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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 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	**71-0407808**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
501 Main Street **Pine Bluff** **Arkansas**	**71601**
(Address of principal executive offices)	(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 November 2, 2023, was 125,168,597.

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

Table of Contents

* No reportable information under this item.

Simmons First National Corporation
Consolidated Balance Sheets
September 30, 2023 and December 31, 2022

(In thousands, except share data)	September 30, 2023	December 31, 2022
	(Unaudited)	
ASSETS		
Cash and noninterest bearing balances due from banks	$ 181,822	$ 200,616
Interest bearing balances due from banks and federal funds sold	423,826	481,506
Cash and cash equivalents	605,648	682,122
Interest bearing balances due from banks - time	100	795
Investment securities:		
Held-to-maturity, net of allowance for credit losses of $3,214 and $1,388 at September 30, 2023 and December 31, 2022, respectively	3,742,292	3,759,706
Available-for-sale, net of allowance for credit losses of $1,196 at September 30, 2023 (amortized cost of $3,890,910 and $4,331,413 at September 30, 2023 and December 31, 2022, respectively)	3,358,421	3,852,854
Total investments	7,100,713	7,612,560
Mortgage loans held for sale	11,690	3,486
Loans	16,771,888	16,142,124
Allowance for credit losses on loans	(218,547)	(196,955)
Net loans	16,553,341	15,945,169
Premises and equipment	567,167	548,741
Foreclosed assets and other real estate owned	3,809	2,887
Interest receivable	110,361	102,892
Bank owned life insurance	497,465	491,340
Goodwill	1,320,799	1,319,598
Other intangible assets	116,660	128,951
Other assets	676,572	622,520
Total assets	$ 27,564,325	$ 27,461,061
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest bearing transaction accounts	$ 4,991,034	$ 6,016,651
Interest bearing transaction accounts and savings deposits	10,571,807	11,762,885
Time deposits	6,668,370	4,768,558
Total deposits	22,231,211	22,548,094
Federal funds purchased and securities sold under agreements to repurchase	74,482	160,403
Other borrowings	1,347,855	859,296
Subordinated notes and debentures	366,103	365,989
Accrued interest and other liabilities	259,119	257,917
Total liabilities	24,278,770	24,191,699
Stockholders' equity:		
Common stock, Class A, $0.01 par value; 350,000,000 shares authorized at September 30, 2023 and December 31, 2022; 125,133,281 and 127,046,654 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	1,251	1,270
Surplus	2,497,874	2,530,066
Undivided profits	1,330,810	1,255,586
Accumulated other comprehensive loss	(544,380)	(517,560)
Total stockholders' equity	3,285,555	3,269,362
Total liabilities and stockholders' equity	$ 27,564,325	$ 27,461,061

See Condensed Notes to Consolidated Financial Statements.

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

(In thousands, except per share data)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	(Unaudited)		(Unaudited)	
INTEREST INCOME				
Loans, including fees	$ 255,901	$ 187,347	$ 727,691	$ 478,101
Interest bearing balances due from banks and federal funds sold	3,569	1,141	10,375	2,907
Investment securities	50,638	40,954	148,163	112,514
Mortgage loans held for sale	178	178	414	568
Other loans held for sale	—	998	—	3,061
TOTAL INTEREST INCOME	310,286	230,618	886,643	597,151
INTEREST EXPENSE				
Deposits	133,157	25,429	329,049	42,000
Federal funds purchased and securities sold under agreements to repurchase	277	305	918	492
Other borrowings	16,450	6,048	43,910	15,671
Subordinated notes and debentures	6,969	5,251	18,268	14,698
TOTAL INTEREST EXPENSE	156,853	37,033	392,145	72,861
NET INTEREST INCOME	153,433	193,585	494,498	524,290
Provision for credit losses	7,722	103	31,999	14,048
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	145,711	193,482	462,499	510,242
NONINTEREST INCOME				
Service charges on deposit accounts	12,429	12,560	37,748	34,635
Debit and credit card fees	7,712	7,685	23,650	23,358
Wealth management fees	7,719	8,562	22,524	23,744
Mortgage lending income	2,157	2,593	6,130	9,383
Bank owned life insurance income	3,095	2,902	8,623	8,171
Other service charges and fees	2,232	2,085	6,776	5,593
Loss on sale of securities, net	—	(22)	(391)	(226)
Other income	7,433	6,658	28,532	20,761
TOTAL NONINTEREST INCOME	42,777	43,023	133,592	125,419
NONINTEREST EXPENSE				
Salaries and employee benefits	67,374	71,923	219,135	213,964
Occupancy expense, net	12,020	11,674	35,008	32,701
Furniture and equipment expense	5,117	5,394	15,296	15,273
Other real estate and foreclosure expense	228	168	703	653
Deposit insurance	4,672	3,278	14,766	7,928
Merger related costs	5	1,422	1,420	22,441
Other operating expenses	42,582	45,084	128,594	131,213
TOTAL NONINTEREST EXPENSE	131,998	138,943	414,922	424,173
INCOME BEFORE INCOME TAXES	56,490	97,562	181,169	211,488
Provision for income taxes	9,243	16,959	30,019	38,336
NET INCOME	$ 47,247	$ 80,603	$ 151,150	$ 173,152
BASIC EARNINGS PER SHARE	$ 0.38	$ 0.63	$ 1.19	$ 1.41
DILUTED EARNINGS PER SHARE	$ 0.37	$ 0.63	$ 1.19	$ 1.40

See Condensed Notes to Consolidated Financial Statements.

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

(In thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	(Unaudited)		(Unaudited)	
NET INCOME	$ 47,247	$ 80,603	$ 151,150	$ 173,152
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized holding losses arising during the period on available-for-sale securities	(131,603)	(204,940)	(96,104)	(658,717)
Less: Reclassification adjustment for realized losses included in net income	—	(22)	(391)	(226)
Less: Realized losses on available-for-sale securities interest rate hedges	(24,657)	(41,412)	(39,618)	(101,443)
Net unrealized losses on securities transferred from available-for-sale to held-to-maturity during the period	—	—	—	(206,682)
Less: Amortization of net unrealized losses on securities transferred from available-for-sale to held-to-maturity	(6,233)	(4,700)	(19,786)	(9,401)
Other comprehensive loss, before tax effect	(100,713)	(158,806)	(36,309)	(754,329)
Less: Tax effect of other comprehensive loss	(26,321)	(41,504)	(9,489)	(197,144)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(74,392)	(117,302)	(26,820)	(557,185)
COMPREHENSIVE INCOME (LOSS)	$ (27,145)	$ (36,699)	$ 124,330	$ (384,033)

See Condensed Notes to Consolidated Financial Statements.

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

(In thousands)	September 30, 2023	September 30, 2022
	(Unaudited)	
OPERATING ACTIVITIES		
Net income	$ 151,150	$ 173,152
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	35,933	36,660
Provision for credit losses	31,999	14,048
Loss on sale of investments	391	226
Net amortization (accretion) of investment securities and assets	10,647	(32,531)
Net amortization on borrowings	114	274
Stock-based compensation expense	9,617	11,475
Gain on sale of foreclosed assets and other real estate owned	(193)	(424)
Gain on sale of mortgage loans held for sale	(5,711)	(7,187)
Gain on sale of loans	—	(282)
Deferred income taxes	4,202	2,924
Income from bank owned life insurance	(9,811)	(8,189)
Loss from early retirement of TruPS	—	365
Originations of mortgage loans held for sale	(207,822)	(436,477)
Proceeds from sale of mortgage loans held for sale	205,329	467,261
Changes in assets and liabilities:		
Interest receivable	(7,469)	(5,852)
Other assets	(99,325)	(18,712)
Accrued interest and other liabilities	5,115	34,850
Income taxes payable	(3,730)	(5,373)
Net cash provided by operating activities	120,436	226,208
INVESTING ACTIVITIES		
Net change in loans	(709,735)	(1,344,441)
Proceeds from sale of loans	69,760	51,856
Net change in due from banks - time	695	592
Purchases of premises and equipment, net	(26,556)	(25,757)
Proceeds from sale of foreclosed assets and other real estate owned	1,867	3,476
Proceeds from maturities of available-for-sale securities	494,388	974,625
Purchases of available-for-sale securities	(2,286)	(261,375)
Proceeds from maturities of held-to-maturity securities	65,786	60,215
Purchases of held-to-maturity securities	(62,885)	(329,660)
Proceeds from bank owned life insurance death benefits	3,686	1,873
Purchase of Spirit of Texas Bancshares, Inc.	—	276,396
Net cash used in investing activities	(165,280)	(592,200)
FINANCING ACTIVITIES		
Net change in deposits	(316,514)	63,128
Repayments of TruPS	—	(56,189)
Dividends paid on common stock	(75,926)	(69,963)
Net change in other borrowed funds	488,559	(411,250)
Net change in federal funds purchased and securities sold under agreements to repurchase	(85,921)	(16,890)
Net shares cancelled under stock compensation plans	(2,662)	(4,105)
Shares issued under employee stock purchase plan	833	1,151
Repurchases of common stock	(39,999)	(111,133)
Net cash used in financing activities	(31,630)	(605,251)
DECREASE IN CASH AND CASH EQUIVALENTS	(76,474)	(971,243)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	682,122	1,650,653
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 605,648	$ 679,410

See Condensed Notes to Consolidated Financial Statements.

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

(In thousands, except share data)	Common Stock	Surplus	Accumulated Other Comprehensive (Loss) Income	Undivided Profits	Total
Three Months Ended September 30, 2023					
Balance, June 30, 2023 (Unaudited)	$ 1,262	$ 2,516,398	$ (469,988)	$ 1,308,654	$ 3,356,326
Comprehensive (loss) income	—	—	(74,392)	47,247	(27,145)
Stock-based compensation plans, net – 37,536 shares	1	1,441	—	—	1,442
Stock repurchases – 1,128,962 shares	(12)	(19,965)	—	—	(19,977)
Dividends on common stock – $0.20 per share	—	—	—	(25,091)	(25,091)
Balance, September 30, 2023 (Unaudited)	$ 1,251	$ 2,497,874	$ (544,380)	$ 1,330,810	$ 3,285,555
Three Months Ended September 30, 2022					
Balance, June 30, 2022 (Unaudited)	$ 1,288	$ 2,569,060	$ (450,428)	$ 1,139,975	$ 3,259,895
Comprehensive (loss) income	—	—	(117,302)	80,603	(36,699)
Stock-based compensation plans, net – 39,416 shares	—	3,111	—	—	3,111
Stock repurchases – 1,883,713 shares	(19)	(45,018)	—	—	(45,037)
Dividends on common stock – $0.19 per share	—	—	—	(24,119)	(24,119)
Balance, September 30, 2022 (Unaudited)	$ 1,269	$ 2,527,153	$ (567,730)	$ 1,196,459	$ 3,157,151

See Condensed Notes to Consolidated Financial Statements.

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

(In thousands, except share data)	Common Stock	Surplus	Accumulated Other Comprehensive (Loss) Income	Undivided Profits	Total
Nine Months Ended September 30, 2023					
Balance, December 31, 2022	$ 1,270	$ 2,530,066	$ (517,560)	$ 1,255,586	$ 3,269,362
Comprehensive (loss) income	—	—	(26,820)	151,150	124,330
Stock issued for employee stock purchase plan – 42,510 shares	—	833	—	—	833
Stock-based compensation plans, net – 301,166 shares	4	6,951	—	—	6,955
Stock repurchases – 2,257,049 shares	(23)	(39,976)	—	—	(39,999)
Dividends on common stock – $0.60 per share	—	—	—	(75,926)	(75,926)
Balance, September 30, 2023 (Unaudited)	$ 1,251	$ 2,497,874	$ (544,380)	$ 1,330,810	$ 3,285,555
Nine Months Ended September 30, 2022					
Balance, December 31, 2021	$ 1,127	$ 2,164,989	$ (10,545)	$ 1,093,270	$ 3,248,841
Comprehensive (loss) income	—	—	(557,185)	173,152	(384,033)
Stock issued for employee stock purchase plan – 59,475 shares	1	1,150	—	—	1,151
Stock-based compensation plans, net – 326,236 shares	2	7,368	—	—	7,370
Stock issued for Spirit acquisition – 18,275,074 shares	183	464,735	—	—	464,918
Stock repurchases – 4,432,762 shares	(44)	(111,089)	—	—	(111,133)
Dividends on common stock – $0.57 per share	—	—	—	(69,963)	(69,963)
Balance, September 30, 2022 (Unaudited)	$ 1,269	$ 2,527,153	$ (567,730)	$ 1,196,459	$ 3,157,151

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 232 financial centers as of September 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 as of June 30, 2023, ceased the publications of the remaining tenors of USD LIBOR (one, three, six and 12-month).

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 ("HTM") securities, 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 ("AFS") securities, which include any security for which the Company has no immediate plan to sell but which may be sold in the future, are carried at fair value. Realized gains and losses, based on specifically identified amortized cost of the individual security, are included in other income. Unrealized gains and losses are recorded, net of related income tax effects, in stockholders' equity, further discussed below. Premiums and discounts are amortized and accreted, respectively, to interest income using the constant 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 AFS portfolio to the HTM portfolio. As of September 30, 2023, the related remaining combined net unrealized losses of $131.2 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
Held-to-maturity						
September 30, 2023						
U.S. Government agencies	$ 452,428	$ —	$ 452,428	$ —	$ (117,530)	$ 334,898
Mortgage-backed securities	1,178,324	—	1,178,324	—	(172,976)	1,005,348
State and political subdivisions	1,859,172	(1,520)	1,857,652	26	(564,366)	1,293,312
Other securities	255,582	(1,694)	253,888	—	(39,235)	214,653
Total HTM	$ 3,745,506	$ (3,214)	$ 3,742,292	$ 26	$ (894,107)	$ 2,848,211
December 31, 2022						
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	$ 3,761,094	$ (1,388)	$ 3,759,706	$ 283	$ (696,756)	$ 3,063,233

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 September 30, 2023, HTM MBS consists of $143.1 million and $1.04 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
Available-for-sale					
September 30, 2023					
U.S. Treasury	$ 2,278	$ —	$ —	$ (54)	$ 2,224
U.S. Government agencies	179,638	—	45	(6,924)	172,759
Mortgage-backed securities	2,444,803	—	—	(287,711)	2,157,092
State and political subdivisions	999,373	—	111	(209,140)	790,344
Other securities	264,818	(1,196)	—	(27,620)	236,002
Total AFS	$ 3,890,910	$ (1,196)	$ 156	$ (531,449)	$ 3,358,421
December 31, 2022					
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	$ 4,331,413	$ —	$ 373	$ (478,932)	$ 3,852,854

As of September 30, 2023, AFS MBS consists of $859.9 million and $1.30 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 September 30, 2023 was $17.5 million and $18.6 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 September 30, 2023, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
(In thousands)	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Available-for-sale						
U.S. Treasury	$ —	$ —	$ 2,224	$ (54)	$ 2,224	$ (54)
U.S. Government agencies	9,161	(21)	158,972	(6,903)	168,133	(6,924)
Mortgage-backed securities	9,924	(140)	2,147,168	(287,571)	2,157,092	(287,711)
State and political subdivisions	11,170	(502)	771,404	(208,638)	782,574	(209,140)
Other securities	15,169	(3,505)	202,990	(22,919)	218,159	(26,424)
Total AFS	$ 45,424	$ (4,168)	$ 3,282,758	$ (526,085)	$ 3,328,182	$ (530,253)

As of September 30, 2023, the Company's investment portfolio included $3.36 billion of AFS securities, of which $3.33 billion, or 99.1%, 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 immediate intent to sell the securities, and management believes the accounting standard of "more likely than not" has not been met regarding whether the Company would be required to sell any of the AFS securities before recovery of amortized cost.

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 nine months ended September 30, 2023 on the Company's HTM and AFS securities portfolios.

(In thousands)	State and Political Subdivisions	Other Securities	Total
Three Months Ended September 30, 2023			
Held-to-maturity			
Beginning balance, July 1, 2023	$ 934	$ 2,280	$ 3,214
Provision for credit loss expense	—	—	—
Net increase (decrease) in allowance on previously impaired securities	586	(586)	—
Ending balance, September 30, 2023	$ 1,520	$ 1,694	$ 3,214
Available-for-sale			
Beginning balance, July 1, 2023	$ —	$ 2,396	$ 2,396
Provision for credit loss expense	—	—	—
Net decrease in allowance on previously impaired securities	—	(1,200)	(1,200)
Ending balance, September 30, 2023	$ —	$ 1,196	$ 1,196
Nine Months Ended September 30, 2023			
Held-to-maturity			
Beginning balance, January 1, 2023	$ 110	$ 1,278	$ 1,388
Provision for credit loss expense	824	1,002	1,826
Net increase (decrease) in allowance on previously impaired securities	586	(586)	—
Ending balance, September 30, 2023	$ 1,520	$ 1,694	$ 3,214
Available-for-sale			
Beginning balance, January 1, 2023	$ —	$ —	$ —
Provision for credit loss expense	—	12,800	12,800
Reduction due to sales	—	(2,078)	(2,078)
Net decrease in allowance on previously impaired securities	—	(2,526)	(2,526)
Securities charged-off	—	(7,000)	(7,000)
Ending balance, September 30, 2023	$ —	$ 1,196	$ 1,196

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

(In thousands)	State and Political Subdivisions	Other Securities	Total
Three Months Ended September 30, 2022			
Held-to-maturity			
Beginning balance, July 1, 2022	$ 103	$ 1,278	$ 1,381
Provision for credit loss expense	—	—	—
Net increase (decrease) in allowance on previously impaired securities	3	(3)	—
Recoveries	1	2	3
Ending balance, September 30, 2022	$ 107	$ 1,277	$ 1,384
Nine Months Ended September 30, 2022			
Held-to-maturity			
Beginning balance, January 1, 2022	$ 1,197	$ 82	$ 1,279
Provision for credit loss expense	—	—	—
Net increase (decrease) in allowance on previously impaired securities	(1,180)	1,180	—
Recoveries	90	15	105
Ending balance, September 30, 2022	$ 107	$ 1,277	$ 1,384

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 nine months ended September 30, 2023 was $10.3 million, while the provision for credit losses related to AFS securities was reduced by $1.2 million during the three months ended September 30, 2023. During the nine months ended September 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 $1.2 million at September 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 September 30, 2023:

	State and Political Subdivisions				
(In thousands)	Not Guaranteed or Pre-Refunded	Other Credit Enhancement or Insurance	Pre-Refunded	Total	Other Securities
Aaa/AAA	$ 179,897	$ 299,873	$ —	$ 479,770	$ —
Aa/AA	636,466	523,018	—	1,159,484	—
A	46,948	161,580	—	208,528	102,179
Baa/BBB	—	4,374	—	4,374	153,403
Not Rated	7,016	—	—	7,016	—
Total	$ 870,327	$ 988,845	$ —	$ 1,859,172	$ 255,582

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 nine months ended September 30, 2023 and 2022, is as follows:

(In thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Taxable:				
Held-to-maturity	$ 11,062	$ 10,679	$ 33,133	$ 23,169
Available-for-sale	23,672	14,169	67,150	41,622
Non-taxable:				
Held-to-maturity	10,137	10,181	30,488	26,371
Available-for-sale	5,767	5,925	17,392	21,352
Total	$ 50,638	$ 40,954	$ 148,163	$ 112,514

The amortized cost and estimated fair value by maturity of securities as of September 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 Amortized Cost	Held-to-Maturity Fair Value	Available-for-Sale Amortized Cost	Available-for-Sale Fair Value
One year or less	$ 2,192	$ 2,128	$ 69,877	$ 68,611
After one through five years	9,261	8,731	159,285	154,113
After five through ten years	384,518	319,298	220,681	189,896
After ten years	2,171,211	1,512,706	996,002	788,447
Securities not due on a single maturity date	1,178,324	1,005,348	2,444,803	2,157,092
Other securities (no maturity)	—	—	262	262
Total	$ 3,745,506	$ 2,848,211	$ 3,890,910	$ 3,358,421

The carrying value, which approximates the fair value, of securities pledged as collateral, to secure public deposits and for other purposes, amounted to $3.38 billion at September 30, 2023 and $3.96 billion at December 31, 2022.

There were no gross realized gains and no gross realized losses from the call or sale of securities during the three months ended September 30, 2023. There were no gross realized gains and $391,000 of gross realized losses recorded from the sale of securities during the nine months ended September 30, 2023. There were approximately $8,000 of gross realized gains and $30,000 of gross realized losses from the sale and call of securities during the three months ended September 30, 2022, and approximately $45,000 of gross realized gains and $271,000 of gross realized losses from the sale and call of securities during the nine months ended September 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 September 30, 2023.

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

NOTE 5: LOANS AND ALLOWANCE FOR CREDIT LOSSES

At September 30, 2023, the Company's loan portfolio was $16.77 billion, compared to $16.14 billion at December 31, 2022. The various categories of loans are summarized as follows:

(In thousands)	September 30, 2023	December 31, 2022
Consumer:		
Credit cards	$ 191,550	$ 196,928
Other consumer	112,832	152,882
Total consumer	304,382	349,810
Real Estate:		
Construction and development	3,022,321	2,566,649
Single family residential	2,657,879	2,546,115
Other commercial	7,565,008	7,468,498
Total real estate	13,245,208	12,581,262
Commercial:		
Commercial	2,477,077	2,632,290
Agricultural	296,912	205,623
Total commercial	2,773,989	2,837,913
Other	448,309	373,139
Total loans	$ 16,771,888	$ 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 $7.7 million and $26.4 million at September 30, 2023 and December 31, 2022, respectively.

Accrued interest on loans, which is excluded from the amortized cost of loans held for investment, totaled $74.3 million and $65.4 million at September 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 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 September 30, 2023 and December 31, 2022, the total outstanding balance of PPP loans was $5.6 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)	September 30, 2023	December 31, 2022
Consumer:		
Credit cards	$ 267	$ 349
Other consumer	658	433
Total consumer	925	782
Real estate:		
Construction and development	2,964	2,799
Single family residential	23,662	22,319
Other commercial	11,849	14,998
Total real estate	38,475	40,116
Commercial:		
Commercial	41,008	17,356
Agricultural	724	177
Total commercial	41,732	17,533
Other	3	3
Total	$ 81,135	$ 58,434

As of September 30, 2023 and December 31, 2022, nonaccrual loans for which there was no related allowance for credit losses had an amortized cost of $9.2 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
September 30, 2023						
Consumer:						
Credit cards	$ 1,973	$ 672	$ 2,645	$ 188,905	$ 191,550	$ 588
Other consumer	1,114	252	1,366	111,466	112,832	—
Total consumer	3,087	924	4,011	300,371	304,382	588
Real estate:						
Construction and development	481	2,742	3,223	3,019,098	3,022,321	—
Single family residential	13,255	11,846	25,101	2,632,778	2,657,879	121
Other commercial	5,575	2,767	8,342	7,556,666	7,565,008	—
Total real estate	19,311	17,355	36,666	13,208,542	13,245,208	121
Commercial:						
Commercial	5,911	20,492	26,403	2,450,674	2,477,077	97
Agricultural	76	126	202	296,710	296,912	—
Total commercial	5,987	20,618	26,605	2,747,384	2,773,989	97
Other	—	3	3	448,306	448,309	—
Total	$ 28,385	$ 38,900	$ 67,285	$ 16,704,603	$ 16,771,888	$ 806
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 a summary of the amortized cost basis of loan modifications granted to borrowers experiencing financial difficulty, segregated by class of loans and type of loan modification, for the three and nine month periods ended September 30, 2023.

(Dollars in thousands)	Term Extension	Percent of Total Class of Loans
Three months ended September 30, 2023		
Real estate:		
Other commercial	$ 30,617	0.40 %
Total real estate	30,617	
Commercial:		
Commercial	85	— %
Total commercial	85	
Total	$ 30,702	
Nine months ended September 30, 2023		
Real estate:		
Other commercial	$ 30,617	0.40 %
Total real estate	30,617	
Commercial:		
Commercial	736	0.03 %
Total commercial	736	
Total	$ 31,353	

The financial effects of the modified loans made to borrowers experiencing financial difficulty in the commercial portfolio were not significant during the three and nine month periods ended September 30, 2023 and did not significantly impact the Company's determination of the allowance for credit losses on loans during the periods.

During the three and nine months ended September 30, 2023, the Company modified one loan related to the other CRE portfolio, whereby the borrower was experiencing financial difficulty at the time of modification. The modification allowed for two months of interest only payments with the remaining balance due at maturity. Upon modification, a charge-off of $9.6 million was recorded in relation to this modified loan during the third quarter of 2023. As a result of the other CRE loan modified during the three and nine months ended September 30, 2023 being collateral-dependent, the impact to the Company's allowance for credit losses on loans was the difference between the fair value of the underlying collateral, adjusted for selling costs, and the remaining outstanding principal balance of the loan.

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty. Loans modified during the three and nine month periods ended September 30, 2023 were all current at September 30, 2023, with no loans in past due status. Additionally, there were no modified loans for which a payment default occurred during the three and nine month periods ended September 30, 2023 and were modified within twelve months prior to default. In relation to loans modified to borrowers experiencing financial difficulty, the Company defines a payment default as a payment received more than 90 days after its due date.

At September 30, 2023 and December 31, 2022, the Company had $1.4 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 September 30, 2023 and December 31, 2022, the Company had $312,000 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.

	Accruing TDR Loans		Nonaccrual TDR Loans		Total TDR Loans	
(Dollars in thousands)	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	24	1,849	12	1,589	36	3,438
Commercial:						
Commercial	—	—	1	33	1	33
Total commercial	—	—	1	33	1	33
Total	24	$ 1,849	13	$ 1,622	37	$ 3,471

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

(Dollars in thousands)	Number of loans	Balance Prior to TDR	Balance at September 30,	Change in Maturity Date	Change in Rate	Financial Impact on Date of Restructure
Three Months Ended September 30, 2022						
Real estate:						
Other commercial	3	$ 747	$ 727	$ —	$ 727	$ —
Total real estate	3	$ 747	$ 727	$ —	$ 727	$ —
Nine Months Ended September 30, 2022						
Real estate:						
Other commercial	4	$ 760	$ 740	$ —	$ 740	$ —
Total real estate	4	$ 760	$ 740	$ —	$ 740	$ —

During the three months ended September 30, 2022, the Company modified three loans with a recorded investment of $747,000 prior to modification, which were deemed TDRs. The restructured loans were modified by reducing the interest rate on the loan. No specific reserve was recorded with respect to these TDRs. Also, there was no immediate financial impact from the restructuring of these loans, as it was not considered necessary to charge-off interest or principal on the date of restructure.

During the nine months ended September 30, 2022, the Company modified four loans with a recorded investment of $760,000 prior to modification, which were deemed TDRs. The restructured loans were modified by reducing the interest rate on the loan.

No specific reserve was recorded with respect to these TDRs. Also, there was no immediate financial impact from the restructuring of these loans, as it was not considered necessary to charge-off interest or principal on the date of restructure.

Additionally, there were no loans considered TDRs for which a payment default occurred during the nine months ended September 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 nine month period ended September 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 September 30, 2023, segregated by class of loans.

	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
Consumer - credit cards									
Delinquency:									
Current	$ —	$ —	$ —	$ —	$ —	$ —	$ 188,905	$ —	$ 188,905
30-89 days past due	—	—	—	—	—	—	1,973	—	1,973
90+ days past due	—	—	—	—	—	—	672	—	672
Total consumer - credit cards	—	—	—	—	—	—	191,550	—	191,550
Current-period consumer - credit cards gross charge-offs	—	—	—	—	—	—	3,803	—	3,803
Consumer - other									
Delinquency:									
Current	29,356	43,251	15,022	4,515	2,029	1,557	15,736	—	111,466
30-89 days past due	190	535	192	37	27	42	91	—	1,114
90+ days past due	27	160	50	4	9	—	2	—	252
Total consumer - other	29,573	43,946	15,264	4,556	2,065	1,599	15,829	—	112,832
Current-period consumer - other gross charge-offs	133	606	398	65	29	126	291	—	1,648
Real estate - C&D									
Risk rating:									
Pass	87,306	170,979	55,250	44,198	12,915	22,780	2,623,588	—	3,017,016
Special mention	—	—	—	—	—	401	—	—	401
Substandard	—	57	60	—	—	263	4,524	—	4,904
Doubtful and loss	—	—	—	—	—	—	—	—	—
Total real estate - C&D	87,306	171,036	55,310	44,198	12,915	23,444	2,628,112	—	3,022,321
Current-period real estate - C&D gross charge-offs	—	1,148	—	—	—	8	—	—	1,156
Real estate - SF residential									
Delinquency:									
Current	301,165	645,020	366,070	227,692	135,278	576,964	380,016	573	2,632,778
30-89 days past due	220	1,872	2,243	1,826	424	4,579	2,091	—	13,255
90+ days past due	—	2,201	1,558	549	219	6,086	1,233	—	11,846
Total real estate - SF residential	301,385	649,093	369,871	230,067	135,921	587,629	383,340	573	2,657,879
Current-period real estate - SF residential gross charge-offs	—	44	—	36	—	121	232	—	433
Real estate - other commercial									
Risk rating:									
Pass	412,274	1,743,049	1,346,771	547,764	244,322	630,657	2,257,149	—	7,181,986
Special mention	27,973	8,527	12,310	6,038	1,369	26,631	94,853	—	177,701
Substandard	4,324	6,364	17,613	9,712	8,406	22,574	136,328	—	205,321
Doubtful and loss	—	—	—	—	—	—	—	—	—
Total real estate - other commercial	444,571	1,757,940	1,376,694	563,514	254,097	679,862	2,488,330	—	7,565,008
Current-period real estate - other commercial gross charge-offs	—	—	—	7	—	35	9,731	—	9,773

(In thousands)	Term Loans Amortized Cost Basis by Origination Year 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	314,762	406,164	220,637	68,506	54,024	64,078	1,276,796	—	2,404,967
Special mention	12	11,946	6,714	30	12	1,095	6,554	—	26,363
Substandard	122	8,718	4,154	1,319	1,457	5,188	24,728	—	45,686
Doubtful and loss	—	61	—	—	—	—	—	—	61
Total commercial	314,896	426,889	231,505	69,855	55,493	70,361	1,308,078	—	2,477,077
Current-period commercial - gross charge-offs	31	1,288	313	224	178	193	620	—	2,847
Commercial - agriculture									
Risk rating:									
Pass	31,638	35,414	17,050	6,546	2,883	590	202,001	—	296,122
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	496	84	69	40	28	72	—	789
Doubtful and loss	—	1	—	—	—	—	—	—	1
Total commercial - agriculture	31,638	35,911	17,134	6,615	2,923	618	202,073	—	296,912
Current-period commercial - agriculture gross charge-offs	—	7	—	—	—	3	—	—	10
Other									
Delinquency:									
Current	27,531	147,346	28,709	7,035	4,098	38,579	195,008	—	448,306
30-89 days past due	—	—	—	—	—	—	—	—	—
90+ days past due	—	—	—	—	—	3	—	—	3
Total other	27,531	147,346	28,709	7,035	4,098	38,582	195,008	—	448,309
Current-period other - gross charge-offs	—	—	—	—	—	—	107	—	107
Total	$ 1,236,900	$ 3,232,161	$ 2,094,487	$ 925,840	$ 467,512	$ 1,402,095	$ 7,412,320	$ 573	$ 16,771,888

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

	Term Loans Amortized Cost Basis by Origination Year								
(In thousands)	2022	2021	2020	2019	2018	2017 and Prior	Lines of Credit ("LOC") Amortized Cost Basis	LOC Converted to Term Loans Amortized Cost Basis	Total
Consumer - credit cards									
Delinquency:									
Current	$ —	$ —	$ —	$ —	$ —	$ —	$ 195,222	$ —	$ 195,222
30-89 days past due	—	—	—	—	—	—	1,297	—	1,297
90+ days past due	—	—	—	—	—	—	409	—	409
Total consumer - credit cards	—	—	—	—	—	—	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
Total consumer - other	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	—	—	—	—	—	—	—	—	—
Total real estate - C&D	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
Total real estate - SF residential	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	—	—	—	—	—	—	—	—	—
Total real estate - other commercial	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
Total commercial	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	—	—	—	—	—	—	—	—	—
Total commercial - agriculture	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
Total other	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 September 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 September 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 $129.5 million and $70.9 million as of September 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
September 30, 2023			
Construction and development	$ 3,502	$ —	$ 3,502
Single family residential	1,442	—	1,442
Other commercial real estate	102,384	—	102,384
Commercial	—	22,164	22,164
Total	$ 107,328	$ 22,164	$ 129,492
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	$ 67,606	$ 3,320	$ 70,926

The following table details activity in the allowance for credit losses by portfolio segment for the three and nine months ended September 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 September 30, 2023					
Beginning balance, July 1, 2023	$ 30,985	$ 165,813	$ 6,330	$ 6,838	$ 209,966
Provision for credit loss expense	4,095	16,528	704	(1,105)	20,222
Charge-offs	(1,219)	(9,723)	(1,318)	(633)	(12,893)
Recoveries	245	429	234	344	1,252
Net (charge-offs) recoveries	(974)	(9,294)	(1,084)	(289)	(11,641)
Ending balance, September 30, 2023	$ 34,106	$ 173,047	$ 5,950	$ 5,444	$ 218,547
Nine Months Ended September 30, 2023					
Beginning balance, January 1, 2023	$ 34,406	$ 150,795	$ 5,140	$ 6,614	$ 196,955
Provision for credit loss expense	774	32,013	3,847	(435)	36,199
Charge-offs	(2,857)	(11,362)	(3,803)	(1,755)	(19,777)
Recoveries	1,783	1,601	766	1,020	5,170
Net charge-offs	(1,074)	(9,761)	(3,037)	(735)	(14,607)
Ending balance, September 30, 2023	$ 34,106	$ 173,047	$ 5,950	$ 5,444	$ 218,547

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

(In thousands)	Commercial	Real Estate	Credit Card	Other Consumer and Other	Total
Allowance for credit losses:					
Three Months Ended September 30, 2022					
Beginning balance, July 1, 2022	$ 32,817	$ 166,481	$ 6,609	$ 6,704	$ 212,611
Acquisition adjustment for PCD loans	1,057	—	—	—	1,057
Provision for credit loss expense	(613)	(17,243)	1,119	840	(15,897)
Charge-offs	(1,873)	(130)	(903)	(506)	(3,412)
Recoveries	720	1,982	250	278	3,230
Net (charge-offs) recoveries	(1,153)	1,852	(653)	(228)	(182)
Ending balance, September 30, 2022	$ 32,108	$ 151,090	$ 7,075	$ 7,316	$ 197,589
Nine Months Ended September 30, 2022					
Beginning balance, January 1, 2022	$ 17,458	$ 179,270	$ 3,987	$ 4,617	$ 205,332
Acquisition adjustment for PCD loans	1,911	3,187	—	2	5,100
Provision for credit loss expense	19,721	(33,436)	5,142	3,168	(5,405)
Charge-offs	(8,880)	(730)	(2,827)	(1,438)	(13,875)
Recoveries	1,898	2,799	773	967	6,437
Net (charge-offs) recoveries	(6,982)	2,069	(2,054)	(471)	(7,438)
Ending balance, September 30, 2022	$ 32,108	$ 151,090	$ 7,075	$ 7,316	$ 197,589

As of September 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 nine months ended September 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 $25.6 million and $41.9 million as of September 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 nine month periods ended September 30, 2023, $11.3 million and $16.3 million, respectively, 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 periods. For the three month period ended September 30, 2022, an adjustment to the reserve for unfunded commitments resulted in an expense of $16.0 million due to the overall increase in unfunded commitments, primarily made up of commercial construction loans, which receive a higher reserve allocation than other loans. For the nine month period ended September 30, 2022 an adjustment to the reserve for unfunded commitments resulted in an expense of $19.5 million, made up of the increase previously discussed combined with the Day 2 provision related to the Spirit acquisition. These adjustments were 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 nine month periods ended September 30, 2023 and 2022 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2023	2022	2023	2022
Provision for credit losses related to:				
Loans	$ 20,222	$ (15,897)	$ 36,199	$ (5,405)
Unfunded commitments	(11,300)	16,000	(16,300)	19,453
Securities - HTM	—	—	1,826	—
Securities - AFS	(1,200)	—	10,274	—
Total	$ 7,722	$ 103	$ 31,999	$ 14,048

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	$ 1,447	$ 62,349	$ —	$ 56	$ 63,852

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 September 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)	September 30, 2023	December 31, 2022
Right-of-use lease assets	$ 62,357	$ 46,845
Lease liabilities	63,697	47,850
Weighted average remaining lease term	7.89 years	6.69 years
Weighted average discount rate	3.39 %	2.41 %

Operating lease cost for the three and nine month periods ended September 30, 2023 was $4.2 million and $11.7 million, respectively, as compared to $3.6 million and $10.5 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 September 30, 2023 and December 31, 2022 were as follows:

(In thousands)	September 30, 2023	December 31, 2022
Right-of-use lease assets	$ 62,357	$ 46,845
Premises and equipment:		
Land	122,858	122,841
Buildings and improvements	382,016	370,530
Furniture, fixtures and equipment	109,576	122,029
Software	60,285	70,984
Construction in progress	17,924	15,488
Accumulated depreciation and amortization	(187,849)	(199,976)
Total premises and equipment, net	$ 567,167	$ 548,741

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 September 30, 2023 and December 31, 2022.

Goodwill impairment was neither indicated nor recorded during the nine months ended September 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. During the third quarter of 2023, the Company once again performed an interim goodwill impairment assessment and concluded no impairment existed. While the goodwill impairment analysis indicated no impairment at September 30, 2023, the Company's assessment depends on several assumptions which are dependent on market and economic conditions, and future changes in those conditions could impact the Company's assessment in the future.

Core deposit premiums represent the value of the relationships that acquired banks had with their deposit customers and are amortized over periods ranging from 10 years to 15 years and are periodically evaluated, at least annually, as to the recoverability of their carrying value. Other intangible assets represent the value of other acquired relationships, including relationships with trust and wealth management customers, and are being amortized over various periods ranging from 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 September 30, 2023 and December 31, 2022 were as follows:

(In thousands)	September 30, 2023	December 31, 2022
Core deposit premiums:		
Balance, beginning of year	$ 116,016	$ 93,862
Acquisitions[1]	—	36,500
Amortization	(11,066)	(14,346)
Balance, end of period	104,950	116,016
Books of business and other intangibles:		
Balance, beginning of year	12,935	12,373
Acquisitions[2]	—	2,131
Amortization	(1,225)	(1,569)
Balance, end of period	11,710	12,935
Total other intangible assets, net	$ 116,660	$ 128,951

(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.
(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.

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

(In thousands)	September 30, 2023	December 31, 2022
Core deposit premiums:		
Gross carrying amount	$ 187,467	$ 189,996
Accumulated amortization	(82,517)	(73,980)
Core deposit premiums, net	104,950	116,016
Books of business and other intangibles:		
Gross carrying amount	22,068	22,068
Accumulated amortization	(10,358)	(9,133)
Books of business and other intangibles, net	11,710	12,935
Total other intangible assets, net	$ 116,660	$ 128,951

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

(In thousands)	Year	Amortization Expense
	Remainder of 2023	$ 4,015
	2024	15,403
	2025	12,819
	2026	12,346
	2027	12,218
	Thereafter	59,859
	Total	$ 116,660

NOTE 9: TIME DEPOSITS

Time deposits included approximately $1.67 billion and $1.08 billion of certificates of deposit over $250,000 at September 30, 2023 and December 31, 2022, respectively. Brokered time deposits were $3.26 billion and $2.75 billion at September 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2023	2022	2023	2022
Income taxes currently payable	$ 4,706	$ 14,952	$ 25,817	$ 35,412
Deferred income taxes	4,537	2,007	4,202	2,924
Provision for income taxes	$ 9,243	$ 16,959	$ 30,019	$ 38,336

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

(In thousands)	September 30, 2023	December 31, 2022
Deferred tax assets:		
Loans acquired	$ 4,162	$ 5,846
Allowance for credit losses	47,042	47,145
Valuation of foreclosed assets	523	523
Tax NOLs from acquisition	9,688	10,962
Deferred compensation payable	3,569	3,867
Accrued equity and other compensation	8,065	8,153
Acquired securities	7,522	7,651
Right-of-use lease liability	15,496	11,641
Unrealized loss on AFS securities	193,398	177,839
Allowance for unfunded commitments	6,235	10,200
Other	5,886	4,173
Gross deferred tax assets	301,586	288,000
Deferred tax liabilities:		
Goodwill and other intangible amortization	(42,438)	(44,539)
Accumulated depreciation	(23,415)	(24,288)
Right-of-use lease asset	(15,170)	(11,396)
Unrealized gain on swaps	(35,230)	(25,836)
Other	(10,304)	(8,875)
Gross deferred tax liabilities	(126,557)	(114,934)
Net deferred tax asset	$ 175,029	$ 173,066

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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2023	2022	2023	2022
Computed at the statutory rate (21%)	$ 11,862	$ 20,488	$ 38,045	$ 44,412
Increase (decrease) in taxes resulting from:				
State income taxes, net of federal tax benefit	(40)	1,774	657	2,339
Stock-based compensation	28	16	469	(89)
Tax exempt interest income	(3,848)	(3,682)	(11,523)	(10,704)
Tax exempt earnings on BOLI	(636)	(509)	(1,973)	(1,399)
Federal tax credits	(567)	(301)	(1,501)	(1,838)
Other differences, net	2,444	(827)	5,845	5,615
Actual tax provision	$ 9,243	$ 16,959	$ 30,019	$ 38,336

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 $41.9 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 $74.1 million and $152.4 million at September 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 September 30, 2023 and December 31, 2022 is presented in the following tables.

	Remaining Contractual Maturity of the Agreements				
(In thousands)	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
September 30, 2023					
Repurchase agreements:					
U.S. Government agencies	$ 74,082	$ —	$ —	$ —	$ 74,082
December 31, 2022					
Repurchase agreements:					
U.S. Government agencies	$ 152,403	$ —	$ —	$ —	$ 152,403

NOTE 12: OTHER BORROWINGS AND SUBORDINATED NOTES AND DEBENTURES

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

(In thousands)	September 30, 2023	December 31, 2022
Other Borrowings		
FHLB advances, net of discount, due 2023 to 2033, 4.56% to 5.61% secured by real estate loans	$ 1,328,290	$ 838,487
Other long-term debt	19,565	20,809
Total other borrowings	1,347,855	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)	37,199	37,285
Unamortized debt issuance costs	(1,096)	(1,296)
Total subordinated notes and debentures	366,103	365,989
Total other borrowings and subordinated debt	$ 1,713,958	$ 1,225,285

(1) The Company transitioned 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 initially bore interest at a 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 resets quarterly to an annual interest rate equal to the "then-current three month LIBOR rate" plus 215 basis points, payable quarterly in arrears, and the Company transitioned 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 $1.33 billion and $838.5 million at September 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 September 30, 2023, the FHLB advances outstanding were secured by mortgage loans and investment securities totaling approximately $7.05 billion and the Company had approximately $5.37 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 September 30, 2023, are as follows:

Year		(In thousands)
Remainder of 2023	$	441
2024		1,822
2025		1,822
2026		1,824
2027		1,920
Thereafter		381,128
Total	$	388,957

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 November 30, 2021, the Company redeemed all of the Series D Preferred Stock, including accrued and unpaid dividends. 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 September 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 ("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 nine month periods ended September 30, 2023, the Company repurchased 1,128,962 shares at an average price of $17.69 per share and 2,257,049 shares at an average price of $17.72 per share, respectively, under the 2022 Program. Market conditions and the Company's capital needs will drive decisions regarding additional, future stock repurchases. During the three month period ended September 30, 2022, the Company repurchased 1,883,713 shares at an average price of $23.91 per share under the 2022 Program. During the nine month period ended September 30, 2022, the Company repurchased 513,725 shares at an average price of $31.25 per share under the 2019 Program and 3,919,037 shares at an average price of $24.26 per share under the 2022 Program. The 2022 Program repurchases during the nine months ended September 30, 2022 were all completed during the second and third quarters 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 September 30, 2023, Simmons Bank had approximately $238.0 million available for payment of dividends to the Company, without prior regulatory approval.

The risk-based capital guidelines of the Federal Reserve Board and the Arkansas State Bank Department include the definitions for (1) a well-capitalized institution, (2) an adequately-capitalized institution, and (3) an undercapitalized institution. The criteria for a well-capitalized institution are: a 5% "Tier l 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 September 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 12.02% at September 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 nine months ended September 30, 2023:

	Stock Options Outstanding		Non-vested Stock Awards Outstanding		Non-vested Stock Units Outstanding	
(Shares in thousands)	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	—	—	—	—	735	21.51
Stock options exercised	(1)	10.65	—	—	—	—
Stock awards/units vested (earned)	—	—	—	—	(427)	25.06
Forfeited/expired	—	—	—	—	(177)	24.87
Balance, September 30, 2023	469	$ 22.58	—	$ —	1,328	$ 24.51
Exercisable, September 30, 2023	469	$ 22.58				

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

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Shares (In thousands)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares (In thousands)	Weighted Average Exercise Price
$ 20.29 — $ 20.29	47	1.14	$20.29	47	$20.29
22.20 — 22.20	51	1.48	22.20	51	22.20
22.75 — 22.75	293	1.60	22.75	293	22.75
23.51 — 23.51	71	2.02	23.51	71	23.51
24.07 — 24.07	7	1.96	24.07	7	24.07
$ 20.29 — $ 24.07	469	1.61	$22.58	469	$22.58

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

(In thousands)	Performance Stock Units
Non-vested, January 1, 2023	352
Granted	302
Vested (earned)	(72)
Forfeited	(71)
Non-vested, September 30, 2023	511

Stock-based compensation expense was $9.6 million and $11.5 million during the nine month periods ended September 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 September 30, 2023. Unrecognized stock-based compensation expense related to non-vested stock awards and stock units was $18.5 million at September 30, 2023. At such date, the weighted-average period over which this unrecognized expense is expected to be recognized was 1.4 years.

There was no intrinsic value of stock options outstanding and stock options exercisable at September 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 $16.96 as of September 30, 2023, and the exercise price multiplied by the number of options outstanding. Total intrinsic value of stock options exercised during the nine months ended September 30, 2023 was $6,000, while there was no intrinsic value of stock options exercised during the nine months ended September 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 nine months ended September 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except per share data)	2023	2022	2023	2022
Net income available to common stockholders	$ 47,247	$ 80,603	$ 151,150	$ 173,152
Average common shares outstanding	125,914	127,884	126,730	122,935
Average potential dilutive common shares	370	452	370	452
Average diluted common shares	126,284	128,336	127,100	123,387
Basic earnings per share	$ 0.38	$ 0.63	$ 1.19	$ 1.41
Diluted earnings per share	$ 0.37	$ 0.63	$ 1.19	$ 1.40

There were 469,280 stock options excluded from the three and nine months ended September 30, 2023 earnings per share calculations due to the related stock option exercise price exceeding the average market price of the Company's stock during the periods. There were 99,837 stock options excluded from the earnings per share calculation for the three months ended September 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 nine months ended September 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:

	Nine Months Ended September 30,	
(In thousands)	2023	2022
Interest paid	$ 375,536	$ 66,744
Income taxes paid	21,915	14,674
Transfers of loans to foreclosed assets held for sale	2,596	632
Transfers of assets held for sale to other assets	—	100
Transfers of available-for-sale to held-to-maturity securities	—	1,992,542

NOTE 19: OTHER INCOME AND OTHER OPERATING EXPENSES

Other income for the three and nine months ended September 30, 2023 was $7.4 million and $28.5 million, respectively. Other income for the same periods in 2022 was $6.7 million and $20.8 million, respectively. Included in other income during the nine month period ended September 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2023	2022	2023	2022
Professional services	$ 4,801	$ 4,339	$ 14,443	$ 13,987
Postage	2,283	2,385	6,973	6,728
Telephone	1,750	1,668	5,182	4,921
Credit card expense	3,356	3,149	9,989	8,892
Marketing	5,787	6,662	18,041	21,556
Software and technology	10,707	10,340	31,299	30,565
Operating supplies	474	441	1,762	1,852
Amortization of intangibles	4,097	4,225	12,291	11,807
Branch right sizing expense	547	1,170	1,621	2,371
Other expense	8,780	10,705	26,993	28,534
Total other operating expenses	$ 42,582	$ 45,084	$ 128,594	$ 131,213

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 September 30, 2023, the Company had outstanding commitments to extend credit aggregating approximately $744.3 million and $4.32 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 September 30, 2023, the Company had outstanding commitments to originate fixed-rate mortgage loans of approximately $24.6 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 $55.5 million and $44.4 million at September 30, 2023, and December 31, 2022, respectively, with terms ranging from 9 months to 15 years. At September 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 $339.5 million and $265.7 million at September 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. ASC 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 September 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 September 30, 2023 and December 31, 2022.

		Fair Value Measurements Using		
(In thousands)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2023				
Available-for-sale securities				
U.S. Treasury	$ 2,224	$ 2,224	$ —	$ —
U.S. Government agencies	172,759	—	172,759	—
Mortgage-backed securities	2,157,092	—	2,157,092	—
State and political subdivisions	790,344	—	790,344	—
Other securities	236,002	—	236,002	—
Mortgage loans held for sale	11,690	—	—	11,690
Derivative asset	178,183	—	178,183	—
Derivative liability	(33,801)	—	(33,801)	—
December 31, 2022				
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 September 30, 2023 and December 31, 2022.

		Fair Value Measurements Using		
(In thousands)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2023				
Individually assessed loans [1] [2] (collateral-dependent)	$ 129,492	$ —	$ —	$ 129,492
Foreclosed assets and other real estate owned [1]	3,195	—	—	3,195
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 $16.4 million and $5.2 million were related to collateral-dependent loans for which fair value re-measurements took place during the periods ended September 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 Level 1	Level 2	Level 3	Total
September 30, 2023					
Financial assets:					
Cash and cash equivalents	$ 605,648	$ 605,648	$ —	$ —	$ 605,648
Interest bearing balances due from banks - time	100	—	100	—	100
Held-to-maturity securities, net	3,742,292	—	2,848,211	—	2,848,211
Interest receivable	110,361	—	110,361	—	110,361
Loans, net	16,553,341	—	—	15,382,448	15,382,448
Financial liabilities:					
Noninterest bearing transaction accounts	4,991,034	—	4,991,034	—	4,991,034
Interest bearing transaction accounts and savings deposits	10,571,807	—	10,571,807	—	10,571,807
Time deposits	6,668,370	—	—	6,616,375	6,616,375
Federal funds purchased and securities sold under agreements to repurchase	74,482	—	74,482	—	74,482
Other borrowings	1,347,855	—	1,344,752	—	1,344,752
Subordinated notes and debentures	366,103	—	353,816	—	353,816
Interest payable	33,008	—	33,008	—	33,008
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 occurred during late third quarter of 2023 and involves 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.

				September 30, 2023		December 31, 2022	
(In thousands)	Balance Sheet Location	Weighted Average Pay Rate	Receive Rate	Notional	Fair Value	Notional	Fair Value
Derivative assets	Other assets	1.21%	Federal Funds	$ 1,001,715	$ 144,281	$ 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.

	Carrying Amount of Hedged Assets		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of Hedged Assets	
Line Item on the Balance Sheet (In thousands)	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Investment securities - Available-for-sale	$ 901,066	$ 944,115	$ 144,979	$ 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.

	September 30, 2023		December 31, 2022	
(In thousands)	Notional	Fair Value	Notional	Fair Value
Derivative assets	$ 506,483	$ 33,902	$ 413,968	$ 34,490
Derivative liabilities	507,450	33,801	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 $19.9 million as of September 30, 2023.

Energy Hedging

The Company, from time-to-time, has provided energy derivative services to qualifying, high quality oil and gas borrowers for hedging purposes. The Company has served 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.

The energy hedging risk exposure to the Company's customer would increase as energy prices for crude oil and natural gas rise. As prices decrease, exposure to the exchange would increase. 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 September 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 September 30, 2023, and the related consolidated statements of income, comprehensive income (loss) and stockholders' equity for the three-month and nine-month periods ended September 30, 2023 and 2022, and cash flows for the nine-month periods ended September 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
November 6, 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 September 30, 2023 to our results of operations for the three months ended June 30, 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 June 30, 2023, please refer to our second quarter Form 10-Q filed with the SEC on August 4, 2023.

OVERVIEW

During the first nine months of 2023, significant turmoil within the financial services industry, which was fueled by the failure of certain regional banks that utilized specialized business models as well as continued inflationary pressures and recessionary fears, resulted in industry concerns around the level of uninsured, non-collaterlized deposits, liquidity, capital and operations. Despite these challenges, which have seemed to abate slightly in the third quarter of 2023, we remain resolute in serving our customers’ financial needs while diligently focusing on maintaining strong asset quality, capital and liquidity positions, and on strategies to improve our financial performance and maximize the value of our shareholders’ investment in the current rate environment. 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 September 30, 2023 were $22.23 billion, compared to $22.55 billion as of December 31, 2022. Uninsured deposits (excluding collateralized deposits and intercompany deposits) as of September 30, 2023 were approximately $4.63 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 September 30, 2023 (see Table 11 in the *Risk Based Capital* section below). As of September 30, 2023, our ratio of common equity to total assets was 11.92%, the ratio of tangible common equity to tangible assets was 7.07% and our Tier 1 leverage ratio was 9.31%.

- Key credit quality metrics as of September 30, 2023 also remained solid, with our nonperforming loan coverage ratio at 267% and our allowance for credit losses as a percent of total loans ratio was 1.30%.

- Significant liquidity position with a loan to deposit ratio of 75% as of September 30, 2023, compared to 72% as of December 31, 2022. Additional liquidity sources available to us as of September 30, 2023 totaled $11.45 billion and our uninsured, non-collateralized deposit coverage ratio was 2.5x.

Our net income for the three months ended September 30, 2023 was $47.2 million, or $0.37 diluted earnings per share, compared to net income of $58.3 million, or $0.46 diluted earnings per share, for the three months ended June 30, 2023. Included in each comparative period end results were certain items related to our acquisitions, early retirement program costs and branch right sizing initiatives. Excluding these certain items and the tax effect, adjusted earnings for the three months ended September 30, 2023 were $48.8 million, or $0.39 adjusted diluted earnings per share, compared to $61.1 million, or $0.48 adjusted diluted earnings per share, for the three months ended June 30, 2023.

Net income for the nine months ended September 30, 2023 was $151.2 million, or $1.19 diluted earnings per share, compared to net income of $173.2 million, or $1.40 diluted earnings per share for the nine months ended September 30, 2022. Included in the results for the nine months ended September 30, 2023 were certain items related to acquisition costs, early retirement costs and branch right sizing initiatives, while the results for the nine months ended September 30, 2022 included certain items related to acquisition costs, branch right sizing initiatives, the Day 2 CECL provision required for loans and unfunded commitments acquired in connection with the Spirit acquisition, loss from early retirement of TruPS, gain on sale of intellectual property and a donation to Simmons First Foundation. Excluding these certain items and the tax effect, adjusted earnings for the nine months ended September 30, 2023 were $157.2 million, or $1.24 adjusted diluted earnings per share, compared to $217.5 million, or $1.76 adjusted diluted earnings per share for the nine months ended September 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 third quarter of 2023, we 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 were able to achieve all of the original $15 million of annual cost savings we previously estimated by the end of the third quarter, one quarter sooner than anticipated.

Asset quality metrics remain strong and reflect our conservative credit culture, as well as our focus on maintaining disciplined pricing and conservative underwriting standards given the current economic environment. Total nonperforming loans as of September 30, 2023, December 31, 2022, and September 30, 2022 were $81.9 million, $58.9 million, and $57.8 million, respectively. Non-performing assets as a percent of total assets were 0.32% at September 30, 2023, compared to 0.23% at both periods ended December 31, 2022 and September 30, 2022.

Stockholders' equity as of September 30, 2023 was $3.29 billion, book value per share was $26.26 and tangible book value per share was $14.77. We repurchased 1,128,962 shares of our common stock under the 2022 Program during the third quarter of 2023.

Total loans were $16.77 billion at September 30, 2023, compared to $16.14 billion at December 31, 2022. The increase in total loans during the nine month period was supported by diverse growth in terms of type and geographic market. Our unfunded commitments were $4.32 billion and $5.64 billion as of September 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 $877.3 million as of September 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 September 30, 2023, has approximately $27.6 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 September 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 September 30, 2023, our interest rate sensitivity shows that approximately 41% of our loans and 95% of our time deposits will reprice in the next year.

Net Interest Income - Sequential Quarter Analysis

For the three month period ended September 30, 2023, net interest income on a fully taxable equivalent basis was $159.9 million, a decrease of $9.4 million, or 5.5%, compared to the three months ended June 30, 2023. The decrease in net interest income was primarily the result of a $13.5 million increase in fully tax equivalent interest income, more than offset by a $22.9 million increase in interest expense.

The increase in interest income primarily resulted from a $11.6 million increase in interest income on loans, coupled with an increase of $2.3 million in interest income on investment securities. The majority of the increase in interest income provided by loans was due to yield increases during the quarter, as a 19 basis point increase in loan yield resulted in $10.8 million of interest income. The loan yield for the third quarter of 2023 was 6.08% compared to 5.89% from the preceding sequential quarter. The increase in interest income on investment securities was primarily due to a 25 basis point increase in our taxable security portfolio. The increase in both loan and investment yield was due to the continued rising rate environment.

The $22.9 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 deposit, in the current higher rate environment. Interest expense increased $20.2 million due to the increase in rate of 49 basis points on interest-bearing deposit accounts as pricing measures were implemented to defend the core deposit base. Interest expense increased $4.6 million due to the increase in deposit volume over the period. The increases due to deposit volume and yields were partially offset by the reduced reliance on other wholesale borrowings sources, primarily Federal Home Loan Bank advances during the third quarter of 2023, which led to a $2.2 million decrease in interest expense.

Net Interest Income - Year-over-Year Analysis

Net interest income on a fully taxable equivalent basis for the nine month period ended September 30, 2023 decreased $28.8 million, or 5.3%, over the same period in 2022. The decrease in net interest income on a fully taxable equivalent basis was the result of a $290.5 million increase in fully tax equivalent interest income, more than offset by a $319.3 million increase in interest expense.

The increase in interest income during the nine month period ended September 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 $250.9 million reflects an increase in loan volume of $103.1 million coupled with a 127 basis point rise in loan yield that resulted in a $147.8 million increase. The increase in our loan volume during the first nine 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 $35.4 million in interest income on investment securities reflects an increase of $48.6 million in interest income on investment securities due to yield increases over the period of 125 basis points and 14 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 a $13.2 million decrease due to the decline in our investment portfolio average balances which decreased by $915.2 million or 11.0%, as our portfolio experienced pay downs and maturities over the period, which was reinvested into our loan portfolio.

The $319.3 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 $259.8 million due to the increase in rate of 222 basis points on interest-bearing deposit accounts and increased $27.2 million due to the increase in deposit volume over the period. Further, an increase of $28.2 million to interest expense was related to an increase in other borrowings during the same period. The rate increase of 338 basis points in other borrowings resulted in an increase of $29.3 million, that was partially offset by a $1.1 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 2.61% and 2.82% for the three and nine month periods ended September 30, 2023, as compared to 2.76% and 3.12% for the three months ended June 30, 2023 and the nine months ended September 30, 2022, respectively. The decrease of 15 basis points in the net interest margin during the three months ended September 30, 2023 compared to the three months ended June 30, 2023 was primarily due to the rising deposit rate pressure from increased market competition and consumer migration toward higher rate deposits. The decrease of 30 basis points in the net interest margin during the nine months ended September 30, 2023 compared to the nine months ended September 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 September 30, 2023 and June 30, 2023 and the nine months ended September 30, 2023 and 2022, respectively.

Table 1: Analysis of Net Interest Margin
(FTE = Fully Taxable Equivalent using an effective tax rate of 26.135%)

	Three Months Ended		Nine Months Ended	
(In thousands)	September 30, 2023	June 30, 2023	September 30, 2023	September 30, 2022
Interest income	$ 310,286	$ 297,220	$ 886,643	$ 597,151
FTE adjustment	6,515	6,106	18,932	17,901
Interest income – FTE	316,801	303,326	905,575	615,052
Interest expense	156,853	133,990	392,145	72,861
Net interest income – FTE	$ 159,948	$ 169,336	$ 513,430	$ 542,191
Yield on earning assets – FTE	5.16 %	4.95 %	4.97 %	3.54 %
Cost of interest bearing liabilities	3.29 %	2.85 %	2.81 %	0.57 %
Net interest spread – FTE	1.87 %	2.10 %	2.16 %	2.97 %
Net interest margin – FTE	2.61 %	2.76 %	2.82 %	3.12 %

Table 2: Changes in Fully Taxable Equivalent Net Interest Margin

	Three Months Ended	Nine Months Ended
(In thousands)	September 30, 2023 compared to June 30, 2023	September 30, 2023 compared to September 30, 2022
Increase (decrease) due to change in earning assets	$ (1,297)	$ 85,904
Increase due to change in earning asset yields	14,772	204,619
Decrease due to change in interest bearing liabilities	(1,480)	(24,390)
Decrease due to change in interest rates paid on interest bearing liabilities	(21,383)	(294,894)
Decrease in net interest income	$ (9,388)	$ (28,761)

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 September 30, 2023 and June 30, 2023 and the nine months ended September 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%)

	Three Months Ended					
	September 30, 2023			June 30, 2023		
(In thousands)	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	$ 331,444	$ 3,569	4.27	$ 404,639	$ 4,023	3.99
Investment securities - taxable	4,638,486	34,734	2.97	4,821,231	32,745	2.72
Investment securities - non-taxable	2,617,152	21,563	3.27	2,627,192	21,253	3.24
Mortgage loans held for sale	9,542	178	7.40	9,560	154	6.46
Loans - including fees	16,758,597	256,757	6.08	16,702,403	245,151	5.89
Total interest earning assets	24,355,221	316,801	5.16	24,565,025	303,326	4.95
Non-earning assets	3,239,390			3,201,114		
Total assets	$ 27,594,611			$ 27,766,139		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities:						
Interest bearing liabilities:						
Interest bearing transaction and savings deposits	$ 10,682,767	$ 65,095	2.42	$ 11,011,746	$ 54,485	1.98
Time deposits	6,558,110	68,062	4.12	5,911,139	53,879	3.66
Total interest bearing deposits	17,240,877	133,157	3.06	16,922,885	108,364	2.57
Federal funds purchased and securities sold under agreements to repurchase	89,769	277	1.22	119,985	318	1.06
Other borrowings	1,222,557	16,450	5.34	1,449,403	18,612	5.15
Subordinated debt and debentures	366,085	6,969	7.55	366,047	6,696	7.34
Total interest bearing liabilities	18,919,288	156,853	3.29	18,858,320	133,990	2.85
Noninterest bearing liabilities:						
Noninterest bearing deposits	5,032,631			5,276,267		
Other liabilities	271,014			272,628		
Total liabilities	24,222,933			24,407,215		
Stockholders' equity	3,371,678			3,358,924		
Total liabilities and stockholders' equity	$ 27,594,611			$ 27,766,139		
Net interest spread – FTE			1.87			2.10
Net interest margin – FTE		$ 159,948	2.61		$ 169,336	2.76

	Nine Months Ended					
	September 30, 2023			September 30, 2022		
(In thousands)	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	$ 350,523	$ 10,375	3.96	$ 939,411	$ 2,907	0.41
Investment securities - taxable	4,795,820	100,283	2.80	5,589,298	64,791	1.55
Investment securities - non-taxable	2,622,967	64,338	3.28	2,744,644	64,474	3.14
Mortgage loans held for sale	8,205	414	6.75	19,309	568	3.93
Other loans held for sale	—	—	—	10,552	3,061	38.78
Loans - including fees	16,598,492	730,165	5.88	13,910,831	479,251	4.61
Total interest earning assets	24,376,007	905,575	4.97	23,214,045	615,052	3.54
Non-earning assets	3,240,875			2,948,091		
Total assets	$ 27,616,882			$ 26,162,136		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities:						
Interest bearing liabilities:						
Interest bearing transaction and savings deposits	$ 11,135,226	$ 167,570	2.01	$ 12,385,888	$ 28,418	0.31
Time deposits	5,879,908	161,479	3.67	2,718,145	13,582	0.67
Total interest bearing deposits	17,015,134	329,049	2.59	15,104,033	42,000	0.37
Federal funds purchased and securities sold under agreements to repurchase	119,259	918	1.03	208,090	492	0.32
Other borrowings	1,154,840	43,910	5.08	1,233,534	15,671	1.70
Subordinated debt and debentures	366,047	18,268	6.67	404,609	14,698	4.86
Total interest bearing liabilities	18,655,280	392,145	2.81	16,950,266	72,861	0.57
Noninterest bearing liabilities:						
Noninterest bearing deposits	5,314,988			5,714,412		
Other liabilities	279,526			222,715		
Total liabilities	24,249,794			22,887,393		
Stockholders' equity	3,367,088			3,274,743		
Total liabilities and stockholders' equity	$ 27,616,882			$ 26,162,136		
Net interest spread – FTE			2.16			2.97
Net interest margin – FTE		$ 513,430	2.82		$ 542,191	3.12

Table 4 shows changes in interest income and interest expense resulting from changes in both volume and interest rates for the three months ended September 30, 2023 as compared to the three months ended June 30, 2023 and the nine months ended September 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

	Three Months Ended			Nine Months Ended		
	September 30, 2023 compared to June 30, 2023			September 30, 2023 compared to September 30, 2022		
(In thousands, on a fully taxable equivalent basis)	Volume	Yield/ Rate	Total	Volume	Yield/ Rate	Total
Increase (decrease) in:						
Interest income:						
Interest bearing balances due from banks and federal funds sold	$ (769)	$ 315	$ (454)	$ (2,886)	$ 10,354	$ 7,468
Investment securities - taxable	(1,275)	3,264	1,989	(10,308)	45,800	35,492
Investment securities - non-taxable	(81)	391	310	(2,921)	2,785	(136)
Mortgage loans held for sale	—	24	24	(431)	277	(154)
Other loans held for sale	—	—	—	(680)	(2,381)	(3,061)
Loans - including fees	828	10,778	11,606	103,130	147,784	250,914
Total	(1,297)	14,772	13,475	85,904	204,619	290,523
Interest expense:						
Interest bearing transaction and savings accounts	(1,671)	12,281	10,610	(3,155)	142,307	139,152
Time deposits	6,257	7,926	14,183	30,399	117,498	147,897
Federal funds purchased and securities sold under agreements to repurchase	(88)	47	(41)	(285)	711	426
Other borrowings	(3,019)	857	(2,162)	(1,062)	29,301	28,239
Subordinated notes and debentures	1	272	273	(1,507)	5,077	3,570
Total	1,480	21,383	22,863	24,390	294,894	319,284
(Decrease) increase in net interest income	$ (2,777)	$ (6,611)	$ (9,388)	$ 61,514	$ (90,275)	$ (28,761)

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 September 30, 2023 was $7.7 million as compared to $61,000 for the three months ended June 30, 2023. The change for the three month period ended September 30, 2023 as compared to the preceding quarter is primarily due to a $20.2 million expense related to loans and reflected loan growth, as well as the impact of updated economic assumptions, which was partially offset by the recapture of $11.3 million reflecting the continued decline in unfunded commitments and the recapture of $1.2 million based upon improvements in the value of select corporate bonds in the investment securities portfolio.

For the nine months ended September 30, 2023, our provision for credit losses was $32.0 million as compared to $14.0 million for the same period ended September 30, 2022. The change for the nine months ended September 30, 2023 as compared to the same period ended September 30, 2022 is primarily due to the impacts described above, coupled with prior decreases in the value of select corporate bonds in the investment securities portfolio, while the nine months ended September 30, 2022 reflected the adjustments due to the Spirit Day 2 provision expense for the acquired loans and additional unfunded commitments added to our portfolio, offset by improved credit quality metrics and improved macroeconomic factors during the period.

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 September 30, 2023, total noninterest income was $42.8 million, a decrease of approximately $2.2 million or 4.9%, compared to the three month period ended June 30, 2023. The sequential decrease was primarily driven by the 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 period ended June 30, 2023, and was partially offset by an incremental increase in bank owned life insurance income during the three month period ended September 30, 2023.

Noninterest income for the nine months ended September 30, 2023 increased by approximately $8.2 million or 6.5% as compared to the nine months ended September 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 a legal reserve recapture of $4.0 million previously disclosed 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 $3.3 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 September 30, 2023 and June 30, 2023 and the nine months ended September 30, 2023 and 2022, respectively, as well as changes between periods.

Table 5: Noninterest Income

	Three Months Ended				Nine Months Ended			
	Sept. 30,	June 30,	Change		Sept. 30,	Sept. 30,	Change	
(Dollars in thousands)	2023	2023	$	%	2023	2022	$	%
Service charges on deposit accounts	$ 12,429	$ 12,882	$ (453)	(3.5)%	$ 37,748	$ 34,635	$ 3,113	9.0%
Debit and credit card fees	7,712	7,986	(274)	(3.4)	23,650	23,358	292	1.3
Wealth management fees	7,719	7,440	279	3.8	22,524	23,744	(1,220)	(5.1)
Mortgage lending income	2,157	2,403	(246)	(10.2)	6,130	9,383	(3,253)	(34.7)
Bank owned life insurance income	3,095	2,555	540	21.1	8,623	8,171	452	5.5
Other service charges and fees	2,232	2,262	(30)	(1.3)	6,776	5,593	1,183	21.2
Loss on sale of securities, net	—	(391)	391	*	(391)	(226)	(165)	(73.0)
Loss on sale of branches	—	—	—	—	—	(153)	153	100.0
Other income	7,433	9,843	(2,410)	(24.5)	28,532	20,914	7,618	36.4
Total noninterest income	$ 42,777	$ 44,980	$ (2,203)	(4.9)%	$ 133,592	$ 125,419	$ 8,173	6.5%

* Not meaningful

Recurring fee income (total service charges, wealth management fees, debit and credit card fees) for the three month period ended September 30, 2023 was $30.1 million, a decrease of $478,000 as compared to the three month period ended June 30, 2023 due to certain insufficient funds fee structure changes for consumer deposit accounts that were implemented during the third quarter of 2023. Recurring fee income for the nine month period ended September 30, 2023 was $90.7 million, an increase of $3.4 million from the nine month period ended September 30, 2022 and was primarily due to the increased consumer base provided by the Spirit acquisition. We expect service charges to moderate through the end of 2023 and into early 2024 due to the elimination of returned item fees for consumer deposit accounts with insufficient funds.

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 $132.0 million for the three month period ended September 30, 2023, as compared to noninterest expense of $139.7 million for the three month period ended June 30, 2023, representing a decrease of $7.7 million, or 5.5%, as compared to the preceding quarter. Adjusted noninterest expense, which excludes branch right sizing, merger related costs and early retirement program costs, for the three months ended September 30, 2023, decreased $6.1 million, or 4.5%, as compared to the three months ended June 30, 2023.

Noninterest expense for the nine months ended September 30, 2023 decreased by approximately $9.3 million or 2.2% as compared to the nine months ended September 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 nine months ended September 30, 2023, increased $9.1 million, or 2.3%, as compared to the nine months ended September 30, 2022.

The $7.3 million decrease in salaries and employee benefits expense during the three month period ended September 30, 2023 as compared to the preceding sequential quarter is primarily due to the successful execution of programs as part of our Better Bank Initiative. Adjusted salaries and employee benefits expense, which excludes early retirement program costs, for the three months ended September 30, 2023, decreased $5.3 million, or 7.4%, as compared to the three months ended June 30, 2023. Salaries and employee benefits expense increased $5.2 million during the nine month period ended September 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 nine months ended September 30, 2023 as compared to the three months ended June 30, 2023 and nine months ended September 30, 2022 decreased by $529,000 and increased by $6.8 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 September 30, 2023 and June 30, 2023 and the nine months ended September 30, 2023 and 2022, respectively, as well as changes between periods.

Table 6: Noninterest Expense

	Three Months Ended				Nine Months Ended			
	Sept. 30,	June 30,	Change		Sept. 30,	Sept. 30,	Change	
(Dollars in thousands)	2023	2023	$	%	2023	2022	$	%
Salaries and employee benefits	$ 67,374	$ 74,723	$ (7,349)	(9.8)%	$ 219,135	$ 213,964	$ 5,171	2.4%
Occupancy expense, net	12,020	11,410	610	5.4	35,008	32,701	2,307	7.1
Furniture and equipment expense	5,117	5,128	(11)	(0.2)	15,296	15,273	23	0.2
Other real estate and foreclosure expense	228	289	(61)	(21.1)	703	653	50	7.7
Deposit insurance	4,672	5,201	(529)	(10.2)	14,766	7,928	6,838	86.3
Merger related costs	5	19	(14)	*	1,420	22,441	(21,021)	*
Other operating expenses:								
Professional services	4,801	5,233	(432)	(8.3)	14,443	13,987	456	3.3
Postage	2,283	2,366	(83)	(3.5)	6,973	6,728	245	3.6
Telephone	1,750	1,701	49	2.9	5,182	4,921	261	5.3
Debit and credit card	3,356	3,444	(88)	(2.6)	9,989	8,892	1,097	12.3
Marketing	5,787	6,044	(257)	(4.3)	18,041	21,556	(3,515)	(16.3)
Software and technology	10,707	10,236	471	4.6	31,299	30,565	734	2.4
Operating supplies	474	683	(209)	(30.6)	1,762	1,852	(90)	(4.9)
Amortization of intangibles	4,097	4,098	(1)	—	12,291	11,807	484	4.1
Branch right sizing	547	95	452	*	1,621	2,371	(750)	(31.6)
Other	8,780	9,026	(246)	(2.7)	26,993	28,534	(1,541)	(5.4)
Total noninterest expense	$ 131,998	$ 139,696	$ (7,698)	(5.5)%	$ 414,922	$ 424,173	$ (9,251)	(2.2)%

* 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 $3.74 billion and $3.36 billion, respectively, at September 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 $131.2 million in accumulated other comprehensive income (loss) as of September 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 September 30, 2023, we have the ability to hold the securities classified as AFS for a period of time sufficient for a recovery of amortized cost, we do not have an immediate intent to sell the securities classified as AFS, and we believe the accounting standard of “more likely than not” has not been met regarding whether we would be required to sell any of the AFS securities before recovery of amortized 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 third quarter of 2023, management reduced the allowance for credit loss related to isolated corporate bonds within the AFS investment securities portfolio by $1.2 million due to price recovery on the impaired bonds. As of September 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, which became effective during late third quarter of 2023. Securities within these swap agreements have maturity dates varying between 2028 and 2029.

LOAN PORTFOLIO

Our loan portfolio averaged $16.60 billion and $13.91 billion during the first nine months of 2023 and 2022, respectively. As of September 30, 2023, total loans were $16.77 billion, an increase of $629.8 million from December 31, 2022. The increase in the average loan balance during the first nine 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)	September 30, 2023	December 31, 2022
Consumer:		
Credit cards	$ 191,550	$ 196,928
Other consumer	112,832	152,882
Total consumer	304,382	349,810
Real estate:		
Construction and development	3,022,321	2,566,649
Single family residential	2,657,879	2,546,115
Other commercial	7,565,008	7,468,498
Total real estate	13,245,208	12,581,262
Commercial:		
Commercial	2,477,077	2,632,290
Agricultural	296,912	205,623
Total commercial	2,773,989	2,837,913
Other	448,309	373,139
Total loans before allowance for credit losses	$ 16,771,888	$ 16,142,124

Consumer loans consist of credit card loans and other consumer loans. Consumer loans were $304.4 million at September 30, 2023, or 1.8% of total loans, compared to $349.8 million, or 2.2% of total loans at December 31, 2022. The decrease in consumer loans from December 31, 2022, to September 30, 2023, was primarily due to loan payoffs and pay downs within the other consumer portfolio 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 $13.25 billion at September 30, 2023, or 79.0% of total loans, compared to $12.58 billion, or 77.9%, of total loans at December 31, 2022, an increase of $663.9 million, or 5.3%. Our C&D loans increased by $455.7 million, or 17.8%, single family residential loans increased by $111.8 million, or 4.4%, and CRE loans increased by $96.5 million, or 1.3%. The increases were due to diversified organic growth by type and geographic market during the first nine months of 2023. 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 $2.77 billion at September 30, 2023, or 16.5% of total loans, compared to $2.84 billion, or 17.6% of total loans at December 31, 2022, a decrease of $63.9 million, or 2.3%. The decrease in non-real estate loans related to business of $155.2 million, or 5.9%, was partially offset by the increase in agricultural loans of $91.3 million, or 44.4%, 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 nine 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 $75.2 million in other loans.

While loan growth was widespread throughout our geographic markets and was generally broad-based by loan type during the first nine months of 2023, loan growth during the third quarter of 2023 reflected moderating demand and increased payoff activity, as we focus on maintaining disciplined pricing and conservative underwriting standards given the current economic environment. Our commercial loan pipeline consisting of all commercial loan opportunities was $877.3 million at September 30, 2023 compared to $1.12 billion at December 31, 2022. Loans approved and ready to close at the end of the quarter totaled $432.9 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 $24.7 million from December 31, 2022 to September 30, 2023. Nonaccrual loans increased by $22.7 million during the period and foreclosed assets held for sale and other real estate owned increased $922,000 as compared to December 31, 2022. The increase in nonaccrual assets during the period was primarily due to an increase in nonaccrual loans within our commercial loan portfolio.

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 0.44% at September 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. During the three months ended September 30, 2023, there were two commercial loans modified for borrowers experiencing financial difficulties, with a combined period-end balance of $85,000. During the nine months ended September 30, 2023, there were three commercial loans modified for borrowers experiencing financial difficulties, with a combined period-end balance of $736,000. The financial effects of the loan modifications made to borrowers experiencing financial difficulty, specifically related to the commercial portfolio, was not significant during the three and nine month periods ended September 30, 2023. During the three and nine month periods ending September 30, 2023, there was one other CRE loan modified for a borrower experiencing financial difficulties, with a period-end balance of $30.6 million. The modification allowed for two months of interest only payments with the remaining balance due at maturity.

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 1.30% as of September 30, 2023. Non-performing loans equaled 0.49% of total loans. Non-performing assets were 0.32% of total assets, a 9 basis point increase from December 31, 2022. The allowance for credit losses was 267% of non-performing loans. Our annualized net charge-offs to average total loans ratio for the first nine months of 2023 was 0.12%. Annualized net credit card charge-offs to average total credit card loans were 2.04% for the first nine months of 2023, compared to 1.49% during the full year 2022, and 134 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)	September 30, 2023	December 31, 2022	September 30, 2022
Nonaccrual loans [1]	$ 81,135	$ 58,434	$ 57,534
Loans past due 90 days or more (principal or interest payments)	806	507	242
Total non-performing loans	81,941	58,941	57,776
Other non-performing assets:			
Foreclosed assets held for sale and other real estate owned	3,809	2,887	3,612
Other non-performing assets	1,417	644	1,146
Total other non-performing assets	5,226	3,531	4,758
Total non-performing assets	$ 87,167	$ 62,472	$ 62,534
Performing FDMs (formerly TDRs)	$ 33,723	$ 1,849	$ 1,869
Allowance for credit losses to non-performing loans	267 %	334 %	342 %
Non-performing loans to total loans	0.49 %	0.37 %	0.37 %
Non-performing assets (including performing FDMs (formerly TDRs)) to total assets	0.44 %	0.23 %	0.24 %
Non-performing assets to total assets	0.32 %	0.23 %	0.23 %

(1) Includes nonaccrual FDMs (formerly known as TDRs) of approximately $209,000 at September 30, 2023 and $1.6 million 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 nine month periods ended September 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	3,803	2,827
Other consumer	1,755	1,438
Real estate	11,362	730
Commercial	2,857	8,880
Total loans charged off	19,777	13,875
Recoveries of loans previously charged off:		
Credit card	766	773
Other consumer	1,020	967
Real estate	1,601	2,799
Commercial	1,783	1,898
Total recoveries	5,170	6,437
Net loans charged off	14,607	7,438
Provision for credit losses	36,199	(5,405)
Acquisition adjustment for PCD loans	—	5,100
Balance, September 30,	$ 218,547	$ 197,589
Loans charged off:		
Credit card		1,035
Other consumer		438
Real estate		3,392
Commercial		5,390
Total loans charged off		10,255
Recoveries of loans previously charged off:		
Credit card		251
Other consumer		230
Real estate		4,117
Commercial		475
Total recoveries		5,073
Net loans charged off		5,182
Provision for credit losses		26
Acquisition adjustment for PCD loans		4,522
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 nine months ended September 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 September 30, 2023, the allowance for credit losses reflected an increase of approximately $21.6 million from December 31, 2022 while total loans increased by $629.8 million over the same nine month period. The allocation in each category within the allowance generally reflects the overall changes in the loan portfolio mix.

The increase in the allowance for credit losses during the first nine months of 2023 was primarily due to the loan growth experienced during the first three quarters of the year, as well as refreshed economic forecasts. Our allowance for credit losses at September 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

	September 30, 2023		December 31, 2022	
(Dollars in thousands)	Allowance Amount	% of loans [1]	Allowance Amount	% of loans [1]
Credit cards	$ 5,950	1.1 %	$ 5,140	1.2 %
Other consumer	5,444	3.3 %	6,614	3.2 %
Real estate	173,047	79.0 %	150,795	78.0 %
Commercial	34,106	16.6 %	34,406	17.6 %
Total	$ 218,547	100.0 %	$ 196,955	100.0 %
Allowance for credit losses to period-end loans	1.30 %		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 232 financial centers as of September 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 September 30, 2023, core deposits comprised 77.8% 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 September 30, 2023, were $22.23 billion, compared to $22.55 billion as of December 31, 2022. Noninterest bearing transaction accounts, interest bearing transaction accounts and savings accounts totaled $15.56 billion at September 30, 2023, compared to $17.78 billion at December 31, 2022, a decrease of $2.22 billion. Total time deposits increased $1.90 billion to $6.67 billion at September 30, 2023, from $4.77 billion at December 31, 2022. We had $3.26 billion and $2.75 billion of brokered deposits at September 30, 2023, and December 31, 2022, respectively. The change in the mix of deposits at September 30, 2023 as compared to December 31, 2022 reflects increased market competition and consumer migration toward higher rate deposits, principally certificates of deposit, given the rapid increase in interest rates that has occurred over the past year. We are continuing to refine 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 $1.71 billion and $1.23 billion at September 30, 2023 and December 31, 2022, respectively. The outstanding balance for September 30, 2023 includes $1.33 billion in FHLB advances; $366.1 million in subordinated notes and unamortized debt issuance costs; and $19.6 million of other long-term debt. FHLB advances outstanding at September 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 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 September 30, 2023, total capital was $3.29 billion. Capital represents shareholder ownership in the Company – the book value of assets in excess of liabilities. At September 30, 2023, our common equity to asset ratio was 11.92% 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 November 30, 2021, we redeemed all of the Series D Preferred Stock, including accrued and unpaid dividends. 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 September 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 nine month periods ended September 30, 2023, we repurchased 1,128,962 shares at an average price per share of $17.69 and 2,257,049 shares at an average price of $17.72 per share, respectively, under the 2022 Program. During the three month period ended September 30, 2022, the Company repurchased 1,883,713 shares at an average price of $23.91 per share under the 2022 Program. During the nine month period ended September 30, 2022, the Company repurchased 513,725 shares at an average price of $31.25 per share under the 2019 Program and 3,919,037 shares at an average price of $24.26 per share 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 $0.60 per share for the first nine months of 2023 compared to $0.57 per share for the first nine months of 2022, an increase of $0.03, 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 10-Q. 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 September 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 September 30, 2023 and December 31, 2022 are presented in Table 11 below:

Table 11: Risk-Based Capital

(Dollars in thousands)	September 30, 2023	December 31, 2022
Tier 1 capital:		
Stockholders’ equity	$ 3,285,555	$ 3,269,362
CECL transition provision	61,746	92,619
Goodwill and other intangible assets	(1,402,682)	(1,412,667)
Unrealized loss on available-for-sale securities, net of income taxes	544,380	517,560
Total Tier 1 capital	2,488,999	2,466,874
Tier 2 capital:		
Subordinated notes and debentures	366,103	365,989
Subordinated debt phase out	(66,000)	—
Qualifying allowance for credit losses and reserve for unfunded commitments	165,490	115,627
Total Tier 2 capital	465,593	481,616
Total risk-based capital	$ 2,954,592	$ 2,948,490
Risk weighted assets	$ 20,703,669	$ 20,738,727
Assets for leverage ratio	$ 26,733,658	$ 26,407,061
Ratios at end of period:		
Common equity Tier 1 ratio (CET1)	12.02 %	11.90 %
Tier 1 leverage ratio	9.31 %	9.34 %
Tier 1 risk-based capital ratio	12.02 %	11.90 %
Total risk-based capital ratio	14.27 %	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 September 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 and other agencies, capital resources, market risk, plans for future and current investments in securities and investment portfolio strategies, 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; actions taken by the Company to manage its investment securities portfolio; 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 sunsetting 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 and between Israel and Hamas) 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, loss from early retirement of TruPS, gain on sale of intellectual property 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), adjusted salaries and employee benefits expense (non-GAAP) and the coverage ratio of uninsured, non-collateralized deposits (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 $1.437 billion and $1.449 billion total goodwill and other intangible assets for the periods ended September 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)

	Three Months Ended		Nine Months Ended	
(In thousands, except per share data)	September 30, 2023	June 30, 2023	September 30, 2023	September 30, 2022
Net income available to common stockholders	$ 47,247	$ 58,314	$ 151,150	$ 173,152
Certain items:				
Loss from early retirement of TruPS	—	—	—	365
Gain on sale of intellectual property	—	—	—	(750)
Donation to Simmons First Foundation	—	—	—	1,738
Merger related costs	5	19	1,420	22,441
Early retirement program	1,557	3,609	5,166	—
Branch right sizing (net)	547	95	1,621	2,524
Day 2 CECL Provision	—	—	—	33,779
Tax effect [1]	(552)	(972)	(2,145)	(15,707)
Certain items, net of tax	1,557	2,751	6,062	44,390
Adjusted earnings (non-GAAP)	$ 48,804	$ 61,065	$ 157,212	$ 217,542
Diluted earnings per share[2]	$ 0.37	$ 0.46	$ 1.19	$ 1.40
Certain items:				
Loss from early retirement of TruPS	—	—	—	—
Gain on sale of intellectual property	—	—	—	(0.01)
Donation to Simmons First Foundation	—	—	—	0.01
Merger related costs	—	—	0.01	0.18
Early retirement program	0.01	0.03	0.04	—
Branch right sizing (net)	0.01	—	0.02	0.02
Day 2 CECL Provision	—	—	—	0.28
Tax effect [1]	—	(0.01)	(0.02)	(0.12)
Certain items, net of tax	0.02	0.02	0.05	0.36
Adjusted diluted earnings per share (non-GAAP)	$ 0.39	$ 0.48	$ 1.24	$ 1.76

(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)

	Three Months Ended		Nine Months Ended	
(In thousands)	September 30, 2023	June 30, 2023	September 30, 2023	September 30, 2022
Noninterest income	$ 42,777	$ 44,980	$ 133,592	$ 125,419
Certain items:				
Loss from early retirement of TruPS	—	—	—	365
Gain on sale of intellectual property	—	—	—	(750)
Branch right sizing	—	—	—	153
Total certain items	—	—	—	(232)
Adjusted noninterest income (non-GAAP)	$ 42,777	$ 44,980	$ 133,592	$ 125,187
Noninterest expense	$ 131,998	$ 139,696	$ 414,922	$ 424,173
Certain items:				
Merger related costs	(5)	(19)	(1,420)	(22,441)
Early retirement program	(1,557)	(3,609)	(5,166)	—
Donation to Simmons First Foundation	—	—	—	(1,738)
Branch right sizing	(547)	(95)	(1,621)	(2,371)
Total certain items	(2,109)	(3,723)	(8,207)	(26,550)
Adjusted noninterest expense (non-GAAP)	$ 129,889	$ 135,973	$ 406,715	$ 397,623
Salaries and employee benefits expense	$ 67,374	$ 74,723	$ 219,135	$ 213,964
Early retirement program costs	(1,557)	(3,609)	(5,166)	—
Adjusted salaries and employee benefits expense (non-GAAP)	$ 65,817	$ 71,114	$ 213,969	$ 213,964

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)	September 30, 2023	December 31, 2022
Total common stockholders' equity	$ 3,285,555	$ 3,269,362
Intangible assets:		
Goodwill	(1,320,799)	(1,319,598)
Other intangible assets	(116,660)	(128,951)
Total intangibles	(1,437,459)	(1,448,549)
Tangible common stockholders' equity	$ 1,848,096	$ 1,820,813
Shares of common stock outstanding	125,133,281	127,046,654
Book value per common share	$ 26.26	$ 25.73
Tangible book value per common share (non-GAAP)	$ 14.77	$ 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)	September 30, 2023	December 31, 2022
Total common stockholders' equity	$ 3,285,555	$ 3,269,362
Intangible assets:		
Goodwill	(1,320,799)	(1,319,598)
Other intangible assets	(116,660)	(128,951)
Total intangibles	(1,437,459)	(1,448,549)
Tangible common stockholders' equity	$ 1,848,096	$ 1,820,813
Total assets	$ 27,564,325	$ 27,461,061
Intangible assets:		
Goodwill	(1,320,799)	(1,319,598)
Other intangible assets	(116,660)	(128,951)
Total intangibles	(1,437,459)	(1,448,549)
Tangible assets	$ 26,126,866	$ 26,012,512
Ratio of common equity to assets	11.92 %	11.91 %
Ratio of tangible common equity to tangible assets (non-GAAP)	7.07 %	7.00 %

See Table 16 below for the calculation of uninsured, non-collateralized deposit coverage ratio.

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

(In thousands)	September 30, 2023	December 31, 2022
Uninsured deposits at Simmons Bank	$ 8,143,200	$ 8,913,990
Less: Collateralized deposits (excluding portion that is FDIC insured)	2,835,405	2,759,248
Less: Intercompany eliminations	676,840	529,042
Total uninsured, non-collateralized deposits	$ 4,630,955	$ 5,625,700
FHLB borrowing availability	$ 5,372,000	$ 5,442,000
Unpledged securities	4,124,000	3,180,000
Fed funds lines, Fed discount window and Bank Term Funding Program	1,951,000	1,982,000
Additional liquidity sources	$ 11,447,000	$ 10,604,000
Uninsured, non-collateralized deposit coverage ratio	2.5x	1.9x

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company has leveraged its investment in its subsidiary bank and depends upon the dividends paid to it, as the sole shareholder of the subsidiary bank, as a principal source of funds for dividends to shareholders, stock repurchases and debt service requirements. At September 30, 2023, undivided profits of Simmons Bank were approximately $687.9 million, of which approximately $238.0 million was available for the payment of dividends to the Company without regulatory approval. In addition to dividends, other sources of liquidity for the Company are the sale of equity securities and the borrowing of funds.

Subsidiary Bank

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

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

Liquidity Management

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

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

The first source of liquidity available to the Company is federal funds. Federal funds are available on a daily basis and are used to meet the normal fluctuations of a dynamic balance sheet. As of September 30, 2023, the Bank had approximately $510 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 $5.37 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 47.3% of the investment portfolio is classified as available-for-sale, and we may generate additional liquidity through opportunistic sales of investment securities. 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 September 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 0.87% and 1.76%, 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 0.80% 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 September 30, 2023:

Table 17: Net Interest Income Sensitivity

Interest Rate Scenario	% Change from Base
Up 200 basis points	(1.76)%
Up 100 basis points	(0.87)%
Down 100 basis points	0.80%
Down 200 basis points	1.28%

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 September 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, Use of Proceeds and Issuer Purchases of Equity Securities

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 September 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
July 1, 2023 - July 31, 2023	—	$ —	—	$ 59,899,000
August 1, 2023 - August 31, 2023	567,100	18.26	567,100	$ 49,541,000
September 1, 2023 - September 30, 2023	561,862	17.12	561,862	$ 39,922,000
Total	1,128,962	$ 17.69	1,128,962	

(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 September 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, modified 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	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 (File No. 000-06253)).
10.2	Indemnification Agreement for Dean Bass dated July 27, 2023 (incorporated by reference to Exhibit 10.5 to Simmons First National Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 (File No. 000-06253)).
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: November 6, 2023	/s/ Robert A. Fehlman Robert A. Fehlman Chief Executive Officer (Principal Executive Officer)
Date: November 6, 2023	/s/ James M. Brogdon James M. Brogdon President and Chief Financial Officer (Principal Financial Officer)
Date: November 6, 2023	/s/ David W. Garner David W. Garner Executive Vice President and Chief Accounting Officer (Principal Accounting Officer)

Exhibit 15.1

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 Statement 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 November 6, 2023, included with the Quarterly Report on Form 10-Q for the quarter ended September 30, 2023. Pursuant to Rule 436(c) under the S*ecurities 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
November 6, 2023

Exhibit 31.1

CERTIFICATION

I, Robert A. Fehlman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Simmons First National Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2023

/s/ Robert A. Fehlman

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

Exhibit 31.2

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: November 6, 2023

/s/ James M. Brogdon

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

Exhibit 31.3

CERTIFICATION

I, David W. Garner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Simmons First National Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2023

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

Exhibit 32.1

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 September 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: November 6, 2023

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

Exhibit 32.2

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 September 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: November 6, 2023

/s/ James M. Brogdon

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

Exhibit 32.3

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 September 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: November 6, 2023

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