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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Simmons First National Corporation First Quarter 2020 Earnings Conference Call.

(Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions)

I'd like to hand the conference over to your speaker today, Mr. Steve Massanelli. Thank you.

Please go ahead, sir.

Stephen Christopher Massanelli - *Simmons First National Corporation - Executive VP, Chief Administrative Officer & IR Officer*

Good morning, and thank you for joining our first quarter earnings call.

My name is Steve Massanelli, and I serve as Chief Administrative Officer and Investor Relations Officer of Simmons First National Corporation. Joining me today are George Makris, Chairman and Chief Executive Officer; Bob Fehlman, Chief Financial Officer and Chief Operating Officer; David Garner, Executive Director of Finance and Accounting and Chief Accounting Officer; and Matt Reddin, Chief Banking Officer.

The purpose of this call is to discuss the information and data provided by the company in our quarterly earnings release issued this morning and to discuss the company's outlook for the future. We will begin with prepared comments, followed by a Q&A session. We have invited institutional investors and analysts from the equity firms that provide research on our company to participate in the Q&A session. All other guests in this conference call are in listen-only mode. A transcript of today's call, including our prepared remarks and the Q&A session, will be posted on our website, simmonsbank.com, under the Investor Relations page.

During today's call, we will make forward-looking statements about our future plans, goals, expectations, estimates, projections and outlook. I'll remind you that actual results could differ materially from those projected in the forward-looking statements due to a variety of factors. Additional information concerning some of these factors is contained in our SEC filings, including, without limitation, the description of certain risk factors contained in our most recent annual report on Form 10-K and the forward-looking information section of our earnings press release issued this morning. The company assumes no obligation to update or revise any forward-looking statements or other information. Lastly, in this presentation, we will discuss certain non-GAAP financial metrics we believe provide useful information to investors. Please note that additional disclosures regarding non-GAAP metrics, including the reconciliations of these non-GAAP metrics to GAAP, are contained in our earnings press release, which is included as an exhibit to our current report filed this morning with the SEC on Form 8-K and available on the Investor Relations page of our website, simmonsbank.com.

I will now turn the call over to George Makris.

George A. Makris - *Simmons First National Corporation - Non Independent Chairman & CEO*

Thanks, Steve. And welcome to our first quarter earnings conference call.

I'd like to begin today's call by thanking the 3,000-plus Simmons associates for their commitment and dedication during these very trying times. Many of our associates could not work from home because they were serving our customers who needed our help. A special debt of gratitude goes to our branch call center and digital banking support staff who are here every minute to fulfill the needs of our customers. Later, I will mention the efforts of our bankers as they address the credit needs of our customers during this crisis. I'm very proud of our team and their demonstration of our community banking values.

In our press release, we reported net income of $77.2 million for the first quarter of 2020. Diluted earnings per share were $0.68 for the quarter. Included in the first quarter earnings was net income of $3.4 million related to a gain on the sale of our branches in South Texas and merger-related and branch rightsizing expenses.

Our return on average assets was 1.5% and our efficiency ratio was 56.4% for the first quarter. As of March 31, 2020, total assets were $20.8 billion. Our loan balance was $14.4 billion, and our deposit balance was $15.6 billion. During the quarter, we moved $115 million of loans and $58 million of deposits to held for sale based on our agreement to sell our Colorado branches, which we expect to close in the second quarter. Our loan pipeline remained steady at $313 million at the end of the quarter, excluding payroll protection program loans. In response to economic hardships associated with the coronavirus pandemic, through April 16, we have completed or are in the process of modifying over 3,000 loans totaling over $1.8 billion. In addition, as of that time, we have obtained approval from the SBA for over 3,100 PPP loans totaling over $725 million. During the first quarter, we sold approximately $1 billion of securities and recorded gains totaling more than $30 million. At March 31, our cash position was $1.7 billion, which we're using to fund the PPP loan demand. As those loans pay back or are forgiven, we expect to reinvest those funds in our securities portfolio.

Our net interest margin for the quarter was 3.68%, and our core net interest margin, which excludes accretion, was 3.42%. We continue to reprice our deposits in line with the substantial rate cuts during March, and our indexed loans, totaling approximately 50% of our loan portfolio, have repriced. During the first quarter, we repurchased approximately 4.9 million shares of Simmons stock at an average price of $18.94. No shares have been repurchased since March 31. The remaining authorized repurchase balance is $76.5 million and the current termination date of the program is October 31, 2021. Market conditions and our capital needs will drive decisions regarding additional future stock repurchases.

We adopted CECL on January 1, 2020. As of December 31, 2019, our allowance was $68 million or 0.47% of total loans. After the CECL-related adjustments on January 1, 2020, our allowance was $220 million or 1.52% of total loans. During the quarter, we added $23 million, net of charge-offs, to the allowance, which totaled $243 million or 1.69% of total loans on March 31. In addition, our reserve for unfunded commitments was $29 million at quarter end.

Our capital remains very strong. Our total risk-based capital ratio was 14%. Our common equity Tier 1 ratio was 11%, while our Tier 1 leverage ratio was 9% at the end of the quarter.

This quarter, because of the extenuating circumstances associated with the pandemic, we have published our quarterly investor presentation contemporaneously with our press release, including the supplement section specifically addressing certain income statement and balance sheet statistics and commentary. I would encourage you to go to simmonsbank.com and access this information under our Investor Relations tab. This information can also be found at sec.gov.

On behalf of Simmons Bank, our customers and communities we serve, I would like to thank our health care professionals, along with our federal, state and local officials, who have all responded quickly and with great care to the challenges presented by the pandemic. While the full impact of the coronavirus pandemic remains uncertain, I believe the timing of a return to normal is a critical factor, but even more interesting will be the new normal. Based on the programs available to the marketplace today, I suspect we will not fully understand the longer-term effects of this crisis for several months.

We are prepared to monitor the progress during that time and believe we as a company are well positioned to help our customers and communities as we come out of these unprecedented times. Once again, I encourage you to access more information on our website.

I will now turn the line over to our operator and invite questions from our analysts and institutional investors.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) I show our first question comes from Wood Lay from KBW.

Wood Neblett Lay - *Keefe, Bruyette, & Woods, Inc., Research Division - Associate*

So I just had a question on the technology side. It was great to see 11% increase in new users to the banking app. So just wanted an update on how the technology has performed after all the investments in 2019.

George A. Makris - *Simmons First National Corporation - Non Independent Chairman & CEO*

Well, I would say that it's performed very well. And in fact, our mobile app has a 4.7 rating in the app store. So we're pretty proud about that. We're going to continue to enhance our mobile offering. So we're going to continue to roll in new optionality into our mobile app. And I think the chart that you may be looking at shows the trend away from branch transactions into digital transactions, which is pretty pronounced especially during this period of time. We expect that there will be permanent consumer habit changes as a result of the economy's lockdown. We think that one of them is going to be the way they access banking services. So we're taking a good, hard look at how we continue to enhance our digital offerings to our customers, not only consumer but business, in anticipation that they will use our branch locations less for typical deposit transactions. So I would say we're real pleased with the way things are going and better things to come.

Wood Neblett Lay - *Keefe, Bruyette, & Woods, Inc., Research Division - Associate*

That's great color. And then so looking at the new customer habits, do you think future branch rightsizing could occur in 2020? Or is it more of a 2021 event?

George A. Makris - *Simmons First National Corporation - Non Independent Chairman & CEO*

Well, as you probably know, we've already announced that we're going to close 12 branches in the second quarter. We're continuing to look at other possible branch consolidation throughout our footprint. I would say that it's possible that some other consolidation could happen in 2020. It could roll in the first and second quarter of 2021, but we do believe that other branch consolidation is probably going to be borne out by our customers' utilization.

Wood Neblett Lay - *Keefe, Bruyette, & Woods, Inc., Research Division - Associate*

All right. And then last for me, on just with the impact of COVID, do you expect this to impact the timing of the cost saves associated with the Landmark acquisition?

George A. Makris - *Simmons First National Corporation - Non Independent Chairman & CEO*

That was breaking up. I couldn't...

Robert A. Fehlman - *Simmons First National Corporation - Senior EVP, COO, CFO & Treasurer*

Yes, that -- your call is breaking up, so we're having a hard time. It was a question on Landmark and the COVID...

Unidentified Company Representative

Cost saving...

Robert A. Fehlman - *Simmons First National Corporation - Senior EVP, COO, CFO & Treasurer*

Cost savings related to the COVID-19.

Wood Neblett Lay - *Keefe, Bruyette, & Woods, Inc., Research Division - Associate*

Yes. [I mean, do you think] the timing will be impacted?

George A. Makris - *Simmons First National Corporation - Non Independent Chairman & CEO*

No, not at all...

Robert A. Fehlman - *Simmons First National Corporation - Senior EVP, COO, CFO & Treasurer*

That conversion happened on February 14 and everything's moving along there very well.

George A. Makris - *Simmons First National Corporation - Non Independent Chairman & CEO*

Yes.

Operator

Our next question comes from the line of Matt Olney from Stephens Inc.

Matthew Covington Olney - *Stephens Inc., Research Division - MD*

You noted in the slide deck that the ACL ratio is now a pretty big jump to 1.69% as a percent of overall loans. Can you just talk about where you expect this to go based on where we sit today?

George A. Makris - *Simmons First National Corporation - Non Independent Chairman & CEO*

So Matt, we've obviously spent a lot of time talking about that. I would tell you the one area that over the long term gives us a little pause would be our energy portfolio. I mean I think we've got quite a bit of coverage now. And quite honestly, most of our energy production is well hedged through 2020 and, quite honestly, a lot of it through 2021. So the current volatility in oil and gas prices is not that concerning to us today. But if it continues, we're going to have probably more exposure in our energy portfolio. We have taken a look at the rest of our portfolio. And as you probably noted, we have already modified 20% of our outstanding loan balances. And we have worked with those customers one-on-one to make sure that we understand their game plan going forward. And just to give you a little more color on our modified loans: We had 2 options. One was 6 months interest only. The other was deferred payments for 3 months then interest only for another 3 months. So both of them had a 6-month deferral plan. When we're dealing with our customers, we have to make sure they're currently in compliance with our loan agreement. We take into consideration their payment history, their available liquidity, their financial performance prior to the crisis and their emergency business plan, along with projections when they come out of the crisis. We have no cash out, dividends or distributions allowable in any of the loan modifications and no rate adjustments. So we feel like our customers should be all in before we modify their loan agreement. And I think that's generally accepted good business practice. And our good customers certainly understand that.

So I would tell you that we're fairly comfortable where we are today. And with the loan modifications and with the PPP liquidity that we're injecting into our customers' balance sheets, it's going to be a few months before we can really tell what the long-term effect is going to be, not to mention when we start coming out of the lockdown. I mean that's all over the board today. So in Arkansas, as you know, we've had really good success with flattening that curve. It could be that we start coming out in Arkansas early to mid-May. What that means, we're not exactly sure yet. But I mentioned this, and I want to emphasize it once again, through the PPP program, we are going to inject more than $1 billion of liquidity that has the potential to be forgiven into our customer's balance sheet. So that's, as far as we're concerned, a better scenario than we were looking at early in March.

Matthew Covington Olney - *Stephens Inc., Research Division - MD*

Okay. That's great commentary, George. I appreciate that. And one of the big variables that you mentioned was the energy portfolio. And I think your slide deck had some great details in there about the anticipated payoffs for the remainder of 2020. I'm curious what consideration are you giving to stress in the industry within that payoff amount. And you mentioned that borrowers have a healthy level of hedged production. That's great. Can you put some numbers behind that, as far as the what percent is hedged in 2020? And then how much does that fall to in 2021?

George A. Makris - *Simmons First National Corporation - Non Independent Chairman & CEO*

Matt, do you want to start with that...

Matthew Steven Reddin - *Simmons First National Corporation - Executive VP & Chief Banking Officer of Simmons Bank*

Yes, yes. Matt, this is Matt. A couple comments there on the hedging. As far as 2020, it's about 60% are hedged through -- of true -- now you got to understand, when you look at those numbers in the deck and you see the overall $380 million, of that, there's really $220 million that's true production. That's where you would have hedging in place. And of that, that's 60% is, on average, hedged for 2020. And what's important to also remember, once you get underneath that production of 60%, the remaining 40% is made up of smaller production loans that have personal guarantees behind them that is just -- is essentially like a hedge because they have the wherewithal to make those whole. Now in 2021 -- well, I have to get you that number, but 60% for 2020. And then a lot of those 60% moves into 2021.

George A. Makris - *Simmons First National Corporation - Non Independent Chairman & CEO*

Matt, just a little more information. The weighted average swap price for oil is $55. For natural gas, it's $2.66.

Matthew Covington Olney - *Stephens Inc., Research Division - MD*

Yes. Okay. That's great color. I appreciate that. And then I want to switch gears on the deposit costs. It sounds like you guys have some nice momentum bringing those costs down in the next few quarters. Is there any color you can give as far as spot rates that you see more recently? Just trying to appreciate where this could land over the next few quarters.

Robert A. Fehlman - *Simmons First National Corporation - Senior EVP, COO, CFO & Treasurer*

Matt, I'd just tell you we worked on deposits pretty hard, starting in early March. I would expect -- we had a nice pickup in our rates or lowering of our rates for the first quarter. And I'd expect to see that continued into Q2 and into the balance of the year. So -- and we're seeing good deposit growth from the end of the quarter, obviously, with stimulus checks coming in, PPP loans coming in. We're seeing good loan -- I mean, deposit volume coming on also from quarter end. But our expectations would be that we'd have a nice pickup in the second quarter.

George A. Makris - *Simmons First National Corporation - Non Independent Chairman & CEO*

Matt, I'll just tell you this. I'll be disappointed if we don't manage our deposit costs in line with our loan pricing. So we were pretty successful in the first quarter doing that. I would expect that we will be successful in the second quarter keeping that spread pretty neutral.

Robert A. Fehlman - *Simmons First National Corporation - Senior EVP, COO, CFO & Treasurer*

Yes. And one other number I'd give you, too, that we didn't have in the release is about 80% of the variable-rate loans repriced in the first quarter. Now granted all the deposit and loan repricing happened in the -- basically in March, somewhere in that month, but 80% of our loan -- variable-rate loan pricing happened in the first quarter. So we'll have another 20% lagging over the next couple months to the balance of the year. But the deposit pricing will pick up, obviously, the transactions very quickly. The time will be lagging over a period of time.

George A. Makris - *Simmons First National Corporation - Non Independent Chairman & CEO*

Matt, I might just mention one other factor in our deposit pricing. As we have acquired banks in the past, we have been very cognizant of some deposit products that they had in place. And we had deposit pricing all across the board. We have, to the best of our ability, at this point in time standardized that deposit pricing. So we're going to see a downward momentum in a lot of those different markets.

Matthew Covington Olney - *Stephens Inc., Research Division - MD*

Understood. Okay. And then just lastly, it sounds like the liquidity build towards the end of the quarter -- it sounds like, the excess or the higher liquidity levels, that will continue at least for next few quarters. Am I interpreting that correctly?

George A. Makris - *Simmons First National Corporation - Non Independent Chairman & CEO*

Well, so our liquidity was about $1.7 billion in cash. We'll fund $1.2 billion in PPP loans. We are actively reinvesting now into our securities portfolio. And as those PPP loans pay off, we will also invest that back into the securities portfolio. So we're funding our own PPP loans right now. I know there are other programs available out there, but that's what we've chosen to do, just take care of our own business. And we think that's going to work out well. I would say that our current liquidity level is higher than we would ever have under normal circumstances, but these aren't normal circumstances. We believe lots of liquidity is very, very important right now.

We started building that because we didn't know if there was going to be a run on deposits. Before the stimulus was announced, we knew that businesses were going to have some issues, so we tried to be prepared for that. If we stay on lockdown for a period of time, even this stimulus money is not going to stem the tide. So we've got to always be aware of the risks associated with our customers needing to access their deposits. And liquidity is the way we're going to do that.

Operator

(Operator Instructions) I show our next question comes from Gary Tenner from D.A. Davidson.

Gary Peter Tenner - *D.A. Davidson & Co., Research Division - Senior VP & Senior Research Analyst*

I was going to ask about the funding just within -- with regard to PPP that you just kind of ran through but just to make sure that I'm clear (inaudible) you were kind of building your liquidity ahead of the PPP program just in case of any sort of drain by customers. [So are you just trying to utilize] that excess liquidity toward that program as opposed to using other sources of funding? Is that (inaudible)?

Robert A. Fehlman - *Simmons First National Corporation - Senior EVP, COO, CFO & Treasurer*

Yes. Gary, as George mentioned, when we got early into March, we didn't really know what stimulus plans were going to come out by the government. And we decided early on that we're going to take care of our own liquidity issues if they did come up. We didn't have any idea what was going to be out there, a lot of unknowns. So when the 10-year hit below 40 basis points and 35, we decided it's time to take advantage of the price -- the gains that we had in our security portfolio and derisk the balance sheet basically by taking $1 billion of securities and putting it into cash. And a big chunk of that was in mortgage-backs and CMOS. A small portion of it, a couple hundred million was in munis. So we selectively pulled some out there, picked up $30-some million in gain, built up $1 billion in liquidity so that we were able to take care of ourselves. Well, since that time, the government came in and has put in a lot of stimulus plans. So towards the end of the quarter, we came back and said, well, we're going to use this cash and liquidity to -- as these PPP loans fund up. And as you know, those yields on those -- well, first, the rate's 1%. But when you put that loan fee and it gets accreted over the life of those loans, we calculate those yields are going to be anywhere from 4% to 6%, 7%, depending when they are forgiven or paid off. Those -- and I would tell you also, those rates, the effective yield is what I would call is going to be very lumpy. You're going to have some periods that's 3%, 4%, 5%. If they're forgiven or paid off in the second and third quarter, you're going to have substantially higher rates as those fee income is recognized during that period. So for us, it was very good timing. We can then choose to go back into the securities portfolio, back in the backside of this, hopefully, when the market's more stabilized down the road. But it gave us a lot of optionality that we controlled our own destiny instead of relying on somebody else.

Gary Peter Tenner - *D.A. Davidson & Co., Research Division - Senior VP & Senior Research Analyst*

Great. I appreciate the color. [Now I just wanted to talk about] regarding the energy portfolio. I know (inaudible) through your plan of reducing your shared national credit exposure through the first half of this year. And so you've got about $70 million or so left in terms of the SNC exposure. How much more of that are you looking to work down to the entire amount remaining? And given the current environment, is it going to be more difficult to exit some of those shared national credit loans?

George A. Makris - *Simmons First National Corporation - Non Independent Chairman & CEO*

Well, our intention is to exit all $71 million of that. As redeterminations come around, that's going to be the logical time for us to determine whether or not we can exit. And quite honestly, you've seen on our slide deck what we expect to exit in Q2 and Q3. I will tell you, last quarter, most of that $163 million was in Q2. So we think we're very realistic about our opportunity to exit some of those loans, but our intention is to get out of every national credit we're in, in the energy portfolio.

Gary Peter Tenner - *D.A. Davidson & Co., Research Division - Senior VP & Senior Research Analyst*

Okay. Great. And just one last question for me, and I apologize if I missed any color you may have provided here, but the sequential quarter increase in the nonaccrual loans, I think it was (inaudible), roughly. [Could you] kind of provide any color on that?

George A. Makris - *Simmons First National Corporation - Non Independent Chairman & CEO*

Yes, you bet. So $33 million increase in energy loans, including the Southland Royalty bankruptcy which is something you were probably aware of. Way too early for us to tell exactly what that exposure is there. And we had $5 million in consumer nonaccruals. And then during the first quarter, we converted Landmark Bank into Simmons Bank. So all of their loan portfolio fell into the appropriate categories in our loan portfolio. So all of their nonaccruals that were in our acquired bucket previously are now in our regular loan portfolio. So the bulk, a vast majority of the increase were in those 3 categories.

Robert A. Fehlman - *Simmons First National Corporation - Senior EVP, COO, CFO & Treasurer*

Yes. And as you know, under CECL, there no longer is an acquired loan bucket. So -- and how it was reported before, only -- the acquired loans were not part of our acquired -- our nonperforming loan bucket. So now it's all on the same playing field. They're all in there. And it's reported because now the ACL covers all of loans instead of just legacy loans.

Operator

I show our next question comes from David Feaster from Raymond James.

David Pipkin Feaster - *Raymond James & Associates, Inc., Research Division - Research Analyst*

I just wanted to get your thoughts on capital. [I think we've] got a lot of capital. I appreciate the commentary about preserving capital and putting the buyback on hold (inaudible) [like now]. But I guess, how do you think about capital? Where do you think you're comfortable? What would you want capital grow to before returning to the repurchase program? And just any thoughts on that topic would be helpful.

Robert A. Fehlman - *Simmons First National Corporation - Senior EVP, COO, CFO & Treasurer*

Well, yes. I appreciate those. And so our -- on capital, there's -- I always look at it 2 different ways. What is your TCE and your equity capital? And then what is your regulatory? On the regulatory side, our leverage ratio was 9%, our Tier 1 was 11%, and total risk-based 14%. So we're very comfortable with those ratios, especially given this quarter that we implemented and adopted CECL. That was a $120 million drag on GAAP capital. Fortunately, the regulators gave us the 5-year phase-in, which we obviously took advantage of that. So it'll give us a period of time to grow into that for regulatory purposes. And as we also noted, we repurchased some $100 million worth of stock during the quarter. So to have a period like that and to maintain those capital levels, we are very happy, and we're very pleased with our capital levels today. The stock buyback plan, as we mentioned, we haven't repurchased since March 31. We did buy quite a bit in first quarter due to the pricing there. And if you look at that, when we looked at it and said, basically, with this repricing we have less than right at a year earn-back period on that -- buying back those shares. That's about as good as you can do on a stock repurchase plan. We have not ceased or stopped the stock buyback, but we have not bought any. And we'll just keep looking at it and decide, basically look at economic times, see where we are there. We'll look at our capital structure, our balance sheet structure, and we'll just continue to monitor it. But right now, we have not purchased any and don't have any plans in the near term, but we'll just keep monitoring it.

David Pipkin Feaster - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Okay. That's helpful. And then just on loan growth. I'm just curious, what does your loan pipeline look today? Obviously, [we've talked to] to some people that all activities kind of come to a halt, but exclusive of the PPP program, how do you think about loan growth? [I'm just] (inaudible) your customers. Do you see this as an opportunity to gain some share and actually drive growth? [Or would we expect] balances to be flat to down?

George A. Makris - *Simmons First National Corporation - Non Independent Chairman & CEO*

So David, I'm going to set Matt up by talking a little bit about some restrictions that we have put in place recently on new loan consideration, and that is we think it's time to strictly adhere to our credit policy. It's in -- it's policy for a reason. And the reason is, in times like this, it shares risk appropriately with our customer. Now the second thing is we are very interested in shortening maturities. With the uncertainty in the marketplace, we're not willing to go out too far and, I would say, more than a year, except on certain types of loans like equipment loans and things like that, which make perfectly good sense. And then we're restricting cash-out loans. So where we have customers who want to take money out of their business and put it in their bank account, we don't think that's an appropriate action for us to participate in during these uncertain times. So knowing that that's sort of our philosophy currently, I'm going to turn it over to Matt and let him talk about how that's translating into what's actually happening on the street.

Matthew Steven Reddin - *Simmons First National Corporation - Executive VP & Chief Banking Officer of Simmons Bank*

Yes. Thanks, George. And David, I'd tell you, if you look at our pipeline, approval rate closed at, [while it says] $312 million really since that point in time, even before we really started having conversations with our bankers and our customers, we had a fallout taking that to about just over $200 million. Of the $200 million in the [approve rate to close] bucket, we feel like that -- most of that bucket will close out. But however, on new opportunities, we are pushing the pause button and adhering to higher underwriting guidelines around specifically commercial real estate, home values. We're not going to be putting our neck out there too far on any new projects unless it makes complete sense and it's a customer we know very well. So I wouldn't -- we don't have big expectations on loan growth in any way until we see some clarity on what the economy looks like moving forward. In your question regarding PPP loans, I would say a vast majority, some 95%, is on our existing customer, but I would say we have been a known SBA-preferred lender in the marketplace. And so there was a flight to quality when we stood up our PPP program. And I absolutely believe there will be some new customer acquisition through that, but quantifying that to a big number, I would not because 95% or more were existing customers.

David Pipkin Feaster - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Okay. And on the PPP program, just I have one quick one. Do you expect those fees to flow through NII? Or are you going to hold those loans for sale and flow through fee income?

Robert A. Fehlman - *Simmons First National Corporation - Senior EVP, COO, CFO & Treasurer*

Yes, they'll flow, David, through NII. And they'll be over -- accreted over the life of the loans. And so how that will get set up under the accounting rules is they'll be accretive like this is a 2-year loan. And then when they get paid or forgiven in, let's say it's, July or June, July, August, whatever time frame they come in, the balance that's paid, there'll be a pro rata amount of that fee taken to income. That's why I say, in the months that where they're paid, that yield on those loans is going to be very lumpy. So we could be, this period of time that we're in, 3%, 4%, 5%, 6% on the yield. And you get to 1 month. We may see a much higher yield in that bucket.

David Pipkin Feaster - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Okay. Last one for me. Just any thoughts on the ag portfolio? I know this is a core competency for you all. Is this -- what are you hearing from your customers? Is this an opportunity for you to gain share? Just any thoughts on that book.

Matthew Steven Reddin - *Simmons First National Corporation - Executive VP & Chief Banking Officer of Simmons Bank*

Yes, good question on the ag book. I would say, so far, our ag customers are very focused on what the stimulus package is, which is still being defined for all ag customers, yes. So that's going to -- if you look at our book right now, you'll see we're, over last year's same time, same quarter, about $37 million, and that's from our ag customers holding onto their crops due to the price, severe but significant decrease on prices. So they're very conscious of what that stimulus package will do for them. We've also had them -- they were able to participate in the PPP loans. We had over 50 ag farmers participate in the PPP loans. So from that perspective, we feel good where they're at, but they're very anxious to see what the stimulus package would be. For new customer acquisition, I would say there's some of that there. But also, everyone's flight to quality and where they know they have the ability to gain capital. So I don't think we have any expectations on significant ag growth from new customers in this current climate.

Operator

Thank you. I show no further questions in the queue. At this time, I'd like to turn the call back over to Mr. George Makris, Chairman and CEO, for closing remarks. Please go ahead.

George A. Makris - *Simmons First National Corporation - Non Independent Chairman & CEO*

Well, thanks to all of you for joining us today.

These are certainly unusual times. And we feel very good about our preparation for weathering the storm. It's been the tradition of Simmons Bank that as a conservative community bank we are normally positioned well during times like this. So we think we are -- again, we think we're putting policies in place to make sure that that happens.

We appreciate your support and your time today. Have a great day.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.