judgments, fines and amounts paid or to be paid in settlement” shall be broadly construed and shall include, without limitation, all direct and indirect payments of any type or nature whatsoever (including, without limitation, all penalties and amounts required to be forfeited or reimbursed to the Company), as well as any penalties or excise taxes assessed on a person with respect to an employee benefit plan.
- e. The term “Company” shall include, without limitation and in addition to the resulting corporation, any constituent corporation (including, without limitation, any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors or officers, so that any person who is or was a director or officer of such constituent corporation (or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan, limited liability company or other enterprise) shall stand in the same position under the provisions of the Agreement with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued.
- f. The term “other enterprise” shall include, without limitation, employee benefit plans.
- g. The term “fines” shall include, without limitation, any excise taxes assessed on a person with respect to an employee benefit plan.
- h. The term “serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan, limited liability company or other enterprise”, as well as variations thereof, shall include (without limitation) in each case service to or actions taken while a director, officer, trustee, employee or agent of any subsidiary or affiliate of the Company.
- i. The term “serving at the request of the Company” shall also include, without limitation, any service as a director, officer, employee or agent of the Company or an affiliate or subsidiary thereof which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries.
- j. With respect to matters involving employee benefit plans, a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Company” as referred to in the Agreement.

7. Limitations on Indemnification. Notwithstanding any other provision herein to the contrary, the Company shall not be obligated pursuant to the Agreement:
- a. Claims Initiated by Indemnitee. To indemnify or advance expenses to Indemnitee with respect to an action, suit or proceeding (or part thereof) initiated by Indemnitee, except with respect to an action, suit or proceeding brought to establish or enforce a right to indemnification or advancement of expenses under this Agreement, any other agreement, any insurance policy, the Articles, the By-laws, any law or otherwise, unless such action, suit or proceeding (or part thereof) was authorized or consented to by the Board.
 - b. Improper Benefits. To indemnify or advance expenses to Indemnitee with respect to an action, suit or proceeding (or part thereof) based upon or attributable to the Indemnitee gaining in fact any remuneration, personal profit or advantage to which Indemnitee was not legally entitled.
 - c. Section 16 Violations. To indemnify Indemnitee on account of any action, suit or proceeding with respect to which final judgment is rendered against Indemnitee for payment or an accounting of profits arising from the purchase or sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar successor statute.
 - d. Reimbursement of the Company. To indemnify Indemnitee for any reimbursement of the Company by Indemnitee of any bonus, other incentive-based or equity-based compensation, or of any profits realized by Indemnitee from the sale of securities of the Company, in each case as may be required pursuant to any applicable federal or other law or regulation (including, without limitation, any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act of 2002), any applicable listing standard of a national securities exchange or system on which the common stock of the Company is then listed or reported or pursuant to any incentive compensation recovery or clawback policy as may be adopted from time to time by the Board or one of its committees, or any expenses incurred by Indemnitee in connection with any action, suit or proceeding to enforce such reimbursement obligation.
 - e. Non-compete, Non-solicitation, Non-disclosure, Non-disparagement. To indemnify Indemnitee in connection with any action, suit or proceeding involving the enforcement of non-compete, non-solicitation, non-disclosure and/or non-disparagement agreements, or the non-compete, non-solicitation, non-disclosure and/or non-disparagement provisions of employment, consulting, severance or similar agreements, to which the Indemnitee may be a party with the Company, or any subsidiary of the Company or any other applicable foreign or domestic corporation, partnership, joint venture, trust or other enterprise, if any.
 - f. Payments Prohibited by Law. To indemnify or advance expenses to Indemnitee where such indemnification or advancement of expenses related thereto are prohibited by any applicable law or regulation promulgated by any federal or state legislation or banking regulatory agency.
8. Certain Settlement Provisions. The Company shall have no obligation to indemnify Indemnitee under the Agreement for amounts paid in settlement of any action, suit or proceeding without the Company's prior written consent, which shall not be unreasonably withheld. The Company shall not settle any action, suit or proceeding in any manner that would impose any fine, judgment, penalty, liability, loss, expense, limitation or other obligation on Indemnitee without Indemnitee's prior written consent; provided, however, that, with respect to settlements requiring solely the payment of money either by the Company or by Indemnitee for which the Company is obligated to reimburse Indemnitee promptly and completely, in either case without recourse to Indemnitee, no such consent of Indemnitee shall be required.

9. Severability. If any provision or provisions of the Agreement shall be held to be invalid, illegal, void, or unenforceable on any ground by any court of competent jurisdiction, then (1) this Agreement shall be deemed automatically modified to the extent necessary to (a) make such provision or provisions valid, legal, and enforceable and (b) as closely as possible maintain and accomplish the original intent of the provision or provisions in question, and (2) the remaining provisions of this Agreement shall not be affected and shall remain in full force and effect.
10. Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnification provided for herein is held by a court of competent jurisdiction to be unavailable to Indemnitee in whole or in part, it is agreed that, in such event, the Company shall, to the fullest extent permitted by law, contribute to the payment of Indemnitee's costs, charges and expenses (including, without limitation, attorneys' fees), judgments, fines and amounts paid or to be paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, in an amount that is just and equitable in light of all the circumstances in order to reflect (1) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving rise to such action, suit or proceeding; and (2) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s); provided, that, without limiting the generality of the foregoing, such contribution shall not be required where such holding by the court is due to any limitation on indemnification set forth in Section 5(c), 7 or 8 hereof. The relative fault of the Company and of Indemnitee shall be determined by reference to, among other things, the parties' relative intent, knowledge, access to information and opportunity to correct or prevent the circumstances resulting in such action, suit or proceeding. The Company agrees that it would not be just and equitable if contribution pursuant to this Section 10 were determined by pro rata allocation or any other method of allocation which does not take account of the foregoing equitable considerations.
11. Form and Delivery of Communications. Any notice, request or other communication required or permitted to be given to the parties under the Agreement shall be in writing and either delivered in person or sent by overnight mail or courier service, or certified or registered mail, return receipt requested, postage prepaid, addressed to Indemnitee at Indemnitee's most recent address on the Company's records, and to the Company as follows:
- Simmons First National Corporation
501 Main Street
Pine Bluff, Arkansas 71601
Attention: General Counsel
- or to such other address as the Company or Indemnitee may, from time to time, designate in writing by notice hereunder.
12. Subsequent Legislation. If the Act is amended after the Effective Date to expand further the indemnification permitted to directors or officers, then the Company shall indemnify Indemnitee to the fullest extent permitted by the Act, as so amended.
13. Additional Indemnification Rights; Non-exclusivity.
- a. Notwithstanding any other provision of this Agreement, the Company hereby agrees to indemnify the Indemnitee to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Articles, the By-Laws or by statute.
 - b. The provisions for indemnification and advancement of expenses set forth in the Agreement shall not be deemed exclusive of any other rights which Indemnitee may have under any provision of law, the Articles, the By-laws, the vote of the Company's shareholders or disinterested directors, insurance policies, other agreements or otherwise; and nothing in this Agreement shall be used to interpret or otherwise affect such other rights. Indemnitee's rights hereunder shall continue after Indemnitee has ceased acting as a director, officer, employee or agent of the Company and shall inure to the benefit of the heirs, executors and administrators of Indemnitee. However, no

amendment or alteration after the Effective Date of the Articles or By-laws or any other agreement shall adversely affect the rights provided to Indemnitee under the Agreement.

14. Enforcement. The Company shall be precluded from asserting in any judicial proceeding that the procedures and presumptions of the Agreement are not valid, binding and enforceable. The Company agrees that its execution of the Agreement shall constitute a stipulation by which it shall be irrevocably bound in any court of competent jurisdiction in which a proceeding by Indemnitee for enforcement of Indemnitee's rights hereunder shall have been commenced, continued or appealed, that its obligations set forth in the Agreement are unique and special, and that failure of the Company to comply with the provisions of the Agreement will cause irreparable and irremediable injury to Indemnitee, for which a remedy at law will be inadequate. As a result, in addition to any other right or remedy Indemnitee may have at law or in equity with respect to breach of the Agreement, Indemnitee shall be entitled to injunctive or mandatory relief directing specific performance by the Company of its obligations under the Agreement.
15. Interpretation of Agreement. It is understood that the parties hereto intend the Agreement to be interpreted and enforced so as to provide indemnification to Indemnitee to the fullest extent now or hereafter permitted by law.
16. Modification and Waiver. No supplement, modification or amendment of the Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of the Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar) nor shall such waiver constitute a continuing waiver. No waiver of any of the provisions of the Agreement shall be effective unless in a writing signed by the party against whom enforcement of the waiver is sought.
17. Successor and Assigns. All of the terms and provisions of the Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the parties hereto and their respective successors, assigns, heirs, executors, administrators and legal representatives. The Company shall require and cause any direct or indirect successor (whether by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, by written agreement in form and substance reasonably satisfactory to Indemnitee, expressly to assume and agree to perform the Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.
18. Service of Process and Venue. For purposes of any claims or proceedings to enforce the Agreement, the Company consents to the jurisdiction and venue of any federal or state court of competent jurisdiction in the State of Arkansas, and waives and agrees not to raise any defense that any such court is an inconvenient forum or any similar claim.
19. Governing Law. The Agreement shall be governed exclusively by and construed according to the laws of the State of Arkansas, as applied to contracts between Arkansas residents entered into and to be performed entirely within Arkansas. If a court of competent jurisdiction shall make a final determination that the provisions of the law of any state other than Arkansas govern indemnification by the Company of its directors and officers, then the indemnification provided under the Agreement shall in all instances be enforceable to the fullest extent permitted under such law, notwithstanding any provision of the Agreement to the contrary.
20. Employment Rights; Board Service. Nothing in the Agreement is intended to create in Indemnitee any right to employment or continued employment. Nothing in the Agreement is intended to create in Indemnitee any right to continued service on the Board.
21. Counterparts. The Agreement shall become legally binding when the last party hereto executes and delivers the Agreement. The Agreement may be executed and delivered in multiple counterparts (including, without limitation, by DocuSign/EchoSign or a similarly accredited secure signature service or other electronic transmission or signature), each of which when so executed and delivered shall be deemed to be an original, and all of which together shall constitute one and the same instrument. Counterparts may be delivered by facsimile, e-mail (including, without limitation, .pdf) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and shall be valid and effective for all purposes.
22. Headings. The section and subsection headings contained in the Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed and delivered the Agreement to be effective as of the Effective Date.

SIMMONS FIRST NATIONAL
CORPORATION

By: /s/ Bob Fehlman
Name: Bob Fehlman
Title: CEO

INDEMNITEE

/s/ Dean Bass
Signature

Dean Bass
Printed or Typed Name

**Awareness of Independent Registered
Public Accounting Firm**

We acknowledge the incorporation by reference in the Form S-3ASR (Registration No. 333-254919) 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, 333-234166, 333-239309 and 333-271417) of Simmons First National Corporation (the "Company") of our report dated August 4, 2023, included with the Quarterly Report on Form 10-Q for the quarter ended June 30, 2023. 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.

FORVIS, LLP

/s/ FORVIS, LLP

Little Rock, Arkansas
August 4, 2023

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: August 4, 2023

/s/ Robert A. Fehlman

Robert A. Fehlman
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, James M. Brogdon, 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: August 4, 2023

/s/ James M. Brogdon

James M. Brogdon
President and Chief Financial Officer
(Principal Financial Officer)

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: August 4, 2023

/s/ David W. Garner

David W. Garner
Executive Vice President and Chief Accounting Officer
(Principal 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 ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert A. Fehlman, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 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: August 4, 2023

/s/ Robert A. Fehlman
Robert A. Fehlman
Chief Executive Officer
(Principal 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 ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James M. Brogdon, President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 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: August 4, 2023

/s/ James M. Brogdon

James M. Brogdon
President and Chief Financial Officer
(Principal Financial 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 ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David W. Garner, Executive Vice President and Chief Accounting Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 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: August 4, 2023

/s/ David W. Garner

David W. Garner
Executive Vice President and Chief Accounting Officer
(Principal Accounting Officer)